

Statement of Accounts 2020 - 2021



Hull
City Council

Independent auditor's report to the Members of Kingston upon Hull City Council

Report on the financial statements

Opinion on the financial statements

We have audited the financial statements of Kingston upon Hull City Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2021, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the HRA Income and Expenditure Statement, the Movement on the HRA Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the Council and Group financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2021 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Code Update.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Transformation (Section 151 Officer's) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Note 1 (i) of the financial statements explains how the Director of Finance and Transformation (Section 151 Officer) formed their judgement that it is appropriate to adopt the going concern basis of preparation for the Council and the Group.

In accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, our review of management's assessment of going concern was focused on the extent to which there are any indications that the functions of the Council and Group will not continue in operational existence for the foreseeable future.

Our audit procedures to evaluate the Director of Finance and Transformation (Section 151 Officer's) assessment of the Council's and the Group's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- undertaking an initial assessment at the planning stage of our audit to identify events or conditions that may cast significant doubt on the Council's and the Group's ability to continue as a going concern in the context of the guidance in Practice Note 10;
- obtaining an understanding of the relevant controls relating to the financial system;
- Director of Finance and Transformation (Section 151 Officer's) going concern assessment;
- making enquiries of the Director of Finance and Transformation (Section 151 Officer) to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Council's and the Group's continuation of service;
- obtaining and reviewing the Director of Finance and Transformation (Section 151 Officer's) written going concern assessment, as approved by the Audit Committee, as Those Charged With Governance; and
- considering whether the Director of Finance and Transformation (Section 151 Officer's) assessment is proportionate to the risks associated with going concern for the local government sector.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Transformation (Section 151 Officer) with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and, where relevant, key observations arising from those procedures. The matters set out below are in addition to going concern which, as set out in the "Conclusions relating to going concern" section above, was also identified as a key audit matter.

These matters, together with our findings, were communicated to Those Charged With Governance in our Audit Completion Report.

Key audit matter	How our scope addressed this matter
<p>Property, plant and equipment and investment property valuations (Group and Council) – carrying value of £1,596 million Group and £1,585 million Council</p> <p>The financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Council's and Group's holding of property, plant and equipment and investment properties.</p> <p>The Council engages the services of a valuation expert to provide information on valuations. There remains, however, a high degree of estimation uncertainty associated with the valuations of property, plant and equipment and investment properties due to the significant judgements and number of variables involved.</p>	<p>Our response</p> <p>How we addressed this key audit matter:</p> <ul style="list-style-type: none"> • we critically assessed the Council's arrangements for ensuring that property, plant and equipment and investment property valuations are reasonable; • we critically assessed the basis of valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by the valuer; • we considered the competence, skills and experience of the valuer and the instructions issued to the valuer; • we substantively tested assets that had been revalued in the year and also considered the appropriateness of the indices applied to those assets not subject to formal valuation in the year; and • where necessary, we performed further audit procedures on individual assets to ensure the basis of valuations is appropriate. <p>Key observations</p> <p>We have not identified any material misstatement of the Group and Council's property, plant & equipment and investment properties.</p>

Key audit matter	How our scope addressed this matter
<p>Defined benefit liability valuation (Group and Council) - £689 million Group and £659m Council</p> <p>The financial statements contain material pension entries in respect of the retirement benefits.</p> <p>The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>Our response</p> <p>How we addressed this key audit matter:</p> <ul style="list-style-type: none"> • we critically evaluated the Council's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; • we challenged the reasonableness of the actuary's assumptions that underpin the relevant entries made in the financial statements through the use of an expert commissioned by the National Audit Office; • we critically assessed the competency, objectivity and independence of the actuary; • we liaised with the auditors of the Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively and also reviewed a summary of the Fund auditor's work and findings in relation to the valuation of fund asset valuations and evaluated the impact of that work on the Council's and Group's net liability; and • we agreed data in the actuary's valuation report for accounting purposes to the relevant accounting entries and disclosures in the Council's and Group's financial statements. <p>Key observations</p> <p>We have not identified any material misstatement of the Group's and Council's net defined benefit liability valuation.</p>

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures, and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group	Council
Overall materiality	£14.917million	£14.738million
Basis for determining materiality	Materiality has been determined as 2% of gross expenditure at the surplus/deficit on provision of services level.	
Rationale for benchmark applied	Gross expenditure at the surplus/deficit on provision of services level was chosen as the appropriate benchmark as this is a key measure of financial performance for the Council and Group, and for users of the financial statements.	
Performance materiality (Note 1)	£11.934million	£11.790million
Reporting threshold (triviality – Note 2)	£0.448million	£0.442million
Specific materiality: officers' remuneration	n/a	£50,000
Specific materiality: termination payments	n/a	£50,000
Specific materiality: Members' allowances	n/a	£100

Note 1: performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.

Note 2: the triviality threshold is the level under which individual errors (unless cumulatively material) are not communicated to the Audit Committee and is based on 3% of overall materiality.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the Director of Finance and Transformation (Section 151 Officer) made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the Council and Group, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our tests included, but were not limited to:

- obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by irregularities including fraud or error;
- review of minutes of Council meetings in the year; and
- enquiries of management.

As a result of our procedures, we did not identify any key audit matters relating to irregularities, including fraud.

The primary responsibility for the prevention and detection of irregularities including fraud rests with both Those Charged with Governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

Our approach to auditing the group was based on our understanding of the group structure and an assessment of the significance of individual components to the group financial statements. In summary:

- Full scope audit procedures were carried out on the Council which represents 98.8% of the Group's total assets, 97.9% of the Group's total liabilities and 99.9% of the Group's income and 97.9% of the Group's expenditure.
- Analytical procedures were performed on Hull Culture and Leisure Ltd and Kingston Works Ltd which were non-significant components included in the Group financial statements.

We also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information. The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are discussed under 'Key audit matters' within this report.

Other information

The Director of Finance and Transformation (Section 151 Officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Finance and Transformation (Section 151 Officer) for the financial statements

As explained more fully in the Director of Finance and Transformation (Section 151 Officer's) Responsibilities, the Director of Finance and Transformation (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Director of Finance and Transformation (Section 151 Officer) is also responsible for such internal control as the Director of Finance and Transformation (Section 151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and Transformation (Section 151 Officer) is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Code Update and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Finance and Transformation (Section 151 Officer) is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015 the Local Government and Housing Act 1989 and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Director of Finance and Transformation's (Section 151 Officer) incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit Committee the policies and procedures regarding compliance with laws and regulations;

- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

As a result of our procedures, we did not identify any key audit matters relating to irregularities. The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under "Key audit matters" within this report.

We are also required to conclude on whether the Director of Finance and Transformation (Section 151 Officer) is required to comply with the use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our view we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021. We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have identified the following significant weaknesses in the Council's arrangements for the year ended 31 March 2021:

Significant weakness in arrangements	Recommendation
<p>The Council has relied on short-term measures to support its annual budgets, and has low levels of reserves. The Council has instigated transformational projects but savings have not yet been realised to address significant spending pressures in adult's and children's social care. The Council continues to rely on significant use of short-term and one-off measures to balance its budgets over the life of its Medium-Term Financial Plan.</p> <p>The matters identified are relevant to the financial year ending 31 March 2021 and, in our view, indicate a significant weakness in the Council's arrangements for financial sustainability (how the Council plans to bridge its funding gaps and identifies achievable savings).</p>	<p>The Council needs to develop sustainable financial plans to ensure services can be provided within available resources and should:</p> <ul style="list-style-type: none"> • undertake a baseline assessment of the affordability of services in their current form; • develop a detailed plan to address the deficit; and • ensure sufficient information is provided to Members so they can monitor the delivery of planned savings.

Responsibilities of the Council

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Other matters which we are required to address

We were appointed as the Council's auditor by Public Sector Audit Appointments Ltd, in its role as appointing person under the Local Audit (Appointing Person) Regulations 2015, on 14 December 2017. The period of total uninterrupted engagement, including previous renewals and reappointments of the firm, is nine years covering the audit of the financial year ending 31 March 2013 to 31 March 2021.

The non-audit Services prohibited by the FRC's Ethical Standard were not provided to the Council or its Group and we remain independent of the Council and its Group in conducting our audit. In addition to the audit, we provided the following services to the Council during the period 1 April 2020 to 31 March 2021, that have not been disclosed separately in the Statement of Accounts:

- assurance services on the Teachers' Pension return for 2019/20; and
- assurance services on the Housing Benefit Subsidy return for 2019/20.


Our audit opinion is consistent with the Audit Completion Report presented to the Audit Committee.

Use of the audit report

This report is made solely to the Members of Kingston upon Hull City Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Kingston upon Hull City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.


Mark Kirkham (Mar 22, 2023 18:30 GMT)

Mark Kirkham, Partner
For and on behalf of Mazars LLP
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NARRATIVE REPORT

1. *Introduction*

Over the past five years Hull has transformed into a nationally recognised and celebrated city, whilst at the same time responding to all of the challenges faced by the public sector, the latest being the COVID-19 pandemic referenced at section 7.

Hull is rapidly moving towards becoming a net contributor to the regional economy. Delivery of Green Port Hull and City of Culture 2017 has provided a platform that has set in train an economic investment profile to rival any city in the Northern Powerhouse and Yorkshire Devolution Agenda. Population, the economy and visitor numbers have also continued to grow. All of which has led to a new degree of confidence and self-belief.

Whilst at the same time challenges remain for those most vulnerable or 'distanced' from engagement and excluded from the benefits of economic success. Demands on key services such as children's and adults social care, housing, transport and education also continues to grow. This places ever greater strains on budgets which continue to reduce, due to year on year reductions in government funding.

The Council does not face these challenges alone – it is an issue for the entire city and region. The size of the budget gap, public sector funding pressures including changes to our funding and increased demand for services mean that we cannot continue to run the Council in the way that we have done – some things will need to change; partnership working and innovative approaches have become increasingly important.

In response the Council will continue to reshape its services, looking at ways in which we can deliver services and achieve better outcomes more efficiently and in new ways. Increasingly this will involve closer working with partners across all sectors to find joint solutions. This will include the people and communities of Hull being part of the solution too as, if we cannot work together, we may have to stop or reduce services even further. It will also enable maximising the value of public spend to the local economy, alongside greater efficiencies through closer working across public sector organisations.

2. *Profile of the City*

Hull is a unique city with a proud maritime heritage. As an 'entirely urban island' surrounded by the deeply rural East Riding of Yorkshire and the Humber Estuary; it serves a large hinterland of coast and countryside.

Covering 7,145 hectares (27.59 square miles) Hull has one of the most tightly drawn administrative boundaries in the country. Its population of 259,800 live across 21 wards and include a disproportionate share of low-income, poorly-qualified, unemployed and economically inactive residents living in some of the most deprived areas of England. The city's natural suburban villages (e.g. Cottingham, Hedon, Hessle, and Willerby.) are in the more affluent East Riding of Yorkshire, many of whose residents commute into the city for work and for retail / leisure activities.

Hull is the only east coast city to have a port within its administrative boundaries. The Port of Hull is the largest single item of transport infrastructure within the City and is poised to become a major national centre for the offshore renewables sector. The sustained redevelopment programme undertaken by Associated British Ports has made Hull one of the best-equipped freight and passenger centres in the UK, with additional capacity for growth. The M62, stretching across Britain, links Hull to Liverpool (via Leeds and Manchester) and intersects with the north-south A1/M1 (London to Edinburgh) route.

Hull Key Facts

- Hull is home to 259,800 people with a travel to work population of 520,000. The recent trend for above average population growth in Hull has not continued post 2018 – and in the last two years the city's population has declined (although not significantly). Whilst Hull continues to attract and retain those young families it previously lost due to internal

migration, there has been a significant reduction in net international migration which has historically been critical to the city's population growth. As a result the working age population is shrinking; particularly younger working age residents (2018/19)

- There are currently 125,830 residential properties in Hull. This number has grown by an average of over 800 properties in each year over the last five years; with continued large scale house building and city centre conversions / developments (2019).
- With an economy worth £6,179m (2018); the largest industry sector is manufacturing. This is worth £1,691m or 27.4% of total GVA. This is considerably higher than the regional and national figures.
- In 2020, 127,200 Hull residents are in employment (73.5%). This is one of the highest employment levels in Hull on record, and only slightly below the national level (75.7%). However, employment has fallen by over 5,000 in the latter half of 2020 as the effects of the COVID-19 pandemic have taken effect.
- Despite the above, there are currently over 22,500 more residents of Hull in employment than there was in 2012, when the local employment rate was 60.6% (compared to 70.8 nationally).
- Although latest employment figures for Hull remain high; the unemployment benefit claimant count highlights the effect of the COVID-19 pandemic on the city. As of March 2021 there are 16,515 residents of Hull claiming unemployment benefit (9.8%); a 67% increase from March of the previous year and one of the highest unemployment claimant rates in the country.
- There are 138,000 jobs based in Hull (2019) – a reduction of 3,000 jobs compared to the previous year. Most of the jobs in Hull are based in manufacturing (16.3%), wholesale and retail trade (15.4%), human health and social work (15.4%) and administrative and support service activities (12.2%).
- In 2020, Hull is home to just over 8,400 local businesses. After decreases during the previous two years, there has been a small increase in business numbers in the last year (-140) to the highest number since 2010.
- Median resident full time weekly wages in Hull are currently £483.80 (2020). This is £112 below the England average. Over the last year weekly wages in Hull rose £3.90 to their highest level on record; despite a decrease in weekly wages nationally.
- Hull is ranked as the 4th most deprived local authority in England (2019). 45% of LSOA in Hull are amongst the 10% most deprived nationally, 22.7% of households experience income deprivation and 16.6% of households experience employment deprivation.
- Over 16,800 (32.2%) of all children under 16 in Hull are estimated to live in low income families (2020); a figure which has increased by over 1,200 children since the previous year. Over 23,400 households (19.6%) experience fuel poverty in 2019 – compared to 10.6% the previous year.
- Life expectancy at birth is approximately 3 years below the national average (2017-19). Life expectancy for both males and females has fallen in the last year and is currently at the lowest level in almost 10 years. Healthy life expectancy is significantly below both the national average and life expectancy at birth, suggesting residents of Hull experience an average of 20 years of ill health.
- The GCSE average Attainment 8 score in Hull is 45.9; below the regional figure of 48.3 and the national figure of 50.2 (2019/20). 39.9% of students in Hull achieved grades 5 or above in English and Maths (compared to 49.9% nationally) and 64.3% achieved grades 4 or above (compared to 71.2% nationally). Due to the COVID-19 pandemic, the summer exam series was cancelled in 2020. Pupils were awarded either a centre assessment grade or their calculated grade using a model developed by Ofqual - whichever was the higher. As a result the 2019/20 data can not be directly compared to attainment data from previous years.
- As at 31 March 2020 the rate of Children in Need in Hull (661.1 per 10,000 children) was almost double the national rate (323.7 per 10,000 children) and a significant increase from the previous year (566.6 per 10,000 children). Likewise the rate of Looked After Children (151 per 10,000 children) was over twice the national rate (67 per 10,000 children) and also an increase from the previous year (139 per 10,000 children).
- Current estimates suggest that there are approximately 48,800 working age people in Hull with a disability (2020). This equates to 29.0% of working age people (compared to 21.3% nationally) and the number has increased by nearly 12,000 (32%) over three years.
- Crime in FY2020/21 was 10% lower compared to the previous year; likely as a result of the COVID-19 pandemic. However over this period there was a 3% increase in violence and sexual offences and a 16% increase in ASB.

Council Statistics

- Responsible for 23,500 council homes (2021).
- Responsible for (state funded) 130 nursery school children, 25,900 primary school children, 15,150 secondary school children, 690 special school students and 350 students in PRU's (2019/20).
- 7,800 children with Special Educational Needs (2019/20).
- 4,400 children referred to children's social care services (Year to March 2020).
- 10,800 school children known to be eligible for free school meals (2019/20).
- 104,500 tonnes of household waste collected, of which 50,300 (48.1%) sent for recycling (2019/20).
- Assessed nearly 3,300 households of which nearly 3,000 were assessed as owed a duty (1,100 prevention duty and 1,800 relief duty). 1,745 households secured accommodation for 6 months or more. (2019/20)
- 4,565 employees (workforce report - 31 March 2020).

3. Significant Issues for 2020/21 and Beyond

The Council's key challenge is responding to increasing demand for services but reductions in the money it has available. The Council, and City, as Yorkshire's only major port, faces specific challenges and opportunities in relation to exiting the European Union. There are also a wide range of further challenges as well as opportunities:

- Maintaining key infrastructure and improving the environment.
- Improving economic productivity, skills and education.
- Devolution and the role of cities.
- Climate change and living with water.
- Rising service demands and expectations of adult and children's social care services.
- Income inequality and impacts of welfare reform.
- Digital access and the provision of online services.
- Working more efficiently within the council and across partnerships.
- Future funding of local government.

Responding to these challenges, the Council will design and develop services that not only identify opportunities for working together with partners, but also to an approach that:

- **Promotes independence** – people and communities are able to do things for themselves rather than relying on public services for care and support.
- **Supports community resilience / family networks** – an emphasis on supporting existing and new community networks and providers.
- **Intervenes quickly and effectively at an early stage** – identifying and targeting our support on early signs of difficulty, rather than on the high cost / acute services, on the basis that prevention is better than cure.
- **Prioritises independent, self-supported communities** – rather than institutional support and care.

4. City Plan and Corporate Plan

The City Plan was launched in June 2013, setting out a journey to transform the city over the next ten years with a clear sense of purpose and a strong economic rationale. Key to the future prosperity of the city is creating jobs, developing a thriving economy, and identifying and preventing the need for acute services through early intervention. The Council, as a community leader, place-shaper, and a key provider and commissioner of services, has made this vision central to prioritisation, investment, and business planning.

The City Plan shows how working in partnership the Council is able to grasp 'once in a generation' opportunities, such as the creation of the renewable industry and being awarded UK City of Culture. Through the City Plan, the Council and partners have set out a clear and long term vision and for the city that will create thousands of jobs and create a strong and sustainable economic future.

The City Plan has three main themes:

- **UK Energy City:** Harnessing all of the local assets to become the UK hub for renewable energy industries and investment.
- **Destination Hull:** Aiming to become a world class visitor destination attracting visitors from across the UK and beyond to experience its unique heritage and culture.
- **Community and Opportunity:** Making money go further, prevention and early Intervention, and safeguarding the most vulnerable.

Hull's first City Plan, launched in 2013, introduced a new way of working and sense of purpose based around addressing needs, realising opportunity and creating employment for our residents. The City Plan (2019), refreshed to reflect where the city is now, sets out a clear long term strategic vision and plan for fair, inclusive economic growth for all our residents and businesses to deliver a growing and resilient city, creating and sustaining thousands of jobs and providing a better future for all the people of Hull.

Delivering Economic Growth

ENERGY CITY

Through its prime economic and geographic location on the Humber Energy Estuary, Hull is firmly at the heart of the UK hub for new and emerging industries focusing on renewable energy and the transition to a low carbon economy.

DESTINATION HULL

Hull is a gateway to Yorkshire, the UK and to Europe. UK City of Culture 2017 supported the delivery of the wider Destination Hull capital programme of major cultural and transport infrastructure projects. Firmly grasping this once-in-a-generation opportunity to create a sustainable thriving visitor economy; building on its rich heritage, culture and diversity, whilst embracing the future and the opportunities that it will bring.

Delivering Fair Growth

A PLACE OF COMMUNITY & OPPORTUNITY FOR ALL

Hull is a place where everyone and all our communities matter and should have the opportunity to benefit from economic growth. Recognised now as a key issue for many, inclusive growth is the main development for the refreshed City Plan. Some of our residents have not yet enjoyed the benefits of economic growth and the intention is now firmly on addressing that situation. Engaging all our residents and communities in the economic growth story is now firmly embedded in our approach. Working with our partners through the Hull Place-based Strategic Partnership Board and the Health and Wellbeing Board, connections across major policy areas have enabled this to happen but there is still more to do. The City Plan will seek to support all to achieve their very best by:

- Ensuring people receive the services they need as early as possible through prevention and early intervention.
- Helping to provide a coherent city-wide education system that enables every child and young person in Hull to fulfil their potential and talent.
- Encouraging entrepreneurial skills and attitudes, recognising the contribution that enterprise activity can make to people's lives, particularly the young and the very young.
- Providing opportunities to maximise personal income and reduce outgoings to make money go further with access to good jobs, training and skills development, especially within our post 16 communities.
- Safeguarding the most vulnerable, offering extra support where needed, helping them to live independently, leading to a happier, healthier, longer life.
- Encouraging fair growth principles across all the city's businesses, organisations and institutions, augmenting the collective wellbeing of the city.
- Helping to build strong, active, empowered and engaged communities across the city.
- A city-wide outcome of making more of the Hull Pound:
 - Delivery of Local Supply Chain Strategy.
 - Addressing in-work poverty.
 - Seeking to increase disposable income.
 - Maximising employment opportunities.
 - Encouraging all businesses and communities to recirculate the Hull Pound to enable more money to be retained in the city.






The Corporate Plan has been refreshed and updated to sharpen its focus and ensure alignment with the City Plan, and was approved by Council on 17 January 2019.


The Corporate Plan is summarised as follows:


Our Vision	Securing a positive and sustainable future for the city, through decisive leadership and the development of inclusive partnerships and communities		
Hull City Council will:	Deliver economic growth that works for all	Create inclusive, resilient and safe communities	Deliver organisational excellence by working in partnership
Our Priorities:	<ul style="list-style-type: none"> Investing in infrastructure, housing, highways and the local environment Delivering sustained cultural and leisure growth Playing a leading role in devolution for Yorkshire and the North Creating a healthy, safe, and environmentally friendly city 	<ul style="list-style-type: none"> Improving health and welfare Supporting children and families Championing education, training and employment Ensuring financial and social inclusion Working with people and communities to live independent and safe lives 	<ul style="list-style-type: none"> Improving access through digitally enabled services Developing new ways of working in partnership Making the best use of our assets and budgets
Our City's Outcomes:	<ul style="list-style-type: none"> Investment and employment will continue to grow, providing opportunities for all Hull will increase its distinctive cultural offer which reflects the spirit of its people and its position Public spaces are clean, vibrant, sustainable, and adapted to respond to climate and environmental changes Ensuring a safe and fair trading environment in which industry and commerce can flourish 	<ul style="list-style-type: none"> All families will feel safe and supported All children and young people have positive mental health and wellbeing and will thrive in their communities and cope with life's challenges People will have the skills and qualifications to fulfil their aspirations for work and life People will be more active, leading healthier lifestyles and improving life expectancies 	<ul style="list-style-type: none"> People will have a better, more coherent experience when interacting with our services Services will be jointly commissioned and funded, with residents receiving a single, seamless service Staff will be healthier, more skilled, and have improved tools to deliver better services Improved outcomes will be able to be delivered for the same or less costs
We will do this by:	<ul style="list-style-type: none"> Working with respect and integrity 	<ul style="list-style-type: none"> Focussing on communities, residents and visitors 	<ul style="list-style-type: none"> Valuing diversity and equality


These objectives reflect the ongoing commitment to ensure the Council works to serve the people of Hull.

City Plan Performance: 2020-2021

	Population	Period	No	%	England	Previous	Direction
	Total Population	2019	259,778	-	-	260,645	▼
	Working Age (16 – 64)	2019	168,216	64.8%	62.4%	65.2%	▼
	Median Age	2019	35.8	-	40.0	35.6	▲
	Non UK Born Population	2019	29,000	11.2%	15.5%	13.6%	▼
	Working Age Employment	Period	No	%	England	Previous	Direction
	In Employment	Jan 20 – Dec 20	127,200	73.5%	75.7%	75.3%	▼
	Unemployment	Jan 20 – Dec 20	7,200	5.3%	4.6%	7.1%	▼
	Economically Inactive	Jan 20 – Dec 20	37,900	22.5%	20.5%	20.8%	▲
	Claimant Count *	March 2021	16,515	9.8%	6.6%	9.8%	—
	Economy	Period	No	Rate	England	Previous	Direction
	GVA / GVA Per Head	2018	£6,179m	£23,708	£29,356	£23,367	▲
	No of Enterprises / No Per 1,000	2020	6,215	23.9	42.5	23.2	▲
	No of Local Units / No Per 1,000	2020	8,435	32.5	49.2	31.8	▲
	Jobs / Jobs Per 1000 Aged 16-64	2019	123,000	731.3	745.3	124,000	▼
	Deprivation	Period	No	% / Rate	England	Previous	Direction
	Multiple Deprivation (LA Rank)	2019	4 th	-	-	3 rd	▲
	GDHI / GDHI Per Head	2018	£3,657m	£14,032	£21,609	£13,663	▲
	Resident Median FT Weekly Wages	2020	£483.80	-	£589.80	£479.90	▲
	Children in Poverty (Under 16)	2020	16,834	32.2%	19.1%	30.2%	▼
	Health	Period	No	%	England	Previous	Direction
	Male Life Expectancy	2017 – 19	75.8	-	79.8	76.0	▼
	Female Life Expectancy	2017 – 19	80.1	-	83.4	80.2	▼
	Working Age Disability	Jan 20 – Dec 20	48,800	29.0%	21.3%	29.0%	—
	ESA Claimants	Aug - 20	12,300	7.3%	4.4%	7.4%	▼

 Crime	Period	No	Rate	England	Previous	Direction
All Offences ¹	Yr to Mar - 21	34,004	-	-	37,586	▼
Criminal Damage and Arson ¹	Yr to Mar - 21	4,182	-	-	5,016	▼
Violence and Sexual Offences ¹	Yr to Mar - 21	14,637	-	-	14,258	▲
ASB ¹	Yr to Mar - 21	6,963	-	-	6,028	▲

 Young People and Education	Period	No	% / Rate	England	Previous	Direction
Pupil achieving a 9 – 5 pass ²	2019/20	-	39.9%	49.9%	32.6%	▲
Pupil achieving a 9 – 4 pass ²	2019/20	-	64.3%	71.2%	56.1%	▲
16 – 17 Year Olds NEET (inc NK)	2019/20	320	5.8%	5.5%	6.3%	▼
Overall State Funded School Absence	2018/19	-	4.9%	4.7%	5.0%	▼
Looked After Children / Per 10,000 Child	As at 31 Mar 20	867	151	67	139	▲
Children in Need / Per 10,000 Child	As at 31 Mar 20	3,793	661.1	323.7	566.6	▲

 Housing	Period	No	% / Rate	England	Previous	Direction
No of House Sales	Yr to Nov – 20	2,717	-	-	3,469	▼
Average House Price (All Types)	Feb - 21	£114,717	-	£268,291	£113,286	▲
Average Private Rent (All Types)	Yr to Sep-20	£432	-	£845	£438	—
Homeless and In Priority Need / Per 1,000	2019/20	0	0.0	1.67	0.19	▼
Prevention and Relief Cases / Per 1,000	2019/20	2,969	26.2	12.2	22.5	▲

¹ We are no longer provided with crime data directly from Humberside Police so data is now sourced from the national police data website. This has meant that the previous Violent Crimes indicator has had to be updated to Violence and Sexual offences. Humberside Police have not released complete crime data for December 2020. Therefore in order to be able to create a more realistic 12 month rolling figure, and to compare this to the same 12 month period of the previous year, crime and ASB numbers in December 2020 have been assumed to be the same as in December 2019.

² Due to the COVID-19 pandemic, the summer exam series was cancelled in 2020. Pupils scheduled to sit GCSE and A/AS level exams in 2020 were awarded either a centre assessment grade (based on what the school or college believed the student would most likely have achieved had the exams gone ahead) or their calculated grade using a model developed by Ofqual – whichever was the higher of the two. Each of the pupil level attainment statistics have increased – more than would be expected in a typical year – between the 2018/19 and 2019/20 academic years. This reflects the change to the way GCSE grades were awarded rather than improvements in pupil performance. As a result the 2019/20 data should not be directly compared to attainment data from previous years for the purposes of measuring changes in student performance.

5. Council Performance

The Council reviews progress against a range of performance indicators across services provided by the Council, in order to give an overview of operational delivery, and a link between the City Plan's goals and Council's core business activities. Based on this approach 40 indicators were identified to cover all services.

These indicators:

- provide a high level indication of the performance of the service (i.e. a bell-weather of the service's 'health' and its impact),
- link directly between service provision, activities, and impacts of its work,
- measure the current position (and have history to be able to show trend); and,
- are published on a regular and frequent basis (monthly or quarterly).

Overall, during the last year out of 40 indicators, 21 achieved the year-end target, 3 are awaiting final audited position, and 16, not achieving their expected position.

Deliver economic growth that works for all			
Measure	Lower is Better / Higher is Better	Target	Target Achieved?
Number of jobs created through procurement activity	Higher	40	Yes
Percentage of spend via Small to Medium Enterprises	Higher	45%	Yes
Percentage of spend via local suppliers	Higher	55%	Yes
Cleanliness of the city - Percentage of streets that fall below standard for litter	Lower	6%	No
Percentage of Domestic Waste Recycled	Higher	50%	No
Number of in-person visits to Libraries	Higher	940,000 (10% tolerance)	No
Number of on-line visits to Libraries	Higher	149,000 (10% tolerance)	Yes
Visitor numbers to the council's cultural facilities (Heritage, Leisure, City Hall and New Theatre)	Higher	2,160,000 (10% tolerance)	No
Employment infrastructure – office / industrial / warehousing jobs granted planning permission	Higher	300 pa	Yes
Enterprises receiving support through ERDF programmes (12hrs of support or £1000 grant awarded)	Higher	80 pa	Yes
Employment enablement – No. of jobs created / safeguarded through the conversion of New / Established Inward Investment projects	Higher	400 pa	Yes
Commercial Property Estate – Percentage of units vacant	Lower	5%	Yes
Combined Not in Education, Employment or Training, and Not Known	Lower	Within 1% of national average	Yes

Create Inclusive, resilient and safe communities			
Measure	Lower is Better / Higher is Better	Target	Target Achieved?
Referrals to children's social care (Rate per 10 000)	Lower	Reduction	No
Total number of Early Help Referrals	Higher	Increase	Yes
Percentage of Assessments completed within 45 Days	Higher	90%	No
Children Subject to a Child Protection Plan (Rate per 10,000)	Lower	Show reduction against baseline	No
Actual Number of Looked After Children	Lower	Reduce by 10%	No
Percentage of 2 year olds accessing free nursery provision	Higher	80%	No
Qualified Social Worker Average Caseloads	Lower	16	No
Care Leavers - Not in Education, Employment, or Training (NEET)	Lower	Reduction from baseline (2017/18)	Yes
Percentage of Children Looked After with 3 or More Placements	Lower	10%	No
Domestic violence - repeat referrals as a percentage of referrals received	Lower	Reduction from 18% baseline (2015/16)	No
Number of Rough Sleepers	Lower	16	Yes
Speed of processing new benefit claims (days)	Lower	NC <28 days	Yes
Speed of processing change in circumstances (days)	Lower	CiC <18 days	Yes
Permanent admissions to residential and nursing care homes, per 100,000 population (ASCOF 2A Part 2 ages 65+)	Lower	1,000	Yes
Reducing Delayed Discharge of care: Average daily delays attributable to Adult Social Care, per 100,000 adult population	Lower	3.4	Data Not Available
Community See and Solve: Number of long term adults (18+) with social care packages active at end of period (SALT LTS001b)	Lower	Reduction	Yes
Proportion who successfully completed alcohol treatment and did not re-present within 6 months	Higher	40.1%	Data Not Available
Percentage of children who received a 2-2½ year health visitor review	Higher	90%	Data Not Available

Deliver organisational excellence by working in partnership			
Measure	Lower is Better / Higher is Better	Target	Target Achieved?
Number of Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDORs) across the council each year	Lower	Reduction	Yes
Overall total of near miss incidents recorded each year	Higher	Increase in Reporting	No
Percentage staff attendance	Higher	96.0%	No
Number of Regulation of Investigatory Powers Act 2000 (RIPA) investigations carried out by the Council	Lower	Max 4 pa	Yes
Percentage of Housing Rent collected (Housemark definition)	Higher	97.5% (1% tolerance)	Yes
Satisfaction with the service received at the Customer Service Centre	Higher	85%	No
Satisfaction with the service received at the Call Centre	Higher	85%	Yes
Operational Property Estate inc. schools – Percentage reduction in space occupied by the Council	Higher	10%	No
Percentage of all requests for Public Protection services dealt with within target	Higher	85%	No

6. Financial Outlook for Council

As reported to Council in February 2021 as part of the General Fund Revenue Budget 2021/22 and Medium Term Financial Plan 2022/23 to 2023/24, the Provisional Local Government Settlement for 2021/22, which was issued on the 7 December 2020, provided funding allocations for one year only. Following last year's one year settlement, it was anticipated that there would be a full spending review during 2020. However, the impact of the COVID-19 crisis has meant that a full review has not been completed. It is now hoped that during 2021 the Government will carry out a full spending review that will enable a long term local government settlement (3 years) to be produced in December 2021.

Whilst there has been an increase in Core Spending Power for 2021/22, mainly due to the additional social care grant and the 3% social care precept on council tax, this has done little to address the significant loss in funding in the ten years from 2010. The Council has lost £130m in Core Spending Power between 2010 and 2020, (a 55% reduction). Although significant reductions were faced across the whole local government sector, Hull and similar authorities, which have a high level of need but suffer from relatively low property values and economic growth, have continued to suffer disproportionately from the cuts in funding.

Due to the uncertainties surrounding the impact of the COVID-19 pandemic, both the Fair Funding Review implementation and the move to 75% Business Rate Retention have been delayed a further year to 2022/23. This has increased the level of uncertainty around future local government funding and made any effort for long term planning more difficult. The Government has previously indicated that it intends to retain the system of 'top ups and tariffs' regarding Business Rates which is vital to cities like Hull, as it provides an element of redistribution from wealthier to poorer areas. It is essential for Hull that the Government ensures equity in the distribution of overall resources to adequately reflect comparative local needs and the differing abilities of councils to raise income locally. The Council will continue to lobby to best effect through direct responses to Government consultation proposals as well as the Local Government Association and SIGOMA (the Special Interest Group of Metropolitan Authorities) within it.

The Budget and MTFP approved by Council in February 2020 provided for a balanced budget in 2020/21 but highlighted a structural deficit from 2021/22 of circa £5m, ahead of the anticipated implementation of Fair Funding from April 2021. However, the COVID-19 crisis that has impacted

the country from March of last year has fundamentally changed, and continues to dominate, the operational environment and financial outlook for the Council. There remains very significant uncertainty with regard to the course of the pandemic and its impact both locally on the residents and the economy of Hull over the coming months and on the public sector funding in the medium term.

Over recent months Cabinet and Scrutiny Committees have been informed of potentially very significant budget deficits arising in both the current and future financial years as the financial impact of the pandemic and the Government's financial support package have evolved. However, as trailed in the Chancellor's spending review in November and confirmed in the Local Government Financial Settlement released on December 17, significant additional one-off funding has now been committed to support Local Government. As a result, it is now anticipated that the Council can manage the in-year impact with a neutral impact on the Council's Reserves and the 2021/22 Budget can be set without significant savings being required and therefore with services protected at current levels whilst the Council continues to respond to the on-going emergency ahead of supporting the recovery.

Although the Council can now enter 2021/22 in a financially stable position, it is important to note that the future year projections indicate potentially significant deficits. The funding position is very uncertain but the Government have indicated that they will conclude the Fair Funding review during 2021 and provide a multiyear settlement from 2022/23 which will provide the stability Councils require to enable robust service and financial planning. The pandemic and its impact on the local and national economy creates an additional layer of uncertainty which highlights the need for the Council to prepare for significant financial challenges in future years.

The challenge of delivering reductions in the cost base over the medium term, in the face of increasing demand, is shared by many other councils, and will be further exacerbated by the impact of COVID-19 in creating both service pressure and uncertainty undermining both the stability of the Council and that of the City and its residents.

With regard to the 2020/21 Outturn, as noted in the table below, the Council, at an overall Council level incurred a small underspend of £0.023m against budget. The formal monitoring reports considered by Cabinet during 2020/21 identified potential overspending from the outset, predominantly relating to Children's Services and Adults Social Care. These major service variations were expected to be, and have been, mitigated by corporate savings and measures taken during the year. Directorates have also sought to control costs and to identify savings which mitigate the impact of rising demand pressures. As a result, in year cost savings of £1.750m have been identified which are reflected in the Outturn figures. The Council is limited in its ability to deliver savings as the desire for cost savings has to be balanced against the need to maintain services to residents and build a recovery from the pandemic. The MTFP will be revisited during 2021/22 to ensure service budgets are in line with latest estimates of cost and the impact of savings measures.

Reported Revenue Outturn	Budget	Actual	Variations
	£'000	£'000	£'000
Net position - Services	237,047	237,332	285
Net position - Corporate Accounts including Receipts from Council Tax, Business Rates, Revenue Grant	(237,047)	(237,355)	(308)
	<u>-</u>	<u>(23)</u>	<u>(23)</u>

The level of general reserves at 31 March 2021 have increased by £1.7m from the previous year and stand at £20.968m.

7. COVID-19 Financial Impact and Support

The financial impact of COVID-19 in 2020/21 is significant and complex. Since the outbreak of COVID-19 in March 2020, the council has received a number of government grants, to either fund the authorities own COVID-19 related expenditure and lost income, or to passport on to provide financial assistance to local businesses and individuals during the pandemic. The financial impact of these grants is included within the outturn and Statement of Accounts. The grants and Business Rates reliefs were administered by the Council in line within the guidance received from Central Government.

Following the receipt of a grant the Council had to determine whether in administering the grant it was acting as an agent or principal.

Where the Council was acting as agent the following conditions applied:

- It was acting as an intermediary between the recipient and the Government Department,
- It did not have “control” of the grant conditions and there was no flexibility in determining the level of grant payable.

Where the Council acted as principal, it was able to use its own discretion when allocating the amount of grant payable.

The council has accounted for individual funding streams in accordance with the terms of the grant, whether there were any grant conditions attached and whether the council has been acting as a principal or agent.

Grants to Businesses

The first major grant round announced was the Small Business Grant Fund (SBGF) and Retail, Leisure and Hospitality Grant Fund (RLHGF). The grant details were issued in late March 2020 and the Council received £57.912m to pay these grants on 1 April 2020. As the grant sums payable were £0.010m or £0.025m for each eligible business with eligibility criteria specified by Government, the Council acted as an agent in administering these grants.

A further grant regime, the Discretionary Grant Fund was then introduced, within a maximum sum of £2.452m. The Council determined eligibility for these grants and therefore acted as a principal for this source of funding.

By the time the final grants were paid by 30 September 2020, in total £50.050m had been paid in SBGF and RLHGF to 4,371 businesses and the maximum of £2.452m in discretionary grants to 449 businesses. The balance of £5.410m was returned to Central Government. The table below sets out the summary grant information.

Grants	Total Grant Allocation	The Council acting as Agent	The Council acting as Principal	Expenditure as at 31/3/21	Grant Remaining as at 31/3/21
	£'000	£'000	£'000	£'000	£'000
Small Business Grants Fund / Retail, Leisure and Hospitality Grant Fund	50,050	50,050	-	50,050	-
Local Authority Discretionary Fund Grant	2,452	-	2,452	2,452	-
Total	52,502	50,050	2,452	52,502	-

The Government then introduced a range of grants under the general heading of Local Restrictions Support Grant (LRSG), covering the period from August 2020 to 31 March 2021. In total the Council received £34.4m in grant across separate allocations. Each separate tranche of LRSG had its own eligibility criteria.

The rounds of the LRSG had a discretionary element and for these the Council determined eligibility and therefore acted as principal. Tranches of LRSG were received to support schemes without a discretionary element and for these the Council acted as the agent of Central Government. Funding for these grants totalled £20.672m and at the year-end £13.986m remained

unspent. Given the status of these grants, the funds remaining at 31 March are included in the Councils Balance Sheet (Short Term Creditors).

Once all rounds of LRSG are finally closed there will be a reconciliation and remaining funds will be repaid to Central Government.

The table below summarises the LRSG allocation and expenditure in 2020/21.

Grants	Total Grant Allocation	The Council acting as Agent	The Council acting as Principal	Expenditure as at 31/3/21	Grant Remaining as at 31/3/21
	£'000	£'000	£'000	£'000	£'000
LRSG Closed	34,378	20,433	-	20,433	13,945
LRSG Open	280	239	-	239	41
Christmas Support Funding	141	141	-	-	141
Total	34,799	20,813	-	20,672	14,127

In addition to the LRSG, the Government introduced a further discretionary grant scheme the Additional Restrictions Grant. The Council introduced specific eligibility criteria for grant support. During 2020/21, two rounds of grant were received totalling £7.503m for which the Council acted as a principal. By the year-end £4.310m had been spent with £3.193m being carried forward within the Council's Revenue Grant reserves.

Grants	The Council acting as Principal	Expenditure as at 31/3/21	Grant Remaining as at 31/3/21
	£'000	£'000	£'000
Additional Restrictions Grant	7,503	4,310	3,193
Total	7,503	4,310	3,193

From 1 April 2021, the Council began administering a new round of business support grants known as Restart Grants and it will continue to administer this grant regime until the closing date for final payments on 31 July 2021.

Grants to support Council expenditure

The COVID-19 pandemic led the Government to introduce a number of specific grant regimes for the Council to administer. Each of these grants had its own terms, conditions and eligibility criteria and some had detailed reporting requirements. The table below shows the amount of COVID-19 funding received during 2020/21, less the amount applied to Service Areas to mitigate their Outturn position for COVID-19 costs and the allocation of the resultant resource to off-set potential COVID-19 costs in later years.

Revenue Grants	Grant Received	Grant Applied	Grant Carry Forward
	£'000	£'000	£'000
Revenue Grants	58,908	42,600	16,308
Total	58,908	42,600	16,308

8. **Capital Programme**

Expenditure by the Council in 2020/21 was £125m with expenditure aimed at underpinning the Council's objectives and providing for investment in long term assets which will be used to deliver Council services. The largest spending areas for 2020/21 were:

- Investment in Schools (£8m)
- ICT (£7m)
- Property Acquisitions and Maintenance (£14m)
- Works to Housing Stock (£32m)
- Private Housing (£5m)
- Transport Projects (£15m)
- Visitor Destination Programme (£10m)
- Local Growth Fund (£14m)

9. **Housing**

The government have indicated that from 2020/21 onwards, rents policy allows rent increases of CPI+1%, this has been helpful in addressing some of the underlying financial issues caused by four years of 1% rent reductions. In the 2019/20 financial year the Coronavirus pandemic started, this has resulted in a unstable and uncertain fiscal climate. CPI is therefore volatile and was much lower than initially expected before the pandemic therefore future years rent budgets are negatively impacted by this movement, and limits the base rent longer term. Going forward the effects of the ongoing pandemic are unknown and could affect housing income and expenditure in a variety of ways.

Also due to the Coronavirus pandemic, Brexit and other external factors, Housing are expecting significantly increased cost and scarcity of certain building materials, this in particular has the potential to impact on the costs of future capital schemes and repairs and maintenance work. In addition the financial reverberations following the Grenfell disaster continue to be felt and will be for the foreseeable future with a requirement to invest in and maintain higher standards of fire protection. To also note the effects of the recent government White Paper are also to take hold. Universal Credit commenced in full in the Hull area during 2018/19 and the volume of claimants is steadily rising, we expect to see increases in rent arrears and increased costs of collection as this continues to bed in. Maintaining rent collections rates will be difficult due to the issues mentioned above whilst there is a need to make further savings to balance the HRA over the medium to long term.

10. **Statement of Accounts**

The following pages detail the Statement of Accounts for Kingston upon Hull City Council for the financial year ended 31 March 2021. It shows the financial position of the Council and the cost of the services it provided in the year. A list of the accounts together with a brief explanation of the purposes of each account is shown below:-

(i) **Movement in Reserves**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

(ii) **Comprehensive Income and Expenditure Statement**

This account summarises the resources that have been generated or consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of non-current assets consumed and the real projected value of retirement benefits earned by employees in the year.

(iii) The Balance Sheet

This statement sets out the financial position of the Council at 31 March 2021. It shows a summary of non-current assets held, the current assets employed, the balances and reserves available to the Council and the Council's long term indebtedness.

(iv) Cash Flow Statement

This statement summarises the Council's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

(v) The Housing Revenue Account Income and 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 and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

(vi) The Collection Fund

All the money collected from council taxpayers and non-domestic ratepayers is paid into this account. The precept, being the money required by the City Council, the Police Authority and the Fire Authority to meet net spending on services provided, is paid out of the account. In 2013/14 the Local Government Finance regime was revised with the introduction of the Retained Business Rates Scheme. The main aim of the scheme is to give Local Authorities greater incentives to grow businesses in the area, as the scheme allows Councils to retain a proportion of the total Business Rates collected. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

11. Housing Revenue Account (HRA)

The Council is required to keep a separate account in respect of Council Housing. The HRA will show major elements of expenditure (maintenance, management and capital financing) and income (rents and charges). The balance at 31 March 2021, on the Housing Revenue Account is £19.549m though most of this is earmarked for future costs arising from the Modern Homes Programme.

12. Balance Sheet

The Council's Balance Sheet demonstrates a sound financial platform for the Council to respond to the financial challenges ahead. The significant movements in the year are detailed below:

	2020/21 £'000	2019/20 £'000	Explanation
Fixed Assets	1,524,718	1,436,942	Increase reflects asset revaluation uplifts based partly on BCIS All In Tender Price Index rates as published by RICS
Short term debtors	91,026	49,571	Increase in debtors reflects the ongoing impact of COVID-19 both within general debt and statutory debt.

Cash and cash equivalents	42,449	126,302	Decreases in cash and cash equivalents, reflect the Councils policy of maintaining liquidity whilst minimising borrowing.
Short term borrowing	(235,545)	(298,059)	Decreases in the short term borrowing balances reflect the continuation of the Council's temporary borrowing policy which seeks to minimise interest costs.
Short term creditors	(117,348)	(54,684)	Increase in short term creditors reflects the receipts and carry forward of COVID-19 related grants to be applied in 2021/22
Long term borrowing	(384,668)	(407,426)	Long term borrowing has reduced in line with the Councils borrowing policy which seeks to minimise interest costs.
Other long term liabilities	(658,853)	(438,884)	The pension liability has increased as at the balance sheet date as the real discount rate (discount rate net of inflation) has fallen compared to the previous year. This is due to the combination of a lower discount rate assumption and a significantly higher CPI assumption.

13. **Group Accounts**

The Council's 2020/21 Accounts are very similar in presentation to last years with no significant change in accounting regulations impacting this year.

14. **Humber Bridge Debt**

In March 2012 the Government agreed to write down £150m of the Humber Bridge debt to enable car tolls to be reduced from £3 to £1.50 and thereby boosting the local economy on the condition that there was a radical reform of the Bridge Board and that the four Humber area authorities took responsibility for any operating deficit that the Bridge Board may incur after fully utilising all of its reserves. Any deficit would be shared equally between all authorities. The Bridge Board's current financial plans give no concern that any call will be made on the authorities in the foreseeable future. The Council will continue to monitor the financial plans and outturn of the Bridge Board.

David Bell, C.P.F.A.
Director of Finance and Transformation (Section 151 Officer)

STATEMENT OF RESPONSIBILITIES

1. *The Council's Responsibilities*

The City Council is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In Kingston upon Hull City Council, that officer is the Director of Finance and Transformation (Section 151 Officer).
- To manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets.
- To approve the statement of accounts.

2. *The Responsibilities of the Director of Finance and Transformation (Section 151 Officer)*

2.1. The Director of Finance and Transformation (Section 151 Officer) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practice.

2.2. In preparing this Statement of Accounts, the Director of Finance and Transformation (Section 151 Officer) has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice on Local Authority Accounting;
- Kept proper accounting records that were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Accounts

I certify that the Statement of Accounts gives a true and fair view of the position of Hull City Council as at 31 March 2021 and the income and expenditure for the year ended 31 March 2021.

David Bell, C.P.F.A.
Director of Finance and Transformation (Section 151 Officer)

Approval of the Accounts

I certify that the Statement of Accounts has been approved by the Chair of the Council's Audit Committee on 22 March 2023 in accordance with the Accounts and Audit (England) Regulations 2015.

Hon. Ald. C. S. Fenwick
Chair of Audit Committee

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves.

2020/21	Note	General Fund Balance	Earmarked GF Reserves	Earmarked HRA Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipt Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020		19,274	28,893	23,407	3,000	466	29,260	3,619	107,919	213,431	321,350
Surplus/(deficit) on provision of Services (accounting basis)		(10,585)	-	-	31,408	-	-	-	20,823	-	20,823
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	(158,885)	(158,885)
Total Comprehensive Expenditure and Income		(10,585)	-	-	31,408	-	-	-	20,823	(158,885)	(138,062)
Adjustments between accounting basis and funding basis under regulations	9	30,883	-	-	(38,266)	(466)	1,856	8,047	2,054	(2,054)	-
Net increase / (decrease) before transfers to Earmarked Reserves		20,298	-	-	(6,858)	(466)	1,856	8,047	22,877	(160,939)	(138,062)
Transfers to / (from) Earmarked Reserves	10	(18,604)	18,604	(7,358)	7,358	-	-	-	-	-	-
Increase / (Decrease) in Year		1,694	18,604	(7,358)	500	(466)	1,856	8,047	22,877	(160,939)	(138,062)
Balance at 31 March 2021		20,968	47,497	16,049	3,500	-	31,116	11,666	130,796	52,492	183,288

Kingston upon Hull City Council Statement of Accounts 2020/21

2019/20	Note	General Fund Balance	Earmarked GF Reserves	Earmarked HRA Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipt Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019		12,968	32,605	22,061	3,000	-	26,461	8,488	105,583	75,336	180,919
Surplus/(deficit) on provision of Services (accounting basis)		(98,219)	-	-	34,040	-	-	-	(64,179)	-	(64,179)
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	204,610	204,610
Total Comprehensive Expenditure and Income		(98,219)	-	-	34,040	-	-	-	(64,179)	204,610	140,431
Adjustments between accounting basis and funding basis under regulations	9	100,813	-	-	(32,694)	466	2,799	(4,869)	66,515	(66,515)	-
Net increase / (decrease) before transfers to Earmarked Reserves		2,594	-	-	1,346	466	2,799	(4,869)	2,336	138,095	140,431
Transfers to / (from) Earmarked Reserves	10	3,712	(3,712)	1,346	(1,346)	-	-	-	-	-	-
Increase / (Decrease) in Year		6,306	(3,712)	1,346	-	466	2,799	(4,869)	2,336	138,095	140,431
Balance at 31 March 2020		19,274	28,893	23,407	3,000	466	29,260	3,619	107,919	213,431	321,350

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This account summarises the resources that have been generated or consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of non-current assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Restated 2019/20			Note	2020/21		
Gross Expenditure	Income	Net Expenditure		Gross Expenditure	Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
151,171	(96,487)	54,684		161,201	(115,986)	45,215
147,448	(60,602)	86,846		119,294	(57,934)	61,360
175,044	(124,925)	50,119		163,570	(114,823)	48,747
96,497	(23,586)	72,911		107,584	(25,902)	81,682
72,513	(71,223)	1,290		73,371	(74,549)	(1,178)
51,477	(93,947)	(42,470)		57,423	(95,228)	(37,805)
21,886	(5,945)	15,941		14,366	(674)	13,692
716,036	(476,715)	239,321		696,809	(485,096)	211,713
			Cost of Services			
		21,676	11	Other Operating Income and Expenditure		(4,840)
		40,461	12	Financing and Investment Income and Expenditure		36,010
		-		(Surplus) / deficit of Discontinued Operations		-
		(237,279)	13	Taxation and Non-Specific Grant Income		(263,706)
		64,179		(Surplus) / Deficit on Provision of Services		(20,823)
		(26,813)		(Surplus) / deficit on revaluation of non-current assets		(70,686)
		16,045		Impairment losses on non-current assets charged to the revaluation reserve		7,293
		-		Surplus / deficit on other comprehensive Income and Expenditure items		-
		(193,842)	47	Actuarial gains / losses on pension assets / liabilities		222,278
		(204,610)		Other Comprehensive Income and Expenditure		158,885
		(140,431)		TOTAL COMPREHENSIVE INCOME AND EXPENDITURE		138,062

THE BALANCE SHEET

The Balance Sheet summarises the financial position of the Council, including the Housing Revenue Account and the Collection Fund. It shows the value of the Council's assets and liabilities at the end of the financial year. It excludes Trust Funds and Pension Fund balances.

<u>31 March 2020</u>		<u>Note</u>	<u>31 March 2021</u>
£'000			£'000
1,436,942	Property, Plant and Equipment	14	1,524,718
4,861	Heritage Assets	15	6,268
63,720	Investment Property	16	60,249
4,764	Intangible Assets	17	9,119
10	Long Term Investments	18	10
10,181	Long Term Debtors	18	15,441
1,520,478	Long Term Assets		1,615,805
561	Inventories	19	536
49,571	Short Term Debtors	21	91,026
126,302	Cash and Cash Equivalents	18/22	42,449
176,434	Current Assets		134,011
(298,059)	Short Term Borrowing	18	(235,545)
(54,684)	Short Term Creditors	24	(117,348)
(1,519)	Provision for accumulated absences	27g	(1,454)
(305)	Capital Grants Receipts in Advance	39	(68)
(6,258)	PFI Finance Lease - Liability	18/43	(6,255)
(360,825)	Current Liabilities		(360,670)
(774)	Long Term Creditors	18	(866)
(7,050)	Provisions	25	(7,801)
(407,426)	Long Term Borrowing	18	(384,668)
(438,884)	Other Long Term Liabilities	47	(658,853)
(743)	Capital Grants Receipts in Advance	39	(802)
(159,860)	PFI Finance Lease - Liability	18/43	(152,868)
(1,014,737)	Long Term Liabilities		(1,205,858)
321,350	NET ASSETS		183,288
107,919	Usable Reserves	26	130,796
213,431	Unusable Reserves	27	52,492
321,350	TOTAL RESERVES		183,288

CASH FLOW STATEMENT

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

<u>2019/20</u>		<u>Note</u>	<u>2020/21</u>
<u>£'000</u>			<u>£'000</u>
(64,179)	Net surplus or (deficit) on the provision of services		20,823
110,422	Adjustment to surplus or deficit on the provision of services for non-cash movements	28	58,190
(94,615)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(111,930)
<u>(48,372)</u>	Net Cash flows from Operating Activities		<u>(32,917)</u>
(10,861)	Net cash flows from Investing Activities	29	12,493
125,761	Net cash flows from Financing Activities	30	(63,429)
66,528	Net increase or (decrease) in cash and cash equivalents		(83,853)
59,774	Cash and cash equivalents at the beginning of the reporting period		126,302
<u>126,302</u>	Cash and cash equivalents at the end of the reporting period	22	<u>42,449</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

1. **Accounting Policies**

i. **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, supported by the International Financial Reporting Standards (IFRS).

The Accounting Policies outlined are the specific principles, bases, conventions, rules and practices applied in preparing and presenting these financial statements. The accounting convention adopted is historic cost, modified by the revaluation of certain categories of tangible fixed assets.

The Accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

The majority of figures in this document have been rounded to the nearest £1,000. This means that there may be very minor inconsistencies between tables and notes, due to rounding adjustments.

ii. **Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular;

- Revenue from the contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. **Acquisitions and Discontinued Operations**

Acquired Operations

Acquired operations are the operations that the Council has acquired during the accounting period or the transfer of services acquired as a consequence of legislation. The Council did not acquire any operations during the financial reporting period.

Discontinued Operations

To qualify as discontinued operations activities must cease completely and, where applicable, these are presented separately on the face of the Comprehensive Income and Expenditure Statement. No operations were discontinued during the financial reporting period.

iv. Cash & Cash Equivalents

Cash includes all bank credit balances and overdrafts held by the Council as part of its normal cash management, including all deposit accounts accessible without notice.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash equivalents include investments with a fixed maturity of less than three months from the date of acquisition and available for sale assets such as cash placed in money market funds.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

v. Exceptional Items

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

vi. Prior-period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. 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 when the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

vii. Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real 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 they can be written off
- amortisation of intangible assets attributable to the service

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by revenue provision in the General Fund Balance in the Statement of Movement in Reserves, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

viii. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. 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 proportionately 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 Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in 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 Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

ix. Employee Benefits

Benefits Payable during Employment

Liabilities for employees' entitlements to 'shorter term employee benefits' i.e. wages, salaries, annual leave and other employee benefits which are expected to be paid or settled within 12 months of the balance sheet date, are accrued at the wage and salary rates applicable in the accounting year to the period in which the employee renders the services that increases their entitlement. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the absence occurs. The Council does not award long-term employee benefits i.e. those which are not expected to be paid or settled within 12 months of the balance sheet date.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Benefits Payable after Employment

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.
- The NHS Pension Scheme, administered by NHS Pensions.
- The Local Government Pensions Scheme, administered by the East Riding of Yorkshire Council.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot be identified to the Council. The schemes are therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the service revenue accounts are charged with the employer's contributions payable to teachers' and NHS pensions in the year.

The Local Government Pension Scheme

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

- The liabilities of the East Riding Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. The value of the liabilities is heavily dependent on the assumptions underpinning the calculations. Assumptions used in calculating the liabilities are as follows:
 - Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a basket of high quality corporate bonds [Iboxx Sterling Corporate AA over 15 years Index]
 - The inflation and pension increase rate is assumed to be equivalent to breakeven inflation
 - Salary growth is assumed to continue in line with real salary increases as reflected in the most recent formal funding valuation
 - The expected return on assets is derived from a proprietary asset model, which has parameters that are calibrated to market conditions on a monthly basis
 - Pensioner mortality is based on the 92-series of mortality tables of the Continuous Mortality Investigation Bureau (CMIB) of experience of life insurance company pensioners, adjusted to tailor them to Local Government Pension Scheme mortality patterns
 - Commutation assumptions are that Local Government Pension Scheme members exchange 30% of their pension for additional cash at retirement, which is based on data gathered since this option became available
 - Other demographic assumptions, e.g. withdrawal assumption, ill-health early retirements, are derived from specific past experience of Local Government Pension Scheme funds.
- The assets of the East Riding Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value
- The change in the net pensions liability is analysed into the following components:
 - Service cost comprising:

- current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of 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 – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - net interest on the net defined benefit liability (asset), i.e. Net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – 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 comprising:
- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the East Riding Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund in the year or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement of Reserves Statement this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers and NHS staff) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

x. Events after the Balance Sheet Date

Where an event occurs after the Balance Sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the Balance Sheet date, the amounts recognised in the Statement of Accounts are adjusted to reflect this. Where an event occurs after the Balance Sheet date that is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted but are disclosed as a separate note to the accounts.

Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts are authorised for issue.

xi. Financial Instruments**Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

The Council'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 payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

If the Council makes a loan to a voluntary organisation at less than market rates, this is known as a soft loan. When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) 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 to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance 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 the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of 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 Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Council has grouped the loans into two groups for assessing loss allowances:

- Group 1 – these loans were made under a government programme, where the supply of funds was conditional on the Council putting in place a system for measuring and monitoring the risk of default for each of the businesses that was provided with a loan. Loss allowances for these loans can be assessed on an individual basis.
- Group 2 – these loans were made at a variable rate of interest. The Council is advised that interest rates are probably going to rise by 1%. Historical information suggests that a 1% increase in interest rates may cause an increase in credit risk for these loans.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council 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 as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the 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 analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xii. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts of foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xiii. 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 have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution must be consumed by the recipient as specified.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (ie revenue grants and contributions which are attributable to a specific service) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants which are not attributable to specific services) in the Comprehensive Income and Expenditure Statement.

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

xiv. Community Infrastructure Levy

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

The 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 conditions. CIL charges will be largely used to fund capital expenditure, however, a proportion of the charges may be used to fund revenue expenditure.

xv. Heritage Assets

The Council's Heritage assets portfolio is comprised of assets held in the Council's museums, galleries and historic buildings and equipment held principally for their contribution to knowledge or culture, including monuments and statues. Heritage assets are assets with historical, artistic, scientific, technological, geographical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment.

However, some of the measurement rules are relaxed in relation to specific heritage assets as described below. The accounting policies in relation to heritage assets which include elements of intangible heritage asset are included in the details below.

- **Museum exhibits**

The collection of museum exhibits includes paintings, vehicles, furniture, silver, and objects relating to the archaeology and history of Hull and the local area. No reliable market value exists for such items. Therefore, the assets are carried at historical cost (less any accumulated depreciation, amortisation and impairment losses). The assets are deemed to have indeterminate lives and a high residual value. Therefore, the Council does not consider it appropriate to charge depreciation.

The collection is relatively static and acquisitions and donations are rare, but the Council continues to collect. Where they do occur, acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the museum's curators in accordance with the Council's policy on valuation of assets.

- **Art Collection**

The art collection includes paintings reported in the Balance Sheet at historical cost. Items in the collection are not valued by an external valuer. The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuers and with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

- **Monuments and statues**

Monuments and statues are reported in the Balance Sheet at historical cost. The assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

- **Historic buildings and equipment held principally for their contribution to knowledge and culture**

Historic buildings and equipment are reported in the Balance Sheet at historical cost. Historic buildings are deemed to have determinate lives and low residual values; hence the Council charges depreciation in accordance with the Council's accounting policies on property, plant and equipment.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment see Accounting Policy note xxi. There is a strong presumption against disposal of heritage assets. Disposal is controlled by the Acquisitions and Disposal Policy, which outlines national museum guidelines, and conforms to national accreditation standards. The sale of objects that have been through the disposal policy process can only be undertaken with approval from the Arts Council, and any revenue generated from such a sale must go back into the care of the museum collections. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see Accounting Policy notes xxv and xxi).

xvi. Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it is expected that future economic benefits will flow from the intangible asset.

The Council does not have any intangible assets that meet the strict criteria for internally generated intangible assets to be recognised.

Intangible assets are measured initially at cost. A de minimis level for recognition has been set at £10,000. Assets are only re-valued where the fair value of the assets can be determined by reference to an active market. In practice, no intangible assets held by the Council meet this criterion and they are therefore carried at amortised cost.

The balance of the intangible asset is amortised over its useful life to the relevant service in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal of an intangible asset is posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Gains and losses are reversed out of the General Fund Balance in the Movement in Reserves Statement, and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvii. *Interests in Companies and Other Entities*

If the Council has material interests in companies and other entities that have the nature of subsidiaries, associates or joint ventures, it is required to prepare group accounts. The Council has material interests in companies, specifically Kingstown Works Ltd and Hull Culture and Leisure Ltd, and has therefore completed Group Accounts.

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

xviii. *Inventories and Long Term Contracts*

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

Long Term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xix. *Investment Property*

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 to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially 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. As a non-financial asset, investment properties are measured at highest and best use. (See xxix Fair Value Measurement). A de minimis level for recognition has been set at £10,000.

Properties are not depreciated but are re-valued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account (for any sale proceeds greater than £10,000) and the Capital Receipts Reserve.

xx. *Joint Arrangements*

Joint Arrangements are arrangements by which two or more parties have joint control bound by contract. A Joint Arrangement can be classed as

- A Joint Venture
- A Joint Operation

Joint Venture

A Joint Venture is an arrangement under which two or more parties have contractually agreed to share control, such that decisions about the activities of the arrangement are given unanimous consent from all parties.

Joint Operation

A Joint Operation is an arrangement by which the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangement. All parties have joint control with decisions of the activities of the arrangement requiring unanimous consent from all parties. The Council does not recognise on its balance sheet any assets or liabilities in regards to joint arrangements.

xxi. Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council.

Where a lease covers both land and buildings, the land and buildings elements 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.

The Council acting as a Lessee

Finance Leases:

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs to the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- Finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service in the Comprehensive Income and Expenditure Statement on a straight-line basis over the term of the lease.

The Council acting as a Lessor

Finance Leases:

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. Where the Council acts as a lessor of an asset under a finance lease, a long term debtor is established with the amount receivable equal to the net investment in the lease. The lease payment receivable is treated as a capital receipt for the repayment of principal, reducing the debtor outstanding and the finance income is credited to the Financing and Investment Income and Expenditure line in the Comprehensive

Income and Expenditure Statement, calculated to produce a constant periodic rate of return on the net investment.

Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease debtor (together with any premiums received), and
- Finance charge (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute 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 in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement of Reserves Statement. When future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Credits are made on a straight-line basis over the life of the lease. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xxii. Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services or for administrative purposes and 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 non-current assets is capitalised on an accruals basis, provided that it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: assets are initially measured at cost subject to a de minimis level of £10,000, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it was located

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure assets, community assets and assets under construction – depreciated historical cost

- dwellings – determined using the basis of existing use value for social housing (EUV-SH)
- council offices – current value, determined as the amount that would be paid for the asset in existing use (existing use value – EUV)
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective (see xxix Fair Value Measurement)
- all other assets – current value, determined as the amount that would be paid for the asset in existing use (existing use value – EUV)

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where there are non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

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. Increases in valuations are matched by credits to the Revaluation Reserve to recognise 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 a service revenue account.

Where decreases in value are identified, they are accounted for as follows:

- 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 that 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 line(s) 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.

Borrowing costs incurred whilst an asset is under construction are not capitalised.

Impairment: assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are recognised, they are 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 that 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 line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed, the reverse is credited to the relevant service line(s) 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 on 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 certain community assets), assets that are not yet available for use (i.e. assets under construction) and assets held for sale.

Depreciation is charged for a full year, based on the final asset balances reflected as at the end of the previous financial year.

Depreciation is calculated on the following basis:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet as advised by a suitably qualified officer
- infrastructure – reducing balance over 20 years

Where confirmation is provided at the end of the reporting period (i.e. 31 March 2020) that schools have converted to academy status within the first month in the following year, depreciation is accelerated to account for the shorter economic life of the asset while under control of the Local Authority.

Component Accounting: material assets are recognised as a series of components for depreciation purposes when the component is of significant cost compared to the total cost of the item and has a materially different useful life to the main asset. The number of components is limited to five components per property. Enhancement expenditure requires the component to be de-recognised where replaced or refurbished, and the new component reflected in the carrying amount, even where parts of an asset have not previously been recognised as a separate component. Non-current assets (excluding Council housing stock) with a property value of £5 million or more is considered to be material.

Council housing stock is grouped together into beacons. A beacon is a collection of properties of the same type i.e. flat, bungalow, two bedroom house, etc. Component accounting will apply to each beacon in full.

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.

Disposals and Non-current Assets Held for Sale: when it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on provision of services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the requirements to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale) and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet (whether property, plant and equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the

carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the General Fund Reserve in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund in the Movement of Reserves Statement.

xxiii. Private Finance Initiatives

Private Finance Initiative (PFI) arrangements are accounted for in accordance with International Financial Reporting Interpretations Committee 12 (IFRIC 12) Service Concession Arrangements. This involves a private sector entity (the operator) constructing or enhancing infrastructure used in the provision of a public service, and operating and maintaining that infrastructure for a specified period of time. The Council's PFI schemes have been accounted for in accordance with IFRIC 12, with the property, plant and equipment constructed and enhanced as part of the arrangement recognised on the Council's Balance Sheet because the contractual service arrangement conveys the right to control the use of the infrastructure. The property, plant and equipment recognised under this arrangement are accounted for under the accounting policies applied to all other property, plant and equipment of that type.

A corresponding liability (equal to the initial fair value of assets created/enhanced under the arrangement) is recognised for the requirement to pay the PFI limited companies for the construction work they undertook. The unitary payments made to the contractors are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge of an agreed percentage on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out

Where PFI schools are transferred to academy status during the year, the school building is disposed of as at 31 March with the corresponding liability remaining on balance sheet.

xxiv. Provisions, Contingent Liabilities and Contingent Assets

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation, the existence of which will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset, the existence of which will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxv. Reserves

The Council sets aside specific amounts as earmarked reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services, in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

xxvi. Revenue Expenditure Funded from Capital under Statute

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

xxvii. VAT

Income and expenditure excludes any amounts related to Value Added Tax (VAT), as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

xxviii. Fair Value Measurement

The Council has categories of assets and liabilities which are measured at fair value at the end of each reporting period. These include non-financial assets such as surplus assets, investment properties and assets held for sale plus some financial assets and liabilities.

Fair value is 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. When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair value measurements are categorised in their entirety based on the lowest level input that is significant to the entire measurement. The level into which a fair value measurement is categorised in its entirety is determined with reference to a hierarchy that reflects the significance of the observable market inputs in calculating those fair values. The three levels of the fair value are:

- Level 1 – Valuation using quoted market prices

Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price reflects actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

- Level 2 – Valuation technique using observable inputs

Assets and liabilities classified as Level 2 are valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices).

- Level 3 – Valuation technique using significant unobservable inputs

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. An input is significant if it is shown to contribute more than 10% to the valuation of an asset or liability. Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

xxix. Borrowing Costs

The Council shall account for borrowing costs in accordance with IAS 23 which requires borrowing costs in respect of qualifying assets to be capitalised. Borrowing costs are interest and other costs that the Council incurs in connection with the borrowing of funds. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset.

The Council will begin capitalising borrowing costs as part of the cost of a qualifying asset on the commencement date. The commencement date for capitalisation is the date when the Council first meets all of the following conditions:

- It incurs expenditures for the asset
- It incurs borrowing costs, and
- It undertakes activities that are necessary to prepare the asset for its intended use or sale

The Council will cease capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

This is a change in Accounting Policy as previously all borrowing costs were expensed and disclosed within interest payable.

2. Accounting Standards issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2020/21 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2021/22 code are:

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

These changes are not expected to have a material impact on the Council's single entity statements or group statements.

In addition to the above, the adoption of IFRS 16 (Leases) has been deferred for a further 12 months and now is effective from 1 April 2022.

3. Critical Judgements in applying Accounting Policies

In preparing these financial statements, significant judgements and estimates have been used. The main areas where this has arisen are in the valuation of intangible and tangible non-current assets; including estimated economic lives, component accounting and depreciation (notes 14, 15, 16, 17 and 43), debtors (note 21), creditors (note 24) and provisions (note 25). In addition, new contracts and property arrangements are reviewed each year to assess whether a finance lease arrangement exists (see note 42). Details are given in the respective notes to the accounts.

The Council completed an exercise to establish whether the production of Group Accounts is required. (See Accounting Policy xvii – Interest in Companies and Other Entities and Note 40 – Related Parties). Balances and transactions for companies controlled or influenced by the Council were assessed and judged to be material therefore Group Accounts have been completed. Group Accounts include Hull City Council, Hull Culture and Leisure Limited and Kingstown Works Limited.

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 Authority's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings (excluding Council dwellings) would increase by £0.371m for every year that useful lives had to be reduced.</p>
Pension Liability	Estimation 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 Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £193m. Further sensitive changes are reported in Note 47 Defined Benefit Pension Schemes under 'Basis for Estimating Assets and Liabilities'.
Accounts Receivable Bad Debt Arrears	At 31 March 2021, the Authority had a balance of accounts receivable debtors for £25.96m. A review of significant balances suggested that an impairment of doubtful debts of 13% (£3.27m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate by 20%, doubtful debts would require an additional £0.571m in provisions.
Collection Fund Arrears	At 31 March 2021, the Council has a balance of Council Tax and NNDR for £37.5m. A review of significant balances suggested that an impairment of doubtful debts of 51% (£19.2m of which £15.0m is the Council's share) was appropriate. However, it is not certain that such an allowance will be sufficient in future years.	If collection rates were to deteriorate by 20%, doubtful debts would require an additional £3.8m to set aside as an allowance.

Housing Revenue Account Arrears	At 31 March 2021, the Council had a balance of rent debtors for £4.1m. A review of significant balances suggested that an impairment of doubtful debts of 47% (£1.95m) was appropriate. However, it is not certain that such an allowance will be sufficient in future years.	If collection rates were to deteriorate by 20%, doubtful debts would require an additional £0.811m to set aside as an allowance.
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5. *Exceptional and Material Items of Income and Expense*

No items of income and expense considered exceptional and material were included in the Comprehensive Income and Expenditure Statement.

6. *Events after the Balance Sheet Date*

Events after the reporting period have been considered and there are no adjusting or non-adjusting events.

7. Expenditure and Funding Analysis

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

2019/20			2020/21		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure
£'000	£'000	£'000	£'000	£'000	£'000
51,170	3,514	54,684	42,565	2,650	45,215
34,079	52,767	86,846	35,340	26,020	61,360
36,151	13,968	50,119	34,811	13,936	48,747
62,230	10,681	72,911	74,349	7,333	81,682
2,513	(1,223)	1,290	(982)	(196)	(1,178)
(1,346)	(41,124)	(42,470)	(7,358)	(30,447)	(37,805)
12,393	3,548	15,941	14,750	(1,058)	13,692
197,190	42,131	239,321	193,475	18,238	211,713
(201,129)	25,987	(175,142)	(206,916)	(25,620)	(232,536)
(3,939)	68,118	64,179	(13,441)	(7,382)	(20,823)
70,634			74,573		
3,939			13,441		
74,573			88,014		

The adjustments between the funding and accounting basis can be further analysed between:

- Adjustments for Capital purposes
- The net change in relation to Pensions adjustments
- Other differences

Adjustments for Capital Purposes

- Net Cost of Services – this column adds in depreciation and impairment and revaluation gains and losses in the services line.
- Other Income and Expenditure – adjusts for capital disposals, adjustments to taxation and non-specific grant income.

Net Change for Pension Adjustments

- Net Cost of Services – this represents the removal of the employer pension contributions made by the Council as allowed by statute and replacement with current service costs and past service costs.
- Other Income and Expenditure – the net interest on the defined benefit liability is charged to the CIES.

Other differences

- Net Cost of Services – this includes adjustments made to and from Reserves plus accrued compensated absences earned but not taken in the year.
- Other Income and Expenditure – this includes adjustments made to and from Reserves plus other adjustments to Revenue such as Council Tax and PFI interest costs.

A. Note to the Expenditure and Funding Analysis**Adjustments between Funding and Accounting Basis 2020/21**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Public Health and Adults	2,043	607	-	2,650
Regeneration	24,114	1,906	-	26,020
City Services and Resources	12,682	1,254	-	13,936
Children's Services	4,943	2,390	-	7,333
School Services	(153)	-	(43)	(196)
Local Authority Housing (HRA)	(32,570)	2,123	-	(30,447)
Corporate Costs	1,879	(2,914)	(23)	(1,058)
Cost of Services	12,938	5,366	(66)	18,238
Other income and expenditure from the Expenditure and Funding Analysis	(49,447)	11,264	12,563	(25,620)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(36,509)	16,630	12,497	(7,382)

Adjustments between Funding and Accounting Basis 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Public Health and Adults	2,350	1,164	-	3,514
Regeneration	49,238	3,529	-	52,767
City Services and Resources	11,690	2,278	-	13,968
Children's Services	6,413	4,268	-	10,681
School Services	(1,148)	-	(75)	(1,223)
Local Authority Housing (HRA)	(44,427)	3,303	-	(41,124)
Corporate Costs	(1,226)	4,798	(24)	3,548
Cost of Services	22,890	19,340	(99)	42,131
Other income and expenditure from the Expenditure and Funding Analysis	11,675	15,627	(1,315)	25,987
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	34,565	34,967	(1,414)	68,118

8. Expenditure and Income Analysed by Nature

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

<u>2019/20</u> £'000	Expenditure / Income	<u>2020/21</u> £'000
	Expenditure	
158,181	Employee benefits expenses	165,874
481,870	Other services expenses	463,008
54,513	Depreciation, amortisation, impairment	68,435
42,078	Interest payments	37,328
392	Precepts and levies	405
3,273	Payments to Housing Capital Receipts Pool	1,407
18,394	(Gain) / loss on the disposal of assets	(3,638)
<u>758,701</u>	Total Expenditure	<u>732,819</u>
	Income	
(168,704)	Fees, charges and other service income	(223,387)
(1,109)	Interest and investment income	(330)
(139,336)	Income from council tax, non-domestic rates, district rate income	(144,552)
(385,373)	Grants and contributions	(385,373)
<u>(694,522)</u>	Total Income	<u>(753,642)</u>
<u><u>64,179</u></u>	Surplus or Deficit on the Provision of Services	<u><u>(20,823)</u></u>

9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2020/21

	Usable Reserves							Movement in Unusable Reserves
	General Fund Balance	Earmarked GF Reserves	Earmarked HRA Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grant Unapplied Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account								
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement								
Charges for depreciation and impairment of non-current assets	25,419	-	-	41,543	-	-	-	(66,962)
Revaluation losses on Property, Plant and Equipment	15,324	-	-	(32,555)	-	-	-	17,231
Movements in the fair value of investment properties	329	-	-	46	-	-	-	(375)
Amortisation of intangible assets	1,474	-	-	-	-	-	-	(1,474)
Capital grants and contributions applied	(54,180)	-	-	(3,131)	-	-	-	57,311
Income in relation to donated assets	-	-	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	32,995	-	-	-	-	-	-	(32,995)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,157	-	-	4,751	-	-	-	(8,908)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	(4,320)	-	-	(20,617)	-	-	-	24,937
Capital expenditure charged against the General fund and HRA balances	(660)	-	-	-	-	-	-	660
HRA depreciation on Non-Dwellings adjustment	-	-	-	-	-	-	-	-
Adjustments primarily involving Capital Grants Unapplied Account								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (where no condition exists)	(10,951)	-	-	-	-	-	10,951	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	(2,904)	2,904
Transfers in respect of Community Infrastructure Levy Receipts								
Adjustments primarily involving Capital Receipts Reserve								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(6,992)	-	-	(5,554)	-	12,546	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	-	-	-	(9,283)	-	9,283
Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals	-	-	-	-	-	-	-	-
Contribution from the capital receipts reserve to finance the amount payable to the Government capital receipts pool	1,407	-	-	-	-	(1,407)	-	-
Transfer from deferred capital receipts reserve upon receipt of cash	-	-	-	-	-	-	-	-
<i>Totals carried forward</i>	4,002	-	-	(15,517)	-	1,856	8,047	1,612

2020/21

	Usable Reserves							Movement in Unusable Reserves
	General Fund Balance	Earmarked GF Reserves	Earmarked HRA Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grant Unapplied Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Totals brought forward</i>	4,002	-	-	(15,517)	-	1,856	8,047	1,612
Adjustments primarily involving the Deferred Capital Receipts Reserve								
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
Adjustments primarily involving the Major Repairs Reserve								
Credit MRR with sum equal to HRA Depreciation	-	-	-	(11,170)	11,170	-	-	-
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	(13,702)	13,702	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(25,338)	-	-	25,338
Adjustments primarily involving the Financial Instruments Adjustment Account								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(123)	-	-	-	-	-	-	123
Adjustments primarily involving the Pension Reserve								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	41,695	-	-	4,487	-	-	-	(46,182)
Employers pensions contributions and direct payments to pensioners payable in the year	(27,189)	-	-	(2,364)	-	-	-	29,553
Adjustments primarily involving the Collection Fund Adjustment Account								
Amount by which Council Tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and non-domestic rate income calculated for the year in accordance with statutory requirements	12,563	-	-	-	-	-	-	(12,563)
Adjustments primarily involving the Accumulated Absences Account								
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(65)	-	-	-	-	-	-	65
Employee benefits recognised								-
Total Adjustments	30,883	-	-	(38,266)	(466)	1,856	8,047	(2,054)

2019/20

	Usable Reserves							Movement in Unusable Reserves
	General Fund Balance	Earmarked GF Reserves	Earmarked HRA Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grant Unapplied Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account								
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement								
Charges for depreciation and impairment of non-current assets	24,676	-	-	33,237	-	-	-	(57,913)
Revaluation losses on Property, Plant and Equipment	28,622	-	-	(30,852)	-	-	-	2,230
Movements in the fair value of investment properties	665	-	-	1,289	-	-	-	(1,954)
Amortisation of intangible assets	1,217	-	-	-	-	-	-	(1,217)
Capital grants and contributions applied	(34,147)	-	-	(1,321)	-	-	-	35,468
Income in relation to donated assets	-	-	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	30,823	-	-	-	-	-	-	(30,823)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	27,277	-	-	5,694	-	-	-	(32,971)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	(1,719)	-	-	(12,624)	-	-	-	14,343
Capital expenditure charged against the General fund and HRA balances	(497)	-	-	-	-	-	-	497
HRA depreciation on Non-Dwellings adjustment	-	-	-	-	-	-	-	-
Adjustments primarily involving Capital Grants Unapplied Account								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (where no condition exists)	(2,123)	-	-	-	-	-	2,123	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	(6,992)	6,992
Transfers in respect of Community Infrastructure Levy Receipts								
Adjustments primarily involving Capital Receipts Reserve								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7,378)	-	-	(7,199)	-	14,577	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	-	-	-	(8,505)	-	8,505
Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals	-	-	-	-	-	-	-	-
Contribution from the capital receipts reserve to finance the amount payable to the Government capital receipts pool	3,273	-	-	-	-	(3,273)	-	-
Transfer from deferred capital receipts reserve upon receipt of cash	-	-	-	-	-	-	-	-
Totals carried forward	70,689	-	-	(11,776)	-	2,799	(4,869)	(56,843)

2019/20

	Usable Reserves							Capital Grant Unapplied Reserve	Movement in Unusable Reserves
	General Fund Balance	Earmarked GF Reserves	Earmarked HRA Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<i>Totals brought forward</i>	70,689	-	-	(11,776)	-	2,799	(4,869)	(56,843)	
Adjustments primarily involving the Deferred Capital Receipts Reserve									
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-	
Adjustments primarily involving the Major Repairs Reserve									
Credit MRR with sum equal to HRA Depreciation	-	-	-	(10,849)	10,849	-	-	-	
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	(13,372)	13,372	-	-	-	
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(23,755)	-	-	23,755	
Adjustments primarily involving the Financial Instruments Adjustment Account									
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(126)	-	-	-	-	-	-	126	
Adjustments primarily involving the Pension Reserve									
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	60,623	-	-	5,494	-	-	-	(66,117)	
Employers pensions contributions and direct payments to pensioners payable in the year	(28,959)	-	-	(2,191)	-	-	-	31,150	
Adjustments primarily involving the Collection Fund Adjustment Account									
Amount by which Council Tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and non-domestic rate income calculated for the year in accordance with statutory requirements	(1,315)	-	-	-	-	-	-	1,315	
Adjustments primarily involving the Accumulated Absences Account									
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(99)	-	-	-	-	-	-	99	
Employee benefits recognised								-	
Total Adjustments	100,813	-	-	(32,694)	466	2,799	(4,869)	(66,515)	

10. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2020/21.

	Balance at 31 March 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance at 31 March 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance at 31 March 2021 £'000
Earmarked Reserves							
General Fund:							
Business Rate Reserve	3,213	(1,745)	1,745	3,213	(5,025)	22,962	21,150
Council Tax Support Reserve	-	-	-	-	-	-	-
Extra Care PFI Reserve	3,263	(3,263)	-	-	-	-	-
Insurance Reserve	4,062	(685)	-	3,377	(401)	-	2,976
Litigation Reserve	1,899	(50)	-	1,849	-	-	1,849
Flood Defence	1,289	(1,000)	81	370	-	74	444
City of Culture Legacy	410	(205)	-	205	(205)	-	-
Adult Health Reserve	-	-	-	-	-	-	-
Miscellaneous:							
Regeneration Reserve	40	-	-	40	-	-	40
BSF PFI Reserve	37	(37)	-	-	-	-	-
Local Plan	-	-	-	-	-	-	-
Savings Contingency	-	-	-	-	-	-	-
Other	392	(250)	-	142	-	-	142
Capital Funding:							
Capital Financing Reserve	10,113	(3,454)	4,454	11,113	-	-	11,113
Schools Reserves:							
Schools Financial Reserve	76	(1,290)	-	(1,214)	-	1,028	(186)
Total Earmarked Reserves	24,794	(11,979)	6,280	19,095	(5,631)	24,064	37,528
Carry Forwards to Support Future Budgets:							
General Fund:							
City Plan Contingency	-	-	-	-	-	-	-
Reorganisation Reserve	4,241	(4,560)	353	34	-	-	34
Corporate Contingency	1,232	(1,232)	-	-	-	1,120	1,120
Leaders Contingency	7	-	34	41	-	37	78
City of Culture	-	-	-	-	-	-	-
Street Lighting Gain Share	144	(144)	-	-	-	-	-
Dividend	-	-	-	-	-	-	-
Brexit	241	-	252	493	-	145	638
Tax Income Guarantee Scheme	-	-	-	-	-	1,581	1,581
GF Balance	-	-	-	-	-	469	469
Service Carry Forwards	1,946	(1,231)	663	1,378	(733)	1,369	2,014
Total Carry Forwards	7,811	(7,167)	1,302	1,946	(733)	4,721	5,934
Covid-19	-	-	7,852	7,852	(7,832)	4,015	4,035
Total General Fund Earmarked Reserves and Carry Forward Balances	35,881	(19,146)	15,434	28,893	(14,196)	32,800	47,497
HRA (see HRA note 9)	25,061	-	1,346	26,407	(7,358)	500	19,549

Business Rates Reserve

This reserve is to meet potential future liabilities arising from revaluations, appeals and loss on collection.

Council Tax Reserve

This reserve is to meet potential future liabilities arising from revaluations, appeals and loss on collection.

Extra Care PFI Reserve

This reserve has been established to meet potential costs which may arise on finalisation of the scheme and associated contracts.

Insurance Reserve

This reserve contains an estimate of anticipated insurance claims which the Council may have to meet. Some risks are 'self-insured' whilst others are covered through the payment of premiums to external insurance companies with the Council having to meet any excess. The Council also holds an insurance provision which covers claims received for which there is some certainty that they will be paid.

Litigation Reserve

This reserve has been established to meet potential claims arising from litigation against the Council.

Flood Reserve

This reserve is to offset costs of future flooding events.

City of Culture Legacy

This reserve is to support the future City of Culture Legacy programme.

Miscellaneous Reserves

These minor reserves exist to meet various expected costs.

Capital Financing / City Plan Support Reserves

These reserves will be required in future years to finance the Council's planned capital investment strategy.

Schools' Financial Reserves

The Authority's Scheme for Financing Schools, which is based on the legislative provisions of the School Standards and Framework Act 1998, provides for any balances or deficits on schools' budgets and Dedicated Schools Grant to be carried forward from one financial year to the next.

Brexit Grant

The grant funding is to support the development of robust plans for Brexit preparations and any specific costs which may arise, including additional staffing costs.

Carry Forwards to support Future Budgets

The carry forwards of underspends from 2020/21 to the new financial year are to meet anticipated expenditure commitments.

COVID-19 Support Grant Reserve

This reserve will be used to mitigate COVID-19 related loss of income and additional costs incurred in future years.

11. Other Operating Income and Expenditure

<u>2019/20</u> £'000	<u>2020/21</u> £'000
392 Levies	405
3,273 Payments to the Government Housing Capital Receipts Pool	1,407
18,394 (Gains) / losses on the disposal of non-current assets	(3,638)
(383) Other	(3,014)
<u>21,676</u>	<u>(4,840)</u>

12. Financing and Investment Income and Expenditure

<u>2019/20</u> £'000	<u>2020/21</u> £'000
27,764 Interest payable and similar charges	27,061
14,314 Pension interest cost and expected return on pension assets	10,267
(664) Interest receivable and similar income	(334)
696 (Surplus)/Deficit from Trading Operations	551
(3,158) Net income/expenditure from investment properties	(1,914)
1,954 Change in fair value of investment properties	375
(445) Other investment income	4
<u>40,461</u>	<u>36,010</u>

13. Taxation and Non Specific Grant Income

<u>2019/20</u> £'000	<u>2020/21</u> £'000
(86,935) Council Tax income	(90,920)
(52,401) Non-Domestic Rates	(53,632)
(77,478) Non-ringfenced Government Grants	(79,743)
(20,465) Capital Grants and Contributions	(39,411)
<u>(237,279)</u>	<u>(263,706)</u>

14. Property, Plant and Equipment**Movements in 2020/21**

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2020	735,790	674,319	73,227	783	37,736	-	1,521,855	87,609
Additions	32,217	22,729	2,462	-	3,784	-	61,192	-
Donations	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	53,375	-	309	(399)	-	53,285	(27)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	32,315	1,647	-	74	130	-	34,166	(765)
Derecognition - Disposals	(4,671)	(178)	-	-	(309)	-	(5,158)	-
Derecognition - Other	-	-	-	-	-	-	-	-
Other movements in cost or valuation	(1)	10	-	(9)	-	-	-	-
At 31 March 2021	795,650	751,902	75,689	1,157	40,942	-	1,665,340	86,817
Accumulated Depreciation and Impairments								
At 1 April 2020	(100,762)	(66,970)	(63,800)	-	(623)	-	(232,155)	(3,292)
Depreciation charge	(11,080)	(15,089)	(2,660)	-	(1)	-	(28,830)	(1,865)
Depreciation written out to the Revaluation Reserve	-	8,902	-	-	-	-	8,902	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	1,146	-	-	1	-	1,147	522
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	(30,373)	(16,180)	(863)	-	(494)	-	(47,910)	-
Derecognition - Disposals	-	3	-	-	193	-	196	-
Derecognition - Other	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2021	(142,215)	(88,188)	(67,323)	-	(924)	-	(298,650)	(4,635)
Net Book Value								
at 31 March 2021	653,435	663,714	8,366	1,157	40,018	-	1,366,690	82,182
at 31 March 2020	635,028	607,349	9,427	783	37,113	-	1,289,700	84,317

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2019	683,739	702,715	67,446	3,014	35,692	-	1,492,606	79,855
Additions	26,030	30,361	5,781	-	7,278	-	69,450	-
Donations	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	(14,386)	-	(1,061)	(166)	-	(15,613)	3,695
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	31,573	(8,847)	-	(1,170)	(4,189)	-	17,367	4,059
Derecognition - Disposals	(5,552)	(34,224)	-	-	(2,179)	-	(41,955)	-
Derecognition - Other	-	-	-	-	-	-	-	-
Other movements in cost or valuation	-	(1,300)	-	-	1,300	-	-	-
At 31 March 2020	735,790	674,319	73,227	783	37,736	-	1,521,855	87,609
Accumulated Depreciation and Impairments								
At 1 April 2019	(67,634)	(82,952)	(58,634)	(28)	(854)	-	(210,102)	(2,732)
Depreciation charge	(10,741)	(13,812)	(3,186)	-	(6)	-	(27,745)	(2,186)
Depreciation written out to the Revaluation Reserve	-	26,687	-	-	-	-	26,687	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	12,492	-	28	6	-	12,526	1,626
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	(22,387)	(23,371)	(1,980)	-	(623)	-	(48,361)	-
Derecognition - Disposals	-	13,986	-	-	854	-	14,840	-
Derecognition - Other	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2020	(100,762)	(66,970)	(63,800)	-	(623)	-	(232,155)	(3,292)
Net Book Value								
at 31 March 2020	635,028	607,349	9,427	783	37,113	-	1,289,700	84,317
at 31 March 2019	616,105	619,763	8,812	2,986	34,838	-	1,282,504	77,123

Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	<u>2020/21</u>	<u>2019/20</u>
	£'000	£'000
Net book value (modified historical cost)		
at 1 April	147,242	147,057
Additions	18,357	9,645
Derecognition	-	-
Depreciation	(7,571)	(7,530)
Impairment	-	(1,930)
Other movements in cost	-	-
Net book value at 31 March	<u>158,028</u>	<u>147,242</u>
	<u>2020/21</u>	<u>2019/20</u>
	£'000	£'000
Infrastructure assets	158,028	147,242
Other PPE assets	1,366,690	1,289,700
Total PPE assets	<u>1,524,718</u>	<u>1,436,942</u>

The Council has determined in accordance with Regulation (30M England) of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Surplus Assets

The Council's surplus assets are valued at fair value. When measuring fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair value is based on 'Significant Observable Inputs – Level 2'. (See Accounting Policy xxviii Fair Value Measurement)

Assets categorised as 'Surplus Assets' are measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts (Norfolk Property Services) work closely with finance officers reporting directly to the Assistant City Treasurer (Corporate Finance) on a regular basis regarding all valuation issues.

Depreciation

Economic useful lives of property, plant and equipment are regularly reviewed and, where appropriate, revised to reflect changing circumstances and changing economic conditions.

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

- Council Dwellings – 5-40 years

- Other Land and Buildings – 1-120 years (general buildings up to 60 years, building substructures up to 120 years)
- Vehicles, Plant, Furniture & Equipment – 2-50 years (vehicles up to 10 years and a small number of equipment assets from 3-50 years)
- Infrastructure – 20 years

Capital Commitments

At 31 March 2021, the Council has plans in place for a number of capital schemes relating to the construction or enhancement of Property, Plant and Equipment budgeted to cost £356m over the next three years. This was subsequently revised following the 2020/21 Capital Outturn Report approved by the Cabinet Committee in June 2021 and now stands at £401m. Similar commitments at 31 March 2020 were £423m. The major commitments are:

- Investment in Schools - £34m
- Investment in Highways - £52m
- Investment in Council Housing Stock - £167m
- Investment in Private Housing - £22m
- Hull World Class Visitor Destination Programme - £27m
- Investment in Museums - £27m
- District Heating - £17m
- Carbon Neutral by 2030 - £18m

Changes in Estimates

Depreciation

Depreciation is charged for a full year, based on the final asset balances reflected as at the end of the previous financial year.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. All valuations were carried out by NPS Humber Ltd. 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.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	-	8,366	-	-	8,366
Valued as at:						
31 March 2021	653,435	356,608	-	403	40,018	1,050,464
31 March 2020	-	53,599	-	30	-	53,629
31 March 2019	-	45,800	-	-	-	45,800
31 March 2018	-	135,815	-	590	-	136,405
31 March 2017	-	71,892	-	134	-	72,026
Total Cost or Valuation	653,435	663,714	8,366	1,157	40,018	1,366,690

Trust, Voluntary Aided, Voluntary Controlled and Academy Schools

Trust Schools

The local authority funds and manages the Trust School admissions policy and forms part of the Council's capital spending plan. Therefore, non-current assets (land and buildings) have been recognised in the Council's balance sheet for 2020/21.

Voluntary Aided Schools

Voluntary aided schools are endowed by a trust, often religious in character. The Schools Standards Framework Act determines that the trustees own the school buildings and the governing bodies are responsible for the provision of premises and all capital work to school buildings. However, the Council is statutorily responsible for the land. Consequently, values for the buildings have not been recognised in the Council's balance sheet, but values for the playing fields have been included as non-current assets.

Voluntary Controlled

Voluntary controlled schools are owned by a charity but the local authority runs the schools and employs the staff. The Council is normally the freeholder of the non-current assets and accordingly the school premises have been recognised as property, plant and equipment in the balance sheet.

Academies

During the year no schools transferred to academy status. Therefore, at 31 March there are ninety two in total. The schools are owned and managed completely independently of the local authority and therefore the non-current assets have been excluded from this balance sheet. Schools transferring to academy status are disposed of at the end of the financial year and charged a full year's depreciation.

Trust Assets

Following a review of the Trust Deeds held for all charitable organisations where the Council acts as trustee, it became apparent that even though the land and buildings are legally registered to the Council with the Land Registry, the Trust Deeds state that these actually belong to the individual trusts and not the Council. The Trusts are all playing field trusts and are; Pearson Park (charity number 1088933), Pickering Park (charity number 1068834), King George's Playing Field (charity number 1088076) and Barbara Robson Playing Field (charity number 1075865). The Council is in the process of amending the Land Registry titles and once this is complete the assets will be removed from the Council's Balance Sheet and included on the individual trust Asset Registers and subsequent accounts filed with the Charity Commission. The total net book value of the four assets as at 31 March 2021 is £8.222m. See note 52.

15. Heritage Assets

	Historical Buildings	Historical Vessels	Statues & Monuments	City Hall Organ	Art Collections	Civic Regalia	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 April 2020	2,140	581	192	1,069	350	529	4,861
Revaluations	1,396	68	-	-	-	-	1,464
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Depreciation	(3)	(54)	-	-	-	-	(57)
At 31 March 2021	3,533	595	192	1,069	350	529	6,268

	Historical Buildings	Historical Vessels	Statues & Monuments	City Hall Organ	Art Collections	Civic Regalia	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 April 2019	2,073	330	192	1,069	350	529	4,543
Revaluations	102	274	-	-	-	-	376
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Depreciation	(35)	(23)	-	-	-	-	(58)
At 31 March 2020	2,140	581	192	1,069	350	529	4,861

All heritage assets shown in the above table are tangible assets. There are no intangible assets.

Historical Buildings

The only historical building identified as meeting the required definitions of a Heritage Asset is the Wilberforce House Museum, as it is principally held for the purposes of knowledge and culture.

Historical Vessels

The Council has two historical vessels; Spurn Lightship and the Arctic Corsair. These are valued at current value within the asset portfolio.

Statues and Monuments

The Council has a number of statues and monuments located across the city. These assets are held at historic cost.

City Hall Organ

Given the value and nature of this asset, its individual disclosure in the above note was deemed to be appropriate. This asset is valued at historical cost.

Art Collections

The art collections are summarised as those held within the Council's corporate buildings and are held at historical cost.

Civic Regalia

The collection incorporates items of silver and insignia relating to the corporate and local history of Hull, and is valued at historic cost.

See note 52 for further details on heritage assets.

16. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2019/20		2020/21
£'000		£'000
(4,592)	Rental income from investment property	(4,646)
1,434	Operating expenses arising from investment property	2,732
(3,158)	Net (gain) / loss	(1,914)

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 remittance of income and the proceeds of disposal. The Council has an obligation to repair and maintain properties in its investment portfolio.

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

2019/20		2020/21
£'000		£'000
71,383	Balance at start of year	63,720
	Additions:	
60	Acquisitions	-
-	Enhancements	850
(5,709)	Disposals	(3,945)
(1,954)	Net gains/losses from fair value adjustments	(375)
	Transfers:	
-	to/from Assets held for Sale	-
-	to/from Property, Plant and Equipment	(1)
(60)	Other Changes	-
63,720	Balance at end of year	60,249

Fair Value Hierarchy

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

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2021
	£'000	£'000	£'000	£'000
<i>Recurring fair value measurements using:</i>				
Residential properties	-	432	-	432
Office Units	-	5,134	-	5,134
Commercial Units	-	54,683	-	54,683
Total	-	60,249	-	60,249
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2020
	£'000	£'000	£'000	£'000
<i>Recurring fair value measurements using:</i>				
Residential properties	-	457	-	457
Office Units	-	5,430	-	5,430
Commercial Units	-	57,833	-	57,833
Total	-	63,720	-	63,720

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels during the year.

Valuation Techniques used to determine Level 2 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

Investment properties' fair value is calculated using the term & reversion approach. The term income reflects the current rent passing under the existing lease agreements. The reversionary income represents the market rent (the full rental value) derived from observable market transactions as at the date of valuation as defined in the RICS Valuation Professional Standards January 2014 (VOPS 4.1.3.1).

Highest and Best Use of Investment Properties

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

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Valuation Process for Investment Properties

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the Assistant City Treasurer (Corporate Finance) on a regular basis regarding all valuation matters.

17. Intangible Assets

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life assigned to the major software suite, Oracle IT software licence is 5 years.

The carrying amount of intangible assets is amortised on a straight line basis. The majority of amortisation of £1.5m charged to revenue in 2020/21 was charged to the IT administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

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

<u>2019/20</u>		<u>2020/21</u>
£'000		£'000
	Balance at start of year:	
13,138	Gross carrying amounts	14,721
(8,740)	Accumulated amortisation	(9,957)
<u>4,398</u>	Net carrying amount at start of year	<u>4,764</u>
	Additions:	
1,720	Purchases	6,507
(1,217)	Amortisation for the period	(1,474)
(137)	Other changes	(678)
<u>4,764</u>	Net carrying amount at end of year	<u>9,119</u>
	Comprising:	
14,721	Gross carrying amounts	20,550
(9,957)	Accumulated amortisation	(11,431)
<u>4,764</u>		<u>9,119</u>

No individual capitalised items of software are individually material to the financial statements.

18. Financial Instruments**Categories of Financial Instruments**

The following categories of financial instruments are carried in the Balance Sheet at Amortised Cost:

	Long-term		Current	
	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000
Investments				
Investments (principal amount)	10	10	-	-
Investments (accrued interest)	-	-	-	-
Cash and cash equivalents (principal amount)	-	-	42,449	126,186
Cash and cash equivalents (accrued interest)	-	-	-	116
Total Investments	10	10	42,449	126,302
Debtors				
Loans and receivables	15,441	10,181	50,005	34,547
Total Debtors	15,441	10,181	50,005	34,547
Borrowings				
Financial liabilities (principal amount)	384,668	407,426	232,820	294,883
Financial liabilities (accrued interest)	-	-	2,725	3,176
Financial liabilities at amortised cost	384,668	407,426	235,545	298,059
Total Borrowings	384,668	407,426	235,545	298,059
Other Long Term Liabilities				
PFI	152,868	159,860	6,255	6,258
Total Other Long Term Liabilities	152,868	159,860	6,255	6,258
Creditors				
Financial liabilities at amortised costs	866	774	108,608	49,508
Total Creditors	866	774	108,608	49,508

Loans and receivables and creditor elements only include contracted debt/liabilities and therefore exclude statutory debt/liabilities such as Council Tax / NNDR.

Reclassifications

There has been no reclassification of financial assets during 2020/21.

Soft Loans

The Council holds no material soft loans.

Employee Car Loans

The total of Employee Car Loans held at 31 March 2021 was £0.075m.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2020/21		2019/20	
	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000
Interest Revenue				
Financial assets measured at amortised cost	330	-	1,109	-
Total Interest Revenue	330	-	1,109	-
Fee Expense				
Financial assets or liabilities that are not at fair value through profit and loss	(442)	-	(331)	-
Trust and other fiduciary activities	-	-	-	-
Total Fee Expense	(442)	-	(331)	-
Interest Expense	(26,619)	-	(27,433)	-

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. When measuring the fair value of a financial instrument, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Disclosure of fair value is not required where the carrying amount is thought to be a reasonable approximation of fair value, such as when the interest rate remains the same for the life of the instrument. This applies to all of the Council's other financial instruments.

The Council's Treasury Management Advisors, Link Asset Services, provide the required fair value calculations of the Council's financial assets and liabilities.

Valuation Techniques – Methodology and Assumptions

The 2020/21 Code of Practice sets out the fair value valuation hierarchy that authorities are required to follow to increase consistency and comparability in fair value measurements and related disclosures.

The valuation basis adopted uses Level 2 Inputs – ie. inputs other than quoted prices that are observable for the financial asset/liability.

Except for financial assets and financial liabilities carried in the Balance Sheet at fair value, all other financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. Fair value can be assessed by calculating the net present value of cash flows that are expected to take place over the remaining life of the instruments. This is a widely accepted valuation technique commonly used in the private sector.

Link Asset Services have applied the following valuation bases:

Valuation of fixed term deposits (maturity investments)

Valuation is made by comparison of the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit.

Valuation of loans receivable

For loans receivable prevailing benchmark market rates have been used to provide fair value.

Valuation of PWLB Loans

For loans from the PWLB, Link Asset Services have provided fair value estimates using the new market loan discount rates.

Valuation of non-PWLB Loans

For non-PWLB loans, Link Asset Services have provided fair value estimates using the new market loan discount rates.

No early repayment or impairment is recognised.

When an instrument has a maturity of less than 12 months or it is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Inclusion of accrued interest - the purpose of fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the Balance Sheet date, Link Asset Services has also included accrued interest in the fair value calculation. This figure will be calculated up to and including the valuation date.

Discount rates used in NPV calculation - the rates quoted in this valuation were obtained by Link Asset Services from the market on 31 March 2021 using bid prices where applicable.

Assumptions - it is noted that the following assumptions do not have a material effect on the fair value of the instrument:

- Interest is calculated using the most common market convention, Actual/365, a day-count formula.
- Interest is not paid/received on the start date of an instrument, but is paid/received on the maturity date

The following categories of financial instruments are carried in the Balance Sheet at Amortised Cost. The carrying amounts and fair values calculated are as follows:

Financial Instruments as at 31 March 2021

	Carrying amount	N/A	Fair Value			Total
	£'000	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
Financial assets measured at fair value						
Short term investments	-	-	-	-	-	-
Long term investments	10	10	-	-	-	10
	10	10	-	-	-	10
Financial assets not measured at fair value						
Cash and cash equivalents	42,449	-	-	42,449	-	42,449
Short term debtors	50,005	50,005	-	-	-	50,005
Long term debtors	15,441	15,441	-	-	-	15,441
	107,895	65,446	-	42,449	-	107,895
Financial liabilities held at amortised cost						
PWLB debt	347,308	-	-	417,452	-	417,452
Non-PWLB debt	272,843	-	-	316,414	-	316,414
Other short term borrowing	62	62	-	-	-	62
	620,213	62	-	733,866	-	733,928
Financial liabilities not measured at fair value						
Short term creditors	108,608	108,608	-	-	-	108,608
PFI	159,123	159,123	-	-	-	159,123
Long term creditors	866	866	-	-	-	866
	268,597	268,597	-	-	-	268,597

The fair value of liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions as at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

The fair value of assets is on par with the carrying amount as the Council's portfolio of investments is of a short term nature and the interest rate receivable is comparable to rates available for similar loans at the Balance Sheet date.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

The following categories of financial instruments are carried in the Balance Sheet at Amortised Cost. The carrying amounts and fair values calculated are as follows:

Financial Instruments as at 31 March 2020

	Carrying amount	N/A	Level 1	Fair Value			Total
	£'000	£'000	£'000	Level 2	Level 3	Level 3	£'000
Financial assets measured at fair value							
Short term investments	-	-	-	-	-	-	-
Long term investments	10	10	-	-	-	-	10
	10	10	-	-	-	-	10
Financial assets not measured at fair value							
Cash and cash equivalents	126,302	-	-	126,302	-	-	126,302
Short term debtors	34,547	34,547	-	-	-	-	34,547
Long term debtors	10,181	10,181	-	-	-	-	10,181
	171,030	44,728	-	126,302	-	-	171,030
Financial liabilities held at amortised cost							
PWLB debt	372,440	-	-	421,895	-	-	421,895
Non-PWLB debt	332,983	-	-	371,557	-	-	371,557
Other short term borrowing	62	62	-	-	-	-	62
	705,485	62	-	793,452	-	-	793,514
Financial liabilities not measured at fair value							
Short term creditors	49,508	49,508	-	-	-	-	49,508
PFI	166,118	166,118	-	-	-	-	166,118
Long term creditors	774	774	-	-	-	-	774
	216,400	216,400	-	-	-	-	216,400

19. Inventories

Inventories are valued at the lower of cost and realisable value.

2019/20		2020/21	
£'000		£'000	
608	Balance outstanding at start of year	561	
4,101	Purchases	2,856	
(4,121)	Recognised as an expense in the year	(2,872)	
(27)	Written off balances	(9)	
561	Balance outstanding at year-end	536	

20. Construction Contracts

The Council does not provide construction services to other external bodies.

21. Short Term Debtors

31 March 2020		31 March 2021	
£'000		£'000	
10,171	Central government bodies	28,719	
800	Other local authorities	1,034	
3,313	NHS bodies	9,481	
58,262	Other entities and individuals	76,981	
(22,975)	Less: Impairment allowance for doubtful debts	(25,189)	
49,571		91,026	

Where income which relates to the reporting year is expected to be received after the financial year end, an estimate is made of the amount to be accrued.

Impairment Allowance for Doubtful Debts

31 March 2020		31 March 2021	
£'000		£'000	
(2,469)	Accounts Receivable	(3,210)	
(1,901)	Housing Revenue Account	(1,954)	
(4,398)	Housing Benefit Overpayments	(4,165)	
(629)	Commercial Rents	(833)	
(13,578)	Collection Fund	(15,027)	
(22,975)		(25,189)	

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed as follows:

31 March 2020		31 March 2021	
£'000		£'000	
5,426	Less than 1 year	6,534	
3,163	1 - 2 years	4,235	
597	2 - 6 years	1,165	
484	More than 6 years	100	
9,670		12,034	

The above analysis only shows those balances where assessment has indicated that, by exception, no impairment is required.

22. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2020		31 March 2021	
£'000		£'000	
123	Cash held by the Authority	147	
(5,421)	Bank current accounts	(8,998)	
131,600	Short-term deposits with banks/building societies	51,300	
126,302	Total Cash and Cash Equivalents	42,449	

23. Assets Held for Sale

Council assets are transferred from Property, Plant and Equipment and categorised as held for sale where the asset is available for immediate sale, there is a commitment to sell the asset, the asset has been actively marketed and a sale is expected within the next twelve months.

As at the balance sheet date, the Council had no assets classified as 'assets held for sale'.

24. Short Term Creditors

An analysis of the Council's creditors for amounts falling due within one year is shown below.

31 March 2020		31 March 2021	
£'000		£'000	
13,984	Central government bodies	66,617	
2,938	Other local authorities	7,534	
439	NHS bodies	402	
37,323	Other entities and individuals	42,795	
54,684		117,348	

Where expenditure has been incurred but not invoiced, an estimate is made of the amount to be accrued.

25. Provisions

	Balance at 1 April 2020	Additional provisions made in 2020/21	Amounts used in 2020/21	Unused amounts reversed in 2020/21	Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Insurance Provision	(1,775)	(66)	-	-	(1,841)
Litigation Claims	(262)	(86)	130	-	(218)
Collection Fund Appeals	(5,013)	(6,285)	5,556	-	(5,742)
Total Provisions per Balance Sheet	(7,050)	(6,437)	5,686	-	(7,801)

Insurance Provision

The Council holds insurance provisions to cover the amount of claims lodged against the Council which have been assessed as being likely to be successful. The claims are for employers and public liability and while catastrophic cover is externally insured, self-insurance is used for the majority of these claims. The insurance provisions are created from internal premiums charged to service revenue accounts. Claims are met directly from these provisions. The provisions cover future liabilities where there is some likelihood it will arise but for which the exact amount and timing is not known. There are additional monies which are to cover the same risks but where no claim

has yet been received by either the Council or its insurer. This does not meet the definition of a provision and is held as a reserve.

Litigation Claims

The Council is currently dealing with litigation claims where it is now anticipated that costs will be incurred.

Collection Fund Appeals

The Council has made a provision for NNDR Appeals based upon its best estimates of the actual liability as at the year-end in known appeals.

26. Usable Reserves

<u>2019/20</u>		<u>2020/21</u>
£'000		£'000
19,274	General Fund Balance	20,968
28,893	Earmarked General Fund Reserves	47,497
3,000	Housing Revenue Account	3,500
23,407	Earmarked Housing Revenue Account Reserves	16,049
466	Major Repairs Reserve	-
29,260	Capital Receipt Reserves	31,116
3,619	Capital Grants Unapplied	11,666
<u>107,919</u>		<u>130,796</u>

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement, supported by the detailed movements in note 9 – Adjustments between Accounting Basis and Funding Basis under Regulations.

27. Unusable Reserves

<u>2019/20</u>		<u>2020/21</u>
£'000		£'000
289,116	Revaluation Reserve	345,543
371,492	Capital Adjustment Account	405,338
(2,769)	Financial Instruments Adjustment Account	(2,646)
(219)	PFI Reserve	(149)
(438,802)	Pension Reserve	(677,709)
(3,868)	Collection Fund Adjustment Account	(16,431)
(1,519)	Accumulated Absences Account	(1,454)
<u>213,431</u>	Total Unusable Reserves	<u>52,492</u>

(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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.

<u>2019/20</u>		<u>2020/21</u>
£'000		£'000
296,032	Balance at 1 April	289,116
27,249	Upward revaluation of assets	70,945
(16,045)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(7,293)
<u>307,236</u>	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<u>352,768</u>
(4,804)	Difference between fair value depreciation and historical cost depreciation	(7,178)
(13,316)	Accumulated gains on assets sold or scrapped	(47)
<u>(18,120)</u>	Amount written off to the Capital Adjustment Account	<u>(7,225)</u>
<u>289,116</u>	Balance at 31 March	<u>345,543</u>

(b) Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2019/20		2020/21	
£'000		£'000	£'000
386,958	Balance at 1 April		371,492
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(57,913)	Charges for depreciation and impairment of non-current assets	(66,962)	
2,230	Revaluation losses on Property, Plant and Equipment	17,231	
(1,217)	Amortisation of Intangible Assets	(1,474)	
(30,823)	Revenue expenditure funded from capital under statute	(32,995)	
(32,971)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8,908)	
(120,694)			(93,108)
(498)	Repayment of long term debtors		(329)
18,120	Adjusting amounts written out of the Revaluation Reserve		7,225
(103,072)	Net written out amount of the cost of non-current assets consumed in the year		(86,212)
	Capital financing applied in the year:		
8,505	Use of the Capital Receipts Reserve to finance new capital expenditure	9,283	
23,755	Use of the Major Repairs Reserve to finance new capital expenditure	25,338	
35,468	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	57,311	
6,992	Application of grants to capital financing from the Capital Grants Unapplied Account	2,904	
14,343	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	24,937	
497	Capital expenditure charged against the General Fund and HRA balances	660	
89,560			120,433
(1,954)	Movements in the fair value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(375)
371,492	Balance at 31 March		405,338

(c) Financial Instrument Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2021 will be charged to the General Fund over the next 31 years.

2019/20		2020/21	
£'000		£'000	£'000
(2,895)	Balance at 1 April		(2,769)
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	
126	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	123	
126	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		123
(2,769)	Balance at 31 March		(2,646)

(d) PFI Reserve

The PFI Reserve was introduced on 1 April 2008 as a result of accounting changes required under IFRIC 12 PFI and Service Concessionary Arrangements. The Account holds the accumulated PFI grant credits received through the General Fund from inception of the Victoria Dock PFI contract. This balance will unwind over the remaining life of the asset.

2019/20		2020/21	
£'000		£'000	
(281)	Balance at 1 April		(219)
62	Movement in reserve		70
(219)	Balance at 31 March		(149)

(e) 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 Council 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, charging assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employers' contributions to pension funds or eventually pays pension for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources the Council 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.

<u>2019/20</u> £'000		<u>2020/21</u> £'000
(597,677)	Balance at 1 April	(438,802)
-	Opening balance adjustment	-
193,842	Actuarial gains or losses on pensions assets and liabilities	(222,278) Note 47
(66,117)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(46,182)
31,150	Employer's pensions contributions and direct payments to pensioners payable in the year	29,553
<u>(438,802)</u>	Balance at 31 March	<u>(677,709)</u>

(f) Collection Fund Adjustment Account

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

<u>2019/20</u> £'000		<u>2020/21</u> £'000
(5,183)	Balance at 1 April	(3,868)
1,315	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(12,563)
<u>(3,868)</u>	Balance at 31 March	<u>(16,431)</u>

(g) Accumulated Absences Account

The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2019/20		2020/21	
£'000		£'000	£'000
(1,618)	Balance at 1 April		(1,519)
99	Settlement or cancellation of accrual made at the end of the preceding year	65	
-	Amounts accrued at the end of the current year	-	
99	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		65
(1,519)	Balance at 31 March		(1,454)

28. Cash Flow Statement – Operating Activities

Adjustments to net surplus or deficit on the provision of services for non-cash movements:

2019/20		2020/21	
£'000		£'000	
58,175	Depreciation and Impairment		66,961
(2,230)	Downward (upward) valuations		(35,316)
1,217	Amortisation		1,474
(11,132)	Increase/(decrease) in Creditors		57,539
(4,578)	(Increase)/decrease in Debtors		(39,418)
47	(Increase)/decrease in Stock		25
35,232	Movement in pension liability		(2,312)
32,647	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised		8,908
1,044	Other non-cash items charged to the net surplus or deficit on the provision of services		329
110,422			58,190

Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:

2019/20		2020/21	
£'000		£'000	
-	Proceeds from short-term and long-term investments		-
(2,415)	Proceeds from the sale of PP&E, investment property and intangible assets		(12,664)
(92,200)	Any other items for which the cash effects are investing or financing cash flows		(99,266)
(94,615)			(111,930)

The cash flows for operating activities include the following items:

<u>2019/20</u> £'000		<u>2020/21</u> £'000
664	Interest received	334
(27,764)	Interest paid	(27,061)
445	Dividends received	-
(26,655)		(26,727)

29. Cash Flow Statement – Investing Activities

<u>2019/20</u> £'000		<u>2020/21</u> £'000
(46,952)	Purchase of property, plant and equipment, investment property and intangible assets	(63,397)
-	Purchase of short-term and long-term investments	-
(1,618)	Other payments for investing activities	(5,260)
2,415	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	12,664
-	Proceeds from short-term and long-term investments	-
35,294	Other receipts from investing activities	68,486
(10,861)	Net cash flows from investing activities	12,493

30. Cash Flow Statement – Financing Activities

<u>2019/20</u> £'000		<u>2020/21</u> £'000
259,000	Cash receipts of short and long-term borrowing	210,000
49,741	Other receipts/(payments) from financing activities	30,827
(6,853)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(6,995)
(175,774)	Repayments of short and long-term borrowing	(295,272)
(353)	Other payments for financing activities	(1,989)
125,761	Net cash flows from financing activities	(63,429)

A. Reconciliation of Liabilities arising from Financing Activities

	2019/20 £'000	Financing Cash Flows	Changes which are not financing cash flows		2020/21 £'000
			Acquisition	Other	
Long Term Borrowings	407,426	(22,758)	-	-	384,668
Short Term Borrowings	298,059	(62,514)	-	-	235,545
Lease Liabilities	-	-	-	-	-
PFI Liabilities	166,118	(6,995)	-	-	159,123
Total Liabilities from Financing Activities	871,603	(92,267)	-	-	779,336

	2018/19 £'000	Financing Cash Flows	Changes which are not financing cash flows		2019/20 £'000
			Acquisition	Other	
Long Term Borrowings	443,248	(35,822)	-	-	407,426
Short Term Borrowings	178,912	119,147	-	-	298,059
Lease Liabilities	-	-	-	-	-
PFI Liabilities	172,972	(6,854)	-	-	166,118
Total Liabilities from Financing Activities	795,132	76,471	-	-	871,603

31. *Acquired and discontinued operations*

The Council did not acquire any operations during the financial year 2020/21. Furthermore, no operations were discontinued during the 2020/21 financial reporting period.

32. *Agency Services*

The Council carries out certain work on an agency basis, which is reimbursed. The principal areas of work are:-

- As a highways agent for the Department of Transport

A summary of expenditure incurred in respect of the activity, which is not included in the income and expenditure Account, is as follows:

2019/20 £'000		2020/21 £'000	
144	Highways agent for the Department of Transport	144	
144	Total amount reimbursable	144	

33. *Road Charging Schemes under the Transport Act 2000*

Under the provisions of the Transport Act 2000, details of any scheme of road user charging or workplace parking levy should be notified. During 2020/21, no such activities were entered into by the Council.

34. *Pooled Budgets*

Section 75 National Health Service Act 2006 enables establishment of joint working arrangements between NHS bodies and local authorities and the pooling of funds to deliver specific local health issues. The Council has a pooled budget arrangement with Hull Clinical Commissioning Group known as the Better Care Fund which is governed by a Section 75 Agreement and with the Humber Teaching NHS Foundation Trust for the delivery of the Yorkshire & Humber Integrated Care Record which is governed by a Section 75 Agreement.

Better Care Fund

The Better Care Fund was announced in June 2013 to drive the transformation of local services to ensure that people receive better and more integrated care and support. The Council has entered into a pooled budget arrangement with Hull CCG under a Section 75 Agreement to deliver Better Care. The Council's contribution to the pooled budget in 2020/21, including monies made available to the Council by the Government through the Improved Better Care Fund, was £24.2m, which includes £2.9m for capital equipment; a further £1.0m of capital resources was carried forward on the pooled budget from 2019/20 by the Council. The amount allocated to the Council from the fund (including the carry forwards) was £28.0m, of which £26.2m was spent in the year. The unspent balance, all of which relates to capital resources, will be carried forward to support the Better Care programme in 2021/22.

Total Better Care Funding - allocations to the pooled budget	£'000
Hull City Council	24,227
Hull CCG	25,272
Carried forward from 2019/20	
- capital (HCC)	997
- revenue (HCC)	-
Total allocations to the pooled budget in 2020/21	50,496
Funding allocated from the pooled budget	£'000
Hull City Council	26,996
Hull CCG	22,503
Carry forwards - HCC	997
Total allocations from the pooled budget in 2020/21	50,496
Expenditure incurred in 2020/21	£'000
Hull City Council	(26,210)
Hull CCG	(22,503)
Total spend in 2020/21	(48,713)
Total Better Care Funding Remaining	1,783
Note: Use of remaining balance	£'000
Capital - slippage into 2021/22	1,783
	1,783

The move towards joint commissioning between the Council and Hull CCG continues to develop and this is reflected in the refreshed Section 75 Agreement which again incorporates the alignment of a number of budgets by the two parties in addition to the Better Care Pooled Budget itself.

Yorkshire & Humber Integrated Care Record

In March 2018 NHS England (NHSE) and the Local Government Association invited proposals from NHS and local government partner organisations to participate in a programme of Local Health and Care Record Exemplars (LHCRE) across England. The Programme is designed to support the adoption of best practice in the collection, protection, and use of health and care data to promote greater efficiency and effectiveness in the handling of patient/client data across the health and social care continuum in any locality. In July 2018, 74 partner organisations across the Yorkshire & Humber region (the Yorkshire & Humber Collaborating Partners) were awarded £7.5 million in capital funding by NHSE for this purpose. The Collaborating Partners subsequently agreed that the programme would be delivered through the Yorkshire & Humber Digital Care Board, and that the Humber Teaching NHS Foundation Trust (HTFT) would act as lead commissioner on behalf of the Yorkshire & Humber LHCRE. It was further agreed that the balance of funding held by HTFT at the close of 2020/21 (£4.1 million) would be used to create a pooled budget between HTFT and Hull City Council (also a member of the Y&H Collaborating Partners) to further facilitate the application of the remaining funds. Hull City Council will act as host of the pooled fund, with funding to be drawn down by HTFT in line with approved decisions of the Board as the programme moves towards completion in 2021/22. The Council received a capital grant from Humber Teaching NHS Foundation Trust late in 20/21 for the £4.1m linked to the pooled budget. As at 31/3/21 it was held as an unapplied capital grant. When charges will be made against it in 21/22 it will be treated as REFCUS where it is non-council or capital expenditure where it is.

Yorkshire & Humber Integrated Care record - total allocations to the pooled budget	£'000
Hull City Council	-
Humber Teaching NHS Foundation Trust	4,100
Total allocations to the pooled budget in 2020/21	4,100
Funding allocated from the pooled budget in year	£'000
Hull City Council	-
Humber Teaching NHS Foundation Trust	4,100
Total allocations from the pooled budget in 2020/21	4,100
Expenditure incurred in 2020/21	£'000
Hull City Council	-
Humber Teaching NHS Foundation Trust	-
Total spend in 2020/21	-
Yorkshire & Humber Integrated Care Record Funding Remaining	4,100
Note: Use of remaining balance	£'000
Carry forward to 2021/22	4,100
	4,100

35. Members' Allowances

The Council paid the following amounts to members of the Council during the year.

<u>2019/20</u>			<u>2020/21</u>	
£'000			£'000	
1,104	Allowances		1,123	
1	Expenses		-	
<u>1,105</u>	Total		<u>1,123</u>	

36. Officers' Remuneration

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

Including Termination Benefits

	<u>2020/21</u>		<u>2019/20</u>	
	Non Teaching		Teaching	
	(Number of posts)		(Number of posts)	
£165,000 - £169,999	-	1	-	-
£160,000 - £164,999	1	-	-	-
£155,000 - £159,999	-	1	-	-
£150,000 - £154,999	-	-	-	-
£145,000 - £149,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£130,000 - £134,999	-	-	-	-
£125,000 - £129,999	-	-	-	-
£120,000 - £124,999	4	3	-	-
£115,000 - £119,999	-	-	-	-
£110,000 - £114,999	-	1	-	-
£105,000 - £109,999	1	3	-	-
£100,000 - £104,999	-	-	-	-
£95,000 - £99,999	11	11	2	1
£90,000 - £94,999	-	1	-	1
£85,000 - £89,999	2	-	-	-
£80,000 - £84,999	1	3	1	-
£75,000 - £79,999	1	-	1	-
£70,000 - £74,999	1	2	-	2
£65,000 - £69,999	9	1	3	1
£60,000 - £64,999	37	35	1	6
£55,000 - £59,999	20	6	3	1
£50,000 - £54,999	46	27	1	4
	<u>134</u>	<u>95</u>	<u>12</u>	<u>16</u>

Excluding Termination Benefits

	2020/21		2019/20	
	Non Teaching (Number of posts)		Teaching (Number of posts)	
£165,000 - £169,999	-	-	-	-
£160,000 - £164,999	1	-	-	-
£155,000 - £159,999	-	1	-	-
£150,000 - £154,999	-	-	-	-
£145,000 - £149,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£130,000 - £134,999	-	-	-	-
£125,000 - £129,999	-	-	-	-
£120,000 - £124,999	4	3	-	-
£115,000 - £119,999	-	-	-	-
£110,000 - £114,999	-	1	-	-
£105,000 - £109,999	1	3	-	-
£100,000 - £104,999	-	-	-	-
£95,000 - £99,999	11	11	2	1
£90,000 - £94,999	-	1	-	1
£85,000 - £89,999	2	-	-	-
£80,000 - £84,999	1	2	-	-
£75,000 - £79,999	1	-	1	-
£70,000 - £74,999	1	2	-	2
£65,000 - £69,999	9	1	3	-
£60,000 - £64,999	35	35	1	5
£55,000 - £59,999	21	7	3	1
£50,000 - £54,999	46	28	2	3
	<u>133</u>	<u>95</u>	<u>12</u>	<u>13</u>

The tables above include all individual senior officers and post holders listed below.

Senior Officers' emoluments – Salary is £150,000 or more per year:

2020/21									
Post Holder Information	Note	Salary (Including fees and Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind	Total Remuneration excl pension contributions	Pension Contributions	Total Remuneration incl pension contributions
Chief Executive M Jukes		163,575	-	39	-	-	163,614	24,209	187,823
		<u>163,575</u>	<u>-</u>	<u>39</u>	<u>-</u>	<u>-</u>	<u>163,614</u>	<u>24,209</u>	<u>187,823</u>

2019/20									
Post Holder Information	Note	Salary (Including fees and Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind	Total Remuneration excl pension contributions	Pension Contributions	Total Remuneration incl pension contributions
Chief Executive M Jukes		159,197	-	275	-	-	159,472	23,561	183,033
		<u>159,197</u>	<u>-</u>	<u>275</u>	<u>-</u>	<u>-</u>	<u>159,472</u>	<u>23,561</u>	<u>183,033</u>

Senior Officers' Emoluments – Salary is between £50,000 and £150,000 per year:

2020/21

Post Holder Information	Note	Salary (Including fees and Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind	Total Remuneration excl pension contributions	Pension Contributions	Total Remuneration incl pension contributions
Director of Regeneration		124,165	-	-	-	-	124,165	18,375	142,540
Director of Public Health		124,165	-	-	-	-	124,165	17,855	142,020
Corporate Director Children & Family Services	1	44,148	-	-	-	-	44,148	6,534	50,681
Director of Finance & Transformation		124,100	-	-	-	-	124,100	17,860	141,959
Director of Legal Services and Partnerships		124,165	-	-	-	-	124,165	18,376	142,541
		540,742	-	-	-	-	540,742	79,000	619,742

Note 1: The postholder for Corporate Director Children & Family Services took the post on 23/11/2020. The annualised salary for this post is £124,165

2019/20

Post Holder Information	Note	Salary (Including fees and Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind	Total Remuneration excl pension contributions	Pension Contributions	Total Remuneration incl pension contributions
Deputy Chief Executive	2	56,618	-	315	50,000	-	106,933	8,379	115,312
Director of Regeneration		120,842	-	128	-	-	120,970	17,885	138,855
Director of Public Health		120,842	-	141	-	-	120,983	17,377	138,360
Corporate Director Children & Family Services	1	137,228	-	24	30,000	-	167,252	15,366	182,618
Director of Finance & Transformation		120,842	-	-	-	-	120,842	17,885	138,727
Director of Legal Services and Partnerships		110,299	-	586	-	-	110,885	16,324	127,210
		666,671	-	1,193	80,000	-	747,864	93,217	841,081

Note 1: The postholder for Corporate Director of Children and Family Services left the post on 09/02/2020. The salary total includes a payment in lieu of notice of £30,421. The annualised salary for this post is £120,842

Note 2: The postholder for Deputy Chief Executive retired on 13/09/2019. The post was not continued. The annualised salary for this post was £125,046

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
£1 - £20,000	-	-	2	14	2	14	24,612	125,783
£20,001 - £40,000	-	-	2	10	2	10	56,073	285,062
£40,001 - £60,000	-	-	1	6	1	6	54,904	280,229
£60,001 - £80,000	-	-	-	2	-	2	-	121,298
£80,001 - £100,000	-	-	-	2	-	2	-	196,185
£100,001 - £120,000	-	-	-	-	-	-	-	-
£120,001 - £140,000	-	-	1	-	1	-	129,036	-
£140,001 - £160,000	-	-	-	-	-	-	-	-
£160,001 - £180,000	-	-	-	-	-	-	-	-
over £180,000	-	-	-	-	-	-	-	-
Total included in bandings	-	-	6	34	6	34	264,625	1,008,557
Add: Amounts provided for in CIES not included in bandings							-	-
Total cost included in CIES							264,625	1,008,557

The above cost of exit packages includes pension strain costs and compensation payments also relating to schools staff.

37. External Audit Costs

In 2020/21 the following costs were incurred in relation to external audit and inspection fees:

2019/20 £'000		2020/21 £'000
133	Fees payable to auditors appointed under the Local Audit and Accountability Act 2014 with regard to external audit services carried out by the appointed auditor for the year	168
17	Fees payable to auditors for the certification of grant claims and returns for the year	17
10	Fees payable to auditors in respect of other services provided during the year	9
160		194

38. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) (No 2) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2020/21 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2020/21 before Academy recoupment			243,655
Academy figure recouped for 2020/21			(188,434)
Total DSG after Academy recoupment for 2020/21			55,221
Brought forward from 2019/20			(3,606)
Carry forward to 2020/21 agreed in advance			-
Agreed initial budgeted distribution in 2020/21	42,860	8,755	51,615
In year adjustments	(1,330)	831	(499)
Final budget distribution for 2020/21	41,530	9,586	51,116
Less Actual Central Expenditure	(44,657)	-	(44,657)
Less Actual ISB deployed by schools	-	(9,586)	(9,586)
Plus Local Authority contribution for 2020/21	-	-	-
Carry forward to 2021/22	(3,127)	-	(3,127)

The Council is working with the schools sector on a plan to bring spend in line with grant income and to address the deficit position.

39. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21:

2019/20 £'000		2020/21 £'000
	Credited to Taxation and Non Specific Grant Income	
23,988	Revenue Support Grant	24,379
39,257	Business Rates	39,896
3,076	New Homes Bonus Scheme	2,508
9,852	Covid-19	8,593
1,305	Other	4,367
77,478		79,743

2019/20		2020/21
£'000		£'000
	Credited to Services	
96,896	Housing Benefit Rents	91,106
4,730	Skills Funding Agency, adult education and sixth form	4,241
51,751	Dedicated Schools Grant	54,662
1,877	Pupil Premium Grant	1,862
23,837	Public Health	24,431
22,657	Better Care Fund	23,499
5,658	Extra Care PFI	5,658
11,311	Partnership for Schools	11,311
827	16 to 19 Funding	697
-	COVID-19 Ringfenced Grants	20,629
23,934	Other Grants	31,332
243,478		269,428

The Council has received a number of grants and contributions 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. The balances at the year-end are as follows:

31 March 2020	Current Liabilities	31 March 2021
£'000		£'000
	Grants Receipts in Advance (Capital Grants)	28
53	Devolved Formula Capital - Partnership for Schools	-
41	Other Grants	40
211	Other Contributions	
305	Total	68
	Grants Receipts in Advance (Revenue Grants)	
1,205	Housing Benefit Rent	1,304
532	Other Grants	686
-	Section 31 Grant	25,291
1,737	Total	27,281
	Long-term Liabilities	
	Grants Receipts in Advance (Capital Grants)	
139	Devolved Formula Capital - Partnership for Schools	78
-	Other Grants	41
604	Other Contributions	683
743	Total	802

The Council does not have a donated assets account.

40. **Related Parties**

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

The aggregation option for individual transactions has been taken on the basis that the Council has satisfied itself that all the transactions entered into have been concluded in accordance with its proper procedures for preventing undue influence.

Central Government

Central Government has statutory oversight of the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg Council Tax bills, housing benefits). Grant Income is detailed at note 39.

Members

Members of the Council have direct control over the Council's financial operating policies. The total of members' allowances paid in 2020/21 is shown in note 35.

In 2020/21, 56 elected members declared an interest in related parties (57 in 2019/20). The relevant members did not take part in any discussion or decision relating to the transactions. A full list of member's interests is available from the Guildhall, Alfred Gelder Street, Hull, HU1 2AA. It is also available to view on the Council's website, www.hullcc.gov.uk.

Officers

The Council officers' interests are listed below:

Absolutely Cultured Limited

Matt Jukes was a Trustee during 2020/21.

NPS Humber Limited

Mark Jones was a Director during 2020/21.

Hull & Goole Port Health Authority

Ian Anderson, the Council's Director of Legal Services and Partnerships, was the Clerk to the Authority during 2020/21.

David Bell, the Director of Finance and Transformation (Section 151 Officer), was Treasurer to the Authority during 2020/21.

Hull Esteem Consortium LEP Limited

Tracy Harsley was a Director during 2020/21.

Ian Anderson was a Director during 2020/21.

Information in respect of material transactions with member and officer related parties not disclosed in this Statement of Accounts, is presented below:

2019/20			2020/21	
Expenditure	Income		Expenditure	Income
£'000	£'000		£'000	£'000
22,979	(33)	Hull Esteem Consortium LEP Ltd	26,530	(165)
41,048	(526)	Kingstown Works Ltd	38,806	(564)
11,094	(1,999)	Hull Culture & Leisure Ltd	10,126	(2,157)
10,096	(366)	NPS Humber Ltd	10,407	(106)
13,984	(28)	Humberside Police	14,622	(11)
6,105	(9)	Humberside Fire Authority	8,423	(10)
1,674	(3)	Fruit Market LLP	4,944	-
-	(80)	Humber NHS Foundation Trust	799	(4,133)
219	-	Absolutely Cultured Ltd	257	-
1,376	(4)	Pickering & Ferens Homes	58	(2)
4,094	(116)	Other	5,462	(315)
112,669	(3,164)		120,434	(7,463)

The following amounts were due from related parties at 31 March 2021 and are included in debtors:

	<u>2020/21</u>
	<u>£'000</u>
Hull Esteem Consortium LEP Ltd	-
Kingstown Works Ltd	467
Hull Culture & Leisure Ltd	783
NPS Humber Ltd	-
Humberside Police	-
Humberside Fire Authority	-
	<u>1,250</u>

The following amounts were due to related parties at 31 March 2021 and are included in creditors:

	<u>2020/21</u>
	<u>£'000</u>
Hull Esteem Consortium LEP Ltd	128
Kingstown Works Ltd	5,238
Hull Culture & Leisure Ltd	3,629
NPS Humber Ltd	348
Humberside Police	-
Humberside Fire Authority	-
	<u>9,343</u>

Of those that returned the declaration form, no other Council members, Chief Officers, nor their close relations or members of the same household have undertaken any declarable related party transactions with the Council.

Other Public Bodies

Pension Fund – see notes 46 and 47 for details of pension fund transactions during the 2020/21 financial year for the Teachers Pension Scheme, the NHS Pension Scheme and the Local Government Pension Scheme.

Entities Controlled or Significantly Influenced by the Council

NPS Humber Limited

NPS Humber Limited is a company jointly owned by the Council (40%) and NPS Property Consultants Ltd (60%). The purpose of the company is to provide property management services, specifically services to the Council as determined under a Service Agreement and Specification. The company began trading on 8 November 2008.

The financial statements for the year ending 31 March 2020 show a net profit before tax of £0.235m (£0.200m in 2018/19) and net assets of £1.287m (£1.334m in 2018/19).

The company was owed £1.536m by the Council at 31 March 2020 for work carried out during 2019/20 and owed the Council £0.452m for goods and services received during 2019/20.

Copies of the accounts are available from NPS Property Consultants Ltd, Lancaster House, 16 Central Avenue, St Andrews Business Park, Norwich NR7 0HR.

Humber LEP Limited

The Humber LEP Limited is a wholly-owned Council company, formed to act as the legal entity for Hull's Local Enterprise Partnership.

The company was incorporated on 13 March 2012 as a company limited by guarantee. The Council is operating as the Accountable Body. Expenditure of £1.810m and income of £1.970m have been recorded in the accounts for the period ended 31 March 2021. The unused balance has been carried forward for use in future years.

Freedom Festival Limited

The company was incorporated on 15 May 2013 as a not-for-profit organisation and Charity to deliver the Freedom Festival and an all-year programme of work.

The company has traded during the period ended 31 March 2021 with transactions totalling £0.228m.

Absolutely Cultured Limited

Absolutely Cultured Limited is an independent company, limited by guarantee. Built on the foundations of Hull UK City of Culture 2017 Limited, the company continues to deliver cultural experiences in partnership with Kingston upon Hull City Council.

During 2020/21 the Council provided funding in the sum of £0.257m to the company for running costs. The Council also provided a range of support services to the Company at no cost to the Company.

41. Capital Expenditure and Financing

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

2019/20		2020/21
£'000		£'000
832,055	<i>Opening Capital Financing Requirement</i>	856,642
	Capital investment	
79,093	Property, Plant and Equipment	79,549
60	Investment Properties	850
1,720	Intangible Assets	6,507
2,451	Capital Long Term Debtors	5,410
30,823	Revenue expenditure funded from Capital under Statute	32,995
	Sources of finance	
(8,505)	Capital receipts	(9,283)
(42,460)	Government grants and other contributions	(60,215)
	Sums set aside from revenue:	
(24,252)	Direct revenue financing	(25,998)
(14,343)	MRP/loans fund principal and voluntary set aside	(24,937)
856,642	<i>Closing Capital Financing Requirement</i>	861,520
	Explanation of movements in year	
-	Increase in underlying need to borrowing (supported by Government financial assistance)	-
24,587	Increase in underlying need to borrowing (unsupported by Government financial assistance)	4,878
-	Assets acquired under finance leases	-
-	Assets acquired under PFI/PPP contracts	-
24,587	<i>Increase/(decrease) in Capital Financing Requirement</i>	4,878

42. Leases

The Council examines its contracts database and property portfolio on an annual basis, to assess whether new leases are classified as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement (that transfers substantially all the risks and rewards incidental to ownership) or classified as an operating lease. The Council found no new finance leases in the financial reporting period and therefore considers all new leases as operating leases.

The Council as Lessee**Finance Leases**

The Council has no material assets leased in under finance leases.

Operating Leases

The Council leases in a number of properties under operating leases to deliver services to the public with average remaining lives of 2 years. The Council has no leased in machinery or vehicles as at 31 March 2021.

The future minimum lease payments due under non-cancellable leases in future are:

<u>31 March 2020</u> £'000		<u>31 March 2021</u> £'000
440	Not later than one year	440
662	Later than one year and not later than five years	450
1,534	Later than five years	1,544
<u>2,636</u>		<u>2,434</u>

Expenditure charged to cost of services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

<u>31 March 2020</u> £'000		<u>31 March 2021</u> £'000
440	Minimum lease payments	440
-	Contingent rents	-
(234)	(sublease payments receivable)	(521)
<u>206</u>	Minimum lease payments	<u>(81)</u>

The Council as Lessor**Finance Leases**

The Council has no assets leased out under finance leases.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, charitable organisations and community centres.
- For economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years, up to 75 years, are:

<u>31 March 2020</u> £'000		<u>31 March 2021</u> £'000
4,272	Not later than one year	3,784
9,761	Later than one year and not later than five years	8,405
67,243	Later than five years	63,499
<u>81,276</u>		<u>75,688</u>

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. In 2020/21, no contingent rents were receivable by the Council (2019/20 - £nil).

43. Private Finance Arrangements and Similar Contracts

Under IFRIC 12 – Service Concession Arrangements, property used within a PFI arrangement should be recognised as an asset or assets of the local authority.

BSF Schools

General

The Council has entered into a 25 year contract with the Hull Esteem Group to design, build, finance and operate five new schools in Hull:

- Winifred Holtby / Tweendykes School – The school building includes two schools; Winifred Holtby (secondary school) and Tweendykes (special needs school). The schools opened in September 2011. Therefore, the asset and corresponding long term liability were brought onto the balance sheet during 2011/12. The Winifred Holtby / Tweendykes arrangement is included as one PFI scheme.
- Two secondary schools (Andrew Marvell Business and Enterprise College and Kingswood College of Arts) and a special needs school (Oakfield) were opened in January 2013. Asset values and corresponding long term liabilities were brought onto balance sheet during 2012/13.
- Winifred Holtby, Tweendykes and Kingswood College of Arts converted to academy status in 2013/14. Andrew Marvell Business and Enterprise College transferred to academy status in 2016/17. Assets were removed from the balance sheet in 2013/14 and 2016/17 respectively, but the liability remains on the balance sheet.
- No new schools have been built during this financial year under a PFI arrangement.

Significant Contractual Information

Significant terms of the arrangement

Market testing exercises must be completed every five years by an independent third party on behalf of the Hull Esteem Group. Should the service costs change by 5% or more, the unitary charge must be adjusted accordingly. Market testing will assess grounds maintenance, pest control, cleaning and waste management.

Should the Hull Esteem Group opt to refinance its debts and has obtained the Council's consent, the Council is entitled to a 50% share of any gains.

Rights to use specified assets

The Council has full rights to use the schools for the provision of educational services. Each school is made available for use in the following priority order: i) provision of education services, ii) community use, iii) and third party use. The contractor may enter into arrangements for third party use, subject to satisfying criteria laid out in the contract, and may be entitled to charge for such use.

Rights to receive specified assets at the end of the concession period

The schools are under the operational control of the Hull Esteem Group during the contract period, with the legal title of the land remaining with the Council throughout the contract. At the end of the contract period, the buildings will revert to the Council for nil consideration.

Renewal and termination options

The contract does not include an option to extend or renew beyond the contractual expiry date. The significant risks that the Council is exposed to under a PFI contract are changes in inflation and changes in demand for the services. There is provision within the agreement for the termination of the contracts, under certain conditions, by either the Council or by the contractor on Council default, or termination by the Council on contractor default. Compensation payments are payable upon termination and the calculation of these is determined in the contracts.

Other rights and obligations

It is anticipated that any staff employed by Hull Esteem Group or its subcontractors running the schools will have the legal right to transfer over to the Council at the end of the contract.

Other PFI Contractual ArrangementsVictoria Dock School

The Council entered a 25 year contract in July 1998 with the Sewell Group to provide a primary school on Victoria Dock. The asset and corresponding long term liability were brought onto the Balance Sheet in 2009/10, with effect from the commencement of the contract.

Orchard Park Neighbourhood Integrated Service Centre

The Council entered a 25 year contract in December 2009 with the Sewell Group to provide a health centre on the Orchard Park Estate. The facility is jointly occupied with the local health body. The asset and corresponding long term liability were brought onto the Balance Sheet in 2009/10, with effect from the commencement of the contract.

Extra Care Housing

The Council completed the first stage of a 25 year contract in March 2017 with Riverside Group to operate Extra Care Housing facilities at Hall Road in the City of Hull which included 65 new apartments.

In July 2017, the Council completed the second and final stage of the 25 year contract with the Riverside. The second stage introduced an additional 251 apartments.

Payments

The Council makes agreed unitary payments each year to the seven PFI schemes mentioned above for services provided. Where services are not provided or fall short of agreed standards, the Council can reduce the unitary payment by the value of the lost services. Unitary payments are calculated for future years based on an estimated inflation rate of 2.5% per annum. Payments remaining outstanding for the six schemes are as follows:

	Payment for Services	Repayment of Capital Expenditure	Lifetime Replacement Costs	Interest & Contingent Rents	Total
	£'000	£'000	£'000	£'000	£'000
Payable in 2021/22	5,531	6,255	1,800	8,909	22,495
Payable within two to five years	22,588	27,797	8,572	32,116	91,073
Payable within six to ten years	31,435	40,636	16,604	31,094	119,769
Payable within eleven to fifteen years	35,155	52,880	19,600	15,747	123,382
Payable within sixteen to twenty years	13,806	27,848	10,122	997	52,773
Payable within twenty-one to twenty-five years	1,561	3,707	3,753	(1,673)	7,348
	110,076	159,123	60,451	87,190	416,840

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed.

The liability outstanding to pay the contractor for capital expenditure incurred is as follows:

<u>2019/20</u> £'000		<u>2020/21</u> £'000
172,972	Balance outstanding at start of year	166,118
(6,854)	Payments during the year	(6,995)
-	Capital expenditure incurred in the year	-
-	Other movements	-
166,118	Balance outstanding at year end	159,123

44. **Impairment Losses**

NPS Humber Ltd led a review of assets subject to impairment due to consumption of economic benefit. A number of assets were identified for review but no impairment was required except for Housing Regeneration assets and Council Dwellings.

Assets purchased for demolition have been impaired by the building element of the property value. When a site is fully assembled, the site will be revalued accordingly.

Council Dwellings earmarked for demolition have been impaired by the building element of the property value.

The significant assets which were subject to an impairment review and subsequently reduced in value are as follows:

Name of Asset	<u>Impaired by</u> £'000	Reason for Impairment
Housing Regeneration properties	131	2 Properties purchased for demolition / redevelopment
Council dwellings	78	5 Stock reduction demolitions
Capital spend not adding value	30,295	
Total Impairment	30,504	

45. **Capitalisation of Borrowing Costs**

Borrowing costs are interest and other costs that the Council incurs in connection with the borrowing of funds. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset.

The Council will begin capitalising borrowing costs as part of the cost of a qualifying asset on the commencement date. The commencement date for capitalisation is when the Council first meets all of the following conditions:

- It incurs expenditures for the asset
- It incurs borrowing costs, and
- It undertakes activities that are necessary to prepare the asset for its intended use of sale

The Council will cease capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

The Council has capitalised borrowing costs during the financial year. The amount of borrowing costs capitalised in 2020/21 is as follows;

<u>2019/20</u>		<u>2020/21</u>
3.07%	Rate (%)	2.82%
313	Amount (£'000)	204

46. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme. Administered by the Department for Education, it provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2020/21 the Council paid £1.633m in respect of teachers' pension costs, representing a contribution rate of 23.68%. In 2019/20, the Council paid £1.541m representing a contribution rate of 16.4%. In addition, the Council is responsible for the pension payments relating to added years' benefits previously awarded.

The scheme is a defined benefit scheme, but it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees, therefore for the purposes of the Statement of Accounts it is accounted for on the same basis as a defined contribution scheme.

NHS Staff Pension Scheme

During 2013/14, NHS staff transferred to the Council. These staff maintained their membership in the NHS Pension Scheme. The Scheme provides staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020/21, the Council paid £0.041m to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14% of pensionable pay. In 2019/20, the Council paid £0.040m, representing 14% of pensionable pay. There were no contributions remaining payable at the year end.

47. Defined Benefit Pension Schemes**Local Government Pension Scheme**

As part of the Council's terms and conditions of employment, retirement benefits are offered to its non-teaching employees through the East Riding of Yorkshire Council's pension scheme (the Local Government Pension Scheme) which provides members with defined benefits related to pay and service. This is a funded final salary scheme to which both the Council and its employees pay contributions calculated at a level intended to balance the pension liabilities with investment assets. The contribution rate is determined by the County Fund's Actuary based on triennial valuations, and under Pension Fund Regulations the contribution rates are set to meet 100% of the overall liabilities of the fund.

The latest triennial valuation was as at the 31 March 2019 and the Actuary indicated a minimum contribution rate of 14.8% of contributing members plus a secondary sum of £10.054m per annum, from 1 April 2020. This rate will apply until 2022/23.

<u>2019/20</u>		<u>2020/21</u>
£'000		£'000
	Comprehensive Income and Expenditure Statement	
	<i>Net Cost of Services:</i>	
	<i>Service cost comprising:</i>	
45,599	- current service cost	35,884
7,634	- past service costs	31
(1,430)	- (gains)/losses from settlements	-
	<i>Financing and Investment Income and Expenditure</i>	
14,314	- Net interest expense	10,267
<u>66,117</u>		<u>46,182</u>
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
	Remeasurement of the net defined benefit liability comprising:	
(105,847)	- Return on plan assets (excluding the amount included in the net interest expense)	179,480
71,944	- Actuarial gains and losses arising on changes in demographic assumptions	(24,670)
123,080	- Actuarial gains and losses arising on changes in financial assumptions	(396,806)
104,665	- Other	19,718
<u>193,842</u>	<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	<u>(222,278)</u>
	<i>Movement in Reserves Statement:</i>	
(66,117)	- reversal of net charges made for retirement benefits in accordance with IAS19	(46,182)
	<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	
27,155	- employers' contributions payable to scheme	25,707
3,995	- retirement benefits payable to pensioners	3,846
<u>31,150</u>		<u>29,553</u>

Assets and Liabilities in Relation to Post-Employment Benefits:

<u>2019/20</u>		<u>2020/21</u>
£'000		£'000
	Reconciliation of fair value of the scheme (plan) assets	
1,289,241	Opening balance at 1 April	1,174,761
-	Opening balance adjustment	-
30,479	Interest income	26,720
	Remeasurement gain / (loss)	
(105,847)	Return on plan assets (excluding amounts included in the net interest expense)	179,481
-	Other	-
9,467	Employer Contributions	48,494
6,441	Contributions by scheme participants	6,815
-	Entity combinations	-
(53,192)	Benefits paid	(51,457)
(1,828)	Settlements	-
1,174,761	Closing balance at 31 March	1,384,814
	Reconciliation of present value of scheme liabilities (defined benefit obligation)	
(1,865,235)	Opening balance at 1 April	(1,613,563)
(45,599)	Current Service Cost	(35,884)
(44,793)	Interest Cost	(36,987)
(6,441)	Contributions by scheme participants	(6,815)
	Remeasurement gain / (loss)	
71,944	Actuarial gains/losses arising from changes in demographic assumptions	(24,670)
123,080	Actuarial gains/losses arising from changes in financial assumptions	(396,806)
104,665	Other	19,718
(7,634)	Past service costs	(31)
-	Entity combinations	-
53,192	Benefits paid	51,457
3,258	Settlements	-
(1,613,563)	Closing balance at 31 March	(2,043,581)

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit scheme is as follows:

<u>2019/20</u>		<u>2020/21</u>
£'000		£'000
1,174,761	Fair value of employer assets	1,384,814
(1,554,340)	Present value of funded liabilities	(1,986,197)
(59,223)	Present value of unfunded liabilities	(57,384)
(438,802)		(658,767) *

* The Balance Sheet entry for Other Long Term Liabilities of £658.853m at 31 March 2021 also includes £0.086m of outstanding mortgages (2019/20 total of £438.884m includes £0.082m).

Kingston upon Hull City Council Statement of Accounts 2020/21

Period ended 31 March 2020				Period ended 31 March 2021			
Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets
£'000	£'000	£'000		£'000	£'000	£'000	
Equity Securities:							
-	-	-	0%	-	-	-	0%
-	-	-	0%	-	-	-	0%
-	-	-	0%	-	-	-	0%
-	-	-	0%	-	-	-	0%
-	-	-	0%	-	-	-	0%
-	-	-	0%	-	-	-	0%
102,110	-	102,110	9%	167,833	-	167,833	12%
Debt Securities:							
-	-	-	0%	-	-	-	0%
12,293	68,345	80,638	7%	53,792	65,405	119,197	9%
52,167	-	52,167	4%	42,833	-	42,833	3%
22,246	-	22,246	2%	26,006	-	26,006	2%
Private Equity:							
16,391	45,977	62,368	5%	27,193	51,774	78,967	6%
Real Estate:							
45,417	110,918	156,335	13%	51,435	109,555	160,990	12%
-	-	-	0%	-	-	-	0%
Investment Funds and Unit Trusts:							
501,152	-	501,152	43%	565,064	-	565,064	40%
27,104	-	27,104	2%	58,702	-	58,702	4%
-	-	-	0%	-	-	-	0%
-	-	-	0%	-	-	-	0%
16,780	52,792	69,572	6%	27,630	55,590	83,220	6%
8,755	36,743	45,498	4%	9,003	34,539	43,542	3%
Derivatives:							
-	-	-	0%	-	-	-	0%
-	-	-	0%	-	-	-	0%
-	-	-	0%	-	-	-	0%
-	-	-	0%	-	-	-	0%
Cash and Cash Equivalents:							
55,571	-	55,571	5%	38,460	-	38,460	3%
859,986	314,775	1,174,761	100%	1,067,951	316,863	1,384,814	100%

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The pension fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2019.

Significant assumptions used by the actuary have been:

31 March 2020		31 March 2021
	Mortality assumptions (in years):	
	- Longevity at 65 for current pensioners:	
20.9	- Men	21.0
23.3	- Women	23.7
	- Longevity at 65 for future pensioners:	
21.8	- Men	22.2
24.8	- Women	25.5
1.90%	Rate of inflation	2.85%
2.80%	Rate of increase in salaries	3.75%
1.90%	Rate of increase in pensions	2.85%
2.30%	Rate for discounting scheme liabilities	2.00%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below based on reasonably possible changes occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2019/20.

	Approximate % Increase to Employer Liability	Approximate Monetary Amount (£000)
0.5% decrease in Real Discount Rate	9%	192,577
0.5% increase in the Salary Increase Rate	1%	17,284
0.5% increase in the Pension Increase Rate	8%	171,277

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contribution at a constant rate. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public services.

The weighted average duration of the defined benefit obligation for scheme members is 19 years.

48. Contingent Liabilities

Potential Grant Clawback Arising from the Council Role as Accountable Body

The Council is acting as the accountable body in respect of a number of grant funded regeneration projects. Such regeneration projects included the Gateway Programme and Preston Road New Deal for Communities. In the event of any related grant clawback, the Council is therefore liable to fund any excess expenditure incurred. In addition, there are grants received directly by the Council for which there is the potential for grant clawback if grant conditions are not met.

In recent years no clawback has been payable and it is not possible to accurately quantify any future potential payments.

Municipal Mutual Insurance Company

Municipal Mutual Insurance Company (MMI), which provided insurance to the Council until 1992, is in liquidation. The solvency of MMI was largely dependent on the decision of the Supreme Court regarding the employer's liability trigger litigation. The judgement of the Supreme Court was handed down on 28 March 2012. The finding of the Court was that the insurer on risk at the time of negligent exposure to asbestos is liable to pay compensation to an employee who contracts mesothelioma as a result of the exposure.

Significant numbers of outstanding claims are in respect of mesothelioma and MMI's financial position will depend on the number of mesothelioma claims it faces and the cost of those claims in the future. The Directors indicated, in the 30 June 2011 Financial Statements, that if as has happened, the Supreme Court decision went against MMI, they would be unable to foresee a position in which future investment income would be adequate to achieve payment of agreed claims in full and that appropriate alternative arrangements, which might involve the triggering of the Scheme of Arrangement, would be made.

Hence, as the Directors considered insolvency unavoidable, the scheme of arrangement was triggered on 1 January 2014 and a 15% levy charged based on the amount paid to the scheme creditors from 30 September 1993. As a result, the Council paid over £2.115m on 14 January 2014 to meet the Council's liability. During 2015/16, following a further review of the company's financial position, the Directors have increased the levy to 25%. The Council has provided for a further payment of £1.441m to fund the additional levy.

The Scheme Administrators have advised that it is possible that a further levy may be required to meet future costs but at the moment none is payable and as such any further liabilities cannot be reliably quantified.

49. Contingent Assets

Housing Market Renewal Schemes

The council has an equity loan product that is available to assist our regeneration activities across the city. On redemption of individual loan agreements, a proportion of the principal and any capital gain realised may become repayable to the Council, subject to the fulfilment of liabilities in relation to administration fees due to Places for People Homes Ltd. Any subsequent expenditure from this receipt may be subject to approval of the Homes and Communities Agency.

The Council has entered into development agreements with partners to develop various sites across the whole city as part our Housing Growth and Regeneration programmes. In the event of any of the individual sites achieving overall profit an overage may become payable to the Council. On some subsequent expenditure on specific schemes from this receipt may be subject to approval of the Homes and Communities Agency.

It is currently not practical to assess or estimate the potential capital gains or clawback which may become due to the Council if circumstances change which result in cash inflows.

50. Nature and Extent of Risks Arising from Financial Instruments**Key risks**

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall procedures for managing risk

The Council's overall risk management programme focus on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- By approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures to the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy for 2020/21 which incorporates the prudential indicators was approved by Council on 27/02/20 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2020/21 was set at £944m, revised to £921m as part of the mid-year review. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £878m, revised to £867m as part of the mid-year review. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt.

Risk Management is carried out by a central treasury team, under the policies approved by the Council in the annual treasury management strategy. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

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, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on the Council's website.

The Council does not apply normal commercial principles to credit risk its customers but follows the following principles in regard to making deposits with banks and building societies. Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings with parameters set by the Council.

The Treasury Management Policy for 2020/21 was approved by Council on 27th February 2020. The following paragraphs are based on the approved Treasury Management Policy.

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Director of Finance and Transformation will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either Specified or Non-Specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

The rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

Credit rating information is supplied by Link Asset Services, the Council's treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria will be considered for suspension from use, with all others being reviewed in light of market conditions.

On occasions ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is as follows:

- Banks 1 – a good credit quality – the Council will only use banks which:
 - are UK banks only,
 - and have, as a minimum, the following Fitch credit ratings:
- Banks 1 – a good credit quality – the Council will only use banks which hold a minimum rating of:
 - Short term – F1
 - Long term – A-
- Banks 2 – part nationalised UK bank – Royal Bank of Scotland. This bank can be included if they continue to be part nationalised or they meet the rating in Banks 1 above.
- Banks 3 – The Council's own banker (Natwest Bank) for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- Bank subsidiary and treasury operation – The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building societies – The Council will use all societies which meet the ratings for banks as outlined above.
- Money Market Funds – AAA rating.
- UK Government (DMADF)
- Local authorities.

Due care will be taken to consider the group exposure of the Council's investments. In addition limits in place above will apply to a group of companies.

Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover specified and non-specified investments):

- Only UK Banks
- Banks and building societies with a minimum rating of F1+ /AA- to have a limit of £15m (part nationalised banks £20m), with an investment period of up to 1 year
- Banks and building societies with a minimum rating of F1/A to have a limit of £7.5m (part nationalised banks £10m), with an investment period of up to 1 year
- Banks and building societies with a minimum rating of F1/A- to have a limit of £5m (part nationalised banks £7.5m), with an investment period of up to 1 year
- Council's own banker (if not meeting the above criteria) to have a limit of £2.5m, with an investment limit of 1 day
- UK Government (DMADF) to have an unlimited limit, with an investment period of up to 6 months
- Local Authorities to have a limit of £15m per authority, with an investment period of up to 1 year
- Money Market Funds to have a limit of £15m per fund, with an investment period of up to 1 year (liquid funds).

Given the over riding objective of maintaining the security of the Council's cash it is currently not considered feasible or advantageous to invest in alternative non bank deposits i.e. government gilts, treasury bonds, given the nature and volatility of these tradeable investments, and given the previous poor performance of external fund managers.

The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

Credit Default Swap (CDS) is a contract between two counterparties, which basically gives protection, or insurance, in case of credit default. The payments involved in the contract are based on a spread currently traded in the market. The spread of CDS indicates the market perception of the likelihood of a credit event or default occurring. The higher the spread the more likely the market considers an event of default will occur.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands:

- Blue 1 year (only applies to nationalised or semi-nationalised UK banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Link Asset Services creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings. The Council is satisfied that this service now gives a much improved level of security for its investments. It is also a service which the Council would not be able to replicate using in house resources.

Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored on a weekly basis. The Council is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that supporting government.

If financial institutions are upgraded in rating and therefore meet the Council's criteria as defined, then committee approval will be sought prior to inclusion on the counterparty list.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A

risk of irrecoverability applies to all of the Council's deposits, but there was no evidence as at the 31 March 2021 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and adjusted to reflect current market conditions. The amounts have not been subject to impairment in 2020/21, however, the Council has made provision to reflect the potential non-collection of some of the customer related debt. The amounts relating to customer debt have been adjusted to reflect the provision made.

	Amount
	31 March 2021
	£'000
Deposits rated	
AAA	51,300
AA	-
A	(8,851)
BBB	-
N/A	-
Customers *	<u>25,259</u>
Total	<u>67,708</u>

* Note – excludes statutory debtors such as Council Tax / NNDR

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers.

Collateral – During the reporting period the Council held no collateral as security.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial assets is as follows:

Maturity analysis of financial assets, excluding sums due from customers

31 March 2020		31 March 2021
£'000		£'000
126,302	Less than one year	42,449
-	Between one and two years	-
-	Between two and three years	-
-	More than three years	-
<u>126,302</u>	Total	<u>42,449</u>

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

Maturity analysis of financial liabilities

31 March 2020		31 March 2021	
£'000		£'000	
334,317	Less than one year	263,801	
32,759	Between one and two years	33,123	
86,750	Between two and five years	85,554	
111,730	Between five and ten years	118,274	
93,507	Between ten and fifteen years	76,869	
212,540	More than fifteen years	201,715	
871,603	Total	779,336	

* Note – The above maturity analysis is adjusted to reflect the callable dates of market debt, as required by the Treasury Management Code of Practice.

Market Risk

Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Account will rise.
- Borrowings at fixed rates – the fair value of the liabilities borrowing will fall (no impact on revenue balances).
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Account will rise.
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where

economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2021
	£'000
Increase in interest payable on variable rate borrowings	1,303
Increase in interest receivable variable rate investments	(815)
Increase in government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	<u>488</u>
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	<u>-</u>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	<u>75,925</u>

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in Note 18 – Fair value of assets and liabilities carried at amortised cost.

Price Risk

The Council does not invest in equity shares or marketable bonds and thus has no exposure to losses arising from movements in the prices of shares.

Foreign Exchange Risk

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

51. Heritage Assets: Further information on the Museum's Collections

Hull Museums

Large parts of the collections at Hull Museums are of national and even global significance. Some are of such importance that they have been granted National Designated status, meaning they are recognised by the Government as being of very high cultural and historic importance when compared with other museum collections across the country. These include the prehistoric objects at Hull & East Riding Museum, slavery, maritime and early vehicle collections. Overall, they are outstanding for a local authority museum service and as such, reflect the status of Hull's Museum service in the UK.

The value of the museum collections is closely linked with the standards of collections management across the service. It is essential that there are enough qualified staff and resources to provide adequate care for the objects in the long-term. Items can quickly deteriorate through poor environment, unsuitable storage conditions, inadequate security or unsuitable display methods. The documentation of the collections is on-going and is slowly improving the information kept about each object. The value of an item is often associated with its provenance (artist/connection to a historical event/previous owner) and we are uncovering these links as we document, meaning objects where previously no provenance had been identified, have increased in value through research.

The values are held at historical cost. The museum service does not have the resources to be able to value the collections in any detail, as this is an enormous undertaking with 173,902 items on the database and still with a large number to document.

Hull and East Riding Museum

The Archaeology Collections of Hull Museums are regarded as one of the foremost in the country. The founder collection is that of the 19th century archaeologist, J. R. Mortimer, encompassing Neolithic, Bronze Age and Anglo-Saxon grave-goods, derived from 360 barrows on the Yorkshire Wolds. The finds are accompanied by Mortimer's detailed site records.

The prehistory of the region is also represented by the world-famous objects including the Roos Carr figures, the group of early Bronze Age boats from North Ferriby and the Iron Age Hasholme Boat. Material from the 'Arras Culture' cemetery, and settlement at Garton/Wetwang, are in constant demand by researchers from around the world.

From the Roman period come the stunning mosaics from Rudston and Brantingham, together with archives from recent large-scale projects such as the roadside settlements at Shiptonthorpe and Hayton. Nationally important collections from the medieval period include the Anglo-Saxon cremation cemetery at Sancton and archives from urban excavations in Hull and Beverley.

There is a large collection of natural history specimens, including mounted birds and animals, insects, shells and geology.

Collection covers:

Archaeology:

- Palaeolithic, Mesolithic, Neolithic, Bronze Age and Iron Age
- Roman
- Anglo-Saxon
- Medieval and Post-Medieval
- Eastern Mediterranean
- Numismatics

Natural History:

- Coleoptera
- Lepidoptera
- Birds – mounted and non-mounted
- Birds eggs

- Mammals – mounted and un-mounted
- Mammals – heads (mounted)
- Herbaria
- Conchology
- Fishes – mounted

Geology:

- Palaeontology
- Petrology
- Mineralogy
- Hull University Collection – mixed

Hands on History Museum

Housed in the Old Grammar School which dates back to 1583, this collection comes under the heading of both social history and archaeology. There is a large general collection of social history items mainly dating from the 20th century, with some 19th century additions. These items are used to tell the story of Hull people and as a visual resource for school groups. The replica furniture from the tomb of Tutankhamun made in 1922 after the discovery of the tomb in Egypt is unique and can be seen displayed on the first floor.

There is a large costume, doll and textile collection stored at the Museum, many of national importance, such as the Madam Clapham items which were made in Hull, and William Wilberforce's clothes. Many are 19th century, some 20th century and a few very early examples.

Collection covers:

- Social History
- Dolls
- Costume and textiles
- Egyptology

Maritime Museum

Based in the city's Victorian Dock Offices, Hull's Maritime Museum houses collections relating to both Hull's and the country's maritime history. Its key collection is its internationally significant whaling collection, which includes natural history specimens, a North Atlantic Whale Skeleton, whaling tools, log books and what is believed to be the largest collection of scrimshaw outside the U.S.

Other key collections include: maritime art, including work by artists of national significance such as John Ward, Henry Redmore and Harry Hudson Rodmell, (who painted scenes for famous shipping posters); ship models; items linked to the Wilson Line; collections relating to Hull's Trinity House; items linked to Hull's docks and merchant shipping; items linked to Hull's fishing industry; Inuit material from the 18th and 19th centuries; early navigation equipment; and an extensive photographic collection including the Cartledge collection.

Collection covers:

- Whaling
- Fishing
- Merchant Shipping
- Maritime History
- Maritime Community History
- Maritime Art

The Maritime Museum is currently undergoing extensive improvements as part of the Hull: Yorkshire's Maritime City project

Streetlife Museum

The Streetlife Museum of Transport tells a unique story of two hundred years of transport history and its social impact. The collection can be traced back to 1923 and the vision of Hull's first curator, Thomas Sheppard. Respected widely, he was instrumental in founding what is considered to be the first publicly-owned transport collection in the country. The early years of the collection included acquisition of ten veteran cars from the private Motor Museum in Knightsbridge and a selection of horse-drawn carriages from families and businesses in East Yorkshire.

The collection includes a State Coach from 1860 owned by the Duke of Yarborough, an 1820 Britzschka, used on the Grand Tour, an 1895 Wagonette-Brake and a rare three-wheeled Hansom cab, reportedly used by King Edward VII. There are examples from the earliest days of motoring with cars propelled by steam, electricity and petrol. Also included are an 1899 English Daimler, previously owned by George Cadbury, and a very rare 1898 Panhard et Levassor Motor Wagonette; an example of the first car model to be built as a car, rather than a converted horse-drawn carriage. There are extensive collections of public transport, including three trams and three buses.

Collection covers:

- Bicycles
- Horse-drawn carriages
- Motorcycles
- Motor cars
- Public transport
- Railways
- Equine material
- Aviation
- Street furniture

Guildhall Collection

The collection reflects the corporate and local history of Hull, of particular significance is its collection of silver, with key pieces dating from the 17th century through to the modern day.

Collection covers:

- Paintings
- Sculpture
- Prints
- Ceramics
- Glass
- Silver
- Furniture
- Photographs
- Hull Tapestry
- Associated ephemera

Historical Buildings

Wilberforce House Museum

During its history, the house has been a private home, a bank and a commercial office for a seed and cake merchant. Bought by Hull Corporation in 1903, the museum reflects the lasting legacy of its most famous resident, William Wilberforce, the slave-trade abolitionist. Wilberforce was born in the house on 24 August 1759.

Highlights of the collection include the personal diary of William Wilberforce, written between the years 1814 – 1823, two hundred letters written by William Wilberforce, Wilberforce's personal library, the Brookes ship model used by Wilberforce during the Parliamentary committees in the late eighteenth century, items relating to the East Yorkshire Regiment, and a large collection of drawings by the important local artist F. S. Smith showing early twentieth century scenes of Hull and the surrounding area.

Collection covers:

- Wilberforce archives, collections and library
- Anti-slavery collections
- Ethnography
- Black, minority, ethnic and community history
- Ceramics
- Fine art
- Hull and East Riding clock collection
- Hull furniture
- Hull silver

Historical Vessels

Spurn Lightship

The Spurn Lightship (LV No. 12) is a light vessel (ie. a ship used as a lighthouse) currently anchored in Hull Marina. The ship was built in 1927 and served for 48 years as a navigation aid in the approaches of the Humber Estuary, where it was stationed 4½ miles east of Spurn Point. The light ship was decommissioned in 1975 and bought and restored by Hull City Council in 1983 before being moved to Hull Marina as a museum in 1987. She has been temporarily moved due to the major works to a key route into the City, and is currently closed to the public whilst undergoing refurbishment as part of the Hull: Yorkshire's Maritime City project.

Collection covers:

- Objects and archives relating to the Spurn Lightship No. 12
- Personal histories of people relating to the Spurn Lightship
- Display items which enhance the historic context of the ship

Arctic Corsair

The Arctic Corsair is the last survivor of Hull's massive 'Sidewinder' trawling fleet. Built in Beverley by Cook, Welton and Gemmell in 1960 for the Boyd Line, in 1973 the Arctic Corsair broke the world record for the landing of Cod and Haddock from the White Sea. The extension of Iceland's fishing limits to 200 miles in 1975 saw the Arctic Corsair involved in the cod wars, during which she was rammed by an Icelandic gun boat. The Arctic Corsair was converted to Pelagic fishing in 1978 before being laid up in Hull's St. Andrews Dock in 1981. In 1985 she was converted back to conventional fishing and made a record breaking return to trawling. However, by 1988 she was again laid up in dock. Her registration was closed and she was renamed the Arctic Cavalier.

After lying idle in Hull for 5 more years the ship was purchased by Hull City Council in 1993 and renamed the Arctic Corsair once more. She is now undergoing restoration work at Hull's Alexandra Dock as part of the Hull: Yorkshire's Maritime City project.

Statues and Monuments

The Council has a number of statues and monuments located across the city.

City Hall Organ

The City Hall organ was built by the Hull firm of Foster and Andrews in March 1911.

Further information on assets held within the Museums Collections and how to access these collections can be obtained from the Council's website, www.hullcc.gov.uk/museumcollections.

52. Trust Funds

The Council acts as trustee for various bequests and charitable funds as summarised below. The assets belong to the trustees, are held in trust and do not belong to the Council. As such, they are not included in the principal statements of the Council.

Funds for which Kingston Upon Hull City Council acts as sole trustee:

2020/21	Income	Expenditure	Assets	Liabilities
	£'000	£'000	£'000	£'000
The Ferens Art Gallery	1	218	98,405	2
Set up in 1919 for the exhibition of works of art in perpetuity				
The Ferens Endowment Fund	172	76	7,890	33
A proportion of its income contributes towards the upkeep of the Ferens Art Gallery building, whilst the balance of the income is used to purchase exhibits.				
Alderman Jackson Appeal	-	-	-	-
A general trust created to promote the well being of the city. It is also the receptacle for monies from other trusts that are wound up as the original purpose for their existence no longer exists.				
Other	-	-	72	-
The other trusts are mainly for the wellbeing of the inhabitants of the City of Kingston upon Hull.				
Total as at 31 March 2021	173	294	106,367	35

2019/20	Income	Expenditure	Assets	Liabilities
	£'000	£'000	£'000	£'000
The Ferens Art Gallery	1	194	99,918	2
The Ferens Endowment Fund	217	82	6,555	37
Alderman Jackson Appeal	6	269	-	-
Other	-	-	72	-
Total as at 31 March 2020	224	545	106,545	39

2019/20		2020/21
£'000		£'000
	Capital Value of the Fund	
668	Frances & Cyril Bibby Bequest	680
7	Hull Maritime Foundation	359
13688	The James Reckitt Library Endowment Fund	16,749
68	William Wilberforce Lecture Trust Fund	69
451	Others	446
14,882	Total	18,303

Trust Assets

Following a review of the Trust Deeds held for all charitable organisations where the Council acts as trustee, it became apparent that even though the land and buildings are legally registered to the Council with the Land Registry, the Trust Deeds state that these actually belong to the individual trusts and not the Council. The Trusts are all playing field trusts and are; Pearson Park (charity number 1088933), Pickering Park (charity number 1068834), King George's Playing Field (charity number 1088076) and Barbara Robson Playing Field (charity number 1075865). The Council is in the process of amending the Land Registry titles and once this is complete the assets will be removed from the Council's Balance Sheet and included on the individual trust Asset Registers and subsequent accounts filed with the Charity Commission. The total net book value of the four assets as at 31 March 2021 is £8.222m. See note 14.

HRA INCOME AND 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 the rents and government grants. Authorities charge rents to cover expenditure in accordance with 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.

<u>2019/20</u> £'000	Note	<u>2020/21</u> £'000
Expenditure		
23,631		24,226
22,728		22,354
600		884
3,674		9,034
50		49
802		876
51,485		57,423
Income		
(88,166)		(89,334)
(1,201)		(1,302)
(2,821)		(2,931)
(1,759)		(1,661)
(93,947)		(95,228)
(42,462)	Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(37,805)
321	HRA services share of Corporate and Democratic Core	330
(42,141)	Net Income for HRA Services	(37,475)
HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement		
(1,505)	(Gain) or loss on sale of HRA non-current assets	(803)
9,814	Interest payable and similar charges	9,065
(200)	Interest and investment income	(62)
(1,321)	Capital Government Grants and Contributions	(3,131)
1,313	Pensions interest cost and expected return on pensions assets	8 998
(34,040)	(Surplus) or deficit for the year on HRA services	(31,408)

MOVEMENT ON THE HRA STATEMENT

<u>2019/20</u> <u>£'000</u>		<u>2020/21</u> <u>£'000</u>
(3,000)	Balance on the HRA at the end of the previous year	(3,000)
(34,040)	(Surplus) or deficit for the year on HRA Income and Expenditure Statement	(31,408)
32,694	Adjustments between accounting basis and funding basis under statute	38,266
<u>(1,346)</u>	Net (increase) or decrease before transfers to (or from) reserves	<u>6,858</u>
1,346	Transfers to or (from) earmarked reserves	(7,358)
<u>-</u>	(Increase) or decrease in year on the HRA	<u>(500)</u>
<u><u>(3,000)</u></u>	Balance on the HRA at the end of the year	<u><u>(3,500)</u></u>

NOTES TO THE HOUSING REVENUE ACCOUNT**1. Movement of HRA operational and non-operational assets**

	Operational assets			Non-operational assets			Total
	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Investment Properties	Surplus assets not held for sale	Infrastructure & Community Assets	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2020	635,028	735	206	1,859	1,100	108	639,036
Depreciation	(11,080)	(5)	(84)	-	-	(9)	(11,178)
Impairment	(30,373)	-	-	-	-	-	(30,373)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	32,315	240	-	(46)	-	-	32,509
Disposals	(4,671)	-	-	(80)	-	-	(4,751)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	237	-	-	(308)	-	(71)
Additions	32,217	-	99	-	-	-	32,316
Transfers	(1)	(248)	-	(352)	-	-	(601)
At 31 March 2021	653,435	959	221	1,381	792	99	656,887

Total depreciation of £11.178m (2019/20 £10.858m) has been charged to the HRA during the year. This is comprised by charging dwelling depreciation of £11.080m (2019/20 £10.741m), other land and buildings depreciation of £0.005m (2019/20 £0.017m), vehicles, plant, furniture & equipment depreciation of £0.084m (2019/20 £0.091m) and infrastructure and community assets depreciation of £0.009m (2019/20 £0.009m).

For dwelling depreciation, the Council is using calculated charges based on componentised elements of the housing stock in line with the requirements of the Code of Practice.

Impairment of £30.373m (2019/20 £22.387m) has been charged to the HRA for the loss in value to the housing stock for those dwellings earmarked for demolition during the year and Capital spend not adding value. A revaluation increase of £32.315m has been reflected in the year (2019/20 £31.573m increase). An adjustment is made within the accounts to negate the impact of these changes.

2. Vacant Possession Values

The valuation of Council dwellings reflects their status as social housing and as a consequence, the Council recognises Council dwellings at a value of £653.435m (2019/20 £635.028m) on the Balance Sheet.

At vacant possession the same dwellings would have a value of £1,589.465m (2019/20 £1,544.887m), therefore recognising an economic cost to the government of providing Council Housing at less than open market rents of £936.031m (2019/20 £909.859m).

3. Capital Expenditure and Financing Analysis

<u>2019/20</u> £'000	Expenditure funded by;	<u>2020/21</u> £'000
	- Borrowing	-
	- Credit Arrangements	-
	- Revenue Contributions	-
1,019	Capital Receipts	2,045
23,755	Major Repairs Reserve	25,338
1,321	Other	3,131
<u>26,095</u>		<u>30,514</u>

4. Capital Receipts Analysis

<u>2019/20</u> £'000		<u>2020/21</u> £'000
6,843	Sales of Council Houses	5,504
58	Repayments of Right to Buy Discounts	35
-	Land Sales	-
37	Right to buy Mortgage Principal	(4)
<u>6,938</u>	Total Capital Receipts	<u>5,535</u>
(3,273)	Less: receipts required to be paid to the Government	(1,407)
<u>3,665</u>	Useable Receipts	<u>4,128</u>

5. Rent arrears and provision for uncollectable debts

<u>2019/20</u> £'000		<u>2020/21</u> £'000
4,280	Arrears at 31 March	4,127
1,901	Provision for doubtful debts	1,954

6. Note to the Statement of Movement on the HRA Balance

<u>2019/20</u> £'000		<u>2020/21</u> £'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year	
1,321	Difference between any other item of Income and Expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	3,131
(3,674)	Transfer to/from Capital Adjustment Account *	(9,034)
1,505	Gain or (loss) on sale of HRA non-current assets	803
(5,494)	Net charges for retirement benefits in accordance with IAS19	(4,487)
<u>(6,342)</u>		<u>(9,587)</u>
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year	
24,221	Transfer to/(from) Major Repairs Reserve	24,872
2,191	Employer's contributions payable to the LGPS Pension Fund	2,364
12,624	Voluntary set aside for debt repayment	20,617
<u>39,036</u>		<u>47,853</u>
<u>32,694</u>	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	<u>38,266</u>

* The transfer to/from Capital Adjustment account line shows the total of all adjustments previously shown separately in previous years accounts. The adjustments include, but are not limited to, charges for depreciation, revaluation losses and impairment charges.

7. Housing Stock

The Council dwelling stock was as follows:-

<u>At 31 March</u> <u>2020</u>	Analysed by type:-	<u>At 31 March</u> <u>2021</u>
17,925	Houses and Bungalows	17,858
2,867	Low rise flats and maisonettes	2,822
2,781	Medium and high rise flats	2,782
5	Other	5
<u>23,578</u>		<u>23,467</u>

8. Contribution to Pension Reserve

The requirements of IAS19 are to show the cost of pensions earned in the year in the cost of service lines, an adjustment to or from the pensions reserve is then required to bring the bottom line charge against rents back to the amount of the employer's contribution to the pension fund in the year. The pension liability for the year is £4.487m (2019/20 £5.494m).

<u>2019/20</u>		<u>2020/21</u>
£'000		£'000
4,181	Current service cost	3,489
<u>-</u>	Past Service Cost	<u>-</u>
4,181		3,489
	Pensions Interest Cost and expected return on assets	
4,108	Interest on Liabilities	3,596
<u>(2,795)</u>	Expected return on assets	<u>(2,598)</u>
<u>5,494</u>	Transfer to pensions reserve	<u>4,487</u>

9. HRA Reserves

As there is a statutory requirement to account for the HRA separately from the remainder of Hull City Council, the accumulated HRA reserve is also recognised separately:

	General Reserve	Major Repairs Reserve (MRR)	* Future Capital Expenditure	Total
	£'000	£'000	£'000	£'000
At 1 April 2020	3,000	466	23,407	26,873
Transfer of Depreciation to MRR	-	11,170	-	11,170
Contribution to finance capital expenditure for the year	-	13,702	-	13,702
Use of MRR to finance capital expenditure for the year	-	(25,338)	-	(25,338)
Transfer to / (from) reserves to support the HRA revenue programme	500	-	(7,358)	(6,858)
At 31 March 2021	<u>3,500</u>	<u>-</u>	<u>16,049</u>	<u>19,549</u>

* Reserves set-aside to support the total capital programme for maintaining properties.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

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 the Council Tax and Non-Domestic Rates.

In 2013/14 Local Government Finance regime was revised with the introduction of the Retained Business Rates Scheme. The main aim of the scheme is to give Local Authorities greater incentives to grow businesses in the area, as the scheme allows Councils to retain a proportion of the total Business Rates collected. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The following Statement reflects these changes.

2019/20		2020/21		
Total		Council Tax	Business Rates	Total
£'000		£'000	£'000	£'000
	Income			
107,089	Income from Council Tax	111,284	-	111,284
	Transfers from General Fund			
-	- Council Tax benefits	-	-	-
-	- Transitional relief	-	-	-
-	- Discounts for prompt payment	-	-	-
84,548	Income collectable from business ratepayers	-	42,197	42,197
-	- Transitional Protection payments	-	-	-
2,058	- Income collectable in respect of Business Rate Supplements	-	2,050	2,050
-	- Contributions	-	-	-
-	- Towards previous year's Collection Fund deficit	-	-	-
-	- Adjustment of previous years' community charges	-	-	-
193,695		111,284	44,247	155,531
	Expenditure			
	Precepts and demands			
41,983	- Central Government	-	41,417	41,417
125,554	- Hull City Council	89,200	40,754	129,954
13,726	- Police and Crime Commissioner for Humberside	14,276	-	14,276
6,062	- Humberside Fire Authority	5,419	830	6,249
	Business rates			
-	- Payment to national pool	-	-	-
355	- Costs of collection	-	355	355
2,242	- Transitional Protection payments	-	1,716	1,716
-	- Business Rate Supplements	-	-	-
	Bad and doubtful debts/appeals			
(1,188)	- Write-offs	(2,141)	11	(2,130)
1,502	- Provisions	5,132	2,412	7,544
(3,147)	Provision for Appeals	-	2,810	2,810
-	- Other Transfers to General Fund (disregarded amounts)	-	-	-
	Distribution of previous year's estimated Collection Fund surplus			
(2,096)	- Central Government	2,182	(5,724)	(3,542)
(741)	- Hull City Council	353	(5,609)	(5,256)
200	- Police and Crime Commissioner for Humberside	147	-	147
39	- Humberside Fire Authority	-	(114)	(114)
184,491		114,568	78,858	193,426
9,204	Movement on fund balance	(3,284)	(34,611)	(37,895)
(11,443)	Balance brought forward at 1 April 2020	2,493	(4,732)	(2,239)
(2,239)	Balance carried forward at 31 March 2021	(791)	(39,343)	(40,134)

NOTES TO THE COLLECTION FUND ACCOUNT**1. Council Tax**

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Police and Crime Commissioner for Humberside, the Humberside Fire Authority and the Council for the forthcoming year and dividing this by "the council tax base" – the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and for discounts.

The Council Tax base for 2020/21 was £62,554 (61,465 in 2019/20) calculated as follows:

Total Number of properties in band	122,901
Impact of changes to Council Tax re: discount/exemptions and empty property	(16,000)
Reduction in Tax Base for Reduction Scheme	(19,566)
Total equivalent number of dwellings	<u>87,335</u>

Band	Chargeable Dwellings	Ratio	Band D Equivalents
Disability A	115	5/9	64
A	52,882	6/9	35,255
B	19,162	7/9	14,904
C	9,465	8/9	8,413
D	4,089	9/9	4,089
E	1,282	11/9	1,567
F	281	13/9	405
G	45	15/9	75
H	14	18/9	28
Total	<u>87,335</u>		<u>64,800</u>
Less allowance for non-collection			<u>(2,246)</u>
Tax Base for the calculation of Council Tax			<u>62,554</u>

The Council's basic amount of Council Tax for a Band D property of £1,425.97 (£1,371.26 for 2019/20) is multiplied by the proportion specified for the particular band to give an individual amount due. Therefore, the total precept and demand used to set the Council Tax for 2020/21 was £89.200m (62,554 dwellings multiplied by £1,425.97). This, plus the agreed distribution of the previous year's surplus of £1.9m gives a total distribution from the Collection Fund to preceptors of £91.195m, compared to income from Council Tax payers of £111.284m.

2. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. As of 1 April 2005 the Government introduced a new category of multiplier for small businesses. Local businesses now pay rates calculated by multiplying their rateable value by their appropriate rate subject to the effects of transitional arrangements.

For 2020/21 these rates are:

- Non-Domestic rating multiplier 51.2p
- Small Business Non-Domestic rating multiplier 49.9p

From 2013/14, with the introduction of the Retained Business Rates Scheme, instead of paying business rates to the central pool, local authorities now retain a proportion of the collectable rates due. In the case of Hull City Council the local share is 49%, the remainder is distributed to Central Government (50%) and Humberside Fire Authority (1%).

The total non-domestic rateable value at 31 March 2021 decreased from £234.901m at 31 March 2020 to £226.918m, of which £81.795m relates to small businesses. The 2017 list of revaluations was introduced on the 1 April 2017. Applying the correspondent rating multipliers gives a gross collectable figure at 31 March 2021 of £115.119m.

The collectable amount is different to the actual income from business ratepayers as per the Collection Fund Statement (£44.247m).

This is because the collectable amount is subject to rateable value changes and refunds over the period and also to several mandatory and discretionary reliefs, such as those applied to premises occupied by charities or those that are empty.

GROUP ACCOUNTS INTRODUCTION

The 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom sets out comprehensive requirements for group accounts. These require Local Authorities to consider all their interests in subsidiaries, associates or joint ventures.

The Council has a relationship with other companies and organisations whose assets and liabilities are not included in the Council's single entity accounts (see Note 40 Related Parties). In the cases where the Council's interest does not extend to a relationship that could be classed as a subsidiary, associate or joint venture, those entities have not been included in the Group Accounts. Where Council interests in other companies do extend to such a relationship but consolidation into Group Accounts would not be materially different to the Council's single entity position, those entities have not been included in the Group Accounts.

Two wholly-owned subsidiaries have been included in the Group Accounts:

1. Hull Culture and Leisure Limited (HCAL).

HCAL was incorporated during the 2014/15 financial year and commenced trading on 1 April 2015. The company's objectives are specifically to provide the following:

- i) Provision of facilities for recreation or other leisure time occupation for the public at large in the interests of social welfare with the object of improving their condition of life;
- ii) Provision of or assistance in the provision of facilities in the interest of social welfare or recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disability, financial hardship or social circumstances with the object of improving their condition of life;
- iii) Advancement of the education of the public in all subject areas including literature, the marine environment and seafaring, history, heritage of the city and region, natural sciences, decorative and fine arts, antiquities, sculpture, painting and handicrafts and other associated arts.

2. Kingstown Works Limited (KWL).

KWL was incorporated during the 2006/07 financial year and commenced trading on 1 April 2007. The original purpose of the company was to undertake building services repairs and improvements. In September 2012 the Council transferred its Fleet and Street Lighting services to KWL.

The core business is the provision of property services to approximately 26,000 homes in the Hull area including the servicing and maintenance of domestic gas appliances in over 22,000 properties. The business also supplies and maintains over 600 vehicles for the Council. In addition, KWL services and repairs 35,000 + street lights in Hull.

GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

2020/21	Note	General Fund Balance	Earmarked GF Reserves	Earmarked HRA Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipt Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Council's Share of Group Reserves	Total Group Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020		19,274	28,893	23,407	3,000	466	29,260	3,619	107,919	213,431	5,300	326,650
Surplus/(deficit) on provision of Services (accounting basis)		(10,585)	-	-	31,408	-	-	-	20,823	-	(2,813)	18,010
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	(158,885)	(13,766)	(172,651)
Total Comprehensive Expenditure and Income		(10,585)	-	-	31,408	-	-	-	20,823	(158,885)	(16,579)	(154,641)
Adjustments between accounting basis and funding basis under regulations		30,883	-	-	(38,266)	(466)	1,856	8,047	2,054	(2,054)	-	-
Net increase / (decrease) before transfers to Earmarked Reserves		20,298	-	-	(6,858)	(466)	1,856	8,047	22,877	(160,939)	(16,579)	(154,641)
Transfers to / (from) Earmarked Reserves		(18,604)	18,604	(7,358)	7,358	-	-	-	-	-	-	-
Increase / (Decrease) in Year		1,694	18,604	(7,358)	500	(466)	1,856	8,047	22,877	(160,939)	(16,579)	(154,641)
Balance at 31 March 2021		20,968	47,497	16,049	3,500	-	31,116	11,666	130,796	52,492	(11,279)	172,009

Kingston upon Hull City Council Statement of Accounts 2020/21

2019/20	Note	General Fund Balance	Earmarked GF Reserves	Earmarked HRA Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipt Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Council's Share of Group Reserves	Total Group Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019		12,968	32,605	22,061	3,000	-	26,461	8,488	105,583	75,336	767	181,686
Surplus/(deficit) on provision of Services (accounting basis)		(98,219)	-	-	34,040	-	-	-	(64,179)	-	(3,902)	(68,081)
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	204,610	8,435	213,045
Total Comprehensive Expenditure and Income		(98,219)	-	-	34,040	-	-	-	(64,179)	204,610	4,533	144,964
Adjustments between accounting basis and funding basis under regulations		100,813	-	-	(32,694)	466	2,799	(4,869)	66,515	(66,515)	-	-
Net increase / (decrease) before transfers to Earmarked Reserves		2,594	-	-	1,346	466	2,799	(4,869)	2,336	138,095	4,533	144,964
Transfers to / (from) Earmarked Reserves		3,712	(3,712)	1,346	(1,346)	-	-	-	-	-	-	-
Increase / (Decrease) in Year		6,306	(3,712)	1,346	-	466	2,799	(4,869)	2,336	138,095	4,533	144,964
Balance at 31 March 2020		19,274	28,893	23,407	3,000	466	29,260	3,619	107,919	213,431	5,300	326,650

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This account summarises the resources that have been generated or consumed in providing services and managing the Group during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of non-current assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Restated 2019/20				2020/21		
Gross Expenditure	Income	Net Expenditure	Note	Gross Expenditure	Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
151,171	(96,487)	54,684		161,201	(115,986)	45,215
147,448	(60,602)	86,846		119,294	(57,934)	61,360
189,377	(136,432)	52,945		172,299	(121,398)	50,901
96,497	(23,586)	72,911		107,584	(25,902)	81,682
72,513	(71,223)	1,290		73,371	(74,549)	(1,178)
51,446	(93,637)	(42,191)		57,337	(94,820)	(37,483)
21,886	(5,945)	15,941		14,366	(674)	13,692
730,338	(487,912)	242,426		705,452	(491,263)	214,189
			Cost of Services			
		21,676				(4,840)
		41,258	2			36,347
		(237,279)				(263,706)
		68,081				(18,010)
		27				(14)
		(26,813)				(70,686)
		16,045				7,293
		(202,304)				236,058
		(213,045)				172,651
		(144,964)				154,641
			TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			

GROUP BALANCE SHEET

The Balance Sheet summarises the financial position of the Group, including the Housing Revenue Account and the Collection Fund. It shows the value of the Group's assets and liabilities at the end of the financial year. It excludes Trust Funds and Pension Fund balances.

<u>31 March 2020</u>		<u>Note</u>	<u>31 March 2021</u>
<u>£'000</u>			<u>£'000</u>
1,444,302	Property, Plant and Equipment	3	1,533,675
4,861	Heritage Assets		6,268
65,180	Investment Property		61,803
4,764	Intangible Assets		9,119
10	Long Term Investments		10
10,181	Long Term Debtors		15,441
-	Assets held for sale		-
1,529,298	Long Term Assets		1,626,316
-	Short Term Investments		3,025
1,255	Inventories		1,361
46,645	Short Term Debtors	4	88,826
136,875	Cash and Cash Equivalents	5	52,439
-	Assets held for sale		-
-	Current Tax Asset		-
184,775	Current Assets		145,651
(298,059)	Short Term Borrowing		(235,545)
(53,646)	Short Term Creditors	6	(120,012)
(1,519)	Provision for accumulated absences		(1,454)
(305)	Capital Grants Receipts in Advance		(68)
(6,258)	PFI Finance Lease - Liability		(6,255)
(359,787)	Current Liabilities		(363,334)
(774)	Long Term Creditors		(866)
(7,050)	Provisions		(7,801)
(407,426)	Long Term Borrowing		(385,429)
(451,783)	Pension Liabilities	11	(688,861)
(743)	Capital Grants Receipts in Advance		(799)
(159,860)	PFI Finance Lease - Liability		(152,868)
(1,027,636)	Long Term Liabilities		(1,236,624)
326,650	NET ASSETS		172,009
113,219	Usable Reserves	7	119,517
213,431	Unusable Reserves		52,492
326,650	TOTAL RESERVES		172,009

GROUP CASH FLOW STATEMENT

This statement summarises the inflows and outflows of cash arising from Group transactions with third parties for revenue and capital purposes.

<u>2019/20</u> £'000		<u>Note</u>	<u>2020/21</u> £'000
(68,081)	Net surplus or (deficit) on the provision of services		18,010
119,357	Adjustment to surplus or deficit on the provision of services for non-cash movements	8	66,507
(94,695)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	8	(112,023)
(43,419)	Net Cash flows from Operating Activities		(27,506)
(13,364)	Net cash flows from Investing Activities	9	6,499
125,274	Net cash flows from Financing Activities	10	(63,429)
68,491	Net increase or (decrease) in cash and cash equivalents		(84,436)
68,384	Cash and cash equivalents at the beginning of the reporting period		136,875
136,875	Cash and cash equivalents at the end of the reporting period		52,439

NOTES TO THE GROUP FINANCIAL STATEMENTS

1 **Accounting Policies**

The group accounting policies are specified within the Council only statement. However there are some slight divergences from these policies within the group as well as issues applicable to the subsidiary companies only. These are detailed below:

i. Deferred Tax

Deferred tax is recognised in respect of an obligation to pay more tax in the future or a right to pay less tax in the future as at the Balance Sheet date. This represents differences between the company's taxable profits and its results as stated in the financial statement.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to be resolved, based on tax rates and laws that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax is measured on a non-discounted basis.

ii. Pensions

The treatment of group pension costs is in accordance with the requirements of IAS19 Employee Benefits. The Council recognises the cost of post-employment benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment is reversed out of the General Fund via the Movement in Reserves Statement and is presented within the Council's Unusable Reserves.

The subsidiary companies within the group do not raise Council Tax receipts and therefore the costs of post-employment are not transferred to Unusable Reserves, but are reflected in the Pension Reserve (Subsidiaries). Pension Reserve (Subsidiaries) is included in the Group's Useable Reserves, as this is treated as a real cost to the Subsidiaries Profit and Loss position.

iii. Group Transactions

The Council both commissions services from and provides support services to the subsidiary companies. All transactions between members of the Group have been treated as arm's length.

iv. Consolidation of Subsidiaries

Subsidiaries have been consolidated using the acquisition accounting basis. This is a full, line by line consolidation of the financial transactions and balances of the Council and its subsidiaries. To avoid overstating the figures within the group financial statements, all transactions and balances between members of the group (the Council and its subsidiaries) have been eliminated.

v. Capital Expenditure

The de-minimis level for capital expenditure for the subsidiary companies is £10,000.

vi. Accounting Standards

The accounts for the subsidiary companies have been prepared in accordance with UKGAAP, which is the overall body of regulation applicable to company accounts.

- FRS102 requires an accrual to be made in subsidiary accounts for employee benefits which is also required under IFRS.
- Operating leases held by subsidiaries are also classified as operating leases under IFRS.

2 Group Financing and Investment Income and Expenditure

<u>2019/20</u>		<u>2020/21</u>
£'000		£'000
27,782	Interest payable and similar charges	27,097
14,762	Pension interest cost and expected return on pension assets	10,574
(683)	Interest receivable and similar income	(340)
696	(Surplus)/Deficit from Trading Operations	551
750	Net income/expenditure from investment properties	(1,914)
(1,954)	Change in fair value of investment properties	375
(95)	Other investment income	4
<u>41,258</u>		<u>36,347</u>

3 Group Property, Plant and Equipment

Movements in 2020/21

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2020	735,790	674,319	90,406	783	37,736	-	1,539,034	87,609
Additions	32,217	22,729	6,130	-	3,784	-	64,860	-
Donations	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	53,375	-	309	(399)	-	53,285	(27)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	32,315	1,647	-	74	130	-	34,166	(765)
Derecognition - Disposals	(4,671)	(178)	(468)	-	(309)	-	(5,626)	-
Derecognition - Other	-	-	-	-	-	-	-	-
Other movements in cost or valuation	(1)	10	-	(9)	-	-	-	-
At 31 March 2021	795,650	751,902	96,068	1,157	40,942	-	1,685,719	86,817
Accumulated Depreciation and Impairments								
At 1 April 2020	(100,762)	(66,970)	(73,619)	-	(623)	-	(241,974)	(3,292)
Depreciation charge	(11,080)	(15,089)	(4,708)	-	(1)	-	(30,878)	(1,865)
Depreciation written out to the Revaluation Reserve	-	8,902	-	-	-	-	8,902	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	1,146	-	-	1	-	1,147	522
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	(30,373)	(16,180)	(863)	-	(494)	-	(47,910)	-
Derecognition - Disposals	-	3	445	-	193	-	641	-
Derecognition - Other	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2021	(142,215)	(88,188)	(78,745)	-	(924)	-	(310,072)	(4,635)
Net Book Value								
at 31 March 2021	653,435	663,714	17,323	1,157	40,018	-	1,375,647	82,182
at 31 March 2020	635,028	607,349	16,787	783	37,113	-	1,297,060	84,317

Movements in 2019/20

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2019	683,739	702,715	83,095	3,014	35,692	-	1,508,255	79,855
Additions	26,030	30,361	7,840	-	7,278	-	71,509	-
Donations	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	(14,386)	-	(1,061)	(166)	-	(15,613)	3,695
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	31,573	(8,847)	-	(1,170)	(4,189)	-	17,367	4,059
Derecognition - Disposals	(5,552)	(34,224)	(535)	-	(2,179)	-	(42,490)	-
Derecognition - Other	-	-	-	-	-	-	-	-
Other movements in cost or valuation	-	(1,300)	6	-	1,300	-	6	-
At 31 March 2020	735,790	674,319	90,406	783	37,736	-	1,539,034	87,609
Accumulated Depreciation and Impairments								
At 1 April 2019	(67,634)	(82,952)	(67,002)	(28)	(854)	-	(218,470)	(2,732)
Depreciation charge	(10,741)	(13,812)	(5,095)	-	(6)	-	(29,654)	(2,186)
Depreciation written out to the Revaluation Reserve	-	26,687	-	-	-	-	26,687	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	12,492	-	28	6	-	12,526	1,626
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	(22,387)	(23,371)	(1,980)	-	(623)	-	(48,361)	-
Derecognition - Disposals	-	13,986	458	-	854	-	15,298	-
Derecognition - Other	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2020	(100,762)	(66,970)	(73,619)	-	(623)	-	(241,974)	(3,292)
Net Book Value								
at 31 March 2020	635,028	607,349	16,787	783	37,113	-	1,297,060	84,317
at 31 March 2019	616,105	619,763	16,093	2,986	34,838	-	1,289,785	77,123

Infrastructure Assets

	<u>2020/21</u> £'000	<u>2019/20</u> £'000
Net book value (modified historical cost)		
at 1 April	147,242	147,057
Additions	18,357	9,645
Derecognition	-	-
Depreciation	(7,571)	(7,530)
Impairment	-	(1,930)
Other movements in cost	-	-
Net book value at 31 March	<u>158,028</u>	<u>147,242</u>
	<u>2020/21</u> £'000	<u>2019/20</u> £'000
Infrastructure assets	158,028	147,242
Other PPE assets	1,375,647	1,297,060
Total PPE assets	<u>1,533,675</u>	<u>1,444,302</u>

4 Group Short Term Debtors

<u>2019/20</u> £'000		<u>2020/21</u> £'000
10,171	Central government bodies	28,224
800	Other local authorities	1,034
3,313	NHS bodies	9,481
55,336	Other entities and individuals	75,276
(22,975)	Less: Impairment allowance for doubtful debts	(25,189)
<u>46,645</u>		<u>88,826</u>

Where income which relates to the reporting year is expected to be received after the financial year end, an estimate is made of the amount to be accrued.

5 Group Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

<u>2019/20</u> £'000		<u>2020/21</u> £'000
124	Cash held by the Group	147
(5,421)	Bank current accounts	(8,998)
142,172	Short-term deposits with banks/building societies	61,290
<u>136,875</u>	Total Cash and Cash Equivalents	<u>52,439</u>

6 Group Short Term Creditors

An analysis of the Group's creditors for amounts falling due within one year is shown below.

<u>2019/20</u> £'000		<u>2020/21</u> £'000
13,984	Central government bodies	66,617
2,938	Other local authorities	7,534
439	NHS bodies	402
36,285	Other entities and individuals	45,459
<u>53,646</u>		<u>120,012</u>

Where expenditure has been incurred but not invoiced, an estimate is made of the amount to be accrued.

7 Group Usable Reserves

<u>2019/20</u> £'000		<u>2020/21</u> £'000
19,274	General Fund Balance	20,968
18,422	Profit and Loss Reserve (Subsidiaries)	19,722
(13,122)	Pensions Reserve (Subsidiaries)	(31,001)
28,893	Earmarked General Fund Reserves	47,497
3,000	Housing Revenue Account	3,500
23,407	Earmarked Housing Revenue Account reserves	16,049
466	Major Repairs Reserve	-
29,260	Capital Receipt Reserves	31,116
3,619	Capital Grants Unapplied	11,666
113,219		119,517

8 Group Cash Flow Statement – Operating Activities

Adjustments to net surplus or deficit on the provision of services for non-cash movements:

<u>2019/20</u> £'000		<u>2020/21</u> £'000
60,082	Depreciation and Impairment	69,006
(2,230)	Downward/(upward) valuations	(35,316)
1,217	Amortisation	1,474
-	Increase/(decrease) in impairment for bad debts	-
(9,260)	Increase/(decrease) in Creditors	57,230
(7,161)	(Increase)/decrease in Debtors	(36,136)
12	(Increase)/decrease in Stock	(106)
40,712	Movement in pension liability	904
32,647	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	9,001
3,338	Other non-cash items charged to the net surplus or deficit on the provision of services	450
119,357		66,507

Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:

<u>2019/20</u> £'000		<u>2020/21</u> £'000
-	Proceeds from short-term and long-term investments	-
(2,495)	Proceeds from the sale of PP&E, investment property and intangible assets	(12,757)
(92,200)	Any other items for which the cash effects are investing or financing cash flows	(99,266)
(94,695)		(112,023)

The cash flows for operating activities include the following items:

<u>2019/20</u> £'000		<u>2020/21</u> £'000
679	Interest received	339
(27,781)	Interest paid	(27,097)
95	Dividends received	-

9 Group Cash Flow Statement – Investing Activities

<u>2019/20</u> <u>£'000</u>		<u>2020/21</u> <u>£'000</u>
(49,535)	Purchase of property, plant and equipment, investment property and intangible assets	(66,459)
-	Purchase of short-term and long-term investments	(3,025)
(1,618)	Other payments for investing activities	(5,260)
2,495	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	12,757
-	Proceeds from short-term and long-term investments	-
35,294	Other receipts from investing activities	68,486
<u>(13,364)</u>	Net cash flows from investing activities	<u>6,499</u>

10 Group Cash Flow Statement – Financing Activities

<u>2019/20</u> <u>£'000</u>		<u>2020/21</u> <u>£'000</u>
259,000	Cash receipts of short and long-term borrowing	210,000
49,741	Other receipts/(payments) from financing activities	30,827
(7,340)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(6,995)
(175,774)	Repayments of short and long-term borrowing	(295,272)
(353)	Other payments for financing activities	(1,989)
<u>125,274</u>	Net cash flows from financing activities	<u>(63,429)</u>

11 Group Local Government Pension Scheme

Kingstown Works Ltd (KWL) and Hull Culture and Leisure Ltd (HCAL) are participating employers in the East Riding Pension Fund. Transactions for KWL and HCAL in regards to their defined benefit pension schemes have been added to those of the Council and reported in the same manner as in the single entity accounts except that the subsidiaries liabilities are reflected in their usable reserves (retained earnings) via the Group Movement in Reserves Statement. The following transactions have been made in the Group Comprehensive Income and Expenditure Statement and the Group Usable Reserves via the Group Movement in Reserves Statement during the year:

Group Assets and Liabilities in Relation to Post-Employment Benefits:

<u>2019/20</u>		<u>2020/21</u>
£'000		£'000
	Reconciliation of fair value of the scheme (plan) assets	
1,433,597	Opening balance at 1 April	1,309,979
(835)	Hull Culture & Leisure opening balance pension restatement	-
34,030	Interest income	29,684
	Remeasurement gain / (loss)	
(121,699)	Return on plan assets (excluding amounts included in the net interest expense)	199,349
-	Other	-
14,297	Employer Contributions	52,401
7,657	Contributions by scheme participants	8,080
-	Entity combinations	-
(55,240)	Benefits paid	(53,357)
(1,828)	Settlements	-
1,309,979	Closing balance at 31 March	1,546,136
	Reconciliation of present value of scheme liabilities (defined benefit obligation)	
(2,025,150)	Opening balance at 1 April	(1,761,680)
(161)	Hull Culture & Leisure opening balance 1 April	-
(54,174)	Current Service Cost	(42,899)
(48,792)	Interest Cost	(40,258)
(7,657)	Contributions by scheme participants	(7,994)
	Remeasurement gain / (loss)	
78,984	Actuarial gains/losses arising from changes in demographic assumptions	(26,925)
129,765	Actuarial gains/losses arising from changes in financial assumptions	(429,593)
115,253	Other	21,112
(8,246)	Past service costs	(31)
-	Entity combinations	-
55,240	Benefits paid	53,357
3,258	Settlements	-
(1,761,680)	Closing balance at 31 March	(2,234,911)

Group Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Group's obligation in respect of its defined benefit scheme is as follows:

<u>2019/20</u>		<u>2020/21</u>
£'000		£'000
1,309,979	Fair value of employer assets	1,546,136
(1,702,457)	Present value of funded liabilities	(2,177,527)
<u>(59,223)</u>	Present value of unfunded liabilities	<u>(57,384)</u>
<u>(451,701)</u>		<u>(688,775)</u>

* The Balance Sheet entry for Other Long Term Liabilities of £688.861m at 31 March 2021 also includes £0.086m of outstanding mortgages (2019/20 total of £451.783m includes £0.082m).

Basis for Estimating Group Assets and Liabilities

Financial and mortality assumptions are broadly similar to Hull City Council's assumptions. See Note 47 for assumptions.

Sensitivity analysis applied to the Group Pension Liability is not materially different to the Council's sensitivity detailed in Note 47.

12 Group External Auditors Fee

Mazars LLP has provided audit services to the Council in respect of the audit of the single entity and group financial statements, and other services, as disclosed in Note 37 of the single entity accounts.

Hull Culture and Leisure Limited

Mazars LLP provided audit services to Hull Culture and Leisure Limited during 2020/21 at a cost of £16,000.

RSM UK provide tax compliance services to Hull Culture and Leisure Limited during 2020/21 at a cost of £4,500.

Mazars LLP provided audit services to Hull Culture and Leisure Limited during 2019/20 at a cost of £15,000.

RSM UK provide tax compliance services to Hull Culture and Leisure Limited during 2019/20 at a cost of £4,500.

Kingstown Works Limited

Smailes Goldie provided audit and tax services to Kingstown Works Limited during 2020/21 at a cost of £25,000. Smailes Goldie provided audit and tax services to Kingstown Works Limited during 2019/20 at a cost of £18,000.

GLOSSARY OF TERMS

Accounting Policies

The principles, bases, conventions, rules and practices applied that specify how an organisation will reflect transactions within its accounts.

Accruals

Adjustments made to ensure that the accounts reflect the actual value of work done or goods and services received within the financial year, rather than cash payments made and received in the period.

Amortisation

The annual charge to revenue to write down the value of an intangible asset or associated grant in the way that depreciation writes down tangible assets.

Bad Debts

Debts owed to the Council which are considered not recoverable. When a debt is bad it should be 'written off'; that is we should recognise that we will not receive the income.

Balances

Revenue balances are the accumulated surplus of income over expenditure on any of the Councils funds.

Capital Adjustment Account

Records the consumption of the historic cost of non-current assets and revenue expenditure funded from capital under statute over the period that the Council benefits from the expenditure.

Capital Expenditure

This is expenditure on the acquisition of non-current assets which have a long term value to the Council (e.g. purchase of land, erection of buildings), or expenditure that adds to the value of these assets and not just maintains their existing value.

Capital Financing Charges

These are the annual charges arising from the financing of capital expenditure and include items such as loan interest and repayments, leasing charges and contributions from revenue.

Capital Grants Unapplied Reserve

A reserve holding grant funds for future use where conditions of expenditure have not been met.

Capital Receipts

These are proceeds, in excess of £10,000, from the sale of capital assets such as land or property. A proportion of these receipts can be used to fund the capital programme.

Capital Receipts Reserve

A reserve holding funds received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Capital Receipts Unapplied

These are capital receipts, which have yet to be used to repay outstanding external debt or to finance new capital expenditure.

Code of Practice on Local Authority Accounting

The document issued by CIPFA each year which specifies the accounting principles and practices to be followed when preparing the accounting statements.

Contingent Liabilities

This is a condition that exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain events.

Comprehensive Income and Expenditure Statement

The main account of the Council from which the cost of providing services is met, and precepts, grants and other income are credited.

Deferred Credits

Receipts recovered from the sale of assets, e.g. mortgages on the sale of Council houses.

Depreciation

Depreciation is the theoretical measure of the reduction in value of an asset due to age, wear and tear, or obsolescence.

Events after the Balance Sheet Date

Events which occur between the balance sheet date and the issue date of the Statement of Accounts.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

Extraordinary Items

Material items that are not within the Council's ordinary activities and are not expected to recur.

Finance Lease

This is a lease in which substantially transfers all of the risks and rewards of ownership of a non-current asset to the lessee.

General Fund

The Local Authority's accumulated revenue account.

Historic Cost

The original cost of acquisition, construction or purchase of a non-current asset.

Housing Revenue Account (HRA)

The account that includes all revenue expenditure and income that relates to the landlord function of managing and maintaining the Council Housing Stock. It is a statutory requirement to keep this account and it is separate (ring fenced) from the General Fund Services.

IFRS – International Financial Reporting Standards

The Accounting Standard under which the Council has compiled its Financial Statements.

Impairment

This is the reduction in the value of a non-current asset below its carrying value in the Balance Sheet.

International Accounting Standard 19 (IAS 19)

The requirement for local authorities to include the forecast cost of future pensions in the accounts on a notional basis, together with the level of assets in the fund and the level of any estimated surplus or deficit on the pension fund.

Minimum Revenue Provision (MRP)

Local authorities are required each year to set aside some of their revenues as provision for debt repayment. The provision (revenue charge) is in respect of capital expenditure financed by borrowing.

Net Book Value

This is the value which non-current assets are reflected in the Balance Sheet. This could be historic costs or current value less accumulated depreciation.

Non-operational Assets

Non-current assets held by the Council, but not used in the delivery of services or for its strategic objectives. Examples are investment properties, surplus assets pending sale, and assets under construction.

Operating Leases

An operating lease is where the risk and reward of ownership of the asset remains with the supplier or tenant and not with the Council.

Precepts

The amounts required by the City Council to meet its budget requirement.

Prior Period Adjustment

These are material adjustments which are applicable to prior reporting years due to changes in accounting policies or fundamental errors.

Private Finance Initiative (PFI)

PFI is a Government initiative in which private sector companies usually design, build and operate a public facility for a set period of time, often 25 years.

Provisions

Amounts set aside to meet liabilities or losses which are likely to be incurred or certain to be incurred but where the amounts or dates on which they will arise are uncertain.

Prudential Code

The Prudential Code is a professional Code of Practice developed by CIPFA whose objective is to ensure local authorities' capital investment plans are affordable, prudent and sustainable.

Reserves

Amounts set aside for purposes falling outside the definition of provisions. For each material reserve fund established there is a scheme governing its purpose, usage and the basis of transactions. Within reserves are the accumulated surpluses of income over expenditure on the HRA and Collection Fund and amounts transferred under the Schools' Standards and Framework Act 1998.

Revenue Expenditure

Expenditure on the day to day running cost of providing the Council's services, such as employee costs and the cost of supplies and services.

Revenue Expenditure funded from Capital under Statute

Capital expenditure where no tangible asset is created, e.g. improvement and other grants and contributions, and amounts outstanding on transferred services.

Revenue Support Grant

This is the grant paid by Central Government to help finance the cost of services provided by local authorities.

The Annual Governance Statement

This statement details the Council's internal control systems and arrangements for ensuring their effectiveness in the management of risk.

Useable Capital Receipts

The amount of the capital receipt that is available to fund capital expenditure after the statutory pool payments to Central Government has been made.

Work in Progress

The cost of work carried out up to the end of the financial year for which accounts have not been rendered.

STATEMENT OF ACCOUNTS 2020/21 FEEDBACK FORM

We actively try and improve the accounts each year and whilst a large amount of information included is prescribed in the Accounting Codes of Practice, the Council tries to keep the document as readable and user friendly as possible.

We would welcome any comments from readers of the Statement of Accounts as to how the Council can improve its layout and readability for future years. If you could complete the following short questionnaire and return to the address below we will try to accommodate any comments received. Alternatively, if you are viewing this document on the internet, there is an on-line form which you can submit.

Any comments received by 30 April 2022 will be incorporated into the 2021/22 Statement where possible, but the Council would welcome any comments after that date which the Council will try to include in future years' documents.

1. Please indicate in what capacity you are viewing this Statement.

Local Council Tax payer
Local Business
Other, please specify

2. Is the format and layout of the accounts easy to understand and follow?

Yes
No

If no, why not?

3. Did you find the information you were looking for?

Yes
No

4. Any other comments you have would be welcome:

Return Address: FAO Head of Accountancy
Corporate Finance (Financial Assurance)
City Treasury
Guildhall Road
Hull
HU1 2AB

Or please e-mail any comments to: financial.planning@hullcc.gov.uk



This handbook can be made available in other formats (large print, audio and Braille) as appropriate. Please telephone 01482 300 300.