Statement of Accounts 2018 - 2019

Hull City Council

Independent auditor's report to the members of Hull City Council

Report on the financial statements

Opinion

We have audited the financial statements of Hull City Council and its group ("the Group") for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the Council Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, HRA Income and Expenditure Statement, the Movement on the HRA Income and Expenditure Account Statement, Collection Fund Income and Expenditure Statement, Group Movement in Reserves Statement, Group Comprehensive Income and Expenditure Statement, Group Balance Sheet and Group Cash Flow Statement and notes to the 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31 March 2019 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 2018/19.

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance and Transformation (Section 151 Officer) use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance and Transformation (Section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

Key audit matter 1 Valuation of Property Plant & Equipment

The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five-year cycle. The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process. As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially fairly stated fair value. In addition, as the valuations are undertaken through the year there is a risk that the fair value of the assets is materially different at the year end.

Council Dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for Social Housing (EUV-SH). The Social Housing adjustment factor is prescribed in MHCLG guidance, but this guidance indicates that where a valuer has evidence that this factor is different in the Council's area they can use their more accurate local factor. There is a risk that the Council's application of the valuer's assumptions is not in line with the statutory requirements and that the valuation is not supported by detailed evidence. Note xxi sets out the Council's accounting policy.

Our response and key observations

In relation to the valuation of property, plant & equipment we have:

- critically assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the Council's programme of revaluations;
- considered whether the overall revaluation methodology used by the Council's valuer is in line with industry practice, social housing statutory guidance, the CIPFA Code of Practice and the Council's accounting policies;
- critically assessed the appropriateness of the underlying data and the key assumptions used in the valuer's calculations;
- critically assessed the appropriateness of the social housing factor applied to the valuation of the Council Dwellings;
- assessed the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time;
- critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice;
- critically assessed the approach that the Council adopts to ensure that assets not subject to revaluation in 2018/19 are materially fairly stated; and
- tested a sample of items of capital expenditure in 2018/19 to confirm that the additions are appropriately valued in the financial statements.

Key observations

We identified two significant valuation matters impacting on Other land and Buildings and Council Dwellings that were adequately addressed by the Council:

- Other land and buildings note 14, valued at £619.8m as at 31 March 2019 was amended. The valuation was increased by £60.9m, taking into account increases in building costs which should be factored into the valuation of assets. We were satisfied that consequential non-material errors on depreciation and reversal of previous impairments were not amended by management.

- Council Houses note 14, valued at £616m as at 31 March 2019 was amended increasing the valuation by £147.1m to reflect the social housing factor. As the amendment impacted on prior year accounts the Council is required to carry out a prior year adjustment including restated balance sheet values as at 31 March 2017 and 31 March 2018. Note 54 of the financial statements sets out the impact of the Prior Period Adjustment on comparator balances in 2017/18.

Key audit matter 2 – Valuation of Defined Benefit Pension Liability

The net pension liability represents a material element of the Council's balance sheet and note ix sets out the policy. The Council is an admitted body of East Riding Pension Fund, which had its last triennial valuation completed as at 31 March 2016. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19.

Our response and key observations

In relation to the valuation of the Council's defined benefit pension liability we have:

- critically assessed the competency, objectivity and independence of the Pension Fund's Actuary, Hymans Robertson;
- liaised with the auditors of the Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included consideration of the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;
- reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office;
- received assurances from the auditors of the East Riding Pension Fund over the valuation of investment assets and test the allocation of asset to the Council is reasonable; and
- agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

We have concluded that the Council's pension liability is fairly stated. The Council has amended its financial statements at note 47 for additional pension liabilities arising from the McCloud judgment. We were satisfied this was reasonable in the context of the whole and we were satisfied that the impact of non-recognition of an allowance for a legal case relating to Guaranteed Minimum Pension was not material.

Our application of materiality
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:

	Council	Group
Overall materiality	£15.141m	£15.424m
Basis for determining materiality	Materiality has been determined as approximately 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 for users of the financial statements	
Performance materiality	£11.356m	£11.568m
Reporting threshold	£0.454m	£0.463m

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 gained an understanding of the legal and regulatory framework applicable to the Council and the sector in which it operates. We considered the risk of acts by the Council which were contrary to the applicable laws and regulations including fraud. We designed our audit procedures to respond to those identified risks, including non-compliance with laws and regulations (irregularities) that are material to the financial statements. We focused on laws and regulations that could give rise to a material misstatement in the financial statements.

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 our risk assessment, our understanding of the Council's accounting processes and controls and its environment, and considered 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 board 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, (98.7%) of the Group's total liabilities, (97.3%) 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 Annual Governance Statement and 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 Statement of the Director of Finance and Transformation (Section 151 Officer) 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 2018/19, 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 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Finance and Transformation (Section 151 Officer) is responsible for assessing each year whether or not it is appropriate for the Council 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.

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.

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.

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

Qualified conclusion
On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, with the exception of the matter reported in the basis for qualified conclusion paragraph below, we are satisfied that, in all significant respects,
Hull City Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for qualified conclusion
In seeking to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we have considered reports issued by regulators. In May 2019, OFSTED reported the results of an inspection of Children's Social Care Services. OFSTED

concluded that overall effectiveness of the services was Inadequate based on an assessment of the following areas:

- The impact of leaders on social work practice with children and families – Requires improvement to be good.
- The experiences and progress of children who need help and protection – Inadequate.
- The experiences and progress of children in care and care leavers – Requires Improvement to be good.

OFSTED's findings refer to a lack of management oversight and inconsistent practice in arrangements in place to fully discharge the Council's statutory responsibilities to safeguard and promote the welfare of children in need. This is evidence of weaknesses in informed decision making.

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

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. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. 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.

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 6 years covering the audit of the financial years ending 31 March 2014 to 31 March 2019.

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 and Group entities during the period 1 April 2018 to 31 March 2019, that have not been disclosed separately in the Statement of Accounts:

- Assurance services on the Teachers' Pension return for 2017/18.
- Assurance services on the Housing Benefit Subsidy return for 2017/18.
- Assurance services on the Skills Funding Agency return for 2017/18.
- Assurance services on Housing Capital Receipts 2017/18.
- The audit fee for external audit services at Hull Culture and Leisure Ltd a subsidiary of the Council.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of the audit report

This report is made solely to the members of 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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Mark Kirkham
For and on behalf of Mazars LLP

5th Floor
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4 October 2019

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.

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 260,700 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.

<u>Hull Key Facts</u>

- Hull is home to 260,700 people with a travel to work population of 515,000 – strong population growth in recent years is due to reducing outward internal migration and increasing inward internal migration (2017).
- There are 120,780 households (2018). This number has grown by over 1,000 in each year over the last four years; with continued house building and city centre conversions (2018).

- With an economy worth £5,531m (2017); the largest industry sector is manufacturing. This is worth £1,465m or 26.5% of total GVA. This is considerably higher than the regional and national figures.
- In 2018, 127,100 Hull residents are in employment (73.0%) – the highest level of employment on record. Since 2012 the increase in the employment rate in Hull (60.6% to 73.0%) has occurred significantly faster than nationally (70.8% to 75.4%) resulting in a significant narrowing of the gap.
- There are 125,000 jobs based in Hull (2018) – the highest number on recent record. Most of these jobs are based in manufacturing (16.8%), wholesale and retail trade (15.2%), human health and social work (14.4%) and administrative and support service activities (12.0%).
- In 2018, Hull is home to over 8,330 local businesses – a small decrease from 2017 (8,430) but an increase of 785 (10%) over five years.
- Median resident weekly wages in Hull are £111 below the England average (2018) but are currently at their highest level on record.
- Hull is ranked as the 3rd most deprived local authority in England (2015). 18.6% of all households are classed as workless (2017) compared to 14% nationally. 27.4% of all children under 16 are estimated to be living in poverty (2016) and 13.8% of households experience fuel poverty (2016).
- Life expectancy at birth is 3 years below the national average (2015-17) and has fallen over each of the last three years. Healthy life expectancy is significantly below the national average suggesting residents of Hull experience an above average number of years of ill health.
- The GCSE average Attainment 8 score in Hull is 43.3%; below the regional figure of 45.1% and the national figure of 44.5% (2017/18). Attainment, particularly in English and Maths, is improving. Attainment in English and Maths at grade 4 or above increased from 50.6% to 57.1% over the last year; compared to 59.4% nationally.
- Rates of Children in Need (666.4 per 10,000 children) and Looked After Children (133 per 10,000 children) are both nearly twice the national average (2017/18) and both rates increased over the previous year.
- Current estimates suggest that there are approximately 45,700 working age people in Hull with a disability (2018). This equates to 26.1% of working age people (compared to 20.1% nationally) and the number has increased over two years.
- Crime over the last twelve months is 18% higher compared to the previous year; including a notable increase (21%) in violent offences. Over the same period the number of ASB incidents has fallen by 14%.
- 75% of residents are proud to live and work in Hull (Dec. 2017).

<u>Council Statistics</u>

- Responsible for 24,200 council homes (2017).
- Responsible for (state funded) 130 nursery school children, 25,900 primary school children, 13,700 secondary school children, 620 special school students and 400 students in PRU's (2018).
- 7,100 children with Special Educational Needs (2018).
- 5,200 children referred to children's social care services (Year to March 2018).
- Provide free school meals to 5,700 school children (2018).
- 104,500 tonnes of household waste collected, of which 51,300 (49.1%) sent for recycling (2018).
- Made 650 homeless decisions (2018) of which 460 classed as homeless and in priority need. Over 4,600 people prevented from being homeless and 340 relieved from homelessness (2018).
- 77% of residents think Hull City Council is working towards a better city (Dec 2016).
- 4,720 employees (workforce report - 31 Mar 19).

3. Significant Issues for 2019/20 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.

- **Rising numbers of service demands** - many more people need Council services and this creates significant budget pressures. We need to get better at predicting fluctuations in demand and allocating resources to where they are most needed and helping to build resilient communities that are able to support themselves.
- **Digital** revolution - people expect to access services online, with immediate responses, which changes the way that all service providers work. We will need to increase our 'digital first' approach enabling quick and more efficient responses to service requests.
- **Simplifying processes / using our data better** - we've already dramatically reduced our support services (often known as the 'back office') as a way of responding to the cuts in funding, and will now look towards how we can increase the use of data, research and intelligence, keeping pace with the need for new technology to improve the way we work, particularly through the Work Smart Programme to enable flexible, more customer focused working.
- **Working closer together within the Council, and with partners** - people, unsurprisingly, want a single point of contact and simple ways for public services to respond to their needs - organisational boundaries aren't their priority. Many of the issues faced by communities and public services, such as crime, health, safeguarding require closer working, and we need to find better ways of bringing together teams and services to provide seamless service provision.
- **Maintaining infrastructure and the improving the environment** - ongoing maintenance and capital investment to improve key infrastructure is an ongoing challenge as finances are restricted whilst the population and economy grows. We will need to increase investment in order to support this growth, through working with partners to secure external funding.
- **Devolution and the role of cities** - Government policy actively supports the creation of mayoral systems to promote greater local accountability, and enable devolution of economic powers. Successfully delivered, this provides opportunities for Hull to attract greater investment into the city, such as funding of a cruise terminal.
- **EU Exit and future funding** - our ability to plan over the long term is difficult beyond 2020 due to the Government's proposals to change the way in which local government is funded, and the unknown implications of EU Exit on Hull, the Council, and the wider economy.
- **'Fair Funding'** - Government proposals will shift from national government subsidies to local authorities being responsible for collection and retention of all business rates. This will not only change the levels of funding available but also the local relationships with the business community and councils.
- **Climate change and living with water** - long term changes in water levels and the way in which the weather affects us, will need to be built into all planning and development decisions.

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

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:

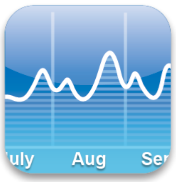
- Ensuring people receive the services they need as early as possible through prevention and early intervention.

- 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.

City Plan Performance: 2018-2019

Population	Period	No	%	England	Previous	Direction
Total Population	2017	260,700	-	-	260,035	▲
Working Age (16 – 64)	2017	170,642	65.5%	62.8%	65.7%	▼
Mean Age	2017	35.6	-	39.8	35.7	▼
Non UK Born Population	2017	33,000	12.9%	15.6%	9.0%	▲

Working Age Employment	Period	No	%	England	Previous	Direction
In Employment	Jan 18 - Dec 18	127,100	73.0%	75.4%	70.6%	▲
Unemployment	Jan 18 - Dec 18	7,800	5.8%	4.1%	6.2%	▼
Economically Inactive	Jan 18 - Dec 18	36,900	21.8%	21.3%	23.8%	▼
Claimant Count *	Mar – 19	7,615	4.5%	2.6%	4.1%	▲



Economy	Period	No	Rate	England	Previous	Direction
GVA / GVA Per Head	2017	£5,531m	£21,217	£27,949	£20,865	▲
No of Enterprises / No Per 1,000	2018	6,075	23.3	41.7	6,060	—
No of Local Units / No Per 1,000	2018	8,330	32.0	48.5	8,430	▼
Jobs / Jobs Per 1000 Aged 16-64	2017	125,000	732.7	735.0	120,000	▲

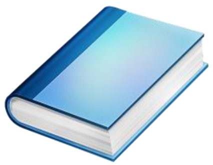
Deprivation	Period	No	%	England	Previous	Direction
Multiple Deprivation (LA Rank)	2015	3rd	-	-	5th	▼
GDHI / GDHI Per Head [1]	2016	£3,479m	£13,380	£19,878	£13,103	▲
Resident Median FT Weekly Wages	2018	£460.1	-	£571.10	£447.80	▲
Children in Poverty (Under 16)	2016	14,430	27.4%	17.0%	27.6%	▼

* These figures have been updated since the last score card

[1] The Average Household Income indicator has been replaced due to issues sourcing the data in a timely fashion. The indicator has been replaced with the ONS measure of Gross Disposable Household Income (GDHI). This is the amount of money that all the individuals in the household sector have available for spending or saving after income distribution measures (e.g. taxes, social contributions and benefits) have taken effect.

Health	Period	No	%	England	Previous	Direction
Male Life Expectancy	2015 – 17	75.9	-	79.6	76.3	▼
Female Life Expectancy	2015 – 17	79.9	-	83.1	80.1	▼
Working Age Disability	Jan 18 - Dec 18	45,700	27.1%	20.3%	26.1%	▲
ESA Claimants	Aug – 18	15,270	8.9%	5.2%	8.9%	▬

Crime	Period	No	Rate	England	Previous	Direction
All Offences *	Yr to Feb – 19	39,340	-	-	33,432	▲
Criminal Damage and Arson *	Yr to Feb – 19	5,528	-	-	5,015	▲
Violent Crime *	Yr to Feb – 19	12,805	-	-	10,588	▲
ASB *	Yr to Feb – 19	6,512	-	-	7,590	▼
Domestic Abuse Offences	Yr to Dec – 17	4,215	-	-	3,634	▲



Young People and Education	Period	No	% / Rate	England	Previous	Direction
Pupil achieving a 9 – 5 pass [2]	2017/18	-	32.9%	40.2%	30.0%	▲
Pupil achieving a 9 – 4 pass [2]	2017/18	-	57.1%	59.4%	50.6%	▲
16 – 17 Year Olds NEET (inc NK)	2017/18	300	5.5%	6.0%	5.5%	▬
Primary and Secondary Absences *	2017/18	-	5.0%	4.8%	5.1%	▼
Looked After Children / Per 10,000 Child	As at 31 Mar 18	753	133	64	124	▲
Children in Need / Per 10,000 Child	As at 31 Mar 18	3762	666.4	341.0	625.3	▲

Housing	Period	No	% / Rate	England	Previous	Direction
No of House Sales *	Yr to Dec – 18	3,480	-	-	3,376	▲
Average House Price (All Types) *	Feb – 19	£110,495	-	£242,964	£109,636	▲
Average Private Rent (All Types)	Yr to Sep-18	£421	-	£844	£422	▬
Homeless and In Priority Need / Per 1,000 *	2017/18	459	3.98	2.43	3.80	▲
Prevention and Relief Cases / Per 1,000 *	2017/18	4984	43.20	9.16	43.43	▬

[2] The 9 – 5 Pass measure shows the percentage of pupils achieving a grade 5 or above in English language or literature and Mathematics (strong pass). The 9 – 4 Pass measure shows the percentage of pupils achieving a grade 4 or above in English language or literature and Mathematics (standard pass) and is included for transparency and comparability.

2017/18 figures are now a finalised figured.

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 41 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 41 indicators, 25 achieved the year-end target, 4 are awaiting final audited position, and 12, not achieving their expected position.

Children, Young People and Family Services Directorate

Measure	Lower is Better / Higher is Better	Target	Target Achieved?
Referrals to children's social care (Rate per 10,000)	Lower	Reduction	**Yes**
Total number of Early Help Referrals	Higher	Increase	Data not available until end of Q1 2019/20
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%	**Yes**
Combined Not in Education, Employment or Training, and Not Known	Lower	Within 1% of national average	**Yes**
Qualified Social Worker Average Caseloads	Lower	16	**No**
Care Leavers – NEET	Lower	Reduction from baseline (2017/18)	**Yes**
Percentage of Children Looked After with 3 or more Placements	Lower	10%	**Yes**
Domestic violence – repeat referrals as a percentage of referrals received	Lower	Reduction from 18% baseline (2015/16)	**No**

Deputy Chief Executive Directorate

Measure	Lower is Better / Higher is Better	Target	Target Achieved?
Number of Council employee learners attending statutory, mandatory, current need and development	Higher	25,000 pa	**Yes**

Deputy Chief Executive Directorate			
Measure	**Lower is Better / Higher is Better**	**Target**	**Target Achieved?**
need learning (Priority 1,2,3,4) courses			
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	**Yes**
Percentage staff attendance	Higher	96.0%	**No**
Number of jobs created through procurement activity	Higher	40	**No**
Percentage of spend via Small to Medium Enterprises	Higher	45%	**Yes**
Percentage of spend via local suppliers	Higher	55%	**Yes**
Number of Regulation of Investigatory Powers Act 2000 (RIPA) investigations carried out by the Council	Lower	Max 4 pa	**Yes**
Cleanliness of the city – percentage of streets that fall below standard for litter	Lower	6%	**Yes**
Percentage of Domestic Waste Recycled	Higher	50%	**No**
Percentage Housing Rent collected (Housemark definition)	Higher	97.5%(1% tolerance)	**Yes**
Homelessness – acceptances (standardised to per 1,000 population)	Lower	0.95 (30% tolerance)	**Yes**
Number of in-person visits to Libraries	Higher	940,000 (10% tolerance)	**Yes**
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)	**Yes**
Satisfaction with the service received at the Customer Service Centre	Higher	85%	**Yes**
Satisfaction with the service received at the Call Centre	Higher	85%	**No**

Finance and Transformation Directorate			
Measure	**Lower is Better / Higher is Better**	**Target**	**Target Achieved?**
Speed of processing new benefit claims (days)	Lower	NC <28 days	**Yes**
Speed of processing change in circumstances (days)	Lower	CiC <18 days	**Yes**

Public Health and Adult Social Care Directorate			
Measure	**Lower is Better / Higher is Better**	**Target**	**Target Achieved?**
Permanent admissions to residential and nursing care homes, per 100,000 population (ASCOF 2A Part 2 ages 65+	Lower	784	**No**
Reducing Delayed Discharge of Care Average daily delays attributed to Adult Social Care, per 100,000 adult population	Lower	3.4	Data not available until end of Q1 2019/20
Community See and Solve: Number of long term adults (18+) with social care packages active at the end of period (SLAT LTS001b)	Lower	Reduction	**Yes**
Percentage of all requests for Public Protection services dealt within target	Higher	85%	**No**
Proportion who successfully completed alcohol treatment and did not re-present within 6 months	Higher	40.1%	Data not available until end of Q1 2019/20
Percentage of children who received a 2-2½ year health visitor review	Higher	90%	Data not available until end of Q1 2019/20

Regeneration Directorate			
Measure	**Lower is Better / Higher is Better**	**Target**	**Target Achieved?**
Employment infrastructure – office / industrial / warehousing jobs granted planning permission	Higher	300 pa	**Yes**
Employment intervention – no. of people entering employment supported by the Employment and Skills strand of the Greenport Growth Programme	Higher	60 pa	**Yes**
Employment enablement – no. of jobs created / safeguarded through the conversion of New / Established Inward Investment projects	Higher	400 pa	**Yes**
Operational Property Estate inc. schools – Percentage reduction in space occupied by the Council	Higher	10%	**No**
Commercial Property Estate – Percentage of units vacant	Lower	5%	**Yes**

6. Financial Outlook for Council

Since 2010 the Council has suffered significant reductions in Government Funding as the Government has sought to reduce the level of public spending. The Local Government Settlement of February 2016 provided details of funding up to 2019/20 and this has resulted in the Council losing £131m in Core Funding over a 10 year period. Given these reductions in funding and increasing level of service demands in the city, continuing to balance the Council's budget in the medium term represents a very significant challenge for both elected Members and Officers.

The Council's Medium Term Financial Plan (MTFP) 2019/20 – 2021/22, as approved at Council on 28 February 2019, set out the overall shape of the Council's budget showing a balanced position in 2019/20 but budget gaps of £4.1m and £6.7m in the following years. These projections assume that a further £12.4m of savings are delivered in the first 2 year of this timeframe and whilst the successful achievement of such cost reductions represents a significant challenge, the savings proposals have been subject to review and have been supported by Officers and Members.

The medium term financial outlook for the Council is critically dependent on the outcome of the Government's planned 2019 Spending Review and the introduction of the Fair Funding regime from 2020/21, with the implications for individual Councils expected to be published during 2019. As such, there is currently no reliable intelligence on which to base forward year projections although the government have provided an indication that public sector expenditure may be increased from 2019/20 levels. The Council's current future year projections, which assume that the settlements for future years are broadly neutral in terms of change from 2019/20, will be revised as definitive information becomes available with the scale of any remaining funding gap dictating future strategy.

With regard to the 2018/19 Outturn, as noted in the table below, the Council, at an overall Council level incurred a small overspend of £0.9m against budget which was in line with projections from earlier in the financial year. This outcome was delivered despite significant additional demands within Adult Social Care and Children's services which resulted in service overspends against budget which were in part mitigated at a Corporate level. The MTFP will be revisited during 2019/20 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	216,322	220,250	3,928
Net position - Corporate Accounts including Receipts from Council Tax, Business Rates, Revenue Grant	(216,322)	(219,350)	(3,028)
Total	-	900	900

The level of general reserves at 31 March 2019 have increased by £5.0m from the previous year and stand at £12.968m but, as set out in the Council's February 2019 budget report, the MTFP projects this to increase by £8.0m over the next 2 years to bring balances into line with a revised risk assessment informed by the latest MTFP projections.

7. Capital Programme

Expenditure by the Council in 2018/19 was £100m 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 2018/19 were:

- Investment in Schools (£5m)
- Works to Housing Stock (£33m)
- Private Housing (£5m)
- Transport Projects (£8m)
- Visitor Destination Programme (£11m)
- Local Growth Fund (£19m)

8. Housing

The Government has recently signalled a shift in rents policy that allows rent increases from 2020/21 onwards of CPI +1% which has been helpful in addressing some of the underlying financial issues caused by four years of 1% reductions. 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.

Universal Credit has commenced in full in the Hull area during 2018/19 and the volume of claimants has proven to be more significant than had first been expected. We expect to see increases in rent arrears and increased costs of collection. Maintaining rent collection rates will be difficult whilst there is a need to make further savings to balance the HRA over the medium term.

9. Statement of Accounts

The following pages detail the Statement of Accounts for Kingston upon Hull City Council for the financial year ended 31 March 2019. 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 2019. 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.

10. 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 2019, on the Housing Revenue Account is £25.061m though most of this is earmarked for future costs arising from the Modern Homes Programme.

11. 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:

	2018/19 £'000	**Restated 2017/18 £'000**	**Explanation**
Cash and cash equivalents	59,774	45,861	Increases in cash and cash equivalents, and the reduction in short term investments reflect the Councils policy of maintaining liquidity whilst minimising borrowing.
Short term borrowing	(178,912)	(169,077)	Increases in the short term borrowing balances reflect the continuation of the Council's temporary borrowing policy which seeks to minimise interest costs.
Long term borrowing	(443,248)	(455,618)	Long term borrowing has reduced in line with the Councils borrowing policy which seeks to minimise interest costs.
Other long term liabilities	(576,113)	(450,123)	Increase in the pension liability is due to corporate bonds being lower at 31 March 2019 compared to 31 March 2018 which serves to increase the value placed on pension obligations.
PFI finance lease - liability	(166,885)	(173,458)	Decrease in PFI finance lease liabilities is due to the continued amortisation of PFI liabilities with no new PFI contracts within the year.

12. Group Accounts

The Council's 2018/19 Accounts are very similar in presentation to last years with no significant change in accounting regulations impacting this year.

13. 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 2019 and the income and expenditure for the year ended 31 March 2019.

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 3 October 2019 in accordance with the Accounts and Audit (England) Regulations 2015.

Councillor Sean Chaytor
Acting 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.

2018/19	**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 2018		7,968	29,329	24,511	3,000	-	21,244	14,145	**100,197**	187,335	**287,532**
Surplus/(deficit) on provision of Services (accounting basis)		(102,571)	-	-	17,700	-	-	-	**(84,871)**	-	**(84,871)**
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	**-**	(21,742)	**(21,742)**
Total Comprehensive Expenditure and Income		(102,571)	-	-	17,700	-	-	-	**(84,871)**	(21,742)	**(106,613)**
Adjustments between accounting basis and funding basis under regulations	9	110,847	-	-	(20,150)	-	5,217	(5,657)	**90,257**	(90,257)	**-**
Net increase / (decrease) before transfers to Earmarked Reserves		8,276	-	-	(2,450)	-	5,217	(5,657)	**5,386**	(111,999)	**(106,613)**
Transfers to / (from) Earmarked Reserves	10	(3,276)	3,276	(2,450)	2,450	-	-	-	**-**	-	**-**
Increase / (Decrease) in Year		5,000	3,276	(2,450)	-	-	5,217	(5,657)	**5,386**	(111,999)	**(106,613)**
Balance at 31 March 2019		**12,968**	**32,605**	**22,061**	**3,000**	**-**	**26,461**	**8,488**	**105,583**	**75,336**	**180,919**

2017/18	Note	General Fund Balance	Earmarked GF Reserves	Earmarked HRA Reserves	Restated (see note 54) Housing Revenue Account	Major Repairs Reserve	Capital Receipt Reserve	Capital Grants Unapplied	Restated (see note 54) **Total Usable Reserves**	Restated (see note 54) Unusable Reserves	Restated (see note 54) **Total Authority Reserves**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2017 - Restated (see Note 54)		7,968	35,673	25,416	3,000	9,664	22,813	18,279	**122,813**	191,347	**314,160**
Surplus/(deficit) on provision of Services (accounting basis)		(129,045)	-	-	44,867	-	-	-	**(84,178)**	-	**(84,178)**
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	**-**	57,550	**57,550**
Total Comprehensive Expenditure and Income		(129,045)	-	-	44,867	-	-	-	**(84,178)**	57,550	**(26,628)**
Adjustments between accounting basis and funding basis under regulations	9	122,701	-	-	(45,772)	(9,664)	(1,569)	(4,134)	**61,562**	(61,562)	**-**
Net increase / (decrease) before transfers to Earmarked Reserves		(6,344)	-	-	(905)	(9,664)	(1,569)	(4,134)	**(22,616)**	(4,012)	**(26,628)**
Transfers to / (from) Earmarked Reserves	10	6,344	(6,344)	(905)	905	-	-	-	**-**	-	**-**
Increase / (Decrease) in Year		-	(6,344)	(905)	-	(9,664)	(1,569)	(4,134)	**(22,616)**	(4,012)	**(26,628)**
Balance at 31 March 2018		**7,968**	**29,329**	**24,511**	**3,000**	**-**	**21,244**	**14,145**	**100,197**	**187,335**	**287,532**

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 (See note 54) 2017/18 Gross Expenditure	2017/18 Income	2017/18 Net Expenditure	Note		2018/19 Gross Expenditure	2018/19 Income	2018/19 Net Expenditure
£'000	**£'000**	**£'000**			**£'000**	**£'000**	**£'000**
148,395	(77,160)	71,235		Public Health and Adults	136,856	(86,680)	50,176
79,087	(41,374)	37,713		Regeneration	81,239	(39,649)	41,590
236,798	(154,528)	82,270		City Services and Resources	241,458	(154,579)	86,879
91,493	(24,435)	67,058		Children's Services	91,846	(25,830)	66,016
72,110	(66,970)	5,140		School Services	54,411	(54,059)	352
39,816	(95,484)	(55,668)		Local Authority Housing (HRA)	67,602	(94,491)	(26,889)
9,024	(792)	8,232		Non Distributed Costs	15,832	(2,513)	13,319
676,723	**(460,743)**	**215,980**		**Cost of Services**	**689,244**	**(457,801)**	**231,443**
		59,409	11	Other Operating Expenditure			28,164
		38,033	12	Financing and Investment Income and Expenditure			39,651
		-		(Surplus) / deficit of Discontinued Operations			-
		(229,244)	13	Taxation and Non-Specific Grant Income			(214,387)
		84,178		**(Surplus) / Deficit on Provision of Services**			**84,871**
		(28,061)		(Surplus) / deficit on revaluation of non-current assets			(66,811)
		8,101		Impairment losses on non-current assets charged to the revaluation reserve			6,189
		-		Surplus / deficit on other comprehensive Income and Expenditure items			-
		(37,590)	47	Actuarial gains / losses on pension assets / liabilities plus prepaid employer contributions			82,364
		(57,550)		**Other Comprehensive Income and Expenditure**			**21,742**
		26,628		**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**106,613**

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.

Restated (See note 54) 31 March 2017 £'000	Restated (See note 54) 31 March 2018 £'000		Note	31 March 2019 £'000
1,367,403	1,424,679	Property, Plant and Equipment	14	1,429,561
4,157	4,139	Heritage Assets	15	4,543
71,039	69,933	Investment Property	16	71,383
3,559	4,651	Intangible Assets	17	4,398
10	10	Long Term Investments	18	10
4,828	7,126	Long Term Debtors	18	8,563
-	-	Assets held for sale	23	-
1,450,996	**1,510,538**	**Long Term Assets**		**1,518,458**
2,501	2,507	Short Term Investments	18	-
505	447	Inventories	19	608
64,495	52,224	Short Term Debtors	21	44,206
102,312	45,861	Cash and Cash Equivalents	18/22	59,774
-	-	Assets held for sale	23	-
169,813	**101,039**	**Current Assets**		**104,588**
(106,580)	(169,077)	Short Term Borrowing	18	(178,912)
(52,622)	(62,058)	Short Term Creditors	24	(59,804)
(2,429)	(1,194)	Provision for accumulated absences	27g	(1,618)
(552)	(334)	Capital Grants Receipts in Advance	39	(527)
(3,751)	(6,162)	PFI Finance Lease - Liability	18/43	(6,087)
(165,934)	**(238,825)**	**Current Liabilities**		**(246,948)**
(842)	(789)	Long Term Creditors	18	(828)
(6,554)	(4,985)	Provisions	25	(7,798)
(492,581)	(455,618)	Long Term Borrowing	18	(443,248)
(517,052)	(450,123)	Other Long Term Liabilities	47	(576,113)
(305)	(247)	Capital Grants Receipts in Advance	39	(307)
(123,381)	(173,458)	PFI Finance Lease - Liability	18/43	(166,885)
(1,140,715)	**(1,085,220)**	**Long Term Liabilities**		**(1,195,179)**
314,160	**287,532**	**NET ASSETS**		**180,919**
122,813	100,197	Usable Reserves	26	105,583
191,347	187,335	Unusable Reserves	27	75,336
314,160	**287,532**	**TOTAL RESERVES**		**180,919**

CASH FLOW STATEMENT

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

Restated (See note 54) 2017/18 £'000		**Note**	**2018/19 £'000**
(84,178)	Net surplus or (deficit) on the provision of services		(84,871)
114,351	Adjustment to surplus or deficit on the provision of services for non-cash movements	28	167,120
(125,256)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(93,950)
(95,083)	**Net Cash flows from Operating Activities**		(11,701)
(36,545)	Net cash flows from Investing Activities	29	(16,134)
75,177	Net cash flows from Financing Activities	30	41,748
(56,451)	Net increase or (decrease) in cash and cash equivalents		13,913
102,312	Cash and cash equivalents at the beginning of the reporting period		45,861
45,861	**Cash and cash equivalents at the end of the reporting period**	22	**59,774**

NOTES TO THE MAIN FINANCIAL STATEMENTS

1. *Accounting Policies*

i. *General Principles*

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 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*

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

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date 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 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 statue 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 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 de-recognition 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. 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).

xv. 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.

xvi. 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.

xvii. 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.

xviii. 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 xxviii 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.

xix. 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.

xx. 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.

xxi. 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 xxviii 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 2019) 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.

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.

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.

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.

xxii. 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 (Victoria Dock School and Orchard Park Neighbourhood Integrated Service Centre) 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.

xxiii. 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.

xxiv. 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.

xxv. 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.

xxvi. 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.

xxvii. Carbon Reduction Commitment Allowances

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

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 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 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 that 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.

2. *Accounting Standards that have been issued but have not yet been adopted*

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements state otherwise.

IFRS 16: This standard is expected to be adopted in the 2020/21 code. The standard removes the existing classifications of operating and finance leases under IAS 17. It will require that a lessee recognises assets and liabilities for all leases with a term greater than 12 months unless the underlying asset is of a non-material value.

Other accounting changes introduced in 2019/20 are:

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

None of the above changes are expected to have a material impact on the Statement of Accounts.

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 summarised Group Accounts is required. (See Accounting Policy xvi – 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 2019 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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings (excluding Council dwellings) would increase by £0.4m for every year that useful lives had to be reduced.
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 £182m. 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 2019, the Authority had a balance of accounts receivable debtors for £15.66m. A review of significant balances suggested that an impairment of doubtful debts of 14% (£2.14m) 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 £0.359m in provisions.
Collection Fund Arrears	At 31 March 2019, the Council a balance of Council Tax and NNDR for £23.6m. A review of significant balances suggested that an impairment of doubtful debts of 64% (£15m of which £12.26m is the Councils 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 £3m to set aside as an allowance.

Housing Revenue Account Arrears	At 31 March 2019, the Council had a balance of rent debtors for £3.45m. A review of significant balances suggested that an impairment of doubtful debts of 48% (£1.65m) 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 £0.330m to set aside as an allowance.

5. Exceptional and Material Items of Income and Expense

Items of income and expense included in the Comprehensive Income and Expenditure Statement, which are considered exceptional and material, are detailed in the table below:

Section	(Income) / Expense £'000	Nature of Transaction
Other Operating Income and Expenditure	20,551	Loss on disposal of non-current assets relating to schools transferring to academy status during 2018-19

6. Events after the Balance Sheet Date

The Financial Statements have been authorised for issue on 31 May 2019 by David Bell, the Council's Director of Finance and Transformation (Section 151 Officer).

Adjusting Post-Balance Sheet Events

Events after the reporting period have been considered and there are no adjusting events arising.

Non adjusting Post-Balance Sheet Events

Hull City Council maintained schools continue to convert to academy status and therefore require associated land and buildings to be removed from the balance sheet. Two Schools have been confirmed as being transferred to academy status in 2019/20 with a netbook value of £8.4m.

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.

Restated (See note 54) 2017/18				2018/19		
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**
60,651	10,584	71,235	Public Health and Adults	47,977	2,199	50,176
13,508	24,205	37,713	Regeneration	4,825	36,765	41,590
55,352	26,918	82,270	City Services and Resources	59,374	27,505	86,879
49,808	17,250	67,058	Children's Services	52,437	13,579	66,016
5,041	99	5,140	School Services	813	(461)	352
905	(56,573)	(55,668)	Local Authority Housing (HRA)	2,450	(29,339)	(26,889)
11,874	(3,642)	8,232	Non Distributed Costs	11,251	2,068	13,319
197,139	**18,841**	**215,980**	**Cost of Services**	**179,127**	**52,316**	**231,443**
(189,890)	58,088	(131,802)	Other Income and Expenditure	(184,953)	38,381	(146,572)
7,249	**76,929**	**84,178**	**Surplus / Deficit**	**(5,826)**	**90,697**	**84,871**
72,057			Opening General Fund and HRA Balance	64,808		
(7,249)			Less/plus Surplus or (Deficit) on General Fund and HRA Balance in Year	5,826		
64,808			**Closing General Fund and HRA Balance at 31 March**	**70,634**		

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 2018/19

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	1,892	307	-	2,199
Regeneration	35,645	1,120	-	36,765
City Services and Resources	24,903	2,602	-	27,505
Children's Services	10,482	3,097	-	13,579
School Services	(768)	63	244	(461)
Local Authority Housing (HRA)	(31,709)	2,370	-	(29,339)
Non distributed costs	714	1,174	180	2,068
Cost of Services	**41,159**	**10,733**	**424**	**52,316**
Other income and expenditure from the Expenditure and Funding Analysis	18,900	12,566	6,915	38,381
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**60,059**	**23,299**	**7,339**	**90,697**

Adjustments between Funding and Accounting Basis 2017/18

	Restated (See note 54)			
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	13,822	308	(3,546)	10,584
Regeneration	30,016	964	(6,775)	24,205
City Services and Resources	24,447	2,105	366	26,918
Children's Services	15,152	3,185	(1,087)	17,250
School Services	-	99	-	99
Local Authority Housing (HRA)	(10,665)	2,155	(48,063)	(56,573)
Non distributed costs	438	(4,841)	761	(3,642)
Cost of Services	**73,210**	**3,975**	**(58,344)**	**18,841**
Other income and expenditure from the Expenditure and Funding Analysis	58,543	13,696	(14,151)	58,088
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**131,753**	**17,671**	**(72,495)**	**76,929**

8. *Expenditure and Income Analysed by Nature*

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

Restated (See note 54) 2017/18	Expenditure / Income	2018/19
£'000		**£'000**
	Expenditure	
172,512	Employee benefits expenses	163,981
465,316	Other services expenses	471,852
20,348	Depreciation, amortisation, impairment	47,631
44,207	Interest payments	45,430
866	Precepts and levies	382
1,643	Payments to Housing Capital Receipts Pool	1,623
56,900	Loss on the disposal of assets	26,160
761,792	**Total Expenditure**	**757,059**
	Income	
(186,959)	Fees, charges and other service income	(188,526)
(857)	Interest and investment income	(1,163)
(123,791)	Income from council tax, non-domestic rates, district rate income	(125,935)
(366,007)	Grants and contributions	(356,564)
(677,614)	**Total Income**	**(672,188)**
84,178	**Surplus or Deficit on the Provision of Services**	**84,871**

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.

2018/19	Usable Reserves							
	General Fund Balance	Earmarked GF Reserves	Earmarked HRA Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grant Unapplied Reserve	Movement in Unusable Reserves
	£'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	29,773	-	-	20,750	-	-	-	(50,523)
Revaluation losses on Property, Plant and Equipment	30,937	-	-	13,371	-	-	-	(44,308)
Movements in the fair value of investment properties	(2,458)	-	-	(395)	-	-	-	2,853
Amortisation of intangible assets	1,549	-	-	-	-	-	-	(1,549)
Capital grants and contributions applied	(23,784)	-	-	(3,852)	-	-	-	27,636
Income in relation to donated assets								-
Revenue expenditure funded from capital under statute	28,406	-	-	-	-	-	-	(28,406)
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	32,274	-	-	6,884	-	-	-	(39,158)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	(6,649)	-	-	(22,662)	-	-	-	29,311
Capital expenditure charged against the General fund and HRA balances	(417)	-	-	-	-	-	-	417
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)	(4,708)	-	-	-	-	-	4,708	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	(10,365)	10,365
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	(3,032)	-	-	(9,583)	-	12,615	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	-	-	-	(5,775)	-	5,775
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	1,623	-	-	-	-	(1,623)	-	-
Transfer from deferred capital receipts reserve upon receipt of cash	-	-	-	-	-	-	-	-
Totals carried forward	83,514	-	-	4,513	-	5,217	(5,657)	(87,587)

2018/19	**Usable Reserves**							
	General Fund Balance	**Earmarked GF Reserves**	**Earmarked HRA Reserves**	**Housing Revenue Account**	**Major Repairs Reserve**	**Capital Receipts Reserve**	**Capital Grant Unapplied Reserve**	**Movement in Unusable Reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Totals brought forward	83,514	-	-	4,513	-	5,217	(5,657)	(87,587)
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	-	-	-	(14,198)	14,198	-	-	-
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	(12,835)	12,835	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(27,033)	-	-	27,033
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	1,735	-	-	-	-	-	-	(1,735)
Adjustments primarily involving the Pension Reserve								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	44,816	-	-	4,351	-	-	-	(49,167)
Employers pensions contributions and direct payments to pensioners payable in the year	(24,983)	-	-	(1,981)	-	-	-	26,964
Adjustments primarily involving the Collection Fund Adjustment Account								
Amount by which Council Tax income and non-domestic rating 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	5,341	-	-	-	-	-		(5,341)
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	424	-	-	-	-	-	-	(424)
Employee benefits recognised								-
Total Adjustments	**110,847**	**-**	**-**	**(20,150)**	**-**	**5,217**	**(5,657)**	**(90,257)**

2017/18 * Restated (See note 54)	General Fund Balance	Earmarked GF Reserves	Earmarked HRA Reserves	Housing Revenue Account *	Major Repairs Reserve	Capital Receipts Reserve	Capital Grant Unapplied Reserve	Movement in Unusable Reserves *
	Usable Reserves							
	£'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	28,658	-	-	9,026	-	-	-	(37,684)
Revaluation losses on Property, Plant and Equipment	40,871	-	-	(12,539)	-	-	-	(28,332)
Movements in the fair value of investment properties	(1,923)	-	-	-	-	-	-	1,923
Amortisation of intangible assets	953	-	-	-	-	-	-	(953)
Capital grants and contributions applied	(38,455)	-	-	(7,151)	-	-	-	45,606
Income in relation to donated assets	-	-	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	38,583	-	-	-	-	-	-	(38,583)
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	66,923	-	-	7,322	-	-	-	(74,245)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	(5,388)	-	-	(18,359)	-	-	-	23,747
Capital expenditure charged against the General fund and HRA balances	(415)	-	-	-	-	-	-	415
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)	(7,410)	-	-	-	-	-	7,410	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	(11,544)	11,544
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	(6,941)	-	-	(8,738)	-	15,679	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	-	-	-	(15,688)	-	15,688
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	1,560	-	-	-	-	(1,560)	-	-
Transfer from deferred capital receipts reserve upon receipt of cash	-	-	-	-	-	-	-	-
Totals carried forward	117,016	-	-	(30,439)	-	(1,569)	(4,134)	(80,874)

2017/18 * Restated (See note 54)	General Fund Balance	Earmarked GF Reserves	Earmarked HRA Reserves	Housing Revenue Account *	Major Repairs Reserve	Capital Receipts Reserve	Capital Grant Unapplied Reserve	Movement in Unusable Reserves *
	Usable Reserves							
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Totals brought forward	117,016	-	-	(30,439)	-	(1,569)	(4,134)	(80,874)
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								
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	(17,487)	17,487	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(27,151)	-	-	27,151
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	(72)	-	-	-	-	-	-	72
Adjustments primarily involving the Pension Reserve								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	37,790	-	-	4,083	-	-	-	(41,873)
Employers pensions contributions and direct payments to pensioners payable in the year	(26,183)	-	-	(1,929)	-	-	-	28,112
Adjustments primarily involving the Collection Fund Adjustment Account								
Amount by which Council Tax income and non-domestic rating 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	(4,615)	-	-	-	-	-	-	4,615
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	(1,235)	-	-	-	-	-	-	1,235
Employee benefits recognised								-
Total Adjustments	**122,701**	**-**	**-**	**(45,772)**	**(9,664)**	**(1,569)**	**(4,134)**	**(61,562)**

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 2018/19.

	Balance at 31 March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019
Earmarked Reserves	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General Fund:							
Business Rate Reserve	4,600	(6,038)	2,100	662	-	2,551	3,213
Council Tax Support Reserve	210	(210)	-	-	-	-	-
Extra Care PFI Reserve	150	(84)	208	274	(208)	3,197	3,263
Insurance Reserve	5,617	(921)	-	4,696	(634)	-	4,062
Litigation Reserve	2,131	-	-	2,131	(232)	-	1,899
Flood Defence	1,078	-	72	1,150	-	139	1,289
City of Culture Legacy	820	(205)	-	615	(205)	-	410
Adult Health Reserve	-	-	700	700	(700)	-	-
Miscellaneous:							
Regeneration Reserve	40	-	-	40	-	-	40
BSF PFI Reserve	37	-	-	37	-	-	37
Local Plan	-	-	-	-	-	-	-
Savings Contingency	73	(73)	-	-	-	-	-
Other	513	(60)	61	514	(153)	31	392
Capital Funding:							
Capital Financing Reserve	9,363	(1,300)	2,050	10,113	-	-	10,113
Schools Reserves:							
Schools Financial Reserve	5,405	(5,378)	337	364	(288)	-	76
Total Earmarked Reserves	**30,037**	**(14,269)**	**5,528**	**21,296**	**(2,420)**	**5,918**	**24,794**
Carry Forwards to Support Future Budgets:							
General Fund:							
City Plan Contingency	560	(561)	-	(1)	-	1	-
Reorganisation Reserve	2,221	(2,221)	6,159	6,159	(4,018)	2,100	4,241
Corporate Contingency	390	(390)	-	-	-	1,232	1,232
Leaders Contingency	169	(169)	10	10	(10)	7	7
City of Culture	425	(425)	-	-	-	-	-
Street Lighting Gain Share	-	-	213	213	(69)	-	144
Dividend	1,000	(715)	-	285	(285)	-	-
Brexit	-	-	-	-	-	241	241
Service Carry Forwards	871	(871)	1,367	1,367	(1,296)	1,875	1,946
Total Carry Forwards	**5,636**	**(5,352)**	**7,749**	**8,033**	**(5,678)**	**5,456**	**7,811**
Total General Fund Earmarked Reserves and Carry Forward Balances	**35,673**	**(19,621)**	**13,277**	**29,329**	**(8,098)**	**11,374**	**32,605**
HRA (see HRA note 9)	**38,080**	**(10,569)**	**-**	**27,511**	**(2,450)**	**-**	**25,061**

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. This reserve represents the cumulative totals for all Hull schools with delegated budgets.

Carry Forwards to support Future Budgets
The carry forwards of underspends from 2018/19 to the new financial year are to meet anticipated expenditure commitments.

11. *Other Operating Income and Expenditure*

Restated (See note 54) 2017/18 £'000		2018/19 £'000
866	Levies	382
1,643	Payments to the Government Housing Capital Receipts Pool	1,623
56,900	(Gains) / losses on the disposal of non-current assets	26,159
59,409		**28,164**

The majority of the loss on disposal of non-current assets relates to the transfer out of 5 Council controlled schools to academy status and disposal of surplus assets.

12. *Financing and Investment Income and Expenditure*

2017/18 £'000		2018/19 £'000
29,871	Interest payable and similar charges	32,864
13,696	Pension interest cost and expected return on pension assets	12,566
(259)	Interest receivable and similar income	(490)
157	(Surplus)/Deficit from Trading Operations	17
(2,647)	Net income/expenditure from investment properties	(1,780)
(2,187)	Change in fair value of investment properties	(2,853)
(598)	Other investment income	(673)
38,033		**39,651**

13. *Taxation and Non Specific Grant Income*

2017/18 £'000		2018/19 £'000
(75,585)	Council Tax income	(80,814)
(48,206)	Non-Domestic Rates	(45,121)
(82,855)	Non-ringfenced Government Grants	(74,882)
(22,598)	Capital Grants and Contributions	(13,570)
(229,244)		**(214,387)**

14. Property, Plant and Equipment

Movements in 2018/19

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	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	£'000
Cost or valuation									
At 1 April 2018	639,883	637,480	63,694	216,843	2,858	37,147	36,461	1,634,366	80,859
Additions	32,887	20,258	3,752	11,042	177	1,035	-	69,151	-
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	60,578	-	-	27	(110)	-	60,495	(619)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	17,727	(17,007)	-	-	-	(189)	-	531	(315)
Derecognition - Disposals	(6,758)	(32,172)	-	-	(42)	(4,841)	-	(43,813)	(70)
Derecognition - Other	-	-	-	-	-	-	-	-	-
Other movements in cost or valuation	-	33,578	-	-	(6)	2,650	(36,461)	(239)	-
At 31 March 2019	683,739	702,715	67,446	227,885	3,014	35,692	-	1,720,491	79,855
Accumulated Depreciation and Impairments									
At 1 April 2018	(23,109)	(57,952)	(53,557)	(72,289)	-	(2,781)	-	(209,688)	(1,057)
Depreciation charge	(11,526)	(14,386)	(3,646)	(7,402)	-	(3)	-	(36,963)	(1,805)
Depreciation written out to the Revaluation Reserve	-	334	-	-	-	3	-	337	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	2,187	-	-	-	70	-	2,257	121
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(150)	-	-	-	-	-	(150)	-
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	(32,999)	(16,379)	(1,431)	(1,137)	(28)	(854)	-	(52,828)	-
Derecognition - Disposals	-	3,346	-	-	-	2,711	-	6,057	9
Derecognition - Other	-	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	48	-	-	-	-	-	48	-
At 31 March 2019	(67,634)	(82,952)	(58,634)	(80,828)	(28)	(854)	-	(290,930)	(2,732)
Net Book Value									
at 31 March 2019	616,105	619,763	8,812	147,057	2,986	34,838	-	1,429,561	77,123
at 31 March 2018	616,774	579,529	10,137	144,554	2,858	34,366	36,461	1,424,679	79,802

Movements in 2017/18

	Council Dwellings Restated (See note 54)	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment Restated (See note 54)	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation									
At 1 April 2017	599,349	639,701	61,947	206,571	2,898	39,556	11,881	1,561,903	31,922
Additions	47,404	84,010	2,399	11,583	-	5,864	25,080	176,340	57,876
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	12,934	-	-	104	5,861	-	18,899	851
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	452	(37,826)	(652)	(1,311)	-	(2,632)	-	(41,969)	(9,790)
Derecognition - Disposals	(7,322)	(64,187)	-	-	-	(9,297)	-	(80,806)	-
Derecognition - Other	-	-	-	-	-	-	-	-	-
Other movements in cost or valuation	-	2,849	-	-	(144)	(2,205)	(500)	-	-
At 31 March 2018	639,883	637,481	63,694	216,843	2,858	37,147	36,461	1,634,367	80,859
Accumulated Depreciation and Impairments									
At 1 April 2017	(19,303)	(56,413)	(48,888)	(65,100)	-	(4,795)	-	(194,499)	(737)
Depreciation charge	(12,086)	(14,127)	(4,669)	(7,189)	-	(7)	-	(38,078)	(501)
Depreciation written out to the Revaluation Reserve	-	4,105	-	-	-	-	-	4,105	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	12,086	4,678	-	-	-	7	-	16,771	181
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(3,088)	-	-	-	-	-	(3,088)	-
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	(3,806)	(248)	-	-	-	(2,781)	-	(6,835)	-
Derecognition - Disposals	-	7,141	-	-	-	4,795	-	11,936	-
Derecognition - Other	-	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-	-
At 31 March 2018	(23,109)	(57,952)	(53,557)	(72,289)	-	(2,781)	-	(209,688)	(1,057)
Net Book Value									
at 31 March 2018	616,774	579,529	10,137	144,554	2,858	34,366	36,461	1,424,679	79,802
at 31 March 2017	580,045	583,288	13,059	141,471	2,898	34,761	11,881	1,367,403	31,185

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 2019, 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 £329m over the next three years. This was subsequently revised following the 2018/19 Capital Outturn Report approved by the Cabinet Committee in May 2019 and now stands at £356m. Similar commitments at 31 March 2018 were £297m. The major commitments are:

- Investment in Schools - £24m
- Investment in Highways and Transportation - £34m
- Investment in Council Housing Stock - £164m
- Investment in Private Housing - £18m
- Hull World Class Visitor Destination Programme - £67m

Changes in Estimates

<u>Depreciation</u>

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	-	-	8,812	-	-	8,812
Valued as at:						
31 March 2019	616,105	619,763	-	2,986	34,838	1,273,692
31 March 2018	-	-	-	-	-	-
31 March 2017	-	-	-	-	-	-
31 March 2016	-	-	-	-	-	-
31 March 2015	-	-	-	-	-	-
Total Cost or Valuation	**616,105**	**619,763**	**8,812**	**2,986**	**34,838**	**1,282,504**

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 2018/19.

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, five schools had transferred to academy status. Therefore, at 31 March there are eighty nine 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.

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 2017	1,919	98	192	1,069	350	529	4,157
Depreciation	(11)	(7)	-	-	-	-	(18)
At 31 March 2018	1,908	91	192	1,069	350	529	4,139
Cost or valuation							
At 1 April 2018	1,908	91	192	1,069	350	529	4,139
Impairment Losses/(reversals) recognised in the Revaluation Reserve	193	294	-	-	-	-	487
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-
Depreciation	(28)	(55)	-	-	-	-	(83)
At 31 March 2019	2,073	330	192	1,069	350	529	4,543

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.

2017/18 £'000		2018/19 £'000
(5,466)	Rental income from investment property	(4,746)
2,819	Operating expenses arising from investment property	2,966
(2,647)	Net (gain) / loss	**(1,780)**

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:

2017/18 £'000		2018/19 £'000
71,039	Balance at start of year	69,933
	Additions:	
900	Acquisitions	190
1,921	Enhancements	-
(4,002)	Disposals	(1,403)
1,923	Net gains/losses from fair value adjustments	2,853
	Transfers:	
-	to/from Assets held for Sale	-
-	to/from Property, Plant and Equipment	-
(1,848)	Other Changes	(190)
69,933	Balance at end of year	**71,383**

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2019 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 2019
	£'000	**£'000**	**£'000**	**£'000**
Recurring fair value measurements using:				
Residential properties	-	512	-	512
Office Units	-	6,083	-	6,083
Commercial Units	-	64,788	-	64,788
Total	**-**	**71,383**	**-**	**71,383**

	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 2018
	£'000	**£'000**	**£'000**	**£'000**
Recurring fair value measurements using:				
Residential properties	-	502	-	502
Office Units	-	5,960	-	5,960
Commercial Units	-	63,471	-	63,471
Total	**-**	**69,933**	**-**	**69,933**

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 £1.6m charged to revenue in 2018/19 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:

2017/18		**2018/19**
£'000		**£'000**
	Balance at start of year:	
9,747	Gross carrying amounts	11,767
(6,188)	Accumulated amortisation	(7,116)
3,559	Net carrying amount at start of year	4,651
	Additions:	
3,360	Purchases	1,703
(953)	Amortisation for the period	(1,549)
(1,315)	Other changes	(407)
4,651	Net carrying amount at end of year	**4,398**
	Comprising:	
11,767	Gross carrying amounts	13,138
(7,116)	Accumulated amortisation	(8,740)
4,651		**4,398**

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 2019	31 March 2018	31 March 2019	31 March 2018
	£'000	£'000	£'000	£'000
Investments				
Investments (principal amount)	10	10	-	2,500
Investments (accrued interest)	-	-	-	7
Cash and cash equivalents (principal amount	-	-	59,736	45,844
Cash and cash equivalents (accrued interest	-	-	38	17
Total Investments	**10**	**10**	**59,774**	**48,368**
Debtors				
Loans and receivables	8,563	7,126	32,866	34,539
Total Debtors	**8,563**	**7,126**	**32,866**	**34,539**
Borrowings				
Financial liabilities (principal amount)	443,248	455,618	174,256	166,003
Financial liabilities (accrued interest)	-	-	4,656	3,074
Financial liabilities at amortised cost	443,248	455,618	178,912	169,077
Total Borrowings	**443,248**	**455,618**	**178,912**	**169,077**
Other Long Term Liabilities				
PFI	166,885	173,458	6,087	6,162
Total Other Long Term Liabilities	**166,885**	**173,458**	**6,087**	**6,162**
Creditors				
Financial liabilities at amortised costs	828	789	51,730	53,143
Total Creditors	**828**	**789**	**51,730**	**53,143**

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 2018/19.

Soft Loans

The Council holds no material soft loans.

Employee Car Loans

The total of Employee Car Loans held at 31 March 2019 was £0.087m.

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:

This note shows the effect of reclassification of financial assets and liabilities following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting.

	2018/19		2017/18	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£'000	£'000	£'000	£'000
Interest Revenue				
Financial assets measured at amortised cost	1,163	-	857	-
Total Interest Revenue	**1,163**	**-**	**857**	**-**
Fee Expense				
Financial assets or liabilities that are not at fair value through profit and loss	(2,128)	-	(203)	-
Trust and other fiduciary activities	-	-	-	-
Total Fee Expense	**(2,128)**	**-**	**(203)**	**-**
Interest Expense	**(30,736)**	**-**	**(29,668)**	**-**

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 2018/19 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 2019 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 carrying amounts and fair values calculated are as follows:

Financial Instruments as at 31 March 2019

	Carrying amount	Fair Value				
		N/A	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000	£'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	59,774	-	-	59,774	-	59,774
Short term debtors	32,866	32,866	-	-	-	32,866
Long term debtors	8,563	8,563	-	-	-	8,563
	101,203	41,429	-	59,774	-	101,203
Financial liabilities measured at fair value						
PWLB debt	403,156	-	-	470,735	-	470,735
Non-PWLB debt	218,941	-	-	258,334	-	258,334
Other short term borrowing	63	63	-	-	-	63
	622,160	63	-	729,069	-	729,132
Financial liabilities not measured at fair value						
Short term creditors	51,730	51,730	-	-	-	51,730
PFI	172,972	172,972	-	-	-	172,972
Long term creditors	828	828	-	-	-	828
	225,530	225,530	-	-	-	225,530

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 2019) 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 carrying amounts and fair values calculated are as follows:

Financial Instruments as at 31 March 2018

	Carrying amount	Fair Value				
		N/A	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets measured at fair value						
Short term investments	2,507	-	-	2,507	-	2,507
Long term investments	10	10	-	-	-	10
	2,517	10	-	2,507	-	2,517
Financial assets not measured at fair value						
Cash and cash equivalents	45,861	-	-	45,861	-	45,861
Short term debtors	34,539	34,539	-	-	-	34,539
Long term debtors	7,126	7,126	-	-	-	7,126
	87,526	41,665	-	45,861	-	87,526
Financial liabilities measured at fair value						
PWLB debt	403,354	-	-	465,482	-	465,482
Non-PWLB debt	221,278	-	-	263,285	-	263,285
Other short term borrowing	63	63	-	-	-	63
	624,695	63	-	728,767	-	728,830
Financial liabilities not measured at fair value						
Short term creditors	53,143	53,143	-	-	-	53,143
PFI	179,620	179,620	-	-	-	179,620
Long term creditors	789	789	-	-	-	789
	233,552	233,552	-	-	-	233,552

19. Inventories

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

2017/18		2018/19
£'000		£'000
505	**Balance outstanding at start of year**	447
4,433	Purchases	4,818
(4,469)	Recognised as an expense in the year	(4,633)
(22)	Written off balances	(24)
447	**Balance outstanding at year-end**	**608**

20. Construction Contracts

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

21. Short Term Debtors

31 March 2018 £'000		31 March 2019 £'000
15,362	Central government bodies	11,475
(828)	Other local authorities	607
1,965	NHS bodies	2,041
55,889	Other entities and individuals	52,031
(20,164)	Less: Impairment allowance for doubtful debts	(21,948)
52,224		**44,206**

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 2018 £'000		31 March 2019 £'000
(1,893)	Accounts Receivable	(2,372)
(1,669)	Housing Revenue Account	(1,633)
(5,451)	Housing Benefit Overpayments	(5,191)
(492)	Commercial Rents	(492)
(10,659)	Collection Fund	(12,260)
(20,164)		**(21,948)**

22. Cash and Cash Equivalents

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

31 March 2018 £'000		31 March 2019 £'000
87	Cash held by the Authority	56
1,065	Bank current accounts	(981)
44,709	Short-term deposits with banks/building societies	60,699
45,861	**Total Cash and Cash Equivalents**	**59,774**

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. Creditors

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

31 March 2018		31 March 2019
£'000		£'000
6,661	Central government bodies	5,277
6,449	Other local authorities	9,309
748	NHS bodies	(29)
48,200	Other entities and individuals	45,247
62,058		**59,804**

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

25. Provisions

	Balance at 1 April 2018	Additional provisions made in 2018/19	Amounts used in 2018/19	Unused amounts reversed in 2018/19	Balance at 31 March 2019
	£'000	£'000	£'000	£'000	£'000
Insurance Provision	(1,826)	-	226	-	(1,600)
Litigation Claims	(585)	(78)	371	-	(292)
Collection Fund Appeals	(2,574)	(6,032)	2,700	-	(5,906)
Total Provisions per Balance Sheet	**(4,985)**	**(6,110)**	**3,297**	**-**	**(7,798)**

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*

2017/18 £'000		2018/19 £'000
7,968	General Fund Balance	12,968
29,329	Earmarked General Fund Reserves	32,605
3,000	Housing Revenue Account	3,000
24,511	Earmarked Housing Revenue Account reserves	22,061
-	Major Repairs Reserve	-
21,244	Capital Receipt Reserves	26,461
14,145	Capital Grants Unapplied	8,488
100,197		**105,583**

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*

Restated (See note 54) 2017/18 £'000		2018/19 £'000
250,560	Revaluation Reserve	296,032
432,418	Capital Adjustment Account	386,958
(1,160)	Financial Instruments Adjustment Account	(2,895)
(337)	PFI Reserve	(281)
(493,110)	Pension Reserve	(597,677)
158	Collection Fund Adjustment Account	(5,183)
(1,194)	Accumulated Absences Account	(1,618)
187,335	**Total Unusable Reserves**	**75,336**

(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.

2017/18 £'000		2018/19 £'000
260,586	**Balance at 1 April**	250,560
28,011	Upward revaluation of assets	67,116
(8,101)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(6,189)
280,496	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	311,487
(5,300)	Difference between fair value depreciation and historical cost depreciation	(5,335)
(24,636)	Accumulated gains on assets sold or scrapped	(10,120)
(29,936)	Amount written off to the Capital Adjustment Account	(15,455)
250,560	**Balance at 31 March**	**296,032**

(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.

Restated (See note 54) 2017/18		**2018/19**	
£'000		**£'000**	**£'000**
456,205	Balance at 1 April		**432,418**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(37,684)	Charges for depreciation and impairment of non-current assets	(50,523)	
(28,332)	Revaluation losses on Property, Plant and Equipment	(44,308)	
(953)	Amortisation of Intangible Assets	(1,549)	
(38,583)	Revenue expenditure funded from capital under statute	(28,406)	
(74,245)	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	(39,158)	
(179,797)			(163,944)
-	Repayment of long term debtors		(361)
29,936	Adjusting amounts written out of the Revaluation Reserve		15,455
(149,861)	Net written out amount of the cost of non-current assets consumed in the year		(148,850)
	Capital financing applied in the year:		
15,688	Use of the Capital Receipts Reserve to finance new capital expenditure	5,775	
27,151	Use of the Major Repairs Reserve to finance new capital expenditure	27,033	
45,606	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	27,636	
11,544	Application of grants to capital financing from the Capital Grants Unapplied Account	10,365	
23,747	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	29,311	
415	Capital expenditure charged against the General Fund and HRA balances	417	
124,151			100,537
1,923	Movements in the fair value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		2,853
432,418	**Balance at 31 March**		**386,958**

(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 2019 will be charged to the General Fund over the next 31 years.

2017/18		2018/19	
£'000		**£'000**	**£'000**
(1,232)	Balance at 1 April		(1,160)
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(1,866)	
72	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	131	
72	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		(1,735)
(1,160)	**Balance at 31 March**		**(2,895)**

(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.

2017/18		2018/19
£'000		**£'000**
(387)	Balance at 1 April	(337)
50	Movement in reserve	56
(337)	**Balance at 31 March**	**(281)**

(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.

2017/18 £'000		2018/19 £'000	
(516,939)	Balance at 1 April	(493,110)	
-	Opening balance adjustment	(981)	
37,590	Actuarial gains or losses on pensions assets and liabilities	(81,383)	Note 47
(41,873)	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	(49,167)	
28,112	Employer's pensions contributions and direct payments to pensioners payable in the year	26,964	
(493,110)	**Balance at 31 March**	**(597,677)**	

(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.

2017/18 £'000		2018/19 £'000
(4,457)	Balance at 1 April	158
4,615	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	(5,341)
158	**Balance at 31 March**	**(5,183)**

(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.

2017/18		2018/19	
£'000		**£'000**	**£'000**
(2,429)	Balance at 1 April		(1,194)
1,235	Settlement or cancellation of accrual made at the end of the preceding year	(424)	
-	Amounts accrued at the end of the current year	-	
1,235	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		(424)
(1,194)	**Balance at 31 March**		**(1,618)**

28. Cash Flow Statement – Operating Activities

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

Restated (See note 54) 2017/18 £'000		2018/19 £'000
50,076	Depreciation and Impairment	61,538
7,096	Downward valuations	28,389
953	Amortisation	1,549
8,071	Increase/(decrease) in Creditors	8,265
9,730	(Increase)/decrease in Debtors	2,949
58	(Increase)/decrease in Stock	(161)
(29,340)	Movement in pension liability	22,203
72,872	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	39,157
(5,165)	Other non-cash items charged to the net surplus or deficit on the provision of services	3,231
114,351		**167,120**

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

2017/18 £'000		2018/19 £'000
-	Proceeds from short-term and long-term investments	-
(15,971)	Proceeds from the sale of PP&E, investment property and intangible assets	(12,615)
(109,285)	Any other items for which the cash effects are investing or financing cash flows	(81,335)
(125,256)		**(93,950)**

The cash flows for operating activities include the following items:

2017/18 £'000		2018/19 £'000
259	Interest received	490
(29,871)	Interest paid	(32,864)
598	Dividends received	495
(29,014)		**(31,879)**

29. Cash Flow Statement – Investing Activities

2017/18 £'000		2018/19 £'000
(106,676)	Purchase of property, plant and equipment, investment property and intangible assets	(65,645)
(70,006)	Purchase of short-term and long-term investments	-
(2,298)	Other payments for investing activities	(1,386)
15,971	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	12,615
70,000	Proceeds from short-term and long-term investments	2,507
56,464	Other receipts from investing activities	35,775
(36,545)	**Net cash flows from investing activities**	**(16,134)**

30. Cash Flow Statement – Financing Activities

2017/18 £'000		2018/19 £'000
127,500	Cash receipts of short and long-term borrowing	165,142
55,991	Other receipts/(payments) from financing activities	48,991
(5,389)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(6,648)
(102,019)	Repayments of short and long-term borrowing	(167,639)
(906)	Other payments for financing activities	1,902
75,177	**Net cash flows from financing activities**	**41,748**

31. Acquired and discontinued operations

The Council did not acquire any operations during the financial year 2018/19. Furthermore, no operations were discontinued during the 2018/19 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:

2017/18 £'000		2018/19 £'000
416	Highways agent for the Department of Transport	145
416	Total amount reimbursable	145

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 2018/19, 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 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.

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 2018/19, including monies made available to the Council by the Government through Improved Better Care Fund, was £18.5m, which includes £2.2m for capital equipment; a further £1.6m (£0.9m capital, £0.7m revenue) was carried forward on the pooled budget from 2017/18 by the Council. The amount allocated to the Council from the fund (including the carry forwards) was £23.3m, of which £22.2m was spent in the year. The unspent capital balance will be carried forward to support the Better Care programme in 2019/20.

Total Better Care Funding - allocations to the pooled budget	**£'000**
Hull City Council	18,574
Hull CCG	23,697
Carried forward from 2017/18	
- capital (HCC)	909
- revenue (HCC)	700
Total allocations to the pooled budget in 2018/19	**43,880**
Funding allocated from the pooled budget	**£'000**
Hull City Council	21,675
Hull CCG	20,596
Carry forwards - HCC	1,609
Total allocations from the pooled budget in 2018/19	**43,880**
Expenditure incurred in 2018/19	**£'000**
Hull City Council	(22,212)
Hull CCG	(20,596)
Total spend in 2018/19	**(42,808)**
Total Better Care Funding Remaining	**1,072**
Note: Use of remaining balance	**£'000**
Capital - slippage into 2019/20	1,072
	1,072

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

35. Members' Allowances

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

2017/18 £'000		2018/19 £'000
1,039	Allowances	1,075
1	Expenses	1
1,040	Total	1,076

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

	2018/19	2017/18	2018/19	2017/18
	Non Teaching (Number of posts)		Teaching (Number of posts)	
£150,000 - £154,999	1	1	-	-
£145,000 - £149,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£130,000 - £134,999	-	-	-	-
£125,000 - £129,999	1	-	-	-
£120,000 - £124,999	1	1	-	-
£115,000 - £119,999	4	3	1	-
£110,000 - £114,999	-	-	-	-
£105,000 - £109,999	1	1	-	-
£100,000 - £104,999	-	1	-	-
£95,000 - £99,999	1	1	-	-
£90,000 - £94,999	9	11	1	2
£85,000 - £89,999	-	-	-	-
£80,000 - £84,999	1	1	-	-
£75,000 - £79,999	1	-	1	-
£70,000 - £74,999	3	2	2	3
£65,000 - £69,999	2	3	2	5
£60,000 - £64,999	32	35	2	3
£55,000 - £59,999	5	5	2	3
£50,000 - £54,999	25	21	6	5
	87	86	17	21

Excluding Termination Benefits

	2018/19	2017/18	2018/19	2017/18
	Non Teaching (Number of posts)		Teaching (Number of posts)	
£150,000 - £154,999	1	1	-	-
£145,000 - £149,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£130,000 - £134,999	-	-	-	-
£125,000 - £129,999	1	-	-	-
£120,000 - £124,999	1	1	-	-
£115,000 - £119,999	4	3	1	-
£110,000 - £114,999	-	-	-	-
£105,000 - £109,999	1	1	-	-
£100,000 - £104,999	-	1	-	-
£95,000 - £99,999	1	-	-	-
£90,000 - £94,999	9	11	1	2
£85,000 - £89,999	-	-	-	-
£80,000 - £84,999	1	1	-	-
£75,000 - £79,999	1	-	1	-
£70,000 - £74,999	3	2	2	3
£65,000 - £69,999	2	2	2	5
£60,000 - £64,999	32	34	2	3
£55,000 - £59,999	4	4	2	3
£50,000 - £54,999	25	20	6	5
	86	81	17	21

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

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

2018/19

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 2018/19	Pension Contributions	Total Remuneration incl pension contributions 2018/19
Chief Executive M Jukes		156,075	-	421	-	-	156,496	23,099	179,595
							-		-
		156,075	**-**	**421**	**-**	**-**	**156,496**	**23,099**	**179,595**

2017/18

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 2017/18	Pension Contributions	Total Remuneration incl pension contributions 2017/18
Chief Executive M Jukes		153,015	-	673	-	-	153,688	22,646	176,334
							-		-
		153,015	**-**	**673**	**-**	**-**	**153,688**	**22,646**	**176,334**

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

2018/19

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		122,594	-	74	-	-	122,668	18,144	140,812
Director of Regeneration		118,473	-	162	-	-	118,635	17,534	136,169
Director of Public Health		118,473	-	86	-	-	118,559	17,036	135,595
Corporate Director Children & Family Services		118,473	-	65	-	-	118,538	17,534	136,072
Director of Finance & Transformation		118,473	-	-	-	-	118,473	17,534	136,007
		596,486	-	386	-	-	596,872	87,782	684,655

2017/18

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		120,190	-	94	-	-	120,284	17,788	138,072
Director of Regeneration		116,150	-	261	-	-	116,411	17,190	133,601
Director of Public Health		116,150	-	-	-	-	116,150	16,702	132,852
Director of Finance & Transformation		116,150	-	-	-	-	116,150	17,190	133,340
Corporate Director Children & Family Services	1	106,471	-	-	-	-	106,471	15,758	122,229
		575,111	-	355	-	-	575,466	84,628	660,094

Note 1: The postholder for Corporate Director Children & Family Services took the post on 1 May 2017. The annualised salary for this post is £116,150

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	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
£1 - £20,000	1	-	2	27	3	27	39,158	162,260
£20,001 - £40,000	-	-	-	7	-	7	-	213,956
£40,001 - £60,000	-	-	-	1	-	1	-	54,435
£60,001 - £80,000	-	-	1	1	1	1	77,266	64,915
£80,001 - £100,000	-	-	2	-	2	-	173,859	-
£100,001 - £120,000	-	-	-	-	-	-	-	-
£120,001 - £140,000	-	-	-	1	-	1	-	128,591
£140,001 - £160,000	-	-	-	-	-	-	-	-
£160,001 - £180,000	-	-	-	-	-	-	-	-
over £180,000	-	-	-	-	-	-	-	-
Total included in bandings	1	-	5	37	6	37	290,283	624,157
Add: Amounts provided for in CIES not included in bandings							-	146,510
Total cost included in CIES							**290,283**	**770,667**

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

37. External Audit Costs

In 2018/19 the following costs were incurred in relation to external audit and inspection fees:

2017/18 £'000		2018/19 £'000
174	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	133
20	Fees payable to auditors appointed under the Local Audit and Accountability Act 2014 for the certification of grant claims and returns for the year	17
8	Fees payable to auditors appointed under the Local Audit and Accountability Act 2014 in respect of other services provided during the year	8
202		**158**

38. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education 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) 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 2018/19 are as follows:

	Central Expenditure	**Individual Schools Budget**	**Total**
	£'000	**£'000**	**£'000**
Final DSG for 2018/19 before Academy recoupment			221,921
Academy figure recouped for 2018/19			(167,796)
Total DSG after Academy recoupment for 2018/19			54,125
Brought forward from 2017/18			(2,104)
Carry forward to 2018/19 agreed in advance			-
Agreed initial budgeted distribution in 2018/19	38,899	13,122	52,021
In year adjustments	(1,416)	1,135	(281)
Final budget distribution for 2018/19	37,483	14,257	51,740
Less Actual Central Expenditure	(39,271)	-	(39,271)
Less Actual ISB deployed by schools	-	(14,257)	(14,257)
Plus Local Authority contribution for 2018/19	-	-	-
Carry forward to 2019/20	**(1,788)**	**-**	**(1,788)**

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 2018/19:

2017/18		**2018/19**
£'000		**£'000**
	Credited to Taxation and Non Specific Grant Income	
39,544	Revenue Support Grant	31,824
37,258	Business Rates	38,377
3,590	New Homes Bonus Scheme	2,656
2,463	Other	2,025
82,855		**74,882**

2017/18		2018/19
£'000		**£'000**
	Credited to Services	
114,583	Housing Benefit Rents and Admin Grant	110,556
6,769	Skills Funding Agency, adult education and sixth form	3,865
66,970	Dedicated Schools Grant	54,059
3,808	Pupil Premium Grant	2,130
-	Adoption Reform Grant	-
25,130	Public Health	24,484
14,623	Better Care Fund	18,825
5,420	Extra Care PFI	5,658
11,311	Partnership for Schools	11,311
960	16 to 19 Funding	1,043
19,156	Other Grants	23,440
268,730		**255,371**

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 2018	Current Liabilities	31 March 2019
£'000		**£'000**
	Grants Receipts in Advance (Capital Grants)	
166	Devolved Formula Capital - Partnership for Schools	168
-	Other Grants	-
168	Other Contributions	359
334	**Total**	**527**
	Grants Receipts in Advance (Revenue Grants)	
-	Housing Benefit Rent	63
1,598	Other Grants	281
1,598	**Total**	**344**
	Long-term Liabilities	
	Grants Receipts in Advance (Capital Grants)	
-	Devolved Formula Capital - Partnership for Schools	21
-	Other Grants	-
247	Other Contributions	286
247	**Total**	**307**

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 2018/19 is shown in note 35.

In 2018/19, 57 elected members declared an interest in related parties (59 in 2017/18). 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 2018/19.

Hull Esteem Consortium LEP Ltd
Trish Dalby was a Director during 2018/19.

NPS Humber Limited
Mark Jones was a Director during 2018/19.

Hull & Goole Port Health Authority
Ian Anderson, the Council's Town Clerk, was the Clerk to the Authority during 2018/19.
David Bell, the Director of Finance and Transformation (Section 151 Officer), was Treasurer to the Authority during 2018/19.

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

2017/18		2018/19	
		Expenditure	Income
£'000		£'000	£'000
37,321	Hull Esteem Consortium LEP Ltd	16,306	(187)
35,869	Kingstown Works Ltd	40,048	(592)
13,852	Hull Culture & Leisure Ltd	10,686	(2,328)
10,919	NPS Humber Ltd	10,295	(1,303)
11,718	Humberside Police	12,113	(16)
5,642	Humberside Fire Authority	5,858	(26)
1,194	Fruit Market LLP	749	-
167	Humber NHS Foundation Trust	-	(33)
666	Hull UK City of Culture 2017 Ltd / Absolutely Cultured Ltd	205	(22)
675	Pickering & Ferens Homes	413	(3)
7,647	Other	2,870	(133)
125,670		**99,543**	**(4,643)**

The following amounts were due from related parties at 31 March 219 and are included in debtors:

	2018/19
	£'000
Hull Esteem Consortium LEP Ltd	-
Kingstown Works Ltd	29
Hull Culture & Leisure Ltd	616
NPS Humber Ltd	-
Humberside Police	-
Humberside Fire Authority	-
	645

The following amounts were due to related parties at 31 March 2019 and are included in creditors

	2018/19
	£'000
Hull Esteem Consortium LEP Ltd	20
Kingstown Works Ltd	5,288
Hull Culture & Leisure Ltd	2,663
NPS Humber Ltd	578
Humberside Police	-
Humberside Fire Authority	-
	8,549

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 2018/19 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 2018 show a net profit before tax of £0.173m (£0.113m in 2016/17) and net assets of £1.163m (£1.023m in 2016/17).

The company was owed £1.525m by the Council at 31 March 2019 for work carried out during 2018/19 and owed the Council £0.195m for goods and services received during 2018/19.

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 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 £1.191m and income of £1.434m have been recorded in the accounts for the period ended 31 March 2019. The unused balance has been carried forward for use in future years.

Freedom Festival Limited
The Freedom Festival Limited is a wholly-owned company, formed to manage the Freedom Festival.

The company was incorporated on 15 May 2013 as a company limited by guarantee. The company has traded during the period ended 31 March 2019 with transactions totalling £0.200m.

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 2018/19 the Council provided funding in the sum of £0.205m 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.

2017/18		**2018/19**
£'000		**£'000**
734,464	*Opening Capital Financing Requirement*	832,147
	Capital investment	
176,340	Property, Plant and Equipment	69,151
2,821	Investment Properties	190
3,335	Intangible Assets	1,703
755	Capital Long Term Debtors	995
38,583	Revenue expenditure funded from Capital under Statute	28,406
	Sources of finance	
(15,688)	Capital receipts	(5,775)
(57,150)	Government grants and other contributions	(38,001)
	Sums set aside from revenue:	
(27,566)	Direct revenue financing	(27,450)
(23,747)	MRP/loans fund principal and voluntary set aside	(29,311)
832,147	*Closing Capital Financing Requirement*	**832,055**
	Explanation of movements in year	
-	Increase in underlying need to borrowing (supported by Government financial assistance)	-
39,807	Increase in underlying need to borrowing (unsupported by Government financial assistance)	(92)
-	Assets acquired under finance leases	-
57,876	Assets acquired under PFI/PPP contracts	-
97,683	*Increase/(decrease) in Capital Financing Requirement*	**(92)**

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 4 years. The Council has no leased in machinery or vehicles as at 31 March 2019.

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

31 March 2018 £'000		31 March 2019 £'000
430	Not later than one year	425
1,084	Later than one year and not later than five years	864
1,728	Later than five years	1,611
3,242		**2,900**

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

31 March 2018 £'000		31 March 2019 £'000
430	Minimum lease payments	425
-	Contingent rents	-
(244)	(sublease payments receivable)	(247)
186	**Minimum lease payments**	**178**

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:

31 March 2018 £'000		31 March 2019 £'000
4,647	Not later than one year	4,608
11,620	Later than one year and not later than five years	11,210
90,971	Later than five years	82,080
107,238		**97,898**

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 2018/19, no contingent rents were receivable by the Council (2017/18 - £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 Arrangements

Victoria 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 2019/20	5,279	6,087	1,223	9,387	21,976
Payable within two to five years	22,207	26,351	7,314	34,519	90,391
Payable within six to ten years	29,829	37,163	15,283	34,647	116,922
Payable within eleven to fifteen years	33,746	49,207	16,587	22,814	122,354
Payable within sixteen to twenty years	25,640	42,597	16,959	5,089	90,285
Payable within twenty-one to twenty-five years	3,910	11,567	5,360	(1,868)	18,969
	120,611	**172,972**	**62,726**	**104,588**	**460,897**

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:

2017/18		2018/19
£'000		£'000
127,132	Balance outstanding at start of year	179,620
(5,388)	Payments during the year	(6,648)
57,876	Capital expenditure incurred in the year	-
-	Other movements	-
179,620	Balance outstanding at year end	**172,972**

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	Impaired by £'000	Reason for Impairment
Housing Regeneration properties	854	14 Properties purchased for demolition / redevelopment
Council dwellings	1,823	157 Stock reduction demolitions
Capital spend not adding value	3,730	
Total Impairment	**6,407**	

45. *Capitalisation of Borrowing Costs*

The Council has not capitalised any borrowing costs during the financial year 2018/19 and any previous financial years.

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 2018/19 the Council paid £1.504m in respect of teachers' pension costs, representing a contribution rate of 16.4%. In 2017/18, the Council paid £2.788m 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 2018/19, the Council paid £0.039m to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14% of pensionable pay. In 2017/18, the Council paid £0.038m, 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 2016 and the Actuary has subsequently indicated a minimum contribution rate of 26.1% of payroll of contributing members from 1 April 2017. This rate will apply until 2019/20.

The Council prepaid £64m in employer contribution for the period 1 April 2017 to 31 March 2020.

2017/18		2018/19
£'000		**£'000**
	Comprehensive Income and Expenditure Statement	
	Net Cost of Services:	
	Service cost comprising:	
35,870	- current service cost	36,968
247	- past service costs	2,285
(7,940)	- (gains)/losses from settlements	(2,652)
	Financing and Investment Income and Expenditure	
13,696	- Net interest expense	12,566
41,873		49,167
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
7,763	- Return on plan assets (excluding the amount included in the net interest expense	50,731
-	- Actuarial gains and losses arising on changes in demographic assumptions	-
30,796	- Actuarial gains and losses arising on changes in financial assumptions	(132,243)
(969)	- Other	129
37,590	*Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	(81,383)
	Movement in Reserves Statement:	
(41,873)	- reversal of net charges made for retirement benefits in accordance with IAS19	(49,167)
	Actual amount charged against the General Fund Balance for pensions in the year:	
24,172	- employers' contributions payable to scheme	23,008
3,940	- retirement benefits payable to pensioners	3,956
28,112		26,964

Assets and Liabilities in Relation to Post-Employment Benefits:

2017/18		2018/19
£'000		**£'000**
	Reconciliation of fair value of the scheme (plan) assets	
1,187,789	Opening balance at 1 April	1,247,766
-	Opening balance adjustment	(981)
30,310	Interest income	33,061
	Remeasurement gain / (loss)	
7,763	Return on plan assets (excluding amounts included in the net interest expense)	50,731
-	Other	-
71,213	Employer Contributions	5,546
5,860	Contributions by scheme participants	6,028
-	Entity combinations	-
(46,130)	Benefits paid	(48,855)
(9,039)	Settlements	(4,055)
1,247,766	Closing balance at 31 March	1,289,241
	Reconciliation of present value of scheme liabilities	
	(defined benefit obligation)	
(1,704,728)	Opening balance at 1 April	(1,697,775)
(35,870)	Current Service Cost	(36,968)
(44,006)	Interest Cost	(45,627)
(5,860)	Contributions by scheme participants	(6,028)
	Remeasurement gain / (loss)	
-	Actuarial gains/losses arising from changes in demographic assumptions	-
30,796	Actuarial gains/losses arising from changes in financial assumptions	(132,244)
(969)	Other	129
(247)	Past service costs	(2,284)
-	Entity combinations	-
46,130	Benefits paid	48,855
16,979	Settlements	6,707
(1,697,775)	Closing balance at 31 March	(1,865,235)

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:

2017/18		2018/19
£'000		**£'000**
1,247,766	Fair value of employer assets	1,289,241
(1,633,275)	Present value of funded liabilities	(1,802,138)
(64,500)	Present value of unfunded liabilities	(63,097)
(450,009)		(575,994) *

* The Balance Sheet entry for Other Long Term Liabilities of £576.113m at 31 March 2019 also includes £0.119m of outstanding mortgages (2017/18 total of £450.123m includes £0.114m).

Period ended 31 March 2018					Period ended 31 March 2019			
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:				
118,453	-	118,453	10%	Consumer	28,597	-	28,597	2%
69,438	-	69,438	6%	Manufacturing	27,780	-	27,780	2%
65,725	-	65,725	5%	Energy and Utilities	5,959	-	5,959	0%
54,827	-	54,827	5%	Financial Institutions	19,257	-	19,257	1%
67,222	-	67,222	5%	Health and Care	11,704	-	11,704	1%
47,171	-	47,171	4%	Information Technology	12,728	-	12,728	1%
-	-	-	0%	Other	648	-	648	0%
				Debt Securities:				
16,991	-	16,991	1%	Corporate Bonds (investment grade)	17,050	-	17,050	1%
18,207	48,640	66,847	5%	Corporate Bonds (non-investment grade)	19,282	61,050	80,332	6%
48,835	-	48,835	4%	UK Government	56,549	-	56,549	4%
31,956	-	31,956	3%	Other	34,894	-	34,894	3%
				Private Equity:				
24,816	30,941	55,757	4%	All	26,720	38,722	65,442	5%
				Real Estate:				
41,112	100,059	141,171	11%	UK Property	44,929	107,186	152,115	12%
-	-	-	0%	Overseas Property	-	-	-	0%
				Investment Funds and Unit Trusts:				
324,205	-	324,205	26%	Equities	604,146	-	604,146	48%
-	-	-	0%	Bonds	-	-	-	0%
-	-	-	0%	Hedge Funds	-	-	-	0%
-	-	-	0%	Commodities	-	-	-	0%
11,213	38,543	49,756	4%	Infrastructure	13,799	48,688	62,487	5%
17,659	36,467	54,126	4%	Other	21,629	36,951	58,580	5%
				Derivatives:				
-	-	-	0%	Inflation	-	-	-	0%
-	-	-	0%	Interest rate	-	-	-	0%
-	-	-	0%	Foreign Exchange	-	-	-	0%
-	-	-	0%	Other	-	-	-	0%
				Cash and Cash Equivalents:				
35,287	-	35,287	3%	All	50,973	-	50,973	4%
993,117	**254,650**	**1,247,767**	**100%**	**Totals**	**996,644**	**292,597**	**1,289,241**	**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 2016.

Significant assumptions used by the actuary have been:

31 March 2018		31 March 2019
	Mortality assumptions (years)	
	- Longevity at 65 for current pensioners	
21.7	- Men	21.7
24.2	- Women	24.2
	- Longevity at 65 for future pensioners	
23.7	- Men	23.7
26.4	- Women	26.4
2.4%	Rate of inflation	2.5%
2.6%	Rate of increase in salaries	2.7%
2.4%	Rate of increase in pensions	2.5%
2.7%	Rate for discounting scheme liabilities	2.4%

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 approach taken in preparing the sensitivity analysis shown is consistent with that adopted in the previous year.

	Approximate % Increase to Employer Liability	Approximate Monetary Amount (£'000)
0.5% decrease in Real Discount Rate	9%	182,194
0.5% increase in the Salary Increase Rate	1%	23,647
0.5% increase in the Pension Increase Rate	8%	155,713

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 2019. 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 17.6 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.

The Deep

In the late 1990's the Council supported the development of The Deep and provided direct support to EMIH Ltd by way of seconding staff and cash flow loans. Whilst no loan remains outstanding, the Council has potential liabilities arising from guarantees it provided at the time of The Deep's construction. In the capacity of accountable body the Council guaranteed grants from the European Regional Development Fund (ERDF) of £7.7m, Yorkshire Forward of £3.4m and Central Government funding provided through the Single Regeneration Budget (SRB) of £3.8m. Grants were provided on the basis that the economic life of the project would be 20 years and therefore if the facility does not remain open for this period the associated £14.9m capital grant may have to be repaid by the Council.

Given the successful operation of The Deep to date (18 years) and future trading projections, it is not anticipated that the Council will have to repay any of the grants. If however circumstances were to change and the viability of The Deep was called into question, the Council would need to consider all possible options and enter detailed negotiations with the relevant funding bodies.

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 dependant 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.

Re-organisation Costs

The Council faces significant budget pressures for the 2019/20 financial year, and as a result, staffing numbers are likely to fall and redundancies are possible. The actual costs associated with voluntary redundancies cannot be reliably quantified at this time.

Pension Fund Guarantees

The Council has agreed, subject to limitations, to guarantee the pension fund deficit of a number of bodies within the East Riding Pension Fund. Based on the 2016 triennial valuation, there is no overall net liability to the Council, although the current position may change in the future.

49. Contingent Assets

Housing Market Renewal Schemes

The Council provides grants to Places for People Homes Ltd toward the provision of equity loans to residents displaced as a result of regeneration activities in defined areas of 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 sites within Newington St Andrews and the Holderness Road Corridor. In the event of any of the individual sites achieving overall profit an overage may become payable to the Council. Any subsequent expenditure 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 required 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 focuses 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 2018/19 which incorporates the prudential indicators was approved by Council on 23/02/18 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2018/19 was set at £800m, revised to £878m 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 £763m, revised to £844m 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 2018/19 was approved by Council on 23 February 2018. 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) are 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 overriding 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 Link 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 2019 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 2018/19; 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 2019
	£'000
Deposits rated	
AAA	55,437
AA	4,501
A	(164)
BBB	-
N/A	-
Customers *	15,324
Total	**75,098**

* 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 2018 £'000		31 March 2019 £'000
48,368	Less than one year	59,774
-	Between one and two years	-
-	Between two and three years	-
-	More than three years	-
48,368	**Total**	**59,774**

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 2018 £'000		31 March 2019 £'000
199,238	Less than one year	231,998
55,372	Between one and two years	49,822
113,423	Between two and five years	77,226
106,279	Between five and ten years	105,822
117,978	Between ten and fifteen years	105,938
212,025	More than fifteen years	224,326
804,315	**Total**	**795,132**

* 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 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2019
	£'000
Increase in interest payable on variable rate borrowings	1,139
Increase in interest receivable variable rate investments	(734)
Increase in government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	405
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	-
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)	77,060

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: Five year Summary of Transactions

Although the Council holds a significant amount of other heritage assets, as described in note 52, it is not possible to obtain a reliable and accurate valuation of these assets. Therefore, only assets actually held on the Balance Sheet which can be reliably valued are included in the table below.

	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
Cost of acquisitions of heritage assets					
Historical Buildings	1,930	1,946	1,919	1,908	2,073
Historical Vessels	59	105	98	91	330
Statues and Monuments	192	192	192	192	192
City Hall Organ	1,069	1,069	1,069	1,069	1,069
Art Collections	350	350	350	350	350
Civic Regalia	529	529	529	529	529
Total cost of purchases	**4,129**	**4,191**	**4,157**	**4,139**	**4,543**

There were no donations or disposals of Heritage Assets during 2018/19.

52. 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 Hudsen 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 Cartlidge collection.

Collection covers:

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

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 lightvessel (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.

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 moored on the River Hull as part of Hull's Museum Quarter.

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.

53. *Trust Funds*

The Council acts as trustee for legacies left and gifts donated by inhabitants of the City. The summary below shows the extent of these trusts. 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:

2018/19	**Income**	**Expenditure**	**Assets**	**Liabilities**
	£'000	**£'000**	**£'000**	**£'000**
The Ferens Art Gallery	49	194	97,589	2
Set up in 1919 for the exhibition of works of art in perpetuity				
The Ferens Endowment Fund	200	125	7,278	35
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	1	-	263	-
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	-	-	81	-
The other trusts are mainly for the wellbeing of the inhabitants of the City of Kingston upon Hull.				
Total as at 31 March 2019	**250**	**319**	**105,211**	**37**

2017/18	**Income**	**Expenditure**	**Assets**	**Liabilities**
	£'000	**£'000**	**£'000**	**£'000**
The Ferens Art Gallery	487	186	95,801	4
The Ferens Endowment Fund	172	544	6,950	32
Alderman Jackson Appeal	-	-	255	-
Other	-	-	80	-
Total as at 31 March 2018	**659**	**730**	**103,086**	**36**

Other Funds which the Council has an interest:

2017/18		**2018/19**
£'000		**£'000**
	Capital Value of Fund	
610	Frances & Cyril Bibby Bequest	634
14,972	The James Reckitt Library Endowment Fund	15,203
69	William Wilberforce Lecture Trust Fund	68
482	Others	452
16,133	**Total**	**16,357**

54. Prior Period Adjustments to the 2017/18 Comparative Balances

Valuers arrive at a Market Value for a council's total housing stock based on Beacon valuations of individual representative properties. The Market Value is then adjusted to reflect the property as socially rented. The term 'socially rented' refers to properties being let at less than market rent and also considers the security of tenure for the tenant. The adjustment used to reflect the property as socially rented is referred to as the 'Social Housing Adjustment Factor'. The Council has moved from a bespoke Social Housing Adjustment factor to a recommended guidance rate applicable to the Yorkshire and Humber region.

Movement in Reserves Statement

	Total Unusable Reserves	**Total Authority Reserves**
	£'000	**£'000**
Balance at 31 March 2017	50,529	**173,342**
Dwellings Valuation Adjustment	140,818	**140,818**
Restated Balance at 31 March 2018	**191,347**	**314,160**

Movement in Reserves Statement as at 31 March 2018

	Housing Revenue Account	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£'000	**£'000**	**£'000**	**£'000**
Surplus/(deficit) on provision of services	35,880	**(93,165)**	-	**(93,165)**
Dwellings Valuation Adjustment	8,987	**8,987**	-	**8,987**
Restated Surplus/(deficit) on provision of services	44,867	**(84,178)**	-	**(84,178)**
Total Comprehensive Expenditure and Income	35,880	**(93,165)**	57,550	**(35,615)**
Dwellings Valuation Adjustment	8,987	**8,987**	-	**8,987**
Restated Total Comprehensive Expenditure and Income	44,867	**(84,178)**	57,550	**(26,628)**
Adjustments between accounting basis & funding basis under regulations	(36,785)	**70,549**	(70,549)	**-**
Dwellings Valuation Adjustment	(8,987)	**(8,987)**	8,987	**-**
Restated Adjustments between accounting basis & funding basis under regulations	(45,772)	**61,562**	(61,562)	**-**
Net increase/(decrease) before transfers to Earmarked Reserves	(905)	**(22,616)**	(12,999)	**(35,615)**
Dwellings Valuation Adjustment	-	**-**	8,987	**8,987**
Restated Net increase/(decrease) before transfers to Earmarked Reserves	(905)	**(22,616)**	(4,012)	**(26,628)**
Increase/(Decrease) in Year	(905)	**(22,616)**	(12,999)	**(35,615)**
Dwellings Valuation Adjustment	-	**-**	8,987	**8,987**
Restated Increase/(Decrease) in Year	(905)	**(22,616)**	(4,012)	**(26,628)**
Balance as at 31 March 2018	3,000	**100,197**	37,530	**137,727**
Dwellings Valuation Adjustment	-	**-**	149,805	**149,805**
Restated Balance as at 31 March 2018	3,000	**100,197**	187,335	**287,532**

Comprehensive Income and Expenditure Account as at 31 March 2018

	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
Local Authority Housing (HRA)	50,569	(95,484)	(44,915)
Dwellings Valuation Adjustment	(10,753)	-	(10,753)
Restated Local Authority Housing (HRA)	39,816	(95,484)	(55,668)
Cost of Services	687,476	(460,743)	226,733
Dwellings Valuation Adjustment	(10,753)	-	(10,753)
Restated Cost of Services	**676,723**	**(460,743)**	**215,980**

	Net Expenditure £'000
Other Operating Expenditure	57,643
Dwellings Valuation Adjustment	1,766
Restated Other Operating Expenditure	59,409
(Surplus) / deficit on Provision of Services	93,165
Dwellings Valuation Adjustment	(8,987)
Restated (Surplus) / deficit on Provision of Services	**84,178**
Total Comprehensive Income and Expenditure	35,615
Dwellings Valuation Adjustment	(8,987)
Restated Total Comprehensive Income and Expenditure	**26,628**

Balance Sheet as at 1 April 2017

	Opening Balance £'000	Valuation Adjustment £'000	Closing Balance £'000
Long Term Assets:			
Property Plant and Equipment	1,226,585	140,818	1,367,403
Total Long Term Assets	**1,310,178**	**140,818**	**1,450,996**
Net Assets	**173,342**	**140,818**	**314,160**
Unusable Reserves	50,529	140,818	191,347
Total Reserves	**173,342**	**140,818**	**314,160**

Balance Sheet as at 31 March 2018

	Opening Balance	Valuation Adjustment	Closing Balance
	£'000	£'000	£'000
Long Term Assets:			
Property Plant and Equipment	1,274,874	149,805	1,424,679
Total Long Term Assets	**1,360,733**	**149,805**	**1,510,538**
Net Assets	**137,727**	**149,805**	**287,532**
Unusable Reserves	37,530	149,805	187,335
Total Reserves	**137,727**	**149,805**	**287,532**

Cash Flow as at 31 March 2018

	£'000
Net surplus or (deficit) on the provision of services	(93,165)
Dwellings Valuation Adjutsment	8,987
Restated Net surplus or (deficit) on the provision of services	(84,178)
Adjustment to surplus or deficit on the provision of services for non-cash movements	123,338
Dwellings Valuation Adjustment	(8,987)
Restated Adjustment to surplus or deficit on the provision of services for non-cash movements	114,351

Note 7 – Expenditure and Funding Analysis

	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments betweent the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure
	£'000	£'000	£'000
Local Authority Housing (HRA)	905	(45,820)	(44,915)
Dwellings Valuation Adjustment	-	(10,753)	(10,753)
Restated Local Authority Housing (HRA)	905	(56,573)	(55,668)
Cost of Services	197,139	29,594	226,733
Dwellings Valuation Adjustment	-	(10,753)	(10,753)
Restated Cost of Services	197,139	18,841	215,980
Other Income and Expenditure	(189,890)	56,322	(133,568)
Dwellings Valuation Adjustment	-	1,766	1,766
Restated Other Income and Expenditure	(189,890)	58,088	(131,802)
Surplus / Deficit	7,249	85,916	93,165
Dwellings Valuation Adjustment	-	(8,987)	(8,987)
Restated Surplus / Deficit	7,249	76,929	84,178

Note 7A – Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2017/18	**Adjustments for Capital Purposes**	**Total Adjustments**
	£'000	**£'000**
Local Authority Housing (HRA)	88	(45,820)
Dwellings Valuation Adjustment	(10,753)	(10,753)
Restated Local Authority Housing (HRA)	(10,665)	(56,573)
Cost of Services	83,963	29,594
Dwellings Valuation Adjustment	(10,753)	(10,753)
Restated Cost of Services	**73,210**	**18,841**
Other Income and Expenditure	56,777	56,322
Dwellings Valuation Adjustment	1,766	1,766
Restated Other Income and Expenditure	58,543	58,088
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	140,740	85,916
Dwellings Valuation Adjustment	(8,987)	(8,987)
Restated Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**131,753**	**76,929**

Note 8 – Expenditure and Income Analysed by Nature

	£'000
Expenditure:	
Depreciation, amortisation, impairment	31,101
Dwellings Valuation Adjustment	(10,753)
Restated Depreciation, amortisation, impairment	20,348
Loss on Disposal of Assets	55,134
Dwellings Valuation Adjustment	1,766
Restated Loss on Disposal of Assets	56,900
Total Expenditure	770,779
Dwellings Valuation Adjustment	(8,987)
Restated Total Expenditure	**761,792**
Surplus or Deficit on the Provision of Services	93,165
Dwellings Valuation Adjustment Impact	(8,987)
Restated Surplus or Deficit on the Provision of Services	**84,178**

Note 9 – Adjustments between Accounting Basis and Funding Basis under Regulations

	Housing Revenue Account	Movement in Unusable Reserves
	£'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	2,443	(31,101)
Dwellings Valuation Adjustment	6,583	(6,583)
Restated Charges for depreciation and impairment of non-current assets	9,026	(37,684)
Revaluation Losses on Property, Plant and Equipment	4,797	(45,668)
Dwellings Valuation Adjustment	(17,336)	17,336
Restated Revaluation Losses on Property, Plant and Equipment	(12,539)	(28,332)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	5,556	(72,479)
Dwellings Valuation Adjustment	1,766	(1,766)
Restated Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	7,322	(74,245)
Total Adjustments	(36,785)	(70,549)
Dwellings Valuation Adjustment	(8,987)	8,987
Restated Total Adjustments	**(45,772)**	**(61,562)**

Note 11 – Other Operating Income and Expenditure

	£'000
(Gains) / losses on the disposal of non-current assets	55,134
Dwellings Valuation Adjustment	1,766
Restated (Gains) / losses on the disposal of non-current assets	56,900
Total	57,643
Dwellings Valuation Adjustment	1,766
Restated Total	**59,409**

Note 14 – Property, Plant and Equipment

	Council Dwellings	Total Property, Plant and Equipment
	£'000	£'000
Cost or Valuation:		
At 1 April 2017	457,461	1,420,015
Dwellings Valuation Adjustment	141,888	141,888
Restated At 1 April 2017	**599,349**	**1,561,903**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(11,919)	(54,340)
Dwellings Valuation Adjustment	12,371	12,371
Restated Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	452	(41,969)
Derecognition - Disposals	(5,556)	(79,040)
Dwellings Valuation Adjustment	(1,766)	(1,766)
Restated Derecognition - Disposals	(7,322)	(80,806)
At 31 March 2018	487,390	1,481,873
Dwellings Valuation Adjustment	152,493	152,493
Restated At 31 March 2018	**639,883**	**1,634,366**
Accumulatd Depreciation and Impairments		
At 1 April 2017	(18,234)	(193,430)
Dwellings Valuation Adjustment	(1,069)	(1,069)
Restated At 1 April 2017	**(19,303)**	**(194,499)**
Depreciation Charge	(7,122)	(33,114)
Dwellings Valuation Adjustment	(4,964)	(4,964)
Restated Depreciation Charge	(12,086)	(38,078)
Depreciation written out to the Surplus/Deficit on the Provision of Services	7,122	11,807
Dwellings Valuation Adjustment	4,964	4,964
Restated Depreciation written out to the Surplus/Deficit on the Provision of Services	12,086	16,771
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	(2,186)	(5,215)
Dwellings Valuation Adjustment	(1,620)	(1,620)
Restated Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	(3,806)	(6,835)
At 31 March 2018	(20,420)	(206,999)
Dwellings Valuation Adjustment	(2,689)	(2,689)
Restated At 31 March 2018	**(23,109)**	**(209,688)**
Net Book Value:		
at 31 March 2017	439,227	1,226,585
Dwellings Valuation Adjustment	140,818	140,818
Restated at 31 March 2017	**580,045**	**1,367,403**
at 31 March 2018	466,970	1,274,874
Dwellings Valuation Adjustment	149,805	149,805
Restated at 31 March 2018	**616,775**	**1,424,679**

Note 27 – Unusable Reserves

	£'000
Capital Adjustment Account	282,613
Dwellings Valuation Adjustment	149,805
Restated Capital Adjustment Account	432,418
Total Unusable Reserves	37,530
Dwellings Valuation Adjustment	149,805
Restated Total Unusable Reserves	**187,335**

Note 27b – Capital Adjustment Account

	£'000
Balance at 1 April 2017	315,387
Dwellings Valuation Adjustment	140,818
Restated Balance at 1 April 2017	**456,205**
Charges for depreciation and impairment of non-current assets	(31,101)
Dwellings Valuation Adjustment	(6,583)
Restated Charges for depreciation and impairment of non-current assets	(37,684)
Revaluation losses on Property, Plant and Equipment	(45,668)
Dwellings Valuation Adjustment	17,336
Restated Revaluation losses on Property, Plant and Equipment	(28,332)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(72,479)
Dwellings Valuation Adjustment	(1,766)
Restated Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(74,245)
Net written out amount of the cost of non-current assets consumed in the year	(158,848)
Dwellings Valuation Adjustment	8,987
Restated Net written out amount of the cost of non-current assets consumed in the year	(149,861)
Balance at 31 March 2018	282,613
Dwellings Valuation Adjustment	149,805
Restated Balance at 31 March 2018	**432,418**

Note 28 – Cash Flow Statement – Operating Activities

	£'000
Depreciation and impairment	43,493
Dwellings Valuation Adjustment	6,583
Restated Depreciation and impairment	50,076
Downward valuations	24,432
Dwellings Valuation Adjustment	(17,336)
Restated Downward valuations	7,096
Carrying amount of non-current assets, sold or derecognised	71,106
HRA Disposal and downward valuation adjustment	1,766
Restated carrying amount of non-current assets, sold or derecognised	72,872

HRA Income and Expenditure Statement

Expenditure	£'000
Depreciation and Impairment of non-current assets	14,507
Dwellings Valuation Adjustment	(10,753)
Restated Depreciation and Impairment of non-current assets	3,754
Total Expenditure	50,569
Dwellings Valuation Adjustment	(10,753)
Restated Total Expenditure	39,816
Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Account	(44,915)
Dwellings Valuation Adjustment	(10,753)
Restated Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Account	**(55,668)**
Net Income for HRA Services	(44,613)
Dwellings Valuation Adjustment	(10,753)
Restated Net Income for HRA Services	**(55,366)**
(Gain) or loss on sale of HRA Non-current assets	(3,182)
Dwellings Valuation Adjustment	1,766
Restated (Gain) or loss on sale of HRA Non-current assets	(1,416)
(Surplus) or deficit for the year on HRA services	(35,880)
Dwellings Valuation Adjustment	(8,987)
Restated (Surplus) or deficit for the year on HRA services	**(44,867)**

Movement on the HRA Statement

	£'000
(Surplus) or deficit for the year on HRA Income and Expenditure Statement	(35,880)
Dwellings Valuation Adjustment	(8,987)
Restated (Surplus) or deficit for the year on HRA Income and Expenditure Statement	(44,867)
Adjustments between accounting basis and funding basis under statute	36,785
Dwellings Valuation Adjustment	8,987
Restated Adjustments between accounting basis and funding basis under statute	45,772

HRA Note 1 - Movement of HRA operational and non-operational assets

	Council Dwellings	Total
	£'000	£'000
At 1 April 2018	466,970	471,865
Dwellings Valuation Adjustment	149,804	149,804
Restated At 1 April 2018	616,774	621,669

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

	£'000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year	
Transfer to/(from) Capital Adjustment Account	(7,240)
Dwellings Valuation Adjustment	10,753
Restated Transfer to/(from) Capital Adjustment Account	3,513
Gain or (loss) on sale of HRA non-current assets	3,182
Dwellings Valuation Adjustment	(1,766)
Restated Gain or (loss) on sale of HRA non-current assets	1,416
Sub total	(990)
Dwellings Valuation Adjustment	8,987
Restated Sub total	7,997
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	36,785
Dwellings Valuation Adjustment	8,987
Restated Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	**45,772**

Group Movement in Reserves Statement

	Housing Revenue Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000
Opening balance at 1 April 2017	3,000	**122,813**	50,529	**171,813**
Dwellings valuation adjustment	-	**-**	140,818	**140,818**
Restated opening balance	3,000	**122,813**	191,347	**312,631**
Surplus/(deficit) on provision of Services (accounting basis)	35,880	**(93,165)**	-	**(91,371)**
Dwellings valuation adjustment	8,987	**8,987**	-	**8,987**
Restated Surplus/(deficit) on provision of Services (accounting basis)	44,867	**(84,178)**	-	**(82,384)**
Total Comprehensive Expenditure and Income	35,880	**(93,165)**	57,550	**(27,082)**
Dwellings valuation adjustment	8,987	**8,987**	-	**8,987**
Restated Total Comprehensive Expenditure and Income	44,867	**(84,178)**	57,550	**(18,095)**
Adjustments between accounting basis & funding basis under regulations	(36,785)	**70,549**	(70,549)	**-**
Dwellings valuation adjustment	(8,987)	**(8,987)**	8,987	**-**
Restated Adjustments between accounting basis & funding basis under regulations	(45,772)	**61,562**	(61,562)	**-**
Net increase / (decrease) before transfers to earmarked reserves	(905)	**(22,616)**	(12,999)	**(27,082)**
Dwellings valuation adjustment	-	**-**	8,987	**8,987**
Restated Net increase / (decrease) before transfers to earmarked reserves	(905)	**(22,616)**	(4,012)	**(18,095)**
Balance at 31 March 2018	3,000	**100,197**	37,530	**144,731**
Dwellings valuation adjustment	-	**-**	140,818	**140,818**
Dwellings valuation adjustment	-	**-**	8,987	**8,987**
Restated Balance at 31 March 2018	3,000	**100,197**	187,335	**294,536**

Group Comprehensive Income and Expenditure Statement

	£'000
Local Authority Housing (HRA) - Gross Expenditure	50,792
Dwellings Valuation Adjustment	(10,753)
Restated Local Authority Housing (HRA) - Gross Expenditure	40,039
Local Authority Housing (HRA) - Net Expenditure	(45,936)
Dwellings Valuation Adjustment	(10,753)
Restated Local Authority Housing (HRA) - Net Expenditure	(56,689)
Cost of Services - Gross Expenditure	700,199
Dwellings Valuation Adjustment	(10,753)
Restated Cost of Services - Gross Expenditure	**689,446**
Cost of Services - Net Expenditure	223,976
Dwellings Valuation Adjustment	(10,753)
Restated Cost of Services - Net Expenditure	**213,223**
Other Operating Expenditure	57,643
Dwellings Valuation Adjustment	1,766
Restated Other Operating Expenditure	**59,409**
Surplus / (Deficit) on the Provision of Services	91,371
Dwellings Valuation Adjustment	(8,987)
Restated Surplus / (Deficit) on the Provision of Services	**82,384**
Total Comprehensive Income and Expenditure	27,082
Dwellings Valuation Adjustment	(8,987)
Restated Total Comprehensive Income and Expenditure	**18,095**

Group Balance Sheet as at 1 April 2017

	Opening Balance	Dwellings Valuation Adjustment	Restated Opening Balance
	£'000	£'000	£'000
Long Term Assets:			
Property, Plant and Equipment	1,230,623	140,818	1,371,441
Total Long Term Assets	1,314,216	140,818	**1,455,034**
Net Assets	171,813	140,818	**312,631**
Unusable Reserves	50,529	140,818	191,347
Total Reserves	171,813	140,818	**312,631**

Group Balance Sheet as at 31 March 2018

	Opening Balance £'000	Dwellings Valuation Adjustment £'000	Restated Opening Balance £'000
Long Term Assets:			
Property, Plant and Equipment	1,282,537	149,805	1,432,342
Total Long Term Assets	1,368,992	149,805	**1,518,797**
Net Assets	144,731	149,805	**294,536**
Unusable Reserves	37,530	149,805	187,335
Total Reserves	144,731	149,805	**294,536**

Group Cash Flow Statement

	£'000
Net surplus or (deficit) on the provision of services	(91,371)
Dwellings Valuation Adjustment	8,987
Restated Net surplus or (deficit) on the provision of services	(82,384)
Adjustment to surplus or deficit on the provision of services for non-cash movements	121,740
Dwellings Valuation Adjustment	(8,987)
Restated adjustment to surplus or deficit on the provision of services for non-cash movements	112,753

Group Note 3 – Property, Plant and Equipment

	Council Dwellings	Total Property, Plant and Equipment
	£'000	£'000
Cost of valuation		
Opening balance as at 1 April 2017	457,461	1,430,886
Dwellings Valuation Adjustment	141,888	141,888
Restated opening balance as at 1 April 2017	599,349	1,572,774
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(11,919)	(54,340)
Dwellings Valuation Adjustment	12,371	12,371
Restated Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	452	(41,969)
Derecognition - disposals	(5,556)	(79,738)
Dwellings Valuation Adjustment	(1,766)	(1,766)
Restated Derecognition - disposals	(7,322)	(81,504)
Closing balance as at 31 March 2018	487,390	1,496,931
Dwellings Valuation Adjustment	152,493	152,493
Restated opening balance as at 31 March 2018	639,883	1,649,424
Accumulated Depreciation and Impairments		
Opening balance as at 1 April 2017	(18,234)	(200,263)
Dwellings Valuation Adjustment	(1,069)	(1,069)
Restated opening balance as at 1 April 2017	(19,303)	(201,332)
Depreciation charge	(7,122)	(34,251)
Dwellings Valuation Adjustment	(4,964)	(4,964)
Restated Depreciation charge	(12,086)	(39,215)
Depreciation written out to the Surplus/Deficit on the Provision of Services	7,122	11,807
Dwellings Valuation Adjustment	4,964	4,964
Restated Depreciation written out to the Surplus/Deficit on the Provision of Services	12,086	16,771
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	(2,186)	(5,215)
Dwellings Valuation Adjustment	(1,620)	(1,620)
Restated Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	(3,806)	(6,835)
Closing balance as at 31 March 2018	(20,420)	(214,394)
Dwellings Valuation Adjustment	(2,689)	(2,689)
Restated opening balance as at 31 March 2018	(23,109)	(217,083)
Net Book Value		
At 31 March 2018	466,970	1,282,537
Dwellings Valuation Adjustment	149,805	149,805
Restated NBV at 31 March 2018	616,775	1,432,342
At 31 March 2017	439,227	1,230,623
Dwellings Valuation Adjustment	140,818	140,818
Restated NBV at 31 March 2017	580,045	1,371,441

Group Note 8 – Cash Flow Statement – Operating Activities

	£'000
Depreciation and impairment	44,275
HRA Depreciation and impairment adjustment	6,583
Restated Depreciation and impairment	50,858
Downward valuations	24,432
HRA Disposal and downward valuation adjustment	(17,336)
Restated Downward valuations	7,096
Carrying amount of non current assets, sold or derecognised	70,822
HRA Disposal and downward valuation adjustment	1,766
Restated carrying amount of non current assets, sold or derecognised	72,588

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.

Restated (See note 54) 2017/18 £'000		**Note**	**2018/19 £'000**
	Expenditure		
21,261	Repairs and Maintenance		22,791
20,387	Supervision and Management		20,998
674	Rents, Rates, Taxes and Other Charges		572
3,754	Depreciation and Impairment of Non-current Assets		26,459
(7,151)	Capital Government Grants and Contributions		(3,852)
62	Debt Management Costs		50
829	Movement in the allowance for bad debts		584
39,816	Total Expenditure		67,602
	Income		
(89,936)	Dwelling Rents (Gross)		(88,858)
(1,286)	Non-Dwelling Rents (Gross)		(1,307)
(2,429)	Charges for Services and Facilities		(2,566)
(1,833)	Contributions towards Expenditure		(1,760)
(95,484)	Total Income		(94,491)
(55,668)	**Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**		**(26,889)**
302	HRA services share of Corporate and Democratic Core		309
(55,366)	**Net Income for HRA Services**		**(26,580)**
	HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement		
(1,416)	(Gain) or loss on sale of HRA non-current assets		(2,699)
11,397	Interest payable and similar charges		10,684
(123)	Interest and investment income		(207)
641	Pensions interest cost and expected return on pensions assets	8	1,102
(44,867)	**(Surplus) or deficit for the year on HRA services**		**(17,700)**

MOVEMENT ON THE HRA STATEMENT

Restated (See note 54) 2017/18 £'000		**2018/19 £'000**
(3,000)	Balance on the HRA at the end of the previous year	(3,000)
(44,867)	(Surplus) or deficit for the year on HRA Income and Expenditure Statement	(17,700)
45,772	Adjustments between accounting basis and funding basis under statute	20,150
905	Net (increase) or decrease before transfers to (or from) reserves	2,450
(905)	Transfers to or (from) earmarked reserves	(2,450)
-	(Increase) or decrease in year on the HRA	-
(3,000)	Balance on the HRA at the end of the year	(3,000)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Movement of HRA operational and non-operational assets

	Operational assets			Non-operational assets			
	Council Dwellings	**Other Land and Buildings**	**Vehicles, Plant, Furniture & Equipment**	**Investment Properties**	**Surplus assets not held for sale**	**Infrastructure & Community Assets**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2018	616,774	802	319	2,921	727	126	621,669
Depreciation	(11,526)	(14)	(117)	-	-	(9)	(11,666)
Impairment	(32,999)	-	-	-	-	-	(32,999)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	17,727	79	-	395	-	-	18,201
Disposals	(6,758)	-	-	(26)	(100)	-	(6,884)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	144	-	-	-	-	144
Additions	32,887	-	16	-	-	-	32,903
Transfers	-	-	-	-	-	-	-
At 31 March 2019	**616,105**	**1,011**	**218**	**3,290**	**627**	**117**	**621,368**

Total depreciation of £11.666m (2017/18 £12.242m (restated)) has been charged to the HRA during the year. This is comprised by charging dwelling depreciation of £11.526m (2017/18 £12.086m (restated)), other land and buildings depreciation of £0.014m (2017/18 £0.013m), vehicles, plant, furniture & equipment depreciation of £0.117m (2017/18 £0.134m) and infrastructure and community assets depreciation of £0.009m (2017/18 £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 £32.999m (2017/18 £3.086m (restated)) 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 £18.201m has been reflected in the year (2017/18 £12.282m increase (restated)). 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 £616.105m (2017/18 £616.774m (restated)) on the Balance Sheet.

At vacant possession the same dwellings would have a value of £1,506.622m (2017/18 £1,497.846m), therefore recognising an economic cost to the government of providing Council Housing at less than open market rents of £890.517m (2017/18 £881.072m restated).

3. *Capital Expenditure and Financing Analysis*

2017/18 £'000	Expenditure funded by;	2018/19 £'000
-	Borrowing	-
-	Credit Arrangements	-
-	Revenue Contributions	-
12,083	Capital Receipts	2,018
27,151	Major Repairs Reserve	27,033
7,151	Other	3,852
46,385		**32,903**

4. *Capital Receipts Analysis*

2017/18 £'000		2018/19 £'000
8,615	Sales of Council Houses	9,032
-	Repayments of Right to Buy Discounts	77
-	Land Sales	-
1	Right to buy Mortgage Principal	(6)
8,616	**Total Capital Receipts**	**9,103**
(1,642)	Less: receipts required to be paid to the Government	(1,623)
6,974	**Useable Receipts**	**7,480**

5. *Rent arrears and provision for uncollectable debts*

31 March 2018 £'000		31 March 2019 £'000
3,514	Arrears at 31 March	3,344
1,683	Provision for doubtful debts	1,619

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

Restated (See note 54) 2017/18 £'000		2018/19 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year	
7,151	Difference between any other item of Income and Expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	3,852
3,513	Transfer to/from Capital Adjustment Account *	(33,726)
1,416	Gain or (loss) on sale of HRA non-current assets	2,699
(4,083)	Net charges for retirement benefits in accordance with IAS19	(4,351)
7,997		(31,526)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year	
17,487	Transfer to/(from) Major Repairs Reserve	27,033
1,929	Employer's contributions payable to the LGPS Pension Fund	1,981
18,359	Voluntary set aside for debt repayment	22,662
37,775		51,676
45,772	**Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year**	**20,150**

* 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:-

At 31 March 2018		At 31 March 2019
	Analysed by type:-	
18,563	Houses and Bungalows	18,262
3,075	Low rise flats and maisonettes	3,040
2,550	Medium and high rise flats	2,583
5	Other	5
24,193		**23,890**

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 £4.351m (2017/18 £4.083m).

2017/18 £'000		2018/19 £'000
2,955	Current service cost	3,249
-	Past Service Cost	-
2,955		3,249
	Pensions Interest Cost and expected return on assets	
3,626	Interest on Liabilities	4,008
(2,498)	Expected return on assets	(2,906)
4,083	**Transfer to pensions reserve**	**4,351**

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 £'000	Major Repairs Reserve (MRR) £'000	* Future Capital Expenditure £'000	Total £'000
At 1 April 2018	3,000	-	24,511	27,511
Transfer of Depreciation to MRR	-	23,890	-	23,890
Contribution to finance capital expenditure for the year	-	3,143	-	3,143
Use of MRR to finance capital expenditure for the year	-	(27,033)	-	(27,033)
Transfer to / (from) reserves to support the HRA revenue programme	-	-	(2,450)	(2,450)
At 31 March 2019	**3,000**	**-**	**22,061**	**25,061**

* 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.

2017/18 Total		2018/19 Council Tax	2018/19 Business Rates	2018/19 Total
£'000		£'000	£'000	£'000
	Income			
94,868	Income from Council Tax	101,107	-	101,107
	Transfers from General Fund			
-	- Council Tax benefits	-	-	-
-	- Transitional relief	-	-	-
-	- Discounts for prompt payment	-	-	-
77,415	Income collectable from business ratepayers	-	82,476	82,476
-	-Transitional Protection payments	-	-	-
1,879	- Income collectable in respect of Business Rate Supplements	-	2,012	2,012
-	Contributions	-	-	-
-	- Towards previous year's Collection Fund deficit	-	-	-
-	- Adjustment of previous years' community charges	-	-	-
174,162		101,107	84,488	185,595
	Expenditure			
	Precepts and demands			
40,326	- Central Government	-	42,744	42,744
114,136	- Hull City Council	79,939	42,171	122,110
11,022	- Police and Crime Commissioner for Humberside	11,967	-	11,967
5,523	- Humberside Fire Authority	4,954	858	5,812
	Business rates			
-	- Payment to national pool	-	-	-
361	- Costs of collection	-	356	356
(3,147)	- Transitional Protection payments	-	2,879	2,879
-	Business Rate Supplements	-	-	-
	Bad and doubtful debts/appeals			
2,041	- Write-offs	977	2,067	3,044
83	- Provisions	1,972	(267)	1,705
3,484	Provision for Appeals	-	6,800	6,800
-	- Other Transfers to General Fund (disregarded amounts)	-	-	-
	Distribution of previous year's estimated Collection Fund surplus			
(8,951)	- Central Government	-	(859)	(859)
(4,072)	- Hull City Council	815	(842)	(27)
696	- Police and Crime Commissioner for Humberside	122	-	122
119	- Humberside Fire Authority	50	(17)	33
161,621		100,796	95,890	196,686
12,540	Movement on fund balance	311	(11,402)	(11,091)
(12,892)	Balance brought forward at 1 April 2018	985	(1,337)	(352)
(352)	Balance carried forward at 31 March 2019	1,296	(12,739)	(11,443)

See note 2 below

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 2018/19 was 60,039 (58,838 in 2017/18) calculated as follows:

Total Number of properties in band	120,926
Impact of changes to Council Tax re: discount/exemptions and empty property	(15,471)
Reduction in Tax Base for Reduction Scheme	(21,542)
Total equivalent number of dwellings	83,913

Band	**Chargeable Dwellings**	**Ratio**	**Band D Equivalents**
Disability A	94	5/9	52
A	50,979	6/9	33,986
B	18,355	7/9	14,276
C	9,097	8/9	8,087
D	3,850	9/9	3,850
E	1,211	11/9	1,480
F	270	13/9	390
G	46	15/9	77
H	11	18/9	22
Total	83,913		62,220
Less allowance for non-collection			(2,181)
Tax Base for the calculation of Council Tax			60,039

The Council’s basic amount of Council Tax for a Band D property of £1,331.45 (£1,268.17 for 2017/18) 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 2018/19 was £79,939m (60,039 dwellings multiplied by £1,331.45). This, plus the agreed distribution of the previous year’s surplus of £1.0m gives a total distribution from the Collection Fund to preceptors of £80.939m, compared to income from Council Tax payers of £101,107m.

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 2018/19 these rates are:

Non-Domestic rating multiplier 49.3p
Small Business Non-Domestic rating multiplier 48.0p

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 2019 increased from £225.159m at 31 March 2018 to £225.647m, of which £81.351m 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 2019 of £110.186m.

The collectable amount is different to the actual income from business ratepayers as per the Collection Fund Statement (£84.487m).

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 2018/19 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 24,000 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.

2018/19	**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 2018		7,968	29,329	24,511	3,000	-	21,244	14,145	**100,197**	187,335	7,004	**294,536**
Surplus/(deficit) on provision of Services (accounting basis)		(102,571)	-	-	17,700	-	-	-	**(84,871)**	-	(1,638)	**(86,509)**
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	**-**	(21,742)	(4,599)	**(26,341)**
Total Comprehensive Expenditure and Income		(102,571)	-	-	17,700	-	-	-	**(84,871)**	(21,742)	(6,237)	**(112,850)**
Adjustments between accounting basis and funding basis under regulations		110,847	-	-	(20,150)	-	5,217	(5,657)	**90,257**	(90,257)	-	**-**
Net increase / (decrease) before transfers to Earmarked Reserves		8,276	-	-	(2,450)	-	5,217	(5,657)	**5,386**	(111,999)	(6,237)	**(112,850)**
Transfers to / (from) Earmarked Reserves		(3,276)	3,276	(2,450)	2,450	-	-	-	**-**	-	-	**-**
Increase / (Decrease) in Year		5,000	3,276	(2,450)	-	-	5,217	(5,657)	**5,386**	(111,999)	(6,237)	**(112,850)**
Balance at 31 March 2019		**12,968**	**32,605**	**22,061**	**3,000**	**-**	**26,461**	**8,488**	**105,583**	**75,336**	**767**	**181,686**

2017/18	Note	General Fund Balance	Earmarked GF Reserves	Earmarked HRA Reserves	Housing Revenue Account Restated (see note 54)	Major Repairs Reserve	Capital Receipt Reserve	Capital Grants Unapplied	**Total Usable Reserves** Restated (see note 54)	Unusable Reserves Restated (see note 54)	Council's Share of Group Reserves	**Total Group Reserves** Restated (see note 54)
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2017		7,968	35,673	25,416	3,000	9,664	22,813	18,279	**122,813**	191,347	(1,529)	**312,631**
Surplus/(deficit) on provision of Services (accounting basis)		(129,045)	-	-	44,867	-	-	-	**(84,178)**	-	1,794	**(82,384)**
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	**-**	57,550	6,739	**64,289**
Total Comprehensive Expenditure and Income		(129,045)	-	-	44,867	-	-	-	**(84,178)**	57,550	8,533	**(18,095)**
Adjustments between accounting basis and funding basis under regulations		122,701	-	-	(45,772)	(9,664)	(1,569)	(4,134)	**61,562**	(61,562)	-	**-**
Net increase / (decrease) before transfers to Earmarked Reserves		(6,344)	-	-	(905)	(9,664)	(1,569)	(4,134)	**(22,616)**	(4,012)	8,533	**(18,095)**
Transfers to / (from) Earmarked Reserves		6,344	(6,344)	(905)	905	-	-	-	**-**	-	-	**-**
Increase / (Decrease) in Year		-	(6,344)	(905)	-	(9,664)	(1,569)	(4,134)	**(22,616)**	(4,012)	8,533	**(18,095)**
Balance at 31 March 2018		**7,968**	**29,329**	**24,511**	**3,000**	**-**	**21,244**	**14,145**	**100,197**	**187,335**	**7,004**	**294,536**

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.

2017/18 Gross Expenditure	2017/18 Income	2017/18 Net Expenditure Restated (See note 54)	Note		2018/19 Gross Expenditure	2018/19 Income	2018/19 Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
148,395	(77,160)	71,235		Public Health and Adults	136,856	(86,680)	50,176
79,087	(41,374)	37,713		Regeneration	81,239	(39,649)	41,590
249,300	(168,764)	80,536		City Services and Resources	253,766	(165,344)	88,422
91,492	(24,435)	67,057		Children's Services	91,846	(25,830)	66,016
72,110	(66,970)	5,140		School Services	54,411	(54,059)	352
40,039	(96,728)	(56,689)		Local Authority Housing (HRA)	68,618	(96,240)	(27,622)
9,023	(792)	8,231		Non Distributed Costs	15,832	(2,513)	13,319
689,446	**(476,223)**	**213,223**		**Cost of Services**	**702,568**	**(470,315)**	**232,253**
		59,409		Other Operating Expenditure			28,165
		38,996	2	Financing and Investment Income and Expenditure			40,478
		(229,244)		Taxation and Non-Specific Grant Income			(214,387)
		82,384		**Surplus / (Deficit) on Provision of Services**			**86,509**
		(12)		Tax on profit on ordinary activities			110
		(64,277)		Other Comprehensive Income and Expenditure			26,231
		18,095		**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**112,850**

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.

Restated (See note 54) 31 March 2017 £'000	Restated (See note 54) 31 March 2018 £'000		Note	31 March 2019 £'000
1,371,441	1,432,342	Property, Plant and Equipment	3	1,436,842
4,157	4,139	Heritage Assets		4,543
71,039	70,478	Investment Property		72,244
3,559	4,651	Intangible Assets		4,398
10	10	Long Term Investments		10
4,828	7,177	Long Term Debtors		8,563
-	-	Assets held for sale		-
1,455,034	**1,518,797**	**Long Term Assets**		**1,526,600**
3,226	2,507	Short Term Investments		-
1,137	1,215	Inventories		1,269
64,363	52,417	Short Term Debtors	4	46,487
111,547	53,425	Cash and Cash Equivalents	5	68,384
-	-	Assets held for sale		-
-	-	Current Tax Asset		-
180,273	**109,564**	**Current Assets**		**116,140**
(106,580)	(169,077)	Short Term Borrowing		(178,912)
(53,519)	(62,125)	Short Term Creditors	6	(62,685)
(2,429)	(1,194)	Provision for accumulated absences		(1,618)
(552)	(334)	Capital Grants Receipts in Advance		(527)
(3,751)	(6,162)	PFI Finance Lease - Liability		(6,087)
(166,831)	**(238,892)**	**Current Liabilities**		**(249,829)**
(842)	(789)	Long Term Creditors		(828)
(6,554)	(4,985)	Provisions		(7,798)
(492,581)	(456,646)	Long Term Borrowing		(443,735)
(532,182)	(458,808)	Pension Liabilities	11	(591,672)
(305)	(247)	Capital Grants Receipts in Advance		(307)
(123,381)	(173,458)	PFI Finance Lease - Liability		(166,885)
(1,155,845)	**(1,094,933)**	**Long Term Liabilities**		**(1,211,225)**
312,631	**294,536**	**NET ASSETS**		**181,686**
121,284	107,201	Usable Reserves	7	106,350
191,347	187,335	Unusable Reserves		75,336
312,631	**294,536**	**TOTAL RESERVES**		**181,686**

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.

Restated (See note 54) 2017/18 £'000		Note	2018/19 £'000
(82,384)	Net surplus or (deficit) on the provision of services		(86,509)
112,753	Adjustment to surplus or deficit on the provision of services for non-cash movements	8	171,840
(125,256)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	8	(93,950)
(94,887)	**Net Cash flows from Operating Activities**		(8,619)
(40,242)	Net cash flows from Investing Activities	9	(17,629)
76,205	Net cash flows from Financing Activities	10	41,207
(58,924)	Net increase or (decrease) in cash and cash equivalents		14,959
112,349	Cash and cash equivalents at the beginning of the reporting period		53,425
53,425	**Cash and cash equivalents at the end of the reporting period**		**68,384**

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.

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-minimus 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*

2017/18 £'000		2018/19 £'000
29,874	Interest payable and similar charges	32,895
14,063	Pension interest cost and expected return on pension assets	12,830
(264)	Interest receivable and similar income	(501)
157	(Surplus)/Deficit from Trading Operations	17
(2,647)	Net income/expenditure from investment properties	(1,780)
(2,187)	Change in fair value of investment properties	(2,853)
-	Other investment income	(130)
38,996		**40,478**

3 Group Property, Plant and Equipment

Movements in 2018/19

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	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	£'000
Cost or valuation									
At 1 April 2018	639,883	637,480	78,752	216,843	2,858	37,147	36,461	1,649,424	80,859
Additions	32,887	20,258	5,138	11,042	177	1,035	-	70,537	-
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	60,578	-	-	27	(110)	-	60,495	(619)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	17,727	(17,007)	-	-	-	(189)	-	531	(315)
Derecognition - Disposals	(6,758)	(32,172)	(795)	-	(42)	(4,841)	-	(44,608)	(70)
Derecognition - Other	-	-	-	-	-	-	-	-	-
Other movements in cost or valuation	-	33,578	-	-	(6)	2,650	(36,461)	(239)	-
At 31 March 2019	683,739	702,715	83,095	227,885	3,014	35,692	-	1,736,140	79,855
Accumulated Depreciation and Impairments									
At 1 April 2018	(23,109)	(57,952)	(60,952)	(72,289)	-	(2,781)	-	(217,083)	(1,057)
Depreciation charge	(11,526)	(14,386)	(5,236)	(7,402)	-	(3)	-	(38,553)	(1,805)
Depreciation written out to the Revaluation Reserve	-	334	-	-	-	3	-	337	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	2,187	-	-	-	70	-	2,257	121
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(150)	-	-	-	-	-	(150)	-
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	(32,999)	(16,379)	(1,431)	(1,137)	(28)	(854)	-	(52,828)	-
Derecognition - Disposals	-	3,346	617	-	-	2,711	-	6,674	9
Derecognition - Other	-	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	48	-	-	-	-	-	48	-
At 31 March 2019	(67,634)	(82,952)	(67,002)	(80,828)	(28)	(854)	-	(299,298)	(2,732)
Net Book Value									
at 31 March 2019	616,105	619,763	16,093	147,057	2,986	34,838	-	1,436,842	77,123
at 31 March 2018	616,774	579,529	17,800	144,554	2,858	34,366	36,461	1,432,342	79,802

Movements in 2017/18	Restated (see note 54) **Council Dwellings**	**Other Land and Buildings**	**Vehicles, Plant, Furniture & Equipment**	**Infrastructure Assets**	**Community Assets**	**Surplus Assets**	**Assets under Construction**	Restated (see note 54) **Total Property, Plant and Equipment**	**PFI Assets included in Property, Plant and Equipment**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation									
At 1 April 2017	599,349	639,701	72,818	206,571	2,898	39,556	11,881	1,572,774	31,922
Additions	47,404	84,010	7,284	11,583	-	5,864	25,080	181,225	57,876
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	12,934	-	-	104	5,861	-	18,899	851
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	452	(37,826)	(652)	(1,311)	-	(2,632)	-	(41,969)	(9,790)
Derecognition - Disposals	(7,322)	(64,187)	(698)	-	-	(9,297)	-	(81,504)	-
Derecognition - Other	-	-	-	-	-	-	-	-	-
Other movements in cost or valuation	-	2,849	-	-	(144)	(2,205)	(500)	-	-
At 31 March 2018	639,883	637,481	78,752	216,843	2,858	37,147	36,461	1,649,425	80,859
Accumulated Depreciation and Impairments									
At 1 April 2017	(19,303)	(56,413)	(55,721)	(65,100)	-	(4,795)	-	(201,332)	(737)
Depreciation charge	(12,086)	(14,127)	(5,806)	(7,189)	-	(7)	-	(39,215)	(501)
Depreciation written out to the Revaluation Reserve	-	4,105	-	-	-	-	-	4,105	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	12,086	4,678	-	-	-	7	-	16,771	181
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(3,088)	-	-	-	-	-	(3,088)	-
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	(3,806)	(248)	-	-	-	(2,781)	-	(6,835)	-
Derecognition - Disposals	-	7,141	575	-	-	4,795	-	12,511	-
Derecognition - Other	-	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-	-
At 31 March 2018	(23,109)	(57,952)	(60,952)	(72,289)	-	(2,781)	-	(217,083)	(1,057)
Net Book Value									
at 31 March 2018	616,774	579,529	17,800	144,554	2,858	34,366	36,461	1,432,342	79,802
at 31 March 2017	580,046	583,288	17,097	141,471	2,898	34,761	11,881	1,371,442	31,185

4 Group Short Term Debtors

2017/18 £'000		2018/19 £'000
15,362	Central government bodies	11,475
(828)	Other local authorities	607
1,965	NHS bodies	2,041
56,082	Other entities and individuals	54,314
(20,164)	Less: Provision for irrecoverable debts	(21,950)
52,417		**46,487**

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:

2017/18 £'000		2018/19 £'000
7,650	Cash held by the Group	8,666
1,065	Bank current accounts	(537)
44,710	Short-term deposits with banks/building societies	60,255
53,425	**Total Cash and Cash Equivalents**	**68,384**

6 Group Creditors

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

2017/18 £'000		2018/19 £'000
6,661	Central government bodies	5,277
6,449	Other local authorities	9,309
748	NHS bodies	(29)
48,267	Other entities and individuals	48,128
62,125		**62,685**

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

7 *Group Usable Reserves*

2017/18 £'000		2018/19 £'000
7,968	General Fund Balance	12,968
15,689	Profit and Loss Reserve (Subsidiaries)	16,326
(8,685)	Pensions Reserve (Subsidiaries)	(15,559)
29,329	Earmarked General Fund Reserves	32,605
3,000	Housing Revenue Account	3,000
24,511	Earmarked Housing Revenue Account reserves	22,061
-	Major Repairs Reserve	-
21,244	Capital Receipt Reserves	26,461
14,145	Capital Grants Unapplied	8,488
107,201		**106,350**

8 *Group Cash Flow Statement – Operating Activities*

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

Restated (See note 54) 2017/18 £'000		2018/19 £'000
50,858	Depreciation and Impairment	63,112
7,096	Downward valuations	28,389
953	Amortisation	1,549
-	Increase/(decrease) in impairment for bad debts	-
7,011	Increase/(decrease) in Creditors	1,422
8,687	(Increase)/decrease in Debtors	10,568
(78)	(Increase)/decrease in Stock	(51)
(27,029)	Movement in pension liability	24,588
72,588	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	39,158
(7,333)	Other non-cash items charged to the net surplus or deficit on the provision of services	3,105
112,753		**171,840**

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

2017/18 £'000		2018/19 £'000
-	Proceeds from short-term and long-term investments	-
(15,971)	Proceeds from the sale of PP&E, investment property and intangible assets	(12,615)
(109,285)	Any other items for which the cash effects are investing or financing cash flows	(81,335)
(125,256)		**(93,950)**

The cash flows for operating activities include the following items:

2017/18 £'000		2018/19 £'000
264	Interest received	501
(29,874)	Interest paid	(32,895)
-	Dividends received	(50)

9 Group Cash Flow Statement – Investing Activities

2017/18 £'000		2018/19 £'000
(111,413)	Purchase of property, plant and equipment, investment property and intangible assets	(67,268)
(70,006)	Purchase of short-term and long-term investments	-
(2,298)	Other payments for investing activities	(1,386)
16,286	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	12,743
70,725	Proceeds from short-term and long-term investments	2,507
56,464	Other receipts from investing activities	35,775
(40,242)	**Net cash flows from investing activities**	**(17,629)**

10 Group Cash Flow Statement – Financing Activities

2017/18 £'000		2018/19 £'000
128,528	Cash receipts of short and long-term borrowing	165,142
55,991	Other receipts/(payments) from financing activities	48,991
(5,389)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(7,189)
(102,019)	Repayments of short and long-term borrowing	(167,639)
(906)	Other payments for financing activities	1,902
76,205	**Net cash flows from financing activities**	**41,207**

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:

2017/18		2018/19
£'000		**£'000**
	Reconciliation of fair value of the scheme (plan) assets	
1,305,597	Opening balance at 1 April	1,375,993
2,029	Hull Culture & Leisure opening balance pension restatement	(981)
33,526	Interest income	36,585
	Remeasurement gain / (loss)	
8,289	Return on plan assets (excluding amounts included in the net interest expense)	58,511
-	Other	-
76,150	Employer Contributions	10,733
6,923	Contributions by scheme participants	7,197
-	Entity combinations	-
(47,482)	Benefits paid	(50,386)
(9,039)	Settlements	(4,055)
1,375,993	Closing balance at 31 March	1,433,597
	Reconciliation of present value of scheme liabilities	
	(defined benefit obligation)	
(1,837,666)	Opening balance at 1 April	(1,834,687)
(42,557)	Current Service Cost	(44,276)
(47,589)	Interest Cost	(49,415)
(6,923)	Contributions by scheme participants	(7,197)
	Remeasurement gain / (loss)	
-	Actuarial gains/losses arising from changes in demographic assumptions	-
36,997	Actuarial gains/losses arising from changes in financial assumptions	(144,513)
(969)	Other	129
(441)	Past service costs	(2,284)
-	Entity combinations	-
47,482	Benefits paid	50,386
16,979	Settlements	6,707
(1,834,687)	Closing balance at 31 March	(2,025,150)

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:

2017/18		2018/19
£'000		£'000
1,375,993	Fair value of employer assets	1,433,597
(1,770,187)	Present value of funded liabilities	(1,962,053)
(64,500)	Present value of unfunded liabilities	(63,097)
(458,694)		(591,553)

* The Balance Sheet entry for Other Long Term Liabilities of £591.672m at 31 March 2019 also includes £0.119m of outstanding mortgages (2017/18 total of £458.808m includes £0.114m).

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. In addition, Mazars LLP has provided services to the following subsidiary company that form part of the group financial statements.

Audit Fees for 2018/19:	**£**
Audit services to Hull Culture and Leisure Ltd	13,000
Tax compliance services to Hull Culture and Leisure Ltd	3,750
	16,750

In 2017/18, audit fees paid to Mazars LLP was £16,750.

Smailes Goldie provided audit services to the Council's subsidiary; Kingstown Works Limited.

Audit fees for 2018/19 are £25,000

In 2017/18, audit fees paid to Smailes Goldie was £19,000.

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.

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 2018/19
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 2020 will be incorporated into the 2019/20 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?

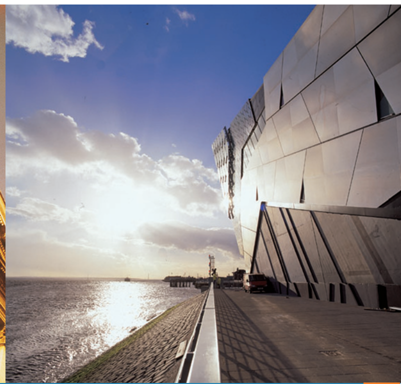
3. Did you find the information you were looking for?

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



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This handbook can be made available in other formats (large print, audio and Braille) as appropriate. Please telephone 300 300.