Cheshire West & Chester Council

Statement of Accounts

2012-13

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Cheshire West and Chester

Contents

Continued overleaf…

Contents continued… **Page**

Explanatory foreword

The following pages include the Statement of Accounts for Cheshire West and Chester Council for the year ended 31 March 2013.

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 2012-13.
- 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.
- A summary of the Council's financial and non-financial performance during 2012-13.
- An explanation of the main external factors that have influenced the information contained in the accounts in 2012-13.
- A summary of the key information from the accounts alongside an explanation of the reasons for any significant year on year changes.
- Any further developments that will impact on the Council's finances beyond 31 March 2013.

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 the 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 and 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.

Summary of the 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.

The Council produces monthly reports on the revenue expenditure for the Management Team and Executive Portfolio Holders. On a quarterly basis reports on the financial and performance position are considered by the Executive and Public Accounts Scrutiny Panel. Copies of these reports are available on the Council's website. An annual report is also produced on the overall performance of the Council and the key achievements during the year. The 2012-13 Annual Report will be available on the Council's website in October 2013.

Revenue expenditure performance

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. The expenditure budget for 2012-13 was agreed by the Council in February 2012. This budget has been updated in year to reflect additional funding becoming available and budgets being re-profiled into 2013-14 to result in a final budget of £278m. The table below reflects the final budget for 2012-13 and actual income and expenditure against it.

	Budget £m	Actual £m	Variance £m
Service expenditure	246.8	246.1	-0.7
Contingencies	1.2	0.0	-1.2
Capital financing	22.0	22.0	0.0
Other	7.7	8.1	0.4
Total net spend	**277.7**	**276.2**	**-1.5**
Financed by:			
Council Tax and Government Grants	278.1	278.1	0.0
Additional grants	0.0	0.6	0.6
Use of reserves	0.4	-1.7	-2.1
Use of carry forwards	-0.8	-0.8	0.0
Total	**277.7**	**276.2**	**-1.5**

The 2012-13 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 £17.5m of savings during the year, the great majority of which was achieved within the year. It is extremely positive news that the Council has delivered an overall underspend during the year, demonstrating the strong financial management which has been embedded across the organisation.

As shown in the table above, the final outturn for the Council is an underspend of £1.5m. This underspend, in combination with additional funding received in year, has meant that the Council was able to increase its General Fund by £1.7m in 2012-13. This compares to a budget that assumed it would be necessary to utilise £0.4m so this represents an improvement of £2.1m. 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 Children's Social Care agency placements, Adult Care costs and the impact of the recession on income targets across leisure, parking and regulatory services.

Summary of performance outcomes

The favourable financial outcomes were delivered in parallel with a positive year in terms of service achievement. The Council monitors a wide range of performance targets to help drive forward improvements in corporate priorities and address any areas of concern.

During 2012-13 a total of 111 measurable indicators were identified across the Council's Directorates. These were monitored both in terms of whether they achieved the targets set for them and whether they showed a year on year improvement. The table below shows a summary of performance in terms of green (G), amber (A) or red (R), with green representing positive performance (achievement of target or improvement).

	Overall performance Assessment* 111 Indicators			Target attainment 105 Indicators			Year on year direction of travel (DOT) 71 Indicators		
Directorate	**G**	**A**	**R**	**G**	**A**	**R**	**G**	**A**	**R**
Adults	8	8	0	4	2	6	6	3	3
Children	12	10	0	12	6	3	18	2	0
Community and Environment	10	4	4	10	1	6	10	2	5
Regeneration and Culture	27	5	4	27	4	5	4	2	3
Resources	12	5	0	13	4	0	8	2	1
Cross Cutting	1	1	0	1	0	1	1	1	0
Totals	**70**	**33**	**8**	**67**	**17**	**21**	**47**	**12**	**12**
Percentage of available	**63%**	**30%**	**7%**	**64%**	**16%**	**20%**	**66%**	**17%**	**17%**

* Provisional evaluation based on target achievement, direction of travel and supporting information.

At the time these accounts are produced not all measures are capable of being assessed and only 105 were able to be compared to their performance target for the year. Similarly a number of indicators were being measured for the first time in 2012-13 so year on year comparisons were only possible for 71 of the indicators.

Using available information it can be seen that the great majority of performance standards have been improved or sustained in the last 12 months with over 90% of measured indicators assessed as green (achieved or on target) or amber (marginally below target). Approximately two thirds of indicators are considered likely to be met when the final positions are finalised.

These measures reflect positive outcomes across areas such as:

- Giving adults with social care needs more control over how their needs are met;
- Educational attainment in schools;
- Improvements in waste recycling and reduction in reliance on landfill;
- Increasing the supply of affordable homes and preventing homelessness;
- Expanding the number of new start-up businesses and those assisted into employment.

Those areas that didn't achieve all their targets for 2012-13 include falling short of targets for usage of cultural and leisure facilities (which were affected by the wet summer) and call centre responsiveness (due to increased call volumes following changes to waste collection arrangements).

Alongside the Council's internal monitoring of performance, external inspections also reinforced the achievements of recent years. Ofsted inspections of both child protection and fostering showed positive results, with particular emphasis on improvements put in place since the previous inspections. The Adult Social Care Survey and complementary measures show that Cheshire West and Chester is in the top quartile of North West Councils in terms of the user experience of its social care services.

Summary of capital programme expenditure

The approved capital budget for 2012-13 was £113.8m against which £100.2m was spent. The capital programme is split between schemes which receive an annual recurring funding allocation (£51.7m spent), one off schemes (£13.6m) and the longer term capital vision (£34.9m).

An element of the above programme was ultimately funded from revenue (£2.8m) as it did not result in additions to Council assets. In contrast an additional £3.9m of non programme capital costs were recognised in relation to anticipated works at closed landfill sites. The net effect is capitalised expenditure of £101.3m. This expenditure is summarised below along with a summary of how the programme was funded.

Capitalised expenditure	Costs £000s	Costs %
Childrens	40,402	39.8%
Adults	581	0.6%
Community and Environment	26,967	26.6%
Regeneration and Culture	22,866	22.6%
HRA	6,862	6.8%
Resources	3,658	3.6%
Total	**101,336**	**100.0%**

Funding of capitalised costs	Funding £000s	Funding %
Use of cash/borrowing	26,830	26.5%
Government grants	51,845	51.1%
Other grants	4,951	4.9%
External contributions (inc S106/S278)	1,006	1.0%
Capital receipts	6,456	6.4%
HRA contributions	6,862	6.8%
Other revenue contributions	3,386	3.3%
Capital Receipts	**101,336**	**100.0%**

The outcomes from the capital programme included the following areas:

Schemes	2012-13 £000
Completion of Ellesmere Port Academy	14,700
Construction of Winsford Academy	14,313
Investment in area regeneration programmes	7,605
Investing in school buildings	12,945
Investment in highways and transport infrastructure	16,573
Completion of a modern and fit for purpose Crematorium	4,507
Investing in Council housing stock	6,862
Total	**77,505**

The capital outturn for 2012-13 represents a delivery rate of 88% of the overall approved programme. The unspent elements will now be incurred in 2013-14 due to delays in the implementation timetable. This completion rate compares very favourably to the 73% achieved in 2011-12 and even more so to the average of the last 3 years of 69%. This reflects the positive impact of the governance framework now firmly established for the capital programme.

Main influences on the 2012-13 accounts

There are a number of externally driven factors that have had a significant influence on the 2012-13 accounts and the reported financial position of the Council:

- Impact of the Economy on the Council's borrowing strategy
- Impact of the Economy on the pensions deficit
- The Changing Status of Council Schools

Impact of the economy of the Council's borrowing strategy
The prevailing financial climate has continued to influence the Council's approach to its Treasury Management activities. Since its inception four years ago, 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. As a consequence the level of cash balances held has steadily reduced over time and at the end of 2012-13 the cash balances now stand at £18.5m (from £42.7m in 2011-12). The Council still has sufficient cash balances to operate effectively and could access additional funds at short notice with minimal cost should it be required.

Impact of the economy on the pensions deficit
The current economic climate also has a significant impact on the net Pensions Liability. One of the most significant changes on the Balance Sheet relates to the Council's pensions deficit which has increased from £306m to £375m, an increase of £69m.

The two main influences on the scale of the deficit were:

- Reduced returns on government bonds, allied with higher inflation assumptions, have the effect of reducing the discount factor. This increases the present value of future pension payments and as a result worsens the pension deficit. The rate fell from 2.3% in 2011-12 to 1.7% in 2012-13 increasing the value of liabilities by £132m. This cost appears in the accounts as an actuarial loss and results in a higher pension liability being reported. This 'loss' is not a real loss but a worsening in expectations concerning future economic conditions, such actuarial estimates are based on best available information but are very volatile as inflation expectations and markets change.

- The performance of Pension Fund assets in recent months has been better than anticipated and a return of approximately 13% has been achieved in 2012-13 compared to the anticipated 5.5%. This has resulted in an increase in asset values of £62m. This gain offsets the loss mentioned above and reduces the scale of the net pension liability. Unlike the loss above this is a real gain based on performance of assets held in the last 12 months.

It is important to note that the apparent deterioration in the pension position is based on actuarial valuations and does not represent an immediate call on the 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 (20 years).

Changing status of Council schools
During 2012-13 a further five schools converted to Academy status, bringing the total in the Borough to eleven. These schools are run independently of the Council but still provide education services in the Cheshire West area. The schools are typically located on land owned by the Council but they have been given long leases to give them security of tenure. In addition to the new academies the Council also completed construction of the new premises for the Ellesmere Port Academy and transferred this asset to the Academy.

These changes, and others like them, require the Council to remove the value of all assets held in relation to these schools from its accounts. The value removed (£50m) is reflected as a disposal of assets in the accounts. In the case of the new academies the school's reserves are also transferred. As at 31 March 2013 the five schools had balances of approximate £1m.

Key issues from the financial statements

The Statement of Accounts for 2012-13 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. There have been no significant changes to accounting policies during 2012-13, the impacts of any known future changes are outlined in Note 2.

Services provided during the year

The table below shows how the Council's gross revenue expenditure was distributed across services in 2012-13 in accordance with the Service Reporting Code of Practice (SeRCOP) expenditure analysis:

2012-13		
Service	**£000**	**%**
Recurrent costs		
Central Service to the Public	30,302	4.1%
Children's and Education	297,787	40.6%
Adult Social care	110,551	15.1%
Cultural and Related Services	20,230	2.8%
Environmental and Regulatory Services	45,375	6.2%
Planning Services	30,918	4.2%
Highways and Transportation	55,788	7.6%
Local Authority Housing (HRA)	15,278	2.1%
Housing Services	117,896	16.1%
Corporate and Democratic Core	5,381	0.7%
Non-distributed Costs	4,158	0.5%
Gross cost of services	**733,664**	**100.0%**
Other operating expenditure	65,268	
Financing and investment	30,355	
Gross revenue expenditure	**829,287**	

Where the money comes from

2012-13		
Source of funding	**£000**	**%**
Fees, charges and other income	134,681	16.7%
Specific Government grants	364,746	45.1%
Capital grants and contributions	50,778	6.3%
Call on Collection Fund	155,710	19.3%
Revenue Support Grant	1,732	0.2%
National Non Domestic Rate (NNDR)	89,371	11.1%
PFI Grant	3,039	0.4%
Local Services Support Grant	1,716	0.2%
Council Tax Freeze Grant	3,817	0.5%
Other corporate grants	2,039	0.2%
Total	**807,629**	**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.

Balance Sheet

The Council's Balance Sheet demonstrates a strong financial position for the Council at the end of 2012-13, with a net asset value of £397m. However this is a reduction of £94m from the previous year. The deterioration is largely due to reflecting the impact of 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

Long Term Assets	2012-13 £m	2011-12 £m
Property, plant and equipment	860.5	884.2
Heritage assets	66.5	64.2
Investment properties	129.4	122.6
Intangible assets	0.1	0.1
Investments	0.0	0.2
Debtors	1.5	2.9
	1058.0	**1074.2**
Overall change	**-16.2**	

Changes to Long Term Assets	£m
Capital expenditure	102.7
Increases in value	**102.7**
Depreciation/amortisation	-34.3
Disposals	-62.5
Valuation changes	-13.6
Transfers to Current Assets	-8.5
Reductions in value	**-118.9**
	-16.2

The value of Long Term Assets has decreased by £16.2m as new capital expenditure (£103m) is more than offset by costs of the using assets (depreciation), disposals, reduced valuations and transfers (£119m).

The year's capital expenditure included development of major new facilities with the completion of the Ellesmere Port Academy and the Blacon Crematorium, as well as making significant progress towards the completion of the Winsford Academy and spending £16m upgrading the highways and transport networks.

The only abnormal figure amongst these movements is the £62m of disposals. This is much higher than would normally be the case due to the impact (£50m) of Council Schools becoming Academies, Foundation Schools or Voluntary Aided Schools. In these circumstances the Council must pass across the school properties for no financial return.

The £14m net reduction due to revaluations and impairments is primarily linked to reducing the value of the former Woodford Lodge High School site to better reflect its potential for development and reducing the valuation of the Council's Housing Stock in line with decreasing housing market prices in the last 12 months.

Current Assets and Current Liabilities

Current Assets/Liabilities	2012-13 £m	2011-12 £m
Investments	0.4	10.5
Assets Held for Sale	11.3	5.9
Debtors	61.7	51.3
Cash balances	18.5	42.7
Other	0.7	0.8
Current Assets	**92.6**	**111.2**
Creditors	-86.5	-87.5
Borrowing	-3.8	-17.8
Provisions	-2.0	-0.7
Current Liabilities	**-92.3**	**-106.0**
	0.3	**5.2**
Overall change	**-4.9**	

Changes to Current Assets and Current Liabilities	£m
Repayment of borrowing	14.0
Cash in investments	-10.0
Use of cash balances	-24.2
Cash management	**-20.2**
Transfer from Long Term Assets	8.5
Transfer from Long Term Liabilities	-5.2
Reclassifications	**3.3**
Increases in outstanding debt	9.0
Reduction in amounts owing	4.9
Other movements	-1.9
Relations with third parties	**12.0**
	-4.9

In total there has been a £5m decrease in the net Current Assets held by the Council, with Current Assets and Liabilities now both standing at £92m. The major contributor to the movement has been a net £20m decrease in managed cash balances, comprising cash, short term investments and short term borrowing. This reflects the Council's cash management policy whereby cash and short term balances have been used to finance capital expenditure and repay short term borrowing in 2012-13 in preference to taking out long term borrowing.

A range of balances totaling £3.3m have transferred from Long Term Assets and Liabilities as they are expected to be settled in the next 12 months. Notably, properties expected to be sold, debt due to be settled and leases due to be repaid.

The position with regard to third parties shows an increase in the net balances owed to the Council with debtors increasing and creditors falling. This position is primarily due to the timing of payments linked to the Council's joint working arrangements which resulted in a short life debtor for shared services of £10m with Cheshire East at the end of March 2013. This balance was settled in full during April.

Long Term Liabilities

Long Term Liabilities	2012-13 £m	2011-12 £m
Long term borrowing	-229.5	-230.9
Net Pension Fund liability	-375.2	-305.8
PFI/Finance leases	-40.7	-33.3
Long Term Creditors	-1.1	-0.9
Provisions	-9.0	-4.6
Grant Receipts in Advance	-5.9	-12.5
	-661.4	**-588.0**
Overall change	**-73.4**	

Changes to Long Term Liabilities	£m
Transfers to Short Term Liabilities	5.2
Settlement of liabilities	8.3
Increase in pension assets	94.0
Reductions in liabilities	**107.5**
Increase in Pensions Liability	-163.4
New leases	-12.9
New provisions/creditors	-4.6
Recognise new liabilities	**-180.9**
	-73.4

Long Term Liabilities have increased by £73.4m. This is almost entirely due to a £69.4m increase in the net pension liability. This is mostly due to reductions in the discount rate applied to future pension commitments, which had the effect of increasing the costs of future liabilities by £132m. The impact was offset by a better than expected return on assets with strong performance in late 2012-13 providing £62m of additional funds from which to meet the pensions liability.

The other major changes were due to recognition of new liabilities and settlement of existing balances:

- A new provision of £3.9m has been created in relation to the remedial costs of maintaining Closed Landfill Sites. This means the Council has now reflected the costs of future works it anticipates needing to undertake as a result of its historic usage of these sites for landfill. As the works (decontamination, gas management etc) are the direct result of a past act they need to be recognized up front rather than as they are incurred.
- A new finance lease creditor of £12.9m has been recognized as a result of the Council entering into long term contracts for highways maintenance and waste collection. These contracts give the Council near exclusive access to a range of vehicles and equipment owned by the contractors which are therefore shown in the Council's accounts as Non-Current Assets offset by a liability to pay for them.
- A £6.6m decrease in Capital Grant Receipts in Advance is due to meeting the conditions on these grants and using them to fund capital projects such as the construction of the new Academy Schools.

There was no new long term borrowing and the only movement on this balance was due to reclassifying £1.5m as Short Term Borrowing as it is now repayable within 12 months. As at 31 March 2013 long term borrowing was £229.5m which is a substantial sum 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 cost of servicing and repaying these balances have been fully reflected in future budget plans.

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.

Usable Reserves	2012-13 £m	2011-12 £m
General Fund	22.8	21.1
School balances	9.7	12.7
Funds held for capital	18.3	18.0
Other usable balances	35.9	27.2
Usable reserves	**86.7**	**79.0**
Overall change	**7.7**	

Changes to usable reserves	£m
Underspends on budget/HRA	1.5
Use of school balances	-3.0
Unused capital funding	0.3
Set aside on Earmarked Reserves	8.9
Increase in usable reserves	**7.7**
	7.7

The current level of the General Fund (£22.8m) represents 9% of the net expenditure budget for 2012-13. The balance increased from £21.1m to £22.8m during the year as a result of underspends on both the Directorate and corporate budgets. At the final outturn £1.7m was paid into reserves compared to the budgeted planned use of reserves of £0.4m.

The HRA balance decreased from £0.8m at 1 April 2012 to £0.6m at 31 March 2013. This comprises an operational surplus of £2.1m in the year offset by the costs of setting aside £2.3m to fund debt repayment and capital investment. The resulting HRA Balance of £0.6m is in line with the requirements in the HRA Business Plan.

The Council has three separate reserves which can only be used to finance future capital expenditure and debt repayments. These increased by £0.3m during the financial year, with increases in the Capital Receipts Reserve and Major Repairs Reserve offsetting a reduction in set aside capital grants. The reserves are considered sufficient to meet known commitments.

The Council has a number of other Earmarked Reserves set aside to meet future costs and fund investment strategies. Further details of these can be found in the Notes to the Financial Statements (Note 8).

Unusable reserves	2012-13 £m	2011-12 £m
Capital funding	692.4	727.0
Pensions reserve	-375.2	-305.8
Other unusable	-7.0	-8.8
Unusable reserves	**310.2**	**412.4**
Overall change	**-102.2**	

Changes to unusable reserves	£m
Pensions deficit	-69.4
Reduced asset values	-118.2
Capital financing applied	83.6
Reduced leave accrual	0.8
Collection Fund surplus	1.0
Reduction in unusable reserves	**-102.2**
	-102.2

Unusable reserves have decreased significantly during the year (by £102.2m). While these reserves are not available to the Council to fund current expenditure, deterioration in the balances is indicative of increased exposure to future costs or funding requirements.

The most significant changes are due to the Council's increased liability for future pension payments (£69m), as previously described, and reductions in notional Capital Reserves (£35m). The increase to the actuarial pension deficit will be addressed by the Council as part of its next triennial valuation (March 2013) when new employer contribution rates will be assessed. The reductions in notional capital balances reflect the fact that the amounts written off capital asset values in 2012-13 (£118m) exceeded the new capital financing set aside during the year (£83.6m). As described earlier this is because of the unusually large number of assets written out on transfer to Academies and similar schools which reduced unusable reserves by £50m.

Amongst other unusable reserves the Council has benefited by £1.0m as a result of achieving a surplus on the Collection Fund in 2012-13. This was due to strong in year performance in terms of minimizing bad debts and a continuation of pro-active measures to review single person discount eligibility.

Future developments

The Council anticipates that the coming year will be every bit as challenging as 2012-13, with continued pressures on all our main services. On 28 February 2013 the Council set a net revenue budget of £293m and a capital programme of £97m for 2013-14.

The budget was set in a very difficult financial scenario with the reductions in public sector funding in place for the last two years and now expected to continue over the next four years. The Council estimates that it will need to deliver £42.9m of savings by 2016-17.

Given the scale of the savings required the Council has instigated a range of workstreams that will enable the delivery of the longer term targets:-

- **Service reviews** – Detailed reviews covering key services across all Directorates to ensure that they are delivered in the most cost effective way and aligned with Council priorities.
- **Make or Buy reviews** – Consideration of different options for how services are delivered, whether this is done directly by the Council, through an arms-length organisation or commissioned. Within the four year budget cycle all services will be reviewed to ensure that they are being delivered in the most effective way.
- **Income and charging reviews** – Ensuring that where appropriate, charges are set to match the true cost of providing the service, this will help ensure the costs of providing services are correctly balanced between the recipient and the taxpayer.
- **Altogether Better** – Developing new ways of working across organisational boundaries to shape services more closely to the needs of the local communities. In partnership with other local public sector bodies and with support from Central Government, this Council is leading on the development of ground breaking strategies that enable local organisations to deliver improved and more community focused services while still delivering savings to the taxpayer.

Work will continue through these workstreams to ensure that all activities across the Council are fully reviewed over the next 3 years. There is an expectation that this will lead to the identification of further savings and opportunities to improve services.

As a result of these workstreams the structure of how services are delivered is likely to continue to develop. During 2011-12 and 2012-13 new organisations have been created to deliver Council Services. Examples include the creation of Brio Leisure to deliver leisure services across the Borough, Avenue Services for the usage of assets within the Blacon area in partnership with Chester and District Housing Trust and the transfer of Housing Management Services to Plus Dane. This will continue in 2013-14 with the creation of a new organisation to deliver Adult Provider Services and the HR and Finance and ICT services.

Promoting economic growth within the Borough will be a priority key going forward. The Council has continued to progress major regeneration projects aimed at creating an environment where new commercial and leisure activities can flourish. The Council has had considerable success in generating additional jobs through these regeneration schemes. These include large urban retail developments such as Barons Quay in Northwich and the Northgate Scheme in Chester, regeneration of underutilised industrial sites in Ellesmere Port, cultural developments such as the new Theatre, improved roads and infrastructure and many smaller projects based around local communities.

This will be increasingly important given changes to how the Council now receives its funding. With the localisation of Business Rates the Council and its residents now have a direct financial stake in the generation of new economic activity within the Borough. An element of the Council's funding (£48m) will now be determined by its success in developing and sustaining economic growth. A 5% rise in business activity (measured in term of Business Rates) will result in a 5% rise in the linked Council funding. Failure to generate new growth may however result in a reduction in funding and increase the need to find compensating savings. Hence the Council will continue to embrace a strategy and culture for growth, whilst maintaining strong risk and financial management at the heart of its commercial approach.

In addition the Council will be responsible for additional services in 2013-14 as it inherits responsibility for Public Health. This service, funded by a new ring-fenced grant from the Department of Health, will complement the Council's existing role in commissioning Social Care services and play a key part in the ongoing focus on prevention of health and social care needs.

Conclusion

Overall the 2012-13 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 and 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 27 August 2013.

Date:	Signed by:
27 August 2013	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 2013.

Date:	Signed by:
27 August 2013	Julie Gill Director of Resources

Annual Governance Statement 2012-13

1. Scope of responsibility

Cheshire West and 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 and 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 and Chester Council is responsible for putting in place proper arrangements for the governance of its affairs (including operating an effective system of internal control) and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Cheshire West and 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 at Code of Corporate Governance or can be obtained from the Council’s Monitoring Officer. This statement explains how Cheshire West and Chester Council has complied with the code and also meets 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 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 and 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 and Chester Council for the year ended 31 March 2013 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 'Think Customer' project.
- The Community Budgets pilot scheme required a partnership- based governance structure. This was achieved through the West Cheshire Strategy Board containing Executive members from across the local partnership. This is supported by the statutory Health and Wellbeing Board which was created through the Health and Social Care Act 2012, which has a duty to improve integrated working between local health care, social care, public health and other public service practitioners. Through Cheshire West and Chester's involvement in the Altogether Better Programme, a Public Services Board has been created comprising Chief Executives from across the local partnership to provide strategic guidance, support and resources to the development and implementation of partnership business cases.

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, ensuring that they are delivered in accordance with the authority's objectives and 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 continue to be 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 seven 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 Scrutiny Committees, responsible for the review and scrutiny of the Council, the Executive and its Partners. The Scrutiny Committee structure covers Children and Education, Safeguarding, Health and 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.
- Since the inception of Cheshire West and Chester, 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 Staff codes of conduct. From 1 July 2012, Council agreed to replace Standards Committee with a Standards Advisory Board, reporting to Audit and Governance Committee, in accordance with the options provided by the Localism Act 2011.

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 managing risks

- The Scheme of Delegation has been subject to review during the year, and is included in the Constitution.
- The Council has agreed Contract Procedure Rules and a Financial Code of Practice. 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 approved Risk Management Strategy seeks to embed the management of risk and opportunities in all Council business and activity. To this end 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 and 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 and 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 and Governance Committee and allows for a more focused review and challenge of Internal and External Audit Reports.

- Since July 2012, Standards Advisory Board has reported to Audit and Governance Committee.

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.

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

- The Authority has in place an Anti-Fraud and 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.
- In 2012 the Council achieved Level 2 of the North West Employers Member Development Charter, and received an Exemplar Award for high achievement in Member Development.
- 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 was piloted in 2011/12, with a view to comprehensive roll out and implementation across the Authority in 2012/13. This did not happen as expected.

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 and Empowerment Strategy.
- Channels of communication include the Council website, the West Cheshire Together website, social media channels and the Talking Together Direct e-newsletter.
- 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 and Chester Council have 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 and Chester Council, the Head of Internal Audit role is undertaken by the Senior Manager – Performance and 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 six occasions in 2012-13. A 'standard' agenda was developed to provide an improved framework for supporting the Statutory Officers Group and Audit and Governance Committee. This agenda includes Governance related updates from the following:

- Information Management Strategy Group
- Major Projects Operational Group
- Capital Projects Group
- Joint Officer Board
- Risk Management
- Budget Management Group.

Additionally there have been reviews of Declarations of Interest, an 'Externalisation' risk assessment and guidance relating to the Governance requirements for Community arrangements and activities.

The Authority has completed the self-assessment against the CIPFA checklist on measuring the effectiveness of the Audit and Governance Committee. 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 2012-13. 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 and Finance Shared Services, and the Head of ICT Shared Services.

Council
The Council met on seven occasions in 2012-13 and received / approved reports relating to the Annual Budget, Finance and Performance, Treasury Management Strategy and Annual Report, Housing Management Services Budget (incl. rent increases), Altogether Better: New operating framework, the Annual Scrutiny Report and a series of 'State of the Borough' topical debates covering subjects such as Economic Development, Sustainability and Welfare Reform.

Executive
The Executive met on thirteen occasions in 2012-13 and received a number of the reports mentioned above. Additionally they received reports on a range of matters including Youth Offending provision, Joint Health and Wellbeing strategy, Parking and Civil Enforcement and the standardisation of the school year.

Audit and Governance Committee
The Audit and Governance Committee met on five occasions during 2012-13 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, Annual Governance Report, Corporate Risk Register and Statement of Accounts.

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

Standards Committee / Standards Advisory Board
In 2011-12, the Council, in accordance with the provisions of the Localism Act 2011, opted to establish a Standards Advisory Board reporting to Audit and Governance Committee, as an alternative to having a designated Standards Committee. This change became effective on 1 July 2012. Terms of Reference for Audit and Governance Committee were altered to reflect this change. During 2012-13 Standards Committee met on two occasions whilst the Standards Advisory Board held four meetings.

Pension Fund Committee

- The Pension Fund Committee is comprised 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 officers, 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 (PCF) 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 89% of the Internal Audit Plan in 2012-13, which equated to 74 audits, 26 of which were issued as formal scored reports. This reflects the increased role played by Internal Audit in an Advisory and Consultancy capacity, particularly in connection with significant change projects. During the year the team issued three 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, 340 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 and Governance Committee in September 2012. The External Auditor reported an unqualified opinion on the Council's annual accounts for 2011-12, and concluded that the Council has adequate arrangements to secure value for money. The Authority's financial resilience was noted, as well as the challenges that were likely to be faced given further Government funding reductions.

- The Annual Audit Letter was presented to Executive in November 2012. Amongst other positive comments, it was noted that "the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources" and that "the Council is also receptive to new initiatives designed to improve value for money."

- The Authority is subject to External Audit and inspection by other bodies, such as OFSTED. The DfE undertook an annual review of the 'Improvement Notice' in April 2012, whilst further assurance work for 'higher risk' areas was driven by the Safeguarding Improvement Board and tested through the OFSTED inspection.

Following a positive re-inspection, by OFSTED of Children's safeguarding services in West Cheshire; the DfE lifted its 'Improvement Notice' in early 2013.

5. Significant governance issues

The following governance issues have been identified as 'significant'; full details of the issues and of the proposed actions to address them are attached and will be addressed in 2013-14 through the action plan attached as Appendix A.

- Fleet management
- Staff appraisal system
- Pre-employment checks (schools)
- Public Health
- Commissioning of agency placements for children in care (b/f)

Management is aware of and is taking action to mitigate these significant governance issues.

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 and Chester Council:

Mike Jones	**Steve Robinson**
Leader of the Council	**Chief Executive**

Review of Annual Governance Statement

I have reviewed the Annual Governance Statement as approved by Cheshire West and Chester Council and certify that no significant issues 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: 27 August 2013**

Appendix A

Significant governance issues 2012-13

Issue	Action
1. Fleet management In undertaking its investigative work during the year Internal Audit identified significant control issues relating to Fleet Management and more particularly the governance arrangements for authorising individuals to drive on behalf of the Council directly or to drive on business, in undertaking their substantive role.	Actions to mitigate the risks in relation to this matter have been implemented or are in progress. Internal Audit will continue to monitor, and will look to make recommendations in 2013/14 following conclusion of the investigative process and a comprehensive Internal Audit review.
2. Staff appraisal system The Authority has in place a Core Competency Framework and appraisal process for officers. The completion of appraisals via Oracle Performance Management (OPM) was piloted in 2011/12, with a view to comprehensive roll out and implementation across the Authority in 2012/13. This did not happen as expected. A fragmented, inconsistent and incomplete picture emerged in terms of the appraisal process during the year. It was commonly accepted across Directorates that an approach based on enforcement and compulsion is required to ensure that this key contributory exercise in developing staff and managing performance is achieving its objectives.	The roll out of OPM to be completed in 2013/14 and to be accompanied by in-year monitoring and a Corporate communication detailing the processes required to ensure that appraisals take place in line with Council and staff expectations.
3. Pre-employment checks (schools) An Internal Audit review in 2012/13, examining school pre-employment checks identified a lack of clarity over responsibilities for carrying out a range of validation checks required before allowing an employee to commence	The Head of Service, Achievement and Wellbeing will ensure formal arrangements are put in place that clearly set out the roles and responsibilities of the Council in relation to the effective management of pre employment checks and how this will

Issue	Action
work. This may result in the Council employing individuals who may not be suitable to work in schools and/or not eligible to work in the UK. This in turn could result in inadequate safeguarding arrangements, reputational damage as well as fines for the Council.	be delivered. This will be subject to an Internal Audit follow up review later in 2013.
4. Public Health The Authority made extensive arrangements in 2012/13 in preparation for the transfer of public health responsibilities; as part of the transitional planning process a board was established which provided high level leadership and oversight to the transfer and ensured that all systems were able to transfer effectively whilst ensuring business continuity.	Internal Audit will carry out a review of the implementation Of new Public Health arrangements in 2013/14.
5. Commissioning of agency placements for Children in Care Despite increasing budget pressures resulting from the increased volume of children and young people coming into the care of the Authority and the closure of two children's homes, the directorate was able to manage its cost pressures from within available budget and deliver a balanced budget for 2012/13. 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 2013-14.

Issues raised in the previous Annual Governance Statement **Appendix B**
(Action has been/is being undertaken and/or the issue is no longer significant)

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 has built a review of the implementation into their work plan. 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.	All major issues have now been resolved and the payables bank account is now fully reconciled. **The issue has been fully addressed.**
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 and Health, regarding the retention and disposal of records. Similar comments have been made in the statement for Children and 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 and 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	The Internal Audit review has identified non compliance with the retention of records policy. The retention function is installed in Liquid Logic but is not being used. Discussions to resolve this issue are underway and it is expected that a business process will be drafted. The secure e-mail system is in place and is being managed in a controlled manner (designated users, referral to legal for use of their secure system where appropriate). **Auto disposal module to be activated in 2013/14.**

Issue	Action
exploring electronic transmission options.	
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 2011-12 Review of Performance report.	Significant progress was made by Directorates in 2012-13 to deliver a balanced budget. The outturn for Directorate budgets is an underspend of £0.7m. This compares to the final 2011-12 overspend of £3.8m against Directorate budgets. **Issue resolved**
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.	Access rights continue to be reviewed as part of business as usual. However in 2012-13 all operational staff within Shared Services had conflict access rights removed. In addition, the audit logging facility has been enabled for the tables deemed to be high risk within Oracle. Reports are run regularly on high risk actions and these are reviewed for appropriateness. A procurement exercise is underway to make this reporting and management review process more efficient. The Audit Commission / Grant Thornton have been kept informed of progress on the project. **Internal Audit considers this risk to have been managed to an acceptable 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	An investigation has been conducted and a summary report has been drafted. The investigation has been unable to identify specific sources of 'leaks to the presses. Members will continue to be reminded of their obligations regarding confidential information. **Internal Audit considers this risk to have been managed to an acceptable level.**

Issue	Action
disclosure of confidential information contained in confidential reports to the Executive being published in the local press.	
6. Member approval process – Children and Young People 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 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.	A report clearance protocol has been agreed and is being followed. Review and approval of Committee reports is a standing item at the weekly Directorate Management team. **The issue has been fully addressed.**
7. Commissioning of agency placements for Children in Care Despite increasing budget pressures resulting from the increased volume of children and young people coming into the care of the Authority and the closure of two children's homes, 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.	Internal Audit review to be carried out in 2013/14. **Carried forward to 2012/13 AGS (Appendix A)**

Independent auditors report to Members of Cheshire West and Chester Council

Opinion on the Authority financial statements

We have audited the financial statements of Cheshire West and Chester Council for the year ended 31 March 2013 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 2012/13.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and Auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our 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 us 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 Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Cheshire West and Chester Council as at 31 March 2013 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 2012/13.

Opinion on other matters

In our 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

We report to you if:

- In our 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;
- We issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- We 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
- We exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects

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.

We are 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the 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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2013.
We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion
On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are 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 2013.

Certificate
We certify that we have completed the audit of the financial statements 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
Engagement Lead
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building
Liverpool
L3 1PS
9 September 2013

Movement in Reserves Statement for the year ended 31 March 2013

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.

Cheshire West and Chester Council	General Fund Balance £000	Sums held by Schools £000	Earmarked GF/HRA Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	HRA Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2012	**21,114**	**12,704**	**26,449**	**793**	**7,799**	**0**	**10,177**	**79,036**	**412,356**	**491,392**
Surplus or (deficit) on provision of services (accounting basis)	(24,341)	0	0	2,683	0	0	0	**(21,658)**	0	**(21,658)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	**0**	(72,875)	**(72,875)**
Total Comprehensive Expenditure and Income	**(24,341)**	**0**	**0**	**2,683**	**0**	**0**	**0**	**(21,658)**	**(72,875)**	**(94,533)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	31,902	0	0	(2,871)	326	1,699	(1,724)	**29,332**	(29,332)	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**7,561**	**0**	**0**	**(188)**	**326**	**1,699**	**(1,724)**	**7,674**	**(102,207)**	**(94,533)**
Transfers to / from Earmarked Reserves	(5,900)	(2,952)	8,902	(50)	0	0	0	**0**	0	**0**
Increase / (Decrease) in Year	**1,661**	**(2,952)**	**8,902**	**(238)**	**326**	**1,699**	**(1,724)**	**7,674**	**(102,207)**	**(94,533)**
Balance at 31 March 2013	**22,775**	**9,752**	**35,351**	**555**	**8,125**	**1,699**	**8,453**	**86,710**	**310,149**	**396,859**

2011-12 Comparative figures

Cheshire West and Chester Council	General Fund Balance £000	Sums held by Schools £000	Earmarked GF/HRA Reserves £000	Housing Revenue ccount £000	Capital Receipts Reserve £000	HRA Major Repairs 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**	**15,437**	**0**	**20,560**	**95,358**	**532,129**	**627,487**
Surplus or (deficit) on provision of services (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 and funding basis under regulations (Note 7)	7,356	0	0	91,102	(7,638)	0	(10,383)	**80,437**	(80,437)	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**1,137**	**0**	**0**	**562**	**(7,638)**	**0**	**(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**	**(7,638)**	**0**	**(10,383)**	**(16,322)**	**(119,773)**	**(136,095)**
Balance at 31 March 2012	**21,114**	**12,704**	**26,449**	**793**	**7,799**	**0**	**10,177**	**79,036**	**412,356**	**491,392**

Comprehensive Income and Expenditure Statement for the year ended 31 March 2013

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.

	2012-13			2011-12
	Expenditure £000	Income £000	Net £000	£000
Central Service to the Public	30,302	-26,223	4,079	4,842
Children's and Education Services	297,787	-247,904	49,883	71,439
Adult Social care	110,551	-33,649	76,902	83,361
Cultural and Related Services	20,230	-2,674	17,556	20,298
Environmental and Regulatory Services	45,375	-3,557	41,818	42,618
Planning Services	30,918	-12,619	18,299	15,528
Highways and Transport Services	55,788	-22,499	33,289	30,228
Local Authority Housing (HRA)	15,278	-20,602	-5,324	-1,426
- Exceptional Items	0	0	0	90,591
Housing Services	117,896	-100,360	17,536	16,629
Corporate and Democratic Core	5,381	-469	4,912	5,645
Non-distributed Costs	4,158	-103	4,055	845
Cost of Services	**733,664**	**-470,659**	**263,005**	**380,598**
Other Operating Income and Expenditure (Note 9)	65,268	-6,338	58,930	9,732
Financing and Investment Income and Expenditure (Note 10)	30,355	-22,430	7,925	2,792
Taxation and Non-Specific Grant Income (Note 11)	0	-308,202	-308,202	-296,363
(Surplus)/Deficit on Provision of Services	**829,287**	**-807,629**	**21,658**	**96,759**
Surplus(-)/Deficit on Revaluation of Assets			5,360	-52,915
Actuarial Loss on Pension Assets/Liabilities			67,515	92,251
Other Comprehensive Income and Expenditure (Note 12)			**72,875**	**39,336**
Total Comprehensive Income and Expenditure			**94,533**	**136,095**

* The full breakdown of the 2011-12 comparative expenditure and income is included in Note 52.

Balance Sheet as at 31 March 2013

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 2013 £000	31 March 2012 £000
Non-Current Assets			
- Property, Plant and Equipment	13	860,516	884,158
- Heritage Assets	14	66,485	64,220
- Investment Properties	15	129,447	122,535
- Intangible Assets	16	48	92
Long Term Investments	17	0	216
Long Term Debtors	19	1,548	2,934
Long Term Assets		**1,058,044**	**1,074,155**
Short Term Investments	17	401	10,542
Assets held for Sale	21	11,313	5,874
Inventories	18	375	802
Short Term Debtors	19	61,679	51,324
Cash and Cash Equivalents	20	18,545	42,693
Landfill Allowance Trading Scheme	50	328	0
Current Assets		**92,641**	**111,235**
Short Term Borrowing	17	-3,827	-17,768
Short Term Creditors	22	-86,548	-87,504
Provisions < 1 yr	23	-2,025	-714
Current Liabilities		**-92,400**	**-105,986**
Provisions	23	-8,991	-4,584
Long Term Borrowing	17	-229,460	-230,919
Pension Fund Liability	44	-375,241	-305,815
Other Long Term Liabilities	17	-41,830	-34,185
Capital Grant Receipts in Advance	36	-5,904	-12,509
Long Term Liabilities		**-661,426**	**-588,012**
Net Assets		**396,859**	**491,392**
Usable Reserves	24	86,710	79,036
Unusable Reserves	25	310,149	412,356
Total Reserves		**396,859**	**491,392**

Short term borrowings include the loan principal and interest payments due in less than one year. Such payments were previously included in short term creditors thus the 2011-12 comparators have been restated to reflect the revised presentation.

Cash Flow Statement
for the year ended 31 March 2013

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 March 2013 £000	31 March 2012 £000
Net surplus or deficit on the provision of services	21,658	96,759
Adjust net surplus or deficit on the provision of services for non cash movements	-87,407	-57,792
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	58,880	-38,058
Net cash flows from Operating Activities	**-6,869**	**909**
Investing Activities	9,846	28,851
Financing Activities	21,171	-17,247
Net decrease in cash and cash equivalents	**24,148**	**12,513**
Cash and cash equivalents at the beginning of the reporting period	42,693	55,206
Cash and cash equivalents at the end of the reporting period	18,545	42,693
Net decrease in cash and cash equivalents	**24,148**	**12,513**

Further details are disclosed in Notes 26, 27 and 28 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 2012-13 financial year and its position at the year end of 31 March 2013. 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 convention 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 the 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, 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 operates a shared services agreement with Cheshire East Borough Council to deliver a range of services. These services were determined using the criteria of attaining operational efficiency and identifying those services that utilised a single infrastructure that could not be disaggregated economically. Details of the services provided through a shared service arrangement are shown in Note 49.

The Shared Services are not separate legal entities to the Council and are 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.

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 and Chester Council have 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.

Accounting for Council Tax

While the Council Tax income 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 National Non Domestic Rates (NNDR)

As the Council acts as an agent of the Central Government 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 31.

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

These arrangements will change from 1st April 2013 when control of local business rates will transfer from Central Government to Councils. This change will impact on the presentation of NNDR income in the 2013-14 financial statements, further details are set out in Note 6.

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 such costs are charged to the Comprehensive Income and Expenditure Statement.

Payments for accumulating paid 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 and 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 44) 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 takes place as part of a restructuring of the loan portfolio, regulations allow the impact 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.

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/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 was originally intended to run for fifteen annual compliance periods between 1 April 2005 and 31 March 2020 but it has now been confirmed that the scheme will end following 2012-13. 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 2012-13 allowances are traded. Any penalty payment due to Department for Environment, Food and 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 are properties or land 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 lessees under operating leases. 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 their 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 and 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; and
- 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 notional 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 (70.5%) 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 40):

- **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** – writes down the Balance Sheet liability to 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; and
- The obligation/contingent asset cannot be easily quantified.

Contingent Assets and Liabilities are not recognised in the Balance Sheet but are disclosed in Notes 45 and 46. The disclosure sets out the scale of potential costs and likelihood of these being realised.

Reserves

The Council maintains a range of reserves, reflecting both the extent to which its 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 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 (REFCUS)

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 2013-14 will introduce a number of new requirements for Councils to comply with updated reporting standards that have been adopted. The relevant changes relate to the following standards all of which will be amended for accounts produced for financial periods starting after 1st April 2013.

- IAS19 – Employee Benefits
- IAS1 – Presentation of Financial Statements
- IFRS 7 - Financial Instruments

The changes will be adopted retrospectively meaning the 2012-13 information included within these accounts will be restated in the 2013-14 accounts to reflect the new reporting requirements. This note sets out what the changes would have been if the new standards had already been in force.

The only material impact on the reported Council position is in relation to Employee Benefits. This change impacts on the way that pension and termination costs are reflected in the Council's accounts.

- The new IAS19 requirements will change the way in which the interest costs on the net pension liability are shown. At present the Financing and Investment Income line of the Surplus or Deficit on Provision of Service (SDPS) is credited with an expected return on assets based on an actuary's assessment of the likely long term returns the Pension Fund will achieve on the Council's assets. This is based on achieving different returns for different classes of assets (shares, bonds, property etc). The average rate of return assumed for 2012-13 was 5.5%.

  Following adoption of the new standard this will be replaced by a calculation of interest income on assets held. This presumes that the long term return on assets will instead be based solely on corporate bond yields at the time the accounts are prepared. This rate for 2012-13 was 4.8%.

  As the basis of the calculation will change, the amount charged to the financing and investment line will also change. Had this been in place for 2012-13 then the reported surplus or deficit on provision of services would have been worse by approximately £5.65m.

  Any difference between the actual return on assets and the expected return on assets is recorded in the Other Comprehensive Income and Expenditure line of the CIES. This line would therefore have shown a £5.65m improvement had the new version of IAS19 been in place for 2012-13. The bottom line of the CIES would be unchanged and there would be no impact on the Balance Sheet.

- Other changes to IAS19 relate to the point at which the Council recognises termination costs. Under the new standard recognition now takes place when the Council cannot withdraw an offer. This largely matches current recognition practices so there will be no material change.

The changes to the other accounting standards would not have led to any significant changes in the Council's 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:

- 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 (£29m) 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 40 (PFI).

- In 2012-13 the Council entered into new long term contractual arrangements for the provision of waste collection and highways maintenance within the borough. The contractors involved will be utilising a range of vehicles and equipment to provide the services required and following an assessment of the arrangements the Council has determined that these contracts represent embedded leases. As a result the assets utilised have been recognised on the Balance Sheet as Council assets and the future contractual payments linked to the assets as a liability. Further details are set out within Note 39 (Leases).

- 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 and Chester Council inherited 45.73% of these deposits. Thirteen separate dividends have already been paid to the Council and two further dividends are anticipated in 2013-14. Taking into account the future dividends it is anticipated that 88% of the total amount due will be repaid. The 2012-13 accounts have therefore been prepared taking these estimates into account. Further details are included in Note 47 (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 48 (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 31 March 2013 eleven Academies had been created from schools which were formerly funded by Cheshire West and Chester Borough Council, this is an increase of five since March 2012. 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 transfer of assets to the Academy is recognised on the date that the Academy is formally created, not the date the school receives approval to become an academy. Until the later date the school continues to be run by the Council and could choose to retain its current status. The details of prospective schools that are currently planning to transfer to Academy status in 2013-14 or later are disclosed in Note 13.

  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.

The Ellesmere Port Academy has relocated to purpose built premises on a new site in 2012-13, releasing the former school sites back to the Council. These sites have now been revalued based on their potential alternative usage by the Council as a base for other services to be delivered from.

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 2013 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 £3.7m.
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 44 and reflect best advice on reasonable judgements to make at 31 March 2013.	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 £122m or a one year increase in pensioner lifespans £37m. 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 2013 the Council had a debtor's balance of £72.9m. A review of significant debtor balances has been undertaken and a debtors' impairment figure of £11.2m 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 Adjustment Account 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 £3.6m 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 no exceptional items in 2012-13.

The exceptional item shown in the 2011-12 comparator year related to the HRA self financing settlement in March 2012. At that point the Council effectively bought itself out of the HRA subsidy system, releasing itself from the need to pay HRA subsidy payments to Government in future years at a one off cost of £90.591m. This cost was recorded in the CIES as an exceptional item before being capitalised.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Resources on 27 August 2013. 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 2013, 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 2012-13 there is a non-adjusting post balance sheet event in respect of Non-Domestic Rates. On 1 April 2013 the responsibility for the collection of Non-Domestic or Business Rates transferred from Central Government to Councils. In previous years, including 2012-13, the Council undertook the collection of Non-Domestic Rates under an agency arrangement (See Note 31); it undertook the collection task but was not directly responsible for the income. As such unpaid rates do not appear as debtors on the Council's balance sheet and collection performance does not affect the income recorded. From 2013-14 this position changes and the Council becomes directly responsible for collecting Non-Domestic Rates income.

The Council will also inherit responsibility for liabilities in relation to backdated appeals against the rateable value of properties. Should a local business successfully appeal against the level of payments made in 2012-13 or any earlier year, then the responsibility for any refunds will fall to the Council. As these will not become Council liabilities until after 1 April 2013 they are not reflected in the Balance Sheet at 31 March 2013 but are disclosed here for completeness. The Council's share of the estimated costs of these appeals (£2.5m) has been reflected within its 2013-14 budgets and residual liabilities will be reported within the 2013-14 Accounts.

At its Council meeting on the 18th July 2013, Members received a report that outlined the current progress being made in the development of a significant regeneration project within the Northwich area. As part of this report, Members approved a recommendation that will see the Council continuing to act as developer as the scheme progresses to the next stage. In order to facilitate the delivery of the scheme a development account will be created on a ring-fenced, self-financing basis with the scheme being funded via prudential borrowing to completion. Any new balances that are created linked to the development of this scheme will be disclosed in the Accounts throughout this delivery stage.

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.

2012-13	Usable reserves					Move-ment in Unusable reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Un-applied	
	£000	£000	£000	£000	£000	£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	-28,895	-5,345				34,240
Impairment and Revaluation of Non Current Assets	-16,094					16,094
Amortisation of Intangible Assets	-56					56
Movements in the fair value of investment properties	7,766					-7,766
Capital Grants and Contributions applied	50,206					-50,206
Revenue expenditure funded from capital under statute	-6,278					6,278
Non-current assets written off upon disposal or sale	-63,523	-417				63,940
Insertion of items not debited or credited to CIES						
Statutory provision for the financing of capital investment	14,901	227				-15,128
Capital expenditure charged against the General Fund	3,386					-3,386
Adjustments primarily involving the Capital Grants Unapplied Account (CGUA):						
Capital grants and contributions unapplied credited to CIES	572				-572	
Application of grants to the Capital Adjustment Accounts for financing purposes					2,296	-2,296
Adjustments primarily involving the Capital Receipts Reserve (CRR):						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	6,829	651	-7,480			0
Use of CRR to finance new capital expenditure			6,647			-6,647
Non-current asset disposal costs funded from the CRR	-47		61			-14
Government capital receipts pooling payments funded from CRR	-460		460			
Transfer from Deferred Capital Receipts on receipt of cash			-14			14
Adjustment primarily involving the Major Repairs Reserve:						
Transfer to the Major Repairs Reserve to fund capital expenditure and the repayment of debt		7,616		-7,616		
Use of Major Repairs reserve to finance capital expenditure and repayment of debt				5,917		-5,917
Adjustments primarily involving the Financial Adjustment Account:						
Difference between finance costs charged to the CIES and those chargeable under statutory requirements	-20	108				-88
Adjustments primarily involving the Pension Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	-32,720	-402				33,122
Employers pension contributions and direct payments to pensioners payable in the year	30,838	373				-31,211
Adjustments primarily involving the Collection Fund Adjustment Account						
Difference between Council Tax income credited to the CIES and income calculated in accordance with statutory requirements	968					-968
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	725	60				-785
Total Adjustments	**-31,902**	**2,871**	**-326**	**-1,699**	**1,724**	**29,332**

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**

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 2012-13 and 2011-12.

	Balance at 1 April 2011	Transfers Out 2011-2012	Transfers In 2011-2012	**Balance at 31 March 2012**	Transfers Out 2012-2013	Transfers In 2012-2013	**Balance at 31 March 2013**
Revenue Earmarked Reserves	£000	£000	£000	£000	£000	£000	£000
Insurance reserve	1,572	-660	230	**1,142**	-29	700	**1,813**
PFI Reserves	3,747	0	389	**4,136**	0	460	**4,596**
Revenue Grants	6,353	-6,198	4,455	**4,610**	-1,766	4,427	**7,271**
Developer Contributions Unapplied	332	0	1,172	**1,504**	-1,533	1,169	**1,140**
Sums held by Resource Centre Manager	1,819	-1,819	827	**827**	-827	1,651	**1,651**
Childrens Services Improvements Reserve	1,700	-429	0	**1,271**	0	0	**1,271**
Local Authority Elections Reserve	563	-455	0	**108**	0	120	**228**
Members Localisation Reserve	0	0	336	**336**	-336	39	**39**
Learning Resource Network	993	-993	0	**0**	0	0	**0**
Restructuring Reserve	1,320	0	0	**1,320**	0	0	**1,320**
3C Waste Reserve	1,309	-65	0	**1,244**	-1,244	0	**0**
Northgate Development	1,637	-465	0	**1,172**	-660	0	**512**
Joint Property Running costs	1,581	-308	0	**1,273**	0	0	**1,273**
Long Term Liabilities	1,480	0	4,352	**5,832**	-1,033	4,573	**9,372**
Barons Quay	409	0	450	**859**	0	0	**859**
After Schools Clubs	0	0	175	**175**	-175	0	**0**
Long Term Sickness	237	-133	19	**123**	-145	35	**13**
Fluctuation in School Days	60	0	0	**60**	0	81	**141**
Make or Buy/SLE Reserve	0	0	0	**0**	0	1,500	**1,500**
Chester City Baths	0	0	0	**0**	0	500	**500**
Northwich Flood Protection	0	0	0	**0**	0	500	**500**
Community Benefits	0	0	0	**0**	0	245	**245**
Mersey Forest	0	0	0	**0**	0	330	**330**
HRA Pensions Reserve	0	0	0	**0**	0	50	**50**
Other Reserves and Balances	538	-134	53	**457**	-91	361	**727**
Total	25,650	-11,659	12,458	**26,449**	-7,839	16,741	**35,351**

Both the LABGI and Northwich Vision Reserves have been amalgamated into the Barons Quay Reserve. The Early Retirement Reserve has been transferred into the Long Term Liabilities Reserve. The prior year comparators have been restated to reflect these changes.

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:

	2012-13 £000	2011-12 £000
Loss on disposal of Non-current assets	55,590	7,114
Parish Precepts	2,624	2,470
Levies	277	277
Contribution of Housing Capital Receipts to National Pool	460	135
Other income and expenditure	-21	-264
	58,930	**9,732**

The costs shown as loss on disposal of non-current assets include the costs of transferring property to schools which transfer out of Council control on long term leases for nil return. In 2012-13 this included properties for three new academies, one school taking up voluntary aided status, one taking up foundation status and the transfer of the newly completed Ellesmere Port Academy. The loss on disposal of assets in these circumstances was £50m (2011-12 £4.4m).

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.

	2012-13 £000	2011-12 £000
Interest payable and similar charges	11,954	8,896
Pension interest and expected return on assets	8,761	1,650
Interest receivable and similar income	-598	-851
Income and expenditure in relation to investment properties and changes in their fair value	-12,009	-6,820
Trading Accounts not related to Services	-183	-83
	7,925	**2,792**

11. Taxation and non-specific grant income

The Council received the following funding which does not relate to specific services.

	2012-13 £000	2011-12 £000
Council Tax - call on Collection Fund	-155,710	-155,524
Revenue Support Grant	-1,732	-22,808
National Non-Distributed Rates	-89,371	-73,789
Capital Grants and Contributions	-50,778	-35,281
PFI Grants	-3,039	-3,039
Local Services Support Grant	-1,716	-1,658
Council Tax Freeze Grant	-3,817	-3,812
New Homes Bonus	-1,426	-452
Other Grants	-613	0
	-308,202	**-296,363**

12. Other Comprehensive Income and Expenditure

The Other Comprehensive Income and Expenditure section of the CIES 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 2013 they are not reflected against the Council's usable reserves at this point and are held separately in unusable reserves as described in Note 25.

	2012-13 £000	2011-12 £000
Property Revaluation Losses/-Gains	5,360	-52,915
Pension Deficit - Actuarial Losses	67,515	92,251
	72,875	**39,336**

- 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. Revaluation losses occur when the situation leading to an initial increase changes and the asset value is reduced towards its original cost.

- Pension Deficit Actuarial Loss adjustments reflect revised estimates as to the value of future pension liabilities or assets made by actuaries. The loss in 2012-13 represents a combination of a reduced discount factor being applied to all future pension liabilities (increasing the current value of those liabilities by £129.8m) offset by a better than anticipated return on assets held during 2012-13 (resulting in a £60.4m increase in the asset value) and a reduction in the future pension liabilities that the Council have inherited in respect of Connexions Cheshire and Warrington Ltd.

13. Property, plant and equipment

Movements in 2012-13	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 2012	145,541	478,744	74,891	280,878	12,441	14,606	15,547	1,022,648
Additions	6,862	36,482	17,893	18,757	743	0	16,734	97,471
Revaluation Gain/Loss to RR	-10,523	3,501	0	0	0	-6,616	0	-13,638
Reval/Impair Losses to SDPS	0	-13,906	-775	0	0	-3,090	0	-17,771
Reverse Reval/Impair to SDPS	0	0	0	0	0	0	0	0
Derecognition - Disposals	-416	-54,165	-18,712	0	0	0	0	-73,293
Derecognition - Other	0	-2,519	0	0	0	0	0	-2,519
Re-classification of assets	0	10,423	0	-94	-86	0	-10,243	0
Reclass to/from Held for Sale	0	-6,602	0	0	0	0	0	-6,602
Reclass to/from Heritage	0	0	0	0	0	0	0	0
Reclass to/from Investment	0	667	0	0	0	0	0	667
Value as at 31 March 2013	**141,464**	**452,625**	**73,297**	**299,541**	**13,098**	**4,900**	**22,038**	**1,006,963**
Depreciation								
At 31st March 2012	-23	-13,826	-40,204	-84,314	-123	0	0	-138,490
Charges for the year	-5,107	-8,685	-11,007	-8,918	-5	0	0	-33,722
Revaluation Gain/Loss to RR	5,083	3,195	0	0	0	0	0	8,278
Reval/Impair Loss to SDPS	0	1,343	485	0	0	0	0	1,828
Derecognition - Disposals	0	1,112	14,151	0	0	0	0	15,263
Derecognition - Other	0	396	0	0	0	0	0	396
Accum Depn at 31 March 2013	-47	-16,465	-36,575	-93,232	-128	0	0	-146,447
Net Book Value at 31 March 2013	**141,417**	**436,160**	**36,722**	**206,309**	**12,970**	**4,900**	**22,038**	**860,516**
Net Book Value at 31 March 2012	145,518	464,918	34,687	196,564	12,318	14,606	15,547	884,158
Nature of Asset Holding								
Owned	141,417	407,525	24,420	206,309	12,970	4,900	22,038	819,579
PFI		28,635						28,635
Leased			12,302					12,302
Total	**141,417**	**436,160**	**36,722**	**206,309**	**12,970**	**4,900**	**22,038**	**860,516**

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 (£0.2m) is shown under vehicles plant and equipment.

The Net Book Values for 2012-13 include £2.2m 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 £1.1m is included in the Balance Sheet.

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
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
Derecognition - Disposals	0	195	5,505	0	0	0	0	5,700
Derecognition - Other	0	322	0	0	0	0	0	322
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**

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 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 and Chester Council. As at 31 March 2013 there were 29 Voluntary Aided schools in use with a value of just over £39m.
- 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 2013 there were five such schools with a value of approximately £43m. This value marginally decreased in 2012-13 as Tarporley Community High School became an Academy status but property was transferred to Weaverham High School for the first time.
- Academy Schools are run independently of the Council but still provide education services in Cheshire West. The schools are typically 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 eleven academies in the Borough as at 31 March 2013 with others scheduled to transfer in 2013-14. 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 13 former schools which were last valued at approximately £82m. A further six schools are in the process of converting to Academy status at 31 March with four having received their full academy order and the others having received ministerial approval to progress their application. These schools are anticipated to become academies between 1 April 2013 and 1 Jan 2014. On transfer of these assets a total of £17.1m of existing assets would be derecognised from the Council's accounts.

Where former school sites have been handed back to the Council following a relocation of the new Academy, as is the case in Ellesmere Port and Winsford, the sites will be recorded at their ongoing value in their new planned usage, i.e. as an operational or surplus asset.

The Council has classified the former high school site at Woodford Lodge, Winsford as a surplus asset with a value of £4.9m. 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.

National debate is currently on-going which may impact on the future treatment of how certain types of schools are recorded in Councils' accounts. This is likely to affect whether or not Voluntary Aided Schools and Voluntary Controlled Schools are reported as Council assets in the future.

For the purposes of the 2012-13 accounts the Council has maintained its pre-existing policy and only records the value of Community Schools and Voluntary Controlled Schools in its accounts. As described above any schools which are classified as Voluntary Aided, Foundation or Academy are not reported. Should a consensus emerge which differs from the Councils treatment the consequences of any changes will be disclosed in that year's accounts.

Depreciation

The following useful lives and depreciation rates are used for depreciating new or revalue 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 revalue. 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 %
Council Housing	Up to 60 years	3.7%
Operational Buildings	Up to 100 years	2.0%
Infrastructure	Up to 50 years	3.0%
Vehicles	Up to 25 years	12.5%
Plant and Equipment	Up to 15 years	20.0%

Significant commitments under capital contracts

The value of significant commitments under capital contracts, where amounts of £0.5m or more are contracted to be paid after 31 March 2013, totals £39.5m. These contracts are all fully funded and are summarised as follows:

Capital Project	Contract Total £000	Amount Paid to Date £000	Outstanding Balance £000
Winsford Academy	17,871	14,004	3,867
St Thomas/Victoria Amalgamation (Chester Bluecoat)	5,889	4,939	950
Term Maintenance Contract - Various Schemes	27,000	4,362	22,638
Sandiway Primary School	786	55	731
Kingsley Primary School	589	46	543
Northgate Arena Extra Care	4,336	3,252	1,084
Ellesmere Port Sports and Leisure Village	588	72	516
Northwich Memorial Court	951	451	500
Grosvenor Park	2,633	0	2,633
Lion Salt Works	5,652	846	4,806
Chester Cathedral	1,250	0	1,250
Total	**67,545**	**28,027**	**39,518**

Bases of valuations

The Council revalue's 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 31 March 2013.

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, Equipment, 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 age profile of existing asset values.

	Council Dwellings £000	Operational Other Land and Buildings £000	Surplus Assets £000	Historic Cost Assets £000	Total PPE Assets £000
Valued at Historic Cost				278,039	278,039
Valued at Current Value in:					
- 2012-13	140,248	65,054	4,900		210,202
- 2011-12		88,852			88,852
- 2010-11	1,169	174,262			175,431
- 2009-10		86,413			86,413
- 2008-09		21,579			21,579
- 2006-07		0			0
Total	**141,417**	**436,160**	**4,900**	**278,039**	**860,516**

Effects of changes in methodologies and estimates
There have been no major changes to the way in which the Council carries out valuations during 2012-13; 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 2012-13	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 2012	48,194	1,017	10,257	500	3,668	685	64,321
Additions	2,196	822	38				3,056
Disposals	-212					-93	-305
Revaluation Gains							0
Impairment Losses/(Reversals) to SDPS			-20				-20
Reclassification from PPE Assets							0
Value as at 31 March 2013	**50,178**	**1,839**	**10,275**	**500**	**3,668**	**592**	**67,052**
Depreciation							
At 31st March 2012	-96	-5	0	0	0	0	-101
Charges for the year	-518						-518
Disposals	52						52
Accumulated Depn at 31 March 2013	**-562**	**-5**	**0**	**0**	**0**	**0**	**-567**
Net Book Value at 31 March 2013	**49,616**	**1,834**	**10,275**	**500**	**3,668**	**592**	**66,485**

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
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**

Summary of acquisitions, donations and disposals

The table below summaries the changes in the makeup of the Council's assets over the last three 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 since 2010-11 have been in relation to museum collections. The only disposal which has taken place was the transfer of the Ellesmere Port mayoral chains and other civic regalia from the Council to the Ellesmere Port Charter Trust.

New Acquisitions/Disposals	2012-13 £000	2011-12 £000	2010-11 £000
Museum Collections			
- Acquisitions			
- Fine Art	17	29	35
- Archaeology	1	3	4
- Donations			
- Archaeology	20	16	2
Total Costs of Purchases	**38**	**48**	**41**
Civic Regalia			
- Disposals			
- Ellesmere Port Regalia	-93	0	0
Total Asset Disposals	**-93**	**0**	**0**

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.

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 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. During 2012-13 regalia linked to Ellesmere Port were transferred to the Ellesmere Port Charter Trust.

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	2012-13 £000	2011-12 £000
Rental Income from Investment Property	-7,903	-8,466
Direct Expenditure Arising from Properties	2,454	2,734
Net Cost/(Income) in the Year	**-5,449**	**-5,732**

The movements in the value of investment properties during 2012-13 are analysed below.

Investment Assets - Movements in Year	2012-13 £000s	2011-12 £000s
Balance at Start of Year	122,535	120,145
Additions		
- Acquisitions	1,962	0
- Subsequent Expenditure	224	163
Disposals		
- Outright Disposals	-2,063	-367
- Transfers to/from Assets Held for Sale	-310	645
Fair Value Adjustments		
- Increases in Fair Value	18,038	3,682
- Decreases in Fair Value	-10,272	-2,000
Transfers to or from other asset categories	-667	267
Value as at 31 March	**129,447**	**122,535**

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 21. There was only one Investment Asset Held for Sale at 31 March 2012 with an estimated value of £58k; this was sold in 2012-13 for a receipt of £66k. As at 31 March 2013 two further former Investment Assets are being held as Asset Held for Sale, these have a combined value of £293k.

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:

	2012-13 £000	2011-12 £000
3 Years	534	568
4 Years	27	27
5 Years	149	472
	710	**1,067**

The carrying amount of intangible assets is amortised on a straight-line basis, the charge for 2012-13 has been shown across service lines in the Comprehensive Income and Expenditure Statement.

	Other Assets 2012-13 £000	Other Assets 2011-12 £000
Balance at start of year:		
Gross carrying amount	1,067	2,198
Accumulated amortisation	-975	-2,025
Net carrying amount at start of year	**92**	**173**
Additions:		
Purchases	12	20
Disposals:		
Gross carrying amount	-369	-1151
Accumulated amortisation	369	1151
Amortisation for the Period	-56	-101
Net carrying value at end of year	**48**	**92**
Comprising:		
Gross Carrying Amount	710	1,067
Accumulated Amortisation	-662	-975
Total	**48**	**92**

17. Financial instruments

Categories of financial instruments

The table below outlines the categories of financial instruments that are carried in the Balance Sheet. The presentation of this information has been expanded to facilitate a link to values identified in the Balance Sheet.

	Long Term		Current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Assets				
Loans and receivables				
Investments identified on the balance sheet	0	212	401	10,542
Debtors identified on the balance sheet	1,548	2,934	61,679	51,324
Less: classes of debtor not recognised as financial instruments	0	0	-18,826	-19,195
Plus: cash and cash equivalents identified on the balance sheet	0	0	18,545	42,693
Total Loans and Receivables	**1,548**	**3,146**	**61,799**	**85,364**
Available-for-sale financial assets				
Investments	0	4	0	0
Total Available-for-sale Financial Assets	**0**	**4**	**0**	**0**
Liabilities				
Financial liabilities at amortised cost				
Borrowing identified on the balance sheet	-229,460	-230,919	-3,827	-17,768
Other long term liabilities identified on the balance sheet	-41,830	-34,185	0	0
Total Financial Liabilities at Amortised Cost	**-271,290**	**-265,104**	**-3,827**	**-17,768**
Financial liabilities carried at contract amount				
Creditors identified on the balance sheet	0	0	-86,548	-87,504
Less: classes of creditor not recognised as financial instruments	0	0	30,497	36,422
Total Financial Liabilities Carried at Contract Amount	**0**	**0**	**-56,051**	**-51,082**

Borrowings include the loan principal and interest payments due in less than one year. The Other Long Term Liabilities section includes PFI and Finance Leases and also funds owed to Cheshire East in relation to shared properties. The 2011-12 comparators have been restated to reflect this revised presentation.

Within the analysis certain debtors and creditors are stripped out where they are not considered to be financial instruments. This is the case for arrangements such as the pay over of deductions for Tax and National Insurance to Government, receipts in advance or prepayments. These are not contractual arrangements whereby the Council is giving or receiving credit so they are not classed as financial instruments.

Income, Expense, Gains and Losses

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

	2012-13			
	Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Total £000
Interest expense	11,954	0	0	11,954
Total expense in SDPS	**11,954**	**0**	**0**	**11,954**
Interest income	0	-598	0	-598
Total income in SDPS	**0**	**-598**	**0**	**-598**
Net (gain)/loss for the year	**11,954**	**-598**	**0**	**11,356**
	2011-12			
Interest expense	8,896	0	0	8,896
Total expense in SDPS	**8,896**	**0**	**0**	**8,896**
Interest income	0	-851	0	-851
Total income in SDPS	**0**	**-851**	**0**	**-851**
Net (gain)/loss for the year	**8,896**	**-851**	**0**	**8,045**

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 2013 of between 0.93% and 4.02% for loans from PWLB based on the 'new borrowing' certainty rate and between 0.02% and 3.10% 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 be 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 31 March 2013 is set out below. The Council sold its remaining war stock during 2012-13.

	Long Term		Current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
War Loan Stock	0	4	0	0
Total	**0**	**4**	**0**	**0**

Fair Value of Assets held at Amortised Cost

	Carrying Value		Fair Value	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Loans and receivables	63,347	88,510	63,347	88,510
Total	**63,347**	**88,510**	**63,347**	**88,510**

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 represents the amount that would need to be paid to the Council's existing lenders on 31 March 2013 to repay in full all its 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 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Financial liabilities at amortised cost	-275,117	-282,872	-275,637	-284,454
Total	**-275,117**	**-282,872**	**-275,637**	**-284,454**

The new loans rate fair value of long term borrowings was above the carrying value as at 31 March 2013. 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 2013 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 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Financial liabilities at amortised cost	-275,117	-282,872	-318,046	-312,948
Total	**-275,117**	**-282,872**	**-318,046**	**-312,948**

The early repayment rate fair value of long term borrowings was above the carrying value as at 31 March 2013. 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

The value of inventories or stock held has reduced in 2012-13 as the Council transferred the operation of its housing repairs function to be delivered by Plus Dane rather than directly by the Council. All stock held for this purpose was either sold to Plus Dane or written off.

	Housing Stores £000	Catering Supplies £000	Museum and Gallery Services £000	Other Stocks £000	Total £000
Balance at 31 March 2011	**163**	**133**	**124**	**345**	**765**
Purchases	737	2,741	2	495	**3,975**
Recognised as an expense in the year	-702	-2,745	0	-471	**-3,918**
Written off balances	0	0	0	-20	**-20**
Balance at 31 March 2012	**198**	**129**	**126**	**349**	**802**
Purchases	94	2,830	27	355	**3,306**
Recognised as an expense in the year	-152	-2,844	-66	-524	**-3,586**
Written off balances	-140	0	0	-7	**-147**
Balance at 31 March 2013	**0**	**115**	**87**	**173**	**375**

Stock balances held at the Salt Museum and Stretton Mill (£9k) is now shown under Museum and Gallery Services in the table above to better reflect their purpose. They were previously held under “other stocks”.

19. Debtors

The Council’s debt position as at 31 March 2013 is analysed below by the different types of debtors held. 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.

Analysis of Debtors by Type	**31 March 2013 £000**	**31 March 2012 £000**
Sundry Revenue and Capital Debtors	40,654	34,745
Prepayments	4,115	4,196
HM Revenue and Customs (VAT)	7,781	5,265
Housing Benefit Overpayments	4,813	4,393
Benefits Subsidy	849	784
Housing Revenue Account	1,649	1,690
Revenue and Capital Grant Debtors	5,746	2,718
Cheshire Pension Fund Debtor	82	1,626
CWAC Share of Council Taxpayers Arrears	7,235	7,175
Central Government relating to Business Rates	0	27
Bad Debt Provision	-11,245	-11,295
Total	**61,679**	**51,324**

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.

Analysis of Bodies with whom the Council holds Debt	31 March 2013 £000	31 March 2012 £000
Central government bodies	14,172	7,400
Other local authorities	22,833	15,840
NHS bodies	28	706
Public corporations and trading funds	335	174
Other entities and individuals	24,311	27,204
Total	**61,679**	**51,324**

Two former long term debts (with Cheshire Lifestyle Services and Blacon Community Trust) have been transferred out of long term debtors as they are expected to be settled within the next 12 months.

Analysis of Long Term Debtors	31 March 2013 £000	31 March 2012 £000
Cheshire Lifestyle Services (CLS)	0	1,229
Sir John Deane's 6th Form College	101	127
Small Dwellings Act/Housing Act Advances	2	8
Returnable Deposits	102	118
Blacon Community Trust	0	95
Council Mortgages	9	23
Home-Buy Loans	1,334	1,334
Total	**1,548**	**2,934**

20. 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 £2.8m credit shown against current accounts below reflects the fact that £4.4m of payments were in process overnight on 31 March, funding was transferred in from deposits at the start of April to cover this cost.

	At 31 March 2013 £000	At 31 March 2012 £000
Bank Current Accounts	-2,838	-7,101
Short Term Deposits	21,383	49,794
Total	**18,545**	**42,693**

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 during 2012-13 this strategy will not be sustainable through 2013-14 and borrowing will be required in the New Year. The Council will ensure that sufficient cash balances are maintained to allow it to carry out its day to day activities and be able to respond to emerging issues.

21. 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 eight assets held for sale at 31 March 2012, five were sold during 2012-13. These assets sold for a combined sum of £1.6m compared to their book value of £1.5m, the profit on these sales is recorded on the Comprehensive Income and Expenditure Statement on the "Other Operating Income and Expenditure" line.

An additional seven properties were transferred to the Held for Sale category in 2012-13. These represent a range of sites from former offices or schools to small parcels of land. These are carried at an estimated sales price of just over £6.9m, the majority of which relates to the former Brook Lane School.

	2012-13 £000	**2011-12 £000**
Balance at start of the year	5,874	2,773
Assets Transferred into Assets Held for Sale:		
Property, Plant and Equipment	6,602	4,342
Investment Assets	310	58
Valuation Changes		
- Revaluation Gains/Losses	21	265
Assets Transferred out of Assets Held for Sale		
Property, Plant and Equipment	0	-400
Investment Assets	0	-703
Assets sold	-1,494	-461
Balance at end of the year	**11,313**	**5,874**

22. Creditors

The Council's creditor position as at 31 March 2013 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.

To aid clarity the Council now shows any short term borrowing repayable within 12 months as a separate item on the face of the Balance Sheet. This figure, which includes principal payments and interest, is therefore excluded from the creditors figure below and the prior year has been restated to reflect this.

Analysis of Creditors by Type	**31 March 2013 £000**	**Restated 31 March 2012 £000**
Creditors		
Sundry Revenue Creditors/Payments to Suppliers	42,346	44,611
Staff Accrued Leave Entitlement (see below)	7,580	8,365
HM Revenue and Customs	4,739	5,420
Pension Fund and Other Payroll Related	4,328	4,549
Capital Creditors	12,193	6,274
Central Government relating to Business Rates	1,152	3,873
Other	1,513	2,639
	73,851	**75,731**
Receipts in Advance		
Council Tax Advance Payments	2,455	2,946
Revenue Grants	2,119	2,978
Other	8,123	5,849
	12,697	**11,773**
Total	**86,548**	**87,504**

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).

Analysis of Bodies with whom the Council owes money	**31 March 2013 £000**	**31 March 2012 £000**
Central government bodies	10,013	14,412
Other local authorities	4,242	6,803
NHS bodies	148	682
Public corporations and trading funds	99	80
Other entities and individuals	72,046	65,527
Total	**86,548**	**87,504**

Short Term Accumulating Paid Absences

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 25.

At 31 March 2013 the Council had accrued for a leave entitlement of £7.6m. 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. The level of accrued leave is falling as Academy schools are excluded from the calculation once they leave Council control.

Accrued Leave Entitlement	**2012-13**	**2011-12**
Opening Balance at 1st April	**8,365**	**8,401**
Reductions in Unused Leave Entitlement (School Based)	-793	-40
Increases in Unused Leave Entitlement (non School Staff)	8	4
Closing Balance at 31st March	**7,580**	**8,365**

23. 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 £000	Redundancy £000	Land Search Charges £000	Other ST Provisions £000	**Total £000**	Insurance Provision £000	Closed Landfill £000	Other Provisions £000	**Total Long Term £000**
Balance at 31 March 2011	**781**	**269**	**0**	**0**	**1,050**	**3,124**	**0**	**133**	**3,257**
Amounts used in year	-781	-269	0	0	**-1,050**	-1,098	0	0	**-1,098**
Unused Amount Released	0	0	0	0	**0**	0	0	0	**0**
Additional provisions made	0	494	0	220	**714**	2,378	0	47	**2,425**
Unwinding of discounting	0	0	0	0	**0**	0	0	0	**0**
Balance at 31 March 2012	**0**	**494**	**0**	**220**	**714**	**4,404**	**0**	**180**	**4,584**
Amounts used in year	0	-494	0	-220	**-714**	-1,659	0	-57	**-1,716**
Unused Amount Released	0	0	0	0	**0**	0	0	0	**0**
Additional provisions made	288	684	650	403	**2,025**	2,176	3,947	0	**6,123**
Unwinding of discounting	0	0	0	0	**0**	0	0	0	**0**
Balance at 31 March 2013	**288**	**684**	**650**	**403**	**2,025**	**4,921**	**3,947**	**123**	**8,991**

Short Term (payable within 12 months) provisions include:

- Landfill Allowances - balances to fund payment of Landfill Allowance costs to DEFRA, this is the last year that Landfill Allowance provisions will be held (see note 50).
- Redundancy - sums held to fund the costs of redundancy payments to individuals which have been agreed in advance of 31 March but will take place in the following financial year.
- Land Search Charges – This provision reflects a potential need to refund individuals who were charged for accessing land charges data.
- Housing Benefit Subsidy – a payment may be necessary to refund the Department of Work and Pensions for benefit claims relating to 2009-10. The likelihood that this payment will be necessary has reduced in the last 12 months so the creditor previously held has been reclassified as a provision.

Long Term provisions include:

- Insurances – See below.
- Closed Landfill Sites – Representing the future costs of necessary remedial works to remove contamination and make safe former landfill sites across the borough.
- Highways Schemes – Set aside to meet the potential costs of noise and disturbance claims resulting from major highways 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 and 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.

Cheshire West and Chester Council Insurance Balances

The figures below exist 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 and outstanding up to 31 March 2013 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 1 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.

The provision includes a liability relating to one of the former insurers of the District 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. A court decision regarding an Employer Liability case on mesothelioma means this is now less likely and as such a scheme has been triggered that requires policyholders to repay a percentage of settled claims to MMI. Advice from Ernst & Young, who are managing the scheme on behalf of MMI, have identified that payments could be within the range of 9% - 28% and have proposed a repayment levy of 15% of reported claims. This equates to £0.497m for the three former districts, however the final figure will not be known for a number of years. Additional contributions have been made to the Fund of £1.002m to cover past and future claims given the uncertainty of the final levy and claims yet to be reported.

Insurance Funds for Cheshire West and Chester	Provision 2012-13 £000	Reserve 2012-13 £000	Provision 2011-12 £000	Reserve 2011-12 £000
Opening Balance	**4,404**	**350**	**3,124**	**998**
Less claims paid during the year:				
Property	-140		-114	
Commercial Property	-6		0	
Public Liability	-1,033		-642	
Employer's Liability	-184		-70	
Money	-2		0	
Motor	-294		-272	
Additional Contribution from Revenue	2,771		1,730	
Transfer from/(to) Insurance Reserve	-595	595	648	-648
Balance Carried Forward	**4,921**	**945**	**4,404**	**350**

The provision of £4.9m includes some claims that will be successfully defended releasing the provision and increasing the available reserve. The balances are monitored in line with the notified claims to ensure they are sufficient.

Cheshire West and 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 and Chester Council's accounts as at 31 March 2013 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.

Former Cheshire County Council Fund	Provision 2012-13 £000	Reserve 2012-13 £000	Provision 2011-12 £000	Reserve 2011-12 £000
Opening Balance (held by Cheshire East)	2,120	1,720	2,706	1,983
Less claims paid during the year:				
Public Liability	-458		-647	
Employer's Liability	-116		-130	
Motor	-2		5	
Interest accrued on the Fund	21		24	
Interest paid to Cheshire West and Cheshire East	-21		-24	
Call down to CIES to fund admin costs		-62		-77
Transfer (from)/to Insurance Reserve/Provision	-672	672	186	-186
Balance of Provision and Reserve carried forward	**872**	**2,330**	**2,120**	**1,720**

As with the former district Councils, the County Council fund has a liability in relation to the MMI scheme of arrangement. Based on a repayment levy of 15% on paid claims, this equates to £1.25m. There is capacity within the fund for some of this cost but given the potential that a share may accrue to the Council, allowance has been made in the additional provisions and reserves set aside within the Cheshire West and Chester Insurance Fund balances.

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	2012-13 £000	2011-12 £000
Opening Balance	**117**	**14**
Transfer from/(to) Revenue	-29	103
Balance of Reserve carried forward	**88**	**117**

Education All Risks Scheme (EARS) and 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	Reserve 2012-13 £000	Reserve 2011-12 £000
Opening Balance	**675**	**560**
Net Additional Contribution from Revenue	105	115
Balance Carried Forward	**780**	**675**

24. 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 and a stable position with regard to available capital funds. Explanations for major variances follow the table below.

	31 March 2013 £000	31 March 2012 £000
Held for Revenue Purposes		
General Fund	22,775	21,114
School Reserves	9,752	12,704
Housing Revenue Account	555	793
Earmarked General Fund Reserves	35,301	26,449
Earmarked HRA Reserves	50	0
	68,433	**61,060**
Held for Capital Purposes		
Capital Receipts Reserve	8,125	7,799
Capital Grants Unapplied Reserve	8,453	10,177
Major Repairs Reserve	1,699	0
	18,277	**17,976**
Total	**86,710**	**79,036**

General Fund – The General Fund has increased in year as the Council delivered an under spend against budgets and received a refund from Government in relation to clawed back grant funding for 2011-12. The budget approved usage of £0.4m from the General Fund but it was possible to make additional cost reductions and limit new pressures delivering a £1.1m increase to the Fund. The refund of clawed back Local Authority Central Services Equivalency Grant (LACSEG) further increased the General Fund by £0.6m.

School Balances – School Balances represent the unspent element of the Dedicated Schools Grant (DSG) which has been devolved to schools. The balance has decreased by £3.0m in 2012-13 due to schools leaving Council control to be set up as Academies and the overall reduction in funding levels.

Housing Revenue Account 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 decreased by £0.2m to £0.6m in 2012-13 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 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 2012-13 the Reserve benefited from £7.5m of new capital receipts and funded £7.1m 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.

Capital Grant Unapplied – 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 £1.7m reduction on the balance in 2012-13 is primarily as a result of utilising grant funding to progress work on Ellesmere Port Academy and other schemes.

Major Repairs Reserve – The Major Repair Reserve hold all the balances that the HRA has set aside to fund the future repayment of its debt or to invest in capital expenditure on the housing stock. The balance on this reserve is managed in line with the HRA Business Plan to ensure that decency standards are achieved and sustained across the housing portfolio. In 2012-13 the HRA set aside £7.6m into this reserve and utilised £3.9m to fund capital expenditure and £2.0m to repay debt.

25. 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 2013 £000	31 March 2012 £000
Revaluation Reserve	94,832	113,051
Capital Adjustment Account	597,606	613,995
Financial Instruments Adjustments Account	-884	-972
Deferred Capital receipts Reserve	24	38
Pensions reserve	-375,241	-305,815
Collection Fund Adjustment Account	1,392	424
Accumulated Absences Account	-7,580	-8,365
Total	**310,149**	**412,356**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalue 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 revalue amount then the excess impairment is charged to the Comprehensive Income and Expenditure Statement.

Revaluation Reserve Movements	2012-13 £000	2011-12 £000
Balance at 1 April	**113,051**	**62,274**
Upwards Revaluation of assets	11,255	54,521
Downward revaluations and impairment losses	-16,615	-1,606
Surplus or deficit on revaluation of non-current assets	**-5,360**	**52,915**
Difference between fair value and historic cost depreciation	-2,101	-1,164
Accumulated gains on assets sold or scrapped	-10,758	-974
Amount written off to the Capital Adjustment Account	**-12,859**	**-2,138**
Balance at 31 March	**94,832**	**113,051**

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 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 2012-13 is as follows:

Capital Adjustment Account	2012-13 £000	2011-12 £000
Balance at 1 April	**613,995**	**699,139**
Capital funded items charged to CIES		
Charges for depreciation	-34,240	-30,724
Revaluation and impairment losses on Non Current Assets	-16,094	-23,964
Amortisation of intangible assets	-56	-101
Revenue expenditure funded from capital under statute	-6,278	-98,805
Assets written off to the CIES on disposal	-63,940	-10,117
Disposal Costs incurred in advance of asset disposal	-4	-27
Change in Market Value of Invt Properties charged to CIES	7,766	1,683
	-112,846	**-162,055**
Values Released from Revaluation Reserve		
Depreciation Costs funded from Revaluation Reserve	2,101	1,164
Revalued Assets disposed of in year	10,758	974
	12,859	**2,138**
Net cost of non-current assets consumed in the year	**-99,987**	**-159,917**
Capital financing applied in the year		
Application of Capital Receipts	6,647	11,105
Transfer from Major Repairs Reserve	5,917	3,563
Application of Capital Grants and Contributions from CIES	50,206	35,742
Funding Applied from Capital Grants Unapplied Reserve	2,296	8,990
Statutory revenue provision for capital financing from CIES	15,128	13,134
Revenue Contributions to Capital Costs from CIES	3,386	2,239
Contribution to Prior Year Costs of Disposal	18	0
	83,598	**74,773**
Balance at 31 March	**597,606**	**613,995**

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 MIRS, with the final charges on existing premiums due to be made in 2013-14, 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 transferred to the General Fund through the Movement in Reserves Statement over the remaining lives of the loans.

Financial Instrument Adjustment Account Movement	**2012-13 £000**	**2011-12 £000**
Balance at 1 April	**-972**	**-1,100**
Premiums incurred in previous years released to CIES	106	146
LOBO interest credited to CIES	-18	-18
Difference between costs charged to CIES and costs chargeable under statutory requirements	**88**	**128**
Balance at 31 March	**-884**	**-972**

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.

Deferred Capital Receipts Movement	**2012-13 £000**	**2011-12 £000**
Balance at 1 April	**38**	**52**
Deferred Receipts credited to CIES on disposal	0	0
Cash Received transfered to Capital Receipts Reserve	-14	-14
Balance at 31 March	**24**	**38**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for paid 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 level of accrued leave has fallen slightly from 2011-12 as the number of schools that the Council directly controls decreases when new Academies are formed.

Accrued Leave Entitlement	2012-13 £000	2011-12 £000
School Based Staff	-5,139	-5,932
Non School Staff	-2,441	-2,433
Balance at 31 March	**-7,580**	**-8,365**

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	2012-13 £000	2011-12 £000
Balance at 1 April	**-305,815**	**-219,375**
Actuarial Gains and Losses	-69,697	-87,827
Entity Combinations	0	0
Connexions - Pensions Guarantee	2,182	-4,424
Funding of items Charged to CIES		
-Current Service Costs	-24,452	-24,359
- Past Service Costs, Settlements and Curtailments	91	-142
- Interest Costs and Expected Return on Assets	-8,761	-1,650
Actual Pension Contributions Charged to General Fund	31,211	31,962
Balance at 31 March	**-375,241**	**-305,815**

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 2012-13 is as follows:

Collection Fund Adjustment Account Movement	2012-13 £000	2011-12 £000
Balance at 1 April	**424**	**-460**
Share of Collection Fund Deficit Improvement	968	884
Balance at 31 March	**1,392**	**424**
Billed Council Tax Income for in year activities	-152,278	-152,470
Council Tax Collected for Parish Precepts	-2,624	-2,470
Contribution to Collection Fund for deficit	160	300
Actual Change in Collection Fund Deficit	-968	-884
Council Tax Income in CIES	**-155,710**	**-155,524**
Less Actual Change in Deficit	968	884
Council Tax Income Credited to General Fund	**-154,742**	**-154,640**

26. 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 to remove non cash items from the SDPS	2012-13 £000	2011-12 £000
Depreciation and amortisation of non current assets	-34,296	-30,810
Impairments and downward valuations	-15,942	-26,846
Revaluation Gains on Investment Assets	7,766	97
Pension Fund Adjustments	-1,911	5,811
(Increase)/ Decrease in Provisions	-3,794	-1,067
Increase/(Decrease) in Inventories	-427	37
Increase/(Decrease) in Debtors	8,206	-17,522
(Increase)/Decrease in Creditors	16,189	20,990
Carrying value of assets which have been sold	-63,963	-10,173
Other non cash movements	765	1,691
Adjustments for Non Cash Items	**-87,407**	**-57,792**

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 to remove Investing and Financing Activities from the SDPS	2012-13 £000	2011-12 £000
Proceeds from sale or disposal of non current assets	7,480	3,065
Capital grant income credited to SDPS	48,557	36,546
Income from Trading Operations	5,164	7,249
Other adjustments for financing activities	-2,321	5,673
Payments to CLG for HRA Debt	0	-90,591
Net cash flows from investing/financing activities in SDPS	**58,880**	**-38,058**

The figures shown in the Cash Flow Statement for operating activities do include the following amounts relating to interest and investment income.

Interest and Investment Income in Operating Activites	2012-13 £000	2011-12 £000
Interest received	-732	-590
Interest paid	11,522	8,880

27. Cash Flow Statement – Investing Activities

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

Investing Activities	2012-13 £000	2011-12 £000
Purchase of property, plant and equipment, investment property and intangible assets	74,779	67,704
Purchase of short-term and long-term investments	16,000	10,000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-7,480	-3,065
Proceeds from short-term and long-term investments	-26,337	-641
Other receipts from investing activities	-47,116	-45,147
Net cash flows from investing activities	**9,846**	**28,851**

28. 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.

Financing Activities	2012-13 £000	2011-12 £000
Cash receipts of short- and long-term borrowing	-62	-104,557
Other receipts from financing activities	-1,061	-5,700
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,533	1,895
Repayments of short- and long-term borrowing	15,472	524
Other payments for financing activities	3,289	90,591
Net cash flows from financing activities	**21,171**	**-17,247**

29. 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.

2012-13	Children's Services £000	Adult Social Services £000	Community and Environment Services £000	Regeneration and Culture Services £000	Resources £000	Chief Executive £000	Housing Revenue Account £000	Other Direct Services £000	Total £000
Fees, charges and other	-32,772	-22,185	-86,354	-18,243	-12,517	-66	-21,982	-7,220	-201,339
Government grants	-212,991	-1,715	-1,713	-4,116	-116,908	-1,021	0	-78	-338,542
Total Income	**-245,763**	**-23,900**	**-88,067**	**-22,359**	**-129,425**	**-1,087**	**-21,982**	**-7,298**	**-539,881**
Employee expenses	195,270	28,645	36,526	17,890	29,473	2,051	1,682	3,499	315,036
Other operating expenses	101,494	87,819	107,083	21,284	131,185	1,053	20,536	30,827	501,281
Total operating expenses	**296,764**	**116,464**	**143,609**	**39,174**	**160,658**	**3,104**	**22,218**	**34,326**	**816,317**
Net Operating Expenditure	**51,001**	**92,564**	**55,542**	**16,815**	**31,233**	**2,017**	**236**	**27,028**	**276,436**

2011-12	Children's Services £000	Adult Social Services £000	Community and Environment Services £000	Regeneration and Culture Services £000	Resources £000	Chief Executive £000	Housing Revenue Account £000	Other Direct Services £000	Total £000
Fees, charges and other	-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**

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

The following reconciliations show 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, depreciation, profit or loss on asset disposal, notional adjustments for IAS 19 pension charges or leave accruals. In 2012-13 these costs equated to £21m.

Other costs are included in resource allocation reports to Members 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 2012-13 £35m of costs included in the outturn report were reported in the CIES below Net Cost of Services. The largest component elements were the appropriations to reserves (£13m), minimum revenue provision (£15m) and interest payments (£12m). There are also significant transactions in this section to remove the offsetting expenditure and income costs arising from internal recharging.

	2012-13 £000	2011-12 £000
Net Operating Expenditure in Service Analysis	**276,436**	**285,133**
Add services not included in main analysis	0	0
Add amounts not reported to management	21,247	84,426
Remove amounts reported to management not in CIES	-34,678	11,039
Net Cost of Services in CIES	**263,005**	**380,598**

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.

2012-13	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 and other service income	-201,339	-7,372	97,039	-111,672	-16,122	-127,794
Government grants and contributions	-338,542	-24,059	3,564	-359,037	-150,761	-509,798
Interest and investment income	0	0	0	0	-7,865	-7,865
Income from council tax	0	0	0	0	-154,742	-154,742
Receipts on Disposal of Property	0	0	0	0	-7,430	-7,430
Total Income	**-539,881**	**-31,431**	**100,603**	**-470,709**	**-336,920**	**-807,629**
Employee expenses	315,036	-2,207	-29,457	283,372	8,109	291,481
Other service expenses	489,837	11,324	-94,103	407,058	7,213	414,271
Depreciation, amortisation and impairment	0	50,411	0	50,411	0	50,411
Interest Payments	11,444	0	-11,444	0	11,954	11,954
IAS 19 Adjustment	0	-6,850	0	-6,850	8,761	1,911
Precepts and Levies	0	0	-277	-277	2,901	2,624
Payments to Housing Capital Receipts Pool	0	0	0	0	460	460
Revaluation Gain on investment properties	0	0	0	0	-7,766	-7,766
Assets Removed on disposal of properties	0	0	0	0	63,941	63,941
Total operating expenses	**816,317**	**52,678**	**-135,281**	**733,714**	**95,573**	**829,287**
Surplus or deficit on the provision of services	**276,436**	**21,247**	**-34,678**	**263,005**	**-241,347**	**21,658**

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 and 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
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 and Levies	0	0	-277	-277	2,747	2,470
Payments to Housing Capital Receipts Pool	0	0	0	0	135	135
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**

30. 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. 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:

	Expend-iture 2012-13 £000	Property Disposals/ Valuations 2012-13 £000	Income 2012-13 £000	-Surplus/ Deficit 2012-13 £000	Expend-iture 2011-12 £000	Property Disposals/ Valuations 2011-12 £000	Income 2011-12 £000	-Surplus/ Deficit 2011-12 £000
Industrial and Commercial Properties	3,019	-6,845	8,226	-12,052	3,424	-2,250	8,612	-7,438
Transport Management Organisation	1,230		1,238	-8	1,554		1,429	125
CBS - Catering	7,729		7,801	-72	7,645		7,783	-138
CBS - Cleaning	3,141		3,284	-143	3,551		3,646	-95
Outdoor Education	3,400		3,249	151	3,112		3,150	-38
Other Trading Accounts	2,348		2,200	148	1,994		2,061	-67
Total	**20,867**	**-6,845**	**25,998**	**-11,976**	**21,280**	**-2,250**	**26,681**	**-7,651**

- The Industrial and Commercial Properties trading account lets Council owned business premises to small and medium size enterprises across the Borough. The £12.1m surplus for 2012-13 includes a £6.8m net gain on the disposal and revaluation of commercial properties. The majority of this gain has been categorised as costs which has resulted in negative total expenditure for the year. The 2011-12 values have been re-stated to reflect property disposals and revaluations which totalled £2.2m.
- 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 following the implementation of a new maintenance contract from October 2012.
- 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.
- The Outdoor Education trading account relates to outdoor residential centres operated by Cheshire West and Chester Borough Council.
- Other Trading Account expenditure and income has increased primarily due to the addition of the Schools Music Service. The 2011-12 values have been re-stated to include the Schools Music Service.

31. Agency Services

As part of their operations Councils undertake some 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 CIES or Balance Sheet.

In 2012-13 Cheshire West and 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 £145m of income and received £0.5m towards the costs of undertaking this process. Details of 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 £1.2m creditor reflecting cash collected but yet to be paid over to CLG. This arrangement will end in 2013-14; from that point forward the Council will be collecting Non Domestic Rates on its own behalf with only a proportion of the funding then being passed on to CLG.

National Non Domestic Rates	2012-13 Adjustment £000	2011-12 Adjustment £000	Balance Sheet Heading
Balances removed to reflect work undertaken on behalf of CLG			
Remove Business Rates Arrears	-4,195	-4,720	Debtors
Remove Debt Provision for non collection of Rates	2,046	2,609	Debtors
Remove Receipts in Advance from Rate Payers	2,136	4,002	Creditors
Remove Creditor due to CLG (accrual basis)	1,165	1,982	Creditors
	1,152	**3,873**	
Balances Introduced to reflect cash paid over to CLG but not yet collected			
Balances payable to CLG	-1,152	-3,873	Creditors

The Council also undertakes 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 £26.4m 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.

Council Tax Collection	2012-13 Adjustment £000	2011-12 Adjustment £000	Balance Sheet Heading
Balances now reported by Cheshire Fire and Cheshire Police			
Remove non CWAC share of Arrears	-1,140	-1,125	Debtors
Remove non CWAC share of Debt Provision	546	530	Debtors
Remove non CWAC share of Receipts in Advance	425	510	Creditors
Remove non CWAC share of Collection Fund Surplus	241	73	Reserves
	72	**-12**	
Balances Introduced to reflect monies owed by Preceptors			
Balances payable to (-)/ due from Preceptors	-72	12	Debtors

The Council also collects income in relation to its Business Improvement Districts (BIDs) in Northwich and Winsford. It collected approximately £0.295m of Business Rates in 2012-13 on behalf of Groundwork who provide environmental and security services to the BIDs. At 31 March the Council held cash balances of £0.044m awaiting payment.

32. Members' Allowances

In accordance with the Local Authorities (Member's Allowances) Regulations 2003, the total amount spent on member's allowances in 2012-13 was £1.37m. 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.

	2012-13 £000	2011-12 £000
Basic Allowance	859	856
Special Responsibility Allowance	270	263
Mayors and Deputies Allowances	13	13
Pension	161	150
Childcare	2	1
Members NI's	67	69
Expenses paid on Members behalf	0	1
Total Members' Allowances	**1,372**	**1,353**

33. Officers Remuneration

The table below shows the number of employees who were paid more than £50,000 but not more than £150,000 in 2012-13. Pay includes salary costs, taxable travel costs and any redundancy payments. It does not include employers' pension or national insurance contributions.

Employee Pay Band	2012-13	2011-12
£50,000 - £54,999	103	120
£55,000 - £59,999	89	96
£60,000 - £64,999	41	53
£65,000 - £69,999	16	25
£70,000 - £74,999	17	12
£75,000 - £79,999	14	13
£80,000 - £84,999	14	10
£85,000 - £89,999	7	14
£90,000 - £94,999	4	6
£95,000 - £99,999	5	2
£100,000 - £104,999	1	1
£105,000 - £109,999	1	1
£110,000 - £114,999	0	3
£115,000 - £119,999	2	1
£120,000 - £124,999	2	0
£125,000 - £129,999	1	1
£130,000 - £134,999	0	0
£135,000 - £149,999	0	0
Total	**317**	**358**

The following tables show the remuneration of all senior officers who earned a salary of more than £150,000 per annum in 2012-13. These 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	2012-13	180	0	180	39	219
Chief Executive	2011-12	180	2	182	38	220

In addition to the costs shown in the table above the Chief Executive has also received a payment for undertaking the duties of returning officer at the Police and Crime Commissioner Elections. The payment relating to this role was £12k. The level of payment is set in line with nationally agreed rates for elections and the costs of the PCC Elections are fully funded by contributions from the electoral commission.

The tables on the following pages show the remuneration for senior officers whose salary is between £50,000 and £150,000 per annum in 2012-13, and for comparison in 2011-12. These individuals are already contained within the summary banded table above but, in line with the Accounts and Audit Regulations 2011, such officers are also required to be listed individually.

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

- Since March 2011 the Authority has operated its Children's Services in partnership with Halton Borough Council under a joint Strategic Director. This role covers both Councils but the individual filling the role is employed by Halton so does not appear on the list. The Authority contributes £91k towards his costs.

- The roles of Head of HR and Finance Shared Service and Head of ICT Shared Services are jointly shared with Cheshire East Borough Council, at a total cost of £97k and £101k respectively, towards which the Authority contributes 50%.

- The Head of Legal and Democratic Services left the Authority in February 2013 and this post is currently being filled by an agency appointment. This cost does not appear on the list.

The post to manage the Council's relationship with its externalised Housing Management Service, which was filled on an agency basis in 2011-12, has now been appointed to.

Post holder information (Post title)	Salary £	Benefits in Kind (e.g. Car Allowance) £	Compensation for loss of office £	Remuneration excl pension contributions 2012-13 £	Employer Pension Contributions £	Total Remuneration including pension contributions 2012-13 £
Director of Adults Social Care and Health	123,009	3		123,012	27,110	150,122
Director of Community and Environment	115,000			115,000	25,070	140,070
Director of Regeneration and Culture	115,000	3		115,003	25,070	140,073
Director of Resources	125,000	10		125,010	27,250	152,260
Head of Strategic Commissioning	83,000			83,000	18,094	101,094
Head of Prevention and Wellbeing	83,000			83,000	69	83,069
Head of Provider Services Transformation	76,500	3		76,503	16,677	93,180
Manager, Change and Modernisation	76,229			76,229	16,618	92,847
Head of Achievement and Wellbeing (until 31.07.12)	32,338	3	94,241	126,582	6,336	132,918
Head of Achievement and Wellbeing (from 01.08.12)	54,000			54,000	11,772	65,772
Head of Strategy and Commissioning (until 31.03.13)	100,215		88,027	188,242	19,620	207,862
Head of Children and Families	101,700			101,700	22,171	123,871
Head of Waste Management and Street Scene	88,935	9		88,944	19,702	108,646
Head of Planning and Transport	90,000	26		90,026	19,620	109,646
Head of Regulatory Services	90,000	3		90,003	17,837	107,840
Head of Rural Localities	70,271			70,271	15,319	85,590
Head of Localities - Ellesmere Port	79,452			79,452	17,321	96,773
Head of Regeneration	80,291	18		80,309	17,503	97,812
Head of Marketing and Communications	66,687	15		66,702	14,538	81,240
Head of Facilities and Asset Management	88,125			88,125	19,211	107,336
Head of Strategic Housing (until 31.08.12)	35,343	45		35,388	7,705	43,093
Acting Head of Strategic Housing (from 01.10.12)	28,961	158		29,119	6,313	35,432
Acting Head of Culture and Recreation	59,731			59,731	13,021	72,752
HRA - Lead Client Officer	53,009			53,009	11,556	64,565
Head of Human Resources	70,175			70,175	15,298	85,473
Head of Legal and Democratic Services	75,655			75,655	16,493	92,148
Head of Finance	81,500	39		81,539	18,094	99,633
Head of ICT Strategy	88,161	3		88,164	19,219	107,383
Head of Procurement	90,109	22		90,131	19,620	109,751
Altogether Better Manager	71,084			71,084	15,496	86,580
Total	**2,392,480**	**360**	**182,268**	**2,575,108**	**499,723**	**3,074,831**

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 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. In 2012-13 the payment equated to 5.6% of pensionable pay (5.1% in 2011-12). 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.

Post holder information (Post title)	Salary £	Benefits in Kind (e.g. Car Allowance) £	Compensation for loss of office £	Remuneration excl pension contributions 2011-12 £	Employer Pension Contributions £	Total Remuneration including pension contributions 2011-12 £
Director of Adults Social Care and Health	110,165	1,361		111,526	23,585	135,111
Director of Community and Environment	113,604	563		114,167	24,198	138,365
Director of Regeneration and Culture	113,699	1,239		114,938	24,218	139,156
Director of Resources	125,000	993		125,993	26,625	152,618
Head of Facilities and Asset Management	86,680			86,680	18,463	105,143
Head of Finance	82,028	1,357		83,385	17,679	101,064
Head of ICT Strategy	85,911	1,239		87,150	18,299	105,449
Head of Legal and Democratic Services	85,433	1,298		86,731	18,194	104,925
Head of Human Resources (until 09.03.12)	84,677	1,199		85,876	16,633	102,509
Head of Marketing and Communications	64,937	68		65,005	13,832	78,837
Head of Planning and Transport	89,990	1,360		91,350	19,170	110,520
Head of Policy, Performance and Partnerships	82,681	1,239		83,920	17,611	101,531
Head of Procurement	90,000	1,288		91,288	19,170	110,458
Head of Regeneration	77,042	1,424		78,466	16,410	94,876
Head of Regulatory Services	87,527	1,136		88,663	19,264	107,927
Head of Achievement and Wellbeing	85,313	1,313		86,626	18,172	104,798
Head of Strategic Support	76,203	868		77,071	16,231	93,302
Head of Strategic Housing and Spatial Planning	83,000	1,445		84,445	17,679	102,124
Head of Strategy and Commissioning	83,000	1,239		84,239	17,679	101,918
Head of Waste Management and Street Scene	85,258	370		85,628	18,463	104,091
Manager, Change and Modernisation	72,980			72,980	15,545	88,525
Head of Children and Families	24,878	207		25,085	5,299	30,384
Acting Head of Individual Commissioning	42,458	310		42,768	9,044	51,812
Head of Culture and Recreation (until 31.01.12)	69,167	1,089	20,647	90,903	14,733	105,636
Head of Social Care Provision (until 01.07.11)	54,801	313	85,956	141,070	6,078	147,148
Total	**2,056,432**	**22,918**	**106,603**	**2,185,953**	**432,274**	**2,618,227**

Termination Costs

The Council agreed the early termination of a number of employee contracts in 2012-13, incurring liabilities of £5.2m. These costs comprised £3.7m of redundancy payments and £1.5m to fund early eligibility for pensions. All costs have been charged in full to the Comprehensive Income and Expenditure Statement in 2012-13. These costs have been incurred due to the need to implement restructures to achieve budget savings targets. The Council has delivered in excess of £14m of recurrent savings during 2012-13.

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.

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 2013 but who had not left employment on that date. A total of 38 individuals fell into this category at a cost of £0.8m and a provision for this value has been created on the Balance Sheet to fund these costs.

Of the 31 Individuals whose termination costs were estimated last year, 3 individuals were ultimately redeployed and did not leave the Council but the final costs for 4 others were higher than anticipated. The comparative information for 2011-12 below has been restated to reflect the final costs incurred and numbers departing.

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	
	2012-13 People	2011-12 People	2012-13 People	2011-12 People	2012-13 People	2011-12 People	2012-13 £000	2011-12 £000
£0 - £20,000	9	17	119	172	128	189	1,133	1,429
£20,001 - £40,000	2	2	55	60	57	62	1,724	1,680
£40,001 - £60,000	1	1	10	24	11	25	533	1,212
£60,001 - £80,000	0	0	4	9	4	9	284	626
£80,001 - £100,000	0	0	5	3	5	3	448	258
£100,000 - £150,000	1	0	8	0	9	0	1,059	0
£150,001 - £200,000	0	0	0	2	0	2	0	330
£200,001 - £250,000	0	0	0	1	0	1	0	205
Total	**13**	**20**	**201**	**271**	**214**	**291**	**5,181**	**5,740**

34. Audit Costs

The Council incurred fees of £249k relating to external audit. The Council underwent a change in auditors during 2012-13 with responsibility transferring from the Audit Commission to Grant Thornton. This transition was the result of a tendering process which has resulted in significantly reduced audit fees through the five year term of the new appointment.

Fees Payable for Audit Work	2012-13 £000	2011-12 £000
External audit services carried out by the appointed auditor	203	311
Certification of grant claims and returns	46	111
Total	**249**	**422**

35. Dedicated Schools Grant (DSG)

The primary funding for schools is provided via the Dedicated Schools Grant which was valued at £223.5m in 2012-13. This initial value is reduced by £21.0m as funding relating to Academy Schools is passported directly to those establishments and is not reflected in the accounts. The remaining £202.5m, along with any funding carried forward from the previous year, is available to fund services in 2012-13.

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.

Where schools become Academies during the year the DSG funding for those schools is paid over in year. In 2012-13 £9.4m of DSG funding was transferred to Academies that gained that status in year.

Unspent central expenditure is carried forward by the Council as part of its Earmarked Reserves, this amount equated to £5.9m as at the end of 2012-13. Unspent ISB is retained by the individual schools and recorded on the Balance Sheet in the School Balances reserve (£9.75m at 31 March 2013).

DSG for 2012-13	**Central Expenditure £000**	**Individual Schools Budget £000**	**Total £000**
Final DSG (before Academy recoupment)			223,541
Academy figure recouped for 2012-13			21,002
Total DSG (after Academy recoupment)			**202,539**
Balance brought forward from 2011-12			3,228
Carry forward to 2013-14 agreed in advance			0
Agreed initial budgeted distribution in 2012-13	**28,497**	**177,270**	**205,767**
In year adjustments	101	-9,457	-9,356
Final budgeted distribution for 2012-13	**28,598**	**167,813**	**196,411**
Less: Actual Central Expenditure	22,715	0	22,715
Less: Actual ISB deployed to Schools	0	167,813	167,813
Local authority contribution 2012-13	0	0	0
Carry Forward 2013-14	**-5,883**	**0**	**-5,883**

For comparison the details of the deployment of DSG receivable for 2011-12 are as follows:

DSG for 2011-12	**Central Expenditure £000**	**Individual Schools Budget £000**	**Total £000**
Final DSG (before Academy recoupment)			224,325
Academy figure recouped for 2011-12			20,267
Total DSG (after Academy recoupment)			**204,058**
Balance brought forward from 2010-11			4,120
Carry forward to 2012-13 agreed in advance			0
Agreed initial budgeted distribution in 2011-12	**29,941**	**178,237**	**208,178**
In year adjustments	0	0	0
Final budgeted distribution for 2011-12	**29,941**	**178,237**	**208,178**
Less: Actual Central Expenditure	26,713	0	26,713
Less: 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**

36. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012-13.

	2012-13 £000	2011-12 £000
Credited to Taxation and Non Specific Grant Income		
Used to Finance Council Activities in Year		
Council Tax	155,710	155,524
Revenue Support Grant	1,732	22,808
National Non-Domestic Rate	89,371	73,789
Local Services Support Grant	1,716	1,658
Council Tax Freeze Grant	3,817	3,812
New Homes Bonus	1,426	452
PFI Grant	3,039	3,039
Academy Refund	547	0
Other Core Revenue Grants	66	0
Used to Finance Capital Expenditure		
Capital Grants Utilised in Year	48,309	33,493
Capital Contributions Utilised in Year	1,897	2,249
Set Aside for Future Capital Financing		
Capital Grants Set Aside for Future Usage	0	-983
Capital Contributions Set Aside for Future Usage	572	522
Total	**308,202**	**296,363**
Credited to Services		
Dedicated Schools Grant (DSG)	193,183	204,058
Mandatory Rent Allowances: subsidy	82,420	76,372
Standards Fund	53	2,547
Council Tax Benefit: subsidy	22,390	22,395
Sixth Forms Funding (Young Peoples Learning Agency)	11,447	13,587
Mandatory and HRA Rent Rebates	11,390	10,919
Adult and Community Learning	1,515	1,585
Housing and Council Tax Benefit Administration Subsidies	2,385	2,670
Early Intervention Grant	12,980	12,276
Learning Disability Grant	8,855	8,623
Pupil Premium Grant	5,081	2,749
Care Project Grant	756	1,283
Community Budgets	1,021	0
Devolved Formula Capital Grant	1,761	443
Disabled Facilities Grant	1,390	1,157
Extra Care Housing Grant	1,084	1,084
Other Grants	7,035	6,343
Total	**364,746**	**368,091**

To aid comparability the grant income received in 2011-12 has been restated to allocate it across the same grant categories that are being utilised in 2012-13. The total income applied to services is unchanged.

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:

	2012-13 £000	2011-12 £000
Capital Grants and Contributions Receipts in Advance		
Devolved Formula Capital	1,740	2,914
Academy Grant	1,764	3,698
Schools Basic Need	0	1,979
Other Grants	666	980
s106 and other Contributions	1,734	2,938
Total	**5,904**	**12,509**
Revenue Grants Receipts in Advance		
Dept of Health - Extra Care Grant	1,084	2,169
Dept of Education - Various	151	472
Learning and Skills Council - Adult Education Funding	287	74
Department of Energy and Climate Change - Fuel Poverty and Green Deal Fund	238	0
Other Govt Bodies	359	263
Total	**2,119**	**2,978**

The split between grants and contributions in 2011-12 has been updated to reflect current classifications; the total receipt in advance remains unchanged.

37. 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 (2011-12 comparators shown in brackets):

• Grant Funding from Govt	Note 36	£514m (£506m)
• Business Rate Payments to Govt	Collection Fund	£145m (£140m)

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 £18.3m (Police) and £8.1m (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 (2011-12 £29m). Details of these transactions are disclosed in Note 44. 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 £0.1m (2011-12 £1.6m). 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 2012-13 the Council itself spent £14.1m delivering services jointly with Cheshire East Borough Council; £5.8m of these costs were subsequently recharged to Cheshire East. These transactions are disclosed in Note 49. As at the end of March Cheshire East owed Cheshire West £10m for shared services and other functions provided, this debt was paid in April.

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 33.

Until March 2013 the Council held a seat on the board of Chester and District Housing Trust and held a third of the voting power within that organisation. Under the terms agreed when setting up the trust the Council also had the ability to veto certain actions using its golden share. On 6 March 2013 the Council relinquished its interests in Chester and District Housing Trust as part of Sanctuary Housing Association's takeover of the Trust.

The Council holds stakes in a number of organisations who are funded to provide services. These include Brio to run its leisure services, Avenue Services to run certain local services in Blacon and Chester Renaissance to promote the city. The Council holds significant influence over all of these companies as they receive funding from the Council and the Council has seats on the boards of the companies. Further details on these relationships are disclosed in Note 48.

During 2012-13 the Council entered into a contract with Plus Dane to provide housing management services to the residents of its housing stock in Ellesmere Port. This is primarily a straight contractual service but as part of the agreement the Council does provide access to some office accommodation at below market rent.

The Council works closely in partnership with local health care commissioners, principally through Clinical Commissioning Groups. These bodies fund a number of services provided by the Council on behalf of the Health sector where health and care needs coincide. In 2012-13 this figure was £8.8m. From 2013-14 the Council will inherit responsibility for Public Health services from the NHS, delivery of this function will require further close working with the health service.

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 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. The total direct financial contributions to such organisations for 2012-13 amounted to £3.9m. 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.

In 2011-12 the Council made a loan to Blacon Community Trust 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 is 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. This loan is expected to be repaid in 2013-14 following the selling of the property purchased.

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 2012-13 Councillors (or members of their immediate family) 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	2012-13 £000	2011-12 £000
Booher Construction Services Limited	95	176
Muir Housing Association Limited	826	1,079
Chester and District Housing Trust	1,228	1,633
Barrowmore Limited	270	301
ASC Developments	4	62
Weaver Vale Housing Trust	981	1,063
Total	**3,404**	**4,314**

Of these, Chester and 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 2012-13.

38. Capital Expenditure and Financing

The Council's Capital Financing Requirement has risen in year as capital expenditure has exceeded funding set aside. The overall Capital Financing Requirement will be funded from a combination of future revenue contributions, capital receipts and external funding.

	2012-13 £000	2011-12 £000
Opening Capital Financing Requirement	352,523	260,425
Capital Investment		
- Expenditure on Capital Assets		
- Property, Plant and Equipment	97,471	67,747
- Heritage Assets	3,056	2,073
- Investment Assets	2,186	163
- Intangible Assets	12	20
- REFCUS - expenditure of a capital nature	6,278	8,213
- REFCUS - HRA debt settlement	0	90,591
- Increase in value of Capital Liabilities	152	0
- Costs of Disposal (incurred pre disposal)	-14	27
Total	109,141	168,834
Sources of Finance		
- Capital Receipts Applied	-6,647	-11,105
- Govt Grants and Contributions Applied	-50,206	-35,742
- Tfr from Unapplied Grants and Contributions	-2,296	-8,990
- Revenue Contributions	-3,386	-2,239
- Income from Repayment of Capital Debtors	-26	-25
- Release of Surplus Capital Creditors	-22	-1,938
- Capital and Other Reserves	-5,917	-3,563
- Revenue Provision for Debt Repayment	-15,128	-13,134
Total	-83,628	-76,736
Closing Capital Financing Requirement	**378,036**	**352,523**
Explanations of Movement in Year		
Increase in Underlying need to borrow (unsupported)	12,548	90,211
Assets acquired under Finance Leases	12,965	1,852
Assets acquired under PFI/PPP Contracts	0	35
Increase in Capital Financing Requirement	**25,513**	**92,098**

39. 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. This value has increased significantly as the Council has entered into long term contracts for highways maintenance and waste collection through which it has near exclusive access to a range of vehicles and equipment. As these are in effect assets of the Council they are held as such and the contractual payments linked to them shown as finance leases.

Movements in the values of Finance Lease Assets	Vehicles, Plant and Equipment 2012-13 £000	Vehicles, Plant and Equipment 2011-12 £000
Net Book Value at 1 April	2,286	1,546
New Leases	12,965	1,852
Depreciation	-2,922	-1,072
Disposals	-27	-40
Value at 31 March	**12,302**	**2,286**

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property or equipment acquired 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.

Finance Lease Liabilities	2012-13 £000	2011-12 £000
Current (payable within 1 year)	2,715	949
Non Current	10,008	1,439
Finance costs payable in future years	1,187	432
Minimum lease payments	**13,910**	**2,820**

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

Age Profile of Finance Lease Payments	Minimum Lease Payment		Finance Lease Liabilities	
	2012-13 £000	2011-12 £000	2012-13 £000	2011-12 £000
No later than one year	3,148	1,139	2,715	949
Between one and five years	8,426	1,679	7,721	1,437
Later than five years	2,336	2	2,287	2
	13,910	**2,820**	**12,723**	**2,388**

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 2012-13, £99k of contingent rent payments were payable by the Council.

Authority as Lessee: Operating Leases

Commitments under Operating Leases
The Council was committed at 31 March 2013 to making payments of £8.7m 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 2012-13 were £0.8m.

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 2012-13 was £0.6m.

The Council operates a salary sacrifice scheme whereby it leases cars on behalf of an employee who signs an agreement to agree to be liable for future payments. There are currently 93 employees whom are part of this scheme with an annual cost of £0.4m. As the Council carries no risk associated with these arrangements and no Council funds are committed they are not included as Council leases.

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

Age Profile of Operating Lease Payments	2012-13 £000	2011-12 £000
No later than one year	977	968
Between one and five years	2,197	2,249
Later than five years	5,530	2,043
	8,704	**5,260**

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 2012-13 £6,931 of contingent rent was payable by the Council.

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. As at 31 March 2013 the outstanding income linked to future usage of these properties was as below.

Age Profile of Sublease payments receivable	2012-13 £000	2011-12 £000
No later than one year	145	114
Between one and five years	400	263
Later than five years	3,038	2,828
	3,583	**3,205**

The lease payments payable and sublease income receivable in 2012-13 is:

Lease payments and Sublease receivable	2012-13 £000	2011-12 £000
Minimum Lease payments	131	28
Sublease Payments Receivable	-158	-34
	-27	**-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 or 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:

Age Profile of Lease Income	2012-13 £000	2011-12 £000
No later than one year	7,997	7,695
Between one and five years	19,310	17,779
Later than five years	221,486	178,842
	248,793	**204,316**

40. 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.

Movement in PFI Asset Values	2012-13			2011-12		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Net Book Value	7,378	22,223	**29,601**	7,499	23,032	**30,531**
Additions	0	0	**0**	35	0	**35**
Depreciation	-157	-809	**-966**	-156	-809	**-965**
Closing Net Book Value	**7,221**	**21,414**	**28,635**	**7,378**	**22,223**	**29,601**

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 services delivered in 2012-13
- 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	2012-13			2011-12		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Service Costs	855	-14	**841**	755	-25	**730**
Financing Costs	797	1,037	**1,834**	815	1,069	**1,884**
Contingent Rents	84	68	**152**	82	46	**128**
Liability Repayment	213	711	**924**	223	689	**912**
Lifecycle Costs	0	0	**0**	35	0	**35**
Total	**1,949**	**1,802**	**3,751**	**1,910**	**1,779**	**3,689**

Movement in Liability during the year	2012-13			2011-12		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Liability	-10,132	-22,610	**-32,742**	-10,355	-23,299	**-33,654**
Payments made in year	213	711	**924**	223	689	**912**
Closing Liability	**-9,919**	**-21,899**	**-31,818**	**-10,132**	**-22,610**	**-32,742**

Future Payments under the PFI Contracts	Service Costs £000	Principal Payments £000	Capital Costs £000	Interest £000	Total £000
Schools					
Obligations Payable in 2013-14	579	342	6	906	1,833
Due between 2014-15 and 2017-18	2,683	1,134	475	3,305	7,597
Due between 2018-19 and 2022-23	4,046	1,728	706	3,642	10,122
Due between 2023-24 and 2027-28	4,626	2,661	543	3,036	10,866
Due between 2028-29 and 2032-33	5,397	3,579	969	1,719	11,664
Due between 2033-34 and 2037-38	349	475	0	190	1,014
Total	**17,680**	**9,919**	**2,699**	**12,798**	**43,096**
Extra Care					
Obligations Payable in 2013-14	-11	734	8	1,093	1,824
Due between 2014-15 and 2017-18	553	2,086	873	3,920	7,432
Due between 2018-19 and 2022-23	543	3,664	858	4,552	9,617
Due between 2023-24 and 2027-28	1,181	3,677	1,703	3,464	10,025
Due between 2028-29 and 2032-33	1,434	4,552	2,023	2,476	10,485
Due between 2033-34 and 2037-38	1,332	6,057	1,768	1,851	11,008
Due between 2038-39 and 2042-43	268	1,129	0	305	1,702
Total	**5,300**	**21,899**	**7,233**	**17,661**	**52,093**

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 in Equalisation Reserves during the year	2012-13			2011-12		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Balance	3,477	659	**4,136**	3,089	658	**3,747**
In Year Additions	360	100	**460**	388	1	**389**
Closing Balance	**3,837**	**759**	**4,596**	**3,477**	**659**	**4,136**

41. Impairment Losses

During 2012-13 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 £5.6m (2011-12 £3.5m). The only significant item within this balance was the impairment of the closed landfill sites owned by the Council. Following clarification of guidance the future remedial costs that will need to be incurred addressing contamination and gas emissions at former landfill sites within the borough are now recognised as a liability on the Council's Balance Sheet. The costs of addressing these consequences of the site's former usage are considered to be a capital cost and were initially added to the value of each site (reflecting the impact of removing the contamination). However, when these sites were subsequently valued it was considered that even without the contamination the sites would only hold a moderate value. The valuations were therefore immediately impaired to reflect this lower value. The impairments linked to this process totalled £3.9m.

42. 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 2012-13 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 2012-13 expenditure, no borrowing costs have been capitalised.

43. 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 making a payment 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 2012-13, the Council paid £11.7m to Teachers' Pension in respect of teachers' retirement benefits (£12.6m in 2011-12), 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 44.

44. 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 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 contributory benefit pension scheme and all employees of Cheshire West and 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 2012-13 the Council paid employer contributions of £28.6m (£29.4m in 2011-12) into the Cheshire Pension Fund (the Fund). This represented 21.8% 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 2012-13 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 £6.4m in 2012-13 in relation to this scheme, of which £3.8m has been recovered from Cheshire East, Halton and Warrington Borough Councils.

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	Teachers Un-funded Scheme	Total	LGPS	Teachers Un-funded Scheme	Total
	2012-13	2012-13	2012-13	2011-12	2011-12	2011-12
	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Current Service Cost	24,452		24,452	24,359		24,359
Past Services Cost / -Gain	16		16	170		170
Settlements and curtailments	-107		-107	-28		-28
Financing and Investment Income and Expenditure						
Interest Cost	50,535	1,653	52,188	52,981	1,825	54,806
Expected Return on Scheme Assets	-43,427	0	-43,427	-53,156	0	-53,156
Post Employment Benefit Charge to SDPS	31,469	1,653	33,122	24,326	1,825	26,151
Other Post Employment Benefit Charged to the CIES						
Actuarial -Gains / Losses	68,660	1,037	69,697	85,801	2,026	87,827
Connexions	-2,182	0	-2,182	4,424	0	4,424
Total Post Employment Benefit Charge to CIES	97,947	2,690	100,637	114,551	3,851	118,402
Movement in Reserves Statement						
Reversal of net charges made to the SDPS	-31,469	-1,653	-33,122	-24,326	-1,825	-26,151
Actual amount charged against the General Fund						
Employers' contributions	28,616		28,616	29,367		29,367
Retirement Benefits Payable		2,595	2,595		2,595	2,595

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2013 is a net loss of £407.2m.

Assets and Liabilities in Relation to Post-employment Benefits

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

Movement in Pensions Liabilities	LGPS 2012-13 £000	Teachers 2012-13 £000	Total 2012-13 £000	LGPS 2011-12 £000	Teachers 2011-12 £000	Total 2011-12 £000
Opening Balance	1,077,157	35,719	1,112,876	975,012	34,463	1,009,475
Current Service Costs	24,452		24,452	24,359		24,359
Interest Cost	50,535	1,653	52,188	52,981	1,825	54,806
Contribution by Scheme Members	7,915		7,915	8,508		8,508
Actuarial Losses	130,803	1,037	131,840	59,648	2,026	61,674
Benefits Paid	-36,343	-2,595	-38,938	-40,379	-2,595	-42,974
Past Service Costs	16		16	170		170
Connexions liabilities*	8,697		8,697	4,424		4,424
Liabilities Extinguished on Settlement	-24,248		-24,248	-9,522		-9,522
Losses on Curtailments	1,481		1,481	1,956		1,956
Value at 31 March	**1,240,465**	**35,814**	**1,276,279**	**1,077,157**	**35,719**	**1,112,876**

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

Movement in Fair Value of Assets	LGPS 2012-13 £000	Teachers 2012-13 £000	Total 2012-13 £000	LGPS 2011-12 £000	Teachers 2011-12 £000	Total 2011-12 £000
Opening Balance	**807,061**		**807,061**	**790,100**		**790,100**
Expected return on assets	43,427		43,427	53,156		53,156
Actuarial gains / -losses	62,143		62,143	-26,153		-26,153
Employer Contributions	28,616		28,616	29,367		29,367
Contribution by scheme members	7,915		7,915	8,508		8,508
Contibutions - unfunded benefits		2,595	2,595		2,595	2,595
Benefits paid	-36,343		-36,343	-40,379		-40,379
Unfunded benefits paid		-2,595	-2,595		-2,595	-2,595
Assets distributed on Settlement	-22,660		-22,660	-7,538		-7,538
Connexions assets*	10,879		10,879			
Closing balance at 31 March	**901,038**	**0**	**901,038**	**807,061**	**0**	**807,061**

* The pension assets and liabilities relating to former Connexions staff that transferred across to the Council are shown in tables above. The prior year values show a net liability only as this was an estimate at the 31 March 2012.

The expected return on assets has to date been determined by considering the returns available on the assets underlying the current investment policy. For 2012-13 expected yields on fixed interest investments were based on gross redemption yields as at the Balance Sheet date and expected returns on equity investments reflecting long-term real rates of return experienced in the respective markets. The actual return on assets in the year was 13% compared to an expected return for 2012-13 of 5.5%.

The basis for calculating expected returns will change for 2013-14 to comply with IAS19 and projected returns will be restricted to the level of the discount rate (4.5%). This will have the impact of lowering the expected return in future years.

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 Held	Fund Value at 31 March 2013 £000	Proportion of the Fund %	Expected Return 2013-14 %	Weighted Return %
Equities	657,758	73%	4.50%	3.29%
Bonds	126,145	14%	4.50%	0.63%
Property	54,063	6%	4.50%	0.27%
Cash	63,072	7%	4.50%	0.32%
Total	**901,038**	**100%**		**4.50%**

Scheme History

Reconciliation of obligations to plan assets	2012-13 £000	2011-12 £000	2010-11 £000	2009-10 £000
Present value of liabilities:				
Local Government Pension Scheme	-1,240,465	-1,077,157	-975,012	-1,272,028
Teachers' Unfunded Liabilities	-35,814	-35,719	-34,463	-38,985
Fair value of assets in the LGPS	901,038	807,061	790,100	713,000
Surplus/(deficit) in the Scheme:				
Local Government Pension Scheme	-339,427	-270,096	-184,912	-559,028
Teachers' Unfunded Liabilities	-35,814	-35,719	-34,463	-38,985
Total	**-375,241**	**-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 £375.2m 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 2014 is £28.1m. The anticipated contribution to the Teachers' Pension Scheme is £2.6m.

History of Experience Gains and Losses (LGPS only)
Actuarial gains identified as movements on the Pensions Reserve in 2012-13 can be analysed into the following categories and shown as a percentage of assets or liabilities.

	2012-13 %	2011-12 %	2010-11 %	2009-10 %	2008-09 %
Experience gains and losses on assets	6.90%	-3.24%	2.00%	21.76%	110.99%
Experience gains and losses on liabilities	0.14%	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, 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 2012-13	Teachers Unfunded Liabilities 2012-13	LGPS 2011-12	Teachers Unfunded Liabilities 2011-12
Long-term expected rate of return on assets				
Equity investments	4.5%	n/a	6.2%	n/a
Bonds	4.5%	n/a	3.3%	n/a
Property	4.5%	n/a	4.4%	n/a
Cash	4.5%	n/a	3.5%	n/a
Weighted expected return	**4.5%**		**5.5%**	
Discount rate used to generate real values	1.7%	1.7%	2.3%	2.3%
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	2.8%	2.8%	2.5%	2.5%
Rate of increase in salaries	5.1%	n/a	4.8%	n/a
Rate of increase in pensions	2.8%	2.8%	2.5%	2.5%
Rate for scheme discounting liabilities	4.5%	4.5%	4.8%	4.8%

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 2008 service and 75% for post-April 2008 service.

45. Contingent Liabilities

At 31 March 2013, the Council had the following material contingent liabilities:

Chester and District Housing Trust (CDHT) /Sanctuary Housing Group
As part of the housing stock transfer, the former Chester City Council gave a warranty to indemnify the Chester and 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 and Chester Council. In March 2013 CDHT became a subsidiary of the Sanctuary Housing Group and the indemnity passed across to that organisation. 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.

46. Contingent Assets

At 31 March 2013, the Council had no material contingent assets.

47. Risks arising from financial instruments

The Council's overall treasury risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Treasury risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Treasury Management Strategy for 2012-13 adopted two major changes relating to deposits with banks and building societies. Firstly, the minimum credit rating that banks and building societies need to have in order for the Council to deposit monies with has been lowered from A+ to A-. This change reflects the general downwards drift of credit ratings assigned to financial institutions since the start of the financial crisis. The second change relates to the maximum amount that can be deposited with any single money market funds at any point in time. This has been reduced from £30m to £20m to reflect expectation that the Council's holding of cash will be lower than in previous years.

Treasury management activities by their nature expose the Council to a variety of risks and details of these risks along with how the Council seeks to manage them are as follows:

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 is 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 2012-13 the Council chose to place deposits with just two 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.

Form of Financial Asset Held	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 2013	7,936
Call Account	AA-	A	1st April 2013	13,156
Call Account	A-	A-	1st April 2013	290

Risk Associated with each form of Financial Asset	Amount at 31 March 2013 £000	Historical (10 year) experience of default at 31st March 2013 %	Estimated maximum exposure to default & uncollectability £000
Deposits with banks and building societies			
A Rating	13,156	0.07	9
A- Rating	290	0.07	0
Money Market Funds			
AAA Rated	7,936	0.00	0
Bank Current Accounts	-2,838	0.00	0
Assets shown at impaired value			
Heritable Bank	401	0.00	0
Trade and Customer Debt			
Current	37,128	1.00	371
Less than 6 months	2,387	4.00	95
6 months +	1,689	60.00	1,014
Housing Revenue Account	1,649	50.00	825
	42,853		**2,305**

The Trade and Customer Debt figure includes £37.1m 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 £19.5m of invoiced debt. The Authority generally allows its customers 28 days credit; £4.1m of this debt is past its due date for payment. This past due amount is analysed by age as follows:

Age Profile of Past Due Debt	Total Outstanding £000
Less than 3 months overdue	2,066
3 to 6 months overdue	321
6 months to 1 year overdue	333
More than one year overdue	1,356
Total	**4,076**

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 and Chester Council are scheduled to mature as follows; these balances include the interest that will be repayable:

Profile of Borrowing in relation to General Fund activities	Public Works Loans Board £000	Banks £000	Total 2012-13 £000
In the next financial year	1,927	265	2,192
In the following financial year	16	0	16
In 2 to 5 years	7,394	0	7,394
In 5 to 10 years	0	0	0
In 10 to 15 years	983	0	983
In 15 to 20 years	21,106	0	21,106
In 20 to 25 years	16,779	0	16,779
In 25 to 30 years	19,753	0	19,753
In 30 to 40 years	35,820	12,523	48,343
In 40 to 50 years	17,199	5,208	22,407
Total	**120,977**	**17,996**	**138,973**

Profile of Borrowing in relation to Housing Revenue Account activities	Public Works Loans Board £000	Banks £000	Total 2012-13 £000
In the next financial year	1,545	90	1,635
In the following financial year	1,569	0	1,569
In 2 to 5 years	5,007	0	5,007
In 5 to 10 years	27,606	0	27,606
In 10 to 15 years	11,109	0	11,109
In 15 to 20 years	13,007	0	13,007
In 20 to 25 years	15,229	0	15,229
In 25 to 30 years	14,037	0	14,037
In 30 to 40 years	0	5,115	5,115
Total	**89,109**	**5,205**	**94,314**

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.

Had short term and long term interest rates been 0.5% higher during 2012-13 but all other circumstances been the same, the financial effect would be:

Impact of a 0.5% increase in interest rates	**£000**
Increase in interest receivable on variable rate loans and receivables	-381
Increase in interest payable on variable rate loans	89
Impact on Income and Expenditure Statement	**-292**
Reduction in the fair value of fixed rate borrowing (notional impact only)	-14,894

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 2012-13 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 three 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 three amounts, details of which are given below, deposited with the bank.

Amount of Deposits in Heritable Bank	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 and Chester Council have 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 2012-13 the administrators of Heritable Bank paid three dividends to the ordinary creditors of Heritable Bank. These dividends were paid in April 2012, July 2012, and January 2013. These dividends represented 9.35% of the amount due on 7 October 2008 and totalled £0.365m. These further dividend payments bring the total number of dividend payments received at the Balance Sheet date to thirteen and comprise 77% of the amount due on 7 October 2008.

The administration process has progressed well during the year 2012-13. 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 and Chester Council can take credit for £32k of interest earned on such deposits in its Comprehensive Income and Expenditure Statement for the year 2012-13. In addition an impairment charge of £20k was made as a result of dividends paid to date being fewer in number and lower in value than assumed at 31 March 2012.

48. Interests in Companies

The Council has ongoing interests in four 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. The Council is considering the creation of additional standalone companies in 2013-14 to deliver services such as back office functions, social care provision and regulatory services either as wholly owned subsidiaries or owned in partnership with other local authorities. As these organisations do not exist as separate entities at 31 March 2013 they are not included below but may be relevant for the 2013-14 accounts.

Connexions

The Council's involvement with the former Connexions Cheshire and Warrington Limited has now ceased as the company was wound up on 25 February 2013 having been in administration since February 2012. The company which was formerly jointly owned by Cheshire West and Chester Borough Council, Cheshire East Borough Council (CEBC) and Warrington Borough Council (WBC) ceased trading and the services formerly provided by the company returned to direct provision by the three respective Councils in April 2013. The affairs and closure of company have being managed by the appointed Administrators, PKF LLP and all outstanding liabilities and assets have been settled.

Chester Renaissance Ltd

Cheshire West and Chester Council have an ongoing 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 2012-13.

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 and has been operational since 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. The company utilises facilities provided by its parent organisation as a base of delivering services but the ownership of the properties remains with the Council and CDHT. Avenue Services is jointly owned by the Council and CDHT and for any resolution going to the general meeting the Council will be entitled to 49% of the votes. The organisation will be an associate of the Council's but the level of transactions incurred is not materially different from the contributions paid to it. There are no significant Balance Sheet items held by Avenue Services at 31 March 2013.

Brio Leisure Community Interest Company

Brio Leisure is the trading name of the Cheshire West and Chester 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 company has a contract to provide services to the Council until 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. The 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. In 2012-13 the subsidy reduced to £1.0m.

Financial statements for the CIC for the period to 31 March 2013 show the gross profit generated from activities in 2012-13 was £6.6m (2011-12 £6.1m). Before accounting for pension deficits the loss for the period was £41k, rising to £0.9m once pension deficits are included.

The statement of financial position for the period shows total assets for the CIC at the end of the period of £1.3m but these are offset by £1.3m of creditors. The most significant assets held are cash (£0.9m) and debtors (£0.3m). The creditor balance includes monies owed to the Council of £0.5m.

A net pension liability of £2.1m 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 £377m so reflecting the additional £2.1m deficit associated with the CIC would not be considered to have a material impact on the accounts.

The net loss for the year of £41k on usable funds is immaterial to the Council and after removing intra-group transactions the major Balance Sheet items would all be under £1m, 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 2012-13 are included below.

Summary of Statement of Financial Position	**31 Mar 2013 £000**	**31 Mar 2012 £000**
Non current assets	35	31
Current assets	1,270	2,076
Total Assets	**1,305**	**2,107**
Non current liabilities	-2,145	-1,322
Current liabilities	-1,309	-2,071
Total Liabilities	**-3,454**	**-3,393**
Total Assets and Liabilities	**-2,149**	**-1,286**
Total Equity	**-2,149**	**-1,286**

Summary Statement of Comprehensive Income for the year	**2012-13 £000**	**2011-12 £000**
Gross profit for continuing operations	6,655	6,059
Other operating income	311	396
Administrative expenses	-6,979	-7,472
Operating Loss	**-13**	**-1,017**
Net finance costs	-28	-4
Loss for the period	**-41**	**-1,021**
Actuarial gains/(losses)	-821	-265
Total Loss for the year	**-862**	**-1,286**

Northwest Evergreen Fund Partnership
Fifteen local authorities in the North West of England are 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 or 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. This payment equated to £44k in 2012-13.

49. Local Government Reorganisation

In April 2009 Cheshire West and Chester 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 four 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 and Chester Council and are accounted for in full on the Balance Sheet at a value of £2.2m. A liability valued at £1.1m 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 23) and a Relocations Reserve to pay excess travel costs for those staff relocating to Cheshire East Borough Council following LGR.

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:

Costs incurred on Pan Cheshire Shared Services	2012-13 Actual Outturn East £000	West £000	Total £000	Share of Total Cost East £000	West £000
Hosted West					
HR and Finance	995	1,892	2,887	1,402	1,485
ICT	-3,110	10,328	7,218	3,629	3,589
Civil Protection	135	164	299	149	149
Occupational Health	19	170	189	94	94
Archives	263	153	416	208	208
Libraries	211	657	868	434	434
Rural Touring Network	14	14	28	14	15
Archaeological Service	97	137	234	97	137
Hosted East					
Farms Estates	-976	136	-840	-470	-370
Youth Offending Team	23	430	453	213	240
Total Costs	**-2,329**	**14,081**	**11,752**	**5,770**	**5,981**

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 senior officers from both Councils.

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 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.

50. Landfill Allowance 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 all surplus allowances were written off at the end of 2011-12.

In 2012-13 the Council received allowances of 51,902 tonnes, against which it has estimated its landfill usage at 45,709 tonnes. The assessed tradable value of these allowances is £6.31 per tonne. The Balance Sheet as at 31 March 2013 therefore shows an asset of £328k reflecting the value of the allowances and a liability of £288k reflecting the costs of the allowances used. The balance of these amounts has been transferred to the LATS reserve. The Council has not bought or sold any allowances during the year.

It has been confirmed that 2012-13 is the final year the LATS system will operate in its current form so no new allowances will be issued in 2013-14. Upon verification the assets and liabilities reflected below will be written out of the accounts in 2013-14.

Landfill Allowance Trading Scheme	**2012-13 £000**	**2011-12 £000**
Current Assets		
Allowances brought forward from previous year	0	988
Derecognition of Verified Prior Year Allowances	0	-802
Writing Down of Allowances to Reflect Market Value	0	-186
New Allowances Allocated by DEFRA	328	0
Total Assets	**328**	**0**
Provisions		
Liabilities for Usage brought forward from previous year	0	-781
Increase in Prior Year Liability Post Verification	0	-21
Prior Year Liability Discharged	0	802
Liability to DEFRA for new allowances used	-289	0
Total Liability	**-289**	**0**
Total Net Assets	**39**	**0**
LATS Reserve		
Opening Balance	0	207
Transfers to/from Reserve	39	-207
Closing Balance	**39**	**0**

51. Trust Funds

During 2012-13 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.

	2012-13				
	Income £	Expenditure £	Assets £	Liabilities £	Reserves £
Continuing Trust Funds:					
The Lord Mayors Charity Fund	8,147	9,037	11,969	0	-11,969
The Lady Mayoress Holiday Fund for Children	3,953	9,600	75,873	0	-75,873
Castle Park Trust Fund	107,870	104,817	565,570	-1,859	-563,711
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	0	0	1,416	0	-1,416
Held for the general benefit of the residents of Willaston					
Little Sutton Reading and Recreation Rooms	0	0	2,479	0	-2,479
Held for the general benefit of the residents of Little Sutton					
Fred Venables Literary Trust	0	0	12,099	0	-12,099
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	-13,425
Established in 1999 for the promotion and development of the arts in the borough of Ellesmere Port and Neston					
Ellesmere Port Charter Trust	42,205	54,474	26,236	0	-26,236
Established to continue the Mayoral Function in the borough of Ellesmere Port and Neston					

52. Comparative Information

The comparative 2011-12 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.

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

Supplementary Financial Statements – Housing Revenue Account

	2012-13	2011-12
	£000	£000
Expenditure		
Repairs and Maintenance	5,062	3,927
Supervision and Management	3,387	3,400
Special Services	1,118	1,214
Rents, rates,taxes and other charges	77	152
Negative HRA Subsidy payable	0	5,032
Depreciation and impairment of non-current assets	5,345	3,588
Debt Management costs	40	3
Increase in the allowance for bad debts	250	251
Total Expenditure	**15,279**	**17,567**
Income		
Dwelling Rents	-19,459	-17,873
Non-dwelling rents	-529	-503
Charges for services and facilities	-313	-302
Supplementary contributions towards expenditure	-300	-315
Total Income	**-20,601**	**-18,993**
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	-5,322	-1,426
HRA services' share of Corporate and Democratic Core	62	62
Exceptional Items	0	90,591
Net Income/Expenditure for HRA Services	-5,260	89,227
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	-234	1,046
Interest payable and similar charges	2,770	281
Interest and Investment Income	-2	-9
Pensions interest cost and expected return on pension assets	43	-5
(Surplus) or deficit for the year on HRA Services	**-2,683**	**90,540**

Note re comparative balances:

(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. The subsidy system was removed in 2012-13 following the introduction of self financing for HRAs.

(ii) Included within Exceptional Items in 2011-12 is a £90.6m settlement payment to central government in relation to the commencement of the self financing of the HRA from 1 April 2012. This revenue transaction, which has been financed by a loan, was subsequently reversed in the Movement on the HRA Statement, as it is defined as capital by statute.

Movement on the Housing Revenue Account Statement 2012-13

	2012-13		2011-12
	£000	£000	£000
Balance of HRA at the end of the previous year		-793	-231
(Surplus)Deficit on the HRA Income and Expenditure Account	-2,683		90,540
Adjustments between accounting basis and funding under statute	2,871		-91,102
Net (increase) or decrease before transfers to reserves	**188**		**-562**
Transfer to (from) reserves	50		
(Increase) or decrease on the HRA		238	
Balance on the HRA at the end of the year		**-555**	**-793**

Adjustments between accounting basis and funding under statute

Adjustments between transactions recorded in accordance with the Code and those in accordance with Statute	**2012-13**		**2011-12**
	£000	**£000**	**£000**
Differences relating to interest payable and similar charges including amortisation of premiums and discounts		108	148
Differences relating to other items of income and expenditure			
HRA debt (Revenue Expenditure Funded by Capital)	0		-90,591
Contribution to Repayment of Debt	227	227	269
(Gain) or loss on the sale on non current HRA assets			
- Sale proceeds	651		187
- Carrying amount of assets	-417		-1,229
- Disposal costs to be met from capital receipts	0	234	-4
HRA share of contributions to or from the Pension Reserve		-29	155
Removal of accumulated benefit accrual		60	-12
Transfer to the Major Repairs Reserve			
- Funding set aside for Capital Expenditure	2,296		0
- Funding for Future Debt Repayment / MRA Equivalent Sum	5,320	7,616	3,563
Funding of Depreciation from the Capital Adjustment Account		-5,345	-3,588
Total Adjustments		**2,871**	**-91,102**

Notes to the Housing Revenue Account

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

Description	2012-13 No.	2011-12 No.
Houses	3,129	3,142
Flats	1,758	1,758
Bungalows	641	641
Maisonettes	93	93
Total Dwellings	**5,621**	**5,634**
Garages	**1,559**	**1,602**

2. Housing Stock Valuations at 31 March

Description	2012-13 £000	2011-12 £000
Property Plant and Equipment		
- Dwellings	140,248	144,325
- Garages	1,169	1,193
Equipment	237	475
Total	**141,654**	**145,993**

3. Vacant Possession Value of Dwellings at 31 March

Description	2012-13 £000	2011-12 £000
Market value - Vacant possession	401,387	413,716
Existing use value for social housing	140,485	144,801
Difference	**260,902**	**268,915**

The difference between market value and the Balance Sheet value for dwellings represents the economic cost to the Council of providing council housing at less than open market rents. The vacant property adjustment factor for NW England is 35% for 2012-13, no change from 2011-12.

4. Major Repairs Reserve for the year ending 31 March

Description	2012-13 £000	2011-12 £000
Balance brought forward	0	0
Debt repayment	1,639	0
Set aside voluntary debt repayment	369	0
Transfer of MRA equivalent sum	-5,320	-3,563
Revenue contribution to capital	-2,296	0
Less capital expenditure financed from Reserve	3,909	3,563
Balance Carried Forward	**-1,699**	**0**

5. Housing Repairs Expenditure for the year ending 31 March

Description	2012-13 £000	2011-12 £000
Housing repairs	5,062	3,927
Total	**5,062**	**5,332**

6. Capital Expenditure in the year ending 31 March

Description	2012-13 £000	2011-12 £000
Operational assets		
- Dwellings	6,862	5,115
- Other land and buildings	0	0
Total	**6,862**	**5,115**
Funded by:		
Supported capital expenditure	-2,762	-1,472
Usable capital receipts, grants and contributions	-191	-80
Major Repairs Reserve	-3,909	-3,563
Total Funding	**-6,862**	**-5,115**

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

Description	2012-13 £000	2011-12 £000
Disposal of dwellings	651	187
Total from disposals	**651**	**187**

8. Depreciation in the year ending 31 March

Description	2012-13 £000	2011-12 £000
Property Plant and Equipment	5,345	3,586
Total	**5,345**	**3,586**

The depreciation charge for dwellings is equal to the notional Major Repairs Allowance (£5.320m). This is equal to the assumption made about the need to spend on major repairs in the self financing valuation for 2012-13. In addition, £0.025m depreciation has been charged on non dwelling assets.

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	2012-13 £000	2011-12 £000
Current tenants	923	861
Former tenants	514	676
Total rent arrears	**1,437**	**1,537**
Benefit overpayments	0	0
Total arrears	**1,437**	**1,537**
Deduct - Provision for bad debts	-856	-1,014
Net arrears	**581**	**523**

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 31 March 2013

	2012-13 £000	2012-13 £000	2011-12 £000	2011-12 £000
Income				
Council Tax	160,420		159,551	
Transfers from General Fund				
- Council Tax Benefits	22,110		22,112	
- Transitional relief	-5		-6	
Total Income from Council Tax		182,525		181,657
Business Ratepayers		145,405		139,930
Contributions				
- Towards previous year's Collection Fund deficit		187		350
Total Income		**328,117**		**321,937**
Expenditure				
Precepts and Demands from CWAC, Police and Fire (Note 4)		181,263		180,581
Business Rates				
- Payment to National Pool (Note 2)	144,899		139,426	
- Cost of Collection	506		504	
		145,405		139,930
Provision for Bad Debts/Appeals				
- Write offs	202		345	
- Provisions	110		47	
		312		392
Total Expenditure		**326,980**		**320,903**
Surplus for year		1,137		1,034
Balance on Fund Brought Forward		497		-537
Balance on Fund Carried Forward		**1,634**		**497**

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 45.8p in the pound for 2012-13 (2011-12 43.3p). Local businesses pay rates calculated by multiplying their rateable value by that amount. There is also a small business multiplier, which was 45.0p in the pound for 2012-13 (2011-12 42.6p).

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.

From 2013-14, new Business Rate Retention arrangements will apply. Instead of paying over all monies collected into the national pool and then receiving a formula based re-distribution, local authorities will keep a proportion of increases in their business rates. So, authorities whose business rates grow will retain a proportion of that growth in revenues, while those whose rates decline or grow at a lower rate will experience lower or negative growth.

These new arrangements focus on the distribution of business rate revenue, rather than changes to the actual system of calculating amounts payable. Businesses will see no difference in the way they pay or the way the tax is set and rate setting powers will remain under central Government control.

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

	2012-13 £000	2011-12 £000
NDR Bills Issued (Less Voids, Transitional Relief and Interest on Refunds)	147,099*	143,037*
Discretionary Relief and Remissions	-1,693	-1,463
Debts written off or provided for (net)	-793	-2,338
General Fund contribution to Reliefs and Remissions	792	694
Net NDR Income	145,405	139,930
Cost of Collection Allowance payable to General Fund	-506	-504
Payable to NDR Pool	**144,899**	**139,426**

The total non-domestic rateable value at 31st March 2013 was £382,090,173.

*Note: The 2011-12 figures include £334,000 of deferrals which were paid over in year but relate to 2009-10. The 2012-13 figures exclude £866,000 of deferrals which will be collectable in future years.

3. Council Tax

The gross Council Tax base was 121,681 Band D Equivalent properties at the time of setting the tax for 2012-13 (2011-12 = 121,530). This was made up as follows:

Band	Number of Properties 2012-13	Band D Equivalent 2012-13	Income in a full year 2012-13 £000	Band D Equivalent 2011-12
A	32,512	17,659	26,306	17,671
B	35,239	23,243	34,624	23,137
C	29,344	22,631	33,713	22,544
D	19,789	17,476	26,033	17,601
E	15,083	16,736	24,931	16,720
F	8,906	11,805	17,585	11,731
G	7,163	11,049	16,459	11,056
H	557	927	1,381	915
	148,593	**121,526**	**181,032**	**121,375**
	Ministry Of Defence Properties	155	231	155
		121,681	**181,263**	**121,530**

4. Precepts and Demands

	2012-13 £000	2011-12 £000
Cheshire West and Chester Council	152,278	152,470
Cheshire Police Authority	18,278	17,564
Cheshire Fire Authority	8,083	8,073
Town and Parish Councils	2,624	2,474
Total Precept and Demand	**181,263**	**180,581**

5. Contribution to Collection Fund Deficit and Distribution of Collection Fund Surplus

The surplus of £1.634m on the Collection Fund relates to Council Tax. The surplus will be distributed between Cheshire West and Chester Council, Cheshire Police Authority and Cheshire Fire and 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
Collection Fund Surplus	1,393	167	74	1,634

Cheshire Pension Fund

Independent auditors report to Members of Cheshire Pension Fund

Opinion on the Pension Fund financial statements

We have audited the pension fund financial statements of Cheshire Pension Fund for the year ended 31 March 2013 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 2012/13.

This report is made solely to the members of Cheshire Pension Fund 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

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. Our 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 us 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, we read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters

In our opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Opinion on financial statements

In our 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 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013, 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 2012/13.

Judith Tench
Engagement Lead
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building
Liverpool
L3 1PS
09 September 2013

Cheshire Pension Fund - Fund Account
for the year ended 31 March 2013

	Notes	2012-13 £000	2011-12 £000
Contributions and Benefits			
Contributions Receivable			
From Employers	7.1	113,962	114,532
From Employees		33,050	34,009
Total Contributions Receivable	7.2	147,012	148,541
Transfers in from Other Schemes	8	11,268	12,051
Benefits Payable			
Pensions		-118,983	-110,946
Lump Sums		-19,843	-29,192
Death Benefits		-3,142	-2,617
Total Benefits Payable	9	-141,968	-142,755
Payments to and on account of Leavers			
Refund of Contributions		-14	-4
Transfers to Other Schemes		-8,510	-8,723
	10	-8,524	-8,727
Administration Expenses	11	-2,169	-2,072
Net Additions from dealing with members		5,619	7,038
Returns on Investments			
Investment Income	12	42,486	44,268
Taxes on Income	13	-792	-837
Profits and losses on disposal of investments and changes in the market value of investments	15f	308,928	48,202
Investment Management Expenses	14	-17,355	-9,053
Net Returns On Investments		333,267	82,580
Net Increase/ (Decrease) in the Fund During the Year		338,886	89,618
Opening Net Assets of the Scheme		2,920,443	2,830,825
Closing Net Assets of the Scheme		**3,259,329**	**2,920,443**

Cheshire Pension Fund - Net Assets Statement
as at 31 March 2013

	Notes	2012-13	2011-12
Investment Assets		**£000**	**£000**
Pooled Investment Vehicles	15/f, 20/21	1,306,341	1,135,003
Equities	15/f, 20/21	994,003	862,737
Hedge Funds	15b/f, 20/21	460,638	425,911
Private Equity	15c/f 20/21	204,748	199,580
Investment Properties	18	188,249	169,034
Loans	15d/f, 20/21	38,618	27,722
Derivative Contracts	16, 20/21	1,296	3,560
Secured Loans	15f, 20/21	0	0
		3,193,893	2,823,547
Cash	15e/f, 20/21	34,030	59,880
		3,227,923	2,883,427
Other Investment Balances		4,723	5,037
	15f, 20/21	3,232,646	2,888,464
Investment Liabilities			
Derivative Contracts	16, 20/21	-808	-305
Total Net Investments	19	3,231,838	2,888,159
Long Term Assets	24	16,019	16,263
Current Assets	25		
Cash at Bank		197	193
Debtors		19,243	23,196
Current Liabilities	26		
Creditors		-5,245	-4,566
Receipts In Advance		-2,723	-2,802
Net Current Assets		27,491	32,284
Total Net Assets		**3,259,329**	**2,920,443**

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 and 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 2012-13 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 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 Mercer. The fund also received actuarial advice from Hymans Robertson. 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.

The overall investment strategy is reviewed every 3 years to coincide with the Fund's triennial valuation. A review of the investment strategy during 2010-11 resulted in the Fund's asset allocation being amended to take account of the revised liability profile and this led to some investment manager changes being implemented in 2011-12. In addition a couple of other changes did not take effect until 2012-13:

- The completion of the transfer of funds from Henderson's High Alpha Credit Fund to the Horizon Total Return Bond Fund. The value of this investment at 31st March 2013 is £194m.

- The Fund took the opportunity to commit £30m to the M&G Debt Opportunities Fund, which aims to take advantage of discrete market opportunities that arise over time. At 31st March 2013 £6.2m had been drawn down for this fund.

To manage the Fund's assets in accordance with the agreed investment strategy, the Council has 14 appointed external investment managers (14 in 2011-12 restated from 15) 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 2013 shows that the Fund achieved a return from its investments of +12.8% (+2.9% in 2011-12) compared with the Fund's tailored benchmark return of +10.0% (+1.8% in 2011-12). For the three years ended 31 March 2013 the Fund achieved an annualised return of +8.1% per annum against the Fund's benchmark return of +6.2% per annum.

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; and
- 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 148 employer organisations with active members who were contributing into the fund as at 31 March 2013, including the Council itself, as detailed below:

Cheshire Pension Fund	**31 March 2013**	**31 March 2012 Restated**
Number of employers with active members	**148**	**119**
Number of employees in the scheme		
Cheshire West and Chester Council	7,812	8,189
Other employers	22,871	22,367
Total	**30,683**	**30,556**
Number of pensioners		
Cheshire West and Chester Council	1,173	975
Other employers	22,301	21,709
Total	**23,474**	**22,684**
Number of Deferred pensioners		
Cheshire West and Chester Council	2,187	1,758
Other employers	21,226	19,944
Total	**23,413**	**21,702**
TOTAL MEMBERSHIP	**77,570**	**74,942**

The 2011-12 figures have been restated as Councillors membership had been omitted.

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 2013. Employee contributions are matched by employer's contributions which are set based on triennial actuarial valuations. The last such valuation was at 31 March 2010. The next valuation will be based on information as at 31 March 2013.

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.

LGPS 2014

Following the Government's commitment to overhaul all public service pension schemes, it is anticipated that the LGPS will undergo significant change from 1 April 2014. At time of writing there is no legislation on the statute books and a number of areas of the new look Scheme are still subject to a formal consultation process. A summary of the likely key changes, as understood at this time, are provided below.

	Proposed Scheme	**Existing Scheme**
Basis of Pension	Career Average Revalued Earnings (CARE)	Final Salary (FS)
Accrual Rate	1/49th	1/60th
Revaluation Rate	By order of Her Majesty's Treasury	Based on Final Salary
Contribution Flexibility	Members can pay 50% contributions for 50% of the pension benefit	No
Normal Pension Age	Equal to the individual member's State Pension Age (minimum 65)	65
Death in Service lump sum	3 x assumed pensionable pay	3 x pensionable pay
Death in Service survivor benefits	1/160 accrual basis	1/160 accrual basis
Ill-health provision	Three Tiers	Three Tiers
Indexation of pension in payment	Pensions Increase Orders (presently CPI)	Pensions Increase Orders (presently CPI)
Qualifying period for benefits	2 years	3 months

Note 2 – Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2012-13 financial year and its position at year end as at 31 March 2013. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 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 2011-12 figures for membership, performance related investment manager fees and creditors to include some amendments which have now been correctly classified into relevant categories and some figures which were omitted from last year's accounts.

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. Amounts not due until future years are classed as long-term assets.

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
- M&G Investments
- Arrow grass Capital Partners
- Fauchier Partners
- Winton Capital
- Och Ziff Capital Management

Performance related fees amounted to £5.7m in 2012-13 (The 2011-12 performance fees have been restated to £1.4m from £1.1m as they were categorised as management fees in error) 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 2012-13 was £729k relating to fees due for the month of March 2013 (£2011-12 £114k).

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 2013 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, 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 Employee Benefits and relevant actuarial standards.

As permitted under IAS26 Accounting and Reporting by Retirement Benefit Plans, 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 the movements in the 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 2013 was £204.7m (£199.6m as 31 March 2012).

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 some 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 2013 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 £204.7m. 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 £461m. 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 £188.2m. 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 2013 that require any adjustments to these accounts.

Note 7 – Contributions receivable

7.1 Employer Contributions Receivable

	2012-13	2011-12
	£000	£000
Normal Contributions	**76,509**	75,236
*Deficit Funding	**31,839**	31,309
Cost of Early Retirements (pension strain)	**5,402**	6,991
Augmentation Contributions	**212**	996
Total	**113,962**	114,532

* 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 £31.8m in 2012-13 (£31.3m in 2011-12) 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

	2012-13		2011-12	
	Employers	**Employees**	Employers	Employees
	£000	**£000**	£000	£000
Scheme Employers	**73,352**	**22,116**	75,628	22,936
Cheshire West and Chester Council	**28,740**	**7,931**	29,389	8,537
Community Admission Body	**9,906**	**2,697**	8,971	2,384
Transferee Admission Body	**1,964**	**306**	544	152
Total	**113,962**	**33,050**	114,532	34,009

Note 8 – Transfers in from other Pension Funds

	2012-13	2011-12
	£000	£000
Transfers from other Local Authorities	**7,038**	9,517
Transfers from other Pension Funds	**4,230**	1,920
Bulk Transfers	**0**	614
Total	**11,268**	12,051

There were no bulk transfers in during 2012-13.

Note 9 – Benefits payable

	2012-13	2011-12
	£000	£000
Scheme Employers	**88,973**	92,171
Cheshire West and Chester Council	**41,402**	39,216
Community Admission Body	**8,024**	8,474
Transferee Admission Body	**3,569**	2,894
Total	**141,968**	142,755

Note 10 – Payment to and on account of leavers

	2012-13	2011-12
	£000	£000
Individual Transfers	**8,510**	8,723
Refunds to Members leaving service	**14**	4
Total	**8,524**	8,727

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 £2.169m for the year ended 31 March 2013. This represents an increase of £97k from £2.072m in 2011-12. A breakdown of the significant items is shown below.

	2012-13	2011-12
	£000	£000
Direct Staffing	**1,410**	1,310
Other Supplies and Services	**344**	307
Actuarial Fees	**202**	203
IT	**102**	109
Legal Fees	**58**	89
Printing and Postage	**32**	38
External Audit Fees	**25**	21
Income	**-4**	-5
Total	**2,169**	2,072

Note 12 – Investment income

	2012-13	2011-12
	£000	£000
Dividends from Equities	**20,554**	19,311
Net Rents from Properties	**13,288**	11,655
Income from Fixed Interest Securities	**6,501**	10,764
Income from Pooled Investment Vehicles:		
Property	**1,130**	1,367
Other	**365**	402
Other	**348**	297
Stock Lending	**138**	304
Interest from Cash Deposits	**162**	168
Total	**42,486**	44,268

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 2012-13 amounts to £792k and is shown as a tax charge, compared to £837k in 2011-12.

As Cheshire West and 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

	2012-13	2011-12
	£000	£000
Management fees	**16,573**	8,219
Management fees – investment properties	**529**	524
Custody fees	**128**	121
Investment advisory fees	**95**	163
Performance monitoring services	**30**	26
Total	**17,355**	9,053

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

	2012-13	2011-12
Investment assets	**£000**	£000
Equities		
Overseas quoted	**916,162**	786,932
UK quoted	**77,840**	75,805
Pooled investments		
Fixed income – multi strategy	**449,592**	406,108
UK equity listed	**383,515**	328,156
Overseas equity listed	**312,710**	263,704
Secured loans	**147,486**	120,905
Overseas unit trusts – property	**11,930**	13,204
UK unit trusts – property	**1,077**	2,895
UK equity unlisted	**32**	31
Hedge funds	**460,638**	425,911
Private equity	**204,748**	199,580
Investment properties	**188,249**	169,034
Cash deposits	**34,030**	59,880
Loans	**38,618**	27,722
Derivative contracts:		
Futures	**334**	249
Forward currency contracts	**962**	3,311
Other investment balances:		
Outstanding dividends entitlements and withholding tax claims	**4,723**	5,037
	3,232,646	2,888,464
Investment liabilities		
Derivative contracts:		
Futures	**-20**	-130
Forward currency contracts	**-788**	-175
Net investments	**3,231,838**	2,888,159

A review of the investment strategy during 2010-11 resulted in the fund's asset allocation being amended to take account of the revised liability profile and this led to some investment manager changes being implemented in 2011-12. In addition a couple of other changes did not take effect until 2012-13. Namely, the completion of the transfer of funds from Henderson's high alpha credit fund (secured loans) to the horizon total return bond fund (UK quoted equities) and the investment in the M&G debt opportunities fund (loans).

These changes have impacted upon the year on year comparison figures for UK quoted equities, secured loans and loans.

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. Within these mandates managers may use derivative instruments to manage risk and to express their investment convictions.

Note 15b – Hedge Funds

	2012-13	2011-12
	£000	£000
Fauchier Partners	182,420	170,901
Arrowgrass Capital Partners	115,251	106,615
Winton Capital	86,548	84,157
Och Ziff Capital Management	76,419	64,238
Total	**460,638**	425,911

Note 15c - Private Equity

	Number of funds	2012-13	2011-12
		£000	£000
Adam street partners	16	108,126	104,653
Pantheon ventures	7	89,681	87,125
Lexington	1	6,941	7,802
Total		**204,748**	199,580

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 31st march 2013 £32.4m of this commitment had been drawn down.

The fund has also committed £30m to the M&G debt opportunities fund which aims to take advantage of discrete market opportunities that arise over time. As at the 31st march 2013 £6.2m of this commitment had been drawn down.

Note 15e – Cash

	2012-13	2011-12
	£000	£000
Cash deposits	16,771	34,065
Cash instruments	17,259	25,815
Total	**34,030**	59,880

Note 15f – Reconciliation of movements in Investments and Derivatives

	Fair Value at 31 March 2012	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair value	**Fair Value at 31 March 2013**
	£000	£000	£000	£000	**£000**
Pooled Investment Vehicles	**1,135,003**	181,041	-152,189	142,486	**1,306,341**
Equities	**862,737**	257,092	-238,702	112,876	**994,003**
Hedge Funds	**425,911**	207,827	-206,564	33,464	**460,638**
Private Equity	**199,580**	24,040	-32,341	13,469	**204,748**
Investment Properties	**169,034**	22,419	-7,550	4,346	**188,249**
Loans	**27,722**	10,471	-1,441	1,866	**38,618**
	2,819,987	702,890	-638,787	308,507	**3,192,597**
Derivative Contracts:					
- Futures	**249**			85	**334**
- Forward currency contracts	**3,311**	5,826	-7,171	-1,004	**962**
	2,823,547	708,716	-645,958	307,588	**3,193,893**
Cash	**59,880**		-27,190	1,340	**34,030**
	2,883,427	708,716	-673,148	**308,928**	**3,227,923**
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	**5,037**				**4,723**
	2,888,464				**3,232,646**
Investment Liabilities					
Derivative Contracts:					
- Futures	**-130**				**-20**
- Forward currency contracts	**-175**				**-788**
Net Investments	**2,888,159**				**3,231,838**

	Fair Value at 31March 2011	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair value	Fair Value at 31 March 2012
	£000	£000	£000	£000	**£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**

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 £1.3m in 2012-13 (£1.1m for 2011-12). 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 2012-13.

Note 16 – Analysis of Derivatives

	Asset 2012-13 £000	Liability 2012-13 £000	Asset 2011-12 £000	Liability 2011-12 £000
Equity Futures Contracts	**334**	**20**	249	130
Forward Foreign Exchange Contracts	**962**	**788**	3,311	175
Total	**1,296**	**808**	**3,560**	**305**

Equity Futures and Foreign Exchange Contracts:

	Exchange	Expiration	Economic Exposure Value 2012-13 £000	Market Value 2012-13 £000	Economic Exposure Value 2011-12 £000	Market Value 2011-12 £000
Assets						
Japan	TOPIX	Less than 1 Year	5,092	224	6,062	227
Australia	SPI 200	Less than 1 Year	-2,728	54	0	0
Singapore	MSCI Singapore	Less than 1 Year	1,939	23	0	0
Germany	DAX	Less than 1 Year	-660	13	-290	1
USA	S&P 500 Emini	Less than 1 Year	1,184	15	0	0
Canada	S&P TSE60	Less than 1 Year	-756	5	-3,177	15
Sweden	OMXS30	Less than 1 Year	0	0	-141	3
Switzerland	Swiss MKT	Less than 1 Year	0	0	-1,951	3
Total assets			**4,071**	**334**	**503**	**249**
Liabilities						
Italy	FTSE/MIB	Less than 1 Year	381	-20	3,150	-85
UK	FTSE 100	Less than 1 Year	0	0	286	-8
Sweden	OMXS30	Less than 1 Year	-253	-1	0	0
Australia	SPI 200	Less than 1 Year	0	0	-1,902	-35
Singapore	MSCI Singapore	Less than 1 Year	0	0	1,511	-2
Total Liabilities			**128**	**-20**	**3,045**	**-130**
Net futures			**4,199**	**314**	**3,548**	**119**

2012-13 Forward Foreign Exchange Contracts:

Contract	Settlement Date	Currency Bought £000		Currency Sold £000		Asset £000	Liability £000
Forward OTC	1 month	507	HKD	43	GBP		-0
Forward OTC	1 month	1,206	SEK	122	GBP		-1
Forward OTC	1 month	1,706	HKD	145	GBP		-0
Forward OTC	1 month	1,953	SEK	198	GBP		-0
Forward OTC	2 months	386	USD	356	CHF	6	
Forward OTC	2 months	411	USD	380	CHF	7	
Forward OTC	2 months	407	CAD	401	USD		-1
Forward OTC	2 months	3,427	SEK	541	USD		-9
Forward OTC	2 months	376	GBP	584	USD		-7
Forward OTC	2 months	406	GBP	628	USD		-7
Forward OTC	2 months	882	USD	814	CHF	15	
Forward OTC	2 months	1,375	SGD	1,110	USD		-1
Forward OTC	2 months	1,400	SGD	1,131	USD		-1
Forward OTC	2 months	1,524	USD	1,142	EUR	38	
Forward OTC	2 months	1,839	USD	1,378	EUR	46	
Forward OTC	2 months	895	GBP	1,384	USD		-16
Forward OTC	2 months	1,529	USD	1,485	AUD		-11
Forward OTC	2 months	2,127	USD	1,591	EUR	55	
Forward OTC	2 months	15,830	HKD	2,042	USD		-2
Forward OTC	2 months	2,827	USD	2,114	EUR	73	
Forward OTC	2 months	19,173	HKD	2,473	USD		-2
Forward OTC	2 months	3,087	SGD	2,493	USD		-3
Forward OTC	2 months	21,006	HKD	2,170	USD		-2
Forward OTC	2 months	19,126	SEK	3,021	USD		-54
Forward OTC	2 months	3,755	SGD	3,032	USD		-3
Forward OTC	2 months	4,187	SGD	3,379	USD		-3
Forward OTC	2 months	4,187	SGD	3,380	USD		-3
Forward OTC	2 months	4,187	SGD	3,381	USD		-4
Forward OTC	2 months	4,731	SGD	3,820	USD		-4
Forward OTC	2 months	31,519	HKD	4,066	USD		-3
Forward OTC	2 months	5,656	SGD	4,567	USD		-5
Forward OTC	2 months	6,103	USD	4,574	EUR	151	
Forward OTC	2 months	37,336	HKD	4,816	USD		-4
Forward OTC	2 months	8,620	USD	6,455	EUR	217	
Forward OTC	2 months	9,144	USD	6,850	EUR	228	
Forward OTC	2 months	1,248	USD	6,940	NOK	39	
Forward OTC	2 months	781	USD	72,970	JPY	3	
Forward OTC	2 months	780	USD	72,970	JPY	3	
Forward OTC	2 months	1,465	USD	137,161	JPY	4	
Forward OTC	2 months	1,917	USD	179,227	JPY	7	
Forward OTC	2 months	3,426	USD	320,112	JPY	14	
Forward OTC	2 months	4,460	USD	416,868	JPY	17	
Forward OTC	2 months	1,830	USD	173,157	JPY		-8
Forward OTC	1 month	82	USD	78	AUD	0	
Forward OTC	3 months	77,127	GBP	117,000	USD	39	
Forward OTC	3 months	126,357	GBP	150,000	EUR		-634
						962	**-788**
Total Derivatives						**1,296**	**-808**

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**

The Fund and its investment managers use exchange traded index futures contracts 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 -£1m (2011-12 £3m).

Note 17 – Stock Lending

In accordance with the LGPS (Management and 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 2013 the Fund earned £138k (£304k 2011-12) of income from its stock lending activities. At the Balance Sheet date the value of aggregate stock on loan was £2.1m (£12.8m 2011-12) and the value of collateral held was £2.3m (£13.6m 2011-12).

NOTE 18 – Investment Properties

	2012-13	2011-12
	£000	£000
Freehold	**163,124**	144,254
Heritable	**19,420**	17,750
Leasehold	**5,705**	7,030
Total	**188,249**	169,034

Note 18a – Property Income

	2012-13	2011-12
	£000	£000
Rental Income	**13,691**	13,555
Surrender premiums	**1,603**	0
Dilapidations	**300**	693
Interest/Misc Income	**66**	273
Direct Operating Expenses	**-1,932**	-1,980
Rent adjustment required on purchase/sale	**-675**	177
Net Rental Income	**13,053**	12,718

Note 18b – Fair Value of Investment Properties

	2012-13	2011-12
	£000	£000
Balance at the start of the year	**169,034**	161,892
Additions	**22,419**	17,379
Disposals	**-7,550**	-3,585
Net gain/loss on fair value	**4,346**	-6,652
Balance at the end of the year	**188,249**	169,034

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 £4.761m. There were no obligations to purchase new properties.

Note 19 – Investment by Fund Manager

	2012-13 £000	2012-13 %	2011-12 £000	2011-12 %
Baillie Gifford & Co	**681,843**	**21.1**	592,231	20.6
Legal & General	**683,515**	**21.1**	585,634	20.3
GMO	**399,748**	**12.4**	344,817	12.0
Goldman Sachs Asset Management	**204,682**	**6.3**	183,552	6.4
Rockspring Property Investment Managers	**202,738**	**6.3**	186,301	6.5
Henderson	**193,550**	**6.0**	177,822	6.2
M&G Investments	**187,039**	**5.8**	167,009	5.8
Fauchier Partners	**182,419**	**5.6**	170,900	5.9
Arrowgrass Capital Partners	**115,251**	**3.6**	106,615	3.7
Adams Street Partners	**108,126**	**3.3**	104,653	3.5
Pantheon Ventures	**89,681**	**2.8**	87,125	2.9
Winton Capital	**86,548**	**2.7**	84,157	2.9
Och Ziff Capital Management	**76,419**	**2.4**	64,238	2.2
Lexington Capital Partners	**6,941**	**0.2**	7,802	0.3
Deutsche Bank (Money Market)	**6,646**	**0.2**	14,355	0.5
Fidelity (Money Market)	**5,299**	**0.2**	3,584	0.1
The Co-Operative Bank (Public Sector Reserve)	**1,940**	**0.1**	1,007	0.0
HG Capital	**32**	**0.0**	31	0.0
Internal	**9**	**0.0**	27	0.0
Bank of New York Mellon	**-588**	**0.0**	6,299	0.2
Total	**3,231,838**	**100**	2,888,159	100

A review of the investment strategy during 2010-11 resulted in the Fund's asset allocation being amended to take account of the revised liability profile and this led to some investment manager changes being implemented in 2011-12. In addition a couple of other changes did not take effect until 2012-13. Namely, the completion of the transfer of funds from Henderson's High Alpha Credit Fund (secured loans) to the Horizon Total Return Bond Fund (UK quoted equities) and the investment in the M&G Debt Opportunities Fund (loans).

The credit balance of -£588k for the Bank of New York relates to liabilities at the 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 2013 £000**	**% of total fund**	Market Value 31 March 2012 £000	% of total fund
Legal and General pooled UK equities	366,038	11.33	313,201	10.88
Goldman Sachs Sterling Broad Fund	204,682	6.33	183,552	6.38
Henderson horizon total return bond	193,550	5.99	177,822	6.18
Fauchier - Jubilee absolute return fund	182,419	5.64	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.

	2012-13				2011-12			
	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	1,306,344				1,135,003			
Equities	994,003				862,737			
Hedge Funds	460,638				425,911			
Private equity	204,748				199,580			
Secured loans	-				-			
Loans	38,618				27,722			
Derivative contracts		1,296				3,560		
Cash			33,642				59,055	
Other investment balances			4,664				4,991	
Debtors			35,262				39,389	
	3,004,351	**1,296**	**73,568**	**-**	**2,650,953**	**3,560**	**103,435**	**-**
Financial Liabilities								
Derivative contracts		-808				-305		
Other investment balances								
Creditors				-7,968				-7,368
	-	**-808**	-	**-7,968**	-	**-305**	-	**-7,368**
Total	**3,004,351**	**488**	**73,568**	**-7,968**	**2,650,953**	**3,255**	**103,435**	**-7,368**

Note 20b – Net gains and losses on financial instruments

	2012-13	2011-12
Financial assets		
Available for sale assets	304,161	53,727
Loans and receivables	1,340	8,683
Designated at fair value through profit and loss	-	-
Financial liabilities at amortised cost	-1,026	-8,541
Financial Liabilities		
Available for sale assets	-	-
Loans and receivables	-	-
Designated at fair value through profit and loss	-	-
Financial liabilities at amortised cost	-	-
Total	**304,475**	**54,139**

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.

	2012-13		2011-12	
	Carrying Value £000	**Fair Value £000**	Carrying Value £000	Fair Value £000
Financial assets				
Available for sale assets	2,323,700	3,004,351	2,286,932	2,650,952
Loans and receivables	51,252	73,568	77,033	103,435
Designated at fair value through profit and loss	-	1,296	-	3,560
Total Financial assets	**2,374,952**	**3,079,215**	2,363,965	2,757,947
Financial Liabilities				
Available for sale assets	-	-	-	-
Loans and receivables	-	-	-	-
Designated at fair value through profit and loss	-808	-808	-305	-305
Total Financial Liabilities	**-808**	**-808**	-305	-305

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 private 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.

	Quoted Market Price	Using observable inputs	With significant observable inputs	
Values as at 31 March 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial assets				
Available for sale assets	2,040,527	740,326	223,498	3,004,351
Loans and receivables	38,306	39		38,345
Designated at fair value in profit/loss	1,256			1,256
Total Financial assets	**2,080,089**	**740,365**	**223,498**	**3,043,952**
Financial Liabilities				
Available for sale assets				
Loans and receivables				
Designated at fair value in profit/loss	-174	-634		-808
Total Financial Liabilities	**-174**	**-634**	**-**	**-808**
Net financial assets	**2,079,915**	**739,731**	**223,498**	**3,043,144**

Values as at 31 March 2012	**Level 1**	**Level 2**	**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 in profit/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 in profit/loss	-305			-305
Total Financial Liabilities	**-305**	**-**	**-**	**-305**
Net financial assets	**1,654,112**	**846,471**	**217,670**	**2,718,253**

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 2013-14 reporting period:

Asset Type	Potential market movements % (+ / -)
Private Equity	37.1
Global Equities - Emerging	28.6
Global Equities - Developed	17.1
UK Equities	17.0
High Yield	11.6
Hedge Funds	10.9
Property Unit Trusts	10.8
Corporate Bonds	6.7
UK Fixed Gilts	6.8
Cash	1.8

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 2013 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Global equities – Developed	1,063,271	17.1	181,819	-181,819
Hedge Funds	478,115	10.9	52,115	-52,115
UK equities	442,385	17.0	75,205	-75,205
Corporate bonds	338,631	6.7	22,688	-22,688
Private equity	204,780	37.1	75,973	-75,973
High Yield	198,814	11.6	23,062	-23,062
Global equities – Emerging	138,622	28.6	39,646	-39,646
UK Fixed Gilts	110,961	6.8	7,545	-7,545
Cash	49,405	1.8	889	-889
Property Unit Trusts	13,007	10.8	1,405	-1,405
Investment income due	4,664	0.0	-	-
Net derivative assets	489	0.0	-	-
Total assets available to pay benefits	**3,043,144**		**480,347**	**-480,347**

Asset Type	Value as at 31 March 2012 Restated £000	Percentage Change Restated %	Value on increase Restated £000	Value on decrease Restated £000
Global equities – Developed	892,556	17.1	152,627	-152,627
Hedge Funds	425,911	10.9	46,424	-46,424
UK equities	385,495	17.0	65,534	-65,534
Corporate bonds	303,843	6.7	20,357	-20,357
Private equity	199,611	37.1	74,056	-74,056
High Yield	169,807	11.6	19,698	-19,698
Global equities – Emerging	138,110	28.6	39,500	-39,500
UK Fixed Gilts	102,266	6.8	6,954	-6,954
Cash	76,630	1.8	1,379	-1,379
Property Unit Trusts	16,099	10.8	1,739	-1,739
Investment income due	4,670	0.0	-	-
Net derivative assets	3,256	0.0	-	-
Total assets available to pay benefits	**2,718,254**		**428,268**	**-428,268**

The figures for year ending 31 March 2012 have been restated to take account of updated potential market movements.

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 2013 and 31 March 2012 is set out below. These disclosures present interest rate risk based on the underlying financial asset at fair value:

Asset Type	2012-13	2011-12
	£000	£000
Fixed interest securities	**449,592**	406,109
Cash and cash equivalents	**20,151**	40,941
Cash balances	**13,879**	18,938
Total	**483,622**	**465,988**

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 £449.592m 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 1.9, 8.87 and 9.12 years respectively.

A 1% increase in the prevailing level of interest would decrease the aggregate fair value of these mandates by £26.5m. Likewise a 1% decrease in the level of interest would be expected to increase the fair value of these mandates by a similar amount.

The secured loans invested in by M&G and Henderson, and the UK Financing Fund loans and Debt Opportunities Fund 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.

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 2013 and 31 March 2012:

Currency exposure – asset type 2012-13	Gross Exposure £000	Hedging Exposure £000	Net Exposure £000
Overseas listed equities	1,279,088	-200,232	1,078,856
Overseas unquoted securities	204,748		204,748
Hedge funds overseas fixed interest	76,419	-77,052	-633
Overseas unit trusts	12,966		12,966
Total	**1,573,221**	**-277,284**	**1,295,937**

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 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	
	2012-13 £000	+13% £000	-13% £000
Overseas listed equities	1,078,856	140,251	-140,251
Overseas unquoted securities	204,748	26,617	-26,617
Hedge funds overseas	-633	-82	82
Overseas unit trusts	12,966	1,686	-1,686
Total	**1,295,937**	**168,472**	**-168,472**

Net Currency exposure – asset type	Asset values	Change to net assets available to pay benefits	
	2011-12 £000	+13% £000	-13% £000
Overseas listed equities	894,814	116,326	-116,326
Overseas unquoted securities	199,580	25,945	-25,945
Hedge funds overseas	1,650	214	-214
Overseas unit trusts	13,501	1,755	-1,755
Total	**1,109,545**	**144,240**	**-144,240**

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 2012-13 £000	% of Fair value of Fixed Income Assets 2012-13
AAA	192,079	42.73
AA	51,088	11.36
A	71,846	15.98
BBB	59,767	13.29
Below BBB	42,428	9.44
Cash	18,150	4.04
Derivatives	3,276	0.73
Loans	9,097	2.02
NR	1,842	0.41
Total	**449,573**	**100**

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**

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:

2012-13 Rating	**Fair Value £000**	**% of Fair value of Assets**
BBB-	1,187	0.80
BB+	1,484	1.00
BB	13,061	8.80
BB-	24,935	16.80
B+	48,979	33.00
B	47,940	32.30
B-	8,312	5.60
CCC+	1,484	1.00
CCC and below	1,039	0.70
Total	**148,421**	**100**

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**

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 2013 was £13.9m (31 March 2012 £18.9m) and was held in the Deutsche Bank and Fidelity money market accounts and the Co-Operative public sector reserve. The remainder of the cash was held by the fund's custodian, Bank of New York Mellon with a small amount of cash in transit which was held by the fund's property investment manager Rockspring.

2012-13 Counterparty	**Moodys Rating**	**£000**	**% of cash balances**
Bank of New York Mellon Cash Accounts	Aaa-mf	16,383	48.15
Deutsche Bank Advisors (Money Market)	Aaa-mf	6,640	19.51
Fidelity Worldwide Investment (Money Market)	Aaa-mf	5,299	15.57
Bank of New York Mellon (Money Market)	Aaa-mf	3,380	9.93
The Co-Operative Bank (Public Sector Reserve)	A-	1,940	5.70
Cash in transit	NR	388	1.14
Total		**34,030**	**100**

2011-12 Counterparty	**Moodys Rating**	**£000**	**% 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**

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 2013 the value of illiquid assets was £294m, which represented 9.1% of the total fund assets (31 March 2012 £277m which represented 9.6% of the total fund assets, restated from £555m and 19%).

In terms of liquidity risk, the Fund had £34m of cash balances as at 31 March 2013 and current net assets of £27m. The Fund received positive net cashflows, before taking account of investment, of £6m. 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 2013 £000**	**% of Fair value of collateral 31 March 2013 %**	**Fair Value of Collateral 31 March 2012 £000**	**% of Fair value of collateral 31 March 2012 %**
Aaa	**1,626**	**69**	13,553	100
Aa1	**721**	**31**	-	-
Grand Total	**2,347**	**100**	**13,553**	**100**

Note 22 – Funding Arrangements

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 2012-13 requires administering authorities of LGPS funds that prepare Pension Fund accounts to disclose what IAS26 Accounting and Reporting by Retirement Benefit Plans 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

	2012-13	2011-12
Long Term Debtors:	**£000**	£000
• Contributions due - Employers	**14,499**	14,424
• Sundry Debtors	**1,520**	1,839
Total	**16,019**	16,263

Analysis of Long Term debtors

	2012-13	2011-12
	£000	£000
Due from Cheshire West and Chester Council	**10,485**	6,540
Due from Other Local Authorities	**3,799**	7,658
Due from Bodies External to General Government	**1,735**	2,065
Total	**16,019**	16,263

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 2010-11), discounted at 3.76%. Both have been included at present value.

Note 25 – Current Assets

	2012-13	2011-12
Current Debtors:	**£000**	£000
• Contributions due - Employers	**16,321**	19,177
• Contributions Due - Employees	**2,676**	2,754
• Sundry Debtors	**246**	1,265
Cash balances	**197**	193
Total	**19,440**	23,389

Analysis of Current Debtors

	2012-13	2011-12
	£000	£000
Due from Other Local Authorities	**11,803**	11,380
Due from Cheshire West and Chester Council	**4,388**	8,695
Due from Bodies External to General Government	**2,943**	3,080
Other Debtors	**115**	39
Central Government Bodies	**29**	14
Less Provision for Doubtful Debt	**-35**	-12
Total	**19,243**	23,196

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.

Note 26 – Current Liabilities

	2012-13	2011-12
	£000	£000
Sundry Creditors	**4,969**	4,459
Receipts in Advance	**2,723**	2,802
Benefits Payable	**276**	107
Total	**7,968**	7,368

Analysis of Current Liabilities		Restated
	£000	£000
Due to Bodies External to General Government	**3,361**	1,472
Other Creditors	**1,546**	1,169
Due to Other Local Authorities	**142**	100
Due to Cheshire West and Chester	**116**	1,800
Due to Central Government Bodies	**80**	25
Total	**5,245**	4,566

A number of creditors have been identified as being classed as Central Government Bodies. The 2011-12 creditors have been restated to take account of this change.

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 2013 is shown below, along with a prior year comparator.

	Clerical Medical £000	Standard Life £000	Equitable Life £000	Total £000
Contributions received in year 2013	272	224	4	500
Contributions received in year 2012	258	180	4	442
Fair value at 31 Mar 2013	2,337	2,206	751	5,294
Fair value at 31 Mar 2012	1,949	1,984	816	4,749

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 2012-13 the Fund paid the Council £2.4k (2011-12 £7k) for interest accrued on these balances.

The Council is one of the largest employers and contributed £28.9m into the Fund in 2012-13 (2011-12 £29.3m). At the year end, a balance of £14.872m (2011-12 £15.234m) 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 £0.1m (2011-12 £1.8m) 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 £2.169m to administer the Fund in 2012-13 (2011-12 £2.072m) 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.

Specific declarations have 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 Mercer. The Fund also receives actuarial advice from Hymans Robertson. 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 2013, eight members of the Pension Fund Committee had taken this option and were members of the Scheme.

There are two members of the Committee who are in receipt of pension benefits from the Fund (Chairman Councillor P. Mason and Councillor D. Newton). In addition, Committee members Councillors F.Keegan, D. Newton, R. Raynes, D. Beckett, H. McNae, M. Henesy, M. Hogg, and M. Wharton are active members of the Fund.

Each member of the Committee is required to declare their interests at each meeting and sign an annual declaration form which is published on the fund's website.

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 relationships with the fund (in accordance with IAS24 Related Party Disclosures) are set out below:

	31 March 2013 £000	31 March 2012 Restated £000
Short term benefits	58	58
Long term/post retirement benefits	1,323	1,026
Total	**1,381**	**1,084**

The long term/post retirement benefits for 2011-12 have been restated as they have been recalculated on an IAS19 basis from a cash equivalent transfer value basis.

Note 29 – Contingent Liabilities and Contractual Commitments

The Fund has contractual commitments to the value of £299m (2011-12 £286m) in private equity funds. As at 31 March 2013 the Fund had actually invested £270m (2011-12 £209m) and therefore had an outstanding commitment of £29m (2011-12 £77m). As these funds are denominated in US Dollars and Euros the commitment in Sterling is subject to changes due to currency fluctuations.

The Fund has contractual commitments to the value of £50m to the UK Companies Financing Fund managed by M&G. As at 31 March 2013 £32.4m (2011-12 £27.7m) has been drawn down.

The Fund also has contractual commitments to the value of £30m to the Debt Opportunities Fund managed by M&G. As at 31 March 2013 £6.2m has been drawn down (there is no prior year comparator as the fund invested in this asset during 2012-13).

Note 30 – Contingent Assets

There are 19 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 2012-13 the fund has recognised doubtful debts of £35k relating to outstanding rental income on its investment properties of £32K and non recovery of pensioner death overpayments totalling £3k.

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 and 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 and 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 2013.

Major Scheme Employers
Cheshire West and Chester Council
Cheshire East Council
Police And Crime Commissioner
Cheshire Fire and Rescue Service
Cheshire Probation Trust
Halton Borough Council
Warrington Borough Council

Admitted Bodies
A D Solutions
Adoption Matters North West
Age UK Mid Mersey
Aspens-Services
Bam Construct UK Ltd
Bulloughs – Collegiate
Bulloughs Brine Leas
Bulloughs Cleaning Services Ltd
Care Quality Commission
Cheshire and Warrington Sports Pt Ltd
Cheshire and Warrington Tourism Board
Cheshire and Warrington Ent Com
Cheshire Community Action
Cheshire County Sports Club Ltd
Cheshire Peaks and Plains HT
Chester And Dist Housing Trust
CLS Care Services
Compass (Chartwell Ltd)
Curzon Cinemas Ltd
Dataspire
David Lewis Centre
DC Leisure Management
Deafness Support Network
Eric Wright (EP Schools)
First Bus (Chester)
Foundation Enterprises NW
Golden Gates HT
Groundwork Merseyside
Hall Cleaning Services
Halton Housing Trust
HQ Theatre Limited
I-Care (GB) Ltd
Innovate (All Hallows) Ltd

Academies
All Hallows Catholic College
Beamont Collegiate Academy
Bishops Blue Coat School
Brine Leas School
Christleton High School
Congleton High School
County High School Leftwich
Delamere CE Primary Academy
Eaton Bank School
The Fallibroome Academy
Great Sankey High School
The Heath School
Holmes Chapel Comprehensive
Kelsall Primary School
Kings Leadership Academy Warrington
Knutsford Academy
Lacey Green Primary Academy
Lymm High School
Macclesfield Academy
Mottram St Andrew Primary School
Neston High School
Ormiston Bolingbroke Academy
Palacefields Academy
Sandbach High Sch and 6th Form
Tarporley HS and Sixth Form College
The Catholic High School
University COE Academy
University Academy Warrington
UOC Academies Trust
UOC Academy Northwich
Wade Deacon High School
Winsford E-ACT Academy

Free Schools
Sandbach School
Sandymoor School

Other Scheme Employers
Alderley Edge Parish Council
Alsager Town Council
Birchwood Town Council
Bollington Town Council

Innovate (Tytherington) Ltd	Brio Leisure
ISS Facility Services Ltd	Congleton Town Council
Kings School Chester	Disley Parish Council
Livewire	Frodsham Town Council
Local Solutions	Grappenhall and Thelwell Parish Council
Macclesfield Museum Trust Ltd	Halton Transport
Making Space	Handforth Parish Council
Marketing Cheshire	Holmes Chapel Parish Council
May Gurney Ltd	Knutsford Town Council
Middlewich Cemetery Jnt C'Ttee	Lymm Parish Council
Northgate Managed Services	Macclesfield College
Norton Priory Museum Trust	Mid Cheshire College
Plus Dane Housing Assoc Ltd	Middlewich Town Council
R M Estates Ltd	Nantwich Town Council
Regent Office Care (Fire)	Neston Town Council
Regent Office Care Ltd	Nether Alderley Parish Council
Ringway Infrastructure Svc Ltd	Northwich Town Council
Ringway Jacobs	NW Fire Control Ltd
School Food Company Ltd	Odd Rode Parish Council
Seddon Property Services Ltd	Penketh Parish Council
SERCO Group	Poulton With Fearnhead Parish Council
Sir John Deanes Sixth Form College	Poynton Town Council
South Cheshire Enterprises Ltd	Prestbury Parish Council
Sport Cheshire	Priestley Sixth Form College
The Dane Housing Group Ltd	Reaseheath College
Tommy Thumbs	Riverside College
Treefellers Ltd	Sandbach Town Council
University Of Chester	South Cheshire College
Warrington Community Living	Valuation Tribunal Service
Warrington Cultural Trust	Warrington Collegiate
Warrington Housing Association	Warrington Transport
Warrington Voluntary Action	West Cheshire College
Waterways Trust	Wilmslow Town Council
Weaver Vale Housing Trust	Winsford Town Council
Wulvern Housing Trust	Wybunbury Parish Council

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2012/13 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 2013 £m	31 Mar 2012 £m
Present value of Promised retirement Benefits	4,607	3,884

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 2013 comprises £2,452m in respect of employee members, £576m in respect of deferred pensioners and £1,579m 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 2013 is to increase the actuarial present value by £491m.

Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 Mar 2013 % p.a.	31 Mar 2012 % p.a.
Inflation/Pensions Increase Rate	2.8%	2.5%
Salary Increase Rate*	5.1%	4.8%
Discount Rate	4.5%	4.8%

*Salary increases are 1% p.a. nominal until 31 March 2015 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 (published by the Continuous Mortality Investigation Bureau “CMIB”) with future improvements in line with the Medium Cohort and a 1% p.a. underpin from 2007. 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 that used at 31 March 2012.

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 for post-April 2008 service.

Professional notes

This paper accompanies my covering report titled ‘Actuarial Valuation as at 31 March 2013 for IAS19 purposes’ dated April 2013. 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.

G E Sefton

Prepared by:-
Gemma Sefton FFA
7 May 2013
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 and 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 (SDPS)– 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 2013.

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 2013, 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 2012-13 in relation to goods and services not received until 2013-14.

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 2012-13 relating to goods or services delivered in 2013-14.

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 and services.

Revenue Expenditure Funded from Capital under Statute (REFCUS)
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 Accumulating Paid Absences
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.