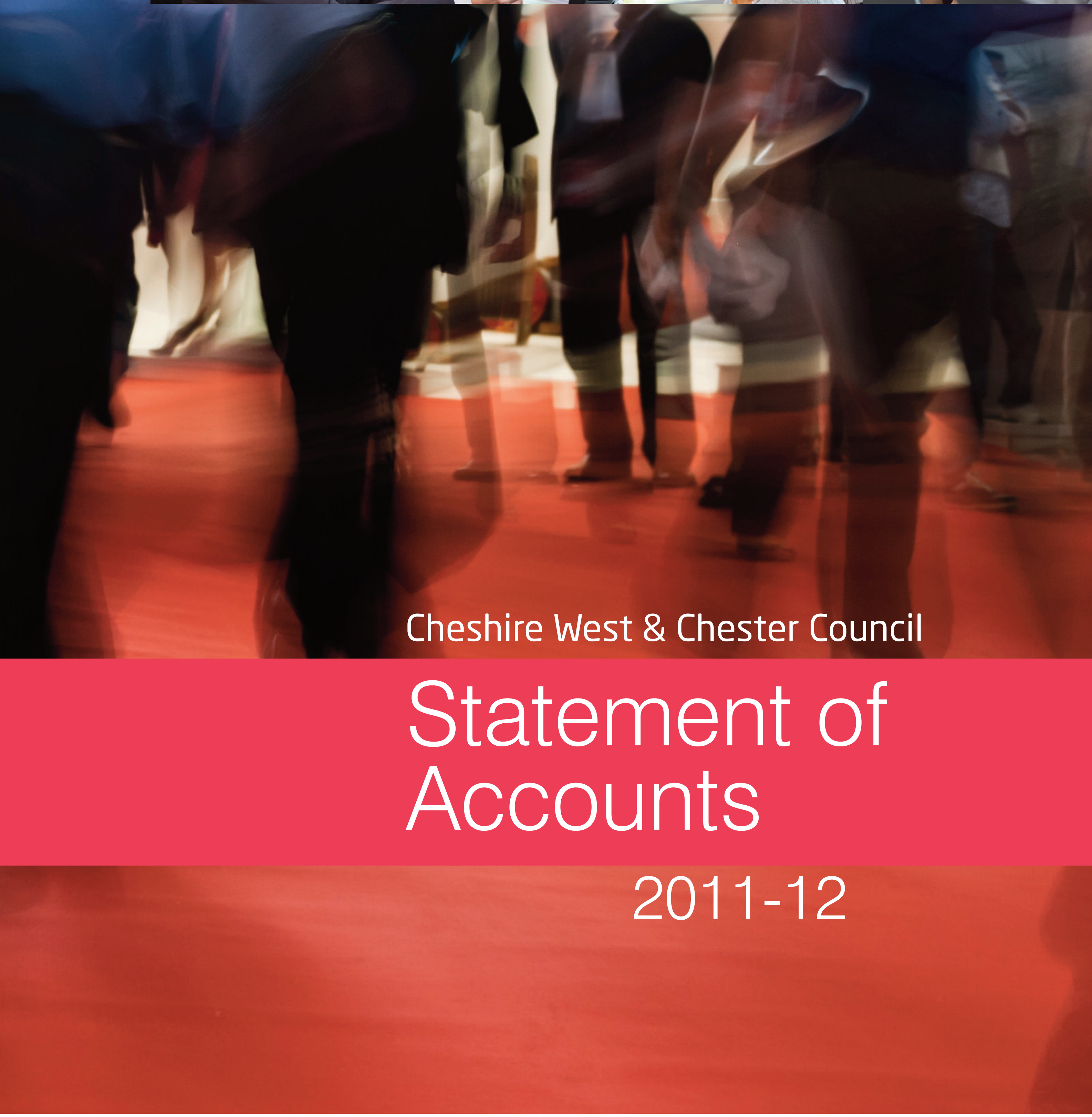

Cheshire West & Chester Council

Statement of Accounts

2011-12

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Cheshire West and Chester

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EXPLANATORY FOREWORD

The following pages include the Statement of Accounts for Cheshire West & Chester Council for the year ended 31 March 2012.

Each year the Council must prepare and publish annually a Statement of Accounts, the purpose of which is to give electors, local taxpayers, Members of the Council, employees and other interested parties clear information about the Council's finances.

The aim is to provide information on:

- The cost of the services provided in 2011-12.
- Where the money came from.
- What we own and what we owed at the end of the financial year.

The purpose of this foreword is to provide an explanation of the Council's financial position, including the main influences affecting the accounts, and to assist in the interpretation of the accounting statements.

Within the foreword we will set out:

- What the various elements of the Accounts are and what each section tells you.
- Any material changes which have affected the Accounts in 2011-12, either as a result of changes in reporting requirements or in the Council's status.
- An explanation of the main external factors that have influenced the information contained in the Accounts in 2011-12.
- A summary of the key information from the Accounts and messages that can be drawn from this information.
- Supplementary information on some of the outcomes from the Council's financial activities in the year.
- Any further developments that will impact on the Council's finances beyond 31 March 2012.

This published document also includes summaries of the Collection Fund for the Cheshire West area that the Council manages on behalf of local preceptors and the Cheshire Pension Fund for whom the Council acts as administrator.

Sections of the Statement of Accounts

The Council's accounts are made up of:

- **The Statement of Responsibilities for the Statement of Accounts** explains the Council's responsibilities and the responsibilities of the Director for Resources.

- **The Annual Governance Statement** comprises the systems and processes that enable the authority to monitor the achievement of its strategic objectives. This includes the system of internal control used to manage risk. It sets out the main features of this system and its effectiveness.

- **Movement in Reserves Statement (MIRS)** shows the movement in year on reserves held by the Council, analysed into 'usable reserves' and other reserves. The 'surplus (or deficit) on the provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The 'Net Increase/Decrease before Transfers to earmarked reserves' shows the position before any discretionary transfers to/from earmarked reserves are undertaken.

- **Comprehensive Income and Expenditure Statement (CIES)** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **The Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets are matched by reserves held by the authority.

- **The Cash Flow Statement** shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

- **The Housing Revenue Account** is a record of revenue expenditure and income relating to a Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants**.**

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

- **The Pension Fund Accounts** summarise the income and expenditure and the balance sheet position as at 31 March of the Cheshire Pension Fund, which is administered by Cheshire West & Chester Council.

The accounts include a Glossary of Terms and there are suitable notes to the accounts which give readers more information. The accounting policies are included within the notes to the accounts.

Changes in Accounting Policies

The Statement of Accounts for 2011-12 have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). These Accounts are produced to comply with International Financial Reporting Standards as interpreted by the Code and to maintain compliance any new reporting standards adopted during the year need to be reflected.

In 2011-12 there is only one significant change in the Code's requirements; that is to reflect the introduction of a new category of assets called Heritage Assets. These assets reflect properties or other items that the Council holds primarily for their contribution to knowledge or culture as opposed to assets that are held for operational or financial reasons. The category of assets will include a number of the Councils historic buildings, monuments, cultural artefacts and museum exhibits. As a result of separating out this new category of asset the Council has reclassified £31m of assets (largely buildings) that would otherwise have been shown as operational assets and reflected an additional £15m of assets (largely museum collections) which were previously not shown on the Council's balance sheet.

Further details on these items are included in Note 14 in the Accounts. The new requirements are adopted retrospectively which means that prior year information is also restated, the impacts of these restatements are set out in Note 51.

Main Influences on the 2011-12 Accounts

There have been a number of particularly significant factors which have had a large influence on the balances included within these accounts;

- The transfer of housing debt from Central Government to the Council as part of the shift to Housing Revenue Accounts becoming self financing.
- The impact that the wider economic climate has had on the Council's assets and liabilities.

Housing Debt Transfer
From 2012-13 the Housing Revenue Account (HRA) will become a self-financing account and will no longer be subject to the existing Government controlled housing subsidy system. This means that the rent currently paid by the HRA back to Government will be retained by the Council. In return the Council will take on part of the national housing debt.

This balance was estimated by Government based on the expected net costs of managing current stock and investing in the homes over a 30 year period. The debt transfers took place on 28th March 2012 so the transactions are reflected in the 2011-12 accounts. The Council borrowed a sum of £90.591m from the Public Works Loan Board (PWLB) and used that funding to fund a settlement payment to Government. The Council's Long Term Borrowing has consequentially increased and the cost of the settlement has been charged to the Comprehensive Income & Expenditure Statement (CIES) under the Housing Service sub heading. As these costs are one off and do not represent typical expenditure for either the Council or the HRA they have been shown as an exceptional item on the face of the CIES and HRA.

The level of debt transferred was calculated to have a neutral impact on the Council but in the short term the change will increase the Council's liabilities and reduce its reserves. The benefits to the

Council will arise in later years as it no longer needs to pay a subsidy (currently £5m per year) to Government. This money will therefore be available to service the interest on this borrowing and fund its repayment. The arrangement will in fact enable the HRA to increase its investment in housing stock.

Economic Conditions

The prevailing economic conditions have influenced the Council's approach to its Treasury Management activities. Since its inception, the Council's strategy has been to use existing cash balances to fund capital expenditure rather than raising new long term loans. This avoids the need to hold financial assets (cash and investments) that were not generating a significant return.

This strategy has continued during 2011-12 and the Accounts show a £13m reduction in the level of cash held. The Council recognised that such a strategy could not continue indefinitely and in February 2012 it took out short term borrowing of £14m to support ongoing activities. It is likely going forward that the Council will need to raise new loans to fund its capital expenditure rather than continuing to use cash balances.

The current economic climate has also had a significant impact on the Pensions Liability. One of the most significant changes on the balance sheet relates to the Council's pensions deficit which has increased from £219m to £306m, an increase of £87m.

There were two main reasons why the deficit increased, both linked to worse than expected economic performance in financial markets:

- The discount factor applied to future costs has fallen from 2.7% to 2.3% since 2010-11; this means that the present day value of future costs have increased. This increased cost (£62m) appears in the Accounts as a pensions Loss and results in a higher pension liability being reported. These actuarial estimates are very volatile as markets change, in 2010-11 similar adjustments resulted in the liability reducing by over £100m.

- Expectations over the future earning potential of existing assets have fallen. As the markets have not recovered as quickly as anticipated the anticipated future increases in the value of assets held has been reduced (by £26m). This again increases the net pension liability.

It is important to note that this deterioration is based on actuarial valuations and does not represent an immediate call on Council's reserves. The Council's actual payments to the Pension Fund are reviewed every three years as part of the triennial valuation of the Pension Fund. An investment strategy is then determined which aims to recover the deficit over a stated period (currently 20 years).

Summary of the 2011-12 Year

The Council spends money in two ways; revenue and capital. Revenue spending is on items which are used up within a year and is paid for from Council Tax, government grants, rents and other income. Capital spending generally relates to items of expenditure which will give benefits to the Council for a period of more than one year. The financing of capital expenditure is mainly from capital receipts, capital grants and contributions, or borrowing.

Summary of Revenue Expenditure

The Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement show our financial performance and the net expenditure to be charged against Council Tax.

A net expenditure budget of £283m for 2011-12 was agreed by the Council in February 2011. This value has since been updated to £286m to reflect additional Government funding. The table below brings together the revised final budget for 2011-12 and actual income and expenditure, to show the full summarised picture.

	Budget £m	Actual £m	Variance £m
Service Expenditure	288.8	289.5	0.7
Carry Forward requests	0.0	0.0	0.0
Contingencies	1.4	0.0	-1.4
Depreciation	-27.2	-27.2	0.0
Capital Financing	22.3	20.6	-1.7
Other	0.9	2.9	2.0
Total Net Spend	**286.2**	**285.8**	**-0.4**
Financed by:			
Council Tax & Government Grants	281.3	281.3	0.0
Use of Reserves	3.9	3.5	-0.4
Use of Carry Forwards	1.0	1.0	0.0
Total	**286.2**	**285.8**	**-0.4**

The 2011-12 budget was set in the context of significant reductions to Council funding across the country and as a result the budget set challenging savings targets for services to achieve. Across the Council targets were set to deliver £28m of savings during the year, while a small proportion of these savings slipped into 2012-13 over £23m has been achieved in year and additional compensating savings have been identified.

As shown in the table above, the final outturn for the Council is an underspend of £0.4m. This is against a budget that assumed the Council would need to utilise £3.9m from the General Fund in the year, as a result of the underspend this figure fell to £3.5m. This position reflects the positive and proactive approach that has been taken to financial management during the year.

The areas where the Council experienced the greatest cost pressures during the year were the costs of Children's Social Care agency placements and the impact of the recession on income targets across leisure, parking and regulatory services.

Services Provided During the Year

The table below shows how the gross revenue expenditure was distributed across services in 2011-12 in accordance with the Service Reporting Code of Practice (SeRCOP) expenditure analysis:

2011-12		
Service	**£000**	**%**
Recurrent Costs		
Central Service to the Public	30,799	3.9
Children's & Education Services	334,419	42.5
Adult Social care	117,978	15.0
Cultural & Related Services	25,156	3.2
Environmental & Regulatory Services	61,713	7.8
Planning Services	28,040	3.6
Highways & Transport Services	52,868	6.7
Local Authority Housing (HRA)	17,872	2.3
Housing Services	111,403	14.1
Corporate & Democratic Core	6,266	0.8
Non-distributed Costs	942	0.1
	787,456	**100.0**
Exceptional Items		
HRA Debt Costs - Exceptional Items	90,591	
Gross Costs of Services	**878,047**	
Other Operating Expenditure	12,409	
Financing and Investment Net Spend	26,062	
Gross Revenue Expenditure	**916,518**	

The expenditure shown as an exceptional item relates to the purchase of housing debt from Central Government as described earlier in this summary, this has been shown separately in the analysis above to avoid generating a misleading summary of how expenditure was allocated across service areas.

The form in which the expenditure was incurred is shown below, the pattern of expenditure is largely as in previous years except for the fact the inclusion of the HRA debt payment has pushed up the proportion of spend on capital charges. Otherwise there was a marginal shift away from directly employing staff to commission services from others during the year.

Category	**%**
Employees	34
Premises	4
Transport	7
Supplies & Services	40
Capital Charges (incl HRA Debt)	15
Total	**100**

Where the Money Comes from

In 2011-12 the Council received revenue funding and income of £820m. The table below shows where the Council's funding came from:

2011-12		
Source of Funding	**£000**	**%**
Fees, Charges and Other Income	155,305	18.9
Specific Government Grants	368,091	44.9
Capital Grants & Contributions	35,281	4.3
Call on Collection Fund	155,524	18.9
Revenue Support Grant	22,808	2.8
National Non Domestic Rate (NNDR)	73,789	9.0
PFI Grant	3,039	0.4
Local Services Support Grant	1,658	0.2
Council Tax Freeze Grant	3,812	0.5
New Homes Bonus	452	0.1
Total	**819,759**	**100.0**

Schools-related expenditure is paid directly to Councils via the Dedicated Schools Grant (DSG) and this has been included within specific government grants in the table above. Services are encouraged to continuously review charging policies to ensure that the optimum amount of income can be generated in specific areas to assist the Council in operating within financial constraints.

During the last 12 months the Council has seen a reduction in the scale of its Government funding as both capital and revenue grants have been reduced.

Summary of Capital Expenditure

The approved capital budget for 2011-12 was £111.4m against which £81.8m was spent. The capital programme is split between schemes which receive an annual recurring funding allocation (£49m spent), one off schemes (£15m) and the longer term capital vision (£17m). The expenditure across service headings is summarised below along with a summary of how the programme was funded.

	Costs £000s	**Costs %**
Childrens	21,370	26.1%
Community and Environment	26,721	32.6%
Regeneration and Culture	22,888	28.0%
Resources	10,850	13.3%
Total	**81,829**	**100.0%**

	Funding £000s	**Funding %**
Borrowing (use of existing cash balances)	13,227	16.2%
External Funding	49,384	60.3%
Revenue Contributions	2,900	3.5%
Capital Receipts	11,283	13.8%
HRA Contributions	5,035	6.2%
Total	**81,829**	**100.0%**

The outcomes from the capital programme included the following areas:

Schemes	2011-12 £000
Investment in Highways and Road Improvements	16,567
Spend on Area Regeneration Programmes	4,834
Investing in School Buildings	13,338
Construction of New Premises for Academy Schools	9,349
Purchase of a New Building for the Chester Theatre	2,951
Investing in Council Housing Stock	5,114
Housing Improvement Initiatives	5,370
Total	**57,523**

Balance Sheet

The Council's Balance Sheet demonstrates a strong financial position for the Council at the end of 2011-12, with a net asset value of £491m. However this is a reduction of £136m from the previous year. The deterioration is largely due to reflecting the impacts of the additional borrowing undertaken for HRA self financing and the worsening financial outlook regarding the future pension deficit. A summary of the key changes in each section of the balance sheet is set out below.

Long Term Assets

Property, Plant and Equipment Assets have increased by £31m as a result of the capitalisation of expenditure incurred in 2011-12 (£67m) exceeding the value of depreciation (£30m) and disposals (£9m) for the year. The net effect of revaluations and impairments increased values by £9m and £6m of assets (mostly Backford Hall) were transferred to Assets Held for Sale.

During the year major new facilities were developed or acquired with the purchase of the site for the future Chester Theatre and significant progress towards the completion of the Ellesmere Port Academy.

Heritage Assets have increased by £21m, largely due to the impact of undertaking specialist valuations to record the Council's historic buildings at their true replacement costs. Investment Properties have increased by £2.4m as a result of upward revisions to property valuations following reviews of potential earning capacity.

The increased asset value has been partially held down by the requirement to transfer school assets to Academies for no financial return when they become independent from the Council.

Investments relating to Heritable Bank have decreased due to the receipt of four further dividends during 2011-12. A further three contributions are anticipated across 2012-13 and 2013-14. The total amount expected to be recoverable from Heritable Bank increased by £0.1m in 2011-12 and is likely to end up at between 86%-90% of the sums invested.

Current Assets and Liabilities

The net £11.3m decrease across cash, short term investments and borrowing reflects the Council's cash management policy whereby cash and short term measures have been used to finance expenditure in 2011-12 in preference to taking out long term borrowing.

By February 2012 the level of cash and liquid investments had fallen to its target level so the Council took out £14m in short term borrowing from other Councils to support further capital expenditure. This funding is repayable in February 2013.

A £15.7m decrease in creditors is largely attributable to new processes introduced in 2011-12 with the aim of speeding up the processing invoices, saving officer time and avoiding supplier issues.

An equivalent £15m decrease in debtors and prepayments is due to improvements in collection performance and the cessation of a number of arrangements that required recharging to other bodies

A £3.1m increase in Assets held for Sale is due to transfers from Non Current Assets as additional properties are deemed ready for sale.

Long Term Liabilities

Long term liabilities have increased by £177m. This mainly comprises:

- An £86m increase in the Net Pension Liability. This increase is primarily due to reductions in the discount rate which has the effect of increasing the costs of future pension payments (liabilities increased by £62m) alongside a worsening forecast of future earnings on assets based on below average returns in 2011-12 (decrease of £26m);
- An increase in long term borrowing of £89.1m due to the adoption of the HRA debt of £90.6m. The Council's underlying borrowing requirement (i.e. the amount of capital expenditure that will be charged to future years' income and expenditure accounts as the provision for the repayment of debt) has as a result increased during the year to £352m.

Reserves

Reserves are reported as usable or unusable. Usable reserves are those that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the capital receipts reserve may only be used to fund capital expenditure or repay debt). Unusable Reserves are not able available to fund services and include reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Usable reserves are important as a means of providing working capital to finance spending whilst awaiting income. They are also a means of providing flexibility in the event of unforeseen circumstances. Based on historical experience and professional guidance, the minimum level of general reserves considered adequate to meet normal operational circumstances is broadly assumed to be around 3-5% of net operating expenditure (excluding schools). However, this figure needs to be modified by judgements regarding the level of financial risk and uncertainty. The current level of the General Fund (£21.1m) represents 8% of the net expenditure budget for 2011-12.

The purpose of the General Fund is to provide a general contingency to cushion the impact of unplanned events or emergencies, flexibility in managing short term fluctuations between planned and actual levels of income and expenditure and potentially to take advantage of invest to save opportunities.

The General Fund balance decreased from £24.6m to £21.1m during the year as a result of a planned use of reserves to fund one off redundancy costs required to deliver the recurrent savings required by the budget. At the final outturn only £3.5m was drawn down from reserves, representing an underspend of £0.4m against planned usage.

The HRA balance has increased from £0.2m at 1 April 2011 to £0.8m at 31 March 2012. The surplus of £0.6m for the year is due to the development of a robust trading account for the repairs and maintenance unit, prudent management of day to day and planned maintenance and lower than budgeted costs for revenue funded capital expenditure.

The Council has two separate reserves that are set aside specifically to finance capital expenditure in the future. The Capital Receipts Reserve decreased by £7.6m during the financial year, resulting in a balance of £7.8m at the year-end while the Capital Grants Unapplied Reserve fell from £20.5m to £10.2m. The reduction in the latter reserve is primarily as a result of the reduced level of capital grant the Council received in 2011-12. The reserves are considered sufficient to meet known commitments.

In addition, the Council has a number of other earmarked reserves. Further details of these can be found in the Notes to the Financial Statements (Note 8).

Unusable Reserves have decreased significantly during the year (by £120m) as a result of recognising the Council's increased liability for future pension payments and housing debt repayments. The increase to the actuarial pension deficit will be addressed by the Council at the time of its next triennial valuation (March 2013) when new employer contribution rates will be assessed.

The cost of the additional borrowing undertaken to fund HRA self financing settlement will reduce the balance held on the Capital Adjustment Account. This balance reflects the extent to which the Council's capital expenditure has already been funded so a reduction in the reserve represents an increase in the future capital financing requirement. As a result of the settlement, the HRA will no longer need to fund debt payments to Government and this surplus will instead be used to reimburse the Capital Adjustment Account over time.

After incorporating the additional HRA loan the level of borrowing held by the Council (£245m) is substantial but not unusual for a Council of this size. The sums are within the prudent thresholds agreed in the Council's Treasury Management strategy and the costs of servicing and repaying these balances have been fully reflected in future budget plans.

The Council's share of the Collection Fund has moved from a £0.46m deficit in 2010-11 to a £0.4m surplus in 2011-12 due to improved collection performance.

Future Developments

The Council anticipates that the coming year will be every bit as challenging as 2011-12, with continued pressures on all our main services. On 23 February 2012 the Council set a net revenue budget of £244m which included targets to deliver further savings of £17.5m.

A key consideration in developing its future budget proposals, given the difficult financial scenario, has been to review more modern and cost effective methods of providing services and to explore alternative commissioning options. As part of this agenda the Council was selected to be one of only four areas invited to form part of the national Whole Place Community Budgets pilot during 2012-13. Under this programme the Council will work closely with local partners and Central Government to help develop a framework that will improve the utilisation of available resources and better direct them to serve the needs of the local community. Initial work in the first half of 2012-13 will lead to the development of investment agreements that, following agreement, will set out how shared priorities will be funded and addressed across the Borough through to 2015.

The Council is continuing to review its services to ensure that they are delivered in the most effective and efficient manner and are in position to take advantage of any opportunities that may arise to improve services. During 2011-12 the Council has created new organisations to deliver leisure services across the Borough (Brio Leisure) and to improve the usage of assets within the Blacon area in partnership with Chester and District Housing Trust (Avenue Services). Further details are included in Note 50.

This will continue in 2012-13 with the transfer of Housing Management services to Plus Dane in July 2012 and ongoing work to assess the potential for the creation of an arm's length organisation to deliver back office and ICT support to the Council.

Similarly the Council has terminated its agreements with Connexions for the delivery of youth, information and advice across the Borough. These services will be delivered directly by the Council in 2012-13 to help maximise services to the most vulnerable young people while improving cost control.

The Council will continue to progress its 10 year Capital Vision. This programme of work will seek to develop assets to improve the experience of the borough for residents and visitors alike. This includes the development of a new theatre in Chester, projects to regenerate the Barons Quay area of Northwich and the Northgate district of Chester and build the new Academy in Ellesmere Port.

Conclusion and Further Information

Overall the 2011-12 Statement of Accounts shows the Council has a robust financial position from which it can drive forward service improvements and deliver financial savings in future years.

Mark Wynn
Head of Finance
Cheshire West & Chester Council

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Our Responsibilities

The Council is required to:
- Make arrangements for the proper administration of its financial affairs and to secure that one its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources who is named as the Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts

The Statement of Accounts was approved by the Audit and Governance Committee on 11 September 2012.

Date:	Signed by:
11 Sept 2012	Councillor Keith Musgrave Chair of Audit and Governance Committee

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing this Statement of Accounts, the Chief Finance Officer has:
- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Chief Finance Officer has also:
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

This Statement of Accounts presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2012.

Date:	Signed by:
11 Sept 2012	Julie Gill Director of Resources

ANNUAL GOVERNANCE STATEMENT 2011-12

1. Scope of Responsibility

Cheshire West & Chester Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Cheshire West & Chester Council also has a duty under the Local Government Act 1999 to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard for a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Cheshire West & Chester Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for managing risk.

Cheshire West & Chester Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework "Delivering Good Governance in Local Government". A copy of the code is on our website or be obtained from the Council's Monitoring Officer. This statement explains how Cheshire West & Chester Council has complied with the code and also met the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2011.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor its achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Cheshire West & Chester Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Cheshire West & Chester Council for the year ended 31 March 2012 and up to the date of the approval of the annual report and the statement of accounts.

3. The governance framework

Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

- The Sustainable Community Strategy for West Cheshire "Together we can aim high" was launched in April 2010. The strategy sets out the vision and commitments for West Cheshire, through to 2026. The Strategy feeds into the Council's Corporate Plan.
- The Corporate Plan was agreed by Council on 28 July 2011. The plan records the Council's vision (customer first, value for money, best practice and innovation) and 13 key pledges. For each key pledge there is a Lead Officer and Lead Member.
- The allocation of capital investment to meet the Council's key pledges is set out in the 10 Year Capital Vision.
- The intended outcomes for citizens and service users are underpinned in the Customer First project.

Reviewing the Authority's vision and its implications for the authority's governance arrangements

- Elected Members are collectively responsible for the governance of the Council.
- The Authority has adopted a Code of Corporate Governance and has a Corporate Governance officer group. The group is chaired by the Monitoring Officer and comprises a broad range of senior officers who review aspects of internal control and governance.

Measuring the quality of services for users, for ensuring that they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

- Responsibility for delivering corporate pledges is transferred to Directorates through individual Business Plans. These plans are prepared annually and also record Directorate priorities.
- Key Pledges and Directorate priorities are monitored and managed through the Corporate Performance Tracker and are reported through Comprehensive Performance Review. The Council also publishes an Annual Report.
- Budgets have been subject to critical business challenge sessions and are subject to regular monitoring and reporting. The Medium Term Financial Plan and Financial Strategy sets out the Council's approach in managing resources to meet Key Pledges and ensuring Value for Money.
- The Council's vision of Customer First, Value for Money and Best Practice are delivered and managed through the Core Competency Framework.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

- The Council has adopted a Constitution which sets out how the Council conducts its business and how decisions are made. The Council has adopted a Leader / Cabinet model, with eight Members on the Executive, each responsible for a designated portfolio. Responsibilities of the Executive include the Council's budget, decisions on expenditure, the Council's financial affairs and human resources policies.
- The Authority operates with an Overview and Scrutiny Committee, responsible for the review and scrutiny of the Council, the Executive and its Partners. The Scrutiny Committee structure covers Children & Education, Safeguarding, Health & Wellbeing, Locality Working, and Corporate Scrutiny. There is also a Public Accounts Scrutiny Panel.
- The Constitution records the roles and responsibilities of the Chief Executive, the Section 151 officer and the Monitoring officer, together with a protocol for officer / Member communication.
- Decision making arrangements delegated to officers are recorded in the Scheme of Delegation, with evidence of appropriate authorisation being retained locally.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

- The Codes of Conduct for officers and for Members are recorded in the Constitution. The Codes are communicated through induction, briefings and training and are available on the intranet.
- During 2011-12, the Standards Committee has been responsible for promoting high standards of ethical behaviour, codes of conduct and local protocols and policies for Members, and making recommendations in respect of codes of conduct for employees. The options for replacement of the Standards Committee (Localism Act 2011) were agreed by the Committee in February 2012, and the changes will commence from 1 July 2012.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

- The Scheme of Delegation has been subject to review during the year, and is included in the Constitution.
- The Council's Contract Procedure Rules have been updated and approved in 2011-12. Changes have been communicated through briefing notes, training and via the intranet. The Financial Code of Practice has also been published during the year.

- Financial approval limits for officers are recorded in the Schemes of Financial Delegation. These are prepared on a Directorate basis and are updated annually.
- The Council's Risk Management Strategy was re-launched in September 2011. Risk Registers and 'Heat Maps' are monitored through quarterly Comprehensive Performance Review and are reported to Members.

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

- The Authority has an established Audit & Governance Committee. The Committee has responsibility for risk management and corporate governance, the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct, the Authority's annual governance statement, the annual statement of accounts, and receipt of reports and information from Internal and External Audit. As part of the review of effectiveness, a self assessment of the Audit & Governance Committee has been undertaken and used to inform the preparation of this statement.
- The Members Audit Working Group is a sub-committee of the Audit & Governance Committee and allows for a more focused review and challenge of Internal and External Audit Reports.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

- There is a protocol that must be followed by officers when reporting to Members, which ensures that reports are subject to legal and financial review.
- The Council's Internal Audit function is required to examine, evaluate and report on the adequacy of internal controls operated throughout the Authority, in accordance with the Internal Audit Plan. All recommendations made are followed up to ensure implementation. The Head of Internal Audit produces an annual report and provides an "Internal Audit Opinion" in accordance with the CIPFA Code of Practice on Internal Audit in Local Government.
- The Authority is subject to External Audit and inspection by other bodies, such as OFSTED.

Whistle-blowing and for receiving and investigating complaints from the public

- The Authority has in place an Anti-Fraud & Corruption Strategy and Whistle-blowing Policy, and an Anti-money Laundering Policy.
- Complaints, compliments and suggestions can be made at Council offices and submitted online. The information is received by a dedicated Solutions Team, to ensure that all complaints are appropriately logged, investigated and resolved.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

- The Authority has in place a Member Development Strategy, a Member Learning Panel and a Member Development Champion.
- All new and returning Members undertake an induction programme and have an agreed Personal Development Plan, which is reviewed annually.
- The Authority has in place a Core Competency Framework and appraisal process for officers. The completion of appraisals via Oracle Performance Management is being piloted, and the intention is to roll this out across the Authority.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

- The Authority has a Customer Engagement & Empowerment Strategy.
- Channels of communication include the Council website, the West Cheshire Together website, and the "Talking Together" publication.
- Decisions taken by Members are minuted and are available for public inspection.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

- The Authority has a Significant Partnerships Register. Arrangements with partners should be conducted in accordance with the Partnership Policy and Framework Toolkit.
- Governance arrangements for Shared Services are monitored and managed by the Shared Service Joint Committee and the Joint Officer Board.

4. Review of effectiveness

Cheshire West & Chester Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. At Cheshire West & Chester Council, the Head of Internal Audit role is undertaken by the Senior Manager – Performance & Internal Audit.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is as follow:

Corporate/Management Assurance

- The Council's governance framework has been reviewed throughout the year by the Corporate Governance officer group. The group met on 5 occasions in 2011-12, and their work has included review and update of the Code of Corporate Governance, preparing and delivering a presentation to Senior Managers on Corporate Governance, and developing an i-learn module on Corporate Governance.
- The Authority has completed the self-assessment against the CIPFA checklist on measuring the effectiveness of the Audit & Governance Committee. A small number of suggested improvements have been identified and these will be taken forward by the Senior Manager – Performance & Internal Audit, and the Head of Legal & Democratic Services. Self-assessment has confirmed full compliance with the CIPFA Statement on the Role of the Chief Financial Officer.
- The Internal Audit team distributed Statements of Assurance and attended Directorate Management Teams, seeking confirmation that a robust system of internal control and governance had been in place and working effectively in Directorates / Services during 2011-12. This work included the identification of significant governance issues and the follow up of issues raised in the previous Annual Governance Statement. Statements of Assurance have been completed and returned from each Directorate, the Chief Executive's Office, The Head of HR & Finance Shared Services, and the Head of ICT Shared Services.

Council

- The Council met on five occasions in 2011-12 and received / approved reports relating to Finance and Performance, Medium Term Financial Plan, Budget Report, Treasury Management Strategy & Annual Report, Update to Finance / Contract Procedure Rules, Revised Protocol on Member / Officer Relations, Annual Pay Policy Statement, Members Allowance Scheme, Children & Young People Plan, Corporate Plan.

Executive

- The Executive met on twelve occasions in 2011-12 and received a number of the reports mentioned above. Other reports received / approved by Executive included the Annual Audit Letter, Quarterly Review of Financial Performance, Budget Consultation and Feedback, Member Budget Expenditure Report, Corporate Asset Management Plan, A Blueprint for the Delivery of Adult Social Care & Health, Strategic Commissioning Plan for Independence, Health & Wellbeing.

Audit & Governance Committee

- The Audit & Governance Committee met on five occasions during 2011-12 and received / approved reports relating to; the Internal Audit Plan, Internal Audit Update Reports and the Annual Report, Annual Governance Statement, External Audit Plan and Progress Reports, Certification of Claims and Returns, Annual Governance Report, Anti-money Laundering Policy, Fraud & Investigations Update, Risk Management Strategy, Corporate Risk Register, Review of the Constitution, Statement of Accounts, Treasury Management Reports.

Overview & Scrutiny Committee

- The Authority operates a number of Scrutiny Committees covering Children & Education, Safeguarding, Health & Wellbeing, Locality Working, Corporate Scrutiny, and also a Public Accounts Scrutiny Panel.

Standards Committee

- The Standards Committee met on six occasions in 2011-12 and received / approved reports on subjects including Member Training, Localism Act 2011 and Standards, Complaints, Replacement of Statutory Standards Committee, Proposals for a new Code of Code of Conduct.

Pension Fund Committee

- The Pension Fund Committee comprises of ten elected members; four each from Cheshire West and Chester Council and Cheshire East Council, and one each from Warrington Borough Council and Halton Borough Council. The Fund has recently completed a governance review of its activities and in addition to the full Pension Fund Committee that meets quarterly to discuss the strategic issues facing the fund, an Investment Sub Committee also meets 4 times a year in order to review the Funds Asset performance and undertake manager monitoring.
- In order to ensure that the Fund utilises its governance budget effectively there is a specific terms of reference for both the Full Pension Fund Committee and the Investment Sub Committee. The Fund also has a comprehensive set of objectives and develops an annual business plan, for which progress is reported to the Pension Fund Committee on a quarterly basis. To reflect the challenge facing trustees of the Fund and Officer, following the completion of the CIPFA knowledge and skills framework, a full 2 year training programme has been developed.
- In addition there is a Pension Consultative Forum comprising representatives of the Fund's many employers. The PCF meets twice a year to review the administration function's performance against service levels and provide an employer perspective to pension issues.

Internal Audit

- The team completed 86% of the Internal Audit Plan in 2011-12, which equated to 56 audits, 35 of which were issued as formal scored reports. During the year the team issued two reports that were scored 1 out of 4 (urgent system revision required). The actions agreed in these reports will be followed up by Internal Audit. Overall, 239 Internal Audit recommendations were implemented during the financial year.
- The opinion in the Head of Internal Audit Annual Report is that "the Council has in place a satisfactory framework of governance and internal control which provides reasonable assurance regarding the economic, efficient and effective achievement of its objectives".

External Audit / Other Inspections

- The Annual Governance Report was presented to Audit & Governance Committee in September 2011. The Audit Commission reported an unqualified opinion on the Council's annual accounts for 2010-11, and concluded that the Council has adequate arrangements to secure value for money.
- The Annual Audit Letter was presented to Executive in December 2011. The report states that "the Council's internal controls are effective. Internal Audit is providing a valuable contribution to the maintenance and strengthening of internal controls", and "the Council's finance team did an excellent job in preparing good quality financial statements in advance of the deadline".
- The bulk of assurance work for 'higher risk' areas of the Children & Young People's directorate was undertaken by outside bodies and includes both the mid-year and annual reviews of safeguarding improvement by the Department for Education (DfE) and the Peer Review undertaken by the Local Government Association.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework as described above, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant governance issues

The review of effectiveness has identified the following significant governance issues:

1. Oracle R12
2. Retention of Records and Disposal of Documents (Adult Social Care and Health / Children and Young People)
3. Financial Management
4. Oracle Access
5. Confidentiality of Information (Members)
6. Member Approval Process (Children & Young People)
7. Commissioning of Agency Placements for Children in Care (Children and Young People)

Management is aware of and is taking action to mitigate the significant governance issues identified. Full details of the significant governance issues and also the follow up of issues raised in the previous Annual Governance Statement are recorded in Appendix A.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Cheshire West & Chester Council:

Mike Jones
Leader of the Council

Steve Robinson
Chief Executive

Review of the Annual Governance Statement

I have reviewed the Annual Governance Statement as approved by Cheshire West and Chester Council and certify that no issue arose during the preparation of the Statement of Accounts and it is not necessary to make a supplementary or supporting statement.

Julie Gill
Director of Resources

Dated: 11 Sept 2012

Significant Governance Issues 2011-12 **Appendix A**

Issue	Action
1. Oracle R12 The following details were recorded in the previous Annual Governance Statement *'In February 2011 the Authority upgraded its oracle system (to R12). As part of the go-live there are a number of known minor defects with a managed action plan. These will be reviewed through the year and Internal Audit have built a review of the implementation into their workplan. Corporate officers will be reviewing oracle output early in the new year to ensure sound financial management continues throughout the year'.* Follow up has identified that there are still some ongoing issues in relation to the Payables bank reconciliation process.	During the year progress has been made in identifying a number of the system issues and priority is being given to resolving these with the system supplier.
2. Retention of Records and Disposal of Documents The following details were recorded in the previous Annual Governance Statement: *'Issues have been raised in the Directorate Assurance Statement for Adult Social Care & Health, regarding the retention and disposal of records. Similar comments have been made in the statement for Children & Young People'.* Follow up has identified that this is still an ongoing issue. The application of Liquid Logic means moving to an electronic social care recording system with more scanning of information. This will present different risks, for example access to electronic records, that will need to be managed. The Directorate for Children & Young People have made the following comment: Processes for secure email transmission are being put in place. Where significant amounts of confidential data are sent out on paper for the adoption and fostering panels this is done via courier and the panel adviser is exploring electronic transmission options.	There is an ongoing business process review in this area to improve working practices for information management and this will be subject to a review by Internal Audit during 2012-13.
3. Financial Management Good progress has been made by the Council in addressing the funding reductions which were announced as part of the Comprehensive Spending Review in the Autumn of 2010. However, there are still a number of significant budget issues across the Directorates, as highlighted in the	The Council will continue to address the specific budget issues and develop its Financial Management arrangements across all Directorates. During 2012-13 the Officers forecasting solution will be rolled out which

Issue	Action
2011-12 Review of Performance report.	will provide a comprehensive suite of financial information to enable budget holders to manage their budgets more efficiently.
4. Oracle Access In response to Oracle access issues raised by Internal and External Audit and Business Support, a piece of work was commissioned to look to improve controls around the provision and monitoring of high risk access rights within Oracle. The project will improve governance by enhancing controls in relation to monitoring high risk actions undertaken within the system and ensuring that access to data is restricted to appropriate officers only.	Work has been undertaken in 2011/12 in order to gain better understanding of the processes operating around access to Oracle. A project is in flight to deliver enhanced monitoring tools so as high risk users' actions within the system can be monitored. The project is due to be completed imminently. Internal Audit substantive testing has not identified any issues during 2011/12 and the Audit Commission has been kept informed of progress on the project. Subject to no issues arising from their planned review of Internal Audits substantive testing, they should be able to confirm that their audit risk has been reduced to an acceptably low level.
5. Confidentiality of Information There have been concerns about confidential information, relating to commercial transactions involving the Council being published in the press. In her report on the sale of County Hall the District Auditor recommended that the Head of Legal and Democratic Services remind elected members of their obligations in relation to confidential information. Following that recommendation the Head of Legal and Democratic Services wrote to all elected members regarding their obligations regarding confidential information. The training provided to members on induction also contained an element about confidential information. However, despite these actions there have been further examples of disclosure of confidential information contained in confidential reports to the Executive being published in the local press.	The circumstances of these disclosures are being investigated. The Head of Legal and Democratic Services is preparing a protocol on reports containing confidential or exempt information, with a view to minimising the risk of disclosure of confidential information, considering the practice adopted in other authorities. The protocol will be presented for consideration by elected members in due course.
6. Member Approval Process – C&YP Directorate There is a formal procedure that must be followed, in cases where a decision requires member approval. However, due to a misunderstanding in the directorate, there have been cases where the appropriate path has not been followed. This includes, ensuring that written reports	This has been addressed. Internal Audit will follow up with management in due course to ensure compliance is being monitored and the appropriate approval process is being adhered to.

Issue	Action
are prepared to confirm that a decision has been approved by the Executive Member, and ensuring that reports have been cleared by appropriate teams before being presented to Executive. This has been addressed with the development of a procedure note that has been disseminated to all appropriate staff to raise awareness and ensure future compliance.	
7. Commissioning of Agency Placements for Children in Care There are increasing budget pressures which make it more difficult to deliver services but the directorate was able to deliver 90% of programmed expenditure in budget. However, there has not been robust commissioning of agency placements for children in care. This is being addressed through the establishment of a new Access to Resources team.	The commissioning process will be subject to Internal Audit review in 2012-13.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF CHESHIRE WEST AND CHESTER COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of Cheshire West and Chester Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. 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 2011/12.

This report is made solely to the members of Cheshire West and Chester Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Resources and auditor
As explained more fully in the Statement of the Director of Resources Responsibilities, the Director of Resources 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, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements
In my opinion the financial statements:

- give a true and fair view of the financial position of Cheshire West and Chester Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters
In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception
I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;

- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Opinion on the Pension Fund financial statements

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. 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 2011/12.

This report is made solely to the members of Cheshire West and Chester Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Resources and auditor
As explained more fully in the Statement of the Director of Resources Responsibilities, the Director of Resources is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements
In my opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters
In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Conclusion on Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion
On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Cheshire West and Chester Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Cheshire West and Chester Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Judith Tench
Officer of the Audit Commission
12 September 2012

Audit Commission, 2nd Floor, Aspinall House, Aspinall Close, Middlebrook, Horwich, Bolton, BL6 6QQ.

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (Deficit) on the Provision of Services (SDPS) line shows the true economic cost of providing the Council's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent purposes. The 'Net increase/decrease before transfers to earmarked reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Single Entity (England & Wales) 2011-12	General Fund Balance £000	Sums held by Schools £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2011	**24,595**	**8,885**	**25,650**	**231**	**0**	**15,437**	**20,560**	**95,358**	**532,129**	**627,487**
SDPS (accounting basis)	-6,219	0	0	-90,540	0	0	0	**-96,759**	0	**-96,759**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	**0**	-39,336	**-39,336**
Total Comprehensive Expenditure and Income	**-6,219**	**0**	**0**	**-90,540**	**0**	**0**	**0**	**-96,759**	**-39,336**	**-136,095**
Adjustments between accounting basis & funding basis under regulations	7,356	0	0	91,102	0	-7,638	-10,383	**80,437**	-80,437	**0**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**1,137**	**0**	**0**	**562**	**0**	**-7,638**	**-10,383**	**-16,322**	**-119,773**	**-136,095**
Transfers to / (from) Earmarked Reserves	-4,618	3,819	799	0	0	0	0	**0**	0	**0**
Increase / (Decrease) in Year	**-3,481**	**3,819**	**799**	**562**	**0**	**-7,638**	**-10,383**	**-16,322**	**-119,773**	**-136,095**
Balance at 31 March 2012	**21,114**	**12,704**	**26,449**	**793**	**0**	**7,799**	**10,177**	**79,036**	**412,356**	**491,392**

2010-11 COMPARATIVE FIGURES

Single Entity (England & Wales) 2010-11	General Fund Balance £000	Sums held by Schools £000	Earmarked GF Reserves £000	Housing Revenue ccount £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010	**19,465**	**4,769**	**22,403**	**1,318**	**0**	**19,072**	**12,208**	**79,235**	**259,772**	**339,007**
SDPS (accounting basis)	33,076	0	0	-53,782	0	0	0	**-20,706**	0	**-20,706**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	**0**	309,186	**309,186**
Total Comprehensive Expenditure and Income	**33,076**	**0**	**0**	**-53,782**	**0**	**0**	**0**	**-20,706**	**309,186**	**288,480**
Adjustments between accounting basis & funding basis under regulations	-20,583	0	0	52,695	0	-3,635	8,352	**36,829**	-36,829	**0**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**12,493**	**0**	**0**	**-1,087**	**0**	**-3,635**	**8,352**	**16,123**	**272,357**	**288,480**
Transfers to / (from) Earmarked Reserves	-7,363	4,116	3,247	0	0	0	0	**0**	0	**0**
Increase / (Decrease) in Year	**5,130**	**4,116**	**3,247**	**-1,087**	**0**	**-3,635**	**8,352**	**16,123**	**272,357**	**288,480**
Balance at 31 March 2011	**24,595**	**8,885**	**25,650**	**231**	**0**	**15,437**	**20,560**	**95,358**	**532,129**	**627,487**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

This account shows the economic cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	Notes	2011-12 Expenditure £000	2011-12 Income £000	2011-12 Net £000	2010-11 Restated £000
Central Service to the Public		30,799	-25,957	4,842	4,778
Children's & Education Services		334,419	-262,980	71,439	112,488
Adult Social care		117,978	-34,617	83,361	92,195
Cultural & Related Services		25,156	-4,858	20,298	24,017
Environmental & Regulatory Services		61,713	-19,095	42,618	40,197
Planning Services		28,040	-12,512	15,528	19,400
Highways & Transport Services		52,868	-22,640	30,228	31,421
Local Authority Housing (HRA)		17,567	-18,993	-1,426	249
- Exceptional Items		90,591	0	90,591	55,475
Housing Services		111,708	-95,079	16,629	18,774
Corporate & Democratic Core		6,266	-621	5,645	3,911
Non-distributed Costs		942	-97	845	-5,229
- Exceptional Items		0	0	0	-111,097
Cost of Services		**878,047**	**-497,449**	**380,598**	**286,579**
Other Operating Income & Expenditure	9	12,409	-2,677	9,732	19,398
Financing & Investment Income and Expenditure	10	26,062	-23,270	2,792	17,989
Taxation & Non-Specific Grant Income	11	0	-296,363	-296,363	-303,260
(Surplus)/Deficit on Provision of Services		**916,518**	**-819,759**	**96,759**	**20,706**
Surplus on Revaluation of Assets				-52,915	-30,988
Surplus on Revaluation of Available For Sale Assets				0	-21
Actuarial Loss/-Gain on Pension Assets/Liabilities				92,251	-278,177
Other Comprehensive Income and Expenditure	12			**39,336**	**-309,186**
Total Comprehensive Income and Expenditure				**136,095**	**-288,480**

* The full breakdown of the 2010-11 comparative expenditure and income is included on page 134 in Note 53.

BALANCE SHEET AS AT 31 MARCH 2012

This statement shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the usable and unusable reserves held by the Council. Usable reserves are those the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable Reserves are not available to fund services and include reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Note	31 March 2012 £000	Restated 31 March 2011 £000	Restated 1 April 2010 £000
Non-Current Assets				
- Property, Plant & Equipment	13	884,158	853,466	940,348
- Heritage Assets	14	64,220	42,552	41,248
- Investment Properties	15	122,535	120,145	121,271
- Intangible Assets	16	92	173	316
Long Term Investments	17	216	496	1,049
Long Term Debtors	19	2,934	3,025	7,686
Long Term Assets		**1,074,155**	**1,019,857**	**1,111,918**
Short Term Investments	17	10,542	828	12,015
Assets held for Sale	22	5,874	2,773	704
Inventories	18	802	765	1,479
Short Term Debtors	19	51,324	66,288	91,914
Cash & Cash Equivalents	21	42,693	55,206	66,561
Landfill Allowance Trading Scheme	20	0	988	1291
Current Assets		**111,235**	**126,848**	**173,964**
Short Term Borrowing	17	-14,000	0	-13,920
Short Term Creditors	23	-91,272	-106,990	-120,802
Provisions < 1 yr	24	-714	-1,050	-1,076
Current Liabilities		**-105,986**	**-108,040**	**-135,798**
Provisions	24	-4,584	-3,257	-1,616
Long Term Borrowing	17	-230,919	-141,859	-142,309
Pension Fund Liability	45	-305,815	-219,375	-598,013
Other Long Term Liabilities	17	-34,185	-35,530	-54,220
Capital Grant Receipts in Advance	37	-12,509	-11,157	-14,919
Long Term Liabilities		**-588,012**	**-411,178**	**-811,077**
Net Assets		**491,392**	**627,487**	**339,007**
Usable Reserves	25	79,036	95,358	79,235
Unusable Reserves	26	412,356	532,129	259,772
Total Reserves		**491,392**	**627,487**	**339,007**

These Financial Statements replace the unaudited statements approved at the meeting of the Audit and Governance Committee on 26 June 2012.

Julie Gill (Director of Resources) 11 Sept 2012

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as: operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	31-Mar-12 £000	31-Mar-11 £000
Net deficit on the provision of services	96,759	20,706
Adjust net surplus on the provision of services for non cash movements	-57,792	-81,054
Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	-38,058	42,629
Net cash (in)/outflows from Operating Activities	**909**	**-17,719**
Investing Activities	28,851	15,630
Financing Activities	-17,247	13,444
Net (increase) or decrease in cash and cash equivalents	**12,513**	**11,355**
Cash and cash equivalents at the beginning of the reporting period	55,206	66,561
Cash and cash equivalents at the end of the reporting period	42,693	55,206
Net (increase) or decrease in cash and cash equivalents	**12,513**	**11,355**

Further details are disclosed in Notes 27, 28 and 29 of the supporting information.

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2011-12 financial year and its position at the year end of 31 March 2012. It has been prepared in accordance with the 'The Code of Practice on Local Authority Accounting in the United Kingdom' (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and those International Financial Reporting Standards (IFRS) where CIPFA has provided guidance notes. The accounting conventinon adopted in the Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

Income and expenditure is accounted for in the year the activity it relates to takes place, not simply when cash is paid or received, i.e. on an accruals basis. This means income is recorded when it is earned not received and expenditure when it is incurred not when it is paid.

Exceptions to this rule include:

- Rents for council houses - these are due in full on the date the weekly debit is raised. No receipt in advance is recorded for any part of the debit raised in the last week of March that relates to a period after 31 March.
- Payroll Costs – expenses earned in March but not paid until April or later are not accrued for and are recognised in new financial year's accounts.

These exceptions are applied consistently to ensure that 12 months costs are charged each year and there is no material impact on the reported accounts.

Changes in Accounting Policies, Estimates or Errors

Where there is a change in an accounting policy, the changes for the current reporting period and where practical the changes resulting from retrospective application are disclosed in each financial statement. Corrections are only made to update accounting estimates or to correct errors where failure to do so would materially misrepresent the Council's financial position.

Where changes to prior periods are required these will be set out in a separate note disclosing the impact and where material within comparative information.

Events after the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period (the Statement of Accounts is adjusted to reflect such events);
- those that are indicative of changes in conditions after the reporting period. The Statement of Accounts is not adjusted to reflect such events but where they will have a material impact, disclosure is made in the notes of the nature of these events and their estimated financial effect.

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

Exceptional Items

When items of expenditure or income are individually material, their nature and amount are disclosed separately, either in the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts, depending on how significant the items are to the understanding of the Council's financial performance.

Jointly Controlled Operations

The Council has entered into an agreement with Cheshire East Borough Council to deliver services via a shared services agreement. Services which could be operated as part of a shared services arrangement have been determined and assessed using the criteria of maintaining operational efficiency and identifying those services that utilised a single infrastructure that could not be disaggregated economically or in the short term. Details of the services provided through a shared service arrangement are shown in Note 50.

The Shared Services are not a separate entity apart from the Council and is used only as a means for each participant to carry on its own business. The arrangements are accounted for as jointly controlled operations in accordance with International Accounting Standard 31 (IAS 31). Each Council accounts directly for its part of the assets, liabilities, income, expenditure and cash flows held within or arising from the structure.

Accounting for Council Tax

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors. The amount credited to the General Fund under statute is a Council's precept or demand for the year plus or minus the Council's share of the surplus/deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The cash collected by the Council from Council Tax payers belongs proportionately to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for NNDR

As the Council acts as an agent in the collection of NNDR income it does not include the financial position with regard to the rate payers and only reports the net cash position with Central Government in its Balance Sheet.

The Council maintains records of NNDR arrears, impairment allowances, prepayments and overpayments in its underlying accounting records, however for final accounts purposes these balances are consolidated into a single agency account, with the figures netting down to the debtor/creditor to the national pool. This consolidation is set out in Note 32.

The cost of collection allowance received by Cheshire West & Chester Council is the billing authority's income and is included in the Comprehensive Income and Expenditure Statement.

Agency Income and Expenditure

Under various statutory powers, a Council may agree with other local authorities, water companies and government departments to do work on their behalf. The body carrying out agency services is reimbursed by the responsible body to the extent of approved expenditure together with any agreed contribution toward administrative costs.

Cheshire West & Chester Council has acted as an agent on behalf of:

- Major preceptors – Cheshire Police and Cheshire Fire in the collection of Council Tax.
- Central Government - Collecting National Non-Domestic Rates (NNDR) and paying the sums collected over to Central Government less the amount retained in respect of the cost of collection allowance.
- Business Improvement Districts – Collecting income in relation to BIDs in Northwich and Winsford and paying the sums over to Groundwork for the provision of security and environmental services.

Cash and Cash Equivalents

Cash comprises cash on hand and recoverable on demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Employee Benefits

Benefits Payable During Employment
The Council recognises the costs of benefits received by current employees (such as wages, salaries or long term benefits) as they are incurred. All costs are charged to the Comprehensive Income and Expenditure Statement.

Payments for Accumulating Compensated Absences (e.g. annual/flexi leave entitlements) are accounted for as they are earned and not when they are taken. Where leave has been earned during the current year but not fully taken (and can be carried forward to the following year), the cost of the earned leave entitlement is recognised in the current year. An annual accrual is undertaken to reflect these untaken entitlements.

To prevent fluctuations from impacting on Council Tax, the year on year change in costs generated by this accrual is transferred to a specific reserve via the Movement in Reserves Statement.

Termination Benefits
Termination benefits are usually payable following compulsory or voluntary redundancy decisions. These include lump-sum payments and enhancement of retirement benefits and salary beyond the period in which the employee provides economic benefit to the Council.

Redundancy and enhanced salary costs are recognised in the Comprehensive Income and Expenditure Statement as soon as the Council is demonstrably committed to incurring the costs. However, enhanced retirement benefits, paid via the Pension Fund, are charged to the General Fund in accordance with the pension regulations. The Council funds these actuarial early retirement costs through the payment of an additional 1% supplement on top of its agreed employer pension contribution rate.

Post Employment Benefits (Pensions)

Most employees of the Council participate in one of two pension schemes to meet the needs of employees in particular services. Both schemes provide final salary defined benefits in the form of lump sums and pensions based on scheme membership earned during employment.

(i) Local Government Pension Scheme

All employees (other than teachers) and councillors, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The scheme is known as the Cheshire Pension Fund and is administered by Cheshire West & Chester Council, in accordance with Pensions Regulations 2008 on behalf of all participating employers.

Under International Accounting Standard 19 (IAS 19) the Local Government Scheme is accounted for as a defined benefit scheme. The liabilities of the Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, which is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees. Those liabilities are discounted to their present day equivalent using the indicative rate of return on a high quality corporate bond.

The assets of the Fund attributable to the Council are included at their fair value on the following basis:

- Quoted securities current bid price.
- Unquoted securities professional estimate.
- Unitised securities current bid price.
- Property market value

The annual change in the net pension liability is analysed into seven components

A) Current service cost – any increases due to service earned this year;

B) Past service cost – changes arising from current year decisions which affect the value of service earned in earlier years;

C) Interest cost – the expected increase in the present value of liabilities as they move one year closer to being paid;

D) Expected return on assets – the investment return on fund assets attributable to the Council, based on average expected long-term returns;

E) Gains/Losses on settlements and curtailments – the result of actions that change the scope of the Council's future pension liability or affects the ability of employees to earn benefits in the future;

F) Actuarial gains and losses – changes arising because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions;

G) Contributions paid to the Fund – cash paid as employer's contributions to the pension fund.

Components A-E are charged to the Comprehensive Income and Expenditure Statement in year (as detailed in Note 45) but, to avoid changes in pension liabilities from having a disproportionate impact on Council Tax, statutory provisions exist that restrict the amount charged against the General Fund to the amount payable by the Council to the Pension Fund (G). The difference between these two values is adjusted for in the Movement in Reserves Statement.

(ii)Teachers' Pension Scheme

This scheme is administered by the Teachers' Pensions Agency (TPA), on behalf of the Department for Education (DfE). Although the scheme is unfunded, the Government operates a notional fund as the basis for calculating employers' contributions.

This scheme is accounted for on a defined contribution basis – no liability for future payments is recognised in the Balance Sheet and the Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable in the year.

In addition, the Council is responsible for any payments relating to early retirements outside of the standard scheme. This scheme holds no assets and is accounted for on a defined benefit basis using the same policies that are applied to the Local Government Pension Scheme.

Financial Instruments

a) Financial Liabilities

Carrying Values - Financial liabilities are initially measured at fair value and carried at their amortised cost. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest).

Interest Charges - Annual interest charges to the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the Effective Interest Rate for the instrument.

Discounts and Premiums on Repurchase of Borrowing - Premiums and discounts arise when external loans are repaid prematurely at a time when the market interest rate is above or below the rate being paid on the borrowing. These gains and losses are charged to Financing and Investment Income in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement.

Where this took place as part of a restructuring of the loan portfolio, regulations allow the impact on the General Fund balance to be spread over future years. The premium or discount is added to the carrying value of the new or modified loan and the amount to be charged against the General Fund or Housing Revenue Account over the life of the loan is calculated using an adjusted effective interest rate.

The length of time over which gains or losses are charged to the General Fund or HRA Balance is determined as follows:

- Gains, giving rise to discounts, are credited over the remaining life of the loan being repaid or 10 years, whichever is the shorter.
- Losses giving rise to premiums, are charged over the remaining life of the loan being repaid or the life of the new loan, whichever is the shorter.

The difference between the amount charged to the Comprehensive Income and Expenditure Statement and the net cost charged to the General Fund or HRA balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

b) Financial Assets

Loans and Receivables - Loans and receivables are financial assets that have fixed or determinable payments but are not quoted or traded in an active market. Examples include money market deposits, instant access accounts and call accounts.

They are shown in the Balance Sheet at amortised cost, using the effective interest rate applicable to each asset. The amount shown in the Balance Sheet represents the outstanding principal receivable (plus accrued interest) and interest is credited to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement in line with the amount receivable in the year under the loan agreement. Any impairments in the value of the asset or gains or losses on derecognition are also charged to Financing and Investment Income.

Available for Sale Assets - Available for Sale assets are initially measured and carried at fair value based on the following principles:

- Assets with quoted market prices – the bid or market value,
- Assets with fixed and determinable payments – present value of cash flow,
- Equity with no quoted prices - independent appraisal of company valuations.

If fair value cannot be measured reliably, the instrument is carried at cost (less any impairment loss). As with Loans and Receivables, interest is recognised on the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement using the relevant effective interest rate for that asset. Income such as dividends, are recognised when they become due.

Changes in the value of the assets are charged to the Comprehensive Income and Expenditure Statement and balanced by entries to the Available for Sale Reserve. Changes to fair value are shown on the 'surplus or deficit on revaluation of financial instruments' line while impairments and any gains or losses on derecognition are shown as 'Financing and Investment Income'.

Grants and Contributions

All Government grants and other contributions are accounted for on an accruals basis and recognised in the Comprehensive Income and Expenditure Statement as soon as there is reasonable assurance that the money will be received and all conditions attached to the funding will be met.

Income is not recognised until there is assurance that grant conditions will be met. Where funding has been received which still has outstanding conditions, the balance of cash received is recorded as a revenue or capital receipt in advance and included as a creditor on the Council's Balance Sheet.

When conditions have been met specific grants and contributions are recorded within the Cost of Services section of the Comprehensive Income and Expenditure Statement, in line with the service area to which they relate. Non Specific Grants such as the Revenue Support Grant, Local Services Support Grant, Council Tax Freeze Grant or PFI Grant are shown under Taxation and Non-Specific Grant Income (see Note 11).

No distinction is made between capital and revenue funding on initial recognition but as capital income should not be charged to the General Fund or HRA it is subsequently adjusted out through the Movement in Reserves Statement and credited to:

- The Capital Grants/Developers Contributions Unapplied Account (until costs have been incurred); and
- The Capital Adjustment Account (after costs have been incurred).

Landfill Allowance Trading Scheme (LATS)

The LATS scheme operates for fifteen annual compliance periods between 1 April 2005 and 31 March 2020. The scheme allocates tradable landfill allowances to each waste disposal authority in England. The Council can buy, sell or carry forward allowances depending on usage requirements.

Allowances are classified as current assets and measured at the weighted average value at which 2011-12 allowances are traded. Any penalty payment due to Department for Environment, Food & Rural Affairs (DEFRA) in respect of landfill usage is shown as a liability and any carryforward balances are shown against earmarked reserves.

Leases and Lease-type arrangements

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. This judgement is made at the inception of the lease using criteria set out in International Accounting Standard 17. Arrangements that are not legally leases but convey a right to use an asset in return for a payment are subject to the same accounting treatment as if they were in fact a lease.

(i) Finance Leases
Where the Council enters into Finance Leases for assets, it reflects the value of the assets acquired at the lower of their fair value and the present value of minimum lease payments required by the contract. The resulting asset is matched by a creditor reflecting the obligation to pay future lease payments.

The annual lease payment is apportioned between;

- Acquisition Costs — The costs of acquiring the original interest in the asset which is charged against the liability in the balance sheet
- Finance Charge — Charged to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement.
- Contingent Rent — The difference between the rent paid in year and the original amount guaranteed under the lease, also charged to the Financing and Investment line of the Comprehensive Income and Expenditure Statement

The asset created is treated as per any other Council asset of its type and is depreciated, impaired and revalued as appropriate. The only variation is that unlike for owned assets depreciation is charged in the year of acquisition, not deferred until the first full operational year. The charges are not payable from Council Tax but as they form part of the Capital Financing Requirement the Council is required to make prudent provision for the repayment of the perceived capital investment. Any difference between this provision and the actual depreciation, impairment or revaluation costs charged in the Comprehensive Income and Expenditure Statement are reimbursed from the Capital Adjustment Account in the Movement in Reserves Statement.

(ii) Operating Leases
Leases that do not meet the definition of a finance lease are accounted for as operating leases. Where the Council acts as lessee all lease payments are expensed to the Comprehensive Income and Expenditure Statement as they become payable.

Where the Council is the lessor all income is credited to the Comprehensive Income and Expenditure Statement as it becomes due. The Council continues to hold the asset on its balance sheet and treats it in accordance with its non-current asset policies.

Non- Current Assets

Expenditure on the acquisition, creation or enhancement of non-current assets is capitalised on an accruals basis, provided that it will yield benefits to the Council for more than one financial year. These include intangible assets, property, plant and equipment, heritage assets and investment properties. It would not typically include assets held for sale as they would normally be expected to be disposed of within twelve months.

The costs of these assets may include initial costs of acquisition and construction and subsequent costs to enhance or replace part of the asset. All other expenditure arising from day to day servicing of assets is recognised in the Comprehensive Income and Expenditure Statement as the costs are incurred. The Council does not utilise a de-minimis and capitalises any expenditure which has led to the creation or enhancement of a capital asset.

a. Intangible Assets

Assets that do not have physical substance but are identifiable and are controlled by the Council (e.g. software licences). The Council currently has no internally generated intangible assets.

Software development costs that are directly attributable to bringing a computer system or other computer operated machinery into use are treated as being part of the cost of the related hardware, rather than as a separate intangible asset.

All existing intangible assets have finite lives and are amortised using a straight line basis in line with the consumption of their economic benefits.

b. Investment Assets

Investment Assets is property held solely to earn rental income or for capital appreciation. These include property interests held by the Council under finance leases and investment property let to a lessee under an operating lease. Where industrial estates are held partly for economic regeneration purposes they are classified as property, plant and equipment not investment properties.

Investment property is measured initially at cost and subsequently at fair value. It is recognised as an asset when it is probable that the future economic benefits that are associated with the investment will flow to the Council and the cost or fair value can be measured reliably. Subsequent updated valuations based on market evidence will be undertaken to ensure that the value at which investment assets are held in the Accounts is a reasonable estimate of their current value. Valuations are carried out in accordance with the processes used for Property, Plant and Equipment (see section d).

Any gain or loss experienced on revaluation and any profit or loss on disposal is charged to the 'Financing and Investment' line of the Comprehensive Income and Expenditure Statement. These charges are not proper charges to the General Fund and are subsequently transferred to the Capital Adjustment Account through the Movement in Reserves Statement.

c. Heritage Assets

These are typically tangible assets which are held by the Council for the benefit of the residents of the Borough. Heritage assets are held for their contribution to knowledge and culture and will include assets such as historic buildings, monuments, cultural artefacts or artistic exhibits. Where an asset meets these criteria but is also used extensively to deliver a service then it will be classified as property, plant and equipment.

Heritage assets are initially measured at cost and subsequently at an approximation of fair value. Due to the historic or unique nature of heritage assets it is not always possible to determine a fair value based on a market valuation. A hierarchy of valuation methods is therefore utilised:

- Market Valuation
- Depreciated Replacement Cost Valuation
- Insurance Valuation
- Depreciated Historic Cost
- No Valuation

The Council's heritage assets include the following major categories:

- **Museum and Art Collections**
  The Council holds collections of exhibits which are considered to be significant in recording the social and natural history of the borough and its residents. These exhibits are held for the purpose of promoting knowledge, understanding and appreciation of the Council's history and are primarily held in the Council's museums. The assets are recorded in the Balance Sheet at their Insurance Valuation which is updated annually.

  The Council also holds a number of items of fine art, largely paintings, sculpture and metalwork, which are held within its museums or civic buildings. These items are held on the balance sheet at insurance valuation as they have particular links to the local area and would not have a ready market value.

  There is a limited turnover on these artefacts, any acquisitions/donations or disposals are recorded as capital expenditure or receipt in the year incurred. The assets are considered to have an unlimited useful life and as a result no depreciation is charged.

- **Historic Buildings/ Archaeological Sites**
  The Council owns a number of historic buildings and sites which are held in trust for the residents of the Borough. These properties do not directly provide a service but do contribute to tourism around their locations. The properties are subject to valuations to determine their fair value as part of a five yearly cycle.

  The Council also holds a number of sites related to its Roman heritage which are managed and maintained for their contribution to heritage and tourism. These include sites such as sections of the Chester Walls. As these assets have no comparable market value, they are valued based on the historic costs of the works the Council has undertaken to maintain or improve their appearance and function.

  Due to their nature the properties/sites are not acquired or disposed of. Depreciation is charged to reflect the physical deterioration of the assets over time and expenditure to restore the condition is capitalised as it is incurred.

- **Historical Documents**
  The Council holds an archive of historical documents relating to the borough. These documents have been compiled from a range of sources and include loaned and donated items. The archive is a shared resource between Cheshire West and Chester and Cheshire East Borough Councils. Due to the nature of these assets there is no ready market valuation available. Insurance valuations are based on the costs the Council would consider incurring in making repairs to the items. The documents are by definition not replaceable but this gives an indication of the value the Council attaches to these assets.

On occasion the Council acquires new documents for identifiable cash payments, in these cases the assets will be added to the balance sheet at historic cost. The costs of acquiring new valuations for the other documents held by the Council would be disproportionate to the benefit this would give the users of the Accounts, these assets are therefore held at their insurance valuations. The assets recorded are not depreciated.

- **Statues, Monuments and War Memorials**
  The Council owns and maintains a wide range of physical structures which exist for historic, cultural or commemorative reasons. These properties do not have an alternate use and would not have a reliable market value of their own beyond the materials used to construct them. The costs of obtaining such a valuation would be disproportionate to the benefit provided so these assets are not included on the Balance Sheet.

Where there are no meaningful measures of the value of a heritage asset, or the cost of acquiring such a valuation would be disproportionate to the benefit of doing so, the existence of the asset will be disclosed in the supporting statements (Note 14).

Depreciation costs and any gain or loss on revaluation/disposal are accounted for in the same manner as for Property, Plant and Equipment Assets (see below).

d. Property, Plant and Equipment

These are tangible assets that have a physical substance and are held for operational reasons, i.e. in the production or supply of goods and services or for administrative purposes. This category excludes properties which are held solely for the purpose of generating a financial return (Investment Assets and Assets held for Sale) and those held primarily for their contribution to knowledge and culture (Heritage Assets).

Initial Recognition and Valuation

Assets are initially measured at the direct cost of bringing the asset into working condition for its intended use and subsequently using professionally undertaken valuations using bases recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

- Historic Cost – Infrastructure, Community and Assets Under Construction
- Fair Value – All other Property, Plant and Equipment assets

Fair Value is the value the asset in its present condition would be exchanged at between knowledgeable parties. Given the nature of many public sector assets it is frequently the case that there is no ready market within which to assess these valuations. Where no evidence exists to support a direct market value assessment other measures are used as a proxy for fair value.

- Property/Land (no clear market value) - depreciated replacement cost
- Vehicles, plant and equipment - depreciated historical cost
- Council housing - existing use value for social housing

Subsequent Changes in Value

All assets held at fair value are subject to revaluation, undertaken when there has been a material change in their value or as a minimum every five years. Assets are revalued when due under the five year cycle or earlier where there has been a change in circumstances either for the specific asset or the wider asset group, which may impact on its value. Impairment Reviews are undertaken annually to identify any such changes. The Council's housing stock is valued under the beacon methodology, with each beacon property being re-valued annually by applying an appropriate housing price index to their value at the start of the financial year.

Gains recognised on revaluation are normally credited to the Revaluation Reserve to recognise an unrealised gain. If the asset had previously been impaired or suffered a revaluation decrease which was charged to the Comprehensive Income and Expenditure Statement then the gain is instead credited to the Comprehensive Income and Expenditure Statement.

Where revaluation losses occur the decrease is recognised in the Revaluation Reserve to the extent the asset had previously been revalued upwards, and thereafter in the Comprehensive Income & Expenditure Statement.

Componentisation of Valuations

Where beneficial to the accuracy of the accounts the Council may opt to recognise each of the component parts of a material asset in their own right, e.g. recognising a roof separately from the rest of a building. This may be necessary to reflect the fact that some components may have an appreciably shorter useful life than the wider asset and will therefore need replacing sooner. Where assets are recognised as their component parts then each element is considered independently for future valuations, depreciation, replacement and disposal accounting.

All assets with a valuation in excess of £2m have been considered for componentisation on their first valuation date after 1 April 2010. Where componentisation is appropriate this has been adopted from the valuation date onwards.

Depreciation of Assets to Reflect Usage

Depreciation is charged to the Comprehensive Income and Expenditure Statement to reflect the usage of the asset over its economic life. It is provided for on all property, plant and equipment with the exception of:

- Land or other assets without a determinable useful life.
- Assets Under Construction as they are not being used yet.

Charges commence when the asset becomes available for use and cease on derecognition. Depreciation is calculated on a straight-line basis over the useful life of the assets, except in the case of council housing, which is depreciated by the Major Repairs Allowance (MRA) annually.

Depreciation charges are applied annually to the carrying balances and are reflected in the Cost of Services area of the Comprehensive Income and Expenditure Statement. The residual value, useful life and depreciation method are reviewed at least annually. If expectations differ from previous estimates the changes will be accounted for as a change in an accounting estimate. The useful lives and depreciation rates used for depreciating capital assets are set out in Note 13 to these accounts.

Depreciation is calculated based on the current value of the asset. Where this valuation is above the historic cost the difference between depreciation as calculated on current value and that calculated on historic cost is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposal of Assets

Assets are derecognised on disposal or when no future economic benefits are expected from their use. When Property, Plant and Equipment is disposed of, the carrying value is written off to the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement. This cost is subsequently transferred to the Capital Adjustment Account in the Movement in Reserves Statement.

Any receipts generated by the disposal are credited to the same line of the Comprehensive Income and Expenditure Statement to show the overall profit or loss on disposal. A proportion of the receipts from Housing disposals (25%) are set aside for repayment to Government and the remaining receipts are transferred to the Capital Receipts Reserve in the Movement in Reserves Statement.

Any outstanding balance on the revaluation reserve for derecognised assets is transferred to the Capital Adjustment Account through the Movement in Reserves Statement.

Charges to Revenue for Non-Current Assets

The Comprehensive Income and Expenditure Statement is charged with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation and Amortisation of assets used by the service.
- Revaluation and Impairment losses on assets used by the service
- Profit or Loss on disposal of assets

The Council is not required to raise council tax to cover these costs. However, it is required to set aside an annual contribution from revenue towards its overall borrowing requirement. These costs are therefore replaced by the Minimum Revenue Provision by way of an adjusting entry in the Movement in Reserves Statement.

Assets Held for Sale

These are assets which are being actively marketed for sale and where the Council expects that sale to go through in the next twelve months. They are identified separately as the value in the Balance Sheet will be recovered principally through a sale transaction rather than through future continued use. As the sale is anticipated within twelve months these are held as a current asset on the Balance Sheet and are valued based on the lower of their carrying amount and their fair (market) value.

Overheads and Support Services

The costs of overheads and support services are allocated within the Net Cost of Services section of the Comprehensive Income and Expenditure Statement in accordance with the costing principles in the CIPFA Service Reporting Code of Practice (SeRCOP). The full cost of overheads and support services is shared between users in proportion to the benefits received with the exception of:

- Corporate and democratic core – costs relating to the Council's status as a multi-functional democratic organisation; and
- Non-distributed costs – the cost of discretionary benefits awarded to employees retiring early.

These two categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

Private Finance Initiatives (PFI) and Service Concessions

PFI contracts, and similar arrangements, contain agreements for the Council to receive services under a contract where the contractor takes on responsibility for creating and maintaining the assets needed to deliver the service. All assets created under such contracts need to be considered to determine whether or not they should be reported on the balance sheet of the Council or of the contractor. The contracts are assessed against criteria set out under International Financial Reporting Standards (IFRIC 12), namely:

- Are the assets being used to deliver a public service;
- Does the Council significantly influence who can access the facilities; and
- Does ownership of the asset revert to the Council at the end of the PFI contract (or does the Council have an option to take back the assets).

The Council's two PFI schemes meet all these conditions so the Council reflects the value of the properties used under the contracts on the Balance Sheet. These assets are revalued and depreciated in the same way as other property, plant and equipment owned by the Council.

As with Finance Leases the original recognition of the assets was balanced by the recognition of the liability for amounts payable to the scheme operator in return for use of the assets. The amounts payable to the PFI operators each year are analysed into five elements (shown in Note 41 to the accounts):

- **Services received** – debited to a service line in the Comprehensive Income and Expenditure Statement.
- **Finance cost** – interest charges on the outstanding liability are charged to Financing and Investment Income in the Comprehensive Income and Expenditure Statement.
- **Contingent rent** – inflationary increases in the amount to be paid for the property arising during the contract, charged to Financing and Investment Income in the Comprehensive Income and Expenditure Statement.
- **Payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator.
- **Lifecycle replacement costs** – Recognised as expenditure on non-current assets and added to the asset on the balance sheet.

Provisions, Contingent Assets and Liabilities

Provisions are shown where a past event has placed the Council in a position where it has an obligation that is likely to lead to it incurring a cost. The precise timing and value of the cost may be unknown but can be reliably estimated.

Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. Estimates are reviewed at the end of each financial year and any changes are reflected within relevant service revenue accounts. When payments related to the obligation are eventually made they are charged to the provision set up in the balance sheet.

Contingent assets and liabilities are obligations or assets arising from past events where:

- the existence or value of the obligation is dependent on future events which are outside the control of the Council
- It is not probable that a flow of economic benefits will be required to settle the obligation
- The obligation/contingent asset cannot be easily quantified.

Contingent Assets and Liabilities are not recognised in the Balance Sheet but are disclosed in Notes 46 and 47. The disclosures set out both the scale of potential costs and the likelihood of these being realised.

Reserves

The Council maintains a range of reserves, reflecting both the extent to which its overall assets exceed its liabilities and any restrictions (statutory or voluntary) which are placed upon the usage of these balances. The main unrestricted reserve used to hold available Council funds is the General Fund.

The Council has discretion to set aside specific amounts as reserves where they wish to earmark available funds for future policy purposes, to cover contingencies or manage cash flows. These are summarised in Note 8.

Expenditure to be financed from an earmarked reserve is initially shown as a cost in the Comprehensive Income and Expenditure Statement. An offsetting transfer is then recorded on the Movement in Reserves Statement to ensure that there is no impact on the General Fund or Council Tax.

A number of reserves exist to manage the accounting for non-current assets, financial instruments and employee benefits; these do not represent usable funds for the Council, these are explained in the relevant policies and notes.

Revenue Expenditure funded by Capital under Statute

Revenue Expenditure funded by Capital under Statute represents expenditure incurred during the year that may be capitalised under statutory provisions but does not result in a Council asset being created. The expenditure may support a third party's asset (e.g. home improvement grants) or may be being capitalised based on a capitalisation order from Government.

This expenditure is initially charged to the relevant service within the Comprehensive Income and Expenditure Statement and then transferred by charging to the Capital Adjustment Account and crediting the General Fund Balance in the Movement in Reserves Statement. The purpose of this is to enable the expenditure to be funded from capital resources rather than charged to the General Fund and impact on the level of council tax. This expenditure does form part of the Council's Capital Financing Requirement.

Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

2. Accounting Standards issued, but not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 will introduce a requirement for Councils to comply with an updated IFRS 7 (Financial Instruments) and make additional disclosures. This change will be adopted by the Council when preparing its 2012-13 Accounts but this note is included to give readers of the Accounts an indication of the impact that adoption of this revised standard will have on the disclosed information.

The additional disclosures will only be relevant for Councils who have undertaken transactions to transfer financial assets/liabilities or their accompanying cash flows to a third party. These transactions are rare within Local Government and are not expected to result in significant changes when introduced. Cheshire West and Cheshire Council has undertaken no transactions which would have led to additional disclosures had the standards been adopted for the 2011-12 Accounts.

3. Critical Judgments in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- During 2011-12 the Council procured its Youth Services from Connexions Cheshire and Warrington Ltd a company set up by the Council's predecessors in 2007 specifically for the purpose of delivering these services. The Council, along with its funding partners, terminated its contracts with Connexions from the end of March 2012 and the company has subsequently entered into administration. On creation of the company, the former County Council agreed to act as guarantor for any pension deficit liabilities to the Cheshire Pension Fund, this commitment transferred to its successor Councils. As Connexions has ceased to trade in 2012-13 and its staff have in part transferred to Cheshire West and Chester an allowance has been made in these Accounts for the additional pension liability that existed at March 2012 and will transfer to the Council and crystallise in 2012-13. This is estimated at 40% of the company's estimated £11m deficit at 31st March 2012 (further details are included in Notes 46, 49).

- The Council has, for a number of years, been working on a project to develop future Waste Management facilities via a PFI contract. The project, jointly procured with Cheshire East Borough Council, had progressed well, a significant amount of costs had been incurred and a preferred bidder selected when in October 2010 the Council was notified that its PFI funding was being withdrawn. The Council challenged this decision but was unsuccessful in getting it overturned which made the project financially unviable. Having considered its other options all partners have now formally abandoned the project.

  Some of the costs incurred progressing the project prior to October 2010 had been capitalised as assets on the Council's balance sheet in anticipation of the facilities that the PFI process would deliver. As the project has now been abandoned these costs, equating to £2.8m have been written back to the Comprehensive Income and Expenditure Statement in 2011-12. Further details are included in the Impairments Note (Note 42)

- The Council has two live PFI contracts, one for provision of schools and one for extra care housing. It has determined that it substantially controls both the services provided from and the residual value of the assets used to deliver these contracts. Consequently, the assets relating to these contracts (£30m) have been recognised on the balance sheet as Property, Plant and Equipment, in accordance with IFRIC 12. Details of the values of these assets are disclosed in Note 13 (Property, Plant and Equipment) and Note 41 (PFI)

- As a consequence of the collapse of Heritable Bank in October 2008, the amounts deposited with the bank (£8.5m) by the former County Council were frozen. Cheshire West & Chester Council inherited 45.73% of these deposits. Ten separate dividends have already been paid to the Council and taking into account the future dividends expected it is anticipated that up to 90% of the total amount due will be repaid. The 2011-12 Accounts have therefore been prepared taking these estimates into account. Further details are included in Note 48 (Risks arising from Financial Instruments).

- The Council has interests in a number of external companies either as a direct owner or in partnership with other organisations. The nature of these relationships has been assessed under IAS 27 and 28 (Accounting for Subsidiaries and Associates) it has been determined that a number of these relationships would result in these companies being considered to be associates or subsidiaries of the Council. While the nature of these relationships would normally suggest the need for Group Accounts, the scale of activities undertaken by these companies, both individually and collectively, are considered to be immaterial to the Council's Financial Statements and as a result Group Accounts have not been produced. Additional disclosures are included in Note 49 (Interests in Other Companies) to ensure that readers of the Accounts can consider the financial status of these organisations and the Council's stake in them.

- By 31st March 2012 six Academies had been formally created from schools which were formerly funded by Cheshire West and Chester Borough Council, this was an increase of four since March 2011. While the Council remains responsible for ensuring that the children attending these schools continue to receive a good quality education. It is no longer responsible for the operation of the Schools and does not provide direct funding.

  All buildings that were formerly held by the Council have been leased over to the new Academies on long term leases for peppercorn rent; as such they have been removed from the Council's Non- Current Assets. The costs of this are shown as a loss on disposal in the Consolidated Income and Expenditure Statement (Note 9).

  The premises occupied by the former Woodford Lodge High School were declared surplus prior to the formalisation of funding for the new Academy in Winsford. It is held in the Accounts as a surplus asset at a value consistent with development land. This is on the presumption that, should the site be disposed of, any proceeds generated would be retained by the Council and not reimbursed to the Department for Education.

4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates take into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could materially differ from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Results Differ from Assumptions
Property, Plant and Equipment	The Council revalues its assets on a five year rolling cycle, with one fifth of all assets being reviewed each year. It is possible that property values could fluctuate considerably within this five year timeframe. It bases its valuations on assumptions about asset conditions, useful lives, residual values and market conditions. These judgements are underpinned by the best available information and made by qualified valuers but are still based on estimates.	A 1% fluctuation in property values would amount to £10m being reduced from the Non-Current Assets value on the Balance Sheet. Should remaining asset lives fall by an average of 10%, then there would be a corresponding 11% increase in annual depreciation charges, approx £3m.
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. The Council is advised on the assumptions it makes by Hymans Robertson, a firm of professional actuaries. Assumptions are disclosed in Note 45 and reflect best advice on reasonable judgements to make at 31 March 2012.	The pensions' liability and reserve will vary significantly should any of the assumptions prove inaccurate. For instance, a 0.5% decrease in the real discount rate would increase the pension liability by £104m or a one year increase in pensioner lifespans £32m. Where assumptions change the impacts are reported as actuarial gains and losses within Other Income and Expenditure. These changes only impact on the Pensions Liability and Reserve and not the General Fund.
Impairment of debtors	At 31 March 2012 the Council had a debtors balance of £62.6m. A review of significant debtor balances has been undertaken and a debtors' impairment figure of £11.3m has been set aside in the accounts. This impairment allowance (debt provision) is based on patterns of collection in both the current Council and its predecessors.	Should economic factors mean the impairment allowance is insufficient then any excess debt that proves uncollectable will result in a charge to the Comprehensive Income and Expenditure Statement. This cost may ultimately fall to the General Fund, HRA Balance or the Collection Fund depending on the nature of the debt. Should an additional 5% of debts prove to be uncollectible (above the amount set aside) there would be a cost of £3.1m to the Council.

5. Material Items of Income and Expense

Exceptional items are ones that fall within the ordinary activities of the Council but are material in terms of the Council's overall expenditure and not expected to recur frequently or regularly. Exceptional items are included on the face of the Comprehensive Income and Expenditure Statement (CIES) where it is felt that the costs are so significant as to warrant a separate disclosure. The Council has identified one exceptional item in 2011-12.

Housing Revenue Account (HRA) Self Financing Settlement – In 2012-13 those Councils who continue to directly supply a Council Housing service through a HRA will for the first time be responsible for managing the debt associated with these properties themselves. Up to this point the debts have been managed nationally by central Government with each Council contributing to the financing costs through their housing subsidy payment.

In preparation for this new approach to managing Housing debt the Government has disaggregated the national housing debt out amongst the Council's who operate a HRA based on each organisation's ability to finance the debt. In the case of Cheshire West and Chester Council a liability of £90.591m was transferred to the Council. In return for taking on this debt the Council will no longer need to make annual subsidy payments in the future. To ensure the debts were in Council ownership before 31st March 2012 all transfers took place on 28th March 2012, the transactions are therefore reflected in the Council's 2011-12 Accounts.

The Council borrowed the sum of £90.591m from the Public Works Loan Board (PWLB) and used that funding to fund a settlement payment to Government. The Council's Long Term Borrowing has consequentially increased and the cost of the settlement has been charged to the CIES under the Housing Service sub heading. As these costs are one off and do not represent typical expenditure for either the Council or the HRA they have been shown as exceptional items on the face of the CIES and Housing Revenue Account.

Dispensation has been given for Councils to treat these costs as Revenue Expenditure Funded from Capital Under Statute (REFCUS). This means the costs will ultimately be met from the Capital Adjustment Account and not revenue balances. An adjustment is included in the Movement in Reserves Statement to reflect this transfer of costs.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Resources on 11 September 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Where events do not require an adjustment to the Accounts but do offer additional contextual information they are included in this note. In 2011-12 there were no such events.

7. Adjustments between accounting basis and funding basis under regulations

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

2011-12	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account (CAA):						
Reversal items recorded in the Comprehensive Income and Expenditure Statement (CIES):						
Depreciation of Non Current Assets	-27,137	-3,586	0	0	0	30,723
Impairment and Revaluation of Non Current Assets	-23,962	-2	0	0	0	23,964
Amortisation of intangible assets	-101	0	0	0	0	101
Movements in the fair value of Investment Properties	1,683	0	0	0	0	-1,683
Capital Grants and contributions applied	35,742	0	0	0	0	-35,742
Revenue expenditure funded from capital under statute	-8,214	-90,591	0	0	0	98,805
Non-current assets written off to the CIES upon disposal or sale	-8,889	-1,229	0	0	0	10,118
Insertion of items not debited or credited to the CIES						
Statutory provision for the financing of capital investment	12,865	269	0	0	0	-13,134
Capital expenditure charged against the General Fund and HRA	2,239	0	0	0	0	-2,239
Adjustments primarily involving the Capital Grants Unapplied Account (CGUA):						
Capital grants and contributions unapplied credited to the CIES	-1,393	0	0	0	1,393	0
Application of grants to the Capital Adjustment Account for financing purposes	0	0	0	0	8,990	-8,990
Adjustments primarily involving the Capital Receipts Reserve (CRR):						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	3,414	187	-3,601	0	0	0
Use of CRR to finance new capital expenditure	0	0	11,105	0	0	-11,105
Non Current Asset disposal costs funded from the CRR	-36	-4	13	0	0	27
Government capital receipts pooling payments funded from the CRR	-135	0	135	0	0	0
Transfer from Deferred Capital Receipts upon receipt of cash	0	0	-14	0	0	14
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	3,563	0	-3,563	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	3,563	0	-3,563
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Difference between finance costs charged to the CIES are those chargeable under statutory requirements	-20	148	0	0	0	-128
Adjustments primarily involving the Pension Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES.	-26,156	5	0	0	0	26,151
Employer's pension contributions and direct payments to pensioners payable in the year	31,812	150	0	0	0	-31,962
Adjustments primarily involving the Collection Fund Adjustment Account						
Difference between Council Tax income credited to the CIES and the income calculated in accordance with statutory requirements	884	0	0	0	0	-884
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	48	-12	0	0	0	-36
Total Adjustments	**-7,356**	**-91,102**	**7,638**	**0**	**10,383**	**80,437**

2010-11 Restated	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account (CAA):						
Reversal items recorded in the Comprehensive Income and Expenditure Statement (CIES):						
Depreciation of Non Current Assets	-22,684	-3,525	0	0	0	26,209
Impairment and Revaluation of Non Current Assets	-73,310	-55,475	0	0	0	128,785
Amortisation of intangible assets	-169	0	0	0	0	169
Movements in the fair value of Investment Properties	105	0	0	0	0	-105
Capital Grants and contributions applied	20,947	0	0	0	0	-20,947
Revenue expenditure funded from capital under statute	-9,443	0	0	0	0	9,443
Non-current assets written off to the CIES upon disposal or sale	-18,339	-205	0	0	0	18,544
Insertion of items not debited or credited to the CIES						
Statutory provision for the financing of capital investment	8,810	0	0	0	0	-8,810
Capital expenditure charged against the General Fund and HRA	4,561	330	0	0	0	-4,891
Adjustments primarily involving the Capital Grants Unapplied Account (CGUA):						
Capital grants and contributions unapplied credited to the CIES	9,783	0	0	0	-9,783	0
Application of grants to the Capital Adjustment Account for financing purposes	0	0	0	0	1,431	-1,431
Adjustments primarily involving the Capital Receipts Reserve (CRR):						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	1,880	299	-2,179	0	0	0
Use of CRR to finance new capital expenditure	0	0	5,576	0	0	-5,576
Non Current Asset disposal costs funded from the CRR	-6	-7	13	0	0	0
Government capital receipts pooling payments funded from the CRR	-244	0	244	0	0	0
Transfer from Deferred Capital Receipts upon receipt of cash	0	0	-19	0	0	19
Adjustment primarily involving the Major Repairs reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	3,525	0	-3,525	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	3,525	0	-3,525
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Difference between finance costs charged to the CIES are those chargeable under statutory requirements	10	172	0	0	0	-182
Adjustments primarily involving the Pension Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES.	63,753	1,452	0	0	0	-65,205
Employer's pension contributions and direct payments to pensioners payable in the year	34,562	695	0	0	0	-35,257
Adjustments primarily involving the Collection Fund Adjustment Account:						
Difference between Council Tax income credited to the CIES and the income calculated in accordance with statutory requirements	951	0	0	0	0	-951
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-584	44	0	0	0	540
Total Adjustments	**20,583**	**-52,695**	**3,635**	**0**	**-8,352**	**36,829**

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts transferred back from earmarked reserves to meet expenditure in 2011-12 and 2010-11.

	Balance at 1 April 2010	Transfers Out 2010-2011	Transfers In 2010-2011	**Balance at 1 April 2011**	Transfers Out 2011-2012	Transfers In 2011-2012	**Balance at 31 March 2012**
Revenue Earmarked Reserves	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Insurance reserve	2,004	-564	132	**1,572**	-660	230	**1,142**
PFI Reserves	3,369	-15	393	**3,747**	0	389	**4,136**
Revenue Grants Unapplied	7,152	-7,152	6,353	**6,353**	-6,198	4,455	**4,610**
Developer Contributions Unapplied	332	0	0	**332**	0	1,172	**1,504**
Sums held by Resource Centre Manager	2,148	-2,148	1,819	**1,819**	-1,819	827	**827**
Childrens Services Improvements Reserve	0	0	1,700	**1,700**	-429	0	**1,271**
Local Authority Elections Reserve	72	0	491	**563**	-455	0	**108**
Members Localisation Reserve	0	0	0	**0**	0	336	**336**
Learning Resource Network	2,136	-1,143	0	**993**	-993	0	**0**
Pay Protection	820	0	500	**1,320**	0	0	**1,320**
3C Waste Reserve	1,309	0	0	**1,309**	-65	0	**1,244**
Northgate Development	0	-363	2,000	**1,637**	-465	0	**1,172**
Joint Property Runnng costs	0	-45	1,626	**1,581**	-308	0	**1,273**
Long Term Liabilities	0	0	1,400	**1,400**	0	4,352	**5,752**
LGR Reserve	700	-700	0	**0**	0	0	**0**
Early Retirement Reserve	106	-26	0	**80**	0	0	**80**
LABGI Reserve	133	0	0	**133**	0	0	**133**
Economic Development	150	-150	0	**0**	0	0	**0**
LPSA Reserve	236	-236	0	**0**	0	0	**0**
Developers Contibtions (Revenue)	182	-182	0	**0**	0	0	**0**
After Schools Clubs	0	0	0	**0**	0	175	**175**
Long Term Sickness	293	-56	0	**237**	-133	19	**123**
Fluctuation in School Days	214	-214	60	**60**	0	0	**60**
Northwich Vision	276	0	0	**276**	0	0	**276**
Barons Quay	0	0	0	**0**	0	450	**450**
Other Reserves and Balances	771	-300	67	**538**	-134	53	**457**
Total	22,403	-13,294	16,541	**25,650**	-11,659	12,458	**26,449**
Capital Earmarked Reserve							
Capital Grants & Developer Contributions	12,207	-12,207	20,560	**20,560**	-9,922	-461	**10,177**
Total Capital	12,207	-12,207	20,560	**20,560**	-9,922	-461	**10,177**
HRA - Earmarked Reserve							
Major Repairs Reserve	0	-3,525	3,525	**0**	-3,563	3,563	**0**
Total HRA Earmarked Reserves	**0**	-3,525	3,525	**0**	-3,563	3,563	**0**
Balance at 31 March 2012	34,610	-29,026	40,626	**46,210**	-25,144	15,560	**36,626**

9. Other Operating Income and Expenditure

Other Operating Income and Expenditure comprises all other costs that do not form part of the costs of any one service. A breakdown of the amounts included within this line is as follows:

	2011-12 £000	2010-11 £000
Loss on disposal of Non-current assets	7,114	16,353
Parish Precepts	2,470	2,454
Levies	277	193
Contribution of Housing Capital Receipts to National Pool	135	244
Other income and expenditure	-264	154
	9,732	**19,398**

The costs shown as loss on disposal of non-current assets include the costs of transferring property to Academy Schools on long leases for nil return. The value of assets written out in these circumstances equated to £4.4m (2010-11 £17.1m).

10. Financing and Investment Income and Expenditure

This note contains details of any financial costs or returns the Council has incurred which are not directly associated with the delivery of services. These include interest costs, investment returns and the net returns on trading activities.

	2011-12 £000	2010-11 £000
Interest payable and similar charges	8,896	8,929
Pension interest and expected return on assets	1,650	16,667
Interest receivable & similar income	-851	-1,028
Income and expenditure in relation to investment properties	-6,820	-6,918
Trading Accounts not related to Services	-83	339
	2,792	**17,989**

11. Taxation and Non-specific Grant Income

The Council received the following funding which does not relate to specific services. Following the Comprehensive Spending Review in 2010 the Government reduced the scale of ring-fencing on the funding it provides to Councils. Although the overall level of funding the Council received in 2011-12 was reduced a greater proportion was non-ringfenced which has resulted in an increase in the number of grants recorded on this line of the Comprehensive Income and Expenditure Statement.

	2011-12 £000	2010-11 £000
Council Tax - call on Collection Fund	-155,524	-154,219
Revenue Support Grant	-22,808	-11,853
National Non-Distributed Rates	-73,789	-81,629
Capital Grants and Contributions	-35,281	-30,731
PFI Grants	-3,039	-3,032
Local Services Support Grant	-1,658	0
Council Tax Freeze Grant	-3,812	0
New Homes Bonus	-452	0
Area Based Grants	0	-21,796
	-296,363	**-303,260**

12. Other Comprehensive Income and Expenditure

The Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement recognises increases and decreases to the value of assets and liabilities which have yet to be realised by the Council. As these gains and losses were unrealised at 31 March 2012 they are not reflected against the Councils usable reserves at this point and are held separately in unusable reserves as described in Note 26. These movements contained:

	2011-12 £000	2010-11 £000
Property Revaluation Gains	-52,915	-30,988
Available for Sale Assets	0	-21
Pension Deficit - Actuarial Losses/-Gains	92,251	-279,991
Pension Deficit - Entity Combinations	0	1,814
	39,336	**-309,186**

- Property revaluation gains reflect estimated increases in the value of Council owned assets. These will only be realised by the Council on sale or disposal or over time through usage. The balances created are held on the revaluation reserve until this time

- Available for Sale gains and losses reflect changes to the market values of investments and similar financial assets held by the Council. These changes are only recognised as the assets are cashed in or traded, until this point the unrealised gain is held on the Available for Sale Reserves. In 2010-11, £21k of previously unrecognised loss was charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement realising this loss, as a consequence there is currently no balance held on the Available for Sale Reserve.

- Pension Deficit adjustments reflect revised estimates as to the value of future pension liabilities or assets made by actuaries. The loss in 2011-12 represents a combination of a reduced discount factor being applied to all future pension liabilities (increasing the current value of those liabilities), a reduction in the expected earnings on pensions assets and recognition that pension funding assurances given by the Council to the Cheshire Pension Fund in respect of Connexions Cheshire and Warrington Ltd will require the Council to inherit a proportion of the company's deficit when it enters administration in 2012-13 (Note 3). An estimated loss of £4.4m has been recognised in year.

  The large surplus in 2010-11 was due to the requirement to link future pension payments to the Consumer Price Index rather than the Retail Price Index. This gain is held on the Pension Reserve until it is realised through reduced payments to the Pension Fund in future years.

13. Property, Plant and Equipment

Movements in 2011-12	NON- CURRENT ASSETS							
	Council Houses £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Con-struction £000	Total
Valuation at 31 March 2011	134,704	489,641	70,359	262,471	12,830	0	9,085	979,090
Additions	5,114	20,124	10,112	18,452	127	0	13,818	67,747
Revaluation Gain/Loss to RR	6,952	21,783	0	0	0	0	0	28,735
Reval/Impair Losses to SDPS	0	-36,791	111	-45	-515	0	-2,842	-40,082
Reverse Reval/Impair to SDPS	0	8,360	0	0	0	0	0	8,360
Derecognition - Disposals	-252	-7,313	-5,691	0	0	0	0	-13,256
Derecognition - Other	-977	-1,133	0	0	0	0	0	-2,110
Re-classification of assets	0	-13,132	0	0	0	14,606	-1,474	0
Reclass to/from Held for Sale	0	-3,942	0	0	0	0	0	-3,942
Reclass to/from Heritage	0	0	0	0	0	0	-1,627	-1,627
Reclass to/from Investment	0	1,147	0	0	-1	0	-1,413	-267
Other Movements	0	0	0	0	0	0	0	0
Value as at 31 March 2012	**145,541**	**478,744**	**74,891**	**280,878**	**12,441**	**14,606**	**15,547**	**1,022,648**
Depreciation								
At 31st March 2011	0	-13,964	-35,551	-75,991	-119	0	1	-125,624
Charges for the year	-3,349	-8,626	-10,142	-8,368	-4	0	-1	-30,490
Revaluation Gain/Loss to RR	3,326	2,665	0	0	0	0	0	5,991
Reval/Impair Loss to SDPS	0	5,582	-16	45	0	0	0	5,611
Reverse Reval/Impair to SDPS	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	195	5,505	0	0	0	0	5,700
Derecognition - Other	0	322	0	0	0	0	0	322
Other Movements	0	0	0	0	0	0	0	0
Accum Depn at 31 March 2012	-23	-13,826	-40,204	-84,314	-123	0	0	-138,490
Net Book Value at 31 March 2012	**145,518**	**464,918**	**34,687**	**196,564**	**12,318**	**14,606**	**15,547**	**884,158**
Net Book Value at 31 March 2011	134,704	475,677	34,808	186,480	12,711	-	9,086	853,466
Nature of Asset Holding								
Owned	145,518	435,317	32,401	196,564	12,318	14,606	15,547	852,271
PFI		29,601						29,601
Leased			2,286					2,286
Total	**145,518**	**464,918**	**34,687**	**196,564**	**12,318**	**14,606**	**15,547**	**884,158**

Within the table above and on the following page references to RR refer to the Revaluation Reserve and SDPS refers to the Surplus or Deficit on Provision of Service line in the Comprehensive Income and Expenditure Statement.

The value shown for Council Houses excludes the value of the central heating systems which are installed in the premises under a finance lease arrangement. To reflect the nature of the assets acquired under that finance lease appropriately, this element of the valuation (£0.5m) is shown under vehicles plant and equipment.

The Net Book Values for 2011-12 include £1.9m of assets which are held in partnership with Cheshire East Borough Council. The Council will ultimately need to buy out the Cheshire East Borough Council interest in these assets so an offsetting long term liability of £0.9m is included in the balance sheet.

Movements in 2010-11 (Restated)	NON- CURRENT ASSETS							
	Council Houses £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Con-struction £000	Total
Certified Valuation at 31 March 2010	195,070	533,269	55,414	245,572	10,133	0	27,500	1,066,958
Additions	3,994	14,224	15,226	16,677	3,073	0	3,652	56,846
Revaluation Gain/Loss to RR	-1,937	27,619	159	0	0	0	0	25,841
Reval/Impairment Losses to	-62,219	-87,421	0	0	0	0	0	-149,640
Reverse Reval/Impairments to	0	0	0	0	0	0	0	0
Derecognition - Disposals	-204	-19,438	-516	0	0	0	0	-20,158
Derecognition - Other	0	0	0	0	0	0	0	0
Re-classification of assets	0	22,145	76	222	-376	0	-22,067	0
Reclassified to/from Held for	0	-2,300	0	0	0	0	0	-2,300
Reclassified to/from Investment	0	1,543	0	0	0	0	0	1,543
Other Movements	0	0	0	0	0	0	0	0
Value as at 31 March 2011	**134,704**	**489,641**	**70,359**	**262,471**	**12,830**	**0**	**9,085**	**979,090**
Depreciation								
At 31st March 2010	-3,513	-25,764	-29,101	-68,173	-60	0	1	-126,610
Charges for the year	-3,231	-7,944	-6,941	-7,818	-59	0	0	-25,993
Revaluation Gain/Loss to RR	0	5,075	0	0	0	0	0	5,075
Reval/Impairment Losses to	6,744	13,455	0	0	0	0	0	20,199
Reverse Reval/Impairments to	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	1,214	491	0	0	0	0	1,705
Derecognition - Other	0	0	0	0	0	0	0	0
Revaluations to SDPS	0	0	0	0	0	0	0	0
Accumulated Depn at 31 March	0	-13,964	-35,551	-75,991	-119	0	1	-125,624
Net Book Value at 31 March 2011	**134,704**	**475,677**	**34,808**	**186,480**	**12,711**	**0**	**9,086**	**853,466**
Net Book Value at 31 March 2010	191,557	507,505	26,313	177,399	10,073	-	27,501	940,348
Nature of Asset Holding								
Owned	134,704	445,146	33,262	186,480	12,711	-	9,086	821,389
PFI		30,531						30,531
Leased			1,546					1,546
Total	**134,704**	**475,677**	**34,808**	**186,480**	**12,711**	**0**	**9,086**	**853,466**

In addition to the assets reported in the table, the Council also indirectly provides services through Voluntary Aided schools, Foundation schools and Academies. As these schools are not directly owned by the Council and are governed separately they are not included in the asset values reported.

- Voluntary Aided schools are those where most of the capital investment in the school has been provided by the diocesan body or similar organisation. Should the property at the school be sold then the proceeds of sale would also be due to the diocesan body and not to Cheshire West & Chester Council. As at 31 March 2012 there were 30 Church Aided schools in use with a value of just over £40m.
- Foundation schools are those where ownership of the school has been transferred from the Council to the School's Board of Governors/Trustees. As at 31 March 2012 there were five such schools with a value of approximately £42m. This value decreased in 2011-12 as Christleton High School transferred to Academy status.

- Academy Schools are run independently of the Council but still provide education services in Cheshire West. The schools are located on land owned by the Council but have been given long leases over that land to give them security of tenure. The school buildings themselves are owned by the Academy. There are six academies in Cheshire as at 31st March 2012 with others scheduled to transfer in 2012-13. The Council has transferred the value of all assets held in relation to these schools to the Academies under the terms of the lease. The Academies replace 8 former schools which were last valued at approximately £54m.

Consultation is currently on-going which may impact on whether voluntary aided schools should be included as Council assets in the future. For the purposes of the 2011-12 Accounts the Council has maintained its pre-existing policy and does not hold the value of these schools in its Accounts. Should a change be necessary in the future, the consequences will be disclosed in that year's Accounts. Any changes would not affect the treatment of Academies or Foundation Schools.

The Council has reclassified the former high school site at Woodford Lodge, Winsford as a surplus asset with a value of £14.6m. A surplus asset would normally be valued on the same basis used when it was last an operational property but in this case the status of the site has changed to such an extent that to do so would be misleading. As the pupils from Woodford Lodge now attend another school and the educational restrictions on the potential usage of the site no longer apply, a valuation based on the market value of the land has been utilised.

Depreciation

The following useful lives and depreciation rates are used for depreciating new or revalued capital assets. Where assets inherited by this Council from its predecessors had estimated lives outside these ranges they have been retained until the assets are revalued. In exceptional circumstances other useful lives may be retained if appropriate to the asset. Operational Buildings will normally be assigned a 50 year useful life unless there is a reason to override this assumption. All depreciation is charged on a straight line basis.

Asset Classification	Useful Lives	Most Common Depreciation Rate %
Operational Buildings	Up to 100 years	2%
Infrastructure	Up to 50 years	3%
Vehicles	Up to 25 years	12.5%
Plant & Equipment	Up to 15 years	20%

Significant Commitments under Capital Contracts

The value of significant commitments under capital contracts, where amounts of greater than £0.5m are contracted to be paid after 31 March 2012, totals £31.6m. These contracts are all fully funded and are summarised as follows:

Capital Project	Contract Total £000	Amount Paid to Date £000	Outstanding Balance £000
Lostock Gralam Primary New Accomodation	729	55	674
Winsford High St Primary School Hall	622	5	617
Highfield Primary School - Additional Places	751	55	696
St Thomas/Victoria Amalgamation	5,889	1,042	4,847
Cherry Grove Primary - Kitchen Relocation	593	40	553
Rudheath Primary New Accomodation	1,960	1,004	956
Ellemere Port Academy	22,904	8,799	14,105
Northgate Arena Extra Care	4,336	2,168	2,168
Highways Term Maintenance Contract	26,827	20,682	6,145
Blacon Crematorium Improvements	839	0	839
Total	**65,450**	**33,850**	**31,600**

Bases of Valuations

The Council revalues its operational properties over a five year cycle to ensure that values do not become out of date. Where values may change outside of these planned dates (e.g. due to work undertaken, change in usage or economic conditions) then valuations are brought forward.

The Council's Property Services section value the freehold and leasehold properties which make up the Council's portfolio. They are valued in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors (The Red Book). Valuations are undertaken to reflect asset values as at 31st March 2012.

Operational properties of a specialised nature are valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent. This is adjusted to reflect the age, wear and tear and obsolescence of the existing asset.

Council Houses are valued annually using a beacon value methodology. The recorded value is an Existing Use Value for Social Housing which is the value the properties would be exchanged at on the presumption that they must continue to be used for social housing purposes. The valuations are reduced to reflect the fact these houses are occupied by secure tenants.

Vehicles, Community Assets, Infrastructure Assets and Assets under Construction are all held in the Accounts at historic cost.

Non-specialised operational properties are valued by reference to the open market value of equivalent assets of a similar type and condition. This is evidenced by recent market transactions and done on the assumption that they would continue in their existing use. Non-operational properties are valued by reference to their open market value for an alternative use allowed by planning permissions.

Where assets are included in the Balance Sheet at current value, they are required to be re-valued at intervals no longer than five years. The Council has done this on the basis of a rolling programme. The following statement shows the value of properties that were re-valued in 2011-12.

	Council Dwellings £000	Operational Other Land and Buildings £000	Surplus Assets £000	Historic Cost Assets £000	Total PPE Assets £000
Valued at Historic Cost				259,116	259,116
Valued at Current Value in:					
- 2011-12	144,325	110,173	14,606		269,104
- 2010-11	1,193	213,804			214,997
- 2009-10		105,094			105,094
- 2008-09		19,828			19,828
- 2007-08		16,019			16,019
Total	**145,518**	**464,918**		**259,116**	**884,158**

Effects of Changes in Methodologies and Estimates
There have been no major changes to the way in which the Council carries out valuations during 2011-12; the new valuations are directly comparable to the approach taken in previous years and changes in those values reflect changes in the asset or the wider economic climate.

14. Heritage Assets

Movements in 2011-12	NON- CURRENT ASSETS						
	Historic Buildings £000	Sites of Historic Interest £000	Museum Collections £000	Historic Archives £000	Fine Art/ Sculpture £000	Civic Regalia £000	Total
Certified Valuation at 31 March 2011	28,493	418	10,209	500	3,668	685	43,973
Additions	1,442	599	32				2,073
Disposals							0
Revaluation Gains	16,632		16				16,648
Impairment Losses/(Reversals) to SDPS							0
Impairment Losses /Reversals to RR							0
Reclassification from PPE Assets	1,627						1,627
Value as at 31 March 2012	**48,194**	**1,017**	**10,257**	**500**	**3,668**	**685**	**64,321**
Depreciation							
At 31st March 2011	-1,416	-5	0	0	0	0	-1,421
Charges for the year	-219						-219
Revaluation Gains	1,539						1,539
Accumulated Depn at 31 March 2012	-96	-5	0	0	0	0	-101
Net Book Value at 31 March 2012	**48,098**	**1,012**	**10,257**	**500**	**3,668**	**685**	**64,220**

Movements in 2010-11	NON- CURRENT ASSETS						
	Historic Buildings £000	Sites of Historic Interest £000	Museum Collections £000	Historic Archives £000	Fine Art/ Sculpture £000	Civic Regalia £000	Total
Certified Valuation at 31 March 2010	27,450	102	10,168	500	3,668	685	42,573
Additions	1,076	316	39				1,431
Disposals							0
Revaluation Gains	-33		2				-31
Impairment Losses/(Reversals) to SDPS							0
Impairment Losses /Reversals to RR							0
Reclassification from PPE Assets							0
Value as at 31 March 2011	**28,493**	**418**	**10,209**	**500**	**3,668**	**685**	**43,973**
Depreciation							
At 31st March 2010	-1,320	-5	0	0	0	0	-1,325
Charges for the year	-198						-198
Revaluation Gains	102						102
Accumulated Depn at 31 March 2011	-1,416	-5	0	0	0	0	-1,421
Net Book Value at 31 March 2011	**27,077**	**413**	**10,209**	**500**	**3,668**	**685**	**42,552**

Summary of Acquisitions, Donations and Disposals

The table below summaries the changes in the makeup of the Council's assets over the last two years. Information relating to earlier periods is not available. The table below records where new assets have been acquired but not where existing assets have been enhanced and as such differs from the 'additions' line shown in the tables above. The only new acquisitions in 2010-11 and 2011-12 were in relation to museum collections, there were no disposal during this period.

The Council holds a detailed policy on acquisitions and disposals which is available on-line. This sets out the Council's policies in relation to the management and preservation of these assets as well as providing further details on the makeup of the individual collections, the areas in which the Council would consider adding to its collections and the circumstances in which it would dispose of artefacts.

New Acquisitions/Disposals	2011-12 £000	2010-11 £000
Museum Collections		
- Acquisitions		
- Fine Art	29	35
- Archaeology	3	4
- Donations		
- Archaeology	16	2
Total Costs of Purchases	**48**	**41**

Public Access to Assets
All items with the exception of the civic regalia are open to be viewed by the public. For details of the availability or opening times of the various buildings and exhibits please refer to the Cheshire West and Chester Council website.

Historic Buildings
The Council's Historic Buildings are currently held at Fair Value based on Depreciated Replacement Cost, these valuations are carried out in line with the processes set out for operational assets in Note 13. The category includes Chester Town Hall, St Marys Church in Chester and the Council's museum buildings. Museum buildings have been included as they are considered to be intrinsic to the cultural experience offered rather than just housing the collections. These buildings are valued on a 5 yearly cycle to ensure values remain current.

Sites of Historic Interest
The Council has two sites of historic interest, part of the Chester Walls and the St Johns Church ruins, these assets are held at depreciated historic cost as there is no mechanism for replacing these assets. The Council incurs maintenance work to reverse the impacts of wear and tear and deterioration.

Museum Collections
The Council holds collections across its museum buildings that reflect the heritage and history of the local area. The largest collection is held in the Grosvenor Museum which has exhibits of artefacts relating to the social and natural history of the Chester area as well as archaeological items, artwork and decorative items. This collection has a particular focus on the city's roman heritage. The collection at Weaver Hall Museum focus on artefacts linked to the history of the salt industry and related processes in the Winsford area.

These assets are valued based on their insurance value which is reviewed for currency annually. Additions to the collection are initially recorded at the costs paid and items which are donated are recorded based on professional judgements of their value.The valuation shown does not reflect items which are held in the museums but have only been loaned to the Council by a benefactor or are part of an exchange programme with other museums/collections as they are not in Council ownership.

Historic Archives
The Council's historic archives contain documents recording the written and printed history of the county of Cheshire. The collections are primarily held in Chester but relate to the whole of the

former county, as such only part of the value of the collection is recorded in the Council's Accounts. The archive comprises both printed records and online records.

The valuation of £0.5m is based on half of the insurance value held against the costs of repairing damage to the documents held. This is an approximation of the value the Council attaches to the archives as there was no acquisition cost for the majority of these assets and by definition they cannot be replaced. This valuation is not expected to change significantly over time.

Fine Art/Sculpture

The Council holds a number of pieces of artwork throughout its civic buildings, these include a paintings, sculptures and busts of individuals where the artist or subject has a link to the Cheshire West area. The valuation also includes items of public art such as the statue on the roundabout at the junction of the M53 and Station Road in Ellesmere Port. All items are held at insurance valuations which are reviewed annually.

Civic Regalia

The civic regalia held by the Council are items such as chains of office, badges and ceremonial maces for the various historic or current roles discharged by Council Members. These include items related to the Mayor, Mayoress, Deputy Mayor and their predecessors. All items are valued at their insurance valuation.

Public Monuments/Memorials

As well as those assets recorded in the tables included in this note the Council also has responsibility for the management and maintenance of a significant number of public monuments and memorials. These assets take the form of statues, crosses, historic way markers and a significant number of war memorials. There are estimated to be over 100 individually recorded memorials within the Borough and several hundred smaller marker posts. The majority of these assets record historically significant figures or events which affected the people of Cheshire West and Chester.

In almost all cases these assets have been in place for years and there are no records of the original costs or in many cases clear records of ownership. The Council takes responsibility for maintenance and safeguarding most of these assets in the absence of other records to prove ownership. The nature of these assets means they do not have a material financial value as anything other than their current usage and when considered alongside the maintenance liability attached to them they are believed to have negligible value. As such they are not included in the balance sheet of the Council as assets.

15. Investment Properties

The Council operates a portfolio of Investment Properties which it either leases out to local business for industrial or commercial usage or holds for capital appreciation. The Council operates its investment property portfolio as a trading account, recording both the income generated and costs incurred.

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

Investment Asset Expenditure and Income	2011-12 £000	2010-11 £000
Rental Income from Investment Property	-8,466	-8,328
Direct Expenditure Arising from Properties	2,734	1,569
Value as at 31 March	**-5,732**	**-6,759**

The movements in the value of investment properties during 2011-12 are analysed below.

Investment Assets - Movements in Year	2011-12	2010-11
	£000s	£000s
Balance at Start of Year	120,145	121,271
Additions		
- Acquisitions	0	0
- Subsequent Expenditure	163	196
Disposals		
- Outright Disposals	-367	-115
- Transfers to/from Assets Held for Sale	645	0
Fair Value Adjustments		
- Increases in Fair Value	3,682	3,902
- Decreases in Fair Value	-2,000	-3,565
Transfers to or from other asset categories	267	-1,544
Other Movements	0	0
Value as at 31 March	**122,535**	**120,145**

Where Investment Properties meet the criteria that would mean they are Assets Held for Sale they are shown alongside their Property, Plant and Equipment equivalents in Note 22. There was only one Investment Asset Held for Sale at 31st March 2012 with a value of £58k. A total of £645k of assets were returned to Non Current Investment Assets in 2011-12 reflecting the net effect of decisions not to dispose of a property previously held for sale, offset by the transfer out of a newly recognised asset held for sale (see note 22)

16. Intangible Assets

The Council accounts for expenditure on software which will benefit the Council for a period of more than twelve months as intangible assets, to the extent that the software is not an integral part of a particular IT system which is already recorded as hardware in Property, Plant and Equipment. The intangible assets primarily comprise purchased software licenses.

All software is given a finite useful life, based on the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are:

Useful Life	2011-12 £000	2010-11 £000
3 Years	568	1,248
4 Years	27	27
5 Years	472	923
	1,067	**2,198**

The carrying amount of intangible assets is amortised on a straight-line basis, the charge for 2011-12 has been shown across service lines in the Comprehensive Income and Expenditure Statement.

	Other Assets 2011-12 £000	Other Assets 2010-11 £000
Balance at start of year:		
Gross carrying amount	2,198	2,171
Accumulated amortisation	-2,025	-1,855
Net carrying amount at start of year	**173**	**316**
Additions:		
Purchases	20	27
Disposals:		
Gross carrying amount	-1,151	0
Accumulated amortisation	1,151	0
Amortisation for the Period	-101	-170
Net carrying value at end of year	**92**	**173**
Comprising:		
Gross Carrying Amount	1,067	2,198
Accumulated Amortisation	-975	-2,025
Total	**92**	**173**

17. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Investments				
Loans & receivables	212	492	10,542	828
Available-for-sale financial assets	4	4	0	0
Total Investments	**216**	**496**	**10,542**	**828**
Debtors				
Loans & receivables	2,934	3,025	74,822	109,551
Total Debtors	**2,934**	**3,025**	**74,822**	**109,551**
Borrowings				
Financial liabilities at amortised cost	-230,919	-141,859	-17,768	-2,794
Total Borrowings	**-230,919**	**-141,859**	**-17,768**	**-2,794**
Other Long Term Liabilities				
PFI & finance lease liabilities	-33,258	-33,643	-1,873	-1,603
Total Other Long Term Liabilities	**-33,258**	**-33,643**	**-1,873**	**-1,603**
Creditors				
Financial liabilities at amortised cost	-927	-1,891	-51,082	-79,097
Total Creditors	**-927**	**-1,891**	**-51,082**	**-79,097**

Borrowings include the loan principal and interest creditor due in less than one year.

Income, Expense, Gains and Losses

	2011-12			
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Total £000
Interest expense	8,896	0	0	8,896
Total expense in SDPS	**8,896**	**0**	**0**	**8,896**
Interest income	0	-851	0	-851
Gains on derecognition	0	0	0	0
Total income in SDPS	**0**	**-851**	**0**	**-851**
Net (gain)/loss for the year	**8,896**	**-851**	**0**	**8,045**
	2010-11			
Interest expense	8,929	0	0	8,929
Total expense in SDPS	**8,929**	**0**	**0**	**8,929**
Interest income	0	-958	0	-958
Gains on derecognition	0	0	-70	-70
Total income in SDPS	**0**	**-958**	**-70**	**-1,028**
Recycled to SDPS on derecognition	0	0	-21	-21
Surplus on revaluation	**0**	**0**	**-21**	**-21**
Net (gain)/loss for the year	**8,929**	**-958**	**-91**	**7,880**

References to SDPS above refer to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement.

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at their amortised cost. The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

- Estimated interest rates at 31 March 2012 of between 1.49% and 4.42% for loans from PWLB based on the ‘new borrowing’ rate and between 0.30% and 2.70% for loans from the PWLB based on the ‘premature borrowing rate’ in force on that day;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next twelve months, carrying amount is assumed to approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Assets held at Fair Value

Certain assets are recognised at Fair Value in the balance sheet. This is necessary where the assets are held in a form which is readily tradable by the Council and the Market Value is different from the nominal value. The assets held at Fair/ Market Value by the Council at 31st March 2012 is set out below.

	Long Term		Current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
War Loan Stock	4	4	0	0
Total	**4**	**4**	**0**	**0**

Fair Value of Assets held at Amortised Cost

	Carrying Value		Fair Value	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Loans and Receivables	85,364	110,379	85,364	110,379
Long Term Debtors	3,146	3,516	3,146	3,516
Total	**88,510**	**113,895**	**88,510**	**113,895**

Fair Value of Liabilities held at Amortised Costs

There are two options available to calculate the fair value of long term loans:

- Using the new borrowing rate. The fair value here represents the amount of loans that could be raised on the balance sheet date that would give rise to the same profile of interest payments and principal repayments as those the Council is committed to under its existing loan agreements.

- Using the early repayment rate. This amount represents the amount that would need to be paid to the Council's existing lenders on 31 March 2012 to repay in full all of the outstanding long term loans existing at that date.

The carrying values and fair values for financial liabilities under each methodology are shown below. Liabilities such as operational creditors are omitted from the analysis as the carrying amount is considered a reasonable approximation of fair value.

Financial Liabilities with their Fair Value calculated using the new borrowing rate (including short term interest payable):

	Carrying Value		Fair Value	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Financial Liabilities	-281,945	-178,296	-283,527	-166,125
Long Term Creditors	-927	-1,891	-927	-1,891
Total	**-282,872**	**-180,187**	**-284,454**	**-168,016**

The new loans rate fair value of long term borrowings was above the carrying value as at 31 March 2012. This is a result of the Council having a number of loans within its portfolio where the rate of interest payable is higher than the interest rates prevailing at 31 March 2012 and where this rate of interest is fixed for the whole of the loan period which is generally long term.

One consequence of having a large number of fixed rate loans for relatively long periods is that the Council does not tend to benefit from any falls in PWLB interest rates. The converse is also true however, i.e. in periods when interest rates rise the council is cushioned from the impact of such increases. Having a large number of long term loans at fixed rates of interest does provide the Council with a fair degree of certainty in the cost of interest payable. Needless to say this helps in budget planning.

Financial Liabilities with their Fair Value calculated using the early repayment interest rate (including short term interest payable);

	Carrying Value		Fair Value	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Financial Liabilities	-281,945	-178,296	-312,948	-190,082
Long Term Creditors	-927	-1,891	-927	-1,891
Total	**-282,872**	**-180,187**	**-313,875**	**-191,973**

The early repayment rate fair value of long term borrowings was above the carrying value as at 31 March 2012. This indicates that were the Council to repay all of its long term loans on its balance sheet date the amount it would need to pay to extinguish those liabilities would be in excess of the amounts the liabilities are shown at in the balance sheet.

18. Inventories

	CBS Stores Stocks	Other Stores Stocks	Catering Supplies	Museum and Gallery Services	Other Stocks	**Total**
	£000	£000	£000	£000	£000	**£000**
Balance at 1 April 2010	822	160	178	107	212	**1,479**
Purchases	2,278	652	2,904	8	523	**6,365**
Recognised as an expense in the year	-2,927	-649	-2,949	0	-379	**-6,904**
Written off balances	-173	0	0	0	-2	**-175**
Balance at 31 March 2011	0	163	133	115	354	**765**
Purchases	0	737	2,741	2	495	**3,975**
Recognised as an expense in the year	0	-702	-2,745	0	-471	**-3,918**
Written off balances	0	0	0	0	-20	**-20**
Balance at 31 March 2012	0	198	129	117	358	**802**

The Council ceased to maintain its own in house service (CBS Stores) to manage the provision of office supplies in March 2011 and has since purchased its supplies from external contractors. This has led to a reduction in the overall value of stock held during 2010-11 and 2011-12.

19. Debtors

The Council's debt position as at 31 March 2012 is analysed below by the different types of debtors that this relates to. The majority of the Council's debt is short term in nature and reflects standard terms in relation to the settlement of outstanding debts. Where debts have been outstanding for a more significant period of time or the Council judges that there is a risk that collection cannot be certain, debt provisions have been set aside.

	31 March 2012 £000	**31 March 2011 £000**
Sundry Revenue & Capital Debtors	34,745	43,775
Prepayments	4,196	4,711
HM Revenue & Customs (VAT)	5,265	6,042
Housing Benefit Overpayments	4,393	3,588
Benefits Subsidy	784	0
Housing Revenue Account	1,690	1,845
Revenue & Capital Grant Debtors	2,718	4,069
Cheshire Pension Fund Debtor	1,626	4,655
CWAC Share of Council Taxpayers Arrears	7,175	7,408
Central Government relating to Business Rates	27	575
Bad Debt Provision	-11,295	-10,380
Total	**51,324**	**66,288**

The majority of the Councils debts are with individuals (rent arrears, social care debt or Council Tax) or is trade debt with other private sector organisations. The Council also holds significant debts with other Council's (joint working) and the Government (VAT and NI payments). Where the Council holds debt provisions these have been reflected against the appropriate category. Cheshire West has taken responsibility for the collecting £0.5m of former Cheshire County Council debt. Any income collected against these debts is shared with Cheshire East Borough Council pro-rata to tax base.

Analysis of Organisations with whom the Council holds debt

	31 March 2012 £000	31 March 2011 £000
Central government bodies	7,400	8,329
Other local authorities	15,840	18,642
NHS bodies	706	1,885
Public corporations and trading funds	174	221
Other entities and individuals	27,204	37,211
Total	**51,324**	**66,288**

Analysis of Long Term Debtors

	31 March 2012 £000	31 March 2011 £000
Cheshire Lifestyle Services (CLS)	1,229	1,244
Sir John Deane's 6th Form College	127	152
Small Dwelling Acquisitions Act/Housing Act Advances	8	7
Returnable Deposits	118	118
Blacon Community Trust	95	0
Dodleston Parish Council	0	135
Council Mortgages	23	35
Home-Buy Loans	1,334	1,334
Total	**2,934**	**3,025**

During 2011-12 the Council received full settlement for its debt with Dodleston Parish Council and made a new loan to Blacon Community Trust. This loan was in relation to the costs of the Trust developing an environmentally friendly showhome to showcase green technology and living practices.

20. Landfill Allowances Trading Scheme (LATS)

The Waste and Emissions Trading Act 2003 placed a duty on waste disposal authorities (WDA's) in the United Kingdom to reduce the amount of biodegradable municipal waste (BMW) disposal to landfill. It provides the legal framework for the Landfill Allowances Trading Scheme, which commenced operation on 1 April 2005.

The Landfill Allowances Trading Scheme is a "cap and trade" scheme, which allocates tradable landfill allowances to each WDA in England up to the value of the WDA's "cap". Allowances are either allocated by the Department for Environment, Food and Rural Affairs (DEFRA) or purchased from another WDA and are recognised and classified as current assets. They are initially measured at their fair value.

Allowances allocated by DEFRA or purchased from another authority are classified as current assets and any penalty payment due to DEFRA in respect of landfill usage is shown as a provision within the

liabilities section of the balance sheet. The value of any surplus assets is held in an earmarked reserve.
Three target years were set within the 15 year LATS compliance period, 2009-10, 2012-13 and 2019-20. Regulations restrict borrowing to supplement allowances in either the target year or the year preceding it. In addition, banked allowances from previous years may not be carried forward into a target year. Therefore any surplus allowances at the end of 2011-12 must be written off.

The value of surplus assets carried forward into 2011-12 was £207k. This was made up of a surplus of allowances of 9,864 tonnes from 2009-10 and an estimated surplus of allowances of 6,772 tonnes from 2010-11, each tonne having a value of £12.50 each.

The surplus allowances for 2010-11 have been verified as 5,107 tonnes which equates to a £20,812 reduction in the value of the surplus asset. To reflect the confirmation of final tonnage levels for 2010-11 and write out the values brought forward the following adjustments have been made in the accounts:

- The prior year liability has been increased by £20,812 to reflect the increased landfill usage as verified by DEFRA (an additional 1,665 tonnes at £12.50)
- Both the asset and the liability have been written down by £801,762, the value of the certified landfill usage for 2010-11 (64,141 tonnes at £12.50)

In 2011-12 the Council received further allowances of 65,682 tonnes, against which it has estimated its landfill usage at 58,062 tonnes. As 2012-13 is a target year no Councils can carry forward unused allowances so the tradable value per tonne of surplus allowance for 2011-12 is zero. The balance sheet as at 31 March 2012 therefore shows no assets or liabilities for LATS and the remaining balances (£186k) have been written down. The balance on the LATS reserve has been appropriated to fund the deficit in the revenue account. The Council has not bought or sold any allowances during the year.

	2011-12 £000	2010-11 £000
Current Assets		
Allowances brought forward from 2010-11	988	1,291
Derecognition of Verified Prior Year Allowances	-802	-1,128
Writing Down of 2009-10 Allowances to Reflect Market Value	-123	-40
Writing Down of 2010-11 Allowances to Reflect Market Value	-63	0
New Allowances Allocated by DEFRA	0	865
Total Assets	**0**	**988**
Provisions		
Liabilities for Usage brought forward from 2010-11	-781	-1,076
Increase in Prior Year Liability Post Verification	-21	-52
Prior Year Liability Discharged	802	1,128
Liability to DEFRA for new allowances used	0	-781
Total Liability	**0**	**-781**
Total Net Assets	**0**	**207**
LATS Reserve		
Opening Balance	207	215
Transfers to/from Reserve	-207	-8
Closing Balance	**0**	**207**

21. Cash and Cash Equivalents

The Council holds cash balances for a number of reasons. It holds current accounts for processing payroll, payment and income transactions as well as a Council Fund account to ensure there are sufficient funds available to meet all commitments. It also holds balances in longer term deposit accounts to ensure the balances generate a financial return until they are required to fund expenditure.

Where payments are in the process of being made on 31 March the current account balance reflects the fact that payment is leaving the account although in practice the payment will only be recognised by the bank on 1 April. The net £7.1m credit shown against current accounts below reflects the fact that £9m of payments were in process on 31 March, funding was transferred in from deposits on the 1 April to cover this cost.

	At 31 March 2012 £000	At 31 March 2011 £000
Bank Current Accounts	-7,101	-9,832
Short Term Deposits	49,794	65,038
Total	**42,693**	**55,206**

The reduction in balances held in the last 12 months is due to the Council's choice to utilise cash and short term balances in preference to undertaking new long term borrowing in the current economic climate. With the reduction in cash balances at 31 March 2012 this strategy will not be carried forward into 2012-13 and borrowing will be required. This will ensure that sufficient cash balances are maintained to allow the Council to carry out its day to day activities and be able to respond to emerging issues.

22. Assets Held for Sale

Where an asset is sales ready, the Council expects to sell it within twelve months of the balance sheet date and is actively marketing the sale it is recorded as an Asset Held for Sale within the current assets category of the Balance Sheet.

As the true value of these assets to the Council will now be their sales value, they are held at the lower of estimated Market Value less any costs of disposal and their valuation based on their continuing use by the Council.

Of the six assets held for sale at 31st March 2011, two were sold during 2011-12. These assets sold for a combined sum of £504k compared to their book value of £461k, the profit on these sales is recorded on the Comprehensive Income and Expenditure Statement on the "Other Operating Income and Expenditure" line.

Two properties were declassified from the Held for Sale category as the Council has determined that they will no longer be permanently disposed of and will either be used as an operational asset or leased out as part of the commercial property portfolio. These assets have been returned to their original asset category and revalued to a Fair Value based on that categorisation.

An additional six properties were transferred to the Held for Sale category. These largely reflect former office premises which are no longer required due to the consolidation of existing staff in fewer buildings. These are carried at an estimated sales price of just over £4m, the majority of which relates to former offices at Backford Hall, Chester.

	2011-12 £000	2010-11 £000
Balance at start of the year	2,773	704
Assets Transferred into Assets Held for Sale:		
Property, Plant and Equipment	4,342	2,300
Investment Assets	58	0
Valuation Changes		
- Revaluation Gains/Losses	265	0
- Impairment losses	0	-231
Assets Transferred out of Assets Held for Sale		
Property, Plant and Equipment	-400	0
Investment Assets	-703	0
Assets sold	-461	0
Balance at end of the year	**5,874**	**2,773**

23. Creditors

The Council's creditor position as at 31 March 2012 is analysed below by the different types of creditors that this relates to. The majority of the Council's creditors are short term in nature and reflects the fact the Council utilises the full terms of trade offered by each supplier and pays the majority of invoices in arrears.

Where the Council has received funding which is specifically intended to fund service which it has not yet delivered or where the funding has conditions attached which the Council has yet to meet the balances are shown as receipts in advance. This reflects the fact the Council has to undertake specific activities before the income can be recognised and if it fails to do so the money may be refundable.

	31 March 2012 £000	Restated 31 March 2011 £000
Creditors		
Sundry Revenue Creditors/Payments to Suppliers	44,611	67,119
Staff Accrued Leave Entitlement (STACA - See below)	8,365	8,401
HM Revenue & Customs	5,420	6,170
Pension Fund & Other Payroll Related	4,549	4,891
Capital Creditors	6,274	1,467
Interest/Instalments Payable on Long Term Borrowing	3,768	2,794
Other	2,639	1,774
Central Government relating to Business Rates	3,873	0
	79,499	**92,616**
Receipts in Advance		
Council Tax Advance Payments	2,946	3,076
Revenue Grants	2,978	7,582
Other	5,849	3,716
	11,773	**14,374**
Total	**91,272**	**106,990**

The 31 March 2011 comparators above have been restated to ensure comparability between balances shown as creditors and receipts in advance between years. The majority of the Councils creditors are individual companies with whom it trades but it does have some significant liabilities with other Council's (joint working) and the Government (Tax and NI payments).

	31 March 2012 £000	31 March 2011 £000
Central government bodies	14,412	14,187
Other local authorities	6,803	10,017
NHS bodies	682	277
Public corporations and trading funds	80	82
Other entities and individuals	69,295	82,427
Total	**91,272**	**106,990**

Short Term Accumulated Compensated Absences (STACA)

Since the introduction of International Financial Reporting Standards in 2010-11 the Council has been required to reflect in its Accounts the cost commitment it faces as a result of employees' untaken annual and flexi leave at the balance sheet date. The Council is under an obligation to allow those staff who have earned leave but not taken it within the financial year to utilise it the following year (within agreed parameters). The cost of granting this leave is a liability for the Council, to reflect this, a charge is made to the Comprehensive Income and Expenditure Statement in the year the leave is earned. These are not considered a proper charge against the General Fund so the impacts are reversed out in the Movement in Reserves Statement and transferred to the Accumulated Absences Account, details of which are provided in note 26.

At 31st March 2012 the Council had accrued for a leave entitlement of £8.4m. The balance is primarily related to its teaching workforce as the leave entitlement for school based staff is earned for each term worked, but much of the leave can only be taken at the end of the year during the summer holidays. There will therefore always be a significant outstanding entitlement at the end of March.

Accrued Leave Entitlement	**31 March 2012 £000**	**31 March 2011 £000**
School Based Staff	5,932	5,972
Non School Staff	2,433	2,429
	8,365	**8,401**

24. Provisions

The Council will hold a provision when it has identified a liability that it is exposed to as a result of its past actions or decisions but where it cannot quantify the precise costs or timing of the probable payment. The provision ensures that the costs are recognised as close as possible to the time the liability was incurred, should the actual costs differ from those estimated the net difference will be charged to the Income and Expenditure Statement in the year any difference is identified.

	Short Term Provisions (<1yr)				Long Term		
	Landfill Allowance	Redundancy	Other ST Provisions	**Total**	Insurance Funds	Other Provisions	**Total Long Term**
	£000	£000	£000	**£000**	£000	£000	**£000**
Balance 1 April 2010	**1,076**	**0**	**0**	**1,076**	**1,476**	**140**	**1,616**
Amounts used in year	-1,128	0	0	-1,128	-445	0	-445
Unused Amount Released	52	0	0	52	0	-10	-10
Additional provisions made	781	269	0	1,050	2,093	3	2,096
Unwinding of discounting	0	0	0	0	0	0	0
Balance at 31 March 2011	**781**	**269**	**0**	**1,050**	**3,124**	**133**	**3,257**
Amounts used in year	-781	-269	0	-1,050	-1,098	0	-1,098
Unused Amount Released	0	0	0	0			0
Additional provisions made	0	494	220	714	2,378	47	2,425
Unwinding of discounting	0	0	0	0			0
Balance at 31 March 2012	**0**	**494**	**220**	**714**	**4,404**	**180**	**4,584**

Short Term (payable within 12 months) provisions include:

- Landfill Allowances - balances to fund payment of Landfill Allowance costs to DEFRA, these have reduced to nil as 2012-13 is a target year (see note 20)
- Redundancy - sums held to fund the costs of redundancy payments to individuals which have been agreed in advance of 31st March but will take place in the following financial year
- Public Enquiry – Potential costs of public enquiries taking place into planning approvals
- Care Costs – The Council has received a number of challenges to the rate it pays care providers; this provision sets aside funding should these challenges be successful.

Long Term provisions include:

- Insurances – See below
- Highways Schemes – Set aside to meet the potential costs of noise and disturbance claims resulting from major highways works
- Asset Recovery – Balances recovered from the proceeds of crime set aside against the costs of future fraud prevention works
- Community Safety – Set aside against the termination costs that the Council would incur should the joint Domestic Abuse Family Support Unit cease to operate

Insurance Provision

Cheshire West & Chester Council has large excess levels on its external insurance policies and is therefore required to meet the cost below the excess arising from claims in respect of fire and consequential loss, public and employers' liability, and vehicles. An Insurance Fund has been established to meet these potential costs, with annual contributions being charged to the revenue account.

In accordance with accounting practice, the Fund has been analysed into a provision (amounts required for reported claims) and a reserve (estimates for future claims not yet reported). The provision cannot be meaningfully split between those elements which will be discharged within twelve months and those that will take longer so the whole provision is recorded as a long term provision. The amounts set aside are based on estimates from the actuary and an independent actuarial review is carried out every three years to review the level of the amounts set aside in both the provision and reserve. The Council maintains separate Funds for liabilities incurred since its inception on 1 April 2009 and those incurred by its predecessors.

An additional potential liability has emerged concerning one of the legacy Councils' former insurers, Municipal Mutual Insurance (MMI). This company was liquidated in 1993 but its share of any claims relating to that period have to date been funded from its assets. A recent court judgement has called this position into question which could extend the Council's liabilities regarding future and past claims. Further details are contained in the Contingent Liability note (Note 46).

Cheshire West & Chester Council Insurance Balances

The figures below relate to the balances created to fund claims arising out of the Council's activities up to the balance sheet date. The provision covers the estimated settlement costs of claims received up to 31 March 2012 and the reserve represents the sum held to cover potential further claims coming to light in future years. The analysis below reflects the amounts the Council has set aside for all liabilities relating to activities that took place after the Council came into being on 1st April 2009 and the activities of its three District Council predecessors for whom it is 100% responsible. This analysis does not cover claims relating to the activities of the former Cheshire County Council where the Council is only jointly liable with Cheshire East Borough Council. Analysis of those claims follows in a second summary.

Insurance Funds for CW&C	Provision 2011-12 £000	Reserve 2011-12 £000	Provision 2010-11 £000	Reserve 2010-11 £000
Opening Balance	**3,124**	**998**	**1,476**	**1,540**
Less claims paid during the year:				
Property	-114		-47	0
Public Liability	-642		-116	0
Employer's Liability	-70		-160	0
Money	0		-2	0
Motor	-272		-120	0
Additional Contribution from Revenue	1,730		1,551	0
Transfer from/(to) Insurance Reserve	648	-648	542	-542
Balance Carried Forward	**4,404**	**350**	**3,124**	**998**

The provision of £4.4m includes claims that will be successfully defended, the cost of which can then be moved from the provision back to the reserve. The balances are monitored to ensure they are sufficient.

Cheshire West & Chester Council – Former County Council Insurance Balances

The liabilities relating to the former County Council's activities are being managed by Cheshire East Borough Council who will run off claims on behalf of both new Councils. These balances are not shown in Cheshire West & Chester Council's Accounts as at 31 March 2012 but summary details of the balances on that fund are shown below. As soon as any surpluses or deficits on these balances become likely they will be shared by both Councils. Cheshire West & Chester Council's share of the interest earned on the provision was £10,857.

Former Cheshire County Council Fund	Provision 2011-12 £000	Reserve 2011-12 £000	Provision 2010-11 £000	Reserve 2010-11 £000
Opening Balance (held by Cheshire East)	2,706	1,983	4,868	1,231
Less claims paid during the year:				
Property	0		0	0
Public Liability	-647		-870	0
Employer's Liability	-130		-391	0
Motor	5		-30	0
Interest accrued on the Fund	24		23	0
Interest paid to CWAC & CEC	-24		-23	0
Call down to CIES to fund admin costs		-77	0	-119
Transfer (from)/to Insurance Reserve/Provision	186	-186	-871	871
Balance of Provision & Reserve carried forward	**2,120**	**1,720**	**2,706**	**1,983**

Schools' Insurance Balances

The reserve below represents the sums held to cover differences in amounts recovered from schools via the School Business Agreement (SBSA) mechanism in respect of insurance. There will always be variances due to the timing differences between the insurance policy year and the academic year.

SBSA Insurance Reserve Balance	2011-12 £000	2010-11 £000
Opening Balance	**14**	**14**
Transfer from/(to) Revenue	103	0
Balance of Reserve carried forward	**117**	**14**

Education All Risks Scheme (EARS) & ICT Plus Schemes

These schemes provide additional cover to schools for damage to school contents and ICT equipment which are not covered by the Council's standard insurance policies.

EARS and ICT Plus Scheme	Provision 2011-12 £000	Reserve 2011-12 £000	Provision 2010-11 £000	Reserve 2010-11 £000
Opening Balance	**0**	**560**	**0**	**450**
Less claims paid during the year:				
Equipment			0	0
Additional Contribution from Revenue	0	126		110
Transfer from/(to) Insurance Reserve	11	-11		0
Balance Carried Forward	**11**	**675**	**0**	**560**

25. Usable Reserves

The Council holds both revenue and capital usable reserves for a number of reasons, they provide a source of assurance to ensure the Council is financially stable, investment funds for future initiatives and allow balances to be set aside to fund known cost pressures that will occur in later years.

The revenue reserves are split into three core funds for general activities (General Fund), budgets devolved to schools (School Reserves) and Housing (HRA Balance) and a number of specific earmarked reserves held for a particular purpose. Capital Reserves are similarly split between a pot for funding future capital expenditure (Capital Receipts Reserve) and earmarked balances. A breakdown of the earmarked reserves and their movement is contained in Note 8 other balances are explained below.

The overall movements show a strengthening position with regard to the level of reserves that are available to fund future Council revenue expenditure but a deterioration in available capital funds. Explanations for major variances follow the table below.

	31 March 2012 £000	31 March 2011 £000
Held for Revenue Purposes		
General Fund	21,114	24,595
School Reserves	12,704	8,885
Housing Revenue Account	793	231
Earmarked General Fund Reserves	26,449	25,649
	61,060	**59,360**
Held for Capital Purposes		
Capital Receipts Reserve	7,799	15,437
Earmarked General Fund Reserves	10,177	20,561
Earmarked Housing Revenue Reserves	0	0
	17,976	**35,998**
Total	**79,036**	**95,358**

General Fund – The General Fund has reduced in year in line the Council's 2011-12 budget plan. The budget approved usage of £3.9m from the General Fund to fund the short term redundancy costs that were anticipated as a result of the need to reshape some of the Council's services to achieve ongoing savings targets. In fact the Council delivered a £0.4m underspend on its revenue budgets in 2011-12 so this call on the General Fund reduced to £3.5m. The revised level of £21.1m remains within the range the Council targeted for 31 March 2012 to ensure it had sufficient funds to meet its responsibilities.

School Balances – School Balances represent unspent Dedicated Schools Grant (DSG) at 31st March each year. The balance has increased by £3.8m in 2011-12, which is primarily due to increases in the scope of the activities that are now funded from DSG. The cessation of the School Standards Fund in

2010-11, with a transfer of resources into the DSG, means that schools now need to fund a wider range of services from their annual DSG and brought forward School Balances.

HRA Balances – The Housing Revenue Account Balance represents the excess of rental income collected by the HRA over costs incurred and is statutorily ring-fenced to be retained for future usage on HRA services. The balance has increased to £0.8m in 2011-12 which is in line with the budget plan for the year. This reserve gives funds to support the future development of the Council's Housing Stock and to improve facilities to ensure the houses all meet Decent Homes Standards in coming years.

Capital Receipts Reserve – The Capital Receipts Reserve holds balances which have been generated from the sale of Council assets or funds the Council has chosen to set aside to fund future capital works. The balance is used each year to finance part of the Council's capital expenditure. In 2011-12 the Reserve benefited from £3.6m of new capital receipts but funded £11.2m of qualifying capital expenditure reducing the balance held. The Council has a capital strategy which will involve it disposing of significant capital assets over coming years as long as value for money can be achieved.

Earmarked Capital Reserves – The only Earmarked Capital Reserve the Council holds is the Capital Grants Unapplied Reserve. This Reserve holds any capital funding that the Council has received where it has met all the funding conditions but has yet to use the funding to finance any specific capital expenditure. As such it is an available source of finance to fund future years' capital works. The £10m reduction on the balance in 2011-12 is primarily as a result of utilising capital funding for improving school facilities that had been set aside in 2010-11. Reductions in the levels of Government funding for school capital works means the unspent balance at the end of 2011-12 is significantly lower than in 2010-11.

26. Unusable Reserves

Unusable reserves are those that are restricted and cannot be used to finance the Council's operational activities. This is typically due to one of two reasons:

- they represent assets or profits recognised in the Council's Accounts but which aren't readily available to support current expenditure, e.g. the value is tied up in assets whose valuation exceeds their outstanding funding requirement or investments which have increased in value since purchased; or
- they represent future liabilities that will fall to the Council in later years but under statute are not chargeable against the General Fund until they become due, e.g. pensions deficits.

	31 March 2012 £000	Restated 31 March 2011 £000
Revaluation Reserve	113,051	62,274
Available for Sale Financial Instruments reserve	0	0
Capital Adjustment Account	613,995	699,139
Financial Instruments Adjustments Account	-972	-1,100
Deferred Capital receipts Reserve	38	52
Pensions reserve	-305,815	-219,375
Collection Fund Adjustment Account	424	-460
Accumulated Absences Account	-8,365	-8,401
Total	**412,356**	**532,129**

Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used to provide services and the value is consumed through depreciation, or
- disposed of and the gains are realised

Where the impairment value is greater than the revalued amount then the excess impairment is charged to the Comprehensive Income and Expenditure Statement.

Revaluation Reserve Movements	2011-12 £000	2010-11 £000
Balance at 1 April	**62,274**	**32,784**
Upwards Revaluation of assets	54,521	33,336
Downward revaluations and impairment losses	-1,606	-2,347
Surplus or deficit on revaluation of non-current assets	**52,915**	**30,989**
Difference between fair value and historic cost depreciation	-1,164	-536
Accumulated gains on assets sold or scrapped	-974	-963
Amount written off to the Capital Adjustment Account	**-2,138**	**-1,499**
Balance at 31 March	**113,051**	**62,274**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its available for sale assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost; or
- disposed of and the gains are realised.

These gains or losses will be credited or charged to the Comprehensive Income and Expenditure Statement at the date of sale. There was no balance on the Available for Sale Reserve during 2011-12.

Movement on Available for Sale Financial Instrument Reserve	2011-12 £000	2010-11 £000
Balance at 1 April	**0**	**-21**
Upwards revaluation of investments	0	0
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0	0
	0	0
Accumulated losses on assets sold and maturing assets written out to the CIES as part of Other Investment Income	0	21
Balance at 31 March	**0**	**0**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. As the reserve represents accrued costs that have not been charged to the General Fund it holds a deficit balance. The movement on the reserve during 2011-12 is as follows:

Accrued Leave Entitlement	31 March 2012 £000	31 March 2011 £000
School Based Staff	-5,932	-5,972
Non School Staff	-2,433	-2,429
	-8,365	**-8,401**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets.

The Account is:

- debited with the cost of depreciation, impairment losses and amortisation;
- credited with Revaluation Reserve funds to convert fair value figures to a historical cost basis;
- credited with the amounts set aside by the Council as capital financing;
- allocated gains and losses on Investment Properties which are yet to be consumed by the Council.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. The movement on the reserve during 2011-12 is as follows

Capital Adjustment Account	2011-12 £000	2010-11 £000
Balance at 1 April	**699,139**	**835,505**
Capital funded items charged to CIES		
Charges for depreciation	-30,724	-26,209
Revaluation and impairment losses on Non Current Assets	-23,964	-128,785
Amortisation of intangible assets	-101	-169
Revenue expenditure funded from capital under statute	-98,805	-9,443
Assets written off to the CIES on disposal	-10,117	-18,544
Disposal Costs incurred in advance of asset disposal	-27	0
Change in Market Value of Invt Properties charged to CIES	1,683	105
	-162,055	**-183,045**
Values Released from Revaluation Reserve		
Depreciation Costs funded from Revaluation Reserve	1,164	536
Revalued Assets disposed of in year	974	963
	2,138	**1,499**
Net cost of non-current assets consumed in the year	**-159,917**	**-181,546**
Capital financing applied in the year		
Application of Capital Receipts	11,105	5,576
Transfer from Major Repairs Reserve	3,563	3,525
Application of Capital Grants and Contributions from CIES	35,742	20,947
Funding Applied from Capital Grants Unapplied Reserve	8,990	1,431
Statutory revenue provision for capital financing from CIES	13,134	8,810
Revenue Contributions to Capital Costs from CIES	2,239	4,891
	74,773	**45,180**
Balance at 31 March	**613,995**	**699,139**

Financial Instruments Adjustment Account

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

This reserve is used to manage two specific items:

- Unamortised Premiums and Discounts – these arise from the early repayment of long term loans that were held on the balance sheet at 31 March 2007 and which could not be attached to existing (replacement) long term loans. The amounts are charged / credited to General Fund through the Movement in Reserves Statement over periods of between 1 and 4 years, and
- Lender Option Borrower Option (LOBO) loans – these balances reflect the difference between recording LOBO loans using the effective interest rate as opposed to their normal value, i.e. the principal amount outstanding. The amounts will be credited to General Fund through the Movement in Reserves Statement over the remaining lives of the loans.

The movement on the reserve during 2011-12 is as follows:

Financial Instrument Adjustment Account Movement	**2011-12 £000**	**2010-11 £000**
Balance at 1 April	**-1,100**	**-1,282**
Premiums incurred in previous years released to CIES	146	200
LOBO interest credited to CIES	-18	-18
Difference between costs charged to CIES and costs chargeable under statutory requirements	**128**	**182**
Balance at 31 March	**-972**	**-1,100**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve. The movement on the reserve during 2011-12 is as follows:

Deferred Capital Receipts Movement	**2011-12 £000**	**2010-11 £000**
Balance at 1 April	**52**	**71**
Deferred Receipts credited to CIES on disposal	0	0
Cash Received transfered to Capital Receipts Reserve	-14	-19
Balance at 31 March	**38**	**52**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements requires that benefits earned should only be financed when the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve Movement	**2011-12 £000**	**2010-11 £000**
Balance at 1 April	**219,375**	**598,013**
Actuarial Gains and Losses	87,827	-279,991
Entity Combinations	0	1,814
Connexions - Pensions Guarantee	4,424	0
Funding of items Charged to CIES		
-Current Service Costs	24,359	28,835
- Past Service Costs, Settlements and Curtailments	142	-110,707
- Interest Costs and Expected Return on Assets	1,650	16,667
Actual Pension Contributions Charged to General Fund	-31,962	-35,256
Balance at 31 March	**305,815**	**219,375**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The movement on the reserve during 2011-12 is as follows:

Collection Fund Adjustment Account Movement	**2011-12 £000**	**2010-11 £000**
Balance at 1 April	**-460**	**-1,411**
Share of Collection Fund Deficit Improvement	884	951
Balance at 31 March	**424**	**-460**
Billed Council Tax Income for in year activities	-152,470	-151,926
Council Tax Collected for Parish Precepts	-2,470	-2,454
Contribution to Collection Fund for deficit	300	1,112
Actual Change in Collection Fund Deficit	-884	-951
Council Tax Income in CIES	**-155,524**	**-154,219**
Less Actual Change in Deficit	884	951
Council Tax Income Credited to General Fund	**-154,640**	**-153,268**

27. Cash Flow Statement – Operating Activities

The cash flow statement sets out the cash flows of the Council over the financial year, splitting these into operational, investing and financing activities. The following notes show details of the transactions that are included in or adjusted out of the cash flow statement.

The following adjustments were removed from the net surplus or deficit on the provision of services (SDPS) as they relate to costs and income which does not reflect cash based transactions, they instead relate to notional costs or movements in working capital

Adjustments removed from the SDPS as they are non-cash items

	2011-12 £000	2010-11 £000
Depreciation and amortisation of non current assets	-30,810	-25,329
Impairments and downward valuations	-26,846	-129,442
Revaluation Gains on Investment Assets	97	336
Pension Fund Adjustments	5,811	100,462
(Increase)/ Decrease in Provisions	-1,067	-2,357
Increase/(Decrease) in Inventories	37	-714
Increase/(Decrease) in Debtors	-17,522	-29,862
(Increase)/Decrease in Creditors	20,990	24,234
Carrying value of assets which have been sold	-10,173	-18,557
Other non cash movements	1,691	175
Adjustments for Non Cash Items	**-57,792**	**-81,054**

The tables below identify those transactions which are recorded in the SDPS and are cash based but do not relate to operational activities. As such they are transferred to be shown under the investing or financing sections of the cash flow statement.

Adjustments removed from the SDPS as they are relate to investing and financing activities

	2011-12 £000	2010-11 £000
Proceeds from sale or disposal of non current assets	3,065	2,179
Capital grant income credited to SDPS	36,546	30,731
Income from Trading Operations	7,249	7,911
Other adjustments for financing activities	5,673	1,808
Payments to CLG for HRA Debt	-90,591	0
Net cash flows from investing activities	**-38,058**	**42,629**

The figures shown in the cash flow statement for operating activities do include the following amounts relating to interest and investment income

	2011-12 £000	2010-11 £000
Interest received	-590	-993
Interest paid	8,880	8,720
Dividends received	0	0

28. Cash Flow Statement – Investing Activities

The following note sets out cash transactions the Council undertook in managing or restructuring its investments and asset portfolio

	2011-12 £000	2010-11 £000
Purchase of property, plant and equipment, investment property and intangible assets	67,704	64,339
Purchase of short-term and long-term investments	10,000	0
Other payments for investing activities		0
Proceeds from the sale of property, plant and equipment, investment property and intangible	-3,065	-2,179
Proceeds from short-term and long-term	-641	-11,740
Other receipts from investing activities	-45,147	-34,790
Net cash flows from investing activities	28,851	15,630

29. Cash Flow Statement – Financing Activities

The following note sets out cash transactions the Council undertook in managing or restructuring its borrowing and other long term liabilities.

	2011-12 £000	2010-11 £000
Cash receipts of short- and long-term borrowing	-104,557	0
Other receipts from financing activities	-5,700	-1,808
Cash payments for the reduction of the outstanding liabilities relating to financve leases and on-balance sheet PFI contracts	1,895	1,332
Repayments of short- and long-term borrowing	524	13,920
Other payments for financing activities (HRA Debtor)	90,591	0
Net cash flows from financing activities	**-17,247**	**13,444**

30. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement (CIES) is that specified by the Service Reporting Code of Practice (SeRCOP). However, when decisions about resource allocation are taken by the Council's Executive they are based on budget reports analysed across directorates not SeRCOP categories. These differ in that:

- The figures exclude notional charges such as revaluations and impairment losses charged to the services section of the CIES;
- The costs of retirement benefits are based on costs paid (employer's pensions contributions) rather than costs accrued in the year;
- Activities such as trading operations, investment activities and capital financing are included;
- The intended usage of earmarked reserves is included as it forms a fundamental element of resource allocation decisions.

2011-12	Children's Services £000	Adult Social Services £000	Community & Environment Services £000	Regeneration & Culture Services £000	Resources £000	Chief Executive £000	Housing Revenue Account £000	Other Direct Services £000	Total £000
Fees, charges & other income	-33,249	-21,881	-91,640	-10,956	-21,996	-116	-24,666	-3,753	-208,257
Government grants	-225,888	-1,707	-174	-4,685	-110,476	0	0	-733	-343,663
Total Income	**-259,137**	**-23,588**	**-91,814**	**-15,641**	**-132,472**	**-116**	**-24,666**	**-4,486**	**-551,920**
Employee expenses	206,484	29,525	38,795	18,139	32,651	1,751	5,697	3,047	336,089
Other operating expenses	110,429	76,272	133,542	29,657	132,195	236	18,411	222	500,964
Total Operating Expenses	**316,913**	**105,797**	**172,337**	**47,796**	**164,846**	**1,987**	**24,108**	**3,269**	**837,053**
Net Operating Expenditure	**57,776**	**82,209**	**80,523**	**32,155**	**32,374**	**1,871**	**-558**	**-1,217**	**285,133**

2010-11	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other income	-63,364	-51,518	-99,858	-11,882	-26,511	-98	-17,345	2,601	-267,975
Government grants	-256,392	-7,668	-5,259	-15,152	-107,688	0	0	0	-392,159
Total Income	**-319,756**	**-59,186**	**-105,117**	**-27,034**	**-134,199**	**-98**	**-17,345**	**2,601**	**-660,134**
Employee expenses	220,020	31,596	40,857	20,588	32,186	2,210	5,736	6,183	359,376
Other operating expenses	134,539	96,320	138,043	26,491	132,418	480	12,306	-3,665	536,932
Total operating expenses	**354,559**	**127,916**	**178,900**	**47,079**	**164,604**	**2,690**	**18,042**	**2,518**	**896,308**
Net Operating Expenditure	**34,803**	**68,730**	**73,783**	**20,045**	**30,405**	**2,592**	**697**	**5,119**	**236,174**

Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

The following reconciliations shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement. Costs not reported to Members includes items such as impairments, profit or loss on asset disposal, notional adjustments for IAS 19 pension charges or leave accruals. In 2011-12 these costs equated to £85m which was mostly due to the £91m payment to purchase housing debt from Govt. These costs are funded from the Capital Adjustment Account so while they were referenced in Member reports they did not form part of the core budget report.

Other costs are included in Member resource allocation reports but are not included in Net Costs of Service as they do not directly relate to services delivery. These primarily relate to treasury management activities, setting aside funding for capital financing and appropriations from the general fund to other reserves. In 2011-12 these costs were £11m, the largest component elements were the recovery of £31m of funding from the Capital Adjustment Account for depreciation costs offset by £13m of costs from setting aside the statutory payment for debt and £8m of interest payments. There are also significant transactions in this section to remove the offsetting expenditure and income costs arising from internal recharging.

	2011-12 £000	2010-11 £000
Net Operating Expenditure in Service Analysis	**285,133**	**236,174**
Add services not included in main analysis	0	0
Add amounts not reported to management	84,426	21,540
Remove amounts reported to management not in CIES	11,039	28,865
Net Cost of Services in CIES	**380,598**	**286,579**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2011-12	Service Analysis £000	Not reported to Management £000	Not included in NCOS £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	-207,357	-6,815	80,288	-133,884	-21,281	-155,165
Government grants and contributions	-343,663	-22,744	3,539	-362,868	-141,435	-504,303
Interest and investment income	-900	0	900	0	-851	-851
Income from council tax	0	0	0	0	-154,940	-154,940
Revaluation Gain on investment properties	0	0	0	0	0	0
Receipts on Disposal of Property	0	0	0	0	-3,611	-3,611
Total Income	**-551,920**	**-29,559**	**84,727**	**-496,752**	**-322,118**	**-818,870**
Employee expenses	336,089	-1,282	-26,850	307,957	8,906	316,863
Other service expenses	461,391	98,688	-68,380	491,699	7,460	499,159
Depreciation, amortisation and impairment	30,809	23,989	30,583	85,381	-1,673	83,708
Interest Payments	8,764	0	-8,764	0	8,896	8,896
IAS 19 Adjustment	0	-7,410	0	-7,410	1,650	-5,760
Precepts & Levies	0	0	-277	-277	2,747	2,470
Payments to Housing Capital Receipts Pool	0	0	0	0	135	135
Revaluation Loss on investment properties	0	0	0	0	0	0
Assets Removed on disposal of properties	0	0	0	0	10,158	10,158
Total operating expenses	**837,053**	**113,985**	**-73,688**	**877,350**	**38,279**	**915,629**
Surplus or deficit on the provision of services	**285,133**	**84,426**	**11,039**	**380,598**	**-283,839**	**96,759**

2010-11	Service Analysis £000	Not reported to Management £000	Not included in NCOS £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	-267,243	-9,122	90,616	-185,749	0	-185,749
Government grants and contributions	-392,159	-467	23,773	-368,853	-149,041	-517,894
Interest and investment income	-732	0	732	0	-7,695	-7,695
Income from council tax	0	0	0	0	-154,219	-154,219
Revaluation Gain on investment properties	0	0	0	0	-276	-276
Receipts on Disposal of Property	0	0	0	0	0	0
Total Income	**-660,134**	**-9,589**	**115,121**	**-554,602**	**-311,231**	**-865,833**
Employee expenses	359,376	233	-17,195	342,414	0	342,414
Other service expenses	505,555	18,586	-76,595	447,546	339	447,885
Depreciation, amortisation and impairment	22,223	129,453	16,688	168,364	154	168,518
Interest Payments	8,961	0	-8,961	0	8,929	8,929
IAS 19 Adjustment	0	-117,143	0	-117,143	16,667	-100,476
Precepts & Levies	193	0	-193	0	2,647	2,647
Payments to Housing Capital Receipts Pool	0	0	0	0	244	244
Revaluation Loss on investment properties	0	0	0	0	0	0
Assets Removed on disposal of properties	0	0	0	0	16,378	16,378
Total operating expenses	**896,308**	**31,129**	**-86,256**	**841,181**	**45,358**	**886,539**
Surplus or deficit on the provision of services	**236,174**	**21,540**	**28,865**	**286,579**	**-265,873**	**20,706**

31. Trading Operations

The Council has a variety of trading units covering a range of activities which generate income from third parties or from charges made to other areas of the Council. The Council has set a de-minimis level of £1.0m turnover in establishing new trading accounts. These operations include the Council managing a number of commercial properties and trading estates from which it generates income each year. The surplus generated is used to offset the running costs of the Council. Other trading operations primarily exist to supply services within the Council. Details of the trading operations are shown below:

	Expenditure 2011-12 £000	Income 2011-12 £000	-Surplus/ Deficit 2011-12 £000	Expenditure 2010-11 £000	Income 2010-11 £000	-Surplus/ Deficit 2010-11 £000
Industrial & Commercial Properties	3,424	8,612	-5,188	8,179	9,160	-981
Transport Management Organisation	1,554	1,429	125	2,983	3,003	-20
CBS - Catering	7,645	7,783	-138	6,100	5,955	145
CBS - Cleaning	3,551	3,646	-95	3,714	3,829	-115
CBS - Supplies	0	0	0	1,980	1,695	285
Outdoor Education	3,112	3,150	-38	3,449	3,425	24
Other Trading Accounts	1,357	1,454	-97	2,194	2,073	121
Total	**20,643**	**26,074**	**-5,431**	**28,599**	**29,140**	**-541**

- The Industrial and Commercial Properties trading account lets Council owned business premises to small and medium size enterprises across the Borough. The £4.9m surplus for 2011-12 is the level expected for a normal trading year. The prior year surplus was £4m lower due to an adjustment for impairments to properties.
- The Transport Management Organisation (TMO) operates as a trading account for the provision of cars and commercial vehicles to meet the Council’s transport requirements. The expenditure and income has reduced as services are no longer provided to Cheshire East Borough Council in 2011-12.
- CBS Catering operates as a trading account for school meals and staff catering.
- CBS Cleaning operates as a trading account for the provision of caretaking and cleaning services to schools, offices and other organisations.
- CBS Supplies operated as a trading account for the provision of education and office supplies. The CBS Supplies trading account was closed in March 2011. The Council now purchases its supplies from external contractors.
- The Outdoor Education trading account relates to outdoor residential centres operated by Cheshire West & Chester Borough Council.
- Other Trading Account expenditure and income has reduced due to the exclusion of activities which are no longer deemed to be Trading Operations.

32. Agency Services

As part of their operations Councils undertake a number of activities, not in their own right, but on behalf of another body, typically a central government department. The costs of delivering this service are reimbursed by the other body. As the associated costs and income are not part of the Council's normal responsibilities they are not included in the Comprehensive Income and Expenditure Statement (CIES) or Balance Sheet.

In 2011-12 Cheshire West & Chester Council undertook the role of collecting National Non Domestic Rates in its area on behalf of the Department of Communities and Local Government (CLG). Under this arrangement the Council collected and paid over £140m of income and received £0.5m towards the costs of undertaking this process. Details about the transactions undertaken on behalf of CLG are disclosed in the Collection Fund and its accompanying notes. The only balance remaining in the Council's Accounts is a £3.9m creditor reflecting cash collected but yet to be paid over to CLG.

Removal of Agency Balances	2011-12 Adjustment £000	Balance Sheet Heading
Balances reflecting work undertaken on behalf of CLG		
Remove Business Rates Arrears	-4,720	Debtors
Remove Debt Provision for non collection of Rates	2,609	Debtors
Remove Receipts in Advance from Rate Payers	4,002	Creditors
Remove Creditor due to CLG (accrual basis)	1,982	Creditors
	3,873	
Balances Introduced to reflect cash paid over to CLG but not yet collected		
Balances payable to CLG	-3,873	Creditors

The Council also undertook an agency role in the collecting Council Tax on behalf of its major precepting bodies, Cheshire Police Authority and Cheshire Fire and Rescue Service. Under this arrangement the Council as billing authority billed for £25.6m of Council Tax on behalf of the major preceptors. This income is not included in the CIES. At the year end the Council held a number of balance sheet items relating to the collection of Council Tax, these items have been allocated across the precepting bodies in line with their precepts.

Removal of Agency Balances	2011-12 Adjustment £000	Balance Sheet Heading
Balances now reported by Cheshire Fire and Cheshire Police		
Remove non CWAC share of Arrears	-1,125	Debtors
Remove non CWAC share of Debt Provision	530	Debtors
Remove non CWAC share of Receipts in Advance	510	Creditors
Remove non CWAC share of Collection Fund Surplus	73	Reserves
	-12	
Balances Introduced to reflect monies owed by Preceptors		
Balances due from Preceptors	12	Debtors

The Council collects income in relation to its Business Improvement Districts (BIDs) in Northwich and Winsford. It collected approximately £0.27m of Business Rates in 2011-12 on behalf of Groundwork who provide environmental and security services to the BIDs. At 31 March the Council held cash balances of £0.081m awaiting payment.

33. Members' Allowances

In accordance with the Local Authorities (Member's Allowances) Regulations 2003, the total amount spent on member's allowances in 2011-12 was £1.35m. The payments include basic allowance, special responsibility allowance and members pension costs. It does not include the direct reimbursement of costs incurred. The current level of allowances was established following an independent review.

	2011-12 £000	2010-11 £000
Basic Allowance	856	826
Special Responsibility Allowance	263	279
Mayors and Deputies Allowances	13	13
Pension	150	124
Childcare	1	0
Members NI's	69	80
Expenses paid on Members behalf	1	0
Total Members' Allowances	**1,353**	**1,322**

34. Officers Remuneration

The table below shows the number of employees who were paid more than £50,000 but not more than £150,000 in 2011-12. Pay includes salary, travel and subsistence costs, redundancy, and leased car subsidy (where appropriate). It does not include employers' pension or national insurance contributions.

Employee Pay Band	2011-12	2010-11
£50,000 - £54,999	120	130
£55,000 - £59,999	96	90
£60,000 - £64,999	53	56
£65,000 - £69,999	25	20
£70,000 - £74,999	12	10
£75,000 - £79,999	13	6
£80,000 - £84,999	10	12
£85,000 - £89,999	14	11
£90,000 - £94,999	6	1
£95,000 - £99,999	2	2
£100,000 - £104,999	1	3
£105,000 - £109,999	1	0
£110,000 - £114,999	3	2
£115,000 - £119,999	1	0
£120,000 - £124,999	0	0
£125,000 - £129,999	1	2
£130,000 - £134,999	0	0
£135,000 - £149,999	0	0
Total	**358**	**345**

The following table shows the remuneration of senior officers who earn more than £150,000 per annum in 2011-12. Such officers are required to be individually listed by name and their remuneration shown in the following categories in accordance with the Accounts and Audit Regulations 2011.

Senior Officers earning in excess of £150,000

Name	Year	Salary £000	Benefits in Kind £000	Total Remuneration excluding pension £000	Employers Pension Contributions £000	Total Remuneration including pension £000
Mr S Robinson - Chief Executive	2011-12	180	2	182	38	220
	2010-11	180	2	182	37	219

In addition to the costs shown in the table above the Chief Executive will also have received payment for undertaking the duties of returning officer at local and national elections. In 2011-12 the Chief Executive undertook additional roles in respect of the Council elections, the referendum on alternative voting systems and a bi-election. In 2010-11 he undertook the returning officer role for the general election in May 2010. The payment relating to these roles was £46k (£13k in 2010-11). The level of payment is set in line with nationally agreed rates for elections and the costs of all national election/referendum roles are fully funded by contributions from the electoral commission.

The table on the following page shows the remuneration for senior officers whose salary is between £50,000 and £150,000 per annum in 2011-12. These individuals are contained within the summary banded table above but, in line with the Accounts and Audit Regulations 2011, such officers are required to be listed individually.

In addition to those posts listed the Council also utilised the services of non-employees in management roles during the year to support the organisation.

- Between October and March the two Head of Service roles (Prevention & Wellbeing and Strategic Commissioning) were undertaken by external appointments at a combined cost of £153k.

- Since March 2011 the Council has operated its Children's Services in partnership with Halton Borough Council under a joint Strategic Director. This role covers Cheshire West and Chester Council and Halton Borough Council, the individual filling the role is employed by Halton so does not appear on the list below, but the Council contributes £60k towards his costs.

- The post to manage the Council's Housing Revenue Account throughout 2011-12 was filled by an agency appointment on an interim basis prior to the service being outsourced.

- The roles of Head of HR & Finance Shared Service and Head of ICT Shared Services are jointly shared with Cheshire East Borough Council, at a total cost of £94k and £102k respectively towards which the Council contributes 50%.

Post holder information (Post title)	Salary £	Benefits in Kind (e.g. Car Allowance) £	Compensation for loss of office £	Employer Pension Contributions £	Total Remuneration including pension contributions 2011-12 £
Director of Adults Social Care & Health	110,165	1,361		23,585	135,111
Director of Community & Environment	113,604	563		24,198	138,365
Director of Regeneration & Culture	113,699	1,239		24,218	139,156
Director of Resources	125,000	993		26,625	152,618
Head of Facilities & Asset Management	86,680			18,463	105,143
Head of Finance	82,028	1,357		17,679	101,064
Head of ICT Strategy	85,911	1,239		18,299	105,449
Head of Legal & Democratic Services	85,433	1,298		18,194	104,925
Head of Human Resources (ended 09.03.12)	84,677	1,199		16,633	102,509
Head of Marketing & Communications	64,937	68		13,832	78,837
Head of Planning & Transport	89,990	1,360		19,170	110,520
Head of Policy, Performance & Partnerships	82,681	1,239		17,611	101,531
Head of Procurement	90,000	1,288		19,170	110,458
Head of Regeneration	77,042	1,424		16,410	94,876
Head of Regulatory Services	87,527	1,136		19,264	107,927
Head of Achievement & Wellbeing	85,313	1,313		18,172	104,798
Head of Strategic Support	76,203	868		16,231	93,302
Head of Strategic Housing & Spatial Planning	83,000	1,445		17,679	102,124
Head of Strategy & Commissioning	83,000	1,239		17,679	101,918
Head of Waste Management & Street Scene	85,258	370		18,463	104,091
Manager, Change & Modernisation	72,980			15,545	88,525
Head of Children & Families (started 03.01.12)	24,878	207		5,299	30,384
Acting Head of Individual Commissioning	42,458	310		9,044	51,812
Head of Culture & Recreation (ended 31.01.12)	69,167	1,089	20,647	14,733	105,636
Head of Social Care Provision (ended 01.07.11)	54,801	313	85,956	6,078	147,148
Total	**2,056,432**	**22,918**	**106,603**	**432,274**	**2,618,227**

The table above includes employer contributions to the Pension Fund. These contributions are agreed with the Pension Fund every three years and reflect two elements, a payment linked to the future pension costs of current employment (16.2%) and a payment linked to the recovering the existing pension deficit. This latter payment varies each year depending on the scale of the deficit and under the current agreement will increase by 0.5% each year until 2012-13, in 2011-12 the payment equated to 5.1% of pensionable pay (4.6% in 2010-11). The year on year increase in the deficit payment is not linked to the individual and they do not receive any direct benefit from its payment, it is merely a mechanism for making deficit payments to the Pension Fund and is only included above for completeness.

For comparison the Senior Officers table for 2010-11 are as follows. To ensure consistency with the presentation in 2011-12 the Head of the ICT Shared Service which is a joint appointment with Cheshire East has now been removed from the 2010-11 analysis.

Post holder information (Post title)	Salary £	Benefits in Kind (e.g. Car Allowance) £	Compensation for loss of office £	Employer Pension Contributions £	Total Remuneration including pension contributions 2010-11 £
Director Adult Social Care (from 25.10.10)	47,903	572		9,964	58,439
Director Adult Social Care (ended 30.06.10)	33,250	339	32,000	6,500	72,089
Deputy Director Childrens & Young People	124,994	1,592		25,999	152,585
Director of Community & Environment Service	111,933	947		23,282	136,162
Director of Regeneration & Culture	112,027	1,239		23,302	136,568
Director of Resources	124,994	370		25,999	151,363
Head of Facilities & Asset Management	86,466			17,985	104,451
Head of Finance	83,062	1,356		17,883	102,301
Head of ICT & Customer Services	83,661	1,233		17,402	102,296
Head of Legal & Democratic Services	83,163	1,337		17,298	101,798
Head of Human Resources	77,801	1,297		16,603	95,701
Head of Marketing & Communications	63,188	229		13,143	76,560
Head of Planning & Transport	87,841	1,416		18,271	107,528
Head of Policy, Performance & Partnerships	85,978	1,233		17,883	105,094
Head of Procurement	87,972	1,314		18,298	107,584
Head of Regeneration	73,787	1,531		15,348	90,666
Head of Regulatory Services	84,438	1,233		18,170	103,841
Head of Achievement & Wellbeing	83,063	1,432		17,277	101,772
Head of Strategic Support	70,320	1,210		14,627	86,157
Head of Strategic Housing & Spatial Planning	82,994	1,546		17,263	101,803
Head of Strategy & Commissioning	82,332	1,239		17,125	100,696
Head of Waste Management & Street Scene	84,148			17,985	102,133
Head of Safeguarding	87,332	1,346		18,165	106,843
Head of Culture & Recreation	80,014	1,505		16,643	98,162
Head of Neighbourhood Renewal	71,994	1,538			73,532
Head of Social Care Provision	82,994	1,239		17,263	101,496
Total	**2,177,649**	**28,293**	**32,000**	**439,678**	**2,677,620**

Termination Costs

The Council agreed the early termination of a number of employee contracts in 2011-12, incurring liabilities of £5.7m. These costs comprised £4.5m of redundancy payments and £1.2m to fund early eligibility for pensions. All costs have been charged in full to the Comprehensive Income and Expenditure Statement in 2011-12. These costs have been incurred due to the need to implement restructures to achieve budget savings targets. The Council has delivered in excess of £23m of recurrent savings during 2011-12.

Redundancy costs have arisen from decisions made by both the Council and independently by individual schools. These costs are therefore met from a combination of the General Fund and the Dedicated Schools Grant in year. Actuarial early retirement costs only become payable when cash payments are due to be made to the Pension Fund, these payments are made as part of the employer's pension contribution and will be incurred over the next twenty years. Until such payments are made the deficits will form part of the Pensions Reserve deficit.

As the Council operates shared services with Cheshire East Borough Council across a number of functions some of the redundancy costs incurred by Cheshire West were in fact funded by Cheshire East and vice versa. In 2011-12 the cross charging impact of these charges was largely neutral with a net payment of £22k being made to Cheshire East. The analysis shown below shows the direct costs incurred by Cheshire West on the termination costs of its own staff, not the slightly higher cost incurred after taking account of shared costs.

A banded analysis of the number, type and cost of these exit packages is set out in the table below. The analysis includes estimated costs for a number of employees whose redundancy was agreed before 31 March 2012 but who had not left employment on that date. A total of 31 individuals fell into this category at a cost of £0.6m, a provision of £0.5m has been created on the balance sheet to fund the Cheshire West and Chester share of these costs.

Exit package cost band (incl special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011-12 People	2010-11 People	2011-12 People	2010-11 People	2011-12 People	2010-11 People	2011-12 £000	2010-11 £000
£0 - £20,000	18	18	178	79	196	97	1,515	646
£20,001 - £40,000	1	1	59	16	60	17	1,699	530
£40,001 - £60,000	1	0	24	6	25	6	1,212	277
£60,001 - £80,000	0	0	7	1	7	1	485	69
£80,001 - £100,000	0	0	3	2	3	2	258	176
£100,000 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	2	0	2	0	330	0
£200,001 - £250,000	0	0	1	0	1	0	205	0
Total	**20**	**19**	**274**	**104**	**294**	**123**	**5,704**	**1,698**

35. Audit Costs

The Council incurred the following fees relating to external audit and inspection. The Council will undergo a change in auditors during 2012-13 with responsibility expected to transfer from the Audit Commission to Grant Thornton in 2012. This transition was the result of a tendering process which will result in reduced audit fees through the five year term of the new appointment.

Fees Payable to the Audit Commission	2011-12 £000	2010-11 £000
External audit services carried out by the appointed auditor	311	367
Statutory inspection	0	16
Certification of grant claims and returns	111	192
Total	**422**	**575**

36. Dedicated Schools Grant (DSG)

The primary funding of schools is provided via the Dedicated Schools Grant which was valued at £208m in 2011-12. This is a ring-fenced grant and can only be applied to meet expenditure properly included in the Schools Budget. The grant is, therefore, credited against Children's and Education Services in the Comprehensive Income and Expenditure Statement.

The Schools Budget includes elements for a restricted range of services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and under spending on the two elements are required to be accounted for separately. The Council is also able to supplement the Schools Budget from its own resources.

Unspent central expenditure is carried forward by the Council as part of its earmarked reserves, this amount equated to £3.2m as at the end of 2011-12. Unspent ISB is retained by the individual schools and recorded on the balance sheet in the School Balances reserve (£12.7m at 31 March 2012).

Details of the deployment of DSG receivable for 2011-12 are as follows:

Schools Budget Funded by Dedicated Schools Grant for 2011-12

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2011-12	29,321	174,737	**204,058**
Balance brought forward from 2010-11	620	3,500	**4,120**
Carry forward to 2012-13 agreed in advance	0	0	**0**
Agreed budgeted distribution in 2011-12	29,941	178,237	**208,178**
Actual Central Expenditure	26,713	0	**26,713**
Actual ISB deployed to Schools	0	178,237	**178,237**
Local authority contribution 2011-12	0	0	**0**
Carry Forward 2012-13	**-3,228**	**0**	**-3,228**

For comparison the details of the deployment of DSG receivable for 2010-11 are as follows:

Schools Budget Funded by Dedicated Schools Grant 2010-11

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2010-11	22,331	165,144	**187,475**
Brought forward from 2009-10	2,204	0	**2,204**
Carry forward to 2011-12 agreed in advance	0	0	**0**
Agreed budgeted distribution in 2010-11	24,535	165,144	**189,679**
Actual Central Expenditure	20,415	0	**20,415**
Actual ISB deployed to Schools	0	165,144	**165,144**
Local authority contribution 2010-11	0	0	**0**
Carry Forward 2011-12	**-4,120**	**0**	**-4,120**

37. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011-12.

	2011-12 £000	2010-11 £000
Credited to Taxation and Non Specific Grant Income		
Used to Finance Council Activities in Year		
Council Tax	155,524	154,219
Revenue Support Grant	22,808	11,853
National Non-Domestic Rate	73,789	81,629
Area Based Grants	0	21,796
Local Services Support Grant	1,658	0
Council Tax Freeze Grant	3,812	0
New Homes Bonus	452	0
PFI Grant	3,039	3,032
Used to Finance Capital Expenditure		
Capital Grants Utilised in Year	33,493	17,571
Capital Contributions Utilised in Year	2,249	3,376
Set Aside for Future Capital Financing		
Capital Grants Set Aside for Future Usage	-983	9,016
Capital Contributions Set Aside for Future Usage	522	768
Total	**296,363**	**303,260**
Credited to Services		
Dedicated Schools Grant (DSG)	204,058	187,475
Mandatory Rent Allowances: subsidy	76,745	72,205
Standards Fund	2,547	20,518
Council Tax Benefit: subsidy	22,395	22,535
Sixth Forms Funding (Young Peoples Learning Agency)	13,587	16,427
School Standards Grant	0	9,638
Mandatory Rent Rebates outside HRA: subsidy	10,919	9,532
Sure Start Grant	0	11,103
Further Education Funding Council	0	10,009
Adult and Community Learning	1,585	4,660
Housing and Council Tax Benefit Admin Subsidies	2,297	2,545
Social Care Reform Grant	0	1,448
Concessionary Fares	0	1,173
Early Intervention Grant	12,276	0
Learning Disability Grant	8,623	0
Pupil Premium Grant	2,749	0
Care Project Grant	1,283	0
Other Grants	9,027	7,411
Total	**368,091**	**376,679**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they still have conditions attached to them that, if they remain unmet, may require the monies or property to be return to the giver. The balances at year-end are as follows:

	2011-12 £000	2010-11 £000
Capital Grants and Contributions Receipts in Advance		
Devolved Formula Capital	2,914	4,757
Primary Capital Programme Grant	0	1,788
Academy Grant	3,698	0
Schools Basic Need	1,979	0
Pot Hole Repair Grant	0	1,404
Other Grants	625	1,162
s106 and other Contributions	3,293	2,046
Total	**12,509**	**11,157**
Revenue Grants Receipts in Advance		
Dept of Health - Extra Care Grant	2,169	3,254
Dept of Education - Various	472	3,248
Learning and Skills Council - Adult Education Funding	74	825
Other Govt Bodies	263	255
Total	**2,978**	**7,582**

38. Related Party Transactions

The Code of Practice requires the Council to disclose in its Statement of Accounts any material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. This disclosure allows readers to assess how much the Council might have been restricted in its ability to operate independently. It also allows them to assess how much the Council might have become able to limit another party's ability to bargain freely with the Council. Where it is identified that external bodies, organisations or individuals (either within or outside the Council) have the potential to control or influence the Council or be controlled or influenced by the Council, a disclosure may be necessary. All elected Members, Chief Officers and Senior Managers are also required to complete a declaration regarding whether they or members of their close family or same household are involved in any such activity where there could be deemed to be an element of control or influence.

Links to External Bodies (Council)

The body in position to exert greatest influence over the Council is Central Government. It has effective control over the general operations of the Council which it could exercise through statutory measures, directives to operate in a specific way or through financial pressure. It is responsible for providing the statutory framework which the Council operates in, prescribes the terms of many transactions that the Council has with other parties (e.g. housing benefits) and provides the majority of the Council's funding in the form of grants.

Details of material transactions with Central Government are shown throughout these notes and include those listed below, the final year end debtor or creditor position is also shown in those disclosures (2010-11 comparators shown in brackets):

• Grant Funding from Govt	Note 37	£506m (£522m)
• Business Rate Payments to Govt	Collection Fund	£139m (£131m)

The Council undertakes significant transactions with the Cheshire Police Authority and Cheshire Fire and Rescue Service. These relate to the payment of Council Tax income collected on behalf of these bodies, these values are disclosed in the Collection Fund Account and amount to collection of Council Tax and payment over of Precepts totalling £18m (Police) and £8m (Fire).

The Council undertakes transactions with the Pension Fund in the form of contributions to fund future Pension payments for Council employees valued at £29m (2010-11 £33m). Details of these transactions are disclosed in Note 45. The Pension Fund also utilises the Councils financial systems for making payments and collecting income, these transactions do not form part of the Council's year end accounts as they are not a Council function but the year-end net debtor owed by the Fund for payments made on their behalf by the Council are reflected as a debt of £1.6m (2010-11 £4.7m). The Pension Fund is administered and governed independently of the Council to avoid the potential for undue influence to be exerted.

The Council also carries out a significant element of its services in partnership with Cheshire East Borough Council. In 2011-12 the Council itself spent £14.5m delivering services jointly with Cheshire East Borough Council; £6.4m of these costs were subsequently recharged to Cheshire East. These transactions are disclosed in Note 50. There were no significant outstanding balances at the end of the year.

The Council operates in partnership with Halton Borough Council to support the delivery of strategic management for Children's Services across the two Councils. This arrangement includes the appointment of a joint Director of Children's Services who is responsible for the operational delivery of services, details of this arrangement are outlined in Note 34.

During 2011-12 the Council set up a Community Interest Company (Brio) to run its leisure services. The Council has significant influence over Brio as it is a wholly owned subsidiary and receives funding from the Council, the Council also has seats on the board of the company. Further details on the relationship with Brio and financial transactions/balances are disclosed in Note 49.

The Council works closely in partnership with local health care commissioners, principally through Primary Care Trusts. These bodies fund a number of services provided by the Council on behalf of the Health sector where health and care needs coincide. In 2011-12 this figure was £4.2m. This has reduced in part due to funding for Learning Disability Service Users now being paid directly to the Council by Government.

Alongside these individually significant relationships the Council works with a wide range of charitable and voluntary bodies who work in areas which are complementary to the Council's objectives. The contributions can be either a direct financial payment or non- financial contribution to support the running of the body. The total direct financial contributions to such organisations for 2011-12 amounted to £10.363m (this includes a payment of £3.3m to Connexions for targeted youth support for young people aged 13-19).

The Council also commits to staff time and support when working with its partners and, in certain cases, is represented at Officer or Member level in strategic decision making. Further details of the relationship with Connexions are disclosed in Note 49. On review of these payments the Council does not feel that any undue influence is exerted on these organisations as a result of the contributions made.

The Council made a loan to Blacon Community Trust during the year at a rate equivalent to that which it could borrow funds from the Public Works Loan Board. This is to help support work the Trust are undertaking in promoting environmentally sustainable living. The terms of the loan were not significantly different from those that would have been available to the Trust from the market.

Links to External Bodies (Members and Officers)

Members of the Council have direct control over the Council's financial and operating policies. To safeguard against the misuse of this influence Members are required to declare the existence and nature of any personal interests in any matter on a Committee/Executive agenda and, if the interest is prejudicial, to remove themselves from the meeting. In 2011-12 Members held interests in the following organisations with whom the Council carried out business.

Payments to Organisations where Members or their close relatives hold a personal interest	2011-12 £000	2010-11 £000
Booher Construction Services Limited	176	192
Muir Housing Association Limited	1,079	1,128
Chester & District Housing Trust	1,633	1,553
Barrowmore Limited	301	262
ASC Developments	62	16
Weaver Vale Housing Trust	1,063	980
Total	**4,314**	**4,131**

Of these, Chester & District Housing Trust, Muir Housing and Weaver Vale carried out a significant level of business with the Council, as a major supplier of social housing in the borough this level of activity is not unusual. The roles the Council Members hold on these bodies are in keeping with other Executive and Non-Executive Members of their Boards and the Councillors do not have the ability to control the activities of these bodies.

In addition to their personal roles, various Members of the Council fulfil roles on other bodies as part of their Council duties. They are on these bodies as representatives of the Council rather than in a personal capacity but as they are in position to influence those bodies any non-typical business would be highlighted in this note. No such activities have been identified.

In accordance with Section 117 of the Local Government and Finance Act 1972, all senior officers of the Council have been asked to declare any interests in other bodies with whom the Council may have dealings. No significant "pecuniary interests" have been identified during 2011-12.

39. Capital Expenditure and Financing

The Council's Capital Financing Requirement has increased significantly in year as a result of taking on the additional housing debt passed across from Central Government as part of HRA self financing. This accounts for £90.6m of the total £92.1m movement. The additional capital financing requirement will be met by additional contributions from the HRA in future years. The overall Capital Financing Requirement will be funded from a combination of future revenue contributions, capital receipts and external funding.

	2011-12 £000	2010-11 £000
Opening Capital Financing Requirement	260,425	242,954
Capital Investment		
- Expenditure on Capital Assets		
- Property, Plant and Equipment	67,747	56,807
- Heritage Assets	2,073	1,431
- Investment Assets	163	196
- Intangible Assets	20	27
- REFCUS - expenditure of a capital nature	8,213	9,442
- REFCUS - HRA debt settlement	90,591	0
- Excess on Settlement of Capital Liabilities	0	376
- Costs of Disposal (incurred pre disposal)	27	0
- Loans of a capital nature	0	0
Total	168,834	68,279
Sources of Finance		
- Capital Receipts	-11,105	-5,576
- Govt Grants and Contributions Applied	-35,742	-20,947
- Tfr from Unapplied Grants and Contributions	-8,990	-1,431
- Revenue Contributions	-2,239	-4,852
- Income from Repayment of Capital Debtors	-25	-4,634
- Release of Surplus Capital Creditors	-1,938	-1,033
- Capital and Other Reserves	-3,563	-3,525
- Revenue Provision for Debt Repayment	-13,134	-8,810
Total	-76,736	-50,808
Closing Capital Financing Requirement	**352,523**	**260,425**
Explanations of Movement in Year		
Increase in Underlying need to borrow (supported)	0	2,433
Increase in Underlying need to borrow (unsupported)	90,211	14,769
Assets acquired under Finance Leases	1,852	266
Assets acquired under PFI/PPP Contracts	35	3
Increase/(Decrease) in Capital Financing Requirement	**92,098**	**17,471**

40. Leases

Authority as Lessee: Finance Leases

The following asset values are held under finance leases by the Council and are accounted for as part of Property, Plant and Equipment:

	Vehicles, Plant & Equipment 2011-12 £000	Restated Vehicles, Plant & Equipment 2010-11 £000
Net Book Value at 1 April	1,546	2,019
New Leases	1,852	266
Depreciation	-1,072	-739
Disposals	-40	0
Value at 31 March	**2,286**	**1,546**

The prior year comparator in the above table has been restated to correct for an error in the figures disclosed in 2010-11. Only the table above was affected by the misstatement, not the balance sheet or assets the note refers to.

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts.

	2011-12 £000	2010-11 £000
Finance Lease Liabilities		
Current (payable within 1 year)	949	678
Non Current	1,439	895
Finance costs payable in future years	432	187
Minimum lease payments	**2,820**	**1,760**

The Minimum lease payments will be payable over the following periods:

	Minimum Lease Payment		Finance Lease Liabilities	
	2011-12 £000	2010-11 £000	2011-12 £000	2010-11 £000
No later than one year	1,139	736	949	678
Between one and five years	1,679	1,024	1,437	895
Later than five years	2		2	
	2,820	**1,760**	**2,388**	**1,573**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011-12 £10,831 was payable by the Council.

Operating Leases

Commitments under Operating Leases
The Council was committed at 31 March 2012 to making payments of £5.3m under operating leases, comprising the following elements:

Land and Buildings - the Council leases various buildings on a long term basis, these are accounted for as operating leases. The lease payments for 2011-12 were £0.5m.

Vehicles, Plant and Equipment – the Council uses cars, vans, pest control vehicles, recycling vehicles, street cleansing vehicles, photocopiers and printers financed under terms of an operating lease. The amount paid under these arrangements in 2011-12 was £0.8m. The Council also maintains a number of operational car leases costing £0.5m.

The future minimum lease payments due under non-cancellable leases in future years are as follows.

	2011-12 £000	2010-11 £000
No later than one year	968	811
Between one and five years	2,249	2,125
Later than five years	2,043	3,493
	5,260	**6,429**

The Council has sub leased out a small number of properties that it has leased in under operating lease contracts. The expenditure and income have been charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement as it formed part of the trading account. The costs and income related to the sub-leases were:

	2011-12 £000	2010-11 £000
Minimum Lease Payments	28	28
Sublease Payments Receivable	-34	-34
	-6	**-6**

Authority as Lessor
The Council leases out elements of its Property portfolio to various organisations as part of its dual aims of helping to generate economic activity in the area and in order to generate a return on assets held. These leases are all categorised as operating leases due to the relatively short length of the agreements, the fact the returns only reflect a small proportion of the asset's value and the nature of the lease agreements.

The properties comprise a mix of commercial offices and outlets, industrial units and pieces of land for development or agricultural works. These leases vary in length from short term to over one hundred years but the longer leases are largely only for peppercorn rental income.

All income generated from these leases is reflected in the Comprehensive Income and Expenditure Statement as it becomes due, primarily on the Financing and Investment Income line of the Statement.

Future minimum lease payments receivable under non-cancellable leases in future years are:

	2011-12 £000	2010-11 £000
No later than one year	7,695	7,650
Between one and five years	17,779	19,766
Later than five years	178,842	181,270
	204,316	**208,686**

41. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the assets needed to provide the services passes to the PFI contractor. Following a competitive procurement process, this contractor will design, build, finance and operate these assets in response to a specification set out by the Council. The assets are made available to the Council over a specified period (the service concession period) and in return the Council will make regular payments to the contractor over this period (the Unitary Payment). This charge covers the running costs of the facility and contributes to the capital financing costs the contractor incurred.

The Council has two operational PFI schemes:

- A scheme to provide school premises together with associated facilities management services (e.g. caretaking, cleaning and catering) in the Ellesmere Port area. There are five schools which were constructed under this agreement and additional facilities were developed at a sixth. The service commenced in September 2003 and will continue for 30 years until 2033. These facilities will revert to Council ownership at the end of the PFI contract.
- A contract for providing facilities and support for extra care housing at two sites in the Council, Winsford and Ellesmere Port. This scheme is managed in partnership with Cheshire East Borough Council where there are a further three sites. The scheme's first site became operational in January 2009 with others (including both the West sites) following in 2009-10, the contract runs until 2039. These facilities will not revert to the Council at the end of the contract although it will have the option to purchase them at that time.

PFI Assets

Under the requirements of IFRIC 12 the assets which were constructed to deliver these schemes are recorded on the balance sheet of the Council along with a liability showing the Council's commitment to make Unitary Payments in future years. Upon initial recognition these two values would offset each other but over time the values will diverge.

The Assets recognised under these schemes are held within Property, Plant and Equipment in the Council's Balance Sheet; they are treated in exactly the same way as any other Council asset, are subject to five yearly valuations and charged with annual depreciation.

Change in Asset Value	Net Book Value 31st March 2011 £000	Additions £000	Impairment £000	Depreciation £000	Net Book Value 31 March 2012 £000
2011-12					
Schools	7,499	35	0	-156	7,378
Extra Care Housing	23,032	0	0	-809	22,223
Total	**30,531**	**35**	**0**	**-965**	**29,601**
2010-11					
Schools	7,652	3	0	-156	7,499
Extra Care Housing	23,854	0	0	-822	23,032
Total	**31,506**	**3**	**0**	**-978**	**30,531**

PFI Liabilities

The liabilities are written down each year as Unitary Payments are made to the contractor. Only part of each Unitary Payment can be applied to writing down the liability as it funds a mix of current services, financing costs and repayment of principal. The annual Unitary Payment has to be broken down into five separate components reflecting what is being funded.

- Service Costs — Reflecting new services delivered in 2011-12
- Financing Costs — Effective costs of borrowing, interest
- Contingent Rent — Inflationary costs
- Liability Repayment — Writing down the PFI liability
- Lifecycle Costs — Reflecting new capital expenditure on the asset

Allocation of Unitary Payment	Schools £000	Extra Care £000	Total £000
2011-12			
Service Costs	755	-25	730
Financing Costs	815	1,069	1,884
Contingent Rents	82	46	128
Liability Repayment	223	689	912
Lifecycle Costs	35	0	35
Total	**1,910**	**1,779**	**3,689**
2010-11			
Service Costs	582	10	592
Financing Costs	840	1,097	1,937
Contingent Rents	99	20	119
Liability Repayment	320	609	929
Lifecycle Costs	3	0	3
Total	**1,844**	**1,736**	**3,580**

Movement in Liability during the year	Schools £000	Extra Care £000	Total £000
2011-12			
Liability outstanding at start of year	-10,355	-23,299	-33,654
Payments made during the year	223	689	912
Liability outstanding at year end	**-10,132**	**-22,610**	**-32,742**
2010-11			
Liability outstanding at start of year	-10,675	-23,908	-34,583
Payments made during the year	320	609	929
Liability outstanding at year end	**-10,355**	**-23,299**	**-33,654**

Future Payments under the PFI Contract	Service Costs £000	Principal Payments £000	Capital Costs £000	Interest £000	Total £000
Schools					
Obligations due in 2012-13	565	213	148	880	1,806
Due from 2013-14 to 2016-17	2,548	1,135	418	3,389	7,490
Due from 2017-18 to 2021-22	3,910	1,717	536	3,816	9,979
Due from 2022-23 to 2026-27	4,466	2,465	567	3,216	10,714
Due from 2027-28 to 2031-32	5,304	3,319	900	1,978	11,501
Due from 2032-33 to 2036-37	1,452	1,283	279	399	3,413
Total	**18,245**	**10,132**	**2,848**	**13,678**	**44,903**
Extra Care					
Obligations due in 2012-13	-14	711	0	1,114	1,811
Due from 2013-14 to 2016-17	412	2,217	705	4,044	7,378
Due from 2017-18 to 2021-22	497	3,558	777	4,709	9,541
Due from 2022-23 to 2026-27	1,177	3,454	1,758	3,548	9,937
Due from 2027-28 to 2031-32	1,180	4,651	1,627	2,931	10,389
Due from 2032-33 to 2036-37	1,408	5,648	1,882	1,961	10,899
Due from 2037-38 to 2040-41	626	2,371	484	469	3,950
Total	**5,286**	**22,610**	**7,233**	**18,776**	**53,905**

PFI Funding

The Unitary Payments are primarily funded from grants received from the Department of Communities and Local Government but the Council also contributes to the costs. In the case of the Schools' scheme these contributions are split between the Council and the schools themselves.

The nature of the central government funding is such that the Council receives a fixed grant payment each year, these payments are not index linked and will not alter throughout the contract period. The Unitary Payment is index linked and will vary with inflation over the thirty years of the scheme. This leads to an imbalance between the timing of the schemes main sources of income and the payments it needs to make with the scheme operating at a surplus in early years and a deficit in later years. To prevent this imbalance from impacting upon Council Tax requirements the Council operates two PFI equalisation reserves to retain the surpluses generated in the early years of the schemes. The balances on these reserves are disclosed below.

Movement on Reserve	Balance at 31 March 2011 £000	Movement £000	Balance at 31 March 2012 £000
2011-12			
Schools	3,089	388	3,477
Extra Care Housing	658	1	659
Total	**3,747**	**389**	**4,136**
2010-11			
Schools	2,696	393	3,089
Extra Care Housing	673	-15	658
	3,369	**378**	**3,747**

42. Impairment Losses

During 2011-12 the Council has impaired a number of assets reflecting a reduction in their value to the Council as an operational asset or a fall in the return that they are expected to generate. In total these impairments are valued at £3.5m (2010-11 £28m). The only significant item within this balance was the impairment of the prospective assets held as a result of the Council's Waste PFI scheme. These assets held a value that was based upon an expectation that the Waste PFI scheme would be taken through to fruition. As described in Note 3 the withdrawal of Government funding to this scheme has required the Council to abandon the scheme. The costs that the Council had previously capitalised as Assets Under Construction will therefore now become abortive costs and have been impaired out of the Council's Non-Current Assets. These costs equated to £2.8m.

43. Capitalisation of Borrowing Costs

Councils are entitled to capitalise borrowing costs that are incurred during the undertaking of capital works to construct or acquire an asset. During 2011-12 the Council took the strategic decision to finance its capital works from existing cash balances rather than undertaking new borrowing. As no significant new borrowing costs were incurred in relation to 2011-12 expenditure, no borrowing costs have been capitalised.

44. Pension Schemes accounted for as Defined Contribution Schemes

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a national fund as the basis for calculating the employer's contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011-12, the Council paid £12.6m to Teachers' Pension in respect of teachers' retirement benefits (£13.8m in 2010-11), representing 14.1% of pensionable pay.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefits basis and are detailed in Note 45.

45. Defined Benefit Pension Scheme

Participation in Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits are not actually payable until employees retire, it is the commitment to make the payments that at the time that the entitlement is earned that must be disclosed. The Council participates in two pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS).

Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme, meaning that the scheme's liabilities are backed by investment assets. It is a statutory defined benefit final salary scheme and all employees of Cheshire West & Chester Council (other than teachers) may participate in the fund. The Council and its employees pay contributions into the fund, calculated by the fund's independent actuary, at a level intended to balance the pension's liabilities with investment assets.

In 2011-12 the Council paid employer contributions of £29.4m (£32.7m in 2010-11) into the Cheshire Pension Fund (the Fund). This represented 21.3% of employees (other than teachers) pensionable pay. The rate of employer contributions due to the fund is determined every three years and is based on a valuation by the Fund's actuary. The valuation effective for the 2011-12 financial year was undertaken as at 31 March 2010.

Accounting Treatment: This scheme is accounted for as a defined benefit scheme in accordance with International Accounting Standard 19 (IAS 19).

The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis, using the projected unit method and the assets of the fund are included at their fair value.

Teachers Discretionary Payments

The Council has also awarded discretionary early retirement benefits for teachers and this scheme is unfunded. The Council paid £5.7m in 2011-12 (£5.5m in 2010-11) in relation to this scheme, of which £3.1m has been recovered from Cheshire East, Halton and Warrington Borough Councils (£3.0m in 2010-11).

Accounting Treatment: This scheme is accounted for as a defined benefit scheme in accordance with International Accounting Standard 19 (IAS 19). The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits reported in the cost of services is those that are recognised when they are earned by employees, rather than when benefits are eventually paid as pensions. However, the charges that are required to be made against council tax is based on cash payable in the year, thus the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund during the year:

	LGPS 2011-12 £000	Teachers Un-funded Scheme 2011-12 £000	Total 2011-12 £000	LGPS 2010-11 £000	Teachers Un-funded Scheme 2010-11 £000	Total 2010-11 £000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Current Service Cost	24,359		24,359	28,835		28,835
Past Services Cost / -Gain	170		170	131		131
Exceptional Past Service Costs	0	0	0	-109,298	-1,799	-111,097
Settlements and curtailments	-28		-28	259		259
Financing and Investment Income and Expenditure						
Interest Cost	52,981	1,825	54,806	65,578	2,025	67,603
Expected Return on Scheme Assets	-53,156		-53,156	-50,936		-50,936
Post Employment Benefit Charge to SDPS	24,326	1,825	26,151	-65,431	226	-65,205
Other Post Employment Benefit Charged to the CIES						
Actuarial -Gains / Losses	85,801	2,026	87,827	-277,776	-2,215	-279,991
Entity Combinations	0	0	0	1,814	0	1,814
Connexions	4,424	0	4,424	0	0	0
Total Post Employment Benefit Charge to	114,551	3,851	118,402	-341,393	-1,988	-343,381
Movement in Reserves Statement						
Reversal of net charges made to the SDPS	-24,326	-1,825	-26,151	65,431	-226	65,205
Actual amount charged against the General Fund						
Employers' contributions	29,367		29,367	32,722		32,722
Retirement Benefits Payable		2,595	2,595		2,534	2,534

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2012 is a net loss of £337.5m.

As Connexions has ceased to trade in 2012-13 and its staff have in part transferred to Cheshire West and Chester an allowance has been made for the additional pension liability that existed at March 2012 and will transfer to the Council and crystallise in 2012-13. This is estimated at £4.424m at 31st March 2012.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	LGPS 2011-12 £000	Teachers 2011-12 £000	Total 2011-12 £000	LGPS 2010-11 £000	Teachers 2010-11 £000	Total 2010-11 £000
Opening Balance	975,012	34,463	1,009,475	1,272,028	38,985	1,311,013
Current Service Costs	24,359		24,359	28,835		28,835
Interest Cost	52,981	1,825	54,806	65,578	2,025	67,603
Contribution by Scheme Members	8,508		8,508	8,871		8,871
Actuarial -Gains/ Losses	59,648	2,026	61,674	-261,909	-2,214	-264,123
Benefits Paid	-40,379	-2,595	-42,974	-37,408	-2,534	-39,942
Entity Combinations	0		0	7,925		7,925
Past Service Costs	170		170	131		131
Exceptional Past Service Costs	0	0	0	-109,298	-1,799	-111,097
Connexions net liability	4,424					
Liabilities Extinguished on Settlements	-9,522	0	-9,522	0	0	0
Settlements and Curtailments	1,956		1,956	259		259
Value at 31 March	**1,077,157**	**35,719**	**1,108,453**	**975,012**	**34,463**	**1,009,475**

Reconciliation of fair value of the scheme (plan) assets:

	LGPS 2011-12 £000	Teachers 2011-12 £000	Total 2011-12 £000	LGPS 2010-11 £000	Teachers 2010-11 £000	Total 2010-11 £000
Opening Balance	**790,100**		**790,100**	**713,000**		**713,000**
Expected return on assets	53,156		53,156	50,936		50,936
Actuarial gains / -losses	-26,153		-26,153	15,867		15,867
Employer Contributions	29,367		29,367	32,722		32,722
Contribution by scheme members	8,508		8,508	8,870		8,870
Contibutions - unfunded benefits		2,595	2,595		2,534	2,534
Benefits paid	-40,379		-40,379	-37,408		-37,408
Unfunded benefits paid		-2,595	-2,595		-2,534	-2,534
Entity Combinations	0		0	6,113		6,113
Settlements	-7,538		-7,538			0
Closing balance at 31 March	**807,061**	**0**	**807,061**	**790,100**	**0**	**790,100**

The expected return on assets is determined by considering the returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on assets in the year was £27.0m (£61.1m in 2010-11).

Scheme History

	2011-12 £000	2010-11 £000	2009-10 £000
Present value of liabilities:			
Local Government Pension Scheme	-1,077,157	-975,012	-1,272,028
Teachers' Unfunded Liabilities	-35,719	-34,463	-38,985
Fair value of assets in the LGPS	807,061	790,100	713,000
Surplus/(deficit) in the Scheme:			
Local Government Pension Scheme	-270,096	-184,912	-559,028
Teachers' Unfunded Liabilities	-35,719	-34,463	-38,985
Total	**-305,815**	**-219,375**	**-598,013**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total deficit of £305.8m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary;
- finance is only required to be raised to cover discretionary benefits when pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to the 31 March 2013 is £28.9m. The anticipated contribution to the Teachers' Pension Scheme is £2.6m.

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held: The Discretionary Benefits arrangements have no assets to cover its liabilities.

Assets	Fund Value at 31 March 2012 £000	Proportion of the Fund %	Expected Return %	Weighted Return %
Equities	581,084	72%	6.20%	4.46%
Bonds	112,989	14%	3.30%	0.46%
Property	56,494	7%	4.40%	0.31%
Cash	56,494	7%	3.50%	0.24%
Total	**807,061**	**100%**		**5.48%**

History of Experience Gains and Losses (LGPS only)

Actuarial gains identified as movements on the Pensions Reserve in 2011-12 can be analysed into the following categories and shown as a percentage of assets or liabilities.

	2011-12 %	2010-11 %	2009-10 %	2008-09 %
Experience gains and losses on assets	-3.24%	2.00%	21.76%	110.99%
Experience gains and losses on liabilities	1.28%	-16.05%	0.00%	105.78%

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, a method for estimating future pension payments dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the Unfunded Teachers Liability have been assessed by Hymans Robertson's, an independent firm of actuaries. Estimates for the Council Fund are based on the latest valuation of the scheme as at 31 March 2010. The principal assumptions used by the actuary have been:

	LGPS 2011-12	Teachers Unfunded Liabilities 2011-12	LGPS 2010-11	Teachers Unfunded Liabilities 2010-11
Long-term expected rate of return on assets				
Equity investments	6.2%	n/a	7.5%	n/a
Bonds	3.3%	n/a	4.9%	n/a
Property	4.4%	n/a	5.5%	n/a
Cash	3.5%	n/a	4.6%	n/a
Weighted expected return	**5.5%**		**6.8%**	
Discount rate used to generate real values	2.3%	2.3%	2.7%	2.7%
Mortality Assumptions				
Longevity at 65 for current pensioners				
Men	22.9 years	22.9 years	22.9 years	22.9 years
Women	25.7 years	25.7 years	25.7 years	25.7 years
Longevity at 65 for future pensioners				
Men	24.9 years	24.9 years	24.9 years	24.9 years
Women	27.7 years	27.7 years	27.7 years	27.7 years
Financial Assumptions				
Rate of inflation	2.5%	2.5%	2.8%	2.8%
Rate of increase in salaries	4.8%	n/a	5.1%	n/a
Rate of increase in pensions	2.5%	2.5%	2.8%	2.8%
Rate for scheme discounting liabilities	4.8%	4.8%	5.5%	5.5%

Commutation

An allowance is included for future retirements to elect to convert annual pension to maximum tax-free lump sums of 50% for pre-April 1998 service and 75% for post-April 2008 service

46. Contingent Liabilities

At 31 March 2012, the Council had the following material contingent liabilities:

Chester and District Housing Trust (CDHT)
As part of the housing stock transfer, the former Chester City Council gave a warranty to indemnify the Chester & District Housing Trust against any future costs arising from contamination, for a range of warranty periods. Aggregate claims are limited to £20m. This responsibility has passed to Cheshire West & Chester Council. It is considered that payments are now unlikely to arise against this liability.

First Potteries Limited
On 2 July 2007 the former Chester City Council sold its shares in Chester City Transport Limited (CCT) to First Potteries Limited. As part of the disposal agreement warranties have been given by the Council to First Potteries Limited relating to operational matters of CCT. The Council also gave a tax warranty, which expires on 2 September 2014. The aggregate liability of the warranty shall not exceed £0.500m save in respect of any claim of tax relating to the property distribution for which there is no cap. No liability has so far arisen under these warranties and the risk that one will arise is considered to be low.

Conway Centre
The Council leases the Conway Centre and is responsible for managing property dilapidations over the life of the lease. The current lease runs until January 2036, with a break clause in 2015. Whilst it is anticipated that these costs will be managed down over the life of the contract through planned maintenance the Council will be responsible for any outstanding remedial work should the contract be terminated at any point. At the most recent review these costs were estimated at £2.5m. This liability is not reflected in the Council's accounts as the likelihood of early termination of the lease is considered low.

Insurance Liabilities – Municipal Mutual Insurance
An additional potential liability concerns one of the former insurers of the legacy Councils, Municipal Mutual Insurance (MMI). This company was liquidated in 1993 and initially projected a solvent run-off when all outstanding liability claims are settled. This is now less likely, particularly following a recent court decision against MMI with regard to an Employer Liability case for mesothelioma. A non-solvent run off will trigger the scheme in place that requires policyholders to repay a percentage of settled claims relating to the former District Council and the County Council activities, the latter being shared with Cheshire East.

It is probable that the Council will have to make a payment to MMI in the future but the liability is disclosed as a contingent balance due to the high degree of uncertainty as to the potential scale of these costs. The Council's advisors are awaiting publication of MMI's 2012 Annual Report & Accounts before more reliable projections can be made.

A wide range of estimates have been made as to what repayments may ultimately be required. These range from a "worst case" assessment that 32% of all claims paid by MMI may need to be funded by the Council (equating to £2.25m) to more moderate assumptions of 10% (£0.7m).

Although it is expected that more certainty over the scale of the liability will emerge in the next 12 months, the liability itself will be repaid over several years, any costs which cannot be met from existing insurance funds will be met by the Long Term Liabilities Reserve.

47. Contingent Assets

At 31 March 2012, the Council had no material contingent assets.

48. Risks arising from Financial Instruments

The Council's treasury management activities by their very nature expose the Council to a variety of risks namely

- Credit and counterparty risk
- Liquidity risk
- Interest rate risk
- Inflation risk
- Refinancing risk
- Legal and regulatory risk

The nature of these risks and how the Council seeks to manage these risks are detailed in the following paragraphs.

The identification, understanding and management of risk are, by necessity, a major part of the Council's treasury management activities. To avoid the Council suffering loss as a result of its treasury management activities, a number of risk management procedures have been put in place. The purpose of these procedures is to manage the risks arising from the use of financial instruments down to acceptable and agreed levels.

These procedures are based on the concept that, firstly, security of principal is paramount, secondly that there is a need to maintain liquidity and finally, and a desire to earn a rate of return commensurate with the first two concepts.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The management of the risks associated with the use of financial instruments is undertaken by the treasury management team. This team works within an annual Treasury Management Strategy that is approved by Full Council prior to the start of the financial year.

The treasury management strategy provides written principles for both overall risk management and for the specific risks listed above.

Credit and Counterparty Risk

Credit and counterparty risk is the risk that failure by a third party to meet its contractual obligations under an investment, loan or other commitment, whether this be a payment of interest or a repayment of principal amount, will have an unexpected adverse impact on the Council's financial position.

During the year 2011-12 the Council chose to place deposits with just 2 groups of organisations. The first group comprised of the UK's 8 largest banks and building societies. All of these organisations are assumed to have a high, or very high, likelihood of support from the UK Government should they get into difficulty. The second group comprised of sterling money market funds that have the highest possible credit rating (being AAAmmf, AaaMR1+ or AAAm rated). The Council therefore does not expect any losses from non-performance by any of its counterparties except in very exceptional circumstances.

	Credit rating at the time the monies were deposited	Credit rating at the balance sheet date	The earliest date on which the monies become available to the Council without penalty	Amount £000
Money Market Funds	AAA	AAA	1st April 2012	28,838
Fixed Term Deposit	AA-	A	27th July 2012	10,000
Call Account	AA-	A+	1st April 2012	19,616
Call Account	AA-	A	1st April 2012	70
Call Account	A-	A-	1st April 2012	1,270

	Amount at 31 March 2012 £000	Historical (10 year) experience of default at 31st March 2012 %	Estimated maximum exposure to default & uncollectability £000
Deposits with banks & building societies			
A+ Rating	19,616	3.16	620
A Rating	10,070	4.02	405
A- Rating	1,270	3.68	47
Money Market Funds			
AAA Rated	28,838	0.03	9
Bank Current Accounts	-7,101	0.00	0
Assets shown at impaired value			
Heritable Bank	754	0.00	0
War Loan Stock	4	0.00	0
Trade and Customer Debt			
Current	25,337	1.00	253
Less than 6 months	3,019	4.00	121
6 months +	2,083	85.00	1,771
Housing Revenue Account	1,690	60.00	1,014
	32,129		**3,159**

The Trade and Customer Debt figure includes £25.3m of terms current debt for which a 1.0% non collection allowance has been made. The remaining debt is already significantly overdue and thus a higher risk value has been attached to it. Sufficient funding has been set aside in the bad debt provision to reflect the risk associated with all trade debts.

The Trade and Customer Debt balance includes £15.6m of invoiced debt the Authority generally allows its customers 28 days credit, £5.1m of this debt is past its due date for payment. This past due amount is analysed by age as follows:

	Total Outstanding £000
Less than 3 months overdue	2,581
3 to 6 months overdue	437
6 months to 1 year overdue	364
More than one year overdue	1,719
Total	**5,101**

Liquidity Risk

Liquidity risk is the risk that the Council will not have sufficient cash resources to meet its obligations to its creditors and employees as they fall due for payment. The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities that enable it at all times to have the level of funds available which are necessary for the achievement of its business / service objectives. It will also ensure that its cash flow forecasting gives as accurate a picture as possible of income and expenditure and the resulting residual daily cash balances.

There is a risk that the Council may be in a position where it may need to raise replacement long term loans at a time of unfavourable interest rates. This potentially exposes the Council to the risk that it may suffer a fall in the amount of cash balances held at a time when securing replacement funding may be difficult and /or costly. To manage this risk down to an acceptable level, the Council tries to ensure that no more than £10m of long term loans will mature in any one financial year.

The existing long term loans of Cheshire West & Chester Council are scheduled to mature as follows; these balances include the interest that will be repayable:

General Fund	Public Works Loans Board £000	Banks £000	Total 2011-12 £000
In the next financial year	1,911	359	2,270
In the following financial year	0	0	0
In 2 to 5 years	7,371	0	7,371
In 5 to 10 years	0	0	0
In 10 to 15 years	998	0	998
In 15 to 20 years	16,735	0	16,735
In 20 to 25 years	16,256	0	16,256
In 25 to 30 years	24,667	0	24,667
In 30 to 40 years	30,918	12,530	43,448
In 40 to 50 years	22,062	5,088	27,150
Total	**120,918**	**17,977**	**138,895**

Housing Revenue Account	Public Works Loans Board £000	Banks £000	Total 2011-12 £000
In the next financial year	1,498	0	1,498
In the following financial year	1,520	0	1,520
In 2 to 5 years	4,852	0	4,852
In 5 to 10 years	27,314	0	27,314
In 10 to 15 years	10,771	0	10,771
In 15 to 20 years	12,603	0	12,603
In 20 to 25 years	14,757	0	14,757
In 25 to 30 years	17,279	0	17,279
In 30 to 40 years	0	5,207	5,207
Total	**90,594**	**5,207**	**95,801**

All trade and other payables are due to be paid in less than one year.

Interest Rate Risk

Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a lower level of investment income than has been budgeted for. The Council will seek to manage its exposure to fluctuations in interest rates with the aim of minimising the net cost of interest charged to the Comprehensive Income and Expenditure Statement over the medium to long term. This will be achieved through the considered use of carefully selected approved financing and investment instruments, methods and techniques.

At present the majority of the Council's long term loans are fixed rate loans. In the current interest rate environment it would be prohibitively expensive to convert a significant element of the existing long term loans to variable rate loans due to the large amount of premiums that would be payable. Loans at fixed rates of interest provide the Council with certainty of interest cost and also shelter the Council from increases in long term interest rates.

Loans and other borrowings are recorded in the Council's Statement of Accounts on the amortised cost basis. The fair value of borrowings is shown only as a note to the accounts. Any increases or falls in the value of fixed rate borrowings as a result of changes in interest rates will therefore be nominal and will have no impact on the Comprehensive Income and Expenditure Statement.

At 31 March 2012, had short term and long term interest rates been 0.5% higher and all other circumstances been the same, the financial effect would be:

	£000
Increase in interest receivable on variable rate loans and receivables	-381
Impact on Income and Expenditure account and CEIS	**-381**
Reduction in the fair value of fixed rate borrowing (notional impact only)	-15,162

Inflation Risk

Inflation risk is the risk that unexpected changes in the rate of inflation expose the Council to greater costs, or a lower level of investment income, than has been budgeted for. The key consideration for the Council is having satisfied itself over the amount of credit risk and liquidity risk a deposit exposes the Council to that the deposit earns the highest real rate of return commensurate with the amount of credit and liquidity risk being taken.

The effects of varying levels of inflation will be controlled by the Council as an integral part of its strategy for managing its overall exposure to inflation. It will achieve these objectives by the use of carefully selected approved financing and investment instruments, methods and techniques that aim to create stability and certainty of costs and revenues. At the same time the Council will also seek to retain a sufficient degree of flexibility that allows for it to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates, exchange rates or inflation.

Refinancing Risk

Refinancing risk is the risk that when loans or other forms of borrowing fall due to be repaid they cannot be refinanced on reasonable terms that reflect the assumptions made in formulating revenue and capital budgets.

Exposure to this risk will be managed through careful monitoring of the maturity profile of the Council's portfolio of long term loans. The aim will be to avoid, where possible, too large a proportion of the loans maturing in any single financial year or in consecutive financial years. The Council will seek to make use of a wide variety of instruments in order to be over-reliant on a single source / type of funding.

Legal and Regulatory Risk

Legal and regulatory risk is the risk that either the Council or a third party, which it is dealing with in its treasury management activities, acts outside of its legal powers or regulatory requirements and as a result the Council incurs a loss. This Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements as set out in the Local Government Act 2003.

Capital Instruments

During the year 2011-12 the Council issued no capital instruments such as share capital, loan capital, debentures, bonds or other forms of debt instrument.

Bank Deposits made with Heritable Bank

During the early days of October 2008 the 3 major Icelandic banks, Glitnir, Landsbanki and Kaupthing collapsed. Following this collapse the Financial Services Authority (FSA) in the UK sought to have the UK subsidiaries of Landsbanki (being Heritable Bank) and Kaupthing (being Kaupthing Singer and Friedlander) placed into administration.

Heritable Bank was placed into administration on 7 October 2008. On this date the former Cheshire County Council had 3 amounts, details of which are given below, deposited with the bank.

Amount of Deposit	Rate of interest to be earned	Date on which the deposit was due to be repaid to the council
£1 million	5.75%	9 October 2008
£2.5 million	5.75%	10 October 2008
£5 million	6.15%	2 January 2009

Cheshire West & Chester Council has inherited a 45.73% share of these deposits. The Council monies deposited with Heritable Bank are currently frozen and are subject to the process of administration. The administration process is being conducted by Ernst Young LLP.

During the year 2011-12 the administrators of Heritable Bank paid 4 dividends to the ordinary creditors of Heritable Bank. These dividends were paid in April 2011, July 2011, October 2011 and January 2012. These 4 dividends represented 17.81% of the amount due on 7 October 2008 and totalled £0.748m. These further dividend payments bring the total number of dividend payments received at the balance sheet date to 10. These 10 dividends comprise 68% of the amount due on 7 October 2008.

The administration process has progressed well during the year 2011-12. The latest estimate from the administrators is that by the end of the administration period the ordinary creditors of the bank on 7th October 2008 will have been repaid between 86% and 90% of the amount due to them on the date that the bank was placed into administration.

The ‘special’ accounting rules that apply in respect of impaired financial assets also mean that Cheshire West & Chester Council can take credit for £53k of interest earned on such deposits in its Comprehensive Income and Expenditure Statement for the year 2011-12.

49. Interests in Companies

The Council has interests in five companies. These companies operate as independent entities and following review of the nature of the Council’s relationships with these entities it has been determined that their results should not be reported alongside the Council’s in a Group Account. This judgement has been based on assessments of:

- the materiality of the in year transactions and year end balances of the companies;
- the degree of control or influence the Council exerted or could have exerted over their activities;
- the level of risk that interest in these companies exposes the Council to;
- whether exclusion of these balances would mean the reader of the account would not get a proper impression of the Councils activities from its accounts.

Summary information about each organisation has been included below.

Connexions

In October 2007, as part of a national agenda to bring together services delivered to young people through Connexions and those provided by local authorities into one Integrated Youth Support Service, Cheshire County Council transferred its Youth Service to Connexions Cheshire and Warrington Limited. On the 1 April 2009 the two successor authorities inherited this contract and continued to commission youth related services from the company. On 31 March 2012 the contracts with Cheshire East Borough Council (CEBC), Cheshire West and Chester Council and Warrington Borough Council (WBC) ended and the services provided by the company returned under the direct provision of the three respective Councils. Following the decision by the three Councils, the Board and Members of the company placed the company into Administration, with the affairs and closure of company being managed by the appointed Administrators, PKF LLP.

In 2010-11 the company had an IAS 19 pension deficit of £0.9m. In September 2011 an interim assessment was made on the likely pension position based on closed fund status that would arise with the closure of the company, which indicated a potential net deficit on the fund of £11.06m. The final position on the pension fund is not yet known, but under an agreement initially entered in to by the former Cheshire County Council, which has subsequently been renegotiated, all three local authorities are guarantors to the pension fund. The distribution of liabilities is Warrington Borough Council 11.0%, Cheshire East Council 48.3% and Cheshire West and Chester Council 40.7%.

During 2011-12 the company was considered to be an associate however the Council has not produced group accounts due to the monetary amounts involved. The exception to this is the pension liability which has been incorporated in the Council's Accounts (see Note 46).

Chester Renaissance Ltd
Cheshire West and Chester Council has an interest in Chester Renaissance Ltd. This organisation exists to promote the city of Chester and to help drive economic growth. The transactions of this company are relatively small and are not considered to be material in 2011-12.

Avenue Services (Blacon Asset Management Company)
This company is limited by Guarantee to the value of £1 and has been established by Cheshire West and Chester Council and Chester District Housing Trust (CDHT). The company was formed during 2011-12 but will only begin to operate from 1 April 2012 providing services and facilities primarily to the Council and/or CDHT for the benefit of residents of Blacon and the wider community of the Borough of Cheshire West and Chester. Once operations the company will manage properties on behalf of the two organisations, to facilitate these actions the properties will be transferred to the company on a long lease basis for nil return. The exact number or value of properties to be transferred is yet to be finalised. Avenue Services is jointly owned by the Council and CDHT and on any resolution in general meeting the Council will be entitled to 49% of the votes. The organisation will be an associate of the Council's but there have been no transactions in 2011-12 and there are no balances at 31 March 2012.

Brio Leisure Community Interest Company
Brio Leisure is the trading name of the Chester West and Cheshire Leisure Community Interest Company (CIC) which was formally incorporated on 16 March 2011. The CIC is a wholly owned subsidiary of the Authority and has responsibility for managing seventeen leisure and entertainment venues across the borough. As a not for profit social enterprise company, its purpose is to provide a range of leisure activities for the benefit of the community, unifying the assets and workforce from former third party providers and in house Council provision. The initial one year contract to March 2012 has now been extended for three years to run to March 2015.

The CIC is limited by guarantee to the value of £1 with the Authority the only member. The company is governed by a board of eight directors, of which two are Elected Members (and nominated representatives of this Council), five are independent members recruited and selected from the community and one is a non executive staff representative. In addition to having representation on the Board, the Authority retains the right to appoint or remove members of the governing body, can exercise step in rights and controls the specification of activities delivered by the CIC through a service level agreement. An initial Council subsidy of £1.2m in 2011-12 accounted for approximately 15% of the organisations income and this amount will be reduced over the contract period.

Financial statements for the CIC for the period to 31 March 2012 show the gross profit generated from activities in 2011-12 was £6.1m. Additional income of £0.4m was also recognised from reserves held by previous third party provider on termination of the organisation. Administrative expenses of £7.47m include the impairment in full of goodwill on acquisition of £1.109m. On transfer of trade from the Authority, the company acquired a defined pension scheme deficit to this value which has been deemed to have nil fair value and fully expensed. The loss for the period is £1.286m incorporates this inherited deficit as well as in year actuarial losses of £0.265m, the operational return for the year was therefore an £88k surplus.

The statement of financial position for the period shows total assets for the CIC at the end of the period of £2.107m. The most significant balance is held in cash of £1.653m. This is primarily due to monies owed to the Council of £1.1m which also accounts for most of the liabilities recorded.

A net pension liability of £1.322m exists and the Council is guarantor for the pension liability on transfer, should the company cease trading then Cheshire West and Chester would be required to meet the on-going pension liabilities. The Council has an overall net pension deficit of £306m so reflecting the additional £1.3m deficit associated with the CIC would not be considered to have a material impact on the Accounts.

The net loss shown for the year includes writing off their pensions deficit as a cost which would not be reflected as a loss under Local Authority accounting rules. The company effectively made a small operational surplus during the year. The major balance sheet items (cash and liabilities) relate to transactions and would be removed on consolidation with the Council, therefore the conclusion is that the financial transactions of the CIC are not material enough to merit inclusion within group accounts. To ensure that the extent of activities undertaken by Brio are disclosed the summary Statement of Financial Position and the Summary Statement of Comprehensive Income for 2011-12 are included below.

Summary of Statement of Financial Position at 31 March 2012	**£000**
Non current assets	31
Current assets	2,076
Total Assets	**2,107**
Non current liabilities	-1,322
Current liabilities	-2,071
Total Liabilities	**-3,393**
Total Assets and Liabilities	**-1,286**
Total Equity	**-1,286**

Summary Statement of Comprehensive Income for the period 16 March 2011 to 31 March 2012	**£000**
Gross profit for continuing operations	6,059
Other operating income	396
Administrative expenses	-7,472
Operating Loss	**-1,017**
Net finance costs	-4
Loss for the period	**-1,021**
Actuarial gains/(losses)	-265
Total Loss for the year	**-1,286**

Northwest Evergreen Fund Partnership
Fifteen local authorities in the North West of England became limited partners in the fund known as North West Evergreen Fund Partnership. This fund was set up to make loans to commercial property ventures in the Northwest to aid regeneration in the region. The Council, along with its partners, is a limited partner and each owns a share of what is known as the general partner. This general partner is the body which in turn owns the evergreen partnership.

The Council is one of six Councils that form the County Area Partners who together have 50% of the voting rights on the board of the General Partner. The remainder of the vote is held by the Councils forming the Association of Greater Manchester Authorities. The County Area Councils have the right to nominate three (of six) directors to the Board of the General Partner.

As a limited partner, the council provides a capital contribution of £1 to the Fund but in order to enjoy limited liability as a limited partner, the Authority cannot participate in the management of the Fund's business.

No interest is due from the Fund to the limited partners on any capital contributions nor on any net income or capital gain allocated to the partners for distribution. The Fund uses the finance made available to it under an operational agreement made between it and the European Investment Bank to eligible projects in the region.

The life of the Fund is twenty years, in entering into the partnership agreement the Council has committed to pay an annual contribution for twenty years. Capital liability of the Limited Partners for any of the Fund's debts, liabilities or obligations is limited to the amount of their respective Capital Contributions. The General Partner has unlimited liability for the debts, liabilities and obligations of the Fund.

In joining the partnership as a County Area Limited Partner the Authority is expected to advance annually to the Fund (as a loan) an index-linked amount equal to £250k divided by the number of County Area Limited Partners, to meet the ongoing expenses of the Fund.

50. Local Government Reorganisation

In April 2009 Cheshire West & Chester Borough Council and Cheshire East Borough Council were formed to replace six District Councils and one County Council. As the County Council previously undertook activities which are now split between both new Councils it was necessary to disaggregate its assets and liabilities between the two bodies. During their first three years of operation the majority of outstanding joint liabilities and assets have been settled but a small number still remain.

The Councils have retained a small number of assets which are being held to the benefit of both Councils. These include the jointly utilised archives and library stores building, a shared data centre and ICT infrastructure equipment. These assets are all held by Cheshire West & Chester Council and are accounted for in full on the balance sheet at a value of £1.9m. A liability valued at £0.9m reflecting the interest held by Cheshire East Borough Council in these assets is included within the Council's Balance Sheet.

The Councils continue to work together to deliver a number of services. These Pan Cheshire services are listed below. Each Council accounts for its share of any costs, income, assets or liabilities in accordance with their status as Jointly Controlled Operations under IAS 31.

The Councils maintain a number of jointly held Reserves which are utilised to meet liabilities from the former County Council. Residual surpluses or deficits on these Reserves will be shared between the Councils once all outstanding liabilities have been discharged. Two balances are held by Cheshire East Borough Council on behalf of both Councils; an Insurance Provision/Reserve (see Note 24) and a Relocations Reserve to pay excess travel costs for those staff relocating to Cheshire East Borough Council following LGR, this latter Reserve holds approximately £1.6m at 31 March 2012. It is anticipated that the Relocations Reserve will be closed during 2012-13 and any residual balances will be distributed at that point.

Pan Cheshire Shared Services

The Council operates a number of services in Partnership with Cheshire East Borough Council. The table below sets out the total costs processed by each Council in providing these services and the degree to which those costs fell to each Council after they were re-apportioned in line with each Councils usage of the services:

	2011-12 Actual Outturn			Share of Total Cost	
	East	West	Total	East	West
	£000	£000	£000	£000	£000
Hosted West					
HR & Finance	1,058	1,862	2,920	1,460	1,460
ICT	188	10,013	10,201	4,887	5,314
Civil Protection	157	285	442	221	221
Occupational Health	0	208	208	104	104
Archives	209	238	447	223	224
Libraries	207	757	964	482	482
Rural Touring Network	15	14	29	15	14
Autism Support	52	76	128	68	60
CBS Supplies	0	20	20	10	10
Hosted East					
Farms Estates	-797	32	-765	-387	-378
Highway Maintenance Contract	55	22	77	37	40
Youth Offending Team	3	1,010	1,013	476	537
Total Costs	**1,147**	**14,537**	**15,684**	**7,596**	**8,088**

The costs of Pan Cheshire Shared Services relating to Cheshire West and Chester Council are contained in the Comprehensive Income and Expenditure Statement. The share of total cost for each Council has reduced in 2011-12 due to the planned termination of a number of Shared Services in accordance with the operational needs and strategic objectives of both Councils. The costs shown below are analysed by SeRCOP:

	2011-12	2010-11
	£000	£000
Children's & Education Services	3,672	4,522
Adult Social Care & Health	961	1,023
Central services to the public	246	262
Cultural, Environmental & Planning	1,604	1,717
Highways, Roads & Transport Services	644	17,290
Council Housing (HRA)	139	148
Housing services	822	875
Total	**8,088**	**25,837**

The activities are overseen by a Joint Committee which ensures effective delivery of such services and provides strategic direction. The Joint Operating Board supports the Joint Committee and is responsible for the governance and decision making of Cheshire Shared Services, is jointly chaired by Julie Gill, Director of Resources, Cheshire West and Chester Council and Lisa Quinn, Borough Treasurer and Head of Assets, Cheshire East Borough Council.

Business Plans and Service Delivery Statements have been developed for each Shared Service. The documents vary depending on the complexity of the service to be provided and on the length of the arrangement. The Service Delivery Statements are legal documents and detail the services to be hosted by Cheshire East Borough Council and Cheshire West and Chester Council, the scope, agreed objectives and expected outcomes of the shared service arrangements. The roles and responsibilities of staff seconded to the host authority are contained within these statements.

Service Level Agreements' (SLAs) have been prepared for all services and form part of the legal agreement between Cheshire West and Chester Council and Cheshire East Borough Council. These set out the basis for services to be provided, identify which council is hosting the service, the percentage of costs to be borne by each council and the general reporting and performance management requirements.

51. Prior Period Adjustments – Heritage Assets

Prior period adjustments arise as a result of changes in accounting policies or to correct a material error. Material errors and accounting policy changes are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

In 2011-12 the Council's Accounts include a new category of Non-Current Asset to separately record Heritage Assets. Disclosures have been determined utilising Financial Reporting Standard 30 (Heritage Assets). The disclosures are being introduced retrospectively so comparative 2010-11 information has been restated to reflect the balances that would have been reported had the new reporting requirements been in place in earlier years. This note sets out the adjustments that have been made in restating these entries.

The adoption of FRS 30 has led to the Council reclassifying a number of assets that were previously recorded as either Community Assets or Other Land and Buildings within the Property, Plant and Equipment asset category. These assets have been transferred at their April 1 2010 value and accounted for as Heritage Assets throughout 2010-11 and 2011-12.

The adoption of the new standard has also led to the Council recognising assets which were previously not held on the balance sheet. Items such as museum exhibits and historic documents have been added to Non-Current Assets for the first time. These assets have been shown as fully funded by contributions to the Capital Adjustment Account.

The tables below show the adjustments that have been made to both opening balances and in year transactions for 2010-11.

Opening Balance Sheet Extract	01/04/2010 Reported £000	Restatement £000	01/04/2010 Restated £000
Property Plant and Equipment (PPE)			
- Land and Buildings	533,635	-26,130	507,505
- Community Assets	10,263	-190	10,073
- Other PPE Assets	422,770	0	422,770
	966,668	**-26,320**	**940,348**
Heritage Assets			
- Reclassified from PPE Assets	0	26,320	26,320
- Newly Recognised Assets	0	14,928	14,928
	0	**41,248**	**41,248**
Other Non Current Assets	130,322	0	130,322
Current Asset	173,964	0	173,964
Current Liabilities	-135,798	0	-135,798
Long Term Liabilities	-811,077	0	-811,077
Net Assets	**324,079**	**14,928**	**339,007**
Impact on Funds			
Capital Adjustment Account	835,505	14,928	850,433
Other Reserves	-511,426	0	-511,426
Total Reserves	**324,079**	**14,928**	**339,007**

Comprehensive Income and Expenditure Statement – 2010-11

The Comprehensive Income and Expenditure Statement has been restated to remove the costs of new additions that are now being capitalised onto the balance sheet. These costs of £39k have been removed from the Cultural element of the Cultural, Environmental and Planning line.

A further restatement has then been reflected as this line is now split into its three constituent elements on the face of the CIES.

Comprehensive Income and Expenditure Statement	2010-11 Expenditure £000	2010-11 Income £000	2010-11 Net Spend £000
Cultural, Environmental and Planning	127,288	-43,635	83,653
Less capitalised costs	-39	0	-39
Cultural, Environmental and Planning	**127,249**	**-43,635**	**83,614**
Restated Lines			
Cultural and Related Services	34,160	-10,143	24,017
Environmental & Regulatory Services	58,979	-18,782	40,197
Planning Services	34,110	-14,710	19,400
	127,249	**-43,635**	**83,614**

Movement in Reserves Statement

The Movement in Reserves Statement has been restated for the changed surplus or deficit on provision of service position from the CIES and the resulting increase in the revenue contribution to capital that is necessary to finance that years expenditure (£39k). It has also been restated for increases in the valuation of assets that the Council acquired for nil cost (£2k).

Movement in Reserve Statement	General Fund £000	Other Reserves £000	Unusable Reserves £000	Total Reserves £000
Prior to Restatement				
Surplus/Deficit on provision of services (SDPS)	33,037	-53,782	0	-20,745
Other Comprehensive Income and Expenditure	0	0	309,184	309,184
Adjustments for accounting and funding basis	-20,544	-20,544	-36,868	0
Transfers to Earmarked Reserves	-7,363	7,363		
	5,130	**-66,963**	**272,316**	**288,439**
Impacts of Restatment				
SDPS Line				
- Remove capitalised costs from SDPS	39	0	0	39
Other Comprehensive Line				
- Add Revaluation Gain on Heritage	0	0	2	2
Adjustments Line				
- Increased revenue contribution to capital	-39	0	39	0
Restated Change in Reserves for the Year	**5,130**	**-66,963**	**272,357**	**288,480**

Closing Balance Sheet Adjustments

The in-year 2010-11 changes to the balance sheet reflect the inclusion of £39k of new additions and £2k of revaluation gains to the Heritage Assets value with corresponding entries on the relevant reserves reflecting their financing.

A total of £1.39m of new capital expenditure, £198k of Depreciation and £69k of revaluation gain were recorded in the 2010-11 Accounts for assets now considered to be Heritage Assets but formerly Property Plant and Equipment. These transactions have now been recorded against the Heritage opening balance.

Summarised Balance Sheet	01/04/2010 Restated £000	In Year Changes £000	Restatement £000	31/03/11 Restated £000
Property Plant and Equipment	940,348	-85,619	-1,263	853,466
Heritage Assets	41,248	0	1,304	42,552
Other Non Current Assets	130,322	-6,483	0	123,839
Current Asset	173,964	-47,116	0	126,848
Current Liabilities	-135,798	27,758	0	-108,040
Long Term Liabilities	-811,077	399,899	0	-411,178
Net Assets	**339,007**	**288,439**	**41**	**627,487**
Capital Adjustment Account	850,433	-136,405	39	714,067
Revaluation Reserve	32,784	29,488	2	62,274
Other Reserves	-544,210	395,356	0	-148,854
Total Reserves	**339,007**	**288,439**	**41**	**627,487**

52. Trust Funds

During 2011-12 Cheshire West and Chester Council acted as sole trustee for eight Trust Funds. These Funds, some of which date back many years, were established for specific purposes, such as giving grants for education and training or providing community benefits, e.g. library books. The Funds, included below, do not represent assets of the Council and so have not been included in the Council's Balance Sheet. Assets are stated at market value.

	2011-12			
	Income £	Expenditure £	Assets £	Liabilities £
Continuing Trust Funds:				
The Lord Mayors Charity Fund	**5,074**	**4,995**	**11,771**	**0**
The Lady Mayoress Holiday Fund for Children	**3,709**	**9,440**	**74,558**	**0**
Castle Park Trust Fund	**105,858**	**103,720**	**552,916**	**1,859**
The building and park land were given to the former Runcorn Rural District Council in 1933 to hold on trust for the public benefit of the area				
Johnston recreation ground	**430**	**0**	**1,416**	**0**
Held for the general benefit of the residents of Willaston				
Little Sutton Reading and Recreation Rooms	**0**	**0**	**2,479**	**0**
Held for the general benefit of the residents of Little Sutton				
Fred Venables Literary Trust	**0**	**0**	**12,099**	**0**
Established in 1998 to provide annual book prizes to young people attending secondary schools				
Reg Chrimes trust for the Arts	**0**	**0**	**13,425**	**0**
Established in 1999 for the promotion and development of the arts in the borough of Ellesmere Port and Neston				
Ellesmere Port Charter Trust	**38,587**	**47,942**	**38,505**	**0**
Established to continue the Mayoral Function in the borough of Ellesmere Port and Neston				

53. Comparative Information

The comparative 2010-11 information shown on the face of the Comprehensive Income and Expenditure Statement is only shown as net expenditure to avoid overcrowding the statement. The full breakdown showing gross expenditure and income is shown below.

	2010-11 Re-stated		
	Expenditure £000	Income £000	Net £000
Central Service to the Public	31,050	-26,272	4,778
Children's & Education Services	421,308	-308,820	112,488
Adult Social care	125,953	-33,758	92,195
Cultural & Related Services	34,160	-10,143	24,017
Environmental & Regulatory Services	58,979	-18,782	40,197
Planning Services	34,110	-14,710	19,400
Highways & Transport Services	59,734	-28,313	31,421
Local Authority Housing (HRA)	17,807	-17,558	249
- Exceptional Items	55,475	0	55,475
Housing Services	108,611	-89,837	18,774
Corporate & Democratic Core	4,151	-240	3,911
Non-distributed Costs	2,528	-7,757	-5,229
- Exceptional Items	0	-111,097	-111,097
Cost of Services	**953,866**	**-667,287**	**286,579**
Other Operating Income & Expenditure (Note 9)	21,487	-2,089	19,398
Financing & Investment Income and Expenditure (Note 10)	35,669	-17,680	17,989
Taxation & Non-Specific Grant Income (Note 11)	0	-303,260	-303,260
(Surplus)/Deficit on Provision of Services	**1,011,022**	**-990,316**	**20,706**
Surplus on Revaluation of Assets			-30,988
Surplus on Revaluation of Available For Sale Assets			-21
Actuarial Loss/-Gain on Pension Assets/Liabilities			-278,177
Other Comprehensive Income and Expenditure (Note 12)			**-309,186**
Total Comprehensive Income and Expenditure			**-288,480**

Supplementary Financial Statements – HOUSING REVENUE ACCOUNT

	2011-12		2010-11
	£000	£000	£000
Expenditure			
Repairs and Maintenance	3,927		5,332
Supervision & Management	3,400		3,155
Special Services	1,214		936
Rents, rates,taxes and other charges	152		128
Negative HRA Subsidy payable	5,032		4,606
Depreciation & impairment of non-current assets	3,588		3,525
Debt Management costs	3		3
Increase in the allowance for bad debts	251		122
Total Expenditure		**17,567**	**17,807**
Income			
Dwelling Rents	-17,873		-16,546
Non-dwelling rents	-503		-429
Charges for services and facilities	-302		-261
Supplementary contributions towards expenditure	-315		-322
Total Income		**-18,993**	**-17,558**
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		-1,426	249
HRA services' share of Corporate and Democratic Core		62	61
Exceptional Items		90,591	52,955
Net Income/Expenditure for HRA Services		89,227	53,265
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
(Gain) or Loss on sale of HRA Non-current assets		1,046	-87
Interest payable and similar charges		281	221
Interest and Investment Income		-9	-10
Pensions interest cost and expected return on pension assets		-5	393
(Surplus) or deficit for the year on HRA Services		**90,540**	**53,782**

Note:

(i) Housing Subsidy - The Local Government Act 2003 made a requirement for authorities with an overall negative subsidy entitlement to pay the amount of negative subsidy to the government. Negative subsidy occurs when income exceeds expenditure in the notional HRA.

(ii) Included within Exceptional Items is a £90.6m settlement payment to central government in preparation for the commencement of the self financing of the HRA from 1 April 2012. This revenue transaction, which has been financed by a loan, has been reversed in the Movement on the HRA Statement, as it is defined as capital by statute.

Movement on the Housing Revenue Account Statement 2011-12

	2011-12		2010-11
	£000	£000	£000
Balance of HRA at the end of the previous year		-231	-1318
(Surplus)Deficit on the HRA Income and Expenditure Account	90,540		53,782
Adjustments between accounting basis and funding under statute	-91,102		-52695
Net (increase) or decrease before transfers to reserves	**-562**		**1,087**
Transfer to (from) reserves	0		
(Increase) or decrease on the HRA		-562	
Balance on the HRA at the end of the year		**-793**	**-231**

Adjustments between accounting basis and funding under statute

Adjustments between transactions recorded in accordance with the Code and those in accordance with Statute	2011-12		2010-11
	£000	£000	£000
Differences relating to interest payable and similar charges including amortisation of premiums and discounts		148	172
Differences relating to other items of income and expenditure			
HRA debt (Revenue Expenditure Funded by Capital)	-90,591		
Contribution to Repayment of Debt	269	-90,322	
(Gain) or loss on the sale on non current HRA assets			
- Sale proceeds	187		299
- Carrying amount of assets	-1,229		-205
- Disposal costs to be met from capital receipts	-4	-1,046	-7
HRA share of contributions to or from the Pension Reserve		155	2,147
Removal of accumulated benefit accrual		-12	44
Capital Expenditure funded by the HRA		0	330
Transfer from the Major Repairs Reserve		3,563	3,525
Transfer to the Capital Adjustment Account		-3,588	-59,000
Total Adjustments		**-91,102**	**-52,695**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. The number and types of dwellings and garages in the Housing Stock at 31 March 2012

Description	2011-12 No.	2010-11 No.
Houses	3,142	3,145
Flats	1,758	1,758
Bungalows	641	641
Maisonettes	93	93
Total Dwellings	**5,634**	**5,637**
Garages	**1,602**	**1,625**

2. Housing Stock Valuations at 31 March

Description	2011-12 £000	2010-11 £000
Property Plant and Equipment		
- Dwellings	144,325	133,556
- Garages	1,193	1,148
Equipment	475	713
Total	**145,993**	**135,417**

3. Vacant Possession Value of Dwellings at 31 March

Description	2011-12 £000	2010-11 £000
Market value - Vacant possession	413,716	383,626
Existing use value for social housing	144,801	134,269
Difference	**268,915**	**249,357**

The difference between market value and the Balance Sheet value for dwellings represents the economic cost to the Government of providing council housing at less than open market rents. The vacant property adjustment factor for NW England is 35% for 2011-12, no change from 2010-11.

4. Major Repairs Reserve for the year ending 31 March

Description	2011-12 £000	2010-11 £000
Balance brought forward	-	-
Transfer to Reserve	-3,563	-3,525
Less capital expenditure financed from Reserve	3,563	3,525
Balance Carried Forward	**-**	**-**

5. Housing Repairs Expenditure for the year ending 31 March

Description	2011-12 £000	2010-11 £000
Housing repairs	3,927	5,332
Total	**3,927**	**5,332**

6. Capital Expenditure in the year ending 31 March

Description	2011-12 £000	2010-11 £000
Operational assets		
- Dwellings	5,115	3,994
- Other land and buildings	-	-
Total	**5,115**	**3,994**
Funded by:		
Supported capital expenditure	-1,472	-139
Usable capital receipts, grants & contributions	-80	-
Contributions from Revenue	-	-330
Major Repairs Reserve	-3,563	-3,525
Total Funding	**-5,115**	**-3,994**

7. Capital Receipts from Disposal of Assets in the year ending 31 March

Description	2011-12 £000	2010-11 £000
Disposal of dwellings	187	299
Total from disposals	**187**	**299**

8. Depreciation in the year ending 31 March

Description	2011-12 £000	2010-11 £000
Property Plant and Equipment	3,586	3,525
Total	**3,586**	**3,525**

The Major Repairs Allowance (£3.563m), which is funded through Housing Subsidy, is accepted to be a reasonable estimate of depreciation for council dwellings within the HRA. In addition, £0.023m depreciation has been charged on non dwelling assets.

9. Housing Subsidy for the year ending 31 March

Description	2011-12 £000	2010-11 £000
Expenditure		
Management allowance	2,982	2,955
Maintenance allowance	5,708	5,586
Major repairs allowance	3,563	3,525
Charges for capital	768	745
Self financing charge	32	-
Total Expenditure	**13,053**	**12,811**
Less Income		
Rent income	-18,143	-17,198
Interest on receipts	-1	-2
Total Income	**-18,144**	**-17,200**
Net Subsidy	**-5,091**	**-4,389**

The difference between the net subsidy above and that shown in the Revenue Account represents the balance of subsidy due in the previous year.

10. Pension Reserve Contribution

The costs of post employment benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are paid, in accordance with IAS 19. However, the charge to be made to the HRA is based on the employer contributions payable in the year, so the IAS 19 adjustments to the accounts have been reversed in the Movement on the HRA Statement.

11. Rent Arrears at 31 March

Description	2011-12 £000	2010-11 £000
Current tenants	861	715
Former tenants	676	967
Total rent arrears	**1,537**	**1,682**
Benefit overpayments	-	-
Total arrears	**1,537**	**1,682**
Deduct - Provision for bad debts	-1,014	-1,240
Net arrears	**523**	**442**

Supplementary Financial Statements - COLLECTION FUND

The Collection Fund is a statutory fund in which the Council records transactions for Council Tax, Business Rates and residual Community Charges.

COLLECTION FUND FOR THE YEAR ENDED 31st MARCH 2012

	2011-12 £000	2011-12 £000	2010-11 £000	2010-11 £000
Income				
Council Tax	159,551		158,232	
Transfers from General Fund				
- Council Tax Benefits	22,112		22,283	
- Transitional relief	-6		-13	
Total Income from Council Tax		181,657		180,502
Business Ratepayers	139,930	139,930		131,479
Contributions				
- Towards previous year's Collection Fund deficit		350		1,299
- Adjustment of previous years' Community Charges		0		1
Total Income		**321,937**		**313,281**
Expenditure				
Precepts and Demands from CWAC, Police and Fire (Note 4)		180,581		179,926
Business Rate				
- Payment to National Pool (Note 2)	139,426		130,974	
- Cost of Collection	504		505	
		139,930		131,479
Provision for Bad Debts/Appeals				
- Write offs	345		511	
- Provisions	47		253	
		392		764
Contributions				
- Adjustment of previous years' Community Charges		0		1
Total Expenditure		**320,903**		**312,170**
Surplus/(Deficit) for year		1,034		1,111
Balance on Fund Brought Forward		-537		-1,648
Balance on Fund Carried Forward		497		-537

1. General

These accounts represent the transactions of the Collection Fund. This is a statutory fund consolidated with the other accounts of the authority in the Statement of Accounts. The accounts have been prepared on an accruals basis. This means that spending and income have been included when they were incurred rather than when they were paid.

2. Non-Domestic Rates

Non-domestic rates are organised on a national basis. The Government specifies a multiplier, which was 43.3p in the pound for 2011-12 (2010-11 41.4p). Local businesses pay rates calculated by multiplying their rateable value by that amount. There is also a small business multiplier, which was 42.6p in the pound for 2011-12 (2010-11 40.7p).

The Council are responsible for collecting rates within our area. However, the Council pays the proceeds into the non-domestic rates pool. This pool is administered by the Government. Sums paid into the pool are redistributed amongst local authorities as a fixed amount per head of population. Our entitlement from the pool is paid direct into the General Fund.

The amount the Council must pay to the Pool is as follows:

	2011-12 £000	2010-11 £000
NDR Bills Issued (Less Voids, Transitional Relief and Interest on Refunds)	143,037*	133,202*
Discretionary Relief and Remissions	-1,463	-898
Debts written off or provided for (net)	-2338	-1,362
General Fund contribution to Reliefs and Remissions	694	537
Net NDR Income	139,930	131,479
Cost of Collection Allowance payable to General Fund	-504	-505
Payable to NDR Pool	139,426	130,974

The total non-domestic rateable value at 31st March 2012 was £377,835,588

*Note: The 2011-12 and 2010-11 figures include £334,000 deferrals repayable from prior years

3. Council Tax

The gross Council Tax base was 121,530 Band D Equivalent properties at the time of setting the tax for 2011-12 (2010-11 121,096). This was made up as follows:

Band 2011-12	Number 2011-12	Band D Equivalent 2011-12	Income in a full year 2011-12 £000	Band D Equivalent 2010-11
A	31,900	17,671	26,257	17,525
B	34,813	23,137	34,377	22,891
C	28,974	22,544	33,497	22,397
D	19,544	17,601	26,152	17,733
E	15,035	16,720	24,844	16,696
F	8,787	11,731	17,431	11,717
G	7,147	11,056	16,430	11,060
H	545	915	1,364	924
	146,745	121,375	180,352	120,943
Ministry Of Defence Properties		155	228	153
		121,530	180,580	121,096

4. Precepts and Demands

	2011-12 £000	2010-11 £000
Cheshire West & Chester Council	152,470	151,926
Cheshire Police Authority	17,564	17,502
Cheshire Fire Authority	8,073	8,044
Town & Parish Councils	2,473	2,454
Total Precept and Demand	**180,580**	**179,926**

5. Contribution to Collection Fund Deficit and Distribution of Collection Fund Surplus

The surplus of £0.497m on the Collection Fund relates to Council Tax. The surplus will be distributed between Cheshire West & Chester Council, Cheshire Police Authority and Cheshire Fire & Rescue Service. The amounts attributable to each Authority are shown in the table below and will be in proportion to their respective precepts.

	CWAC £000	Police £000	Fire £000	Total £000
Council Tax	(424)	(51)	(22)	(497)

Cheshire Pension Fund - Fund Account
for the year ended 31 March 2012

	Notes	2011-12 £000	2010-11 £000
<u>**Contributions and Benefits**</u>			
Contributions Receivable			
From Employers	7.1	114,532	113,547
From Employees		34,009	36,022
Total Contributions Receivable	7.2	148,541	149,569
Transfers in from Other Schemes	8	12,051	15,415
Benefits Payable			
Pensions		-110,946	-103,626
Lump Sums		-29,192	-23,178
Death Benefits		-2,617	-3,004
Total Benefits Payable	9	-142,755	-129,808
Payments to and on account of Leavers			
Refund of Contributions		-4	-26
Transfers to Other Schemes		-8,723	-10,408
	10	-8,727	-10,434
Administration Expenses	11	-2,072	-1,934
Net Additions from dealing with members		7,038	22,808
<u>**Returns on Investments**</u>			
Investment Income	12	44,268	46,862
Taxes on Income	13	-837	-690
Profits and losses on disposal of investments and changes in the market value of investments	15f	48,202	193,555
Investment Management Expenses	14	-9,053	-10,181
Net Returns On Investments		82,580	229,546
Net Increase/ (Decrease) in the Fund During the Year		89,618	252,354
Opening Net Assets of the Scheme		2,830,825	2,578,471
Closing Net Assets of the Scheme		**2,920,443**	**2,830,825**

Cheshire Pension Fund - Net Assets Statement
as at 31 March 2012

	Notes	2011-12	2010-11
		£000	**£000**
Pooled Investment Vehicles	15/f, 20/21	1,135,003	1,440,034
Equities	15/f, 20/21	862,737	856,227
Hedge Funds	15b/f, 20/21	425,911	0
Private Equity	15c/f 20/21	199,580	176,850
Investment Properties	18	169,034	161,892
Loans	15d/f, 20/21	27,722	13,378
Derivative Contracts	16, 20/21	3,560	2,115
Secured Loans	15f, 20/21	0	85,428
		2,823,547	2,735,924
Cash	15e/f, 20/21	59,880	63,123
		2,883,427	2,799,047
Other Investment Balances		5,037	4,929
	15f, 20/21	2,888,464	2,803,976
Investment Liabilities			
Derivative Contracts	16, 20/21	-305	-8,504
Total Net Investments	19	2,888,159	2,795,472
Long Term Assets	24	16,263	20,690
Current Assets	25		
Cash at Bank		193	819
Debtors		23,196	25,367
Current Liabilities	26		
Creditors		-4,566	-9,308
Receipts In Advance		-2,802	-2,215
Net Current Assets		32,284	35,353
Total Net Assets		**2,920,443**	**2,830,825**

NOTE 1 – DESCRIPTION OF THE FUND

The Cheshire Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Cheshire West & Chester Council (The Council). The Council is the reporting entity for this pension fund.

The following description is a summary only. For more detail, reference should be made to the Cheshire Pension Fund Annual Report 2011-12 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the LGPS Regulations.

The Fund is governed by the Superannuation Act 1972 and is administered in accordance with the following secondary legislation:

- The LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- The LGPS (Administration) Regulations 2008
- The LGPS (Management and Investment of Funds) Regulations 2009

It is a contributory defined benefit pension scheme administered by the Council to provide pensions and other benefits for pensionable employees of Cheshire West and Chester, Cheshire East, Halton and Warrington Borough Councils and a range of other scheduled and admitted bodies within the County area. The Fund excludes provision for teachers, fire fighters and police officers as they come within other national pension schemes. A full list of the employers with active members participating in the Fund is shown at the end of the Fund's Statement of Accounts.

Responsibility for managing the Fund lies with the full Council of Cheshire West & Chester Council with lead officer responsibility delegated to the Director of Resources. Day to day management of the Fund's affairs has been delegated to the Head of Finance advised, with regard to investment matters, by the Pension Fund Committee and external advice from Hymans Robertson and Mercer. The Pension Fund Committee reports directly to the Cheshire West and Chester Audit and Governance Committee.

In relation to investments the Council sets the overall investment strategy for the Fund which takes into account the Fund's pension liabilities and the prospects for future investment returns. A review of the investment strategy resulted in numerous changes to the Fund's asset allocation and investment manager mix being implemented in 2011-12:

- The Fund strategically allocated 15% of assets to Hedge Funds, with the majority of the funding for these mandates sourced from UK equities passively managed by Legal and General.
- Following this decision the Fund's existing allocation to a GTAA strategy managed by BNY Mellon Asset Management, was removed from the Fund's asset allocation.
- The Fund consolidated its secured loan mandates by terminating the mandate managed by ECM and re-investing the proceeds into the Secured Loan mandate managed by M&G.
- Finally, following a review of the Fund's fixed income allocation the existing investment in Baillie Gifford's fixed income bond fund was reduced by £40m and the £178m invested in the existing Henderson's High Alpha Credit Fund was reallocated to the Horizon Total Return Bond Fund managed by the same manager.

To manage the Fund's assets in accordance with the agreed investment strategy, the Council has 15 appointed external investment managers (increased from the 13 in 2010-11) who each have specific responsibility for part of the Fund's investment portfolio.

The Council uses the services of BNY Mellon Asset Servicing to independently monitor the performance of the investment strategy and the contributions of individual managers. Performance is monitored against the Fund's tailored asset allocation benchmark rather than to a peer group benchmark.

BNY Mellon Asset Servicing report for the year ended 31 March 2012 shows that the Fund achieved a return from its investments of +2.9% (+8.9% in 2010-11) compared with the Fund's tailored benchmark return of +1.8% (+6.8% in 2010-11). The Fund's target return is to outperform its benchmark by +0.75% over a rolling three year period. For the three years ended 31 March 2012 the Fund achieved a return of +15.3% per annum (+5.5% 2010-11) against the Fund's benchmark return of +12.5% per annum (+5.2% 2010-11).

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or to make their own personal arrangements outside of the scheme.

Organisations participating in the fund include:

- Scheduled bodies (scheme employers), which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking public sector authority functions following outsourcing to the private sector.

There are 119 employer organisations with active members who were contributing into the fund as at 31 March 2012, including the Council itself, as detailed below:

Cheshire Pension Fund	**31 March 2012**	**31 March 2011**
Number of employers with active members	**119**	**111**
Number of employees in the scheme		
Cheshire West and Chester Council	8,138	8,965
Other employers	22,326	22,332
Total	**30,464**	**31,297**
Number of pensioners		
Cheshire West and Chester Council	968	709
Other employers	21,680	20,854
Total	**22,648**	**21,563**
Number of Deferred pensioners		
Cheshire West and Chester Council	1,754	788
Other employers	19,930	19,360
Total	**21,684**	**20,148**
TOTAL MEMBERSHIP	**74,796**	**73,008**

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2012. Employee contributions are matched by employer's contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2010.

Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the fund scheme handbook which is available from the Fund.

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the Retail Price Index (RPI) to the Consumer Price Index (CPI). This change took effect from 1 April 2011.

NOTE 2 – BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2011-12 financial year and its position at year end as at 31 March 2012. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 23 of these accounts.

The accounts include restated 2010-11 figures for contributions, benefits payable, administration expenses and debtors where the categorisations have been further broken down and to include some amendments which have now been correctly classified into relevant categories.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employer's augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme regulations (see notes 8 and 10).

Individual transfers in/out are accounted for when they are received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

- Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Property related income consists primarily of rental income.
- Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.
- Foreign income has been translated into sterling at the date of the transaction. Income from overseas investments is recorded net of any withholding tax where this cannot be recovered.

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The fund is a registered public service scheme under section 1 (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Administration Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged direct to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy.

g) Investment Management Expenses
All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition the fund has negotiated with the following managers that an element of their fee be performance related:

- Baillie Gifford & Co
- Goldman Sachs Asset Management
- Henderson Global Investors
- M&G Investments
- Arrowgrass Capital Partners
- Fauchier Partners
- Winton Capital
- Och Ziff Capital Management

Performance related fees amounted to £1.1m in 2011-12 (2010-11 £2.25m) for managers who outperformed the benchmark.

Where an investment manager's fee invoice has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. The total of fees based on estimates in 2011-12 was £114k relating to fees due for the month of March 2012. There were no estimated figures used in the 2010-11 accounts.

The cost of obtaining investment advice from external consultants is included in investment expenses (Note 14).

The cost of the Council's in-house fund management team are charged direct to the Fund and a proportion of the Council's costs representing management time spent by officers are also charged to the fund.

Net Assets Statement

h) Financial assets
Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised by the fund.

The values of investments as shown in the net assets statement have been determined as follows:

i) Market-quoted investments
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Unquoted investments
The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Council expects to receive on wind-up, less estimated realisation costs.
- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, debt securities and hedge funds. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity funds and unquoted listed partnerships are valued based on the funds share of the net assets in the private equity fund or limited partnerships using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association. Where these valuations are not at the Fund's balance sheet date, the valuations have been adjusted having due regard to latest dealings, asset values and other appropriate financial information at the time of preparing these statements, in order to reflect our balance sheet date.

iii) Pooled investment vehicles
Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

iv) Freehold and leasehold properties
The investment properties were valued at open market value as 31 March 2012 by Colliers CRE, Chartered Surveyors in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards. Acquisition costs of investments are included in the Total Purchase Cost.

i) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Leverage

Some of the Fund's investments, including hedge funds and private equity, use leverage as a tool to achieve higher returns. Leverage can be described as exposure to changes in asset values at a ratio of greater than 1:1 in reference to the amount invested. Leverage magnifies both favourable and unfavourable movements in asset values.

k) Derivatives
The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not directly hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in the change in market value.

The values of futures contracts are determined using the exchange price for closing out the option at the reporting date. The value of over-the-counter contract options is based on quotations from an independent broker. Where this is not available, the value is provided by the investment manager.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

l) Cash and cash equivalent
Cash comprises cash in hand and on demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

m) Financial liabilities
The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

n) Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is produced by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under IAS26, the fund has opted not to disclose the actuarial present value of promised retirements in the net assets statement, instead providing the information by reference to an accompanying actuarial report. A copy of the full actuarial calculation is appended to the Statement of Accounts.

o) Additional voluntary contributions
The Fund provides an Additional Voluntary Contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The fund has appointed Clerical Medical, Standard Life and Equitable Life as its AVC providers. Individual members AVC contributions are paid directly to the AVC provider by their respective employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and movements in year.

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Unquoted private equity investments
It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using guidelines

set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2012 was £199.6m (£177m as 31 March 2011).

Pension fund liability

The pension fund liability is calculated every three years by the Funds actuary, Hymans Robertson, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with financial standards. Assumptions underpinning the valuations are agreed with the actuary and are disclosed in the actuarial calculation which is included within the Annual Report. This estimate is subject to significant variances based on changes to the underlying assumptions.

NOTE 5 – 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 Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the net assets statement at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £199.6m. There is a risk that this investment may be under or overstated in the accounts.
Hedge funds	Hedge funds are valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the funds directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of hedge funds in the financial statements is £426m. There is a risk that this investment may be under or overstated in the accounts.
Investment Properties	Investment properties have been valued on the basis of market value (the estimated amounts for which a property should exchange between a willing buyer and seller) and market rent (the expected benefits from holding the asset) in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards. The values are estimates and may not reflect the actual values.	The total value of investment properties in the financial statements is £169m. There is a risk that this investment may be under or overstated in the accounts.

NOTE 6 – EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2012 that require any adjustments to these accounts.

NOTE 7 – CONTRIBUTIONS RECEIVABLE

7.1 Employer Contributions Receivable

	2011-12 £000	2010-11 £000
Normal Contributions	**75,236**	81,733
*Deficit Funding	**31,309**	24,520
Cost of Early Retirements (pension strain)	**6,991**	4,415
Augmentation Contributions	**996**	2,879
Total	**114,532**	**113,547**

* Employer Normal Contributions may include an element towards reducing any deficit in the scheme's funding position. At the triennial valuation (31 March 2010) the Actuary calculated a common employer contribution rate of 22.8%, of which 6.7% targeted recovering the funding deficit with 16.1% towards future service costs. It is estimated that employers contributed a notional £31.3m in 2011-12 (£24.5m in 2010-11) towards deficit funding.

The cost of early retirements represents the contributions relating to Employers meeting the capitalised costs of discretionary early retirements. The Fund recharges the Employers for such costs and the income received is made up of both one-off lump sum payments and instalments. The accounts recognise the full cost due from early retirement contributions from scheme employers who have the option of paying over more than one year.

Augmentation Contributions include those payable by Employers to provide new benefits or to augment benefits awarded to specific members under LGPS regulations.

7.2. Analysis of Contributions Receivable

	2011-12		2010-11	
	Employers	**Employees**	Employers Restated	Employees Restated
	£000	**£000**	£000	£000
Scheme Employers	**75,628**	**22,936**	76,058	24,174
Cheshire West & Chester Council	**29,389**	**8,537**	29,220	9,032
Community Admission Body	**8,971**	**2,384**	7,896	1,487
Transferee Admission Body	**544**	**152**	373	1,329
Total	**114,532**	**34,009**	**113,547**	**36,022**

The contributions analysis for Admitted Bodies has been further broken down between Community and Transferee Admission Bodies, therefore the 2010-11 figures have been restated. In addition, some employers had been categorised as other admitted bodies instead of scheme employers within the 2010-11 figures. These have also been restated.

NOTE 8 – TRANSFERS IN FROM OTHER PENSION FUNDS

	2011-12 £000	2010-11 £000
Transfers from other Local Authorities	**9,517**	11,609
Transfers from other pension funds	**1,920**	3,806
Bulk Transfers	**614**	0
Total	**12,051**	**15,415**

The £614k relates to a transfer of 7 staff from the Principal Civil Service Pension Scheme following the dissolution of the Learning and Skills Council and the transfer of staff to the four Local Education Authorities on 1 April 2010.

NOTE 9 – BENEFITS PAYABLE

	2011-12 £000	2010-11 Restated £000
Cheshire West & Chester Council	**39,216**	36,690
Scheme Employers	**92,170**	82,084
Community Admission Body	**8,474**	8,126
Transferee Admission Body	**2,894**	2,908
Total	**142,754**	**129,808**

The benefits analysis for Admitted Bodies has been further broken down between Community and Transferee Admission Bodies, therefore the 2010-11 figures have been restated.

NOTE 10 – PAYMENT TO AND ON ACCOUNT OF LEAVERS

	2011-12 £000	2010-11 £000
Refunds to Members leaving service	**4**	26
Individual Transfers	**8,723**	10,408
Total	**8,727**	**10,434**

The refunds to members leaving the service relates to members who opted out of the scheme within three months of joining. The individual transfer figure represents the cash payments from the Fund in relation to individual scheme members' who have left the scheme and transferred their benefits to another pension provider.

NOTE 11 – ADMINISTRATIVE EXPENSES

The costs incurred by the Council in administering the Fund, as declared annually to Communities and Local Government, totalled £2.072m for the year ended 31 March 2012. This represents an increase of £138k from £1.934m in 2010-11. A breakdown of the significant items is shown below.

	2011-12	2010-11 Restated
	£000	£000
Direct Staffing	**1,310**	1,298
Other Supplies and Services	**307**	278
Actuarial Fees	**203**	159
IT	**109**	96
Legal Fees	**89**	27
Printing & Postage	**38**	34
External Audit Fees	**21**	48
Income	**-5**	-6
Total	**2,072**	**1,934**

In 2010-11 the costs of Management support, accommodation and other overheads (£115k) were shown on a separate line entitles Senior Management Support. These costs have now been reallocated over the appropriate headings above to give a total cost per expenditure type.

NOTE 12 – INVESTMENT INCOME

	2011-12	2010-11
	£000	£000
Dividends from Equities	**19,311**	25,968
Net Rents from Properties	**11,655**	9,313
Income from Fixed Interest Securities	**10,764**	9,061
Income from Pooled Investment Vehicles:		
Property	**1,367**	1,631
Other	**402**	321
Stock Lending	**304**	337
Other	**297**	54
Interest from Cash Deposits	**168**	177
	44,268	**46,862**

NOTE 13 – TAXES ON INCOME

The Fund is exempt from UK income tax on interest and from capital gains tax on the profits resulting from the sale of investments. The Fund is exempt from United States withholding tax on dividends and can recover all or part of the withholding tax deducted in some other countries. The amount of withholding tax deducted from overseas dividends which the Fund is unable to reclaim in 2011-12 amounts to £837k and is shown as a tax charge, compared to £690k in 2010-11.

As Cheshire West & Chester Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment and property expenses.

NOTE 14 – INVESTMENT EXPENSES

	2011-12 £000	2010-11 £000
Management Fees	**8,219**	9,438
Management Fees – Investment Properties	**524**	446
Investment Advisory Fees	**163**	158
Custody Fees	**121**	116
Performance monitoring services	**26**	23
Total	**9,053**	**10,181**

Investment management expenses include both those paid directly to the investment manager by the Administering Authority, and where the manager deducts their fee directly from funds under management by netting off their fee from the Gross Asset Value. All investment management fees are accounted for on an accruals basis.

NOTE 15 – INVESTMENTS

Investment Assets	2011-12 £000	2010-11 £000
Equities		
Overseas Quoted	**786,932**	784,199
UK Quoted	**75,805**	72,028
Pooled Investments		
Fixed Income – Multi Strategy	**406,108**	400,394
UK Equity Listed	**328,156**	612,736
Overseas Equity Listed	**263,704**	264,243
Secured Loans	**120,905**	79,494
Overseas Unit Trusts – Property	**13,204**	14,016
UK Unit Trusts – Property	**2,895**	3,172
UK Equity Unlisted	**31**	26
Global Tactical Asset Allocation	**0**	65,953
Hedge Funds	**425,911**	0
Private Equity	**199,580**	176,850
Investment Properties	**169,034**	161,892
Cash Deposits	**59,880**	63,123
Loans	**27,722**	13,378
Secured Loans	**0**	85,428
Derivative Contracts:		
Futures	**249**	419
Forward currency contracts	**3,311**	1,696
Other investment balances:		
Outstanding dividends entitlements and withholding tax claims	**5,037**	4,929
	2,888,464	2,803,976
Investment Liabilities		
Derivative Contracts:		
Futures	**-130**	-476
Forward currency contracts	**-175**	-8,028
Net Investments	**2,888,159**	**2,795,472**

Following a review of the Fund's investment strategy, numerous changes to the Fund's asset allocation and investment manager mix were implemented in 2011-2012.

These changes have impacted upon the year on year comparison figures for equities, pooled investments, hedge funds and secured loans.

For more details of the changes please refer to note 19.

Note 15a –Fixed Income Multi Strategy

The Fund has invested in three pooled fixed income investment vehicles managed separately by Goldman Sachs Asset Management, Henderson and Baillie Gifford & Co. The underlying assets of these pooled vehicles are invested by the managers in diversified portfolios of a wide range of fixed income assets including Government Bonds (UK and Overseas), Corporate Bonds, High Yield Bonds, Emerging Market Bonds, Asset and Mortgage Backed Securities, Secured Loans and currency. The managers may use derivative instruments to manage risk and to express their investment convictions.

Note 15b – Hedge Funds

Following a review of the Fund's investment strategy, numerous changes to the Fund's asset allocation and investment manager mix where implemented in 2011-2012. The Fund strategically allocated 15% of assets to Hedge Funds and as at 31 March the allocation to these strategies and managers were as follows:

	2011-12	**2010-11**
	£000	**£000**
Fauchier Partners	**170,901**	0
Arrowgrass Capital Partners	**106,615**	0
Winton Capital	**84,157**	0
Och Ziff Capital Management	**64,238**	0
	425,911	**0**

Note 15c - Private Equity	**Number of Funds**	**2011-12**	**2010-11**
		£000	**£000**
Adam Street Partners	16	**104,653**	89,817
Pantheon Ventures	7	**87,125**	79,131
Lexington	1	**7,802**	7,902
Total		**199,580**	**176,850**

Note 15d - Loans

The Fund has committed £50m to the M&G UK Financing Fund which is a limited partnership whose investment objective is to take advantage of difficulties in the UK banking sector and lend monies to UK FTSE350 companies through senior debt and equity linked instruments. As at the 31 March 2012 £27.7m of this commitment had been drawn down.

Note 15e – Cash

	2011-12 £000	2010-11 £000
Cash Deposits	**34,065**	14,801
Cash Instruments	**25,815**	48,322
	59,880	**63,123**

Note 15f – Reconciliation of movements in investments and derivatives

	Fair Value at 31March 2011 £000	Purchases at cost and derivative payments £000	Sales proceeds and derivative receipts £000	Change in Fair value £000	**Fair Value at 31 March 2012 £000**
Pooled Investment Vehicles	**1,440,034**	247,129	-581,323	29,163	**1,135,003**
Equities	**856,227**	257,103	-242,369	-8,224	**862,737**
Hedge Funds	**0**	457,268	-34,474	3,117	**425,911**
Private Equity	**176,850**	21,749	-20,547	21,528	**199,580**
Investment Properties	**161,892**	17,379	-3,523	-6,714	**169,034**
Loans	**13,378**	14,591	-901	654	**27,722**
Secured Loans	**85,428**	58,557	-143,248	-737	**0**
	2,733,809	1,073,776	-1,026,385	38,787	**2,819,987**
Derivative Contracts:					
- Futures	**419**			-170	**249**
- Forward currency contracts	**1,696**	8,772	-7,597	440	**3,311**
	2,735,924	1,082,548	-1,033,982	**39,057**	**2,823,547**
Cash	**63,123**		-12,388	9,145	**59,880**
	2,799,047	1,082,548	-1,046,370	**48,202**	**2,883,427**
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	**4,929**				**5,037**
	2,803,976				**2,888,464**
Investment Liabilities					
Derivative Contracts:					
- Futures	**-476**				**-130**
- Forward currency contracts	**-8,028**				**-175**
Net Investments	**2,795,472**				**2,888,159**

	Fair Value at 31 March 2010 £000	Purchases at cost and derivative payments £000	Sales proceeds and derivative receipts £000	Change in Fair value £000	Fair Value at 31March 2011 £000
Pooled Investment Vehicles	**1,046,831**	551,855	-221,370	62,718	**1,440,034**
Equities	**1,100,185**	518,281	-874,241	112,002	**856,227**
Private Equity	**143,359**	26,857	-11,528	18,162	**176,850**
Investment Properties	**105,355**	63,870	-1,460	-5,873	**161,892**
Secured Loans	**77,051**	2,980	0	5,397	**85,428**
Loans	**0**	13,180	0	198	**13,378**
	2,472,781	1,177,023	-1,108,599	192,604	**2,733,809**
Derivative Contracts:					
- Futures	**334**			85	**419**
- Forward currency contracts	**1,277**	11,423	-12,446	1,442	**1,696**
	2,474,392	**1,188,446**	**-1,121,045**	**194,131**	**2,735,924**
Cash	**56,001**	7,698		-576	**63,123**
	2,530,393	1,196,144	-1,121,045	193,555	**2,799,047**
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	**5,148**				**4,929**
	2,535,541				**2,803,976**
Investment Liabilities					
Derivative Contracts:					
- Futures	**-143**				**-476**
- Forward currency contracts	**-91**				**-8,028**
Net Investments	**2,535,307**				**2,795,472**

The change in fair value of investments during the year comprises all increases and decreases in the fair value of investments held at any time during the year, including realised and unrealised profits and losses on purchase and sales of investments during the year.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other costs and amounted to £1.1m in 2011-12 (£4m for 2010-11). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme. It is not practical to obtain or estimate the transaction costs incurred in 2011-12.

NOTE 16 – ANALYSIS OF DERIVATIVES

	Asset 2011-12 £000	Liability 2011-12 £000	Asset 2010-11 £000	Liability 2010-11 £000
Equity Futures Contracts	**249**	**130**	419	476
Forward Foreign Exchange Contracts	**3,311**	**175**	1,696	8,028
	3,560	**305**	**2,115**	**8,504**

Equity Futures and Foreign Exchange Contracts:

	Exchange	Expiration	Economic Exposure Value 2011-12 £000	Market Value 2011-12 £000	Economic Exposure Value 2010-11 £000	Market Value 2010-11 £000
Assets						
Germany	DAX	Less than 1 Year	-290	1	470	25
Italy	FTSE/MIB	Less than 1 Year	0	0	4,348	47
Tokyo	Nikkei 225	Less than 1 Year	0	0	3,583	309
Singapore	MSCI Singapore	Less than 1 Year	0	0	1,780	38
Sweden	OMXS30	Less than 1 Year	-141	3	0	0
Switzerland	Swiss MKT	Less than 1 Year	-1,951	3	0	0
Canada	S&P TSE60	Less than 1 Year	-3,177	15	0	0
Japan	TOPIX	Less than 1 Year	6,062	227	0	0
Total assets			**503**	**249**	**10,181**	**419**
Liabilities						
UK	FTSE 100	Less than 1 Year	286	-8	-412	-16
Netherlands	Amsterdam	Less than 1 Year	0	0	-64	-3
France	CAC 40 Euro	Less than 1 Year	0	0	-212	-10
USA	S&P 500 Emini	Less than 1 Year	0	0	-2,802	-91
Spain	IBEX 35	Less than 1 Year	0	0	-94	-2
Sweden	OMXS30	Less than 1 Year	0	0	-55	-4
Switzerland	Swiss MKT	Less than 1 Year	0	0	-1,878	-67
Japan	TOPIX	Less than 1 Year	0	0	1,760	-146
Australia	SPI 200	Less than 1 Year	-1,902	-35	-2,746	-137
Italy	FTSE/MIB	Less than 1 Year	3,150	-85	0	0
Singapore	MSCI Singapore	Less than 1 Year	1,511	-2	0	0
Total Liabilities			**3,045**	**-130**	**-6,503**	**-476**
Net futures			**3,548**	**119**	**3,678**	**-57**

2011-12 Forward Foreign Exchange Contracts:

Contract	Settlement Date	Currency Bought £000		Currency Sold £000		Asset £000	Liability £000
Forward OTC	1 month	909	NOK	100	GBP		0
Forward OTC	1 month	870	GBP	2,467	TRY	4	
Forward OTC	3 months	1,031	NOK	113	SEK		0
Forward OTC	3 months	6,515	USD	4,933	EUR		-34
Forward OTC	3 months	1,195	USD	6,940	NOK		-13
Forward OTC	3 months	1,785	USD	137,161	JPY	74	
Forward OTC	2 months	376	USD	344	CHF		-3
Forward OTC	2 months	407	CAD	408	USD		-1
Forward OTC	2 months	3,427	SEK	514	USD	1	
Forward OTC	2 months	1,067	USD	975	CHF		-7
Forward OTC	2 months	706	GBP	1,115	USD	8	
Forward OTC	2 months	206	USD	1,155	DKK		-1
Forward OTC	2 months	1,326	USD	1,209	CHF		-7
Forward OTC	2 months	806	GBP	1,272	USD	10	
Forward OTC	2 months	11,268	HKD	1,453	USD		-1
Forward OTC	2 months	1,576	USD	1,485	AUD	26	
Forward OTC	2 months	2,020	USD	1,522	EUR		-5
Forward OTC	2 months	1,751	USD	1,595	CHF		-9
Forward OTC	2 months	16,444	HKD	2,120	USD		-1
Forward OTC	2 months	3,087	SGD	2,459	USD		-2
Forward OTC	2 months	19,126	SEK	2,871	USD	6	
Forward OTC	2 months	4,187	SGD	3,331	USD		-1
Forward OTC	2 months	4,187	SGD	3,332	USD		-1
Forward OTC	2 months	4,187	SGD	3,333	USD		-2
Forward OTC	2 months	4,731	SGD	3,767	USD		-3
Forward OTC	2 months	2,513	GBP	3,970	USD	28	
Forward OTC	2 months	31,519	HKD	4,065	USD		-1
Forward OTC	2 months	8,366	USD	6,328	EUR		-38
Forward OTC	2 months	50,968	HKD	6,573	USD		-5
Forward OTC	2 months	9,061	USD	6,850	EUR		-40
Forward OTC	2 months	5,235	USD	416,868	JPY	105	
Forward OTC	2 months	10,596	HKD	1,365	USD		0
Forward OTC	2 months	2,217	HKD	179,227	USD	24	
Forward OTC	3 months	63,809	GBP	100,000	USD	1,209	
Forward OTC	3 months	114,375	GBP	135,000	EUR	1,816	
						3,311	**-175**
Total Derivatives						**3,560**	**-305**

2010-11 Forward Foreign Exchange Contracts:

Contract	Settlement Date	Currency Bought £000		Currency Sold £000		Asset £000	Liability £000
Forward OTC	1 month	469	USD	471	AUD	11	
Forward OTC	1 month	491	USD	476	CHF	19	
Forward OTC	1 month	525	USD	3,427	SEK	11	
Forward OTC	1 month	646	USD	828	SGD	7	
Forward OTC	1 month	736	USD	728	CAD	8	
Forward OTC	1 month	897	GBP	1,436	USD		1
Forward OTC	1 month	1,200	DKK	216	USD		8
Forward OTC	1 month	3,265	USD	4,187	SGD	35	
Forward OTC	1 month	3,265	USD	4,187	SGD	35	
Forward OTC	1 month	3,266	USD	4,187	SGD	35	
Forward OTC	1 month	3,534	USD	3,496	CAD	37	
Forward OTC	1 month	3,962	USD	3,855	CHF	157	
Forward OTC	1 month	5,352	USD	34,932	SEK	112	
Forward OTC	1 month	6,543	USD	50,968	HKD	7	
Forward OTC	1 month	6,544	USD	50,968	HKD	6	
Forward OTC	1 month	6,850	EUR	9,220	USD		310
Forward OTC	1 month	6,850	EUR	9,232	USD		303
Forward OTC	1 month	7,057	EUR	9,492	USD		324
Forward OTC	1 month	416,868	JPY	5,004	USD		17
Forward OTC	1 month	7,358	DKK	1,375	USD		15
Forward OTC	1 month	15,805	SEK	2,487	USD		10
Forward OTC	1 month	25	USD	40	BRL		0
Forward OTC	1 month	1,208	USD	1,958	BRL		3
Forward OTC	2 month	155,000	EUR	130,138	GBP		7,037
Forward OTC	2 month	61,619	GBP	71,000	EUR	1,216	
						1,696	**8,028**
Total Derivatives						**2,115**	**8,504**

The Fund and its investment managers use exchange traded index futures contracts for hedging purposes, direct investing as a means of creating equity exposure and for managing risk by implementing shifts in investment exposure. Forward currency contracts are used to hedge the risks associated with the foreign currencies represented by the securities held, or to adjust the foreign currency exposure of the Fund.

The Fund hedges its European equity exposures by investing in a hedged European equity mandate with Legal and General. The Fund also hedges its direct European and US Dollar equity exposure through forward currency contracts. As at the year end the balance was +£3m (2010-11 -£5.8m).

NOTE 17 – STOCK LENDING

In accordance with the LGPS (Management & Investment of Funds) Regulations 2009 the Fund allows its' stock to be lent provided that the total value of the securities loaned out does not exceed 25% of the total Fund value. The Fund has entered into a stock lending programme managed by its custodian the Bank of New York Mellon and only accepts government and quasi government bonds as collateral against loaned stock to safeguard the Fund's assets. During the year ended 31 March 2012 the Fund earned £304k (£357k 2010-11) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £12.8m (£8.84m 2010-11) and the value of collateral held was £13.6m (£9.29m 2010-11).

NOTE 18 – INVESTMENT PROPERTIES

	2011-12	2010-11
	£000	£000
Freehold	**144,254**	142,267
Heritable	**17,750**	11,625
Leasehold	**7,030**	8,000
Total	**169,034**	**161,892**

Note 18a – Net Rental Income

	2011-12	2010-11
	£000	£000
Rental Income	**13,555**	11,454
Dilapidations	**693**	140
Rent adjustment required on purchase/sale	**177**	571
Interest/Misc Income	**273**	40
Direct Operating Expenses	**-1,980**	-1,832
Net Rental Income	**12,718**	**10,373**

Note 18b – Fair Value of Investment Properties

	2011-12	2010-11
	£000	£000
Balance at the start of the year	**161,892**	108,195
Additions	**17,379**	58,790
Disposals	**-3,585**	-4,360
Net gain/loss on fair value	**-6,652**	-733
Balance at the end of the year	**169,034**	**161,892**

At the year end there were no amounts of restrictions on the realisability of investment property or the remittance of income on proceeds of disposals.

Contractual obligations for development, repairs and maintenance amounted to £164k. There were no obligations to purchase new properties.

NOTE 19 – INVESTMENT BY FUND MANAGER

	2011-12 £000	2011-12 %	2010-11 £000	2010-11 %
Baillie Gifford & Co	**592,231**	**20.6**	620,042	22.2
Legal & General	**585,634**	**20.3**	871,330	31.2
GMO	**344,817**	**12.0**	339,453	12.1
Rockspring Property Investment Managers	**186,301**	**6.5**	180,462	6.5
Goldman Sachs Asset Management	**183,552**	**6.4**	162,294	5.8
Henderson	**177,822**	**6.2**	160,347	5.7
Fauchier Partners	**170,900**	**5.9**	0	0.0
M&G Investments	**167,009**	**5.8**	93,888	3.4
Arrowgrass Capital Partners	**106,615**	**3.7**	0	0.0
Adams Street Partners	**104,653**	**3.5**	89,816	3.2
Winton Capital	**84,157**	**2.9**	0	0.0
Pantheon Ventures	**87,125**	**2.9**	79,465	2.8
Och Ziff Capital Management	**64,238**	**2.2**	0	0.0
Deutsche Bank (Money Market)	**14,355**	**0.5**	0	0.0
Lexington Capital Partners	**7,802**	**0.3**	7,902	0.3
Bank of New York Mellon	**6,299**	**0.2**	-5,801	-0.2
Fidelity (Money Market)	**3,584**	**0.1**	963	0.0
The Co-Operative Bank (Public Sector Reserve)	**1,007**	**0.0**	2,235	0.0
HG Capital	**31**	**0.0**	26	0.0
Internal	**27**	**0.0**	35	0.0
European Credit Management (ECM)	**0**	**0.0**	85,445	3.1
Bank of New York Mellon Asset Management	**0**	**0.0**	65,953	2.4
Standard Life (Money Market)	**0**	**0.0**	41,617	1.5
Total	**2,888,159**	**100**	**2,795,472**	**100**

Following a review of the Fund's investment strategy, numerous changes to the Fund's asset allocation and investment manager mix were implemented in 2011-12.

The Fund strategically allocated 15% of assets to Hedge Funds. The majority of the funding for these mandates were sourced from UK equities passively managed by Legal and General.

The Fund consolidated its secured loan mandates by terminating the mandate managed by ECM and re-investing the proceeds into the Secured Loan mandate managed by M&G.

Following the strategic decision to allocate 15% of assets to Hedge Funds, the Fund's existing allocation to a GTAA strategy managed by BNY Mellon Asset Management, was removed from the Fund's asset allocation.

Finally, following a review of the Fund's fixed income allocation the existing investment in Baillie Gifford's fixed income bond fund was reduced by £40m and the £178m invested in the existing Henderson's High Alpha Credit Fund was reallocated to the Horizon Total Return Bond Fund managed by the same manager.

On 1 June 2011 Standard Life closed its money market funds which were amalgamated with existing Deutsche Bank Advisors money market funds.

The credit balance of -£5.801m for the Bank of New York in 2010-11 relates to liabilities at year end related to foreign currency exchange contracts for currency hedging purposes.

Note 19a – The following investments represent more than 5% of the net assets of the scheme

Security Description	Market Value 31 March 2012 £000	% of total fund	Market Value 31 March 2011 £000	% of total fund
Legal and General pooled UK equities	313,201	10.88	598,004	21.39
Goldman Sachs Sterling Broad Fund	183,552	6.38	162,294	5.81
Henderson horizon total return bond	177,822	6.18	-	-
Fauchier - Jubilee absolute return fund	170,900	5.94	-	-

NOTE 20 – FINANCIAL INSTRUMENTS

Note 20a – Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the market value of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	2011-12				2010-11			
	Available for sale assets £000	Designated at fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000	Available for sale assets £000	Designated at fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000
Financial assets								
Pooled investments	1,135,003				1,436,925			
Equities	862,737				856,227			
Hedge Funds	425,911				-			
Private equity	199,580				176,850			
Secured loans	-				85,428			
Loans	27,722				13,378			
Derivative contracts		3,560				2,115		
Cash			59,055				65,763	
Other Investments			4,991				4,855	
Debtors			39,389				50,017	
	2,650,953	**3,560**	**103,435**	**-**	**2,568,808**	**2,115**	**120,635**	**-**
Financial Liabilities								
Derivative contracts		-305				-8,504		
Other investments								
Creditors				-7,368				-11,523
	-	**-305**	**-**	**-7,368**	**-**	**-8,504**	**-**	**-11,523**
TOTAL	**2,650,953**	**3,255**	**103,435**	**-7,368**	**2,568,808**	**-6,389**	**120,635**	**-11,523**

Note 20b – Net gains and losses on financial instruments

	2011-12	2010-11
Financial assets		
Available for sale assets	53,727	200,004
Loans and receivables	8,683	-
Designated at fair value through profit and loss	270	-
Financial liabilities at amortised cost	-8,541	-795
Financial Liabilities		
Available for sale assets	-	-
Loans and receivables	-	-
Designated at fair value through profit and loss	-	-
Financial liabilities at amortised cost	-	-
Total	**54,139**	**199,209**

Note 20c – Fair value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values. The carrying value is the book cost and the fair value is market value.

	2011-12		2010-11	
	Carrying Value £000	**Fair Value £000**	**Carrying Value £000**	**Fair Value £000**
Financial assets				
Available for sale assets	2,286,932	2,650,952	2,048,878	2,568,808
Loans and receivables	77,033	103,435	103,330	120,635
Designated at fair value through profit and loss		3,560		2,115
Total Financial assets	**2,363,965**	**2,757,947**	**2,152,209**	**2,691,558**
Financial Liabilities				
Available for sale assets				
Loans and receivables				
Designated at fair value through profit and loss	-305	-305	-8,504	-8,504
Total Financial Liabilities	**-305**	**-305**	**-8,504**	**-8,504**

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 20d - Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1
Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Fair value measurement defines an active market as a market in which transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis, as well as the reporting date. Products classified as level 1 comprise listed equities, exchange traded futures, options and an element of hedge funds.

Level 2
Financial instruments at level 2 are those whose values are based on quoted market prices that are not as active as level 1 markets or based on models whose inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Products classified as level 2 comprise bonds and loans, less liquid and restricted equity securities, hedge funds and over the counter derivatives.

Level 3
Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would primarily include unquoted equity investments and also some elements of the hedge fund investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent external audit of the individual hedge funds.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values as at 31 March 2012	Quoted Market Price Level 1	Using observable inputs Level 2	With significant observable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets				
Available for sale assets	1,589,837	843,444	217,670	2,650,951
Loans and receivables	64,046	3,027		67,073
Designated at fair value through profit and loss	534			534
Total Financial assets	**1,654,417**	**846,471**	**217,670**	**2,718,558**
Financial Liabilities				
Available for sale assets				
Loans and receivables				
Designated at fair value through profit and loss	-305			-305
Total Financial Liabilities	**-305**	**-**	**-**	**-305**
Net financial assets	**1,654,112**	**846,471**	**217,670**	**2,718,253**

Values as at 31 March 2011	Quoted Market Price Level 1	Using observable inputs Level 2	With significant observable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets				
Available for sale assets	1,857,810	535,523	175,475	2,568,808
Loans and receivables	70,618			70,618
Designated at fair value through profit and loss	899	1,216		2,115
Total Financial assets	**1,929,327**	**536,739**	**175,475**	**2,641,541**
Financial Liabilities				
Available for sale assets				
Loans and receivables	-476	-8,028		-8,504
Designated at fair value through profit and loss				
Total Financial Liabilities	**-476**	**-8,028**		**-8,504**
Net financial assets	**1,928,851**	**528,711**	**175,475**	**2,633,037**

NOTE 21 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce risk exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the fund's forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

Risk management policies are established to identify and analyse the risks faced by the Council's pension operations. Policies are reviewed regularly to reflect changes in activity and in market changes.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk). Whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the fund investment strategy.

Other price risk - sensitivity analysis

In consultation with the fund's investment advisers and, following analysis of historical data and expected investment return movement during the financial year, the Council has determined that the following movements in market price risk are reasonably possible for the 2012-13 reporting period:

Asset Type	Potential market movements % (+ / -)
Private Equity	28.5
Global Equities	19.7
UK Equities	17.0
Hedge Funds	11.9
Other	11.9
Corporate Bonds	10.3
UK Fixed Gilts	7.8
Cash	0.8

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment adviser's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below):

Asset Type	Value as at 31 March 2012 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Global equities	786,932	19.7	155,026	-155,026
Other	756,617	11.9	90,037	-90,037
Hedge Funds	425,911	11.9	50,683	-50,683
Corporate bonds	303,843	10.3	31,296	-31,296
Private equity	199,580	28.5	56,880	-56,880
UK Fixed Gilts	102,266	7.8	7,977	-7,977
UK equities	75,805	17.0	12,887	-12,887
Cash	59,375	0.8	475	-475
Investment income due	4,670	0.0	-	-
Net derivative assets	3,256	0.0	-	-
Total assets available to pay benefits	**2,718,253**		**405,261**	**-405,261**

Asset Type	Value as at 31 March 2011 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Other	1,138,448	11.9	135,475	-135,475
Global equities	784,199	19.7	154,487	-154,487
Corporate bonds	273,705	10.3	28,192	-28,192
Private equity	176,850	28.5	50,402	-50,402
UK Fixed Gilts	123,578	7.8	9,639	-9,639
UK equities	72,028	17.0	12,245	-12,245
Hedge Funds	-	11.9	-	-
Cash	65,763	0.8	526	-526
Net derivative assets	-6,389	0.0	-	-
Investment income due	4,855	0.0	-	-
Total assets available to pay benefits	**2,633,037**		**390,966**	**-390,966**

Interest rate risk

The Fund invests in a number of interest bearing instruments such as Government bonds, corporate bonds and secured loans for the primary purpose of obtaining a return on those investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Council and its investment advisers in accordance with the funds risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2012 and 31 March 2011 is set out below. These disclosures present interest rate risk based on the underlying financial asset at fair value:

Asset Type	2011-12 £000	2010-11 £000
Fixed interest securities	406,109	400,394
Cash and cash equivalents	40,941	18,326
Cash balances	18,938	44,796
Total	**465,988**	**463,516**

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

The £406.109m fair value of the bond mandates managed by Henderson, Goldman Sachs and Baillie Gifford are more sensitive to movements in interest rates as measured by their duration (the level of sensitivity to interest rates) of 0.1, 8.93 and 8.66 years respectively.

The duration for Henderson was low at the year-end as the assets were in transition so the majority was held as cash as at the 31 March 2012.

The secured loans invested in by M&G and Henderson, and the UK Financing Fund loans managed by M&G, are typically structured with a floating rate payment structure, whereby a fixed basis point spread is paid over the prevailing reference rate, typically 3 month LIBOR or EURIBOR. As a result, there is negligible interest rate risk involved in these investments. However, the total interest earned on investments will vary from time to time with changes in the underlying reference rate.

A 1% increase in the prevailing level of interest would decrease the aggregate fair value of these mandates by £20.4m. Likewise a 1% decrease in the level of interest would be expected to increase the fair value of these mandates by a similar amount.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund’s liabilities are denominated in sterling but as part of its investment strategy the Fund invests in assets denominated in foreign currencies, which exposes the Fund to the risk of movement in exchange rates. The Fund’s investment managers may at their own discretion hedge part or all of the foreign exchange risk inherent in their portfolio. The Fund has also hedged its European and equity exposure by investing in a hedged European equity mandate with Legal and General and also hedges it’s direct European and US Dollar equity exposure through forward currency contracts.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisers in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following tables summarise the Fund's net currency exposure, after hedging, as at 31 March 2012 and 31 March 2011:

Currency exposure – asset type 2011-12	**Gross Exposure £000**	**Hedging Exposure £000**	**Net Exposure £000**
Overseas listed equities	1,070,400	-175,586	894,814
Overseas unquoted securities	199,580		199,580
Hedge funds overseas fixed interest	64,238	-62,588	1,650
Overseas unit trusts	13,501		13,501
Total	**1,347,719**	**-238,174**	**1,109,545**

Currency exposure – asset type 2010-11	**Gross Exposure £000**	**Hedging Exposure £000**	**Net Exposure £000**
Overseas listed equities	1,066,685	-130,582	936,103
Overseas unquoted securities	177,183		177,183
Hedge funds overseas fixed interest	0		0
Overseas unit trusts	80,263		80,263
Total	**1,324,131**	**-130,582**	**1,193,549**

Currency risk - sensitivity analysis

Following analysis of historical data in consultation with the fund investment advisers, the Council considers the likely volatility associated with foreign exchange rate movements to be 13% (as measured by one standard deviation).

A 13% fluctuation in the currency is considered reasonable based on the fund's adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 13% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Net Currency exposure – asset type	Asset values	Change to net assets available to pay benefits	
	2011-12	+13%	-13%
	£000	£000	£000
Overseas listed equities	894,814	116,326	-116,326
Overseas unquoted securities	199,580	25,945	-25,945
Hedge funds overseas fixed interest	1,650	214	-214
Overseas unit trusts	13,501	1,755	-1,755
Total	**1,109,545**	**144,240**	**-144,240**

Net Currency exposure – asset type	Asset values	Change to net assets available to pay benefits	
	2010-11	+13%	-13%
	£000	£000	£000
Overseas listed equities	936,103	121,693	-121,693
Overseas unquoted securities	177,183	23,034	-23,034
Hedge funds overseas fixed interest	0	0	0
Overseas unit trusts	80,263	10,434	-10,434
Total	**1,193,549**	**155,161**	**-155,161**

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the market value of the fund's financial assets and liabilities.

In essence the Fund's investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The primary credit risk to the Fund is through its fixed interest instruments managed by Henderson, Goldman Sachs and Baillie Gifford and secured loans managed by M&G. However the majority of the

Funds fixed income assets are investment grade quality (above BBB rated) sovereign or corporate bonds rated.

The Fund's aggregate exposure to credit risk through these three mandates as measured by the credit rating of external agencies is summarised in the table below:

S&P Quality Rating	Fair Value 2011-12 £000	% of Fair value of Fixed Income Assets 2011-12
AAA	140,601	34.62
AA	14,446	3.56
A	31,232	7.69
BBB	31,598	7.78
Below BBB	14,059	3.46
Cash	166,930	41.11
Derivatives	967	0.24
Loans	5,086	1.25
NR	1,190	0.29
Total	**406,109**	**100**

There is a high weighting to cash as the Henderson assets were in transition to a new product and had not been reallocated as at 31 March 2012.

S&P quality rating	Fair Value 2010-11 £000	% of fair value of Fixed Income assets 2010-11
AAA	197,950	49.5
AA	28,988	7.2
A	61,778	15.4
BBB	50,398	12.6
Below BBB	19,121	4.8
Not Rated	1,962	0.5
Cash	30,416	7.6
Loans	9,781	2.4
	400,394	**100.0**

The Fund also invests in secured loans through dedicated mandates managed by M&G, whilst the Henderson Fixed Income mandate also has discretion to invest a proportion of their fund tactically in the same asset class. Secured loans are below investment grade, which as a result carry greater credit risk than investment grade sovereign or corporate bonds or loans. The increased credit risk associated with this asset class is mitigated by the managers through detailed credit research analysis and through constructing a diversified portfolio of secured loans across individual counterparties, ratings, industry sector and geography. Credit risk is further reduced by the senior position in the capital structure that is inherent in this asset class which is secured against the counterparty's assets.

The Fund's aggregate exposure to credit risk through these secured loan mandates as measured by the credit rating is summarised in the table below:

2011-12 Rating	Fair Value £000	% of Fair value of Assets
BBB-	1,114	0.80
BB+	1,671	1.20
BB	15,043	10.80
BB-	26,743	19.20
B+	32,732	23.50
B	45,547	32.70
B-	12,397	8.90
CCC+	2,368	1.70
CCC and below	1,671	1.20
Total	**139,286**	**100**

2010-11 Rating	Fair Value £000	% of Fair value of Assets
BBB-	1,127	0.68
BB+	2,664	1.61
BB	13,611	8.20
BB-	23,687	14.27
B+	48,007	28.93
B	47,453	28.60
B-	12,028	7.25
CCC+	4,831	2.91
CCC and below	12,530	7.55
Total	**165,938**	**100**

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, the council invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all have AAA ratings from a leading ratings agency.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits in the Fund's history. The Fund's cash holding under its treasury management arrangements as at 31 March 2012 was £18.9m (31 March 2011 £44.8m). This was held with the following institutions:

2011-12 Counterparty	Moodys Rating	£m	% of cash balances
Bank of New York Mellon Cash Accounts	Aa2	33,240	55.51
Deutsche Bank Advisors (Money Market)	Aaa/MRS+	14,347	23.96
Bank of New York Mellon (Money Market)	Aaa/MRI+	6,877	11.48
Fidelity Worldwide Investment (Money Market)	Aaa-mf	3,584	5.99
The Co-Operative Bank (Public Sector Reserve)	A-	1,007	1.68
Cash in transit	NR	825	1.38
Total		**59,880**	**100**

2010-11 Counterparty	Moodys Rating	£m	% of cash balances
Standard Life Money Market	Aaa/MR1+	41,597	65.9
BNY Mellon Cash accounts	Aa2	14,330	22.8
Bank of New York Mellon Cash Accounts	Aaa/MR1+	3,526	5.6
The Co-Operative Bank	A2	2,235	3.5
Fidelity Worldwide Investment (Money Market)	Aaa-mf	963	1.5
Cash in transit	NR	470	0.7
Santander	Aa3	1	0.0
Total		**63,122**	**100**

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments.

The Council has immediate access to its Pension Fund cash holdings.

The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. Illiquid assets can include assets where a) there are no highly liquid active markets, such as investment properties and private equity or b) individual fund structures, where the Fund's investment is locked in for a specific period or where the investment manager may have the ability to 'gate' or limit investors withdrawal from the fund. As at 31 March 2012 the value of illiquid assets was £555m, which represented 19% of the total fund assets (31 March 2011 £191m, which represented 7% of the total fund assets). The increase in illiquid assets is largely due to the investment in hedge funds.

In terms of liquidity risk, the Fund had £60m of cash balances as at 31 March 2012 and current net assets of £39m. The Fund received positive net cashflows, before taking account of investment, of £7m. There is thus no significant risk that it will be unable to meet its current commitments.
All current liabilities are due to be paid in less than one year.

Financial mismatch – 1. The risk that Fund assets fail to grow in line with the developing cost of meeting Fund liabilities. 2. The risk that unexpected inflation increases the pension and benefit payments and the Fund assets do not grow fast enough to meet the increased cost.

Changing demographics –The risk that longevity improves and other demographic factors change increasing the cost of Fund benefits.

Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting Fund liabilities.

The Council measures and manages financial mismatch in two ways. As indicated above, it has set a strategic asset allocation benchmark for the Fund. It assesses risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. It also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Fund prepares periodic cash flow forecasts to understand and manage the timing of cash flows. The appropriate strategic level of cash balances to be held is a central consideration in preparing the Fund's annual investment strategy.

The Council keeps under review mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions are considered formally at the triennial valuation.

The Council seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Stock Lending

The Fund has entered into a stock lending programme managed by its custodian the Bank of New York Mellon and only accepts government and quasi government bonds as collateral against loaned stock to safeguard the Fund's assets. The credit rating of the collateral accepted is summarised below

Moodys rating	**Fair Value of Collateral 31 March 2012 £000**	**% of Fair value of collateral 31 March 2012 %**	**Fair Value of Collateral 31 March 2011 £000**	**% of Fair value of collateral 31 March 2011 %**
Aaa	**13,553**	**100**	9,232	99.4
Aa2	**0**	**0**	58	0.6
Grand Total	**13,553**	**100**	**9,290**	**100**

<u>NOTE 22 – FUNDING ARRANGEMENTS</u>

In line with the LGPS (Administration) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2010. The next valuation will take place as at March 2013.

The key elements of the funding policy are:

- To ensure long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- To ensure that employer contribution rates are as stable as possible;
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so;
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer, from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Normally this is three years but in some cases a maximum period of 12 years can be granted. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

At the 2010 valuation, the fund was assessed as 81.1% funded (85% at the March 2007 valuation). This corresponded to a deficit of £600m (2007 valuation: £419m) at that time.

Contribution increases will be phased in over the three-year period ending 31 March 2014 for both scheme employers and admitted bodies. The common contribution rate (i.e. the rate which all employers in the fund pay is:

Common Contribution Rate	%
Future	16.1
Deficit	6.7
Total	22.8

Individual employer's rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2010 actuarial valuation report and the funding strategy statement on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

Financial assumptions

Assumption	Description	31 March 2010	
		Nominal	Real
Price Inflation (CPI)	Market expectation of long term future inflation as measured by the difference between yields on fixed and index-linked Government bonds at the valuation date, less 0.5% p.a.	3.3%	-
Pay increases*	CPI plus 2.0% p.a.	5.3%	2.0%
'Gilt-based' discount rate	Yield on fixed interest (nominal) and index-linked (real) Government bonds	4.5%	1.2%
Funding basis discount rate	'Gilt-based' discount rate plus an Asset Outperformance Assumption 1.55% p.a.	6.1%	2.8%

*1% p.a. for 2010/11, 2011/12 and 2012/13, reverting to 5.3% p.a. thereafter. Plus an allowance for promotional pay increases.

Mortality assumptions

Assumed life expectancy at age 65	Actives and Deferreds		Current Pensioners	
2007 Valuation Longevity	20.7	23.6	19.6	22.5
2010 Valuation - Baseline	19.8	22.5	19.8	22.5
2010 Valuation - Improvements	24.9	27.7	22.9	25.7

Commutation assumption
It is assumed that future retirees will elect to exchange their pension for additional tax free cash up to 50% of HMRC limits for service to 31 March 2008 and 75% of HMRC limits for service from 1 April 2008.

NOTE 23 – ACTUARIAL VALUE OF PROMISED RETIREMENT BENEFITS

CIPFA's Code of Practice on Local Authority Accounting 2011-12 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. There are three options for disclosure.

The Fund has opted not to disclose the actuarial present value of promised retirements in the net assets statement, instead providing the information by reference to an accompanying actuarial report. A copy of the full actuarial calculation is appended to the Statement of Accounts.

NOTE 24 – LONG TERM ASSETS

	2011-12	2010-11
Long Term Debtors:	**£000**	**£000**
• Contributions due - Employers	**14,424**	18,916
• Sundry Debtors	**1,839**	1,774
Total	**16,263**	**20,690**

Analysis of Long Term debtors

	2011-12	2010-11 Restated
	£000	**£000**
Due from Other Local Authorities	**7,658**	10,719
Due from Cheshire West & Chester Council	**6,540**	7,877
Due from Bodies External to General Government	**2,065**	2,094
Total	**16,263**	**20,690**

The Fund has long term debtors for early retirement contributions from scheme employers who have the option of paying over five years and the settlement from Magistrates Courts of £2.351m which is being paid in equal instalments over 10 years (the first payment of £277k was received in 10-11), discounted as 3.76%. Both have been included at present value.

A number of debtors have been identified as being classed as Central Government Bodies. The 2010-11 debtors have been restated to take account of this change.

NOTE 25 – CURRENT ASSETS

	2011-12	2010-11
Current Debtors:	**£000**	**£000**
• Contributions due - Employers	**19,177**	18,790
• Contributions Due - Employees	**2,754**	2,891
• Sundry Debtors	**1,265**	3,686
Cash balances	**193**	819
	23,389	**26,186**

Analysis of current debtors

	2011-12	2010-11 Restated
	£000	£000
Due from Other Local Authorities	**11,380**	13,627
Due from Cheshire West & Chester Council	**8,695**	7,737
Due from Bodies External to General Government	**3,080**	3,956
Other Debtors	**39**	25
Central Government Bodies	**14**	85
Less Provision for Doubtful Debt	**-12**	-63
	23,196	**25,367**

The current debtors figures includes contributions which were due in March but not received until after the year end and outstanding dividend entitlements and recoverable withholding tax claims relating to investments.

A number of debtors have been identified as being classed as Central Government Bodies. The 2010-11 debtors have been restated to take account of this change.

NOTE 26 – CURRENT LIABILITIES

	2011-12	2010-11
	£000	£000
Sundry Creditors	**4,459**	8,744
Receipts in Advance	**2,802**	2,215
Benefits Payable	**107**	564
	7,368	**11,523**

Analysis of creditors

	2011-12	2010-11
	£000	£000
Due to Cheshire West and Chester	**1,800**	4,655
Due to Bodies External to General Government	**1,472**	2,969
Other Creditors	**1,174**	1,684
Due to Other Local Authorities	**120**	0
	4,566	**9,308**

NOTE 27 – ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

The AVC providers to the members of the Fund are Clerical Medical, Standard Life and Equitable Life. The AVCs are invested separately from the Fund's main assets and used to acquire additional pension benefits and therefore are not included in the Fund’s accounts in accordance with regulation 4 (2) (a) of the LGPS (Management and Investment of Funds) Regulations 2009. Members participating in these AVC arrangements each receive an annual statement confirming the amounts held in their account and the movements during the year.

A summary of the information provided by Clerical Medical, Standard Life and Equitable Life for the year to 31 March 2012 is shown below, along with a prior year comparator.

	Clerical Medical £000	Standard Life £000	Equitable Life £000	Total £000
Contributions received in year 2012	258	180	4	442
Contributions received in year 2011	320	194	6	520
Fair value at 31 Mar 2012	1,949	1,984	816	4,749
Fair value at 31 Mar 2011	1,918	1,905	879	4,702

NOTE 28 – RELATED PARTY TRANSACTIONS

The Fund is administered by Cheshire West and Chester Council. Consequently there is a strong relationship between the Council and the Fund. The majority of the Fund's cash is invested with the Fund's investment managers or directly with external financial institutions. The Fund has its own specific bank account however some of the Fund's transactions (Accounts Payable and Income) are processed through corporate systems and are paid in the first instance through the Council's corporate bank accounts. The Fund repays cash due to the Council for such transactions plus any interest charges on a monthly basis. In 2011-12 the Fund paid the Council £7k (2010-11 £18k) for interest accrued on these balances.

The Council is one of the largest employers and contributed £29.3m into the Fund in 2011-12 (2010-11 £32.7m). At the year end, a balance of £15.234m (2010-11 £15.614m) was due to the Fund from the Council, primarily relating to early retirement costs which will be repaid over more than one year and also contributions which were paid in April but became due in March. A balance of £1.8m (2010-11 £4.655m) was owing to the Council for Fund transactions processed through the Administering Authority's accounts payable and receivable systems. The Administering Authority incurred costs of £2.072m to administer the Fund in 2011-12 (2010-11 £1.934m) and this was recharged to the Pension Fund. Note 11 provides an analysis of these costs. These are related party transactions as Cheshire West and Chester is also a member body of the Pension Fund.

The Fund has not made any employer related investment at any time during the period.

A specific declaration has been received from Pension Fund Committee Members regarding membership of and transactions with any parties related to the Pension Fund. A number of Members act as Councillors or Board Members of particular employers who maintain a conventional employer relationship with the Fund.

The value of transactions with each of these related parties, namely routine monthly payments to the Fund of employer's and employee's contributions is determined by the Local Government Pension Scheme Regulations, and as such no related party transactions have been declared.

A register of outside bodies that Members are appointed to, along with a register of interests is available on the Internet for Cheshire West and Chester and Cheshire East Councils.

Governance

Responsibility for managing the Fund lies with the full Council of Cheshire West and Chester Council with lead officer responsibility delegated to the Director of Resources. Day to day management of the Fund's affairs has been delegated to the Head of Finance advised, with regard to investment matters, by the Pension Fund Committee and external advice from Hymans Robertson and Mercer.

The Pension Fund Committee reports directly to the Cheshire West and Chester Audit and Governance Committee.

Since January 2004 elected members who are offered membership of the Scheme under their respective Council's scheme of allowances have been eligible to join the Scheme. As at 31 March 2012, nine members of the Pension Fund Committee had taken this option and were members of the Scheme.

There is one member of the Committee who is in receipt of pension benefits from the Fund (Chairman Councillor P. Mason). In addition, Committee members Councillors F.Keegan, D. Newton, R. Raynes, D.Beckett, M. Henesy, M. Hogg, B. Crowe and M. Wharton are active members of the Fund.

Each member of the Committee is required to declare their interests at each meeting.

As the Fund forms part of the LGPS it does not strictly have trustees. The members of the Committee do not receive any fees in relation to their specific responsibilities as members of the Committee, although they may be reimbursed for any out of pocket expenses incurred whilst discharging their Committee role.

Key Management Personnel
The posts of Director of Resources and Head of Finance are deemed to be key management personnel with regards to the pension fund. The financial value of their relationship with the fund (in accordance with IAS24) are set out below:

	31 March 2012 £000	**31 March 2011 £000**
Short term benefits	58	58
Long term/post retirement benefits	850	803
Total	**908**	**861**

NOTE 29 – CONTINGENT LIABILITIES

The Fund has contractual commitments to the value of £286m (2010-11 £304m) in private equity funds. At 31 March 2012 the Fund had actually invested £209m (2010-11 £188m) and therefore had an outstanding commitment of £77m (2010-11 £116m). As these funds are denominated in US Dollars and Euros the commitment in Sterling is subject to changes due to currency fluctuations.

The Fund also has contractual commitments to the value of £50m to the UK Companies Financing Fund managed by Prudential M&G. As at 31 March 2011 £27.7m has been drawn down.

NOTE 30 – CONTINGENT ASSETS

There are 17 admitted bodies in the Cheshire Pension Fund who hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.

NOTE 31 – IMPAIRMENT FOR BAD AND DOUBTFUL DEBTS

During 2011-12 the fund has recognised doubtful debts of £12k relating to outstanding rental income on its investment properties of £4K and non recovery of pensioner death overpayments totalling £8k.

There was also one employer with a cessation value of £380k who is not backed up by a guarantor.

NOTE 32 – STATEMENT OF INVESTMENT PRINCIPLES

The Fund's Statement of Investment Principles (SIP) sets out the Fund's investment objectives and investment management arrangements. A full copy of the SIP can be obtained from the Pensions Section, Cheshire West & Chester Council, HQ, Nicholas Street, Chester, CH1 2NP or from the Fund's website at: www.cheshirepensionfund.org

NOTE 33 – FUNDING STRATEGY STATEMENT

Under the LGPS (Administration) Regulations 2008 administering authorities are required to prepare a Funding Strategy Statement (FSS).The key requirements relating to the FSS in the regulations are that;

- After consultation with all relevant interested parties involved with the Fund, the administering authority will prepare and publish their funding strategy.
- In preparing the FSS, the administering authority must have regard to:
    - FSS guidance produced by CIPFA;
    - Its Statement of Investment Principles published under Regulation 12 of the LGPS (Management and Investment of Funds) Regulations 2009
- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.
- The Fund's actuary must have regard to the FSS as part of the fund valuation process.

Fund members' accrued benefits are guaranteed by statute. Members' contributions are fixed in the Regulations at a level which covers only part of the cost of accruing benefits. Employers pay the balance of the cost of delivering the benefits to members (net of returns from the Fund's investments). The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers pay for their own liabilities.

The Funding Strategy Statement for the Cheshire Pension Fund can be obtained from the Pensions Section, Cheshire West & Chester Council, HQ, Nicholas Street, Chester, CH1 2NP or from the Fund's website at: www.cheshirepensionfund.org

Employers with active members participating in the Cheshire Pension Fund 31 March 2012.

Major Scheme Employers
Cheshire West & Chester Council
Cheshire East Council
Cheshire Police Authority
Cheshire Fire and Rescue Service
Cheshire Probation Trust
Halton Borough Council
Warrington Borough Council

Admitted Bodies
A D Solutions
Adoption Matters (North West)
Age Concern (Mid Mersey)
Aspens-Services
BAM Construct UK Ltd
Bulloughs Cleaning Ltd
C L S Care Services
Care Quality Commission
Cheshire & Warrington Enterprise Commission
Cheshire & Warrington Sports Partnership Trust Ltd
Cheshire & Warrington Tourism Board
Cheshire Community Action
Cheshire Peaks and Plains Housing Trust
Cheshire Sports Club
Chester District Housing Trust
Compass – Chartwells Ltd
Connexions - Cheshire & Warrington
D C Leisure Management Ltd
Dane Housing (Congleton) Ltd
David Lewis Centre
Deafness Support Network
Eric Wright (EP Schools)
First Bus (Chester)
FOCSA Services (UK)
Golden Gates Housing Trust
Groundwork Merseyside
Hall Cleaning Services
Halton Housing Trust
I S S Facility Services Ltd
I-Care GB Ltd
Innovate Tytherington Ltd

Academies
Bishops Blue Coat COE HS
Brine Leas School
Christleton High School
Congleton High School
Delamere CE Primary Acad
Fallibroome Academy
Heath School The
Holmes Chapel Comp
Lacey Green Primary
Macclesfield Academy
Mottram St Andrew Primary
Ormiston Bolingbroke Academy
Palacefields Academy
Sandbach High Sch Sixth F
University C O E Academy
UOC Academy Northwich
Winsford E-Act Academy

Other Scheme Employers
Alderley Edge Parish Council
Birchwood Town Council
Bollington Parish Council
Brio Leisure
Congleton Town Council
Disley Parish Council
Frodsham Town Council
Grappenhall and Thelwall Parish Council
Halton Borough Transport
Knutsford Town Council
Macclesfield College
Mid Cheshire College
Middlewich Cemetery Joint Committee
Middlewich Town Council
Nantwich Town Council
Neston Town Council
Nether Alderley Parish Council
North West Fire Control
Northwich Town Council
Odd Rode Parish Council
Penketh Parish Council

Macclesfield Museum Trust Ltd
Making Space
Marketing Cheshire
Norton Priory Museum Trust
R M Estates Ltd
Regent Office Care - Fire
Regent Office Care Ltd
Ringway Jacobs
Sandbach School
School Food Company
Seddon Property Services
SERCO
South Cheshire Enterprises Ltd
Sport Cheshire
The King's School
The Waterways Trust
Treefellers Ltd
University of Chester
Volunteer Centre Warrington
Warrington Community Living
Warrington Housing Association
Weaver Vale Housing Trust
Wulvern Housing Trust

Poulton with Fearnhead Parish Council
Poynton Town Council
Prestbury Parish Council
Priestley Sixth Form College
Reaseheath College of Agriculture
Riverside College
Sandbach Town Council
Sir John Deane’s College
South Cheshire College
Valuation Tribunal Service
Warrington Borough Transport
Warrington Collegiate Institute
West Cheshire College
Wilmslow Town Council
Winsford Town Council
Wybunbury Parish Council

Pension Fund Accounts Reporting Requirement – Actuarial Valuation

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2011/12 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the Cheshire Pension Fund, which is in the remainder of this note.

Balance Sheet

Year ended	31 Mar 2012 £m	31 Mar 2011 £m
Present value of Promised Retirement Benefits	3,884	3,516

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2010. I estimate this liability at 31 March 2012 comprises £1,901m in respect of employee members, £479m in respect of deferred pensioners and £1,504m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate that the impact of the change of assumptions to 31 March 2012 is to increase the actuarial present value by £136m.

Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	**31 Mar 2012 % p.a.**	**31 Mar 2011 % p.a.**
Inflation/Pensions Increase Rate	2.5%	2.8%
Salary Increase Rate	4.8%*	5.1%**
Discount Rate	4.8%	5.5%

*Salary increases are 1% p.a. nominal for the three years to 31 March 2015 reverting to the long term rate thereafter

**Salary increases are 1% p.a. nominal for the period to 31 March 2013, reverting to the long term rate thereafter

Longevity assumption

As discussed in the accompanying report, the life expectancy assumption is based on standard "SAPS" tables with improvements from 2010 in line with Medium Cohort and a 1% p.a. underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	**Females**
Current Pensioners	22.9 years	25.7 years
Future Pensioners	24.9 years	27.7 years

*Future pensioners are assumed to be currently aged 45

This assumption is the same as at 31 March 2011.

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash 2008 service.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2012 for the purposes of International Accounting Standard 19' dated April 2012. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Gemma Sefton

25 May 2012

For and on behalf of Hymans Robertson LLP

GLOSSARY OF TERMS

Accruals
The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

Actuarial Gains and Losses
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- the actuarial assumptions have changed.

Actuary
An actuary is an expert on pension scheme assets and liabilities. The Local Government Pension Scheme Actuary reassesses the rate of employer contributions to the Pension Fund every three years.

Agency Services
These are services the Council provides for other organisations, or services other organisations provide for the Council.

Amortisation
The process of charging capital expenditure, usually on intangible non-current assets, to the accounts over a suitable period of time.

Amortised Cost
Amortised cost is the real amount at which the financial instrument is measured rather than the payments made under a contract.

Appropriations
Amounts transferred between the Comprehensive Income and Expenditure Statement and revenue or capital reserves.

Assets held for sale
Property (land or a building, or part of a building) which is expected to be sold within the next 12 months and is therefore held primarily as a means of generating a capital receipt.

Average cost
Where goods that are held as inventories are purchased at different times and at different prices, an average cost is calculated to give a value to goods held at the balance sheet date.

Balance Sheet
The balance sheet is a summary of an authority's financial position at the year end. It shows the balances and reserves at an authority's disposal and its long-term indebtedness, and the non-current and net current assets employed in its operations, together with summarised information on non-current assets held.

Budget
A statement of the Council's expected level of service and spending over a set period, usually one year.

Capital Adjustment Account
The Capital Adjustment Account is made up of amounts set aside from revenue resources or capital receipts to pay for spending on non-current assets or for repaying external loans and certain other capital financing transactions.

Capital Assets
See Non Current Assets.

Capital Expenditure
Expenditure on the acquisition of a non current asset or expenditure that extends the useful life or operational capability of an existing asset

Capital Financing
The means by which capital expenditure incurred by the Council is funded. Usually such funding comprises grants, contributions from third parties, receipts from the sale of assets, contributions from Council reserves and borrowing.

Capitalisation
The classification of expenditure as capital rather than revenue, subject to the condition that the expenditure yields a benefit to the Council for a period of more than one year.

Capital Receipts
Proceeds received from the sale of capital assets. The proceeds are set aside in the Capital Receipts Reserve in order to repay the Council's borrowings or to finance new capital expenditure.

Capital Receipts Reserve
A reserve held to provide an alternative source for financing future capital expenditure, and to ensure some stability in the level of capital programmes that can be financed.

Cash Flow Statement
Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes. It provides a link between the Balance Sheet at the beginning of the year, the Comprehensive Income and Expenditure Statement for the year and the Balance Sheet at the end of the year.

CIPFA
The Chartered Institute of Public Finance and Accountancy is the accountancy body which recommends accounting practice for the preparation of local authority accounts.

Collection fund
This is a statutory fund kept separate from the main accounts of the Council. It records all income due from the Council Tax, Business Rates and remaining Community Charge and shows the precept payments due to Cheshire West & Chester Council, Cheshire Police Authority and Cheshire Fire Authority.

Community assets
Assets that the local authority intends to hold forever, that have no determinable useful life and that may have restrictions on their disposal. (e.g. parks).

Comprehensive Income and Expenditure Statement (CIES)
This statement consolidates all the gains and losses experienced by the Council during the financial year. The statement has two sections:

- Surplus or Deficit on the Provision of Services – the increase or decrease in net worth as a result of incurring expenditure and generating income.
- Other Comprehensive Income and Expenditure – any changes in net worth not reflected in the surplus or deficit on the provision of services.

This statement shows the accounting cost in year of providing services in accordance with accounting practice rather than the amount to be funded from taxation.

Consistency
The principle that the same accounting treatments are used from year to year so that useful comparisons can be made. Any significant change in policies must be declared in the accounting statements.

Contingencies
Sums set aside to meet either the potential costs of activities expected to occur during the year, over and above those costs included in the services budgets (pay and price), or items which are difficult to predict in terms of financial impact or timing (uncertain items).

Corporate and Democratic Core
Corporate and Democratic Core represents costs associated with democratic representation and management and corporate management. Democratic representation and management includes all aspects of Members' activities. Corporate management concerns the cost of the infrastructure that allows services to be provided and the cost of providing information that is required for public accountability. Such costs form part of total service expenditure, but are excluded from the costs of any particular service.

Corporate Governance
The authoritative rules and controls in place within an organisation required to promote openness, inclusivity, integrity and accountability.

Council Tax
The means of raising money locally to pay for local authority services. This is a property based tax where the amount levied depends on the valuation of each dwelling.

Council Fund / General Fund
The Council's main revenue fund to which all revenue receipts are credited, and from which revenue liabilities are discharged. The movement on the fund in year represents the excess of income over expenditure once notional charges and credits have been replaced by the amounts required to be funded from Council Tax.

Creditors
Amounts owed by the Council for goods or services that it has received but for which payment had not been made by 31 March 2012.

Current Assets and Liabilities
Current assets are cash and items that can be readily converted into cash. Current liabilities are items that are due for payment immediately or in the short term. By convention these items are ordered by reference to the ease that the asset can be converted into cash, and the timescale in which the liability falls due.

Current Service Cost (IAS 19 term)
Employer pension contributions charged during the year have been removed from the Comprehensive Income and Expenditure Statement and replaced with an amount (i.e. current service cost) which reflects the increase in the scheme liabilities expected to arise from employee membership of the Scheme in the year of account.

Debtors
Amounts owed to the Council at 31 March 2012, where services have been delivered but payment has not been received.

Deferred capital receipts
Amounts derived from asset sales, which will be received in instalments over a period of years. (e.g. mortgages on the sale of council houses).

Deferred Liabilities
An amount already received by the Council that is being credited to the Comprehensive Income and Expenditure Statement over a number of years.

Defined Benefits Pension Scheme
A pension scheme which is constructed to provide pre-determined pension benefits for retired members, with employers' and employees' contribution rates being calculated based on actuarial assumptions.

Delegated Budgets
Budgets for which schools and other services have complete autonomy in spending decisions.

Depreciation
The measure of the wearing out, consumption, or other reduction in the useful economic life of a non current asset, whether arising from use, age or obsolescence through technological or other changes. There are different ways to attribute the cost of the asset over its economic life, of which the most common are the straight line method and the reducing balance method.

- Straight line depreciation method – the useful life of the asset is estimated, for instance at 3 years for IT equipment or 5 years for a vehicle, and the cost of the asset is divided equally over that number of financial years.
- Reducing balance method – the value of the asset is reduced by a non current percentage each year, reflecting a greater loss of value in earlier years.

Depreciated Historic Cost
The value of an asset shown in the Balance Sheet calculated from the original cost less depreciation to date.

Derecognition
The removal of an asset of liability from the Balance Sheet as it has been extinguished, for example, the settling of a liability by paying the creditor.

Discretionary Benefits
Retirement Benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers.

Donated Assets
Assets transferred at nil value or acquired at less than fair value.

Earmarked Reserves
These reserves represent monies set aside that can only be used for a specific usage or purpose.

Effective Interest Rate
The rate of interest that would discount expected cash flows throughout the life of the financial instrument down to the fair value of the asset calculated at initial measurement.

Emoluments
All sums paid to or receivable by an employee and sums due by way of taxable expense allowances.

Events After the Balance Sheet Date
Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional Items
Items that derive from the ordinary activities of the Council and are material in terms of the Council's overall expenditure but not expected to recur frequently or regularly.

Expected Return on Assets (IAS 17 term)
The average rate of return expected on the actual assets held by the scheme.

Fair Value
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction between unrelated parties.

Finance Lease
An arrangement whereby the owner of an asset (the lessor) accepts a rental in return for allowing another party (the lessee) use of an asset for a specified period, such that substantially all of the risks and rewards associated with ownership are transferred to the lessee.

Financial Instrument
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities and includes trade debtors, investments, trade creditors and borrowings.

General Reserves
These are amounts set aside for use in future years, not earmarked for any specific purpose.

Government Grants
Amounts received from central Government towards funding the Council's activities. Revenue grants and contributions are credited to the appropriate service revenue account. Capital grants and contributions are recognised in the Comprehensive Income and Expenditure Statement, unless there are conditions attached which have not been satisfied. Capital grants and contributions recognised in year are not a credit against the General Fund balance and are reversed out via the Movement in Reserves Statement.

Government Grants and Contributions Unapplied
Capital grants and contributions that have been recognised in the Comprehensive Income and Expenditure Statement but which have not yet been applied to finance capital expenditure.

Heritage Assets
Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art.

Impairment
A reduction in the value of a non current asset arising from physical damage to the asset, dilapidation or obsolescence.

Income
Amounts which the Council receives, or expects to receive, from any source. Income includes fees, charges, sales, capital receipts, government grants, the precept on Council Tax collection funds, Revenue Support Grant and National Non-Domestic Rates.

Infrastructure
The Council's network of roads, pavements and bridges.

Infrastructure assets
Non-current assets that are held by the Council in perpetuity and cannot be given or taken away. Spending on these assets is recoverable only by continued use of the asset created (e.g. highways and footpaths).

Intangible Non Current Assets
Expenditure incurred on those non-current assets that do not have physical substance but which are separately identifiable and provide the Council with a right of use for a period in excess of one year.

Interest Cost (IAS 19 term)
A financing charge reflecting the increases in the present value of scheme liabilities.

International Financial Reporting Standards (IFRS)
International Financial Reporting Standards form a principles based set of standards that establish broad rules and dictate specific accounting treatments. The Code of Practice on Local Authority Accounting in the UK (the Code), interprets IFRS accounting principles for local government and

recognises the following hierarchy of standards on which accounting treatment and disclosures should be based:

- International Financial Reporting Standards (IFRS)
- International Public Sector Accounting Standards (IPSAS)
- UK Generally Accepted Accounting Practice (UK GAAP)

Inventories
Raw materials and consumable goods bought but not yet used at the end of the accounting period.

Investments
Short term investments comprise deposits of temporary surplus funds with banks or similar institutions. Long term investments comprise similar funds held for a period of more than one year.

Investment Properties
Assets that are available for immediate sale, where there is a committed plan to sell the asset, an active marketing programme and where the sale is highly probable within 12 months.

Landfill Allowance Trading Scheme (LATS)
The scheme allocates tradable landfill allowances to each waste disposal authority in England and authorities can buy, sell or carry forward landfill allowances depending on usage requirements.

Loans and receivables
Assets that have fixed or determinable payments but are not quoted in an active market.

Local Authority Business Growth Incentive Scheme (LABGI)
The Local Authority Business Growth Incentives Scheme (LABGI) provides an incentive for local authorities to promote economic growth in the area by allowing them to retain a proportion of any increase in business rates revenues.

Long Term Borrowing
The main element of long term borrowing comprises loans that have been raised to finance capital expenditure projects.

Market Value
The monetary value of an asset determined by current market conditions at the Balance Sheet date.

Materiality
The concept that any omission from or inaccuracy in the statement of accounts should not be so large as to affect the understanding of those statements by a reader.

Minimum Revenue Provision (MRP)
The minimum amount (as laid down in statute) that the Council must charge to the accounts each year in order to meet the costs of repaying amounts borrowed.

Movement in Reserves Statement
This statement shows the movement in the year on the different reserves held by the Council, analysed into usable and unusable reserves. The statement reconciles the surplus or deficit on the provision of services, in the Comprehensive Income and Expenditure Statement, to the movement in the General Fund balance for the year.

National Non-Domestic Rate (NNDR)
The government levies a standard rate on all properties used for commercial purposes and cannot increase it by any more than the Retail Price Index. The rates are collected on behalf of the government by Councils, and are then redistributed nationally on the basis of resident population.

Net Book Value
The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost
The estimated cost of replacing or recreating an asset in its existing condition and existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the condition of the existing asset.

Net Debt
This comprises short term investments plus cash in hand less cash overdrawn and long term borrowing.

Net Realisable Value
The expected proceeds from the sale of an asset when sold on the open market between a willing buyer and a willing seller less all the expenses incurred in selling the asset.

Non Current Asset
An asset which is intended to be in use for several years such as a building or a vehicle. These may be tangible or intangible.

Non Distributed Costs
Costs which cannot be specifically applied to a service or services and are held centrally, comprising certain pension costs and the costs of unused shares of IT facilities and other assets.

Operating Lease
An arrangement similar to a finance lease but where the risks and rewards associated with ownership remain with the lessor.

Operational Assets
Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Cost (IAS 19 term)
The increase in the scheme liabilities arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept
Amounts the Council is required to raise from Council Tax on behalf of other authorities.

Prepayments
Amounts paid by the Council in 2011-12 in relation to goods and services not received until 2012-13.

Prior Year Adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors. They do not include minor corrections or adjustments of accounting estimates made in prior years.

Private Finance Initiative (PFI)
A means of securing new assets and associated services in partnership with the private sector.

Projected Unit Method (IAS 19 term)
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

Provisions
Amounts set aside to meet costs that are likely or certain to be incurred but where the amount of cost or timing of payment is uncertain.

Receipts in Advance
Amounts received by the Council during 2011-12 relating to goods or services delivered in 2012-13.

Related Party
A person or organisation which has influence over another person or organisation.

Reserves
Specific amounts set aside for future policy purposes or to cover contingencies. There are two types of reserve: usable reserves which are available to meet current expenditure, and unusable reserves which are not. Most revenue reserves are capable of being used, but the Revaluation Reserve, Capital Adjustment Account, and the Financial Instruments Adjustment Account cannot be used to meet current expenditure.

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revaluation Reserve
Revaluation Reserve is intended to hold surpluses or deficits arising from the regular revaluation of non-current assets.

Revenue Expenditure
Revenue expenditure is spending on the day to day running costs of the Council. It includes expenditure on employees, premises, transport and supplies & services.

Revenue Expenditure Funded from Capital under Statute
Certain expenditure can be classified as capital for funding purposes when it does not result in the expenditure being carried on the balance sheet as a non current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax.

Revenue Support Grant (RSG)
Central Government grant support towards local government expenditure.

Scheme Liabilities
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Section 151 Officer
The Officer designated to assume overall responsibility for the administration of the financial affairs of the Council and for the preparation of the Council's Statement of Accounts.

Service Concession
An arrangement under which the Council passes to a third party an obligation to deliver a service to the public on its behalf. Organisations delivering services under a service concession arrangement are effectively doing so as an extension of the Council so any assets employed by them to deliver the contracted services are reported on as if they were the Council's own. This is commonly the case for Private Finance Initiative contracts.

Settlements and Curtailments (IAS 19 term)
Settlements are liabilities settled at a cost materially different to the IAS 19 reserve during the year. Curtailments represent the cost arising from early payment of accrued pensions in respect of any redundancies during the year.

Short Term Accumulated Compensated Absences (STACA)
These are benefits that employees receive as part of their contract of employment, the entitlement to which is built up as they provide services to the Council, e.g. annual leave, flexi leave.

Slippage
This is when delays occur in capital works and therefore payments are not made in the financial year originally anticipated.

Tangible Non-Current Assets
Non-current assets which have physical substance and which yield benefits to the Council for a period of more than one year.

Unapportionable Central Overheads
These are overheads for which no user now benefits and should not be apportioned to services.

Useful life
The period over which the local authority will derive benefits from the use of a non-current asset.

Vested Rights
In relation to a defined benefit scheme, these are:

a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme
b) for deferred pensioners, their preserved benefits
c) for pensioners, pensions to which they are entitled
They include where appropriate the related benefits for spouses or other dependants.