# Humber Bridge Board Statement of Accounts

# 2019-20

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# a) 2019-20 Accounts - Narrative Statement

**Organisational overview and external environment**

The Humber Bridge opened to traffic in 1981 and since that date has provided a vital connection between the north and south banks of the Humber Estuary, benefitting the region in terms of both social connectivity and economic development.

The Board operates as a self-contained organisation and has in place a structure to ensure it can carry out its primary function:

- Maintain the assets in a safe and serviceable condition
- Ensure traffic passes freely between the north and south banks
- Collect the toll income (which is the only revenue the Board receives)

The Board also has to comply with various duties and legislative requirements in carrying out its functions. These include but are not limited to; Humber Bridge Acts, Highway and Traffic Authority, Financial reporting to CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK.

The Humber Bridge Board (the Board) is a statutory body created pursuant to the Humber Bridge Act 1959 and amended by subsequent Acts, the most recent being the 2013 Act. The various Acts give the Board a number of powers, including:

- to construct and afterwards operate and maintain the bridge and approach roads; to acquire the necessary land and to borrow such sums as necessary to build the bridge and take tolls from vehicle users.
- to promote the economic development of the Humber area
- to provide economic, social, cultural and environmental benefits to the residents of and visitors to the area
- to carry over any net deficit for up to two years which, if it cannot be made good, is recoverable from the four constituent local authorities in equal proportion
- to exercise a new general borrowing power for any relevant purpose
- to amend tolls but requires consultation with the Secretary of State, users and the local population if a proposed increase is more than inflation as measured by the retail prices index.

The Board’s primary assets are:

- 2.4 miles of A15 dual carriageway
- 1.4 miles of suspension bridge (3 span)
- 4 highway bridges
- Offices, buildings and workshops
- About 20 acres of estate (hardstanding car parks and landscaped) areas

**Governance**

The Board’s governance is set out in the Constitution and Standing Orders of the Humber Bridge Board. This is discussed in more detail in the Annual Governance Statement which accompanies these Annual Accounts.

There are six Board Directors; four from the local authorities and two from the Humber Local Enterprise Partnership:

Cllr Sean Chaytor, Chair, Hull City Council

Cll Richard Hannigan, Deputy Chair, North Lincolnshire Council

Cll Stanley Shreeve, North East Lincolnshire Council

Cllr Gary McMaster, East Riding of Yorkshire Council

Lord Chris Haskins, Humber LEP

Peter Drenon, Humber LEP

The Board’s senior management team at the start of 2019/20 was:

Chief Executive

Head of Engineering and Infrastructure

Head of Operations

Head of Finance and Commercial

The Chief Executive also fulfils the duty of Clerk to the Board and the Head of Finance and Commercial, that of Treasurer to the Board.

The Board carried out a review of the senior management team and implemented a revised structure in 2020 to align to the core functions:

Chief Operating Officer

Deputy Chief Operating Officer

As part of this change in structure and governance, the role of Clerk to the Board was transferred to Hull City Council and the role of Treasurer was transferred to North Lincolnshire Council.

**Risks and opportunities**

Following the 2013 Act and the subsequent reduction in tolls and refinancing of the loan in April 2015 (£166.6m), the Board has been producing and operating an annual budget based on annual growth in traffic with other cost increases in line with inflation. In recent years, the actual traffic growth has exceeded the budget forecast and together with good financial cost controls this has ensured that the targeted surplus in year has been met as part of the long term loan repayment plan.

This strategy however, relies on continued growth of traffic and that operating and overhead costs do not rise significantly on an annual basis. If traffic growth starts to slow or plateaus and costs increase, this will put budget pressure on the maintenance fund that is needed to ensure the assets are maintained in a safe and serviceable condition.

The Board has identified that there are several high value capital projects in the near future and consideration will need to be given as to how these are funded, as the current generated annual maintenance fund of c. £3m will not be sufficient.

In February 2020, Covid-19 had started to impact on the UK and this resulted in a National Lockdown in March 2020. This in turn led to an immediate reduction in traffic and therefore income. Lockdown also required staff to be sent home to 'shield'. The UK remained in lockdown at the end of the 2019/20 financial year.

The results and outcome from the Brexit negotiations are still unclear and may affect traffic and subsequently income.

The Humber Bridge is across the Humber Estuary in what can be described as a marine environment and therefore is often subject to strong winds. Whilst these strong winds can and do result in restrictions to traffic, which affects mainly Class 4 vehicles, this is an annual occurrence and is built into the traffic forecasts and therefore Budgets. However, when a significant weather event occurs, such as Storm Ciara in February 2020 followed by a period of severe weather this has a short term impact on income due to the reduction in Class 4 vehicles.

**Strategy and resource allocation**

The Board has produced a short term cash flow forecast for 5 years to show a range of scenarios in terms of traffic growth and inflation. This shows that assuming a positive traffic growth and reasonable inflation, the Board can continue with all operations and activity. However, it is noted the available Maintenance Fund generally averages around £3m and this will not be sufficient to deliver some of the larger capital schemes.

The Board’s forecast and budget strategy ensures the Board can deliver its core functions and also maintain its loan repayments to the PWLB.

The Board monitors and reviews the use of resources to ensure they are prudent and demonstrate value for money.

**Performance**

Traffic was impacted in the year by two significant events; Storm Ciara and Covid-19, this led to a final figure for all traffic of 10,127,800. This compared to 2018/19 of 10,129,524 is a slight reduction of 1,724.

Although a slight reduction, it is noted that the two events described above accounted for a reduction (against the forecast) of c. 100,000 vehicle crossings. Therefore this would have equated to a growth of c. 1%. Traffic figures by Class are shown below.

| Traffic Class | Vehicle description | Traffic (Transits) |
|---|---|---|
| Class 1 | Motorcycles (with/without sidecar) | 94,650 |
| Class 2 | 2 axles up to 3.5t (incl. trailers/caravans) | 9,321,220 |
| Class 3 | 2 axles 3.5t to 7.5t (incl. minibus/coach/agricultural) | 217,472 |
| Class 4 | 3 axles or more and over 7.5t | 494,458 |

NB: the above figures include exempt and concession traffic as per the Humber Bridge Act

This however, still resulted in a slightly better than forecast income in the year of £19.779m compared to the Budget of £19.719m.

A summary of performance against the Budget is shown below:

| | | Actual | Budget | Variance |
|---|---|---|---|---|
| | | **£'000** | **£'000** | **£'000** |
| Income | Revenue | **19,779** | **19,719** | **60** |
| Costs | Operations | 1874 | 1867 | -7 |
| | Maintenance | 1045 | 1037 | -8 |
| | Overheads | 2876 | 3054 | 178 |
| | Depreciation | 4923 | 5000 | 77 |
| | Major & Minor Works | 3471 | 3,057 | -414 |
| | | **14,189** | **14,015** | **-174** |
| | Net Operating Income | 5,590 | 5,704 | -114 |
| Financing | Interest | 3461 | 3450 | -11 |
| | Surplus/Deficit | **2,129** | **2,254** | **-125** |

The variance in the major/minor works in the year was due to a delayed start of the Second Main Cable Inspection scheme. This resulted in the planned expenditure in 2018/19 for this scheme impacting on the 2019-20 Major & Minor Works Budget.

At the year end the surplus was £2.129 compared to the Budget forecast of £2.254m.

The Board made both loan and interest payments to the PWLB and at the end of the 2019-20 financial year the outstanding loan amount is £130,382,608.

In addition to routine maintenance, the Board commenced with two major capital schemes to ascertain the asset condition of key elements of the suspension bridge.

- Second Main Cable Hanger Inspection
- Hanger Inspection and testing

The results of these schemes will provide an update on the asset condition and also inform the Board on future inspection/intervention of these key elements.

**Outlook**

The outlook for the Board and continuing to deliver on its core functions can be considered to be good and sustainable. Whilst the Board's income is susceptible to traffic changes, the long term view must remain that the Humber Bridge provides a vital connection to the region and its use for both social and economic needs. These needs are long term and will continue to deliver income.

In the short term, the impact of Covid-19 is likely to result in reduced income as traffic is suppressed by the Lockdown restrictions and this can only be assessed post Covid after a period of stability.

The Brexit negotiations may still have an impact on traffic and in particular Class 4 vehicles. However, again this cannot be assessed until more details are known.

The Board will monitor the situation with regards Covid and Brexit and review the budget as required.

The Board is in a financially strong position with a positive Balance sheet and c. £29m in Reserves.

**Basis of preparation**

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020 (the Code). The purpose of this narrative statement is to explain, in an easy to understand way, the financial facts in relation to the Humber Bridge Board.

This Statement of Accounts explains the financial performance during the year 2019/2020 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.

The Narrative Statement is not part of the financial statements but is prepared on the basis that it is consistent with the financial statements. Its purpose is to comment on the financial performance of the Board and demonstrate how income generated is used to operate and maintain the bridge over the financial year.

## b) Statement of Responsibilities

**The Board's Responsibilities**

**The Board is required to:**

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this organisation, that officer is the Treasurer (constitution section 6,1.2)
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

**Chief Financial Officer's Responsibilities**

The Treasurer fulfils the functions of the Chief Financial Officer and is responsible for ensuring the preparation of the Board's Statement of Accounts are in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Treasurer (section 6, 4.2) has:

- ensured suitable accounting policies have been applied consistently
- made judgements and estimates that were reasonable and prudent
- ensured they complied with the local authority Code.
- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

**The Chief Operating Officer's Responsibilities**

The Chief Operating Officer:

- is responsible for providing the Treasurer with all necessary information and access to all documents and records under his/her control, as the Treasurer requires to enable him/her to fulfil his/her obligations set out above. (section 6 1.3)
- shall ensure that those systems are observed and that those accounts and supporting records for which he is responsible are kept up to date (section 6 4.2)

• is required to provide the Treasurer with all information he requires to produce a timely and accurate Statement of Accounts. (section 6 15.1)

## c) Certificate of the Chief Financial Officer

I certify that:

(a) The Statement of Accounts for the year ended 31st March 2020 has been prepared in the form directed by the Code and under the accounting policies set out in note 5.1.

(b) In my opinion the Statement of Accounts presents fairly the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

*Becky McIntyre*

Becky McIntyre

Treasurer to the Humber Bridge Board

16 April 2021

## d) Certificate of the Chair of the Board

On behalf of the Humber Bridge Board I certify that these accounts were approved by the Board at the meeting held on 16 April 2021.

*Sean Chaytor*

Councillor Sean Chaytor

Chair of the Humber Bridge

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# Independent auditor's report to the Humber Bridge Board

## Report on the financial statements

**Opinion**

We have audited the financial statements of the Humber Bridge Board for the year ended 31 March 2020. The financial statements comprise, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, and notes to the financial statements, including the 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 2019/20
adapted in respect of the measurement basis for the Humber Bridge as described in note 5.1 sub-note xvi.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Humber Bridge Board as at 31st March 2020 and of its 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 2019/20.

**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 Board 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.

**Emphasis of Matter - Material uncertainty relating to valuations of the Board's share of East Riding Pension Fund's unquoted investments**.

We draw attention to Note 5.2 and 5.22 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's share of East Riding Pension Fund's investments classified within level 3 of the fair value hierarchy at 31 March 2020. The outbreak of Covid-19 has resulted in additional uncertainty with regard to level 3 investments particularly for property funds. As such, a material valuation uncertainty clause has been included in the valuation reports as a result of the impact of Covid-19. Therefore, there is less certainty and a higher degree of caution should be attached to the valuations of level 3 investments than would normally be the case. Our opinion is not modified in respect of this matter.

**Conclusions relating to going concern**

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

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

**Other information**

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

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

We have nothing to report in this regard.

**Responsibilities of the Chief Financial Officer for the financial statements**

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial 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 2019/20, and for being satisfied that they give a true and fair view. The Chief Financial Officer is also responsible for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Financial

Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

**Auditor's responsibilities for the audit of the financial statements**

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

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

Mark Kirkham
For and on behalf of Mazars LLP
5th Floor
3 Wellington Place
Leeds LS1 4AP

19 April 2021

# 1. Comprehensive Income & Expenditure Account

| | Note | 2018/19 £'000 | 2019/20 £'000 |
|---|---|---|---|
| **Income** | | **(19,972)** | **(19,765)** |
| **Expenditure** | | | |
| Employees | | 3,874 | 4,136 |
| Structures | | 919 | 2,645 |
| Premises | | 416 | 1,419 |
| Service | | 1,292 | 878 |
| Supplies | | 259 | 200 |
| Transport | | 81 | 83 |
| Miscellaneous | | 242 | 403 |
| Depreciation | | 4,837 | 4,923 |
| | | **11,920** | **14,687** |
| **Net Income** | | **(8,052)** | **(5,078)** |
| Financing Income and Expenditure | 5 | 3,698 | 3,513 |
| Other Operating Expenditure | 7 | (28) | 11 |
| **Total CIES** | | **(4,382)** | **(1,554)** |
| Remeasurement of net defined benefit liability | 8 | (465) | (1,624) |
| **Total Comprehensive Income and Expenditure** | | **(4,847)** | **(3,178)** |

# 2. Balance Sheet

| | Note | 2018/19 Restated | | 2019/20 | |
|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 |
| Non-current assets | | | | | |
| Property, Plant & Equipment | 10 | | 400,694 | | 399,575 |
| Long Term Debtors | 12 | | 0 | | 600 |
| Current Assets | | | | | |
| Inventory | 11 | 243 | | 241 | |
| Short Term Debtors | 12 | 282 | | 436 | |
| Investments | 13 | 4,500 | | 1,020 | |
| Cash | 14 | (229) | | 2,531 | |
| | | | 4,796 | | 4,228 |
| Short Term Liabilities | 15 | | (10,728) | | (10,504) |
| Total Assets less Current Liabilities | | | **394,762** | | **393,899** |
| Long Term Creditors | 16 | (130,384) | | (123,140) | |
| Other Long Term Liabilities | 17 | (4,796) | | (3,653) | |
| | | | **(135,180)** | | **(126,793)** |
| Net Assets | | | **259,582** | | **267,106** |
| **Reserves** | | | | | |
| Usable Reserves | | | | | |
| Revenue Reserve | 21 | | 19,370 | | 25,150 |
| Usable Capital Receipts Reserves | 21 | | 96 | | 96 |
| Maintenance Reserve | 21 | | 5,578 | | 5,578 |
| Unusable Reserves | | | | | |
| Revaluation | 21 | | 138,315 | | 112,628 |
| Capital Adjustment Account | 21 | | 101,019 | | 126,707 |
| Pensions Reserve | 21 | | (4,796) | | (3,653) |
| Deferred Capital Receipts | 21 | | 0 | | 600 |
| | | | **259,582** | | **267,106** |

# 3. Cashflow Statement

| | 2018/19 Restated £'000 | 2019/20 £'000 |
|---|---|---|
| Net Surplus | 4,382 | 1,554 |
| Adjustments for non cash movements | 5,369 | 5,038 |
| | **9,751** | **6,592** |
| Investing Activities | 2,127 | 3,480 |
| Capital Activities | 0 | (68) |
| Financing Activities | (13,364) | (7,244) |
| Net Increase/Decrease in cash equivalents | **(1,486)** | **2,760** |
| Cash and cash equivalents at 1 April | 1,257 | (229) |
| Cash and cash equivalents at 31 March | **(229)** | **2,531** |

# 4. Movement in Reserves Statement

| | Revenue Reserve £'000 | Capital Receipts £'000 | Maintenance Fund £'000 | Total Usable Reserves £'000 | Revaluation Reserve £'000 | Capital Adjustment Account £'000 | Deferred Capital Recepts £'000 | Pension Reserve £'000 | Total Unusable Reserves £'000 |
|---|---|---|---|---|---|---|---|---|---|
| Balance Sheet as at 31 March 2018 | **15,272** | **51** | **1,914** | **17,237** | **132,955** | **102,834** | **0** | **(3,901)** | **231,888** |
| **Movement in Reserves during 2018/19** | | | | | | | | | |
| Total Comprehensive Income and Expenditure | 4,382 | | | 4,382 | | | | | 0 |
| Adjustments from income and expenditure charged under the accounting basis to the funding basis | 4,136 | 45 | | 4,181 | 5,360 | (2,571) | | (895) | 1,894 |
| **Net Increase/(Decrease) before Transfers to Earmarked Reserves** | 8,518 | 45 | 0 | 8,563 | 5,360 | (2,571) | 0 | (895) | 1,894 |
| Transfers to/from Earmarked Reserves | (4,420) | | 3,664 | (756) | | 756 | | | 756 |
| Increase/(Decrease) in 2018/2019 | 4,098 | 45 | 3,664 | 7,807 | 5,360 | (1,815) | 0 | (895) | 2,650 |
| Balance Sheet as at 31 March 2019 | **19,370** | **96** | **5,578** | **25,044** | **138,315** | **101,019** | **0** | **(4,796)** | **234,538** |
| **Movement in Reserves during 2019/20** | | | | | | | | | |
| Total Comprehensive Income and Expenditure | 3,178 | | | 3,178 | | | | | 0 |
| Adjustments from income and expenditure charged under the accounting basis to the funding basis | 2,602 | 0 | | 2,602 | (25,687) | 25,688 | 600 | 1,143 | 1,744 |
| **Net Increase/(Decrease) before Transfers to Earmarked Reserves** | 5,780 | 0 | 0 | 5,780 | (25,687) | 25,688 | 600 | 1,143 | 1,744 |
| Transfers to/from Earmarked Reserves | | | | 0 | | | | | 0 |
| **Increase/(Decrease) in 2019/20** | 5,780 | 0 | 0 | 5,780 | (25,687) | 25,688 | 600 | 1,143 | 1,744 |
| **Balance Sheet as at 31 March 2020** | **25,150** | **96** | **5,578** | **30,824** | **112,628** | **126,707** | **600** | **(3,653)** | **236,282** |

# 5. Notes to the Accounts.

## 5.1. Accounting Policies

**i. General Principles**
The Statement of Accounts summarises the board's transactions for the 2019/2020 financial year and its position at the year-end of 31 March 2020. The board is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020, supported by International Financial Reporting Standards (IFRS).
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.

**ii. Accruals of Income and Expenditure**
Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from 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 where individual inventory categories are above £100,000.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. In respect of both capital and revenue transactions, the board operates on the normal accruals concept of income and expenditure above the board's de minimis threshold of £10,000.

**iii. Cash and Cash Equivalents**
Cash is represented by cash in hand and deposits with financial institutions repayable on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with a low risk of change in value.
Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the board's cash management.

**iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**
Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in 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 the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the board'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.

### v. Charges to Revenue for Non-current Assets

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

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

The board is not required to raise bridge tolls to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the Minimum Revenue Provision, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### vii. Employee Benefits

#### Benefits Payable During Employment

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure in the relevant service line in the Comprehensive Income and Expenditure Statement.

#### Termination Benefits

When the board is demonstrably committed to the termination of the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy, these costs are charged on an accruals basis to the respective service line in the Comprehensive Income and Expenditure Statement.

#### Post-employment Benefits

Employees of the board are members of the Local Government Pension Scheme, administered by East Riding of Yorkshire Council.

These scheme provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the board.

#### The Local Government Pension Scheme

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

- The liabilities of the East Riding pension fund attributable to the board 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 projected earnings for current employees.
- The assets of East Riding pension fund attributable to the board are included in the Balance Sheet at their fair value.

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the board – 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 of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit 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 Pensions 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 Pensions 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 board to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means 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 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 board 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) 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.

### viii. Events After the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

### ix. Financial Instruments

#### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the board 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 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 board has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Revenue reserve to be spread over future years. The board 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 Comprehensive Income and Expenditure Statement to the net charge required against the Revenue reserve is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### Financial Assets

The board'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 board 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 authority, 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.

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 board 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 board.

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 of Loss

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

**x. 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 board when there is reasonable assurance that:

- the board will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the board are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.
Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring fenced revenue grants and all capital grants) 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 Revenue reserve 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.

**xi. Intangible Assets**
Expenditure on non-monetary assets that do not have physical substance but are controlled by the board as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the board.
Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the board will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase.
Intangible assets are measured initially at cost and then carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) 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 line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.
Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the Revenue reserve. The gains and losses are therefore reversed out of the Revenue reserve 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.

**xii. Inventories**
Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The board has set a de minimis value of £100,000, below which inventories are not held on balance sheet.

**xiii. 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 (in the ordinary course of operations).
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.
Properties are not depreciated but are revalued 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 Revenue reserve. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Revenue reserve. The gains and losses are therefore reversed out of the Revenue reserve 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.

**xiv. Leases**

Leases are classified as finance leases where the terms transfer substantially all the risks and rewards of ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately.

**The Board as Lessee**

**Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the board 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
- a 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 board at the end of the lease period).

The board is not required to meet the costs of depreciation or revaluation and impairment losses arising on leased assets from its income. 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 Revenue reserve, 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**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

**The Board as Lessor**

**Finance Leases**

Where the board 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. At the commencement of the lease, the carrying amount 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. A gain, representing the board's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (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 Revenue reserve and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the Revenue reserve 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 financial years, this is posted out of the Revenue reserve to the Deferred Capital Receipts

Reserve in the Movement in Reserves Statement. When the 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 the board's revenue reserve, 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 Revenue reserve in the Movement in Reserves Statement.

#### Operating Leases

Where the board grants an operating lease over an asset, this is retained on the Balance Sheet. Rental income is recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement 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.

### xv. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the board's arrangements for accountability and financial performance.

### xvi. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the board and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### Measurement

Assets are initially measured at cost, 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 board does not capitalise borrowing costs incurred while assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the board). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the board.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Revenue reserve to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- assets under construction and community assets (without a determinable finite useful life) – historical cost
- infrastructure, community assets (with a determinable finite useful life) – depreciated historical cost
- all other assets are measured at current value

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. This is the approach that the Board has taken with the valuation of the Humber bridge identified under Infrastructure at Note 5.10 of the financial statements. The valuation has been carried out by the Board's head of Engineering & Infrastructure taking into account the condition of the bridge and its components and the estimated replacement costs based upon industry indices.

Where 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 revalued 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 Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, 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.

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 identified, 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 subsequently, the reversal 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) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is normally charged in the first full year of operational use, except where stated, and calculated on the following bases:

- 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. Depreciation is charged on vehicles from the point of initial use.
- infrastructure – straight-line allocation over its technically assessed life.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

### 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 revalued 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 the 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 criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the 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 carrying amount 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 same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipts are transferred to the Capital Receipts Reserve from the Revenue reserve in the Movement in Reserves Statement. The reserves can then only be used for new capital investment, or set aside to reduce the board’s underlying need to borrow (the capital financing requirement).

The written-off value of disposals is not a charge against the board’s revenue reserve, 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 Revenue reserve in the Movement in Reserves Statement.

## xvii. Provisions, Contingent Liabilities and Contingent Assets

Provisions are made where an event has taken place that gives the board a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the board 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 as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the board has an obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

### Contingent Liabilities

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

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 board a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the board.
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.

**xviii. Reserves**

The board sets aside specific amounts as reserves for future policy purposes or to cover contingencies.
Reserves are created by transferring amounts out of the board's Revenue Reserve. 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 transferred back into through the movements in reserves so that there is no net charge against the board's revenue reserve for the expenditure.
Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the board – these reserves are explained in the relevant policies.

**xix. Revenue Expenditure Funded from Capital under Statute**

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

**xx. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

**xxi. Fair Value Measurement**

The board measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as bonds at fair value at each reporting date. 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. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The board measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
When measuring the fair value of a non-financial asset, the board 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.
The board uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the board's financial statements are categorised within the fair value hierarchy, as follows:

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

### 5.2. Pensions

In March 2020 the World Health Organisation declared the outbreak of Covid-19 as a global pandemic which led initially to a material negative impact in publicly quoted markets. This caused additional uncertainty in the valuation of unquoted investments which are challenging to value even in normal market conditions. With regard to property valuations undertaken at 31 March 2020, valuers noted that they considered less weight could be attached to previous market evidence for comparison purposes, to inform opinions of value. As such, where valuations were undertaken by external valuers at 31 March 2020, these were therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations of unquoted investments than would normally be the case.

| Period ended 31 March 2020 | Assets | Obligations | Net (liability)/asset |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Fair value of plan assets | 16,424 | | 16,424 |
| Present value of funded liabilities | | 21,162 | (21,162) |
| Present value of unfunded liabilities | | 58 | (58) |
| Opening Position as at 31 March 2019 | 16,424 | 21,220 | (4,796) |
| **Service cost** | | | |
| Current service cost* | | 1,021 | (1,021) |
| Past service cost (including curtailments) | | 107 | (107) |
| Effect of settlements | | | 0 |
| Total Service Cost | 0 | 1,128 | (1,128) |
| **Net interest** | | | |
| Interest income on plan assets | 398 | | 398 |
| Interest cost on defined benefit obligation | | 518 | (518) |
| Total net interest | 398 | 518 | (120) |
| Total defined benefit cost recognised in Surplus or (Deficit) | 398 | 1,646 | (1,248) |
| **Cashflows** | | | |
| Participants' contributions | 157 | 157 | 0 |
| Employer contributions | 764 | | 764 |
| Estimated benefits paid | (655) | (655) | 0 |
| Estimated unfunded benefits paid | (3) | (3) | 0 |
| Estimated contributions in respect of unfunded benefits paid | 3 | | 3 |
| Effect of business combinations and disposals | | | 0 |
| Expected closing position | 17,088 | 22,365 | (5,277) |
| **Remeasurements** | | | |
| Changes in financial assumptions | | (1,517) | 1,517 |
| Changes in demographic assumptions | | (910) | 910 |
| Other experience | | (242) | 242 |
| Return on assets excluding amounts included in net interest | (1,045) | | (1,045) |
| Total remeasurements recognised in Other Comprehensive Income | (1,045) | (2,669) | 1,624 |
| Fair value of plan assets | 16,043 | | 16,043 |
| Present value of funded liabilities | | 19,645 | (19,645) |
| Present value of unfunded liabilities** | | 51 | (51) |
| Closing position as at 31 March 2020 | 16,043 | 19,696 | (3,653) |

Analysis of Pension Fund Assets

| Asset Category | Period Ended 31 March 2021 | | | |
|---|---|---|---|---|
| | Quoted prices in active markets £'000 | Quoted prices not in active markets £'000 | Total £'000 | Percentage of Total Assets |
| **Equity Securities** | | | | |
| Consumer | 0.0 | 0.0 | 0.0 | 0% |
| Manufacturing | 0.0 | 0.0 | 0.0 | 0% |
| Energy and Utilities | 0.0 | 0.0 | 0.0 | 0% |
| Financial Institutions | 0.0 | 0.0 | 0.0 | 0% |
| Heath and Care | 0.0 | 0.0 | 0.0 | 0% |
| Information technology | 0.0 | 0.0 | 0.0 | 0% |
| Other | 1,394.5 | 0.0 | 1,394.5 | 9% |
| **Debt Securities** | | | | |
| Corporate Bonds (investment grade) | 0.0 | 0.0 | 0.0 | 0% |
| Corporate Bonds (non-investment grade) | 167.9 | 933.3 | 1,101.2 | 7% |
| UK Government | 712.4 | 0.0 | 712.4 | 4% |
| Other | 303.8 | 0.0 | 303.8 | 2% |
| **Private Equity** | | | | |
| All | 223.8 | 627.9 | 851.7 | 5% |
| **Real Estate** | | | | |
| UK Property | 620.2 | 1,514.8 | 2,135.0 | 13% |
| Overseas Property | 0.0 | 0.0 | 0.0 | 0% |
| **Investment Funds and Unit Trusts** | | | | |
| Equities | 6,843.9 | 0.0 | 6,843.9 | 43% |
| Bonds | 370.1 | 0.0 | 370.1 | 2% |
| Hedge Funds | 0.0 | 0.0 | 0.0 | 0% |
| Commodities | 0.0 | 0.0 | 0.0 | 0% |
| Infrastructure | 229.2 | 720.9 | 950.1 | 6% |
| Other | 119.6 | 501.8 | 621.4 | 4% |
| **Derivatives** | | | | |
| Inflation | 0.0 | 0.0 | 0.0 | 0% |
| Interest Rate | 0.0 | 0.0 | 0.0 | 0% |
| Foreign Exchange | 0.0 | 0.0 | 0.0 | 0% |
| Other | 0.0 | 0.0 | 0.0 | 0% |
| **Cash and Cash Equivalents** | | | | |
| All | 758.9 | 0.0 | 758.9 | 5% |
| **Totals** | **11,744** | **4,299** | **16,043** | **100%** |

Actuarial Assumptions

| Period Ended | 31-Mar-20<br>% p.a. | 31-Mar-19<br>% p.a. |
|---|---|---|
| Pension Increase Rate (CPI) | 1.9% | 2.5% |
| Salary Increase Rate | 2.8% | 2.7% |
| Discount Rate | 2.3% | 2.4% |

Mortality

| Life Expectancy | Males | Females |
|---|---|---|
| Current Pensioners | 20.9 years | 23.3 years |
| Future Pensioners | 21.8 years | 24.8 years |

This is a sensitivity analysis of the Actuarial Assumptions used in the figures above.

| Change in assumptions at 31 March 2020 | Approximate % increase to Defined Benefit Obligation | Approximate monetary amount (£000) |
|---|---|---|
| 0.5% decrease in Real Discount Rate | 9% | 1,677 |
| 0.5% increase in the Salary Increase Rate | 1% | 107 |
| 0.5% increase in the Pension Increase Rate (CPI) | 8% | 1,560 |

The following table provides a projection of the financial impact on the Board during the following financial year.

| Period Ended 31 March 2021 | Assets | Obligations | Net (liability)/asset | |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | % of pay |
| Projected Current service cost | - | 776 | (776) | (33.0%) |
| Past service cost including curtailments | - | - | - | |
| Effect of settlements | - | - | - | |
| Total Service Cost | - | 776 | (776) | (33.0%) |
| Interest income on plan assets | 368 | - | 368 | 15.6% |
| Interest cost on defined benefit obligation | - | 456 | (456) | (19.4%) |
| Total Net Interest Cost | 368 | 456 | (88) | (3.8%) |
| Total Included in Surplus and Deficit | 368 | 1,232 | (864) | (36.8%) |

### 5.3. Auditors Fees

| | 2018/19 £'000 | 2019/20 £'000 |
|---|---|---|
| Audit of the financial statements | 38 | 38 |
| Internal audit | | 20 |
| | **38** | **58** |

### 5.4. Termination Benefits

| Position at the Humber Bridge Board | 2018/19 Staff No | 2018/19 Exit Package £'000 | 2019/20 Staff No | 2019/20 Exit Package £'000 |
|---|---|---|---|---|
| Over £100k - £150k | 1 | 129 | 1 | 130 |
| Over £80k - £100k | | | | |
| Over £60k - £80k | | | 1 | 40 |
| Over £40k - £60k | 2 | 96 | | |
| Over £20k - £40k | 1 | 63 | | |
| Up to £20k | 1 | 13 | | |
| | **5** | **301** | **2** | **170** |

### 5.5. Financing and Investment Income and Expenditure

| | 2018/19 £'000 | 2019/20 £'000 |
|---|---|---|
| Interest Payable on Loans | 3,634 | 3,439 |
| Interest Receivable on Investments | (42) | (46) |
| Interest on Pension Obligations | 106 | 120 |
| | **3,698** | **3,513** |

### 5.6. Capital Expenditure and Financing

This note shows the Board's capital investment in year and how it was financed.

| | 2018/19 £'000 | 2019/20 £'000 |
|---|---|---|
| Opening Capital Financing requirement | 154,735 | 153,576 |
| Prior Year Adjustment | | 7,785 |
| | | 161,361 |
| Capital Investment in Year | 1,336 | 68 |
| Sources of Financing | | |
| Capital Receipts | 0 | 0 |
| Revenue Financing | 0 | 0 |
| Utilisation of Maintenance Reserve | (1,336) | 0 |
| Minimum Revenue Provision | (1,159) | (1,189) |
| | **153,576** | **160,240** |

### 5.7. Accounting Standards that have been issued but not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020 (the Code), the council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

At the Balance Sheet date, the following new standards and amendments to existing standards have been published but not yet adopted:

- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement will require the re-measurement of the net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and as this could result in a positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

- IFRS 16 Leases (deferral to 1 April 2022): Will require local authorities and similar bodies that are lessees to recognise most leases on their balance sheets as right of use assets with corresponding lease liabilities. CIPFA/LASAAC have deferred implementation of IFRS16 for local government until 1 April 2021. The impact of implementing IFRS16 has not yet been calculated.

### 5.8. Other Operating Expenditure

| | 2018/19 £'000 | 2019/20 £'000 |
|---|---|---|
| Gains/Losses on Disposal | (28) | 11 |
| | **(28)** | **11** |

### 5.9. Other Comprehensive Income and Expenditure

| | 2018/19 £'000 | 2019/20 £'000 |
|---|---|---|
| Pension-Remeasurement of Defined Benefit | (1,112) | (2,669) |
| Expected Return on Pension Assets | 647 | 1,045 |
| | **(465)** | **(1,624)** |

### 5.10. Movement of Non-Current Assets

| | Land and Buildings £'000 | Infrastructure £'000 | Surplus assets £'000 | Asset under construction £'000 | Vehicles, Plant & Equipment £'000 | Intangible Assets £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | |
| At April 2019 | 2,146 | 398,038 | 2,414 | 2,675 | 280 | 22 | 405,575 |
| Additions | 0 | 0 | 0 | 9 | 59 | 0 | 68 |
| Disposals | | | (600) | | (19) | | (619) |
| Revaluation to Revaluation Reserve | | (5,222) | | | | | (5,222) |
| **At 31 March 2020** | **2,146** | **392,816** | **1,814** | **2,684** | **320** | **22** | **399,802** |
| | | | | | | | |
| **Accumulated Depreciation** | | | | | | | |
| At April 2019 | (16) | (4,775) | 0 | 0 | (88) | (2) | (4,881) |
| Depreciation Charge in Year | (15) | (4,794) | | (54) | (52) | (8) | (4,923) |
| Depreciation written off on Revaluation | | 9,569 | | | | | 9,569 |
| Depreciation eliminated on disposal | | | | | 8 | | 8 |
| **At 31 March 2020** | **(31)** | **0** | **0** | **(54)** | **(132)** | **(10)** | **(227)** |
| | | | | | | | |
| **Net Book Value** | | | | | | | |
| At April 2019 | 2,130 | 393,263 | 2,414 | 2,675 | 192 | 20 | 400,694 |
| At 31 March 2020 | **2,115** | **392,816** | **1,814** | **2,630** | **188** | **12** | **399,575** |

### 5.11. Inventories

| | 2018/19<br>£'000 | 2019/20<br>£'000 |
|---|---|---|
| Operational Stock | 125 | 111 |
| Maintenance Stock | 0 | 27 |
| Tag Stock | 118 | 103 |
| | **243** | **241** |

### 5.12. Long & Short-Term Debtors

| | 2018/19<br>£'000 | 2019/20<br>£'000 |
|---|---|---|
| Deferred Capital Receipt | 0 | 600 |
| | **0** | **600** |

| | 2018/19<br>£'000 | 2019/20<br>£'000 |
|---|---|---|
| Trade Debtors | 48 | 76 |
| Prepayments | 183 | 178 |
| VAT | 0 | 166 |
| Impairment | (37) | (38) |
| Accrued Income | 88 | 54 |
| | **282** | **436** |

### 5.13. Short-term Investments

| | 2018/19<br>Restated<br>£'000 | 2019/20<br>£'000 |
|---|---|---|
| Short Term Investments | 4,500 | 1,020 |
| | **4,500** | **1,020** |

### 5.14. Cash and Cash Equivalents

| | 2018/19<br>£'000 | 2019/20<br>£'000 |
|---|---|---|
| Bank | (351) | 2,530 |
| Cash held | 122 | 1 |
| | **(229)** | **2,531** |

### 5.15. Creditors: Amounts falling due within 1 year

| | 2018/19<br>£'000 | 2019/20<br>£'000 |
|---|---|---|
| Loans | 7,243 | 7,243 |
| Trade Creditors | 134 | 341 |
| TAG Creditors | 982 | 1,069 |
| TAG Deposits | 955 | 1,127 |
| VAT | 329 | 70 |
| Pre-Paid Tickets Creditor | 352 | 322 |
| Accruals and Deferred Income | 533 | 93 |
| Retentions held on Sub Contractors | 84 | 179 |
| Payroll | 116 | 60 |
| | **10,728** | **10,504** |

### 5.16. Creditors: Amounts falling due after 1 year

| | 2018/19 Restated<br>£'000 | 2019/20<br>£'000 |
|---|---|---|
| Public Works Loans Board | 130,384 | 123,140 |
| | **130,384** | **123,140** |

### 5.17. Long Term Liabilities

| | 2018/19<br>£'000 | 2019/20<br>£'000 |
|---|---|---|
| Pension Liabilities | (4,796) | (3,653) |
| | **(4,796)** | **(3,653)** |

### 5.18. Related Party Transactions

| | 2018/19<br>£’000 | 2019/20<br>£’000 |
|---|---|---|
| C Spencer | 316 | 0 |
| Hull City council | 81 | 51 |
| East Riding Council | 176 | 50 |
| North Lincolnshire Council | 2 | 0 |
| | **575** | **101** |

### 5.19. Cash Flow Note

| | 2018/19 £'000 | 2019/20 £'000 |
|---|---|---|
| Depreciation | 4,837 | 4,923 |
| Pensions Adjustments | 430 | 481 |
| Disposal of Non-current assets | 58 | 11 |
| Increase/(Decrease) Inventory | (60) | 2 |
| Increase/(Decrease) Debtors | 55 | (155) |
| (Increase)/Decrease Creditors | 49 | (224) |
| | **5,369** | **5,038** |

### 5.20. Disclosure of Nature and Extent of Risk Arising from Financial Instruments

The board's activities expose it to a variety of financial risks, including:

- Credit risk – the possibility that other parties might fail to pay amounts due to the board.
- Liquidity risk – the possibility that the board might not have funds available to meet its commitments to make payments.
- Re-financing and Maturity risk – the possibility that the board 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 Board as a result of changes in such measures as interest rates and market pricing of financial instruments.

The Board has due regard for the risk associated with the financial instruments that they hold. The procedures for risk management are set out through the legal framework in the Local Government Act 2003 and the associated regulations. These require the Boards to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice. The board manages risk in the following ways:

- By formally adopting the requirement of the Code of Practice within its Treasury Management practices.
- By approving annually in advance, prudential indicators for the following three years within the Treasury Management Strategy limiting:
    - The Board'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 the Government Guidance.

**Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the board's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the Treasury Strategy. The Treasury Management Strategy was approved by the Board.

**Liquidity Risk**

The Board's only borrowing was to finance the building of the Bridge and subsequent interest payments. The Board is required by the Humber bridge Act 1959 to make a balanced budget, which ensures sufficient monies are raised to cover the annual debt repayments and other outgoings. In the unlikely event of an unforeseen deficit that cannot be met from the Reserve Fund, the Board has a number of options at its disposal, including increasing the level of tolls, which it would use to recover the position. Under the Humber bridge Act 2013 the Board has two years to take action to recover such a deficit. If ti was unable to do so, the Board would recover the remaining deficit in equal amounts from levies on the four constituent local authorities.

There is no significant perceived risk that the board will be unable to raise finance to meet its commitments.

**Re-financing and Maturity Risk**

The board maintains an investment portfolio. Whilst the cash flow procedures above are considered against the re-financing risk procedures, longer-term risk to the board relates to managing the exposure to replacing financial instruments as they mature. This risk relates mainly longer-term financial assets but should further borrowing take place could also relate to the maturing of longer-term financial liabilities. This risk is mitigated by monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Board's day to day cash flow needs, also the use of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

**Interest rate risk**

The Board is exposed to interest rate movements on its investments which are mostly deposits with financial institutions. Interest income forms part of the Consolidated Income and Expenditure Statement so any reduction in rates means less income is available to fund the Board's ongoing expenditure. The Board has several Strategies for managing interest rate risk. The Treasury Management Strategy reviews expectations of interest rate movements and the Treasury team monitors interest rates to invest 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.

**Price risk**

This is the possibility that there is a change of value of quoted investments. However, this risk is mitigated because the majority of the Board's investments are in money deposits with financial institutions which are not subject to changes in value.

| | 2018/19 Restated £'000 | 2019/20 £'000 |
|---|---|---|
| Financial Liabilities at amortised cost | | |
| Outstanding loan as at 1 April | 144,869 | 137,626 |
| Interest payment charged to the Comprehensive income and Expenditure Statement | 3,634 | 3,438 |
| Cash Payment | | |
| -Interest | (3,634) | (3,438) |
| -Principal Repayment | (7,243) | (7,243) |
| **Total outstanding Loan as at 31 March** | **137,626** | **130,383** |
| Short Term element of the loan | (7,243) | (7,243) |
| **Long Term Borrowing as at 31 March** | **130,383** | **123,140** |

Financial Instruments-Assets

Financial Assets can be classified into two types:

- Loans and receivables-assets that have a fixed or determinable payment but are not quoted in an active market.
- Available-for-sale assets-assets that have a quoted market price and/or do not have a fixed or determinable payment.

Loans and receivables shown in the balance sheet-all due within one year.

| | 2018/19 Restated £'000 | 2019/20 £'000 |
|---|---|---|
| Short Term Investments | 4,500 | 1,020 |
| Debtors and Prepayments | 231 | 216 |
| Bank | (351) | 2,530 |
| **Total** | **4,380** | **3,766** |

Financial Liabilities shown in the balance sheet-all due within one year

| | 2018/19 £'000 | 2019/20 £'000 |
|---|---|---|
| PWLB Loan | 7,243 | 7,243 |
| Trade Creditors | 134 | 341 |
| TAG Creditors | 982 | 1,069 |
| TAG Deposits | 955 | 1,127 |
| Pre-Paid Tickets Creditor | 329 | 70 |
| Retentions held on Sub Contractors | 352 | 322 |
| **Total** | **9,995** | **10,172** |

### 5.21. Reserves

An analysis of the movement on each of the Board's usable reserves is shown below:

| Maintenance Fund | 2018/19 £'000 | 2019/20 £'000 |
|---|---|---|
| Balance as at 1 April | 1,914 | 5,578 |
| Transfer from revenue | 5,000 | 0 |
| Transfer to revenue to fund maintenance | (580) | 0 |
| Financing Capital Expenditure | (756) | 0 |
| **Balance as at 31 March** | 5,578 | 5,578 |

| Capital Receipts Reserve | 2018/19 £'000 | 2019/20 £'000 |
|---|---|---|
| Balance as at 1 April | 51 | 96 |
| Receipts in year | 45 | 0 |
| Applied to finance capital spending | 0 | 0 |
| **Balance as at 31 March** | 96 | 96 |

An analysis of the movement on each of the Board's unusable reserves is shown below:

| Revaluation Reserve | 2018/19 £'000 | 2019/20 £'000 |
|---|---|---|
| Balance as at 1 April | 132,955 | 138,315 |
| Prior Year Adjustment | | (29,751) |
| Revised brought forward | | 108,564 |
| Revaluation | 6,540 | 4,346 |
| Disposal | 0 | (280) |
| Difference between fair value and historical cost depreciation | (1,180) | (2) |
| **Balance as at 31 March** | **138,315** | **112,628** |

| Capital Adjustment Account | 2018/19 £'000 | 2019/20 £'000 |
|---|---|---|
| Balance as at 1 April | 102,834 | 101,019 |
| Prior Year Adjustment | | 29,751 |
| Restated balance as at 1 April | | 130,770 |
| Depreciation of Non-Current Assets | (4,837) | (4,923) |
| Difference between fair value and historical cost depreciation | 1,180 | 2 |
| Write off gain/loss on disposal | (28) | (331) |
| Minimum Revenue Provision | 1,159 | 1,189 |
| Financing of Capital from Maintenance Reserve | 756 | 0 |
| Financing of Capital Expenditure | (45) | 0 |
| **Balance as at 31 March** | **101,019** | **126,707** |

A review of the Board's asset register was undertaken. This highlighted a historic error in the value of the revaluation reserve.

| Deferred Capital Receipts Reserve | 2018/19<br>£'000 | 2019/20<br>£'000 |
|---|---|---|
| Balance as at 1 April | 0 | 0 |
| Receipts in year | 0 | 600 |
| **Balance as at 31 March** | **0** | **600** |

| Pension Reserve | 2018/19<br>£'000 | 2019/20<br>£'000 |
|---|---|---|
| Balance as at 1 April | (3,901) | (4,796) |
| Employer Contributions | 560 | 767 |
| Net revenue Account Costs | (990) | (1,248) |
| Remeasurement | (465) | 1,624 |
| **Balance as at 31 March** | (4,796) | (3,653) |

## 5.22. 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 board about the future or that are otherwise uncertain. Estimates are made considering 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, particularly with the uncertainty surrounding the current COVID-19 pandemic effect.

The items in the council's Balance Sheet at 31 March 2020, for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

| 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. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. |
| | It is estimated that the annual depreciation charge for buildings would increase by £0.06m if the average useful life of the board's assets fell by one year. |
| **Property, Plant and Equipment and Investment Properties** | |
| In addition, the Coronavirus pandemic has impacted in global financial markets and market activity is being impacted in many sectors. This has resulted in difficulties in attaching weight to previous market evidence for comparison purposes, to inform opinions of value. | |

**Pensions 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 council with expert advice about the assumptions to be applied. Only figures based on estimates have been provided by the actuary so far. Figures based on actual outturns are expected at some point and will be updated accordingly on receipt.

The actuary's valuation of their property portfolio is subject to the same 'material valuation uncertainty' described in the above section.

The assumptions interact in complex ways. During 2019/2020, the council's actuary advised that the net pension liability had decreased by £1.6m as a result of updating the assumptions and actual contributions made. A sensitivity analysis can be seen in the Defined Benefit Pension Schemes note.

**Impairment**

At 31 March 2020, the council had a balance of sundry debtors of £76.3k. A review of significant balances suggested that an impairment of doubtful debts of £37.5k was appropriate. However, it is not certain that such an allowance would be sufficient.

If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £37.5k to be set aside as an allowance.

## 5.23. Adjustments Between Accounting Basis and Funding basis Under Regulations for Year

| | 2018/19 £'000 | 2019/20 £'000 |
|---|---|---|
| Surplus/Deficit on Provision of Services | (4,382) | (1,554) |
| | | |
| Depreciation of non current assets | (4,837) | (4,923) |
| Minimum Revenue Provision | 1,159 | 1,189 |
| Pension Adjustments under IAS19 | (990) | (1,248) |
| Elimination of net book value of disposals | (28) | (611) |
| Transfer deferred capital receipts to reserve | 0 | 600 |
| Employers Contribution to Pension Fund | 560 | 767 |
| | (4,136) | (4,226) |
| **Transfer to/from Earmarked Reserves** | | |
| Net transfer to Maintenance Reserve | 4,420 | 0 |
| | | |
| Net additional amount required to be recognised in the Revenue Account | 284 | (4,226) |
| | | |
| Decrease/(increase) in Revenue Balance for Year | (4,098) | (5,780) |
| | | |
| Opening Revenue Balance | (15,272) | (19,370) |
| | | |
| **Closing Revenue Balance** | **(19,370)** | **(25,150)** |