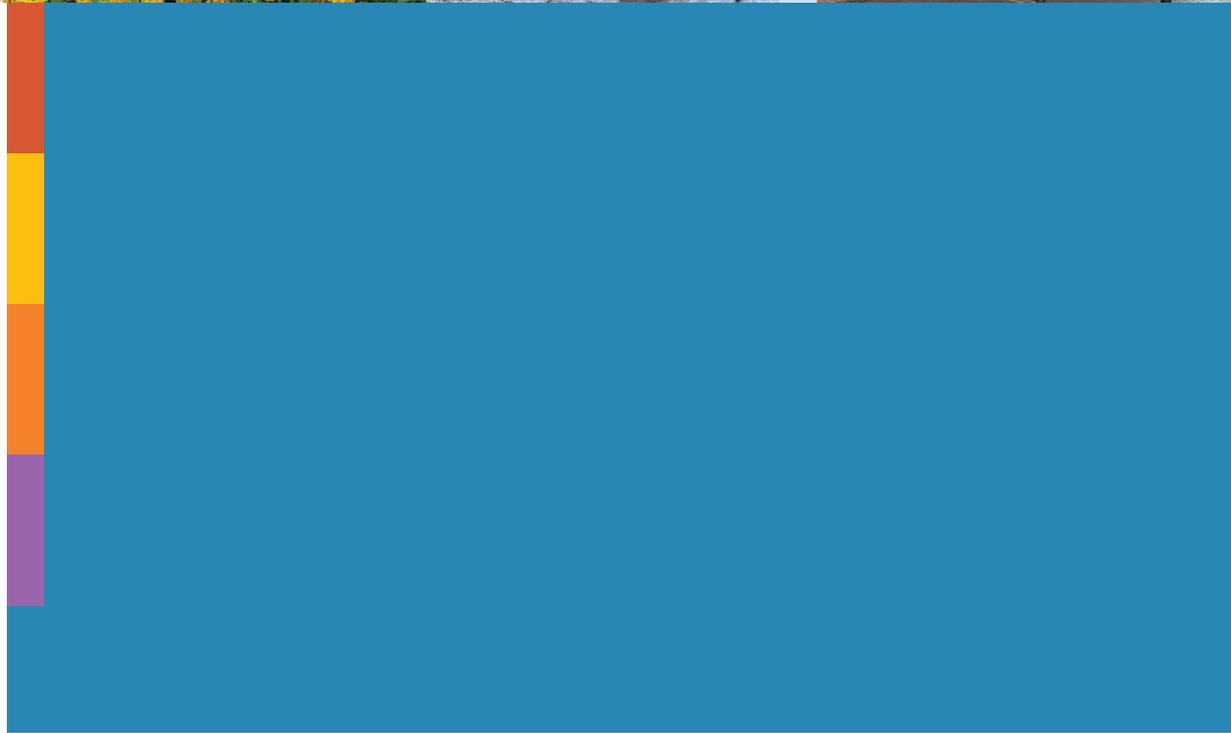


Statement of Accounts 2022 - 2023



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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Kingston upon Hull City Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the Council and Group financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ('the Code Update'), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2023 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 2022/23 as amended by the Code Update.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

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

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

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Key audit matters

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

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and, where relevant, key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key audit matter	How our scope addressed this matter
Valuation of property, plant and equipment (Council only) £1,434m in 2022/23	Our audit procedures included: <ul style="list-style-type: none"> • obtaining an understanding of the design and implementation of controls

Council dwellings and other land and buildings are the Council's highest value assets totalling £1,434 million (£1,376 million in 2021/22).

Per the CIPFA Code, each of these class of asset requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date.

Management engages its own Valuer as an expert to assist in determining the current value of land and buildings to be included in the financial statements but there remains a high degree of estimation uncertainty associated with the valuation of land and buildings and Council dwellings due to the significant judgements and number of variables involved.

over the valuation process by conducting a walkthrough test;

- obtaining an understanding of the competence, skills and experience of the Council's valuer and the instructions issued to the Council's valuer;
- substantively testing the source data provided to and used by the Council valuer; In particular, evaluating the appropriateness of data provided to the valuer by management by agreeing it to supporting evidence; and
- sample testing individual assets to ensure the basis of valuations completed in 2022 -2023 was appropriate by agreeing the details to supporting evidence.

Our observations

We have not identified any material misstatement of the Council's property, plant & equipment.

Investment Property £63m in 2022/33 (Council only)

The balance sheet includes investment properties totalling £63.3 million (£61.9 million in 2021/22).

Management engages its own Valuer as an expert to assist in determining the fair value of investment property to be included in the financial statements but there remains a high degree of estimation uncertainty associated with the valuation of land and buildings due to the significant judgements and number of variables involved.

Our audit procedures included:

- obtaining an understanding of the design and implementation of controls over the valuation process by conducting a walkthrough test;
- obtaining an understanding of the competence, skills and experience of the Council's valuer and the instructions issued to the Council's valuer;
- substantively testing the source data provided to and used by the Council valuer; In particular, evaluating the appropriateness of data provided to the valuer by management by agreeing it to supporting evidence; and
- sample testing individual assets to ensure the basis of valuations completed in 2022-2023 was

	<p>appropriate by agreeing the details to supporting evidence.</p> <p>Our observations</p> <p>We have not identified any material misstatement of the Council's investment property.</p>
<p>Net defined benefit pension liability valuation (Council and Group - £4.2m in 2022/23)</p> <p>The gross assets and liabilities of the defined pension scheme represent material elements of the Council's and its Group's balance sheet. The Council and its subsidiary companies are employers in the East Riding Pension Fund, which had its last triennial valuation completed as at 31 March 2022. 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 and Group's overall valuations. There are financial and demographic assumptions used in the calculation of the valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's and the Group'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.</p> <p>There is a risk that the assumptions and methodology used in valuing the pension obligations are not reasonable or appropriate to the Council's and the Group's circumstances. This could have a material impact on the Council's and Group's net pension asset/ liability in 2022/23.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • obtaining an understanding of the design and implementation of controls for making estimates in relation to pension entries within the financial statements by conducting a walkthrough test; • obtaining an understanding of the competency, objectivity and independence of the actuary; • we liaised with the auditors of the East Riding Pension Fund to gain an understanding of the processes in place for submission of data to the actuary; • we reviewed a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets, and evaluated the outcome of their work by considering the Council's share of Pension Fund assets; • reviewed the appropriateness of the Gross Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included in the valuation; • we challenged the reasonableness of the actuary's assumptions that underpin the relevant entries made in the financial statements, through the use of an expert commissioned by the National Audit Office; and • we agreed data in the actuary's valuation report for accounting purposes to the relevant accounting entries and disclosures.

Key observations

We have not identified any material misstatement in the valuation of the Group's and Council's net defined benefit liability.

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

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

	Council	Group
Overall materiality	£17m	£17.5m
Basis for determining materiality	Materiality has been determined as 2% of gross expenditure at the surplus/deficit on provision of services level.	
Rationale for benchmark applied	Gross expenditure at the surplus/deficit on provision of services level was chosen as the appropriate benchmark as this is a key measure of financial performance for the Council and Group, and for users of the financial statements.	
Performance materiality	£13.6m	£14m
Reporting threshold	£0.510m	£0.525m

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

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

Our group audit scope included an audit of the Group and the Council's financial statements. 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. Based on our risk assessment:

- full scope audit procedures were carried out on the Council which represents (98.8%) of the Group's total assets, (99.8%) of the Group's total liabilities, (97.7%) of the Group's income and (98.2%) of the Group's expenditure.
- Analytical procedures were performed on Hull Culture and Leisure Ltd and Kingstown 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.

Other information

The other information comprises the Annual Governance Statement information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Finance and Transformation (Section 151 Officer) is responsible for the other information. 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 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Director of Finance and Transformation (Section 151 Officer) is also responsible for such internal control as the Director of Finance and Transformation (Section 151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and Transformation (Section 151 Officer) is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Finance and Transformation (Section 151 Officer) is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and

regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, the Local Government and Housing Act 1989 and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- gaining an understanding of the legal and regulatory framework applicable to the Group and the Council, the environment in which they operate, and the structure of the Group, and considering the risk of acts by the group and the Council which were contrary to the applicable laws and regulations, including fraud;
- inquiring with management and the Audit Committee, as to whether the Council is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit;
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud;
- reviewing minutes of board meetings in the year; and
- discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

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

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

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

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

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

We are also required to conclude on whether the Director of Finance and Transformation (Section 151 Officer) use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our

work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

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

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

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in January 2023, we have identified the following significant weakness in the Council's arrangements for the year ended 31 March 2023.

In July 2022 we identified a significant weakness in relation to financial sustainability for the 2020/2021 year. In our view this significant weakness remains for the year ended 31 March 2023:

Significant weakness in arrangements – issued in a previous year	Recommendation
<p>The Council is continuing to operate with a significant underlying deficit in its Medium Term Financial Plan. The Council has adopted a combination of savings plans and short-term measures to address the deficit while trying to deal with significant spending pressures in adults' and children's social care.</p> <p>Although a series of planned savings and efficiencies have been built into the budget to address the deficit, short-term and one-off measures play a significant part in balancing the budgets in future.</p> <p>The matters identified are relevant to the financial year ending 31 March 2023 and, in our view, indicate a significant weakness in the Council's arrangements for financial sustainability (how the Council plans to bridge its funding gaps and identifies achievable savings).</p>	<p>The Council needs to develop sustainable financial plans to ensure services can be provided within available resources and should:</p> <ul style="list-style-type: none">• undertake a baseline assessment of the affordability of services in their current form;• develop a detailed plan to address the deficit; and• ensure sufficient information is provided to Members so they can monitor the delivery of planned savings.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any further matters which we are required to report by exception.

Responsibilities of the Accounting Officer

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Council's 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, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

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

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

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

We have nothing to report in these respects.

Other matters which we are required to address

We were appointed as the Council's auditor by Public Sector Audit Appointments Ltd, in its role as appointing person under the Local Audit (Appointing Person) Regulations 2015, on 14 December 2017. The period of total uninterrupted engagement, including previous renewals and reappointments of the firm, is 11 years covering the audit of the financial years ending 31 March 2013 to 31 March 2023.

The non-audit Services prohibited by the FRC's Ethical Standard were not provided to the Council or its Group and we remain independent of the Council and its Group in conducting our audit. In addition to the audit, we provided the following services to the Council during the period 1 April 2021 to 31 March 2022, that have not been disclosed separately in the Statement of Accounts:

- assurance services on the Teachers' Pension return for 2021/22;
- assurance services on the Housing Benefit Subsidy return for 2021/22; and
- assurance services on the Pooling of Housing Capital Receipts return for 2021/22.

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

Use of the audit report

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

responsibility to anyone other than the Members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

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 satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023; and
- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack for the year ended 31 March 2023.


Mark Kirkham (Jul 1, 2024 13:45 GMT+1)

Mark Kirkham, Partner
For and on behalf of Forvis Mazars LLP

5th Floor
3 Wellington Place
Leeds
LS1 4AP

1 July 2024

	Page
Introductory Statements	
Narrative Report by the Director of Finance and Transformation (Section 151 Officer)	2
Statement of Responsibilities	15
Financial Statements and Notes	
Movement in Reserves Statement	16
Comprehensive Income and Expenditure Statement	18
Balance Sheet	19
Cash Flow Statement	20
Notes to the Main Financial Statements	21
Other Financial Statements and Explanatory Notes	
Housing Revenue Account and Explanatory Notes	110
Collection Fund and Explanatory Notes	116
Group Accounts	119
Additional Information	
Glossary of Terms	134
Feedback Form	137

NARRATIVE REPORT

1. *Introduction*

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 266,500 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 a major national centre for the offshore renewables sector. The sustained redevelopment programme undertaken by Associated British Ports has made Hull one of the best-equipped freight and passenger centres in the UK, with additional capacity for growth. The M62, stretching across Britain, links Hull to Liverpool (via Leeds and Manchester) and intersects with the north-south A1/M1 (London to Edinburgh) route.

Hull Key Facts

- Hull is home to 266,500 people (2021) with a travel to work population of 520,500 (2020). The latest midyear population estimate is based on the recent 2021 Census and is significantly higher than the previous midyear estimate (2020) which estimated Hull's population at 259,100 (7,400 lower). This suggests that the pre-2021 Census mid-year estimates have significantly undercounted Hull's population. This undercount has largely occurred in the working age population; with approximately 6,000 fewer 15- to 64-year-olds counted in the 2020 mid-year estimate compared to the 2021 census.
- There are currently 123,600 residential properties in Hull. This number has grown by an average of over 820 properties in each year over the last five years; with continued large-scale house building and city centre conversions / developments (2022).
- The local economy is worth £5,983m (2021); an decrease of £81m (1.3%) compared to the previous year. GVA per head of population is now estimated at £22,452, which is below both the regional figure of £24,330 and the national figure of £31,138 (2021).
- In 2022, 6,600 residents are classed as unemployed (5.0%); which is a similar number / rate to the previous year (4.9%) but low compared to preceding years. However, the number of Hull residents in Hull who are in employment (125,000; 70.3%) is at one of the lowest levels in four years; the result of current economic inactivity (42,800; 25.2%) being at the highest level in six years.
- The DWP unemployment benefit claimant count provides a more up to date picture of unemployment in Hull and recovery from the COVID-19 pandemic in the city. As of April 2023 there are 10,260 residents of Hull claiming unemployment benefit (6.0%); this is a 7% decrease from April of the previous year, but figures remain 4% higher than in March 2020 immediately prior to the start of the COVID-19 pandemic.
- There are 137,000 jobs based in Hull (2021) – a decrease from the preceding years and the lowest number since 2016. Most of the jobs in Hull are based in manufacturing (17.1%), human health and social work (15.4%), wholesale and retail trade (13.8%) and administrative and support service activities (11.4%).
- In 2022, Hull is home to just over 8,900 local businesses – the third consecutive year of increases - and the highest number on recent record. Whilst most of these businesses are micro, employing 0 – 9 people (77.4%); Hull has a higher proportion of medium and large sized businesses compared to regionally and nationally.
- Median resident full time weekly wages in Hull are currently £537.50 (2022). This is £108 below the England average. Over the last year weekly wages in Hull rose £19.80 (3.8%), to their highest level on record, but this growth was notably below both regional (4.7%) and national (5.3%) wage growth.

- Hull is ranked as the 4th most deprived local authority in England (2019). 45% of LSOA in Hull are amongst the 10% most deprived nationally, 22.7% of households experience income deprivation and 16.6% of households experience employment deprivation.
- Nearly 15,000 (28.2%) of all children under 16 in Hull are estimated to live in low-income families (2022); a small decrease from 33.4% the previous year. Over 25,200 households (20.8%) experience fuel poverty in 2020 – compared to 19.6% the previous year.
- Life expectancy at birth is approximately 3 years below the national average (2018-20). Life expectancy for both males and females has fallen in each of the last two years and is currently at one of the lowest levels in almost 10 years. Healthy life expectancy is significantly below both the national average and life expectancy at birth, suggesting residents of Hull experience an average of over 22 years of ill health.
- The GCSE average Attainment 8 score (2021/22) in Hull is 44.3; below the regional figure of 46.9 and the national figure of 48.9, and an increase from 47.5 the previous year. 42.0% of students in Hull achieved grades 5 or above in English and Maths (compared to 50.0% nationally) and 69.8% achieved grades 4 or above (compared to 69.0% nationally). Both are a decrease from the previous year.
- As at 31 March 2022 the rate of Children in Need in Hull (658.3 per 10,000 children) was almost double the national rate (334.3 per 10,000 children), but a similar rate to the previous year (655.0 per 10,000 children). Likewise, the rate of Looked After Children (150 per 10,000 children) was over twice the national rate (70 per 10,000 children), but in this case a more notable decrease from the previous year (164 per 10,000 children).
- Current estimates suggest that there are approximately 51,100 working age people in Hull with a disability (2022). This equates to 30.1% of working age people (compared to 23.9% nationally) and whilst this is a decrease from 33.2% the previous year, the number has increased by 14,500 (40%) over the last four years.
- Crime in FY2022/23 was 4% higher compared to the previous year. However, over this period there was a 21% decrease in incidents of ASB.

Council Statistics

- Responsible for 23,300 council homes (2021/22).
- Responsible for (state funded) 117 nursery school children, 25,432 primary school children, 16,514 secondary school children, 746 special school students and 354 students in Alternative Provision (2022/23).
- 8,028 children with Special Educational Needs (2021/22).
- 4,502 children referred to children's social care services (Year to March 2022).
- Over 13,700 school children known to be eligible for free school meals (2022/23).
- Over 110,200 tonnes of household waste collected, of which 52,900 (48.0%) sent for recycling (2021/22).
- Assessed 3,530 households of which nearly 3,299 were assessed as owed a duty (1,621 prevention duty and 1,678 relief duty). 1,605 households secured accommodation for 6 months or more. (2021/22)
- 5,070 employees (4,236.79 FTE's) (workforce report - 31 March 2023).

2. **Significant Issues for 2022/23 and Beyond**

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

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

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

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

3. **City Plan and Corporate Plan**

The City Plan was launched in June 2013 and updated in 2019, set 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 was 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 grasped the '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 set out a clear and long term vision and for the city to create thousands of jobs and create a strong and sustainable economic future.

The City Plan's main themes were:

Delivering Economic Growth

- **Energy City** – creating a hub for new and emerging industries focusing on renewable energy and the transition to a low carbon economy.
- **Destination Hull** – creating a sustainable thriving visitor economy, building on its rich heritage, culture and diversity, and embracing the future and the opportunities.
- **Delivering Fair Growth** – delivering inclusive growth to ensure all residents benefit from economic growth.

In support of this Council's own Corporate Plan was approved by Council on 17 January 2019 setting out the direction for the Council. Both of these plans will be reviewed during 2023/24 to reflect the changing issues and opportunities facing Hull over the next ten to twenty years.

The Corporate Plan may be summarised as follows:

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

City Plan Performance: 2022-2023

	Population	Period	No	%	England	Previous	Direction
	Total Population ¹	Mid 2021	266,463	-	-	259,126	▲
	Working Age (16 – 64) ¹	Mid 2021	172,422	64.7%	63.0%	64.6%	—
	Median Age ¹	Mid 2021	37	-	40	36	▲
	Non UK Born Population ²	2021 Census	34,962	13.1%	17.4%	7.5%	▲
	Working Age Employment	Period	No	%	England	Previous	Direction
	In Employment	Jan 22 – Dec 22	125,000	70.3%	75.8%	71.0%	—
	Unemployment	Jan 22 – Dec 22	6,600	5.0%	3.6%	4.9%	—
	Economically Inactive Claimant Count	Jan 22 – Dec 22	42,800	25.2%	21.3%	24.5%	—
		April 2023	10,260	6.0%	3.9%	6.4%	▼
	Economy	Period	No	Rate	England	Previous	Direction
	GVA / GVA Per Head	2021	£5,983m	£22,452	£31,138	£21,526	▲
	No of Enterprises / No Per 1,000	2022	6,805	26.3	42.6	24.5	▲
	No of Local Units / No Per 1,000	2022	8,935	34.5	49.1	32.9	▲
	Jobs / Jobs Per 1000 Aged 16-64 ³	2021	137,000	0.79	0.86	138,000/0.82	▼
	Deprivation	Period	No	% / Rate	England	Previous	Direction
	Multiple Deprivation (LA Rank)	2019	4 th	-	-	3 rd	▲
	GDHI / GDHI Per Head	2020	£3,972m	£15,329	£21,962	£14,887	▲
	Resident Median FT Weekly Wages	2022	£537.50	-	£645.80	£517.70	▲
	Children in Poverty (Under 16)	2022	14,925	28.2%	20.1%	33.4%	▼
	Health	Period	No	%	England	Previous	Direction
	Male Life Expectancy	2018 – 20	75.6	-	79.4	75.8	▼
	Female Life Expectancy	2018 – 20	80.0	-	83.1	80.1	▼
	Working Age Disability	Jan 22 – Dec 22	51,100	30.1%	23.9%	31.1%	▼
	ESA Claimants	Nov 2022	10,350	6.0%	3.7%	6.7%	▼

 Crime	Period	No	Rate	England	Previous	Direction
All Offences	Yr to Mar – 23	37,828	-	-	36,355	▲
Criminal Damage and Arson	Yr to Mar – 23	4,359	-	-	4,647	▼
Violence and Sexual Offences	Yr to Mar – 23	15,424	-	-	15,902	▼
ASB	Yr to Mar – 23	4,274	-	-	5,398	▼

 Young People and Education	Period	No	% / Rate	England	Previous	Direction
Pupil achieving a 9 – 5 pass	2021/22	-	41.9%	49.8%	44.3%	▼
Pupil achieving a 9 – 4 pass	2021/22	-	59.7%	68.8%	65.8%	▼
16 – 17 Year Olds NEET (inc NK)	2021/22	343	5.6%	54.7%	5.3%	▲
Overall State Funded School Absence ³	2021/22	-	8.0%	7.6%	5.1%	▲
Looked After Children / Per 10,000 Child	As at 31 Mar 22	886	150	70	164	▼
Children in Need / Per 10,000 Child	As at 31 Mar 22	3,791	658.3	334.3	655.0	▲

 Housing	Period	No	% / Rate	England	Previous	Direction
No of House Sales	Yr to Jan – 23	3,184	-	-	3,808	▼
Average House Price (All Types)	March 2023	£134,373	-	£304,193	£129,163	▲
Average Private Rent (All Types)	Yr to Sep-22	£479	-	£946	£467	▲
Homeless and In Priority Need / Per 1,000	2021/22	199	1.75	1.76	0.01	▲
Prevention and Relief Cases / Per 1,000	2021/22	3,299	29.0	11.7	20.7	▲

¹ These figures have been updated. The latest ONS mid-year population data (mid-2021) are now compared against the last ONS mid-year population data (mid-2020).

² The latest 2021 Census population figure is compared against the last ONS population by country of birth data (2020). Note that the ONS population by country of birth data has been discontinued.

³ This figure is ONS jobs density estimate and includes employees, self-employed and government supported trainees.

4. 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 25 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 25 indicators, 15 achieved the year-end target, with 9 indicators not achieving their year-end target and 1 indicator having no data available due to the NHS retiring the monitoring of the measure.

Deliver economic growth that works for all			
Measure	Lower is Better / Higher is Better	Target	Target Achieved?
Cleanliness of the city - Percentage of streets that fall below standard for litter	Lower	6%	Yes
Percentage of Domestic Waste Recycled	Higher	50%	No
Number of in-person visits to Libraries	Higher	940,000 (10% tolerance)	No
Number of on-line visits to Libraries	Higher	149,000 (10% tolerance)	Yes
Visitor numbers to the Council's cultural facilities (Heritage, Leisure, City Hall and New Theatre)	Higher	2,160,000 (10% tolerance)	Yes
Employment infrastructure – office / industrial / warehousing jobs granted planning permission	Higher	300 pa	Yes
Enterprises receiving support through programmes including UKSPF (support to improve performance or grant support)	Higher	400 pa	No
Employment enablement – No. of jobs created / safeguarded through the conversion of New / Established Inward Investment projects	Higher	400 pa	Yes

Create Inclusive, resilient and safe communities			
Measure	Lower is Better / Higher is Better	Target	Target Achieved?
Domestic violence - repeat referrals as a percentage of referrals received	Lower	Reduction from 18% baseline (2015/16)	No
Number of Rough Sleepers	Lower	16	Yes
Speed of processing new benefit claims (days)	Lower	NC <28 days	Yes
Speed of processing change in circumstances (days)	Lower	CiC <18 days	Yes
Permanent admissions to residential and nursing care homes, per 100,000 population (ASCOF 2A Part 2 ages 65+)	Lower	989	Yes
Reducing Delayed Discharge of care: Average daily delays attributable to Adult Social Care, per 100,000 adult population	Lower	3.4	n/a
Community See and Solve: Number of long term adults (18+) with social care packages active at end of period (SALT LTS001b)	Lower	Reduction	Yes
Proportion who successfully completed alcohol treatment and did not re-present within 6 months	Higher	40.1%	No
Percentage of children who received a 2-2½ year health visitor review	Higher	95%	Yes

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

5. **Financial Outlook for Council**

As reported to Council in February 2023 as part of the General Fund Revenue Budget 2023/24 and Medium Term Financial Plan 2023/24 to 2025/26, the Local Government Settlement for 2023/24, which was issued on the 19 December 2022, provided funding allocations for one year only. Although figures have not been supplied for the following year, the government have provided the authority with information on which to plan with a reasonable level of certainty for 2024/25.

Whilst there has been an increase in Core Spending Power (CSP) for 2023/24, it is firstly important to note that this is within the context of significant inflationary costs arising during 2022/23 and the significant loss in funding over the last decade. Whilst there has been an increase in Core Spending Power, this has done little to address significant loss in funding in the ten years from 2010. The Council lost £111m in CSP between 2010 and 2020, a real terms percentage cut of 29.1%. Although significant reductions were faced across the whole local government sector, Hull and similar authorities, which have a high level of need but suffer from relatively low property values and economic growth, have continued to suffer disproportionately from the cuts in funding.

As further context it is also important to consider the inflationary pressures incurred by the Council over 2022/23 and the implications for 2023/24. Formal revenue monitoring reports during 2022/23 have highlighted significantly rising costs of energy, pay inflation, and upward pressure on other non-pay costs which have informed the budget proposals detailed in the report.

Inflation within the UK economy is predicted to fall quickly through 2023 and into 2024. However, there remains significant uncertainties, particularly with regard to the war in Ukraine and its economic impact, and the on-going strikes in the public and private sectors. Contingencies have been included within next year's budget to mitigate the associated risks. The largest expected increase in costs is associated with meeting the increased costs of the providers of adult care which will be finalised in the coming months and for which the Government have provided earmarked grant support.

The inflationary cost increases faced by the Council exceed the value of the additional funding available to the Council. As a result, additional savings measures are required in 2023/24 and future years to balance the budget and protect the Council's financial stability.

The Budget and MTFP approved by Council in February 2023 provided for a balanced budget in 2023/24 but highlighted a small predicted deficit in 2024/25 of £3m. The immediate priority is to balance next year's budget and to provide a stable financial footing from which to continue to provide critical services and support the ongoing pandemic recovery process.

Although the Council can enter 2023/24 in a financially stable position, it is important to note that the future year projections, as has been the case in recent years, continue to indicate potentially significant deficits. The funding position is very uncertain but the Government have indicated that they recognise the importance of multi-year settlements in providing the stability Councils require to enable robust service and financial planning and it must be hoped that after the next general election such changes are made in the funding system.

The challenge of delivering reductions in the cost base over the medium term, in the face of post pandemic demand increases, is shared by many other councils, and has been further exacerbated by the inflationary pressures within the economy driven primarily by the war in Ukraine. These issues have created both service pressure and increased uncertainty undermining both the stability of the Council and that of the City and its residents.

6. **Revenue Outturn 2022/23**

With regard to the 2022/23 Outturn as noted in the table below, the Council, at an overall Council level, incurred an overspend of £4.155m against budget.

The Service Directorate positions have outturned in excess of the original budget but partly mitigated by savings on corporate budgets, use of contingencies, the application of capital receipts to fund transformational expenditure and improved Business Rates income. This represented an overall improvement compared to the position previously reported. The majority of the Directorates delivered a better than expected position although Adult and Children's services had seen an

adverse movement, primarily due to significant pressures in staffing agency costs, and general inflation costs, which have continued to rise since the last formal budget monitoring report.

Although the General Fund provisional outturn position represented an overall improvement compared to the position previously reported, the use of reserves was still required. Inflationary and other pressures will impact on both the 2023/24 and 2024/25 budgets. 2023/24 and future year projections will be informed by the first round of monitoring and the updated positions will be considered by Cabinet in July 2023.

Reported Revenue Outturn	Budget	Actual	Variations
	£'000	£'000	£'000
Net position - Services	272,883	290,307	17,424
Net position - Corporate Accounts including Receipts from Council Tax, Business Rates, Revenue Grant	(272,883)	(286,152)	(13,269)
	-	4,155	4,155

The level of general reserves at 31 March 2023 have remained in line with the previous year and stand at £20.968m.

7. **Government Financial Support**

In 2020/21 and 2021/22 the Council received a range of government grants to either fund the authorities own COVID-19 related expenditure and lost income, or to passport on to provide financial assistance to local businesses and individuals during the pandemic. The financial impact of these grants is included within the outturn and Statement of Accounts for 2020/21 and 2021/22 financial years. These grants have now been fully utilised or repaid back to the Government as required.

In 2022/23 the Council received further grant funding to passport to residents to support the cost of living crisis. This included administering £17.594m of £150 mandatory Council Tax Energy Rebates to households and £0.769m of discretionary awards. The table below demonstrates the position. It is important to note that all eligible households received the funds due.

Grants	Total Grant Allocation	The Council acting as Agent	The Council acting as Principal	Expenditure	Grant Remaining as at 31 March 2023
	£'000	£'000	£'000	£'000	£'000
Council Tax Energy Rebate Scheme - mandatory	17,594	7,594	-	16,983	611
Council Tax Energy Rebate Scheme - discretionary	769	-	769	772	(3)
Total	18,363	7,594	769	17,755	608

8. **Capital Programme**

Expenditure by the Council in 2022/23 was £144m 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 2022/23 were:

- Investment in Schools (£20m)
- ICT (£5m)
- Property Maintenance, Improvements and Service Transformation (£23m)
- Works to Housing Stock (£39m)
- Private Housing (£4m)
- Transport Projects (£20m)
- Major Projects and Regeneration (£29m)

9. **Housing**

The Government's rent policy allows increases of CPI+1% up to 2024/25. From 2025/26 onwards the Government have yet to announce their rent policy and anything lower than existing levels will potentially cause issues. Rents rises capped at 7% in 2023/24 with inflation running a lot higher means the need for additional savings. With energy prices increasing significantly the Council are unable to pass on the full costs of increases through service charges.

The Social Housing (Regulation) Bill was introduced by Parliament earlier this year. The Bill aims to deliver the proposals set out in the Social Housing White Paper by introducing a number of measures to give tenants greater powers, improve access to swift and fair redress, and enhance the powers of the Regulator of Social Housing. The core objectives are:

- To introduce a new, proactive consumer regulation regime,
- To refine the existing economic regulatory regime,
- To strengthen the Regulator of Social Housing (RSH) in enforcing the consumer and economic standards.

All social landlords will be required to ensure that their staff meet competency standards and the Regulator is to publish a plan for regular inspections (commencing no later than 2024) of largest landlords which will take place over a four year cycle and will apply to landlords with over 1000 homes.

It also includes the requirement to appoint a named person to lead on health & safety requirements which underpins the Building Safety Legislation. Moreover, the RSH is now empowered to serve a Performance Improvement Plan (PIP) on a Registered Provider where it has failed to meet a standard and/or it's tenants are at risk. The only route of appeal against a PIP is via the High Court. The RSH will also have the powers to enter any premises at any reasonable time to carry out a survey and if there are serious concerns can intervene and carry out remedial works with the landlord being billed where there is "an imminent risk of serious harm to the health or safety of the occupants".

Post Grenfell, there have been significant changes in Building Safety legislation. These place additional burdens on the Authority around maintaining and sharing information with Humberside Fire & Rescue Service about high rise buildings, in addition to registering properties with the Building Safety Regulator and producing safety cases for all such buildings.

The Council has seen significant increases in disrepair claims over the last few years. Following a death in Rochdale due to prolonged exposure to mould, after repeated complaints from his family to the housing association, Rochdale Boroughwide Housing (RBH), which owned the flat the issue of Damp & Mould has become a matter of national housing priority.

A damp and mould action plan is being produced based on the spotlight approach taken by the Regulator and Housing Ombudsman. Where appropriate this will include, inter alia,

- Surveying properties where damp and mould issues are suspected either because of reporting or repeated occurrences.
- Ensuring we capture through our data indications that damp and mould may be an issue.
- Promptly dealing with properties where issues are discovered.

10. **Statement of Accounts**

The following pages detail the Statement of Accounts for Kingston upon Hull City Council for the financial year ended 31 March 2023. 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 2022. It shows a summary of non-current assets held, the current assets employed, the balances and reserves available to the Council and the Council's long term indebtedness.

(iv) Cash Flow Statement

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

(v) The Housing Revenue Account Income and Expenditure Statement

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

(vi) The Collection Fund

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

11. Housing Revenue Account (HRA)

The Council is required to keep a separate account in respect of Council Housing. The HRA will show major elements of expenditure (maintenance, management and capital financing) and income (rents and charges). The balance at 31 March 2023, on the Housing Revenue Account is £74.912m though most of this is earmarked for future costs arising from the Modern Homes Programme.

12. Balance Sheet

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

	2022/23 £'000	2021/22 £'000	Explanation
Property, Plant and Equipment	1,645,818	1,594,177	Increase reflects asset revaluation uplifts based partly on BCIS All In Tender Price Index rates as published by RICS

Short Term Investments	-	98,519	Reflects the overall reduction of cash balances to avoid further long term borrowing in light of rising interest rates.
Short term borrowing	(116,563)	(149,197)	Decreases in the short term borrowing balances reflect the reduction of the short term loan book following longer term borrowing taken in previous years. The Council will continue with the temporary borrowing policy which seeks to minimise interest costs.
Short Term Creditors	(80,210)	(102,031)	Previous year's figures were inflated due to the significant value of Grant Income received in advance relating to Council Tax Rebate, and also Business Rates relief creditors in line with NNDR3.
Other long term liabilities	(4,355)	(395,453)	Pension fund investment returns greater than expected has resulted in a positive return on assets. An increase in the net discount rate has resulted in a reduction in pension obligations. A positive assets position along with reduced pension obligations has resulted in the movement from a pension liability to a pension asset. However, as detailed in note 47, the pension asset has been reduced by the Asset Ceiling Adjustment.
Unusable Reserves	(744,388)	(323,911)	Reflects the significant change in Pensions Reserve due to movements as described above.

13. **Group Accounts**

The Council's 2022/23 Accounts are very similar in presentation to last years with no significant change in accounting regulations impacting this year.

14. **Humber Bridge Debt**

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

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

STATEMENT OF RESPONSIBILITIES

1. *The Council's Responsibilities*

The City Council is required:

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

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

- 2.1. The Director of Finance and Transformation (Section 151 Officer) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the update to the Code and specifications for future Codes for Infrastructure Assets published November 2022.
- 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 2023 and the income and expenditure for the year ended 31 March 2023.

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 28th June 2024 in accordance with the Accounts and Audit (England) Regulations 2015.

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

MOVEMENT IN RESERVES STATEMENT

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

2022/23	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 2022		20,968	47,747	14,594	3,500	26,068	33,367	12,060	158,304	323,911	482,215
Surplus/(deficit) on provision of Services (accounting basis)		(92,342)	-	-	19,589	-	-	-	(72,753)	-	(72,753)
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	510,811	510,811
Total Comprehensive Expenditure and Income		(92,342)	-	-	19,589	-	-	-	(72,753)	510,811	438,058
Adjustments between accounting basis and funding basis under regulations	9	70,273	-	-	(18,560)	29,721	3,133	5,767	90,334	(90,334)	-
Net increase / (decrease) before transfers to Earmarked Reserves		(22,069)	-	-	1,029	29,721	3,133	5,767	17,581	420,477	438,058
Transfers to / (from) Earmarked Reserves	10	22,069	(22,069)	779	(779)	-	-	-	-	-	-
Increase / (Decrease) in Year		-	(22,069)	779	250	29,721	3,133	5,767	17,581	420,477	438,058
Balance at 31 March 2023		20,968	25,678	15,373	3,750	55,789	36,500	17,827	175,885	744,388	920,273

Kingston upon Hull City Council Statement of Accounts 2022/23

2021/22	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 2021		20,968	47,497	16,049	3,500	-	31,116	11,666	130,796	52,492	183,288
Surplus/(deficit) on provision of Services (accounting basis)		(75,207)	-	-	35,449	-	-	-	(39,758)	-	(39,758)
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	338,685	338,685
Total Comprehensive Expenditure and Income		(75,207)	-	-	35,449	-	-	-	(39,758)	338,685	298,927
Adjustments between accounting basis and funding basis under regulations	9	75,457	-	-	(36,904)	26,068	2,251	394	67,266	(67,266)	-
Net increase / (decrease) before transfers to Earmarked Reserves		250	-	-	(1,455)	26,068	2,251	394	27,508	271,419	298,927
Transfers to / (from) Earmarked Reserves	10	(250)	250	(1,455)	1,455	-	-	-	-	-	-
Increase / (Decrease) in Year		-	250	(1,455)	-	26,068	2,251	394	27,508	271,419	298,927
Balance at 31 March 2022		20,968	47,747	14,594	3,500	26,068	33,367	12,060	158,304	323,911	482,215

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.

2021/22			Note	2022/23		
Gross Expenditure	Income	Net Expenditure		Gross Expenditure	Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
173,903	(126,713)	47,190	Public Health and Adults	178,608	(125,152)	53,456
144,431	(64,155)	80,276	Regeneration	159,742	(66,187)	93,555
174,026	(117,490)	56,536	City Services and Resources	178,825	(117,503)	61,322
129,216	(20,856)	108,360	Children's Services	128,436	(20,386)	108,050
74,676	(74,724)	(48)	School Services	67,514	(68,477)	(963)
54,536	(96,044)	(41,508)	Local Authority Housing (HRA)	72,974	(99,430)	(26,456)
19,367	(342)	19,025	Corporate Costs	17,656	(1,020)	16,636
770,155	(500,324)	269,831	Cost of Services	803,755	(498,155)	305,600
	5,652		11 Other Operating Income and Expenditure			25,532
	34,498		12 Financing and Investment Income and Expenditure			33,141
	(270,223)		13 Taxation and Non-Specific Grant Income			(291,520)
	39,758		(Surplus) / Deficit on Provision of Services			72,753
	(54,379)		(Surplus) / deficit on revaluation of non-current assets			(74,819)
	14,023		Impairment losses on non-current assets charged to the revaluation reserve			14,604
	(298,329)		47 Remeasurements of the net defined benefit liability			(537,115)
	-		47 Asset Ceiling Adjustment			86,519
	(338,685)		Other Comprehensive Income and Expenditure			(510,811)
	(298,927)		TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			(438,058)

THE BALANCE SHEET

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

<u>At 31 March 2022</u> £'000		<u>Note</u>	<u>At 31 March 2023</u> £'000
1,594,177	Property, Plant and Equipment	14	1,645,818
5,530	Heritage Assets	15	5,834
61,941	Investment Property	16	63,317
10,479	Intangible Assets	17	11,055
10	Long Term Investments	18	10
14,262	Long Term Debtors	18	14,143
1,686,399	Long Term Assets		1,740,177
98,519	Short Term Investments	18	-
401	Inventories	19	457
56,342	Short Term Debtors	21	74,348
49,503	Cash and Cash Equivalents	18/22	46,613
-	Assets Held for Sale	23	-
204,765	Current Assets		121,418
(149,197)	Short Term Borrowing	18	(116,563)
(102,031)	Short Term Creditors	24	(80,210)
(1,428)	Provision for accumulated absences	27g	(1,732)
(1,184)	Capital Grants Receipts in Advance	39	(381)
(6,653)	PFI Finance Lease - Liability	18/43	(6,773)
(260,493)	Current Liabilities		(205,659)
(1,271)	Long Term Creditors	18	(1,235)
(8,087)	Provisions	25	(9,220)
(597,545)	Long Term Borrowing	18	(581,551)
(395,453)	Other Long Term Liabilities	47	(4,355)
(674)	Capital Grants Receipts in Advance	39	(1,436)
(145,426)	PFI Finance Lease - Liability	18/43	(137,866)
(1,148,456)	Long Term Liabilities		(735,663)
482,215	NET ASSETS		920,273
158,304	Usable Reserves	26	175,885
323,911	Unusable Reserves	27	744,388
482,215	TOTAL RESERVES		920,273

CASH FLOW STATEMENT

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

<u>2021/22</u> £'000		<u>Note</u>	<u>2022/23</u> £'000
(39,758)	Net surplus or (deficit) on the provision of services		(72,753)
113,358	Adjustment to surplus or deficit on the provision of services for non-cash movements	28	218,999
(117,151)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(223,730)
(43,551)	Net Cash flows from Operating Activities		(77,484)
(128,248)	Net cash flows from Investing Activities	29	82,155
178,853	Net cash flows from Financing Activities	30	(7,561)
7,054	Net increase or (decrease) in cash and cash equivalents		(2,890)
42,449	Cash and cash equivalents at the beginning of the reporting period		49,503
49,503	Cash and cash equivalents at the end of the reporting period	22	46,613

NOTES TO THE MAIN FINANCIAL STATEMENTS

1. **Accounting Policies**

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The authority is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets.

Going Concern - The accounts have been prepared on the basis that the Council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

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

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. There is a de-minimus for these adjustments of £10k. Examples include;

- 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 in financing and investment income and expenditure 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.

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

vii. Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

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

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

viii. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie 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 (for NDR) 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 (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

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

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

ix. Employee Benefits**Benefits Payable during Employment**

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the authority 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 pensions 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 Corporate Costs
 - net interest on the net defined benefit liability (asset), i.e. Net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments
 - Re-measurements comprising:
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve as Other Comprehensive Income and Expenditure
 - Contributions paid to the East Riding Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

x. Events after the Balance Sheet Date

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

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

xi. Financial Instruments**Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

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

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

If the Council makes a loan to a voluntary organisation at less than market rates, this is known as a soft loan. When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

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

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. 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.

xiii. Community Infrastructure Levy

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

The CIL is received without outstanding conditions, it is therefore recognised at the commencement date of the chargeable development in the comprehensive income and expenditure statement in accordance with the accounting policy for government grants and conditions. CIL charges will be largely used to fund capital expenditure, however, a proportion of the charges may be used to fund revenue expenditure.

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 xxix Fair Value Measurement). A de minimis level for recognition has been set at £10,000.

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

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

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).

Property, plant and equipment recognised under finance leases is 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 (where ownership of the asset does not transfer to the authority at the end of the lease period).

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

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 xxix Fair Value Measurement)
- all other assets – current value, determined as the amount that would be paid for the asset in existing use (existing use value – EUV)

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

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

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

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

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 2023) that schools have converted to academy status within the first month in the following year, depreciation is accelerated to account for the shorter economic life of the asset while under control of the Local Authority.

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

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

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

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

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

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

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

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

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

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 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. Fair Value Measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

- Level 1 – Valuation using quoted market prices

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

- Level 2 – Valuation technique using observable inputs

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

- Level 3 – Valuation technique using significant unobservable inputs

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

xxviii. Borrowing Costs

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

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

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

The Council will cease capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. This is a change in Accounting Policy as previously all borrowing costs were expensed and disclosed within interest payable.

xxix. Schools

The Code confirms that the balances of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

2. Accounting Standards issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2022/23 Code.

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

Accounting changes that are introduced by the 2023/24 code are:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2023/24 year),
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021,
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021,
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021,
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020,
- Annual Improvements to IFRS Standards 2018-2020, issued in May 2020. The annual IFRS improvement programme notes four changed standards:
 - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS,
 - IAS 37 (Onerous contracts) – clarifies the intention of the standard,
 - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material,
 - IAS 41 (Agriculture) – one of a small number of IFRS's that are only expected to apply to local authorities in limited circumstances.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS16) issued in May 2020.

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

In addition to the above, the Council has chosen not to adopt IFRS 16 (Leases) in 2023/24 but will be effective from 1 April 2024.

3. **Critical Judgements in applying Accounting Policies**

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

The Council completed an exercise to establish whether the production of Group Accounts is required. (See Accounting Policy 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 Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings (excluding Council dwellings) would increase by £0.434m for every year that useful lives had to be reduced.</p>
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £23m. Further sensitive changes are reported in Note 47 Defined Benefit Pension Schemes under 'Basis for Estimating Assets and Liabilities'.

5. *Exceptional and Material Items of Income and Expense*

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

6. *Events after the Balance Sheet Date*

Adjusting Events

There are no adjusting events after the Balance Sheet date.

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.

2021/22			2022/23		
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
38,980	8,210	47,190	49,531	3,925	53,456
37,417	42,859	80,276	37,043	56,512	93,555
30,669	25,867	56,536	43,729	17,593	61,322
78,155	30,205	108,360	81,243	26,807	108,050
673	(721)	(48)	(403)	(560)	(963)
(1,454)	(40,054)	(41,508)	779	(27,235)	(26,456)
14,501	4,524	19,025	13,548	3,088	16,636
198,941	70,890	269,831	225,470	80,130	305,600
(197,736)	(32,337)	(230,073)	(204,430)	(28,417)	(232,847)
1,205	38,553	39,758	21,040	51,713	72,753
88,014			86,809		
(1,205)			(21,040)		
86,809			65,769		

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 2022/23**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Public Health and Adults	2,663	1,262	-	3,925
Regeneration	51,309	5,203	-	56,512
City Services and Resources	13,497	4,096	-	17,593
Children's Services	20,189	6,618	-	26,807
School Services	(640)	-	80	(560)
Local Authority Housing (HRA)	(31,443)	4,208	-	(27,235)
Corporate Costs	-	2,863	225	3,088
Cost of Services	55,575	24,250	305	80,130
Other income and expenditure from the Expenditure and Funding Analysis	(32,203)	11,360	(7,574)	(28,417)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	23,372	35,610	(7,269)	51,713

Adjustments between Funding and Accounting Basis 2021/22

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	6,950	1,260	-	8,210
Regeneration	37,395	5,464	-	42,859
City Services and Resources	22,332	3,535	-	25,867
Children's Services	23,545	6,660	-	30,205
School Services	(4,387)	-	3,666	(721)
Local Authority Housing (HRA)	(44,591)	4,537	-	(40,054)
Corporate Costs	-	4,707	(183)	4,524
Cost of Services	41,244	26,163	3,483	70,890
Other income and expenditure from the Expenditure and Funding Analysis	(32,190)	13,661	(13,808)	(32,337)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	9,054	39,824	(10,325)	38,553

8. Expenditure and Income Analysed by Nature

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

<u>2021/22</u> £'000	Expenditure / Income	<u>2022/23</u> £'000
	Expenditure	
170,409	Employee benefits expenses	185,624
517,405	Other services expenses	531,355
71,356	Depreciation, amortisation, impairment	81,522
39,533	Interest payments	38,115
409	Precepts and levies	424
1,560	Payments to Housing Capital Receipts Pool	-
3,981	(Gain) / loss on the disposal of assets	25,388
804,653	Total Expenditure	862,428
	Income	
(251,806)	Fees, charges and other service income	(277,158)
(1,061)	Interest and investment income	(2,106)
(143,012)	Income from council tax, non-domestic rates, district rate income	(158,451)
(369,014)	Grants and contributions	(351,960)
(764,893)	Total Income	(789,675)
39,760	Surplus or Deficit on the Provision of Services	72,753

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.

2022/23

	Usable Reserves							Movement in Unusable Reserves
	General Fund Balance	Earmarked GF Reserves	Earmarked HRA Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grant Unapplied Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account								
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement								
Charges for depreciation and impairment of non-current assets	28,148	-	-	50,430	-	-	-	(78,578)
Revaluation losses on Property, Plant and Equipment	43,750	-	-	(32,484)	-	-	-	(11,266)
Movements in the fair value of investment properties	(2,466)	-	-	-	-	-	-	2,466
Amortisation of intangible assets	2,944	-	-	-	-	-	-	(2,944)
Capital grants and contributions applied	(49,027)	-	-	(920)	-	-	-	49,947
Income in relation to donated assets	-	-	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	20,453	-	-	-	-	-	-	(20,453)
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	31,654	-	-	7,717	-	-	-	(39,371)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	(10,962)	-	-	(8,901)	-	-	-	19,863
Capital expenditure charged against the General fund and HRA balances	(553)	-	-	-	-	-	-	553
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)	(12,583)	-	-	-	-	-	12,583	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	(6,816)	6,816
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	(5,093)	-	-	(8,889)	-	13,982	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	-	-	-	(10,849)	-	10,849
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	-	-	-	-	-	-	-	-
Transfer from deferred capital receipts reserve upon receipt of cash	-	-	-	-	-	-	-	-
<i>Totals carried forward</i>	46,265	-	-	6,953	-	3,133	5,767	(62,118)

2022/23

	Usable Reserves							Capital Grant Unapplied Reserve	Movement in Unusable Reserves
	General Fund Balance	Earmarked GF Reserves	Earmarked HRA Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<i>Totals brought forward</i>	46,265	-	-	6,953	-	3,133	5,767	(62,118)	
Adjustments primarily involving the Deferred Capital Receipts Reserve									
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-	
Adjustments primarily involving the Major Repairs Reserve									
Credit MRR with sum equal to HRA Depreciation	-	-	-	(11,474)	11,474	-	-	-	
Contribution of HRA resources to finance capital expenditure	-	-	-	(18,247)	18,247	-	-	-	
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	-	-	-	
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	(122)	-	-	-	-	-	-	122	
Adjustments primarily involving the Pension Reserve									
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	60,963	-	-	6,705	-	-	-	(67,668)	
Employers pensions contributions and direct payments to pensioners payable in the year	(29,562)	-	-	(2,497)	-	-	-	32,059	
Adjustments primarily involving the Collection Fund Adjustment Account									
Amount by which Council Tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and non-domestic rate income calculated for the year in accordance with statutory requirements	(7,575)	-	-	-	-	-	-	7,575	
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	304	-	-	-	-	-	-	(304)	
Employee benefits recognised	-	-	-	-	-	-	-	-	
Adjustments primarily involving the Dedicated Schools Grant Adjustment Account									
Transfer of deficit in respect on schools budget	-	-	-	-	-	-	-	-	
Total Adjustments	70,273	-	-	(18,560)	29,721	3,133	5,767	(90,334)	

2021/22

	Usable Reserves							Capital Grant Unapplied Reserve	Movement in Unusable Reserves
	General Fund Balance	Earmarked GF Reserves	Earmarked HRA Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
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	26,270	-	-	42,532	-	-	-	(68,802)	
Revaluation losses on Property, Plant and Equipment	27,503	-	-	(40,412)	-	-	-	12,909	
Movements in the fair value of investment properties	(2,501)	-	-	(165)	-	-	-	2,666	
Amortisation of intangible assets	2,554	-	-	-	-	-	-	(2,554)	
Capital grants and contributions applied	(33,276)	-	-	(2,847)	-	-	-	36,123	
Income in relation to donated assets	-	-	-	-	-	-	-	-	
Revenue expenditure funded from capital under statute	42,373	-	-	-	-	-	-	(42,373)	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	8,782	-	-	7,192	-	-	-	(15,974)	
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement									
Statutory provision for the financing of capital investment	(9,927)	-	-	(13,040)	-	-	-	22,967	
Capital expenditure charged against the General fund and HRA balances	(545)	-	-	-	-	-	-	545	
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)	(8,818)	-	-	-	-	-	8,818	-	
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	(8,424)	8,424	
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	(3,359)	-	-	(8,633)	-	11,992	-	-	
Use of the capital receipts reserve to finance new capital expenditure	-	-	-	-	-	(8,181)	-	8,181	
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	-	-	-	-	-	-	-	-	
<i>Totals carried forward</i>	50,616	-	-	(15,373)	-	2,251	394	(37,888)	

2021/22

	Usable Reserves							Capital Grant Unapplied Reserve	Movement in Unusable Reserves
	General Fund Balance	Earmarked GF Reserves	Earmarked HRA Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grant Unapplied Reserve		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<i>Totals brought forward</i>	50,616	-	-	(15,373)	-	2,251	394	(37,888)	
Adjustments primarily involving the Deferred Capital Receipts Reserve									
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-	
Adjustments primarily involving the Major Repairs Reserve									
Credit MRR with sum equal to HRA Depreciation	-	-	-	(11,684)	11,684	-	-	-	
Contribution of HRA resources to finance capital expenditure	-	-	-	(14,384)	14,384	-	-	-	
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	-	-	-	
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	(122)	-	-	-	-	-	-	122	
Adjustments primarily involving the Pension Reserve									
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	61,230	-	-	6,969	-	-	-	(68,199)	
Employers pensions contributions and direct payments to pensioners payable in the year	(25,943)	-	-	(2,432)	-	-	-	28,375	
Adjustments primarily involving the Collection Fund Adjustment Account									
Amount by which Council Tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and non-domestic rate income calculated for the year in accordance with statutory requirements	(13,807)	-	-	-	-	-	-	13,807	
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	(26)	-	-	-	-	-	-	26	
Employee benefits recognised								-	
Adjustments primarily involving the Dedicated Schools Grant Adjustment Account									
Transfer of deficit in respect on schools budget	3,509							(3,509)	
Total Adjustments	75,457	-	-	(36,904)	26,068	2,251	394	(67,266)	

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 2022/23.

	Balance at 31 March 2021	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31 March 2022	Transfers Out 2022/23	Transfers In 2022/23	Balance at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves							
General Fund:							
Business Rate Reserve	21,150	(20,900)	11,714	11,964	(8,500)	387	3,851
Insurance Reserve	2,976	(391)	-	2,585	(499)	-	2,086
Litigation Reserve	1,849	-	-	1,849	-	-	1,849
Flood Defence	444	-	137	581	(250)	-	331
Miscellaneous:							
Regeneration Reserve	40	-	-	40	-	-	40
Other	142	-	477	619	(367)	112	364
Capital Funding:							
Capital Financing Reserve	11,113	-	-	11,113	(4,116)	-	6,997
Schools Reserves:							
Schools Financial Reserve	(186)	(102)	3,509	3,221	(1,541)	-	1,680
DSG Reserve	-	-	-	-	-	1,352	1,352
Total Earmarked Reserves	37,528	(21,393)	15,837	31,972	(15,273)	1,851	18,550
Carry Forwards to Support Future Budgets:							
General Fund:							
Reorganisation Reserve	34	-	-	34	-	-	34
Corporate Contingency	1,120	(2,081)	961	-	-	-	-
Leaders Contingency	78	(26)	-	52	(47)	78	83
Brexit	638	(5)	-	633	(603)	-	30
Tax Income Guarantee Scheme	1,581	(1,581)	-	-	-	-	-
GF Balance	469	(624)	415	260	(100)	-	160
Service Carry Forwards	2,014	(1,341)	3,586	4,259	(3,280)	2,805	3,784
Apprentice Levy	-	-	24	24	-	-	24
Cash Postings	-	(260)	260	-	-	-	-
Total Carry Forwards	5,934	(5,918)	5,246	5,262	(4,030)	2,883	4,115
Covid-19	4,035	-	6,478	10,513	(7,500)	-	3,013
Total General Fund Earmarked Reserves and Carry Forward Balances	47,497	(27,311)	27,561	47,747	(26,803)	4,734	25,678
HRA (see HRA note 9)	19,549	(1,455)	26,068	44,162	-	30,750	74,912

Business Rates Reserve

This reserve is primarily held to support the smoothing out of potential variations in Business Rate income and appeals.

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.

Miscellaneous Reserves

These minor reserves exist to meet various expected costs.

Capital Financing 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 to be carried forward from one financial year to the next.

Dedicated Schools Grant Reserve

This reserve holds the in-year surplus on the Dedicated Schools Grant. The cumulative deficit on the Dedicated Schools grant is held separately in the Dedicated Schools Grant Adjustment Account (an unusable reserve) in accordance with legislation. See further details in Note 27(h) Unusable Reserves.

Brexit Grant

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

Carry Forwards to support Future Budgets

The carry forwards of underspends from 2022/23 to the new financial year are to meet anticipated expenditure commitments.

COVID-19 Support Grant Reserve

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

11. Other Operating Income and Expenditure

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
409	Levies	424
1,560	Payments to the Government Housing Capital Receipts Pool	-
3,981	(Gains) / losses on the disposal of non-current assets	25,388
(298)	Other	(280)
<u>5,652</u>		<u>25,532</u>

12. Financing and Investment Income and Expenditure

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
25,872	Interest payable and similar charges	26,755
13,661	Pension interest cost and expected return on pension assets	11,360
(334)	Interest receivable and similar income	(1,756)
315	(Surplus)/Deficit from Trading Operations	525
(1,623)	Net income/expenditure from investment properties	(927)
(2,666)	Change in fair value of investment properties	(2,466)
(727)	Other investment income	(350)
<u>34,498</u>		<u>33,141</u>

13. Taxation and Non Specific Grant Income

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
(91,058)	Council Tax income	(98,759)
(51,954)	Non-Domestic Rates	(59,692)
(93,565)	Non-ringfenced Government Grants	(77,213)
(33,646)	Capital Grants and Contributions	(55,856)
<u>(270,223)</u>		<u>(291,520)</u>

14. Property, Plant and Equipment**Movements in 2022/23**

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2022	863,594	810,047	78,069	812	40,133	1,718	1,794,373	87,922
Additions	39,193	48,906	4,606	-	2,473	584	95,762	-
Donations	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	50,939	-	-	(1,360)	-	49,579	7,360
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	32,485	(6,330)	-	-	(6,556)	-	19,599	84
Derecognition - Disposals	(7,588)	(21,033)	-	-	(11,951)	-	(40,572)	-
Derecognition - Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other movements in cost or valuation	-	2,190	-	(648)	680	(1,542)	680	-
At 31 March 2023	927,684	884,719	82,675	164	23,419	760	1,919,421	95,366
Accumulated Depreciation and Impairments								
At 1 April 2022	(184,663)	(113,323)	(70,204)	-	(1,828)	(176)	(370,194)	(5,722)
Depreciation charge	(11,403)	(17,324)	(1,950)	-	-	-	(30,677)	(1,880)
Depreciation written out to the Revaluation Reserve	-	11,098	-	-	-	-	11,098	552
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	945	-	-	-	-	945	27
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	(39,030)	(26,652)	(2,248)	-	(568)	-	(68,498)	-
Derecognition - Disposals	-	1,633	-	-	131	-	1,764	-
Derecognition - Other	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2023	(235,096)	(143,623)	(74,402)	-	(2,265)	(176)	(455,562)	(7,023)
Net Book Value								
at 31 March 2023	692,588	741,096	8,273	164	21,154	584	1,463,859	88,343
at 31 March 2022	678,931	696,724	7,865	812	38,305	1,542	1,424,179	82,200

Movements in 2021/22

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2021	795,650	751,902	75,689	1,157	40,942	-	1,665,340	86,817
Additions	34,677	35,257	2,380	-	1,465	1,718	75,497	-
Donations	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	31,883	-	59	871	-	32,813	6,544
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	40,411	(1,357)	-	(1)	(3,105)	-	35,948	328
Derecognition - Disposals	(7,144)	(8,100)	-	-	(40)	-	(15,284)	(5,767)
Derecognition - Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other movements in cost or valuation	-	462	-	(403)	-	-	59	-
At 31 March 2022	863,594	810,047	78,069	812	40,133	1,718	1,794,373	87,922
Accumulated Depreciation and Impairments								
At 1 April 2021	(142,215)	(88,188)	(67,323)	-	(924)	-	(298,650)	(4,635)
Depreciation charge	(11,600)	(15,845)	(1,994)	-	-	-	(29,439)	(1,873)
Depreciation written out to the Revaluation Reserve	-	9,599	-	-	-	-	9,599	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	1,108	-	-	-	-	1,108	481
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	(30,848)	(20,351)	(887)	-	(904)	(176)	(53,166)	-
Derecognition - Disposals	-	354	-	-	-	-	354	305
Derecognition - Other	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2022	(184,663)	(113,323)	(70,204)	-	(1,828)	(176)	(370,194)	(5,722)
Net Book Value								
at 31 March 2022	678,931	696,724	7,865	812	38,305	1,542	1,424,179	82,200
at 31 March 2021	653,435	663,714	8,366	1,157	40,018	-	1,366,690	82,182

Infrastructure Assets

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

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

<u>2021/22</u> £'000		<u>2022/23</u> £'000
	Net book value (modified historical cost)	
158,028	at 1 April	169,998
20,140	Additions	20,834
-	Derecognition	-
(8,140)	Depreciation	(8,769)
(30)	Impairment	(104)
-	Other movements in cost	-
169,998	Net book value at 31 March	181,959
<u>2021/22</u> £'000		<u>2022/23</u> £'000
169,998	Infrastructure assets	181,959
1,424,179	Other PPE assets	1,463,859
1,594,177	Total PPE assets	1,645,818

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

Surplus Assets

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

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

Assets categorised as 'Surplus Assets' are measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts (Norfolk Property Services) work closely with finance officers reporting directly to the Head of Accountancy 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

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

Capital Commitments

At 31 March 2023, 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 £517m over the next three years. This was subsequently revised following the 2022/23 Capital Outturn Report approved by the Cabinet Committee in June 2023 and now stands at £556m. Similar commitments at 31 March 2022 were £525m. The major commitments are:

- Investment in Schools - £36m
- Investment in Highways - £70m
- Investment in Council Housing Stock - £220m
- Investment in Private Housing - £16m
- Investment in Museums - £19m
- Albion Square regeneration - £55m
- Queens Gardens regeneration - £13m
- Carbon Reduction Schemes - £34m

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	-	-	8,273	-	-	8,273
Valued as at:						
31 March 2023	692,588	160,204	-	-	21,154	873,946
31 March 2022	-	58,763	-	132	-	58,895
31 March 2021	-	417,555	-	-	-	417,555
31 March 2020	-	58,016	-	32	-	58,048
31 March 2019	-	46,558	-	-	-	46,558
Total Cost or Valuation	692,588	741,096	8,273	164	21,154	1,463,275

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 2022/23.

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

There were no school transfers to academy status in 2022/23. Therefore, at 31 March there are ninety three in total. The schools are owned and managed completely independently of the local authority and therefore the non-current assets have been excluded from this balance sheet. Schools transferring to academy status are disposed of at the end of the financial year and charged a full year's depreciation.

Trust Assets

Following a review of the Trust Deeds held for all charitable organisations where the Council acts as trustee, it became apparent that even though the land and buildings are legally registered to the Council with the Land Registry, the Trust Deeds state that these should belong to the individual trusts and not the Council. The Trusts are all playing field trusts and are; Pearson Park (charity number 1088933), Pickering Park (charity number 1068834), King George's Playing Field (charity number 1088076) and Barbara Robson Playing Field (charity number 1075865). The Council is in the process of amending the Land Registry titles and once this is complete the assets will be removed from the Council's Balance Sheet and included on the individual trust Asset Registers and subsequent accounts filed with the Charity Commission. The total net book value of the four assets as at 31 March 2023 is £10.997m. See note 52.

15. Heritage Assets

	Historical Buildings £'000	Historical Vessels £'000	Statues & Monuments £'000	City Hall Organ £'000	Art Collections £'000	Civic Regalia £'000	Total Assets £'000
Cost or valuation							
At 1 April 2022	2,726	664	192	1,069	350	529	5,530
Additions	-	2,318	-	-	-	-	2,318
Revaluations	246	(2,155)	-	-	-	-	(1,909)
Other movements in cost or valuation	-	-	-	-	-	-	-
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Depreciation	(28)	(77)	-	-	-	-	(105)
At 31 March 2023	2,944	750	192	1,069	350	529	5,834

	Historical Buildings £'000	Historical Vessels £'000	Statues & Monuments £'000	City Hall Organ £'000	Art Collections £'000	Civic Regalia £'000	Total Assets £'000
Cost or valuation							
At 1 April 2021	3,533	595	192	1,069	350	529	6,268
Additions	-	1,436	-	-	-	-	1,436
Revaluations	(710)	(1,306)	-	-	-	-	(2,016)
Other movements in cost or valuation	(60)	-	-	-	-	-	(60)
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Depreciation	(37)	(61)	-	-	-	-	(98)
At 31 March 2022	2,726	664	192	1,069	350	529	5,530

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 51 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.

<u>2021/22</u> £'000		<u>2022/23</u> £'000
(4,690)	Rental income from investment property	(4,242)
3,067	Operating expenses arising from investment property	3,315
(1,623)	Net (gain) / loss	(927)

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:

2021/22		2022/23
£'000		£'000
60,249	Balance at start of year	61,941
	Additions:	
7	Acquisitions	-
71	Enhancements	152
(1,044)	Disposals	(563)
2,665	Net gains/losses from fair value adjustments	2,467
	Transfers:	
-	to/from Assets held for Sale	-
-	to/from Property, Plant and Equipment	(680)
(7)	Other Changes	-
61,941	Balance at end of year	63,317

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2023 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 2023
	£'000	£'000	£'000	£'000
<i>Recurring fair value measurements using:</i>				
Residential properties	-	454	-	454
Office Units	-	5,396	-	5,396
Commercial Units	-	57,467	-	57,467
Total	-	63,317	-	63,317

	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 2022
	£'000	£'000	£'000	£'000
<i>Recurring fair value measurements using:</i>				
Residential properties	-	444	-	444
Office Units	-	5,279	-	5,279
Commercial Units	-	56,218	-	56,218
Total	-	61,941	-	61,941

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 £3m charged to revenue in 2022/23 was charged to the IT administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

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

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
	Balance at start of year:	
20,550	Gross carrying amounts	24,464
<u>(11,431)</u>	Accumulated amortisation	<u>(13,985)</u>
9,119	Net carrying amount at start of year	10,479
	Additions:	
4,892	Purchases	3,593
<u>(2,554)</u>	Amortisation for the period	<u>(2,944)</u>
<u>(978)</u>	Other changes	<u>(73)</u>
<u>10,479</u>	Net carrying amount at end of year	<u>11,055</u>
	Comprising:	
24,464	Gross carrying amounts	27,983
<u>(13,985)</u>	Accumulated amortisation	<u>(16,928)</u>
<u>10,479</u>		<u>11,055</u>

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

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

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

	Long-term		Current	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Investments				
Investments (principal amount)	10	10	-	98,500
Investments (accrued interest)	-	-	-	19
Cash and cash equivalents (principal amount)	-	-	46,467	49,467
Cash and cash equivalents (accrued interest)	-	-	146	36
Total Investments	10	10	46,613	148,022
Debtors				
Loans and receivables	14,143	14,262	50,399	40,820
Total Debtors	14,143	14,262	50,399	40,820
Borrowings				
Financial liabilities (principal amount)	581,551	597,545	113,056	146,184
Financial liabilities (accrued interest)	-	-	3,507	3,013
Financial liabilities at amortised cost	581,551	597,545	116,563	149,197
Total Borrowings	581,551	597,545	116,563	149,197
Other Long Term Liabilities				
PFI	137,866	145,426	6,773	6,653
Total Other Long Term Liabilities	137,866	145,426	6,773	6,653
Creditors				
Financial liabilities at amortised costs	1,235	1,271	61,700	91,221
Total Creditors	1,235	1,271	61,700	91,221

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 2022/23.

Soft Loans

The Council holds no material soft loans.

Employee Car Loans

The total of Employee Car Loans held at 31 March 2023 was £0.061m.

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.

	2022/23		2021/22	
	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000
Interest Revenue				
Financial assets measured at amortised cost	2,106	-	1,061	-
Total Interest Revenue	2,106	-	1,061	-
Fee Expense				
Financial assets or liabilities that are not at fair value through profit and loss	(225)	-	(326)	-
Trust and other fiduciary activities	-	-	-	-
Total Fee Expense	(225)	-	(326)	-
Interest Expense	(26,530)	-	(25,546)	-

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 Group, provide the required fair value calculations of the Council's financial assets and liabilities.

Valuation Techniques – Methodology and Assumptions

The 2022/23 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 Group 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 Group have provided fair value estimates using the new market loan discount rates.

Valuation of non-PWLB Loans

For non-PWLB loans, Link Group have provided fair value estimates using the new PWLB Certainty Rate loan discount rates. The PWLB rates provide a reasonable proxy for rates that a number of market participants appear to have used when asked about early redemption costs for market loans. It is appreciated that there are a wide range of market loans, including previously stepped LOBOs, vanilla LOBOs and term loans. In the absence of any tangible market evidence, the rates Link Group have used for new borrowing is based on discussions with possible market participants for new lending. The new lenders are targeting lending at lower than PWLB rates to encourage public sector bodies to look at alternatives to the PWLB. Based on discussions with these potential lenders and the differing structures being offered compared to the spot rate would suggest an immaterial difference between the spot rate and the PWLB certainty borrowing rates the PWLB rates have been applied.

Inclusion of accrued interest

The purpose of the 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 Group have 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 Group from the market on 31 March 2023, using bid prices where applicable.

Assumptions:

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

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

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

Financial Instruments as at 31 March 2023

	Carrying amount	N/A	Level 1	Fair Value			Total
	£'000	£'000	£'000	Level 2	Level 3	£'000	£'000
Financial assets measured at fair value							
Short term investments	-	-	-	-	-	-	-
Long term investments	10	10	-	-	-	-	10
	10	10	-	-	-	-	10
Financial assets not measured at fair value							
Cash and cash equivalents	46,613	-	46,613	-	-	-	46,613
Short term debtors	50,399	50,399	-	-	-	-	50,399
Long term debtors	14,143	14,143	-	-	-	-	14,143
	111,155	64,542	46,613	-	-	-	111,155
Financial liabilities held at amortised cost							
PWLB debt	542,850	-	-	365,485	-	-	365,485
Non-PWLB debt	155,202	-	-	156,506	-	-	156,506
Other short term borrowing	62	62	-	-	-	-	62
	698,114	62	-	521,991	-	-	522,053
Financial liabilities not measured at fair value							
Short term creditors	61,700	61,700	-	-	-	-	61,700
PFI	144,639	144,639	-	-	-	-	144,639
Long term creditors	1,235	1,235	-	-	-	-	1,235
	207,574	207,574	-	-	-	-	207,574

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 2023) arising from a commitment to pay interest to lenders above current market rates.

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

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

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

Financial Instruments as at 31 March 2022 (Restated)

	Carrying amount	N/A	Level 1	Fair Value			Total
	£'000	£'000	£'000	Level 2	Level 3	£'000	£'000
Financial assets measured at fair value							
Short term investments	98,519	-	-	98,415	-	-	98,415
Long term investments	10	10	-	-	-	-	10
	98,529	10	-	98,415	-	-	98,425
Financial assets not measured at fair value							
Cash and cash equivalents	49,503	-	49,501	-	-	-	49,501
Short term debtors	40,820	40,820	-	-	-	-	40,820
Long term debtors	14,262	14,262	-	-	-	-	14,262
	104,585	55,082	49,501	-	-	-	104,583
Financial liabilities held at amortised cost							
PWLB debt	560,256	-	-	540,499	-	-	540,499
Non-PWLB debt	186,424	-	-	219,714	-	-	219,714
Other short term borrowing	62	62	-	-	-	-	62
	746,742	62	-	760,213	-	-	760,275
Financial liabilities not measured at fair value							
Short term creditors	91,221	91,221	-	-	-	-	91,221
PFI	152,079	152,079	-	-	-	-	152,079
Long term creditors	1,271	1,271	-	-	-	-	1,271
	244,571	244,571	-	-	-	-	244,571

19. Inventories

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

2021/22		2022/23	
£'000		£'000	
536	Balance outstanding at start of year	401	
2,972	Purchases	3,085	
(3,085)	Recognised as an expense in the year	(3,012)	
(22)	Written off balances	(17)	
401	Balance outstanding at year-end	457	

20. Construction Contracts

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

21. Short Term Debtors

31 March 2022		31 March 2023	
£'000		£'000	
10,954	Central government bodies	20,429	
810	Other local authorities	1,342	
3,397	NHS bodies	6,827	
67,976	Other entities and individuals	75,587	
(26,795)	Less: Impairment allowance for doubtful debts	(29,837)	
56,342		74,348	

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 2022		31 March 2023	
£'000		£'000	
(3,886)	Accounts Receivable	(5,482)	
(2,033)	Housing Revenue Account	(1,938)	
(3,975)	Housing Benefit Overpayments	(3,555)	
(833)	Commercial Rents	(833)	
(16,068)	Collection Fund	(18,029)	
(26,795)		(29,837)	

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

31 March 2022		31 March 2023	
£'000		£'000	
6,775	Less than 1 year	9,140	
5,145	1 - 2 years	6,912	
1,296	2 - 6 years	2,117	
118	More than 6 years	124	
13,334		18,293	

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

22. Cash and Cash Equivalents

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

31 March 2022		31 March 2023	
£'000		£'000	
191	Cash held by the Authority	210	
(3,434)	Bank current accounts	(4,094)	
52,746	Short-term deposits with banks/building societies	50,497	
49,503	Total Cash and Cash Equivalents	46,613	

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. There are currently no assets meeting this criteria.

24. Short Term Creditors

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

31 March 2022		31 March 2023	
£'000		£'000	
52,859	Central government bodies	29,140	
723	Other local authorities	1,170	
496	NHS bodies	2,723	
47,953	Other entities and individuals	47,177	
102,031		80,210	

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

25. Provisions

	Balance at 1 April 2022	Additional provisions made in 2022/23	Amounts used in 2022/23	Unused amounts reversed in 2022/23	Balance at 31 March 2023
	£'000	£'000	£'000	£'000	£'000
Insurance Provision	(1,780)	-	-	-	(1,780)
Litigation Claims	(161)	(71)	88	-	(144)
Disrepair Provision	(830)	(1,303)	-	-	(2,133)
Collection Fund Appeals	(5,316)	(2,133)	2,286	-	(5,163)
Total Provisions per Balance Sheet	(8,087)	(3,507)	2,374	-	(9,220)

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.

Disrepair Provision

The Council has made a provision for the costs of outstanding Housing Disrepair claims reflecting the number of claims received by 31 March 2023.

Collection Fund Appeals

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

26. Usable Reserves

<u>2021/22</u> £'000		<u>2022/23</u> £'000
20,968	General Fund Balance	20,968
47,747	Earmarked General Fund Reserves	25,678
3,500	Housing Revenue Account	3,750
14,594	Earmarked Housing Revenue Account Reserves	15,373
26,068	Major Repairs Reserve	55,789
33,367	Capital Receipt Reserves	36,500
12,060	Capital Grants Unapplied	17,827
<u>158,304</u>		<u>175,885</u>

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

27. Unusable Reserves

<u>2021/22</u> £'000		<u>2022/23</u> £'000
374,851	Revaluation Reserve	412,989
378,467	Capital Adjustment Account	338,352
(2,524)	Financial Instruments Adjustment Account	(2,402)
(74)	PFI Reserve	-
(419,248)	Pension Reserve	(4,261)
(2,624)	Collection Fund Adjustment Account	4,951
(1,428)	Accumulated Absences Account	(1,732)
(3,509)	Dedicated Schools Grant Adjustment Account	(3,509)
<u>323,911</u>	Total Unusable Reserves	<u>744,388</u>

(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost,
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
345,543	Balance at 1 April	374,851
55,336	Upward revaluation of assets	75,523
(14,023)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(14,604)
<hr/>		<hr/>
386,856	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	435,770
(7,740)	Difference between fair value depreciation and historical cost depreciation	(8,961)
(4,265)	Accumulated gains on assets sold or scrapped	(13,820)
<hr/>		<hr/>
(12,005)	Amount written off to the Capital Adjustment Account	(22,781)
<hr/>		<hr/>
374,851	Balance at 31 March	412,989
<hr/>		<hr/>

(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.

2021/22		2022/23	
£'000		£'000	£'000
405,338	Balance at 1 April		378,467
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(68,802)	Charges for depreciation and impairment of non-current assets	(78,578)	
12,909	Revaluation losses on Property, Plant and Equipment	(11,266)	
(2,554)	Amortisation of Intangible Assets	(2,944)	
(42,373)	Revenue expenditure funded from capital under statute	(20,453)	
(15,974)	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	(39,371)	
(116,794)			(152,612)
(988)	Repayment of long term debtors		(778)
12,005	Adjusting amounts written out of the Revaluation Reserve		22,781
(105,777)	Net written out amount of the cost of non-current assets consumed in the year		(130,609)
	Capital financing applied in the year:		
8,181	Use of the Capital Receipts Reserve to finance new capital expenditure	10,849	
-	Use of the Major Repairs Reserve to finance new capital expenditure	-	
36,123	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	49,947	
8,424	Application of grants to capital financing from the Capital Grants Unapplied Account	6,816	
22,967	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	19,863	
545	Capital expenditure charged against the General Fund and HRA balances	553	
76,240			88,028
2,666	Movements in the fair value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		2,466
378,467	Balance at 31 March		338,352

(c) Financial Instrument Adjustment Account

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

<u>2021/22</u>		<u>2022/23</u>	
£'000		£'000	£'000
(2,646)	Balance at 1 April		(2,524)
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	
122	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	122	
122	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		122
(2,524)	Balance at 31 March		(2,402)

(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.

<u>2021/22</u>		<u>2022/23</u>	
£'000		£'000	
(149)	Balance at 1 April		(74)
75	Movement in reserve		74
(74)	Balance at 31 March		-

(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 any pensions for which it is directly responsible.

In 2022/23, the actuarial valuation has seen a significant movement from a deficit to a surplus position. Under the International Accounting Standard (IAS19) the Council must disclose the lower of the actuarial valuation or Asset Ceiling calculation. The Asset Ceiling calculation resulted in a lower valuation and has therefore been included within the accounts for 2022/23.

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
(677,709)	Balance at 1 April	(419,248)
-	Opening balance adjustment	-
298,329	Actuarial gains or losses on pensions assets and liabilities	537,115
(68,243)	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	(67,668)
28,375	Employer's pensions contributions and direct payments to pensioners payable in the year	32,059
-	Asset Ceiling Adjustment	(86,519)
<u>(419,248)</u>	Balance at 31 March	<u>(4,261)</u>

(f) Collection Fund Adjustment Account

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

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
(16,431)	Balance at 1 April	(2,624)
13,807	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	7,575
<u>(2,624)</u>	Balance at 31 March	<u>4,951</u>

(g) Accumulated Absences Account

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

<u>2021/22</u>		<u>2022/23</u>	
£'000		£'000	£'000
(1,454)	Balance at 1 April		(1,428)
26	Settlement or cancellation of accrual made at the end of the preceding year	-	
-	Amounts accrued at the end of the current year	(304)	
<hr/>		<hr/>	
26	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		(304)
<hr/>		<hr/>	
(1,428)	Balance at 31 March		(1,732)

(h) Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account is a new statutory ring-fenced account introduced for those authorities with a deficit on the schools budget, to allow separation of such deficits from the general fund. This is in response to the School and Early Years Finance (England) Regulations (2020) setting out that a schools budget deficit must be carried forward to be funded from future Dedicated Schools Grant income, unless permission is sought from the Secretary of State for Education to fund the deficit from general resources.

The instrument amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits such that where the Council has a deficit on its schools budget, it must not charge the amount of that deficit to a revenue account. The Council must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its school's budget. The new accounting practice has the effect of separating schools budget deficits from the Councils' General Fund for a period of three financial years.

This issue can only be fully resolved by closing the deficits. Therefore, the accounting treatment introduced by this regulation is limited to provide time for Government and the Council to look at budgetary and financial management strategies to reduce the deficit.

<u>2021/22</u>		<u>2022/23</u>	
£'000		£'000	
-	Balance at 1 April		(3,509)
-	Adjustment for DSG reserve	-	
<hr/>		<hr/>	
-	Restated Opening Balance		(3,509)
(3,509)	In Year DSG overspend		-
<hr/>		<hr/>	
(3,509)	Balance at 31 March		(3,509)

28. Cash Flow Statement – Operating Activities

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

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
68,801	Depreciation and Impairment	78,578
(36,143)	Downward (upward) valuations	(18,388)
2,554	Amortisation	2,944
(6,060)	Increase/(decrease) in Creditors	(22,375)
36,696	(Increase)/decrease in Debtors	(17,352)
135	(Increase)/decrease in Stock	(56)
34,925	Movement in pension liability	59,494
15,974	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	39,371
(3,524)	Other non-cash items charged to the net surplus or deficit on the provision of services	96,783
<u>113,358</u>		<u>218,999</u>

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

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
-	Proceeds from short-term and long-term investments	(98,519)
(12,070)	Proceeds from the sale of PP&E, investment property and intangible assets	(13,982)
(105,081)	Any other items for which the cash effects are investing or financing cash flows	(111,229)
<u>(117,151)</u>		<u>(223,730)</u>

The cash flows for operating activities include the following items:

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
334	Interest received	1,756
(25,872)	Interest paid	(26,755)
650	Dividends received	350
<u>(24,888)</u>		<u>(24,649)</u>

29. Cash Flow Statement – Investing Activities

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
(88,068)	Purchase of property, plant and equipment, investment property and intangible assets	(92,489)
(98,520)	Purchase of short-term and long-term investments	-
-	Other payments for investing activities	(338)
12,068	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	13,982
-	Proceeds from short-term and long-term investments	98,519
46,272	Other receipts from investing activities	62,481
<u>(128,248)</u>	Net cash flows from investing activities	<u>82,155</u>

30. Cash Flow Statement – Financing Activities

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
359,000	Cash receipts of short and long-term borrowing	97,000
59,625	Other receipts/(payments) from financing activities	48,399
(7,044)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(7,441)
(232,067)	Repayments of short and long-term borrowing	(145,628)
(661)	Other payments for financing activities	109
<u>178,853</u>	Net cash flows from financing activities	<u>(7,561)</u>

A. Reconciliation of Liabilities arising from Financing Activities

	2021/22 £'000	Financing Cash Flows	Changes which are not financing cash flows		2022/23 £'000
			Acquisition	Other	
Long Term Borrowings	597,545	(15,994)	-	-	581,551
Short Term Borrowings	149,197	(32,634)	-	-	116,563
Lease Liabilities	-	-	-	-	-
PFI Liabilities	152,079	(7,440)	-	-	144,639
Total Liabilities from Financing Activities	898,821	(56,068)	-	-	842,753

	2020/21 £'000	Financing Cash Flows	Changes which are not financing cash flows		2021/22 £'000
			Acquisition	Other	
Long Term Borrowings	384,668	212,877	-	-	597,545
Short Term Borrowings	235,545	(86,348)	-	-	149,197
Lease Liabilities	-	-	-	-	-
PFI Liabilities	159,123	(7,044)	-	-	152,079
Total Liabilities from Financing Activities	779,336	119,485	-	-	898,821

31. Acquired and discontinued operations

The Council did not acquire any operations during the financial year 2022/23. Furthermore, no operations were discontinued during the 2022/23 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 is as follows:

2021/22 £'000		2022/23 £'000
221	Highways agent for the Department of Transport	255
221	Total amount reimbursable	255

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 2022/23, no such activities were entered into by the Council.

34. Pooled Budgets

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

Better Care Fund

The Better Care Fund was announced nationally 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 (now the NHS Humber & North Yorkshire Integrated Care Board) under a Section 75 Agreement to deliver Better Care. The Council's contribution to the pooled budget in 2022/23 – including monies made available to the Council by the Government through the Improved Better Care Fund and in respect of the ASC Discharge Fund announced by the Government in September 2022 – was £26.4m, which includes £2.9m for capital equipment; a further £2.1m of capital resources was carried forward on the pooled budget from 2021/22 by the Council. The amount allocated to the Council from the fund (including the carry forwards) was £36.3m, of which £34.1m was spent in the year. The unspent balance – all of which relates to capital resources – will be carried forward to support the Better Care programme in 2023/24.

Total Better Care Funding - allocations to the pooled budget	£'000
Hull City Council	26,444
ICB	30,088
Carried forward from 2021/22	
- capital (HCC)	2,121
- revenue (HCC)	-
Total allocations to the pooled budget in 2022/23	<u>58,653</u>
Funding allocated from the pooled budget	£'000
Hull City Council	34,199
ICB	22,333
Carry forwards - HCC	2,121
Total allocations from the pooled budget in 2022/23	<u>58,653</u>
Expenditure incurred in 2022/23	£'000
Hull City Council	(34,105)
ICB	(22,333)
Total spend in 2022/23	<u>(56,438)</u>
Total Better Care Funding Remaining	<u>2,215</u>
Note: Use of remaining balance	£'000
Capital - slippage into 2023/24	2,215
	<u>2,215</u>

Hull CCG ceased to be operational with effect from 30 June 2022 and was replaced by the NHS Humber & North Yorkshire Integrated Care Board from 1 July 2022 as part of the reorganisation of the NHS nationally. The Section 75 agreement formerly operated by the Council with Hull CCG has continued in partnership with the ICB. The move towards joint commissioning continues to develop and is reflected in the agreement which incorporates the alignment of several budgets between the partners in addition to the Better Care Pooled Budget itself.

Yorkshire & Humber Integrated Care Record

In March 2018 NHS England (NHSE) and the Local Government Association invited proposals from NHS and local government partner organisations to participate in a programme of Local Health and Care Record Exemplars (LHCRE) across England. The Programme is designed to support the adoption of best practice in the collection, protection, and use of health and care data to promote greater efficiency and effectiveness in the handling of patient/client data across the health and social care continuum in any locality. In July 2018, 74 partner organisations across the Yorkshire & Humber region (the Yorkshire & Humber Collaborating Partners) were awarded £7.5 million in capital funding by NHSE for this purpose. The Collaborating Partners subsequently agreed that the programme would be delivered through the Yorkshire & Humber Digital Care Board, and that the Humber Teaching NHS Foundation Trust (HTFT) would act as lead commissioner on behalf of the Yorkshire & Humber LHCRE. It was further agreed that the balance of funding held by HTFT at the close of 2020/21 (£4.1 million) would be used to create a pooled budget between HTFT and Hull City Council (also a member of the Y&H Collaborating Partners) to further facilitate the application of the remaining funds. Hull City Council acts as the host for the pooled fund, and has defrayed £2.9m from the fund during 2022/23 HTFT in line with approved decisions of the Board. Further funding of £0.6m has been paid into the pooled fund by HTFT during the year to leave a closing balance of £5.3m at 31 March. This will again be available for drawdown by HTFT in 2023/24 in line with Yorkshire & Humber Digital Care Board approvals.

2021/22		2022/23
£'000	Yorkshire & Humber Integrated Care Record - total allocations to the pooled budget	£'000
-	Hull City Council	-
5,851	Humber Teaching NHS Foundation Trust	584
5,851	Total allocations to the pooled budget	584
£'000	Funding allocated from the pooled budget	£'000
5,851	Hull City Council	584
-	Humber Teaching NHS Foundation Trust	-
5,851	Total allocations from the pooled budget	584
£'000	Expenditure incurred in 2022/23	£'000
-	Hull City Council	-
(2,300)	Humber Teaching NHS Foundation Trust	(2,922)
(2,300)	Total spend	(2,922)
3,551	Yorkshire & Humber Integrated Care Record - Funding Remaining	(2,338)
£'000	Note: Use of remaining balance	£'000
4,100	Brought forward	7,651
7,651	Carried forward	5,313

35. Members' Allowances

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

<u>2021/22</u>			<u>2022/23</u>	
£'000			£'000	
1,139	Allowances		1,204	
-	Expenses		-	
1,139	Total		1,204	

36. Officers' Remuneration

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

Including Termination Benefits

	<u>2022/23</u>		<u>2021/22</u>	
	Non Teaching		Teaching	
	(Number of posts)		(Number of posts)	
£165,000 - £169,999	1	1	-	-
£160,000 - £164,999	-	-	-	-
£155,000 - £159,999	-	-	-	-
£150,000 - £154,999	-	-	-	-
£145,000 - £149,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£130,000 - £134,999	-	-	-	-
£125,000 - £129,999	5	5	-	-
£120,000 - £124,999	-	-	-	-
£115,000 - £119,999	-	-	-	-
£110,000 - £114,999	-	-	-	-
£105,000 - £109,999	-	-	1	-
£100,000 - £104,999	10	1	-	1
£95,000 - £99,999	2	8	1	1
£90,000 - £94,999	1	2	1	-
£85,000 - £89,999	1	2	-	-
£80,000 - £84,999	1	1	-	1
£75,000 - £79,999	5	5	1	-
£70,000 - £74,999	2	1	2	-
£65,000 - £69,999	41	38	5	4
£60,000 - £64,999	7	5	2	3
£55,000 - £59,999	27	18	1	1
£50,000 - £54,999	98	57	9	4
	201	144	23	15

Excluding Termination Benefits

	2022/23		2021/22	
	Non Teaching (Number of posts)		Teaching (Number of posts)	
£165,000 - £169,999	1	1	-	-
£160,000 - £164,999	-	-	-	-
£155,000 - £159,999	-	-	-	-
£150,000 - £154,999	-	-	-	-
£145,000 - £149,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£130,000 - £134,999	-	-	-	-
£125,000 - £129,999	5	5	-	-
£120,000 - £124,999	-	-	-	-
£115,000 - £119,999	-	-	-	-
£110,000 - £114,999	-	-	-	-
£105,000 - £109,999	-	-	1	-
£100,000 - £104,999	10	1	-	1
£95,000 - £99,999	2	8	-	1
£90,000 - £94,999	1	2	1	-
£85,000 - £89,999	1	2	-	-
£80,000 - £84,999	-	-	-	1
£75,000 - £79,999	5	5	2	-
£70,000 - £74,999	2	1	2	-
£65,000 - £69,999	42	38	5	4
£60,000 - £64,999	7	5	2	3
£55,000 - £59,999	27	19	1	1
£50,000 - £54,999	98	57	9	4
	201	144	23	15

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

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

2022/23									
Post Holder Information	Note	Salary (Including fees and Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind	Total Remuneration excl pension contributions	Pension Contributions	Total Remuneration incl pension contributions
Chief Executive M Jukes		167,954	-	-	-	-	167,954	24,857	192,811
		167,954	-	-	-	-	167,954	24,857	192,811

2021/22									
Post Holder Information	Note	Salary (Including fees and Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind	Total Remuneration excl pension contributions	Pension Contributions	Total Remuneration incl pension contributions
Chief Executive M Jukes		166,029	-	-	-	-	166,029	24,572	190,601
		166,029	-	-	-	-	166,029	24,572	190,601

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

2022/23

Post Holder Information	Note	Salary (Including fees and Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind	Total Remuneration excl pension contributions	Pension Contributions	Total Remuneration incl pension contributions
Director of Regeneration		127,953	-	-	-	-	127,953	18,937	146,890
Director of Public Health		126,641	-	31	-	-	126,672	8,985	135,657
Corporate Director Children & Family Services		127,953	-	-	-	-	127,953	18,937	146,890
Director of Finance & Transformation		127,953	-	-	-	-	127,953	17,923	145,876
Director of Legal Services and Partnerships		127,953	-	-	-	-	127,953	18,937	146,890
Statutory Director Adults Social Care (Non Exec)		104,906	-	80	-	-	104,986	15,281	120,267
		743,359	-	111	-	-	743,470	99,000	842,470

2021/22

Post Holder Information	Note	Salary (Including fees and Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind	Total Remuneration excl pension contributions	Pension Contributions	Total Remuneration incl pension contributions
Director of Regeneration		126,028	-	-	-	-	126,028	18,652	144,680
Director of Public Health		126,028	-	-	-	-	126,028	14,805	140,833
Corporate Director Children & Family Services		126,028	-	-	-	-	126,028	18,652	144,680
Director of Finance & Transformation		126,028	-	-	-	-	126,028	17,638	143,666
Director of Legal Services and Partnerships		126,028	-	-	-	-	126,028	18,652	144,680
		630,140	-	-	-	-	630,140	88,399	718,539

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	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
£1 - £20,000	-	-	2	4	2	4	20,488	58,493
£20,001 - £40,000	-	-	-	2	-	2	-	46,435
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £120,000	-	-	-	-	-	-	-	-
£120,001 - £140,000	-	-	-	-	-	-	-	-
£140,001 - £160,000	-	-	-	-	-	-	-	-
£160,001 - £180,000	-	-	-	-	-	-	-	-
over £180,000	-	-	-	-	-	-	-	-
Total included in bandings	-	-	2	6	2	6	20,488	104,928
Add: Amounts provided for in CIES not included in bandings							-	-
Total cost included in CIES							20,488	104,928

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

37. External Audit Costs

In 2022/23 the following costs were incurred in relation to external audit and inspection fees:

2021/22 £'000		2022/23 £'000
184	Fees payable to auditors appointed under the Local Audit and Accountability Act 2014 with regard to external audit services carried out by the appointed auditor for the year	168
19	Fees payable to auditors appointed under the Local Audit and Accountability Act 2014 for the certification of grant claims and returns for the year	19
-	Fees payable to auditors appointed under the Local Audit and Accountability Act 2014 in respect of other services provided during the year	-
203		187

Notes:

The fee payable in 2021/22 and 2022/23 with regard to external audit services remains subject to confirmation by the PSAA.

38. Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2022/23 are as follows:

	2022/23			2021/22
	Central Expenditure	Individual Schools Budget	Total	Total
	£'000	£'000	£'000	£'000
Final DSG for 2022/23 before Academy and high needs recoupment			275,021	262,576
Academy and high needs figure recouped for 2022/23			(213,443)	(205,560)
Total DSG after Academy and high needs recoupment for 2022/23			61,578	57,016
Brought forward from 2021/22			-	(3,127)
Carry forward to 2022/23 agreed in advance			-	-
Agreed initial budgeted distribution in 2022/23	52,647	8,931	61,578	53,889
In year adjustments	(741)	680	(61)	200
Final budget distribution for 2022/23	51,906	9,611	61,517	54,089
Less Actual Central Expenditure	(50,554)	-	(50,554)	(47,373)
Less Actual ISB deployed by schools	-	(9,611)	(9,611)	(10,225)
Plus Local Authority contribution for 2022/23	-	-	-	-
Carry forward to 2023/24	1,352	-	1,352	(3,509)
Plus: Carry-forward to 2023/24 agreed in advance			-	-
Carry forward to 2023/24			1,352	(3,509)
DSG unusable reserve at the end of 2021/22			(3,509)	(3,509)
Addition to DSG unusable reserve at the end of 2022/23			-	(3,509)
Total DSG unusable reserve at the end of 2022/23			(3,509)	(3,509)
Net DSG position at the end of 2022/23			(2,157)	(3,509)

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 2022/23:

2021/22		2022/23
£'000		£'000
	Credited to Taxation and Non Specific Grant Income	
24,514	Revenue Support Grant	25,268
39,896	Business Rates	39,896
1,514	New Homes Bonus Scheme	2,111
25,367	Covid-19	1,035
2,274	Other	8,903
93,565		77,213
	Credited to Services	
85,770	Housing Benefit Rents	83,410
4,401	Skills Funding Agency, adult education and sixth form	3,825
57,138	Dedicated Schools Grant	61,447
1,996	Pupil Premium Grant	1,919
24,650	Public Health	25,343
24,534	Better Care Fund	26,379
13,169	Social Care Grant	17,605
5,658	Extra Care PFI	5,658
11,311	Partnership for Schools	11,311
532	16 to 19 Funding	642
17,694	COVID-19 Ringfenced Grants	-
28,596	Other Grants	37,208
275,449		274,747

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 2022	Current Liabilities	31 March 2023
£'000		£'000
	Grants Receipts in Advance (Capital Grants)	
31	Devolved Formula Capital - Partnership for Schools	78
1,045	Other Grants	259
108	Other Contributions	44
1,184	Total	381
	Grants Receipts in Advance (Revenue Grants)	
844	Housing Benefit Rent	59
4,220	Other Grants	2,597
15,219	Section 31 Grant	3,405
20,283	Total	6,061

31 March 2022	Long-term Liabilities	31 March 2023
	Grants Receipts in Advance (Capital Grants)	
75	Devolved Formula Capital - Partnership for Schools	101
-	Other Grants	646
599	Other Contributions	689
674	Total	1,436

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 2022 is shown in note 35.

In 2022/23, 57 elected members declared an interest in related parties (57 in 2021/22). 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

Julia Weldon was a Trustee during 2022/23.

NPS Humber Limited

Mark Jones was a Director during 2022/23.

Hull & Goole Port Health Authority

Ian Anderson, the Council's Director of Legal Services and Partnerships, was the Clerk to the Authority during 2022/23.

David Bell, the Director of Finance and Transformation (Section 151 Officer), was Treasurer to the Authority during 2022/23.

Hull Esteem Consortium LEP Limited

Tracy Harsley was a Director during 2022/23.

Ian Anderson was a Director during 2022/23.

Hull Maritime Foundation

David Bell was a Trustee during 2022/23.

Hull City Centre (BID) Limited

Garry Taylor was a Director during 2022/23.

NHS Humber and North Yorkshire ICB

Julia Weldon was an Associate Board Member (no voting rights) during 2022/23.

Freedom Festival Arts Trust

Garry Taylor was appointed as a Trustee on 8 June 2022.

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

2021/22			2022/23	
Expenditure	Income		Expenditure	Income
£'000	£'000		£'000	£'000
38,896	(252)	Hull Esteem Consortium LEP Ltd	42,743	(323)
43,966	(1,143)	Kingstown Works Ltd	45,917	(1,193)
11,873	(2,634)	Hull Culture & Leisure Ltd	11,187	(2,217)
8,829	(102)	NPS Humber Ltd	10,408	(88)
15,823	(541)	Humberside Police	17,740	(758)
8,281	(14)	Humberside Fire Authority	9,213	(17)
3,151	(5,946)	Humber Teaching NHS Foundation Trust	8,925	(755)
91	(3)	Absolutely Cultured Ltd	57	(15)
1,006	(3)	Pickering & Ferens Homes	417	(4)
7,284	(391)	Other	8,749	(574)
139,200	(11,029)		155,356	(5,944)

The following amounts were due from related parties at 31 March 2023 and are included in debtors:

	2022/23
	£'000
Hull Esteem Consortium LEP Ltd	-
Kingstown Works Ltd	646
Hull Culture & Leisure Ltd	2,584
NPS Humber Ltd	200
Humberside Police	-
Humberside Fire Authority	-
	3,430

The following amounts were due to related parties at 31 March 2023 and are included in creditors:

	2022/23
	£'000
Hull Esteem Consortium LEP Ltd	-
Kingstown Works Ltd	5,069
Hull Culture & Leisure Ltd	2,524
NPS Humber Ltd	368
Humberside Police	-
Humberside Fire Authority	-
	7,961

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 2022/23 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 North Consulting Group 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 2022 show a net loss before tax of £0.017m (£0.103m in 2020/21) and net assets of £0.379m (£1.202m in 2020/21).

The company was owed £1.357m by the Council at 31 March 2022 for work carried out during 2021/22 and owed the Council £0.359m for goods and services received during 2021/22.

The Property and Asset service have been brought in-house therefore NPS will no longer be a related party as of 1 April 2023.

Hull & East Yorkshire Local Enterprise Partnership Limited

The Hull & East Yorkshire LEP Limited (“the LEP”) is a wholly owned Council company, formed to act as the legal entity for the Local Enterprise Partnership. The company itself is dormant. The Council acts as Accountable body for the LEP (as it did for its predecessor the Humber LEP), and has incurred expenditure of £2.200m and income of £2.290m in the year in respect of the LEP. Unused funding is carried forward to future years.

The government intends for the functions of Local Enterprise Partnerships (LEPs) to be delivered by local government in the future and at the budget 2023, stated that it ‘intends to withdraw central government support for LEPs from April 2024’. The Government has stated that it ‘remains committed to integrating LEP functions into local democratic institutions’ and that they will ‘work with local areas to determine how the functions currently undertaken by LEPs are best delivered at a local level in future, where appropriate and where they are not already delivered by a Combined Authority’.

Information on the LEP can be found at <https://heylep.com/>

Freedom Festival Arts Trust

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

The company has traded during the period ended 31 March 2023 with transactions totalling £0.296m.

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 2022/23 the Council provided funding in the sum of £0.057m 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.

<u>2021/22</u>		<u>2022/23</u>
<u>£'000</u>		<u>£'000</u>
861,520	<i>Opening Capital Financing Requirement</i>	930,448
	Capital investment	
97,074	Property, Plant and Equipment	118,914
79	Investment Properties	152
4,892	Intangible Assets	3,593
750	Capital Long Term Debtors	345
42,373	Revenue expenditure funded from Capital under Statute	20,453
	Sources of finance	
(8,181)	Capital receipts	(10,849)
(44,547)	Government grants and other contributions	(56,763)
	Sums set aside from revenue:	
(545)	Direct revenue financing	(553)
(22,967)	MRP and voluntary set aside	(19,863)
<u>930,448</u>	<i>Closing Capital Financing Requirement</i>	<u>985,877</u>
	Explanation of movements in year	
-	Increase in underlying need to borrowing (supported by Government financial assistance)	-
68,928	Increase in underlying need to borrowing (unsupported by Government financial assistance)	55,429
-	Assets acquired under finance leases	-
-	Assets acquired under PFI/PPP contracts	-
<u>68,928</u>	<i>Increase/(decrease) in Capital Financing Requirement</i>	<u>55,429</u>

42. Leases

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

The Council as Lessee**Finance Leases**

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

Operating Leases

The Council leases in a number of properties under operating leases to deliver services to the public with average remaining lives of 2 years. The Council has no leased in machinery or vehicles as at 31 March 2023.

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

<u>31 March 2022</u> £'000		<u>31 March 2023</u> £'000
398	Not later than one year	240
961	Later than one year and not later than five years	961
3,359	Later than five years	2,898
<u>4,718</u>		<u>4,099</u>

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

<u>31 March 2022</u> £'000		<u>31 March 2023</u> £'000
398	Minimum lease payments	338
-	Contingent rents	-
(553)	(sublease payments receivable)	(458)
<u>(155)</u>	Minimum lease payments	<u>(120)</u>

The Council as Lessor**Finance Leases**

The Council has no assets leased out under finance leases.

Operating Leases

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

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

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

<u>31 March 2022</u> £'000		<u>31 March 2023</u> £'000
3,749	Not later than one year	3,484
8,273	Later than one year and not later than five years	7,503
62,164	Later than five years	62,245
<u>74,186</u>		<u>73,232</u>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2022/23, no contingent rents were receivable by the Council (2021/22 - £nil).

43. Private Finance Arrangements and Similar Contracts

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

BSF Schools

General

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

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

Significant Contractual Information

Significant terms of the arrangement

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

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

Rights to use specified assets

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

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

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

Renewal and termination options

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

Other rights and obligations

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

Other PFI Contractual ArrangementsVictoria Dock School

The Council entered a 25 year contract in July 1998 with the Sewell Group to provide a primary school on Victoria Dock. Victoria Dock Primary School converted to academy status during the financial year 2021/22.

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 Primary Care Trust. 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 2023/24	5,814	6,773	2,058	8,403	23,048
Payable within two to five years	24,746	28,490	11,741	29,893	94,870
Payable within six to ten years	34,576	44,376	18,568	26,879	124,399
Payable within eleven to fifteen years	33,181	50,226	18,787	9,534	111,728
Payable within sixteen to twenty years	5,172	14,774	7,306	(2,389)	24,863
Payable within twenty-one to twenty-five years	-	-	-	-	-
	103,489	144,639	58,460	72,320	378,908

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

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

<u>2021/22</u> £'000		<u>2022/23</u> £'000
159,123	Balance outstanding at start of year	152,079
(7,044)	Payments during the year	(7,440)
-	Capital expenditure incurred in the year	-
-	Other movements	-
<u>152,079</u>	Balance outstanding at year end	<u>144,639</u>

44. **Impairment Losses and Other Revaluation Movements**

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 and other revaluation movements are as follows:

Name of Asset	<u>Impaired by</u> £'000	Reason for Impairment
Housing Regeneration properties	-	0 properties purchased for demolition / redevelopment
Council dwellings	168	6 Stock reduction demolition
Capital spend not adding value	38,859	
Total Impairment losses and Revaluation movements	<u>39,027</u>	

45. **Capitalisation of Borrowing Costs**

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

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

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

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

The Council has capitalised borrowing costs during the financial year. The amount of borrowing costs capitalised in 2022/23 is as follows;

	2019/20	2020/21	2021/22	2022/23
2019/20				
Rate (%)	3.07%	3.07%	3.07%	3.07%
Amount (£'000)	313	313	201	201
2020/21				
Rate (%)		2.82%	2.82%	2.82%
Amount (£'000)		204	152	133
2021/22				
Rate (%)			2.59%	2.59%
Amount (£'000)			221	156
2022/23				
Rate (%)				2.92%
Amount (£'000)				626
Total	313	517	574	1,116

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 2022/23 the Council paid £1.620m in respect of teachers' pension costs representing a contribution rate of 23.68%. In 2021/22 the Council paid £1.466m representing a contribution rate of 23.68%. 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 2022/23, the Council paid £0.037m to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.38% of pensionable pay. In 2021/22, the Council paid £0.039m, representing 14.38% 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 2022 and the Actuary indicated a minimum primary contribution rate of 19.9% of contributing members plus a secondary sum of £2.490m per annum, from 1 April 2023. This rate will apply until 2025/26.

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
	Comprehensive Income and Expenditure Statement	
	<i>Net Cost of Services:</i>	
	<i>Service cost comprising:</i>	
54,972	- current service cost	56,166
-	- past service costs	142
(391)	- (gains)/losses from settlements	-
	<i>Financing and Investment Income and Expenditure</i>	
13,662	- Net interest expense	11,360
68,243		67,668
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
	Remeasurement of the net defined benefit liability comprising:	
98,362	- Return on plan assets (excluding the amount included in the net interest expense)	(29,489)
31,475	- Actuarial gains and losses arising on changes in demographic assumptions	12,712
155,088	- Actuarial gains and losses arising on changes in financial assumptions	659,030
13,404	- Other	(105,138)
298,329	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	537,115
	<i>Movement in Reserves Statement:</i>	
(68,243)	- reversal of net charges made for retirement benefits in accordance with IAS19	(67,668)
	<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	
24,715	- employers' contributions payable to scheme	28,384
3,660	- retirement benefits payable to pensioners	3,731
28,375		32,115

Assets and Liabilities in Relation to Post-Employment Benefits:

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
	Reconciliation of fair value of the scheme (plan) assets	
1,384,814	Opening balance at 1 April	1,524,624
-	Opening balance adjustment	-
27,257	Interest income	40,676
	Remeasurement gain / (loss)	
98,362	Return on plan assets (excluding amounts included in the net interest expense)	(29,489)
27,418	Other	-
33,318	Employer Contributions	8,230
6,967	Contributions by scheme participants	7,830
-	Entity combinations	9,551
(53,071)	Benefits paid	(53,194)
(441)	Settlements	-
1,524,624	Closing balance at 31 March	1,508,228
	Reconciliation of present value of scheme liabilities (defined benefit obligation)	
(2,043,581)	Opening balance at 1 April	(1,919,987)
(54,972)	Current Service Cost	(56,166)
(40,919)	Interest Cost	(52,036)
(6,967)	Contributions by scheme participants	(7,830)
	Remeasurement gain / (loss)	
31,475	Actuarial gains/losses arising from changes in demographic assumptions	12,712
155,088	Actuarial gains/losses arising from changes in financial assumptions	659,030
(14,014)	Other	(105,138)
-	Past service costs	(142)
-	Entity combinations	(9,607)
53,071	Benefits paid	53,194
832	Settlements	-
(1,919,987)	Closing balance at 31 March	(1,425,970)

Pension Assets and Liabilities Recognised in the Balance Sheet

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

<u>2021/22</u>		<u>2022/23</u>
<u>£'000</u>		<u>£'000</u>
1,524,624	Fair value of employer assets	1,508,228
(1,866,725)	Present value of funded liabilities	(1,381,038)
(53,262)	Present value of unfunded liabilities	(44,932)
-	Asset Ceiling Adjustment	(86,519)
(395,363)	*	(4,261)

* The Balance Sheet entry for Other Long Term Liabilities at 31 March 2023 includes £0.094m of outstanding mortgages (2021/22 total of £395.453m includes £0.090m).

Asset Ceiling

Following the pensions valuation by the Councils actuary, Hymans Robertson LLP, the Council determined that the fair value of its pension plan assets outweighed the present value of the plan obligations at 31 March 2023 resulting in a pension plan asset for the first time. IAS19 Employees Benefits requires that, where a pension plan asset exists, it is measured at the lower of:

- The surplus in the defined benefit plan; and
- The asset ceiling.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The Council's actuary calculated the asset ceiling as the net present value of future service costs less net present value of future contributions.

The Council has therefore limited the Pension asset recognised in its balance sheet to the asset ceiling. The adjustment has been recognised within other comprehensive income and expenditure of the CIES.

Period ended 31 March 2022				Period ended 31 March 2023				
Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets		Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets
£'000	£'000	£'000			£'000	£'000	£'000	
				Equity Securities:				
-	-	-	0%	Consumer	-	-	-	0%
-	-	-	0%	Manufacturing	-	-	-	0%
-	-	-	0%	Energy and Utilities	-	-	-	0%
-	-	-	0%	Financial Institutions	-	-	-	0%
-	-	-	0%	Health and Care	-	-	-	0%
-	-	-	0%	Information Technology	-	-	-	0%
182,873	-	182,873	12%	Other	151,992	-	151,992	10%
				Debt Securities:				
-	-	-		Corporate Bonds (investment grade)	-	-	-	0%
4,811	65,228	70,039	5%	Corporate Bonds (non-investment grade)	14,785	79,012	93,797	6%
40,030	-	40,030	3%	UK Government	25,692	-	25,692	2%
24,032	-	24,032	2%	Other	13,745	-	13,745	1%
				Private Equity:				
43,720	67,661	111,381	7%	All	17,534	75,703	93,237	6%
				Real Estate:				
55,055	118,699	173,754	11%	UK Property	16,390	120,167	136,557	9%
-	-	-	0%	Overseas Property	-	-	-	0%
				Investment Funds and Unit Trusts:				
613,112	-	613,112	40%	Equities	621,997	-	621,997	41%
130,144	2,696	132,840	9%	Bonds	101,322	-	101,322	7%
-	-	-	0%	Hedge Funds	-	-	-	0%
-	-	-	0%	Commodities	-	-	-	0%
35,866	68,022	103,888	7%	Infrastructure	11,742	88,513	100,255	7%
14,284	38,803	53,087	3%	Other	106,067	35,421	141,488	9%
				Derivatives:				
-	-	-	0%	Inflation	-	-	-	0%
-	-	-	0%	Interest rate	-	-	-	0%
-	-	-	0%	Foreign Exchange	-	-	-	0%
-	-	-	0%	Other	-	-	-	0%
				Cash and Cash Equivalents:				
19,590	-	19,590	1%	All	28,147	-	28,147	2%
1,163,515	361,109	1,524,624	100%	Totals	1,109,413	398,816	1,508,229	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 2022.

Significant assumptions used by the actuary have been:

31 March 2022		31 March 2023
	Mortality assumptions (in years):	
	- Longevity at 65 for current pensioners:	
21.1	- Men	20.8
24.0	- Women	23.7
	- Longevity at 65 for future pensioners:	
21.9	- Men	21.5
25.5	- Women	25.2
3.20%	Rate of increase in salaries	3.00%
3.20%	Rate of increase in pensions	3.00%
2.70%	Rate for discounting scheme liabilities	4.75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below based on reasonably possible changes occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2021/22.

	Approximate % Increase to Employer Liability	Approximate Monetary Amount (£000)
0.5% decrease in Real Discount Rate	2%	22,902
0.5% increase in the Salary Increase Rate	0%	2,525
0.5% increase in the Pension Increase Rate	1%	20,720

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 2025. 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 16 years.

48. Contingent Liabilities***Potential Grant Clawback Arising from the Council Role as Accountable Body***

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

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

Municipal Mutual Insurance Company

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

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

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

The Company prepares a run-off forecast to assist the Scheme Administrator in the setting of the Levy and Payment Percentage rate. As per the latest MMI annual report and accounts of June 2022:

The run-off forecast is prepared using low, mid and high actuarial projections so a range of possible outcomes can be shared with the Creditors' Committee. These outcomes do not constitute an upper or lower ultimate range of outcomes but represent a potential range of possible outcomes based on flexed assumptions. The run-off forecast prepared for 2022/23 indicates that under the mid-IBNR forecast MMI's assets are sufficient to pay all its forecast expenses and insurance liabilities at the current Payment Percentage of 75%.

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

49. Contingent Assets***Housing Market Renewal Schemes***

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

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

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

50. Nature and Extent of Risks Arising from Financial Instruments

Key risks

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

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

Overall procedures for managing risk

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

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

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

The annual treasury management strategy for 2022/23 which incorporates the prudential indicators was approved by Council on 24 February 2022 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2022/23 was set at £1,046m, revised to £1,072m 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 £998m, revised to £1,015m 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 2022/23 was approved by Council on 24th February 2022. The following paragraphs are based on the approved Treasury Management Policy.

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

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

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

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

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

criteria will be considered for suspension from use, with all others being reviewed in light of market conditions.

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

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

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

Due care will be taken 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 £30m (part nationalised banks £40m), 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 £20m (part nationalised banks £25m), 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 £10m (part nationalised banks £15m), with an investment period of up to 1 year
- Council's own banker (if not meeting the above criteria) to have a limit of £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 Capita creditworthiness service.

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence as at the 31 March 2023 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 2022/23, 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 2023
	£'000
Deposits rated	
AAA	50,046
AA	-
A	(3,433)
BBB	-
N/A	-
Customers *	22,373
Total	68,986

* 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 2022		31 March 2023	
£'000		£'000	
148,022	Less than one year	46,613	
-	Between one and two years	-	
-	Between two and three years	-	
-	More than three years	-	
148,022	Total	46,613	

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 2022		31 March 2023	
£'000		£'000	
178,850	Less than one year	163,336	
48,994	Between one and two years	10,918	
66,023	Between two and five years	87,174	
120,460	Between five and ten years	116,164	
71,872	Between ten and fifteen years	59,867	
412,622	More than fifteen years	405,294	
898,821	Total	842,753	

* 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 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2023
	£'000
Increase in interest payable on variable rate borrowings	308
Increase in interest receivable variable rate investments	(704)
Increase in government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	(396)
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)	56,073

Price Risk

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

Foreign Exchange Risk

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

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

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

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

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

Hull and East Riding Museum

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

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

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

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

Collection covers:

Archaeology:

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

Natural History:

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

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

Geology:

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

Hands on History Museum

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

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

Collection covers:

- Social History
- Dolls
- Costume and textiles
- Egyptology

Maritime Museum

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

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

Collection covers:

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

The Maritime Museum is currently closed while it is undergoing a major refurbishment as part of the investment in museums scheme, it is scheduled to reopen in 2025.

Streetlife Museum

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

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

Collection covers:

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

Guildhall Collection

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

Collection covers:

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

Historical Buildings

Wilberforce House Museum

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

Highlights of the collection include the personal diary of William Wilberforce, written between the years 1814 – 1823, two hundred letters written by William Wilberforce, Wilberforce's personal library, the Brookes ship model used by Wilberforce during the Parliamentary committees in the late eighteenth century, items relating to the East Yorkshire Regiment, and a large collection of

drawings by the important local artist F. S. Smith showing early twentieth century scenes of Hull and the surrounding area.

Collection covers:

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

Historical Vessels

Spurn Lightship

The Spurn Lightship (LV No. 12) is a light vessel (ie. a ship used as a lighthouse) currently anchored in Hull Marina. The ship was built in 1927 and served for 48 years as a navigation aid in the approaches of the Humber Estuary, where it was stationed 4½ miles east of Spurn Point. The light ship was decommissioned in 1975 and bought and restored by Hull City Council in 1983 before being moved to Hull Marina as a museum in 1987. She has recently undergone a major refurbishment as part of the Hull: Yorkshire's Maritime City project and is due to reopen to the public in Summer 2023.

Collection covers:

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

Arctic Corsair

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

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

Statues and Monuments

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

City Hall Organ

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

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

52. Trust Funds

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

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

2022/23	Income	Expenditure	Assets	Liabilities
	£'000	£'000	£'000	£'000
The Ferens Art Gallery	4	216	103,482	4
Set up in 1919 for the exhibition of works of art in perpetuity				
The Ferens Endowment Fund	166	80	8,311	34
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.				
Other	-	-	68	-
The other trusts are mainly for the wellbeing of the inhabitants of the City of Kingston upon Hull.				
Total as at 31 March 2023	170	296	111,861	38

2021/22	Income	Expenditure	Assets	Liabilities
	£'000	£'000	£'000	£'000
The Ferens Art Gallery	1	204	99,548	3
The Ferens Endowment Fund	154	82	8,252	32
Other	-	-	73	-
Total as at 31 March 2022	155	286	107,873	35

2021/22		2022/23
£'000		£'000
	Capital Value of the Fund	
711	Frances & Cyril Bibby Bequest	653
115	Hull Maritime Foundation	296
17,503	The James Reckitt Library Endowment Fund	16,177
69	William Wilberforce Lecture Trust Fund	68
411	Others	379
18,809	Total	17,573

Trust Assets

Following a review of the Trust Deeds held for all charitable organisations where the Council acts as trustee, it became apparent that even though the land and buildings are legally registered to the Council with the Land Registry, the Trust Deeds state that these should belong to the individual trusts and not the Council. The Trusts are all playing field trusts and are; Pearson Park (charity number 1088933), Pickering Park (charity number 1068834), King George's Playing Field (charity number 1088076) and Barbara Robson Playing Field (charity number 1075865). The Council is in the process of amending the Land Registry titles and once this is complete the assets will be removed from the Council's Balance Sheet and included on the individual trust Asset Registers and subsequent accounts filed with the Charity Commission. The total net book value of the four assets as at 31 March 2023 is £10.997m. See note 14.

HRA INCOME AND EXPENDITURE STATEMENT

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

<u>2021/22</u> £'000	Note	<u>2022/23</u> £'000
Expenditure		
25,074		24,622
25,749		28,662
1,131		1,013
1,955		17,946
41		44
586		687
54,536		72,974
Income		
(89,925)		(92,064)
(1,191)		(938)
(3,155)		(4,461)
(1,773)		(1,967)
(96,044)		(99,430)
(41,508)	Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(26,456)
342	HRA services share of Corporate and Democratic Core	330
(41,166)	Net Income for HRA Services	(26,126)
HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement		
(1,442)	(Gain) or loss on sale of HRA non-current assets	(1,172)
8,664	Interest payable and similar charges	8,670
(46)	Interest and investment income	(1,317)
(2,847)	Capital Government Grants and Contributions	(920)
1,388	Pensions interest cost and expected return on pensions assets	1,276
(35,449)	(Surplus) or deficit for the year on HRA services	(19,589)

MOVEMENT ON THE HRA STATEMENT

<u>2021/22</u> £'000		<u>2022/23</u> £'000
(3,500)	Balance on the HRA at the end of the previous year	(3,500)
(35,449)	(Surplus) or deficit for the year on HRA Income and Expenditure Statement	(19,589)
36,904	Adjustments between accounting basis and funding basis under statute	18,560
<u>1,455</u>	Net (increase) or decrease before transfers to (or from) reserves	<u>(1,029)</u>
(1,455)	Transfers to or (from) earmarked reserves	779
<u>-</u>	(Increase) or decrease in year on the HRA	<u>(250)</u>
<u>(3,500)</u>	Balance on the HRA at the end of the year	<u>(3,750)</u>

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

	Operational assets			Non-operational assets			Total
	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Investment Properties	Surplus assets not held for sale	Infrastructure & Community Assets	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2022	678,931	983	211	1,498	792	90	682,505
Depreciation	(11,403)	(8)	(63)	-	-	(9)	(11,483)
Impairment	(39,030)	-	-	-	-	-	(39,030)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	32,485	85	-	(15)	-	-	32,555
Disposals	(7,588)	-	-	(6)	(123)	-	(7,717)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	163	-	-	-	-	163
Additions	39,193	-	73	-	-	-	39,266
Transfers	-	-	-	-	-	-	-
At 31 March 2023	692,588	1,223	221	1,477	669	81	696,259

Total depreciation of £11.483m (2021/22 £11.692m) has been charged to the HRA during the year. This is comprised by charging dwelling depreciation of £11.403m (2021/22 £11.600m), other land and buildings depreciation of £0.008m (2021/22 £0.007m), vehicles, plant, furniture & equipment depreciation of £0.063m (2021/22 £0.076m) and infrastructure and community assets depreciation of £0.009m (2021/22 £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 £39.030m (2021/22 £30.848m) 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 total revaluation increase of £32.555m has been reflected in the year for all HRA assets (2021/22 £40.577m increase). £32.485m increase relates to council dwellings (2021/22 £40.411m increase). An adjustment is made within the accounts to negate the impact of these changes.

2. Vacant Possession Values

The valuation of Council dwellings reflects their status as social housing and as a consequence, the Council recognises Council dwellings at a value of £692.588m (2021/22 £678.931m) on the Balance Sheet.

At vacant possession the same dwellings would have a value of £1,684.981m (2021/22 £1,651.684m), therefore recognising an economic cost to the government of providing Council Housing at less than open market rents of £992.392m (2021/22 £972.754m).

3. Capital Expenditure and Financing Analysis

<u>2021/22</u>	Expenditure funded by;	<u>2022/23</u>
£'000		£'000
30,004	Borrowing	33,264
-	- Credit Arrangements	-
-	- Revenue Contributions	-
1,892	Capital Receipts	5,082
-	- Major Repairs Reserve	-
2,847	Other	920
<u>34,743</u>		<u>39,266</u>

4. Capital Receipts Analysis

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
8,496	Sales of Council Houses	8,781
85	Repayments of Right to Buy Discounts	92
-	- Land Sales	-
(4)	Right to buy Mortgage Principal	(4)
<u>8,577</u>	Total Capital Receipts	<u>8,869</u>
(1,560)	Less: receipts required to be paid to the Government	-
<u>7,017</u>	Useable Receipts	<u>8,869</u>

5. Rent arrears and provision for uncollectable debts

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
4,219	Arrears at 31 March	4,656
2,033	Provision for doubtful debts	2,284

6. Note to the Movement on the HRA Statement

<u>2021/22</u> £'000		<u>2022/23</u> £'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year	
2,847	Difference between any other item of Income and Expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	920
(1,955)	Transfer to/from Capital Adjustment Account *	(17,946)
1,441	Gain or (loss) on sale of HRA non-current assets	1,172
(6,969)	Net charges for retirement benefits in accordance with IAS19	(6,705)
<u>(4,636)</u>		<u>(22,559)</u>
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year	
26,068	Transfer to/(from) Major Repairs Reserve	29,721
2,432	Employer's contributions payable to the LGPS Pension Fund	2,497
13,040	Voluntary set aside for debt repayment	8,901
<u>41,540</u>		<u>41,119</u>
36,904	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	18,560

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

7. Housing Stock

The Council dwelling stock was as follows:-

<u>At 31 March</u> <u>2022</u>	Analysed by type:-	<u>At 31 March</u> <u>2023</u>
17,722	Houses and Bungalows	17,510
2,809	Low rise flats and maisonettes	2,802
2,771	Medium and high rise flats	2,767
5	Other	5
<u>23,307</u>		<u>23,084</u>

8. Contribution to Pension Reserve

The requirements of IAS19 are to show the cost of pensions earned in the year in the cost of service lines, an adjustment to or from the pensions reserve is then required to bring the bottom line charge against rents back to the amount of the employer's contribution to the pension fund in the year. The pension liability for the year is £6.705m (2021/22 £6.969m).

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
5,581	Current service cost	5,429
-	Past Service Cost	-
<u>5,581</u>		<u>5,429</u>
	Pensions Interest Cost and expected return on assets	
4,155	Interest on Liabilities	5,187
<u>(2,767)</u>	Expected return on assets	<u>(3,911)</u>
<u>6,969</u>	Transfer to pensions reserve	<u>6,705</u>

9. HRA Reserves

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

	General Reserve	Major Repairs Reserve (MRR)	* Future Capital Expenditure	Total
	£'000	£'000	£'000	£'000
At 1 April 2022	3,500	26,068	14,594	44,162
Transfer of Depreciation to MRR	-	11,474	-	11,474
Contribution to finance capital expenditure for the year	-	18,247	-	18,247
Use of MRR to finance capital expenditure for the year	-	-	-	-
Transfer to / (from) reserves to support the HRA revenue programme	250	-	779	1,029
At 31 March 2023	3,750	55,789	15,373	74,912

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

COLLECTION FUND STATEMENT

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.

2021/22	2022/23		
Total	Council Tax	Business Rates	Total
£'000	£'000	£'000	£'000
	Income		
118,256	124,359	-	124,359
	Income from Council Tax		
	Transfers from General Fund		
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
60,947	-	78,005	78,005
-	-	-	-
-	-	-	-
2,015	-	2,014	2,014
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
181,218	124,359	80,019	204,378
	Expenditure		
	Precepts and demands		
35,876	-	34,364	34,364
128,252	98,662	34,101	132,763
15,070	16,202	-	16,202
6,195	5,766	692	6,458
	Business rates		
-	-	-	-
353	-	349	349
1,608	-	418	418
-	-	-	-
(1,650)	(1,764)	(1,123)	(2,887)
4,411	4,309	4,626	8,935
(869)	-	(315)	(315)
-	-	-	-
	Bad and doubtful debts/appeals		
(1,650)	(1,764)	(1,123)	(2,887)
4,411	4,309	4,626	8,935
(869)	-	(315)	(315)
-	-	-	-
	Distribution of previous year's estimated Collection Fund surplus		
(19,538)	-	(6,358)	(6,358)
(20,518)	3,007	(6,231)	(3,224)
(219)	490	-	490
(474)	176	(127)	49
148,497	126,848	60,396	187,244
32,721	(2,489)	19,623	17,134
(40,134)	3,067	(10,480)	(7,413)
(7,413)	578	9,143	9,721

NOTES TO THE COLLECTION FUND STATEMENT

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 2022/23 was 63,988 (61,692 in 2021/22) calculated as follows:

Total Number of properties in band	124,155
Impact of changes to Council Tax re: discount/exemptions and empty property	(15,823)
Reduction in Tax Base for Reduction Scheme	(19,342)
Total equivalent number of dwellings	<u>88,990</u>

Band	Chargeable Dwellings	Ratio	Band D Equivalents
Disability A	130	5/9	72
A	53,678	6/9	35,785
B	19,459	7/9	15,135
C	9,730	8/9	8,649
D	4,332	9/9	4,331
E	1,318	11/9	1,611
F	279	13/9	404
G	52	15/9	87
H	<u>12</u>	18/9	<u>24</u>
Total	88,990		66,098
Less allowance for non-collection			<u>(2,110)</u>
Tax Base for the calculation of Council Tax			<u>63,988</u>

The Council's basic amount of Council Tax for a Band D property of £1,541.89 (£1,497.13 for 2021/22) 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 2022/23 was £98.662m (63,988 dwellings multiplied by £1,541.89). This, plus the agreed distribution of the previous year's surplus of £3.006m gives a total distribution from the Collection Fund to preceptors of £101.668m, compared to income from Council Tax payers of £124.359m.

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 2022/23 these rates are:

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

The total non-domestic rateable value at 31 March 2023 decreased from £226.509m at 31 March 2022 to £230.386m, of which £81.404m 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 2023 of £116.879m.

The collectable amount is different to the actual income from business ratepayers as per the Collection Fund Statement (£80.019m).

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 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom sets out comprehensive requirements for group accounts. These require Local Authorities to consider all their interests in subsidiaries, associates or joint ventures.

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

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

1. Hull Culture and Leisure Limited (HCAL).

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

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

2. Kingstown Works Limited (KWL).

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

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

2022/23	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 2022		20,968	47,747	14,594	3,500	26,068	33,367	12,060	158,304	323,911	4,967	487,182
Surplus/(deficit) on provision of Services (accounting basis) Other Comprehensive Expenditure and Income Total		(92,342)	-	-	19,589	-	-	-	(72,753)	-	(4,109)	(76,862)
Adjustments between accounting basis and funding basis under regulations		-	-	-	-	-	-	-	-	510,811	19,898	530,709
Net increase / (decrease) before transfers to Earmarked Reserves		(92,342)	-	-	19,589	-	-	-	(72,753)	510,811	15,789	453,847
Transfers to / (from) Earmarked Reserves		70,273	-	-	(18,560)	29,721	3,133	5,767	90,334	(90,334)	-	-
Increase / (Decrease) in Year		(22,069)	-	-	1,029	29,721	3,133	5,767	17,581	420,477	15,789	453,847
Balance at 31 March 2023		20,968	25,678	15,373	3,750	55,789	36,500	17,827	175,885	744,388	20,756	941,029

Kingston upon Hull City Council Statement of Accounts 2022/23

2021/22	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 2021		20,968	47,497	16,049	3,500	-	31,116	11,666	130,796	52,492	(11,279)	172,009
Surplus/(deficit) on provision of Services (accounting basis)		(75,207)	-	-	35,449	-	-	-	(39,758)	-	(3,528)	(43,286)
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	338,685	19,774	358,459
Total Comprehensive Expenditure and Income		(75,207)	-	-	35,449	-	-	-	(39,758)	338,685	16,246	315,173
Adjustments between accounting basis and funding basis under regulations		75,457	-	-	(36,904)	26,068	2,251	394	67,266	(67,266)	-	-
Net increase / (decrease) before transfers to Earmarked Reserves		250	-	-	(1,455)	26,068	2,251	394	27,508	271,419	16,246	315,173
Transfers to / (from) Earmarked Reserves		(250)	250	(1,455)	1,455	-	-	-	-	-	-	-
Increase / (Decrease) in Year		-	250	(1,455)	-	26,068	2,251	394	27,508	271,419	16,246	315,173
Balance at 31 March 2022		20,968	47,747	14,594	3,500	26,068	33,367	12,060	158,304	323,911	4,967	487,182

GROUP BALANCE SHEET

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

<u>31 March 2022</u>		<u>Note</u>	<u>31 March 2023</u>
<u>£'000</u>			<u>£'000</u>
1,604,767	Property, Plant and Equipment	3	1,659,192
5,530	Heritage Assets		5,834
63,679	Investment Property		65,364
10,479	Intangible Assets		11,055
10	Long Term Investments		10
14,262	Long Term Debtors		14,143
-	Assets held for sale		-
1,698,727	Long Term Assets		1,755,598
98,521	Short Term Investments		-
1,272	Inventories		1,850
53,553	Short Term Debtors	4	70,515
62,900	Cash and Cash Equivalents	5	56,348
-	Assets held for sale		-
-	Current Tax Asset		-
216,246	Current Assets		128,713
(149,197)	Short Term Borrowing		(116,563)
(104,684)	Short Term Creditors	6	(81,790)
(1,428)	Provision for accumulated absences		(1,732)
(1,184)	Capital Grants Receipts in Advance		(381)
(6,653)	PFI Finance Lease - Liability		(6,773)
(263,146)	Current Liabilities		(207,239)
(1,271)	Long Term Creditors		(1,235)
(8,087)	Provisions		(9,220)
(598,981)	Long Term Borrowing		(581,931)
(410,206)	Other Long Term Liabilities	11	(4,355)
(674)	Capital Grants Receipts in Advance		(1,436)
(145,426)	PFI Finance Lease - Liability		(137,866)
(1,164,645)	Long Term Liabilities		(736,043)
487,182	NET ASSETS		941,029
163,271	Usable Reserves	7	196,641
323,911	Unusable Reserves		744,388
487,182	TOTAL RESERVES		941,029

GROUP CASH FLOW STATEMENT

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

<u>2021/22</u> £'000		<u>Note</u>	<u>2022/23</u> £'000
(43,286)	Net surplus or (deficit) on the provision of services		(77,029)
124,335	Adjustment to surplus or deficit on the provision of services for non-cash movements	8	226,913
(120,239)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	8	(223,777)
(39,190)	Net Cash flows from Operating Activities		(73,893)
(129,202)	Net cash flows from Investing Activities	9	74,902
178,853	Net cash flows from Financing Activities	10	(7,561)
10,461	Net increase or (decrease) in cash and cash equivalents		(6,552)
52,439	Cash and cash equivalents at the beginning of the reporting period		62,900
62,900	Cash and cash equivalents at the end of the reporting period		56,348

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

vi. Accounting Standards

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

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

2 Group Financing and Investment Income and Expenditure

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
25,951	Interest payable and similar charges	26,834
14,300	Pension interest cost and expected return on pension assets	11,827
(336)	Interest receivable and similar income	(1,779)
315	(Surplus)/Deficit from Trading Operations	525
(1,623)	Net income/expenditure from investment properties	(927)
(2,666)	Change in fair value of investment properties	(2,466)
(77)	Other investment income	-
<u>35,864</u>		<u>34,014</u>

3 Group Property, Plant and Equipment

Movements in 2022/23

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2022	863,594	810,047	101,565	812	40,133	1,718	1,817,869	87,922
Additions	39,193	48,906	10,536	-	2,473	584	101,692	-
Donations	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	50,939	-	-	(1,360)	-	49,579	7,360
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	32,485	(6,330)	-	-	(6,556)	-	19,599	84
Derecognition - Disposals	(7,588)	(21,033)	(1,689)	-	(11,951)	-	(42,261)	-
Derecognition - Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other movements in cost or valuation	-	2,190	(58)	(648)	680	(1,542)	622	-
At 31 March 2023	927,684	884,719	110,354	164	23,419	760	1,947,100	95,366
Accumulated Depreciation and Impairments								
At 1 April 2022	(184,663)	(113,323)	(83,110)	-	(1,828)	(176)	(383,100)	(5,722)
Depreciation charge	(11,403)	(17,324)	(4,763)	-	-	-	(33,490)	(1,880)
Depreciation written out to the Revaluation Reserve	-	11,098	-	-	-	-	11,098	552
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	945	-	-	-	-	945	27
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	(39,030)	(26,652)	(2,248)	-	(568)	-	(68,498)	-
Derecognition - Disposals	-	1,633	1,407	-	131	-	3,171	-
Derecognition - Other	-	-	7	-	-	-	7	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2023	(235,096)	(143,623)	(88,707)	-	(2,265)	(176)	(469,867)	(7,023)
Net Book Value								
at 31 March 2023	692,588	741,096	21,647	164	21,154	584	1,477,233	88,343
at 31 March 2022	678,931	696,724	18,455	812	38,305	1,542	1,434,769	82,200

Movements in 2021/22

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2021	795,650	751,902	96,068	1,157	40,942	-	1,685,719	86,817
Additions	34,677	35,257	6,900	-	1,465	1,718	80,017	-
Donations	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	31,883	-	59	871	-	32,813	6,544
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	40,411	(1,357)	-	(1)	(3,105)	-	35,948	328
Derecognition - Disposals	(7,144)	(8,100)	(1,409)	-	(40)	-	(16,693)	(5,767)
Derecognition - Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other movements in cost or valuation	-	462	6	(403)	-	-	65	-
At 31 March 2022	863,594	810,047	101,565	812	40,133	1,718	1,817,869	87,922
Accumulated Depreciation and Impairments								
At 1 April 2021	(142,215)	(88,188)	(78,745)	-	(924)	-	(310,072)	(4,635)
Depreciation charge	(11,600)	(15,845)	(4,818)	-	-	-	(32,263)	(1,873)
Depreciation written out to the Revaluation Reserve	-	9,599	-	-	-	-	9,599	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	1,108	-	-	-	-	1,108	481
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	(30,848)	(20,351)	(887)	-	(904)	(176)	(53,166)	-
Derecognition - Disposals	-	354	1,337	-	-	-	1,691	-
Derecognition - Other	-	-	-	-	-	-	-	305
Other movements in depreciation and impairment	-	-	3	-	-	-	3	-
At 31 March 2022	(184,663)	(113,323)	(83,110)	-	(1,828)	(176)	(383,100)	(5,722)
Net Book Value								
at 31 March 2022	678,931	696,724	18,455	812	38,305	1,542	1,434,769	82,200
at 31 March 2021	653,435	663,714	17,323	1,157	40,018	-	1,375,647	82,182

Infrastructure Assets

<u>2021/22</u> £'000		<u>2022/23</u> £'000
Net book value (modified historical cost)		
158,028	at 1 April	169,998
20,140	Additions	20,834
-	Derecognition	-
(8,140)	Depreciation	(8,769)
(30)	Impairment	(104)
-	Other movements in cost	-
169,998	Net book value at 31 March	181,959

<u>2021/22</u> £'000		<u>2022/23</u> £'000
169,998	Infrastructure assets	181,959
1,434,769	Other PPE assets	1,477,233
1,604,767	Total PPE assets	1,659,192

4 Group Short Term Debtors

<u>2021/22</u> £'000		<u>2022/23</u> £'000
10,954	Central government bodies	20,429
810	Other local authorities	1,342
3,397	NHS bodies	6,827
65,187	Other entities and individuals	71,754
(26,795)	Less: Impairment allowance for doubtful debts	(29,837)
53,553		70,515

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

5 Group Cash and Cash Equivalents

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

<u>2021/22</u> £'000		<u>2022/23</u> £'000
191	Cash held by the Group	210
(3,434)	Bank current accounts	(4,093)
66,143	Short-term deposits with banks/building societies	60,231
62,900	Total Cash and Cash Equivalents	56,348

6 Group Short Term Creditors

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

<u>2021/22</u> £'000		<u>2022/23</u> £'000
52,858	Central government bodies	29,140
723	Other local authorities	1,170
496	NHS bodies	2,723
50,607	Other entities and individuals	48,757
<u>104,684</u>		<u>81,790</u>

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

7 Group Usable Reserves

<u>2021/22</u> £'000		<u>2022/23</u> £'000
20,968	General Fund Balance	20,968
20,307	Profit and Loss Reserve (Subsidiaries)	20,756
(15,340)	Pensions Reserve (Subsidiaries)	-
47,747	Earmarked General Fund Reserves	25,678
3,500	Housing Revenue Account	3,750
14,594	Earmarked Housing Revenue Account Reserves	15,373
26,068	Major Repairs Reserve	55,789
33,367	Capital Receipt Reserves	36,500
12,060	Capital Grants Unapplied	17,827
<u>163,271</u>		<u>196,641</u>

8 Group Cash Flow Statement – Operating Activities

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

<u>2021/22</u> £'000		<u>2022/23</u> £'000
71,625	Depreciation and Impairment	81,394
(36,143)	Downward/(upward) valuations	(18,388)
2,554	Amortisation	2,944
-	Increase/(decrease) in impairment for bad debts	-
(6,014)	Increase/(decrease) in Creditors	(23,284)
37,232	(Increase)/decrease in Debtors	(16,678)
90	(Increase)/decrease in Stock	(563)
39,081	Movement in pension liability	64,795
19,071	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	39,654
(3,161)	Other non-cash items charged to the net surplus or deficit on the provision of services	97,038
<u>124,335</u>		<u>226,912</u>

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

<u>2021/22</u> £'000		<u>2022/23</u> £'000
(3,025)	Proceeds from short-term and long-term investments	(98,519)
(12,133)	Proceeds from the sale of PP&E, investment property and intangible assets	(14,029)
(105,081)	Any other items for which the cash effects are investing or financing cash flows	(111,229)
<u>(120,239)</u>		<u>(223,777)</u>

The cash flows for operating activities include the following items:

<u>2021/22</u> £'000		<u>2022/23</u> £'000
336	Interest received	1,779
(25,951)	Interest paid	(26,834)
-	Dividends received	-

9 *Group Cash Flow Statement – Investing Activities*

<u>2021/22</u> £'000		<u>2022/23</u> £'000
(92,109)	Purchase of property, plant and equipment, investment property and intangible assets	(99,789)
(98,520)	Purchase of short-term and long-term investments	-
-	Other payments for investing activities	(338)
12,130	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	14,029
3,025	Proceeds from short-term and long-term investments	98,519
46,272	Other receipts from investing activities	62,481
<u>(129,202)</u>	Net cash flows from investing activities	<u>74,902</u>

10 *Group Cash Flow Statement – Financing Activities*

<u>2021/22</u> £'000		<u>2022/23</u> £'000
359,000	Cash receipts of short and long-term borrowing	97,000
59,625	Other receipts/(payments) from financing activities	48,399
(7,045)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(7,441)
(232,067)	Repayments of short and long-term borrowing	(145,628)
(660)	Other payments for financing activities	109
<u>178,853</u>	Net cash flows from financing activities	<u>(7,561)</u>

11 Group Local Government Pension Scheme

Kingstown Works Ltd (KWL) and Hull Culture and Leisure Ltd (HCAL) are participating employers in the East Riding Pension Fund. Transactions for KWL and HCAL in regards to their defined benefit pension schemes have been added to those of the Council and reported in the same manner as in the single entity accounts except that the subsidiaries liabilities are reflected in their usable reserves (retained earnings) via the Group Movement in Reserves Statement. The following transactions have been made in the Group Comprehensive Income and Expenditure Statement and the Group Usable Reserves via the Group Movement in Reserves Statement during the year:

Group Assets and Liabilities in Relation to Post-Employment Benefits:

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
	Reconciliation of fair value of the scheme (plan) assets	
1,546,136	Opening balance at 1 April	1,705,665
1,123	Hull Culture & Leisure opening balance pension restatement	259
30,626	Interest income	45,712
	Remeasurement gain / (loss)	
109,482	Return on plan assets (excluding amounts included in the net interest expense)	(34,580)
27,418	Other	(2,005)
38,207	Employer Contributions	13,266
8,312	Contributions by scheme participants	9,189
-	Entity combinations	9,551
(55,275)	Benefits paid	(55,642)
(364)	Settlements	439
1,705,665	Closing balance at 31 March	1,691,854
	Reconciliation of present value of scheme liabilities (defined benefit obligation)	
(2,234,911)	Opening balance at 1 April	(2,115,781)
339	Hull Culture & Leisure opening balance 1 April	-
(65,200)	Current Service Cost	(66,205)
(44,927)	Interest Cost	(57,539)
(8,312)	Contributions by scheme participants	(9,189)
	Remeasurement gain / (loss)	
32,409	Actuarial gains/losses arising from changes in demographic assumptions	20,023
163,329	Actuarial gains/losses arising from changes in financial assumptions	748,092
(14,615)	Other	(118,608)
-	Past service costs	(205)
-	Entity combinations	(9,607)
55,275	Benefits paid	55,642
832	Settlements	-
(2,115,781)	Closing balance at 31 March	(1,553,377)

Group Pension Assets and Liabilities Recognised in the Balance Sheet

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

<u>2021/22</u>		<u>2022/23</u>
£'000		£'000
1,705,665	Fair value of employer assets	1,691,854
(2,062,519)	Present value of funded liabilities	(1,508,445)
(53,262)	Present value of unfunded liabilities	(44,932)
-	Asset Ceiling Adjustment	(142,738)
(410,116)	*	(4,261)

* The Balance Sheet entry for Other Long Term Liabilities at 31 March 2023 includes £0.094m of outstanding mortgages (2021/22 total of £410.206m includes £0.090m).

Asset Ceiling

Following the pensions valuation by the Councils actuary, Hymans Robertson LLP, the Council determined that the fair value of its pension plan assets outweighed the present value of the plan obligations at 31 March 2023 resulting in a pension plan asset for the first time. IAS19 Employees Benefits requires that, where a pension plan asset exists, it is measured at the lower of:

- The surplus in the defined benefit plan; and
- The asset ceiling.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The Council's actuary calculated the asset ceiling as the net present value of future service costs less net present value of future contributions.

The Council has therefore limited the Pension asset recognised in its balance sheet to the asset ceiling. The adjustment has been recognised within other comprehensive income and expenditure of the CIES.

Basis for Estimating Group Assets and Liabilities

Financial and mortality assumptions are broadly similar to Hull City Council's assumptions. See Note 47 for assumptions.

Sensitivity analysis applied to the Group Pension Liability is not materially different to the Council's sensitivity detailed in Note 47.

12 Group External Auditors Fee

Mazars LLP has provided audit services to the Council in respect of the audit of the single entity and group financial statements, and other services, as disclosed in Note 37 of the single entity accounts.

Hull Culture and Leisure Limited

Mazars LLP provided audit services to Hull Culture and Leisure Limited during 2022/23 at a cost of £17,000.

RSM UK provide tax compliance services to Hull Culture and Leisure Limited during 2022/23 at a cost of £4,000.

Mazars LLP provided audit services to Hull Culture and Leisure Limited during 2021/22 at a cost of £17,000.

RSM UK provide tax compliance services to Hull Culture and Leisure Limited during 2021/22 at a cost of £4,000.

Kingstown Works Limited

Smailes Goldie provided audit and tax services to Kingstown Works Limited during 2022/23 at a cost of £22,000. Smailes Goldie provided audit and tax services to Kingstown Works Limited during 2021/22 at a cost of £20,000.

GLOSSARY OF TERMS

Accounting Policies

The principles, bases, conventions, rules and practices applied that specify how an organisation will reflect transactions within its accounts.

Accruals

Adjustments made to ensure that the accounts reflect the actual value of work done or goods and services received within the financial year, rather than cash payments made and received in the period.

Amortisation

The annual charge to revenue to write down the value of an intangible asset or associated grant in the way that depreciation writes down tangible assets.

Bad Debts

Debts owed to the Council which are considered not recoverable. When a debt is bad it should be 'written off'; that is we should recognise that we will not receive the income.

Balances

Revenue balances are the accumulated surplus of income over expenditure on any of the Councils funds.

Capital Adjustment Account

Records the consumption of the historic cost of non-current assets and revenue expenditure funded from capital under statute over the period that the Council benefits from the expenditure.

Capital Expenditure

This is expenditure on the acquisition of non-current assets which have a long term value to the Council (e.g. purchase of land, erection of buildings), or expenditure that adds to the value of these assets and not just maintains their existing value.

Capital Financing Charges

These are the annual charges arising from the financing of capital expenditure and include items such as loan interest and repayments, leasing charges and contributions from revenue.

Capital Grants Unapplied Reserve

A reserve holding grant funds for future use where conditions of expenditure have not been met.

Capital Receipts

These are proceeds, in excess of £10,000, from the sale of capital assets such as land or property. A proportion of these receipts can be used to fund the capital programme.

Capital Receipts Reserve

A reserve holding funds received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Capital Receipts Unapplied

These are capital receipts, which have yet to be used to repay outstanding external debt or to finance new capital expenditure.

Code of Practice on Local Authority Accounting

The document issued by CIPFA each year which specifies the accounting principles and practices to be followed when preparing the accounting statements.

Contingent Liabilities

This is a condition that exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain events.

Comprehensive Income and Expenditure Statement

The main account of the Council from which the cost of providing services is met, and precepts, grants and other income are credited.

Deferred Credits

Receipts recovered from the sale of assets, e.g. mortgages on the sale of Council houses.

Depreciation

Depreciation is the theoretical measure of the reduction in value of an asset due to age, wear and tear, or obsolescence.

Events after the Balance Sheet Date

Events which occur between the balance sheet date and the issue date of the Statement of Accounts.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

Extraordinary Items

Material items that are not within the Council's ordinary activities and are not expected to recur.

Finance Lease

This is a lease in which substantially transfers all of the risks and rewards of ownership of a non-current asset to the lessee.

General Fund

The Local Authority's accumulated revenue account.

Historic Cost

The original cost of acquisition, construction or purchase of a non-current asset.

Housing Revenue Account (HRA)

The account that includes all revenue expenditure and income that relates to the landlord function of managing and maintaining the Council Housing Stock. It is a statutory requirement to keep this account and it is separate (ring fenced) from the General Fund Services.

IFRS – International Financial Reporting Standards

The Accounting Standard under which the Council has compiled its Financial Statements.

Impairment

This is the reduction in the value of a non-current asset below its carrying value in the Balance Sheet.

International Accounting Standard 19 (IAS 19)

The requirement for local authorities to include the forecast cost of future pensions in the accounts on a notional basis, together with the level of assets in the fund and the level of any estimated surplus or deficit on the pension fund.

Minimum Revenue Provision (MRP)

Local authorities are required each year to set aside some of their revenues as provision for debt repayment. The provision (revenue charge) is in respect of capital expenditure financed by borrowing.

Net Book Value

This is the value which non-current assets are reflected in the Balance Sheet. This could be historic costs or current value less accumulated depreciation.

Non-operational Assets

Non-current assets held by the Council, but not used in the delivery of services or for its strategic objectives. Examples are investment properties, surplus assets pending sale, and assets under construction.

Operating Leases

An operating lease is where the risk and reward of ownership of the asset remains with the supplier or tenant and not with the Council.

Precepts

The amounts required by the City Council to meet its budget requirement.

Prior Period Adjustment

These are material adjustments which are applicable to prior reporting years due to changes in accounting policies or fundamental errors.

Private Finance Initiative (PFI)

PFI is a Government initiative in which private sector companies usually design, build and operate a public facility for a set period of time, often 25 years.

Provisions

Amounts set aside to meet liabilities or losses which are likely to be incurred or certain to be incurred but where the amounts or dates on which they will arise are uncertain.

Prudential Code

The Prudential Code is a professional Code of Practice developed by CIPFA whose objective is to ensure local authorities' capital investment plans are affordable, prudent and sustainable.

Reserves

Amounts set aside for purposes falling outside the definition of provisions. For each material reserve fund established there is a scheme governing its purpose, usage and the basis of transactions. Within reserves are the accumulated surpluses of income over expenditure on the HRA and Collection Fund and amounts transferred under the Schools' Standards and Framework Act 1998.

Revenue Expenditure

Expenditure on the day to day running cost of providing the Council's services, such as employee costs and the cost of supplies and services.

Revenue Expenditure funded from Capital under Statute

Capital expenditure where no tangible asset is created, e.g. improvement and other grants and contributions, and amounts outstanding on transferred services.

Revenue Support Grant

This is the grant paid by Central Government to help finance the cost of services provided by local authorities.

The Annual Governance Statement

This statement details the Council's internal control systems and arrangements for ensuring their effectiveness in the management of risk.

Useable Capital Receipts

The amount of the capital receipt that is available to fund capital expenditure after the statutory pool payments to Central Government has been made.

Work in Progress

The cost of work carried out up to the end of the financial year for which accounts have not been rendered.

STATEMENT OF ACCOUNTS 2022/23 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 2024 will be incorporated into the 2023/24 Statement where possible, but the Council would welcome any comments after that date which the Council will try to include in future years' documents.

1. Please indicate in what capacity you are viewing this Statement.

Local Council Tax payer
Local Business
Other, please specify

2. Is the format and layout of the accounts easy to understand and follow?

Yes
No

If no, why not?

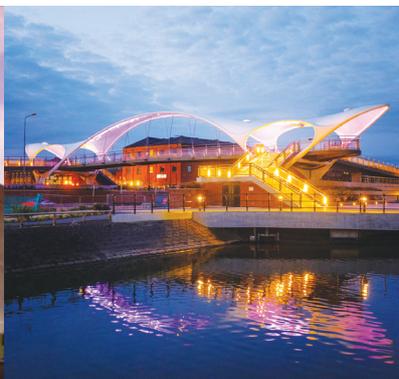
3. Did you find the information you were looking for?

Yes
No

4. Any other comments you have would be welcome:

Return Address: FAO Head of Accountancy
 Corporate Finance (Financial Assurance)
 City Treasury
 Guildhall Road
 Hull
 HU1 2AB

Or please e-mail any comments to: financial.planning@hullcc.gov.uk



This handbook can be made available in other formats (large print, audio and Braille) as appropriate. Please telephone 01482 300 300.