Cheshire West & Chester Council

Statement of Accounts

2013-14

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Cheshire West and Chester

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Explanatory foreword

The following pages include the Statement of Accounts for Cheshire West and Chester Council for the year ended 31 March 2014. 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 2013-14.
- Where the money came from.
- What the Council owned and what it 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 2013-14.
- An explanation of the main external factors that have influenced the information contained in the accounts in 2013-14.
- 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 2014.

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, grants and borrowing.

The contents of the following sections draw information from within these accounts but also from the Councils' wider financial reporting suite to complement the details contained in these accounts. The Council produces monthly reports on its revenue expenditure for the Management Team and Executive Portfolio Holders. On a quarterly basis reports on financial and wider performance are considered by the Executive and Public Accounts Scrutiny Panel. Copies of these reports are available on the Council's website and these provide further information about the positions reported. An annual report is also produced on the overall performance of the Council and the key achievements during the year; this will be available on the website from October 2014.

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 2013-14 was agreed by the Council in February 2013. This budget has been updated in year to reflect additional funding becoming available and budgets being re-profiled into 2014-15 to result in a final budget of £291m. The table below reflects the final budget for 2013-14 and actual income and expenditure against it.

	Budget £m	Actual £m	Variance £m
Service Expenditure	254.6	253.6	-1.0
Contingencies	0.8	0.0	-0.8
Capital Financing	23.2	23.2	0.0
Other	12.1	13.0	0.9
Total Net Spend	**290.7**	**289.8**	**-0.9**
Financed by:			
Council Tax & Government Grants	289.8	289.8	0.0
Additional Grants	0.0	0.0	0.0
Use of Reserves	3.0	2.1	-0.9
Use of Carry Forwards	-2.1	-2.1	0.0
Total	**290.7**	**289.8**	**-0.9**

The 2013-14 budget was set in the context of continued reductions in funding from Government and significant savings targets of £14.8m for services to achieve. The Council has delivered an overall underspend of £0.9m and achieved in excess of £13m against the savings targets. In addition the Council received a windfall receipt of £0.6m in 2013-14 which has been credited to the General Fund. The overall impact therefore means that that the Council limited its usage of the General Fund to £1.5m in 2013-14.

The main cost pressures experienced during the year were for children's social care agency placements and adult care costs. The increased costs for children's care reflect the Council's progress in ensuring that all children in need or at risk are identified and receiving the care and support they need and the higher costs for Adult Social care reflect demographic trends.

These costs pressures have been contained through underspending on back office services and the overall underspent position demonstrates strong, proactive financial management across the organisation.

Note 29 provides a further breakdown of net revenue expenditure by Directorate and a reconciliation between this expenditure and the costs presented in the comprehensive income and expenditure statement.

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 2013-14 a total of 123 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* 123 Indicators			Target Attainment 114 Indicators			Year on Year Direction of Travel 103 Indicators		
Directorate	G	A	R	G	A	R	G	A	R
Adult Social Care	7	3	2	7	2	2	7	2	2
Children and Young People	16	12	6	18	3	5	13	2	5
Growth and Prosperity	20	15	1	25	7	4	13	21	1
Localities	12	1	3	12	0	4	12	3	0
Resources	20	3	2	19	2	4	14	5	3
Totals	**75**	**34**	**14**	**81**	**14**	**19**	**59**	**33**	**11**
Percentage of available	**61%**	**28%**	**11%**	**71%**	**12%**	**17%**	**57%**	**32%**	**11%**

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

At the time these accounts are produced not all measures have been finalised so some indicators may still be subject to change. A number of indicators were being measured for the first time in 2013-14 so year on year comparisons were only possible for 103 of the indicators.

The majority of performance measures have improved or sustained performance levels in the last 12 months with 89% of measured indicators assessed as green (achieved or on target) or amber (marginally below target).

Those indicators performing well include:

- An increase in the percentage of schools rated positively by Ofsted
- Improvements in the proportion of Adults exercising choice surrounding their own care package
- Higher numbers of long-term unemployed residents assisted into sustained employment.
- Reducing levels of non-recyclable household waste

Areas that didn't achieve the planned improvements in 2013-14 include targets to increase the provision of rehabilitation services for adults and steps to prevent homelessness within the borough. The Council continues to work in partnership with health and housing agencies to ensure that adequate provision and accommodation are available to deliver the targeted improvements in future years.

Summary of capital expenditure

The Council invested £81.9m through its core capital programme in 2013-14 against a budget of £93.3m, a delivery rate of 88%. A total of £10.6m of schemes will now complete in 2014-15 resulting in an expected final underspend of £0.8m against approved budgets.

In addition to the core programme the Council also progressed its plan to redevelop the Northgate area of Chester and made critical acquisitions (£21.9m) during the year to bring key properties under Council control. Finally the Council acquired the usage of a range of assets through leases and similar contractual arrangements (£1.9m) bringing total capital linked expenditure incurred to £105.7m.

From this total £91.1m was capitalised and reflected on the Council's balance sheet as additional assets. A total of £12.3m was spent on assets which aren't in direct Council ownership with the remainder (£2.3m) being charged to revenue budgets as it did not add value to capital assets.

Capital Spend	Expenditure		Examples of assets
	£000s	%	
Capitalised Costs			
- Operational Assets (PPE)	86,414	81.7%	Schools, Housing, Highways, ICT
- Investment Assets	729	0.7%	Commercial Property
- Heritage Assets	3,696	3.5%	Museums, Historic Sites
- Intangible Assets	278	0.3%	Software Licenses
	91,117	**86.2%**	
Non Council Assets (REFCUS)	12,302	11.6%	Aided Schools
Revenue Costs	2,278	2.2%	
Total costs	**105,697**	**100.0%**	

The funding sources for the £91.1m of costs capitalised to the Council's balance sheet are set out below. Just under two thirds of the expenditure has been financed from external income or balances held in reserves with the remainder being funded by borrowing. The costs of repaying this borrowing will be funded from the revenue budgets over the life of the assets.

Funding of capitalised costs	Funding £000s	Funding %
Use of cash/borrowing	33,851	37.1%
Government grants	26,753	29.4%
Other external contributions	1,601	1.8%
Capital receipts	17,003	18.6%
Major Repairs Reserve	8,633	9.5%
Other reserves	947	1.0%
Revenue funding for capital	2,329	2.6%
Total funding	**91,117**	**100.0%**

Outcomes from the capital investment undertaken in the year can be seen below. These include a mix of completed projects (e.g. Winsford Academy), ongoing one off schemes such as the development of the Chester Theatre and new leisure facilities and continuous programmes of investment in highways and schools.

Capital investments	2013-14 Spend £000s
Completion of the construction of Winsford Academy	6,077
Investment in highways and transport infrastructure	15,107
Developing cultural assets including Chester Theatre and Lion Salt Works	4,753
New leisure facilities in Northwich and Ellesmere Port	5,734
Improvements to Council Housing	9,633
Development of Northgate, Chester	21,884
Investing in area regeneration programmes	4,668
Improvements to Blacon Parade	3,165
Investing in school buildings	8,185
Total	**79,206**

Main influences on the 2013-14 accounts

There have been a number of developments in 2013-14 which will have a significant influence on the presentation of the 2013-14 accounts and the reported financial position of the Council:

- Introduction of the Business Rates Retention Scheme
- Transfer of Public Health services to Council control
- Updated Pension Fund liabilities
- Progress on major redevelopment projects
- Creation of new Council owned companies

Introduction of the Business Rates Retention Scheme

Until 1st April 2013 Business Rates income was not a direct Council responsibility, while the Council billed for and collected this income it only did so on behalf of the Department of Communities and Local Government (CLG) and any income received was paid in full to them for redistribution. As a result the Council did not report any balances in its Accounts in relation to collecting the income and any variance between anticipated and actual income levels did not impact on the Council's reserves.

Following changes in legislation effective from 2013-14 this position has changed and the Council now retains a share (49%) of all income generated. As the Council now has a direct stake in the successful collection of this income the Accounts contain balances reflecting the level of outstanding debts, prepayments and any net surplus/deficit on the fund. As the Council's stake is only 49% of the income collected, its Accounts only reflect 49% of each of these balances.

Similarly to Council Tax it is necessary for the Council to forecast the amount of income that will be generated from Business Rates ahead of each financial year with any differences from this forecast being reported as a surplus or deficit at the end of the year. The outturn position within the Collection Fund for 2013-14 is a net deficit of £9.9m, of which 49% is recorded by the Council.

This seemingly large deficit is primarily a transitional issue. The deficit for 2013-14 includes a substantial provision for the cost of settling outstanding appeals against companies' assessed rates contribution. These claims are considered by the Valuation Office Agency and, historically, the costs of any successful appeals were met by CLG in the year the claims were settled. Under local government accounting rules this would not be permissible as accrual accounting requires that such costs are recognised as soon as they become likely and can be reasonably estimated.

As a result the 2013-14 Collection Fund has been required to fund both the backdated costs of any appeals that were agreed in 2013-14 and the likely cost of outstanding claims that will be adjudicated upon in 2014-15 or later. The value of the provision (£8.5m) created to reflect this future cost is the main contributor to the reported deficit.

The Council's share of the deficit is £4.8m and this is recorded in the income and expenditure statement and the balance sheet. Normally this deficit would need to be addressed during the Council's next annual budget setting process where it would be a pressure on the budget. In recognition of the circumstances that have led to this position and not wishing to place an unreasonable burden on taxpayers the Government has implemented a change in legislation to enable the cost of this deficit to instead be spread over a 5 year period. In the interim years the deficit will sit in the Collection Fund Adjustment Account.

In addition to the deficit the Council's balance sheet also includes new balances for Business Rates arrears (£2.2m), debt provisions (-£1.2m), appeals provisions (-£4.2m) and receipts in advance (-£2.1m) that it would not previously have held.

Transfer of Public Health Responsibility

From April 2013 the Council inherited responsibility for Public Health services within the borough. This responsibility was previously with the NHS and discharged through local clinical commissioning groups. A new ring-fenced grant allocation valued at £13.4m was received by the Council in 2013-14 to fund the service.

The additional costs of Public Health are recorded in the Comprehensive Income and Expenditure Statement (CIES) as an acquired operation to help comparisons between years. The unspent element of the grant for 2013-14 (£2.0m) has been set aside in an earmarked reserve in accordance with grant requirements.

Changes in pension estimates

Due to the scale of the balances in the Accounts relating to pension liabilities (£1.3bn) and assets (£0.9bn) any changes in assumptions regarding their value can have a large impact on the reported position. In 2013-14 the net pension liability (deficit) reported in the Accounts has fallen by £46m. This is the key driver behind the overall increase in Council reserves (£42.3m) reflected on the balance sheet and in the Movement in Reserves Statement.

The in-year surplus is the result of the pension fund delivering a strong return on investments (over 9% compared to benchmark levels of under 5%) and estimated costs from pension inflation and demographic assumptions being revised downwards.

Impact of major redevelopment projects

The Council has made significant progress in relation to some of its major regeneration projects during 2013-14, particularly in relation to the schemes based around Northgate, Chester and Barons Quay, Northwich.

In Northgate the Council has acquired a number of strategically key sites within the footprint of the development, including the Forum Shopping centre. Ownership and control of these sites will enable it to progress with the wider plans for developing the Northgate area in parallel with the construction of the new theatre and library complex. The majority of the assets acquired have been added to Property, Plant and Equipment in the Balance Sheet, as they will continue to be operated as a shopping centre pending the commencement of the wider development. The acquisition of these assets was part financed by project specific borrowing (£22m) which is shown on the Balance Sheet as new long term borrowing.

In the case of Barons Quay the Council has agreed to take forward the next phase of the project in the role of developer. This means that it will, at least in the initial stages, incur the costs of designing and building the planned retail and leisure facilities through to practical completion and will benefit from the income generated as the project reaches its operational phases. Key anchor tenants have already been secured giving the Council assurance over future income that will be generated from the scheme.

The majority of costs will only start to be incurred from 2014-15 onwards but in order to secure advantageous interest rates the Council has already taken out fixed rate borrowing for the project. A total of £62m was borrowed in early 2014. In addition to increasing long term borrowing, as this funding has yet to be spent it has contributed to a higher cash balance at 31 March 2014 than would otherwise have been the case.

Creation of new Council owned companies

In December 2013 the Council took another step towards its aim of ensuring that all Council services are delivered by bodies that are best suited to the job. This means that the Council will only continue to be the direct provider of services to the public where there is a clear need or benefit to doing so. Towards that end the Council transferred many of the activities formerly provided by its Adult Social Care provision service to a newly created wholly Council owned company. This company, Cheshire Provider Services (through its delivery arm Vivo Care Choices), successfully inherited all relevant staff and now provides care services to residents across the borough. Further details about this transfer, governance arrangements and the financial status of the new company are included in Note 48.

Key issues from the financial statements

The Statement of Accounts for 2013-14 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 2013-14, 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 2013-14 in accordance with the Service Reporting Code of Practice (SeRCOP) expenditure analysis

	2013-14		2012-13	
Service	**£000**	**%**	**£000**	**%**
Newly Acquired Costs				
Public Health	11,853		0	
Recurrent Costs				
Central Service to the Public	5,892	0.9%	30,302	4.1%
Children's & Education Services	293,153	42.3%	297,787	40.5%
Adult Social care	113,012	16.3%	110,551	15.1%
Cultural & Related Services	22,589	3.3%	20,230	2.8%
Environmental & Regulatory Services	39,415	5.7%	45,375	6.2%
Planning Services	39,225	5.7%	30,918	4.2%
Highways & Transport Services	40,464	5.8%	55,788	7.6%
Local Authority Housing (HRA)	15,876	2.3%	15,278	2.1%
Housing Services	113,445	16.4%	117,896	16.1%
Corporate & Democratic Core	6,462	0.9%	5,381	0.7%
Non-distributed Costs	2,876	0.4%	4,158	0.6%
	692,409	**100.0%**	**733,664**	**100.0%**
Gross Costs of Services	**704,262**		**733,664**	
Other Operating Expenditure	47,927		65,268	
Financing and Investment Spend	42,306		30,355	
Taxation Expenditure	25,256		0	
Gross Revenue Expenditure	**819,751**		**829,287**	

Where the money comes from

These costs are offset by income from a variety of sources. The largest contributor to Council funding remains central government who provide just over 50% of funding through various forms of grant.

	2013-14		2012-13	
Source of Funding	**£000**	**%**	**£000**	**%**
Fees, Charges and Other Income	137,637	17.3%	129,031	16.1%
Specific Government Grants	333,081	42.0%	364,746	45.6%
Capital Grants & Contributions	33,115	4.2%	50,778	6.3%
Council Tax	144,439	18.2%	155,710	19.4%
Revenue Support Grant	69,533	8.7%	1,732	0.2%
Business Rates	68,633	8.6%	89,371	11.1%
Other Corporate Grants	9,072	1.1%	10,611	1.3%
Total	**795,510**	**100.1%**	**801,979**	**100.0%**

Balance Sheet

The Council's Balance Sheet demonstrates a strong financial position for the Council at the end of 2013-14 with a net asset value of £439m. This reflects an increase of £42m from the previous year. A summary of the key changes in each section of the Balance Sheet is set out below.

Long Term Assets

Long Term Assets	2013-14 £m	2012-13 £m
Property, plant & equip.	865.2	860.5
Heritage Assets	69.7	66.5
Investment Properties	131.1	129.5
Intangible Assets	0.3	0.1
Investments	0.0	0.0
Debtors	0.6	1.5
	1066.9	**1058.1**
Overall change	**8.8**	

Changes to Long Term Assets	£m
Capital expenditure	91.1
Increases in value	**91.1**
Depreciation/amortisation	-34.1
Disposals	-35.9
Valuation changes	-11.5
Transfers to Current Assets	-0.8
Reductions in value	**-82.3**
	8.8

The value of Long Term Assets has increased by £8.8m as new capital expenditure (£91m) more than offsets the costs (£82m) of using assets (depreciation), disposals, reduced valuations and transfers.

A significant factor influencing these figures is the treatment of newly converted academies within the figure for disposals (£35.9m). Over £30m of this cost relates to handing over school buildings to new academies or voluntary aided schools, with only £5m of long term assets being disposed of through sale or replacement. As the school buildings remain in use providing education to local children the effective increase to long term assets is nearer to £40m.

Further details on the movements in non-current assets are contained in Notes 13-16.

Current Assets and Current Liabilities

Current Assets/Liabilities	2013-14 £m	2012-13 £m
Investments	30.0	0.4
Assets Held for Sale	3.2	11.3
Debtors	57.3	61.7
Cash balances	87.6	18.5
Other	0.5	0.7
Current Assets	**178.6**	**92.6**
Creditors	-89.3	-83.3
Borrowing	-11.7	-3.8
Provisions	-4.1	-2.0
Current Liabilities	**-105.1**	**-89.1**
	73.5	**3.5**
Overall change	**70.0**	

Changes to Current Assets and Current Liabilities	£m
New borrowing	88.1
Other cash inflows	10.6
Cash management	**98.7**
Transfer from Long Term Assets	0.8
Transfer from Long Term Liabilities	-12.8
Reclassifications	**-12.0**
Reductions in outstanding debt	-4.4
Increases in amounts owing	-3.2
Disposal of assets held for sale	-8.8
Other movements	-0.3
Relations with third parties	**-16.7**
	70.0

Current assets and liabilities represent the Council's working capital and the net balance reflects the scale of resources the Council could access within a reasonably short period, allowing for its known commitments. In 2013-14 there has been a significant increase (£70m) in the net current assets held.

This increase primarily reflects the improvement in the value of managed cash balances which comprises cash and investments. Much of the increase in these balances is due to the decision to borrow funding for the Barons Quay project in 2013-14. This funding has been invested in a range of deposit accounts and short term investments as at 31 March 2014 and as such inflates net current assets held by £62m.

The increase in available cash balances is partially offset by an increase (£12.0m) in the value of payments becoming due, mainly repayments of borrowing due in 2014-15. Non cash assets have also been reduced as debts have been collected and property assets sold. This reflects Council policy to improve debt collection performance and convert surplus property into capital receipts that can support investment priorities.

Further information on the changes in current assets and liabilities can be found in notes 18-23, and details on borrowing/investment arrangements in notes 17 and 47.

Long Term Liabilities

Long Term Liabilities	2013-14 £m	2012-13 £m
Long Term Borrowing	-308.6	-229.5
Net Pension Fund Liability	-329.1	-375.3
PFI/finance leases	-38.4	-40.7
Long Term Creditors	-0.9	-1.1
Provisions	-11.2	-8.9
Grant Receipts in Advance	-13.0	-9.1
	-701.2	**-664.6**
Overall Change	**-36.6**	

Changes to Long Term Liabilities	£m
Transfers to short term liabilities	12.4
Settlement of liabilities	14.6
Net reduction in pension liability	46.2
Reductions in liabilities	**73.2**
New Loans	-88.1
New leases	-1.7
New provisions/creditors/RIA	-20.0
Recognise new liabilities	**-109.8**
	-36.6

Long Term Liabilities have increased by £36.6m, primarily due to taking out new loans to support regeneration projects. As mentioned previously the Council took out £88m in new loans during 2013-14 and this is reflected within the closing long term borrowing balance. The Council maintains corporate treasury management indicators to ensure that these long term debt levels remain affordable from future budgets and project incomes.

This increase is partially offset by a reduction in the net pension liability (£46.2m). This balance represents the impact of achieving a higher than expected return on assets (9%) and downward revisions for assumptions about the costs of future pension payments.

Further details can be found in the supporting notes (borrowing (notes 17 and 47), provisions (note 23), grant receipts in advance (note 36), finance leases (note 39), PFI (note 40) and pensions (note 44)).

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.

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	2013-14 £m	2012-13 £m
General Fund	21.3	22.8
School balances	9.1	9.7
Funds held for capital	23.1	18.3
Other usable balances	54.9	35.9
Usable Reserves	**108.4**	**86.7**
Overall Change	**21.7**	

Changes to Usable Reserves	£m
Budgeted use of reserves	-3.0
Underspends	1.7
Use of reserves by schools	-0.6
New capital receipts/funding	34.5
Used to finance capital/debt	-29.7
Funding set aside on reserves	18.8
Increase in Usable Reserves	**21.7**
	21.7

The current level of the General Fund (£21.3m) represents 8% of the net expenditure budget for 2013-14. The balance decreased by £1.5m during the year but as the budget for the year assumed that it would be necessary to use £3m this represented an underspend of £1.5m. The HRA balance improved by £0.2m in 2013-14.

The Council holds several balances intended for capital usage (financing future capital spend or repaying debt), the value of which increased by £4.8m in 2013-14. This was because the funds added to these reserves (£34.5m from sales receipts, unused grants and revenue contributions) exceeded the amounts applied to fund capital expenditure in year.

There was an £18.8m increase in the balances the Council has set aside to meet future costs and fund investment strategies. The increase is primarily due to the items below, a more complete list is included in Note 8.

- A £7.3m increase in the long term liability reserve which is held to safeguard against the need to incur additional capital financing costs and pension contributions. Any surpluses on these budgets are set aside on this reserve which will in turn be used to support cost pressures when economic conditions are less favourable (e.g. following interest rate rises).
- A £4.0m increase in unapplied grant funding which will be used to support expenditure in later years, this includes a sum of £2.0m for the unspent element of Public Health funding.
- A £2.7m balance has been set aside to support the delivery of the Northgate project. This will support the progression of the project through until it becomes unconditional and the future of the scheme is secured

Unusable Reserves with positive balances are not available to fund services until the benefits they hold are realised (e.g. a property needs to be sold before the increase in its value can be utilised). Those unusable reserves with negative balances reflect costs the Council will need to fund but the linked costs will only become due in later years.

Unusable Reserves	2012-13 £m	2011-12 £m
Capital funding	669.6	692.4
Pensions reserve	-329.1	-375.2
Other unusable	-9.7	-7.1
Unusable Reserves	**330.8**	**310.1**
Overall Change	**20.7**	

Changes to Unusable Reserves	£m
Reduction in pension liabilities	15.2
Pensions funding applied	30.9
Capital charges reflected	-98.4
Capital financing applied	75.6
Collection Fund deficit	-2.8
Other movements	0.2
Reduction in Unusable Reserves	**20.7**
	20.7

While unusable reserves are not available to the Council to fund current expenditure, deterioration in the balances would indicate increased exposure to future costs or funding requirements. In 2013-14 the reserves have improved by £20.7m.

As previously outlined the net pension liability has improved by £46m due to more favourable investment returns and future expenditure assumptions. This positive movement has offset deficits elsewhere.

There has been a net £22.8m reduction in the balance on unusable capital reserves as a result of capital costs (capital expenditure, depreciation, disposal costs, impairments) exceeding the funding set aside (applied capital grants, receipts, funding from revenue and contributions from reserves). Without the cost of transferring assets to new Academy schools (£30m) the value on these reserves would have been maintained.

While the Collection Fund has operated at a surplus for Council Tax collection in the year (£2m) this has been more than offset by the £4.8m deficit on Non Domestic Rates. As reflected in earlier sections this deficit is primarily as a result of picking up the historic costs of appeals against rates assessments which pre-date the Council inheriting responsibility for this income.

Further details on unusable reserves are set out in Note 25.

Future developments

The Council anticipates that the coming year will be every bit as challenging as 2013-14, with continued pressures on all our main services. On 3 March 2014 the Council set a net revenue budget of £248m and a capital programme of £106m for the next 12 months. The budget was set in a very difficult financial scenario with the reductions in public sector funding expected to continue for the foreseeable future. It is estimated that the existing cost base will need to reduce by £49m by 2016-17.

The Council recognises the need to continue to address cost/funding pressures proactively and has instigated a range of measures designed to help achieve the necessary savings. Plans to address £43m of the targeted savings were considered and consulted upon as part of the budget setting process for 2014-15. Some of the major themes from that programme include:

- **Reviewing Services** – 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. These reviews actively consider the potential for delivering services in partnership with other bodies or agencies and different options for how services can be delivered, whether this is done directly by the Council, through an arms-length organisation or commissioned.
- **Community Focused** – Developing new ways of working across organisational boundaries to shape services more closely to the needs of the local communities. The Council is continuing to work with other local public sector bodies to deliver improved services and encouraging broader involvement in addressing local priorities.
- **Growth Focused –** Supporting local businesses to drive growth and regeneration within the Borough. This includes measures to reduce costs to businesses operating in Cheshire West, investing in infrastructure and taking forward major regeneration projects in Ellesmere Port, Chester and Northwich.
- **Prevention –** Working with Health partners and other agencies to promote measures which are aimed at helping individuals to retain their health and independence for longer.

One of the outcomes from these workstreams will be changes to the structure of how services are delivered. From 2014-15 the Council will wholly own or retain a significant stake in several arms-length bodies;

- Brio Leisure (100% owned) currently deliver leisure services across the Borough
- Avenue Services (49% owned) run and maintain a range of council facilities within the Blacon area in partnership with Sanctuary Housing.
- Cheshire Provider Services/Vivo (100% owned) is a newly created company that provides support to adults and older people with social care needs.
- CoSocius (50% owned) will from May 2014 provide back office transactional services to this Council and Cheshire East Borough Council.

The increasing prominence of these bodies and others that may join them in later years reflects the Council's from being a body that directly delivers services to one that commissions or enables services. As the number of these bodies expands and they grow their businesses beyond merely providing services to the Council or its co-owners they will begin to have a more significant influence on the Council finances which will be reflected in future years' Statements of Accounts.

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 of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance 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 12 August 2014.

Date:	Signed by:
26 August 2014	Councillor Hilarie McNae 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 2014.

Date:	Signed by:
26 August 2014	Mark Wynn Head of Finance

Annual Governance Statement 2013-14

1. Scope of Responsibility

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

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

Cheshire West & Chester Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the code is available on the Corporate Governance page of the Council website or can be obtained from the Council's Monitoring Officer. This statement explains how Cheshire West & Chester Council has complied with the code and also meets the requirements of regulation 4 (3) of the Accounts and Audit (England) Regulations 2011 which requires all relevant bodies to prepare an annual governance statement.

2. The purpose of the governance framework

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

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

The governance framework has been in place at Cheshire West & Chester Council for the year ended 31 March 2014 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). This was further enhanced through the development of a 'vision wheel' in November 2012 that outlines the Council's framework for the future and how its vision will be delivered. This includes the move to a smaller organisation, creation of new standalone organisations, new partnerships with other organisations and allowing communities to take control.
- 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 explained in detail in the annual budget consultations that invite comment on directorate priorities and proposals.
- The Altogether Better (Community Budget) programme is managed, led and governed through an integrated partnership framework involving the wider public, private, community, voluntary and faith sectors. This is achieved through the West Cheshire Strategy Board, chaired by the Leader of the Council with elected representatives and non-Executive Directors from all key agencies. The Board sits alongside the statutory Health and Wellbeing Board created through the Health and Social Care Act 2012, to promote the economic, environmental and social well-being of the area and improve integrated working between all sectors, particularly public service agencies. Both Boards have shared responsibility for the production and implementation of the statutory Health and Wellbeing and Sustainable Community Strategies which have been developed locally as a single joint document.
- At an operational level, the Altogether Better programme is managed through the Public Services Board, chaired by the Chief Executive of the Council and comprising Chief Officers from across the key partner agencies involved in the respective transformational projects and programmes. The partnership framework is underpinned by a small number of thematically focused partnerships (e.g. Children's Trust; Safer and Stronger Communities, etc.). New governance mechanisms to support the Authority's work in and with communities are under development.

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

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

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

- Responsibility for delivering corporate pledges is transferred to Directorates through individual Business Plans. These plans are reviewed annually and also record Directorate priorities.
- Key Pledges and Directorate priorities are monitored and managed through the Holistic Reporting performance information that is prepared monthly. 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 & 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 July 1st 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 to manage 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 Holistic Reporting of performance 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. The Strategy was recently updated and will be focused on member induction during 2014-15 in light of the forthcoming local election.
- 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 (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. In 2013-14 completion of appraisals has been closely monitored via OPM and regularly highlighted to Heads of Service the requirement to populate management information regarding completions. This has led to an improved completion rate.

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 Talking West Cheshire website, social media channels, Talking Together Magazine and the Talking Together Direct e-newsletter.
- Decisions taken by Members are minuted and are available for public inspection and meetings are regularly available via web broadcast.

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 which is reviewed, updated and reported to the Audit and Governance Committee on an annual basis.
- All partnership arrangements, whether significant or otherwise, should be entered into and conducted in accordance with the Authority's agreed Partnership Policy and Toolkit.
- Governance arrangements for Shared Services are monitored and managed by the Shared Service Joint Committee and the Joint Officer Board.

4. Review of effectiveness

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

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

Corporate/Management Assurance

The Council's governance framework has been reviewed throughout the year by the Corporate Governance Officers' Group. The group met on four occasions in 2013-14. A 'standard' agenda was used to provide a framework for supporting the Statutory Officers Group and Audit and Governance Committee. This agenda includes Governance related updates from the following:

- Information Governance 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 update on the Fraud and Investigations activity and Bribery Act 2010 and guidance relating to the Governance requirements for partnership arrangements and activities.

Self-assessment has confirmed full compliance with the CIPFA Statement on the Role of the Chief Financial Officer as set out in the Application Note to the Delivering Good Governance in Local Government Framework published in December 2012.

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 2013-14. 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 and the Managing Director, Shared Services.

Council

The Council met on eleven occasions in 2013-14 and received / approved reports relating to the Annual Budget, Financial Performance, Treasury Management Strategy and Annual Report, Housing Management Services Budget (incl. rent increases), Changes to the Finance Procedural Rules, the Annual Scrutiny Report, the Standards Annual Report, changes to Licensing Policy and a series of 'State of the Borough' topical debates covering subjects such as Revitalising Town and City Centres and Schools Performance.

Executive

The Executive met on eleven occasions in 2013-14 and received a number of the reports mentioned above. Additionally they received reports on a range of matters including Policy Commissions, Commissioning and Procurement Strategy, Make or Buy, Sharing Services, major developments and several call-ins.

Audit and Governance Committee

The Audit and Governance Committee met on five occasions during 2013-14 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.

The Authority has completed the self-assessment against the CIPFA checklist on measuring the effectiveness of the Audit Committee as set out in the Practical Guidance for Local Authorities and Police published in December 2013. The self-assessment identified that the Committee is largely compliant with recommended good practice. An action plan has been developed to address areas where there are opportunities for further improvement and these will be taken forward with the Chair of the Committee in due course.

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 Advisory Board

With effect from 26th July 2012, 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. The Board's remit includes reporting to the Committee with its views on changes to the Code of Conduct, patterns of complaints and the Annual Report on Standards. Terms of Reference for Audit and Governance Committee were altered to reflect this change. During 2013-14 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 87% of the Internal Audit Plan in 2013-14, which equated to 60 audits, 19 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 one report that was scored 1 out of 4 (urgent system revision required). The actions agreed in these reports will be followed up by Internal Audit. Overall, 171 Internal Audit recommendations were implemented during the financial year.

The opinion in the Head of Internal Audit's 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 August 2013. The External Auditor reported an unqualified opinion on the Council's annual accounts for 2012-13, 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 October 2013. Amongst other positive comments, it was noted that "the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources."

The Authority is subject to External Audit and services are subject to inspection from national regulators such as OFSTED and the Care Quality Commission (CQC). During 2013-14 OFSTED conducted an inspection of five Children's Centres in the Chester Locality. They highlighted that these centres work well with partners to provide well-coordinated services that benefit those who access the Centres. In addition they found that effective inter-agency working, services and activities are adapted well to meet the differing needs of families, particularly those with complex needs.

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 2014-15 through the action plan attached as Annex A

- Deprivation of Liberty Safeguards
- Alternative Delivery Vehicles
- Commercial management
- Exposure to financial risk from major projects

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 & Chester Council:

Mike Jones
Leader of the Council
27 June 2014

Steve Robinson
Chief Executive
27 June 2014

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.

Mark Wynn
Head of Finance
26 August 2014

Significant Governance Issues 2013-14

Issue	Action
1. Deprivation of Liberty Safeguards (DOLS) Under the Mental Capacity Act 2005, the Council has a statutory duty as a Supervisory Body to assess and authorise where a person in care is identified as potentially being deprived of their liberty under Article 5 of the European Convention on Human Rights. Deprivation of Liberty assessments are a statutory duty of the local authority. The Department of Health issued guidance on 28 March 2014 that broadly outlined the impact and stated that local authorities must "review their allocation of resources in light of the revised test given by the Supreme Court to ensure they meet their legal responsibilities." This will see a huge increase in demand for the Council in terms of its statutory duty to assess and authorise such cases. Before the judgement the Council would expect approximately 100 of these assessments in a 12 month period, after the judgement this demand is now approximately 2,500 per year.	Pending a full hearing by the Lord Justice on 5/6 June 2014, and further practical guidance on the implementation of this ruling, the Council has tasked a Working Group with developing a prioritised approach, scoping demand and developing processes to meet this legal requirement to deliver DOLS.
2. Alternative Delivery Vehicles Cheshire West and Chester is moving towards becoming a commissioning Council and has already established a number of Alternative Delivery Vehicles (ADVs). There is also a desire to enable collaboration/partnership working, which may well result in further joint venture companies via a procurement process. This results in the Council taking on a number of different and sometimes conflicting roles - Commissioner, Shareholder, Director and Partner, for example. As a result, clear and consistent governance arrangements must be in place to: • Ensure accountability, scrutiny and review of the relationship between the Council and ADV. • Manage risk by identifying high level risks and introducing monitoring at appropriate level. • Provide overview and governance of progress during the incubation period of a new	It is proposed that existing Strategic Delivery Companies and new companies developed are actively managed with regular reporting and monitoring. A Governance Unit will be created to manage the relationship with Strategic Delivery Companies to provide governance for the Council to the shareholder, and arrange for overall review for the company if necessary. The contract of the company's service will be managed by the relevant contract holder within the Council. Reporting on Strategic Delivery Company performance will be presented to Public Accounts Scrutiny Panel and reporting on Contract delivery performance will be presented to the

Issue	Action
company and ensure that the stated critical success factors agreed at the time of launch are achieved prior to removal from incubation period.	appropriate Scrutiny Committee.
3. Commercial management There is a growing number of high profile, high cost services that are delivered through external providers and this is an area that will continue to grow as the Council considers service delivery options as part of its drive to achieve value for money. As such, contract monitoring and management activity will take on increasing importance to ensure that services are delivered efficiently and effectively and to the specified standards. A commercial management function has recently been created within the Strategic Commissioning Directorate with the aim of centralising contract monitoring activity across all directorates.	The commercial management team will become further established in 2014-15 and this will enable common approaches to market intelligence, contract management, and performance reporting to be developed and streamlined. Internal Audit will also be undertaking work in this area during 2014-15.
4. Exposure to financial risk from major projects Cheshire West and Chester is undertaking some significant capital projects in 2014-15 as part of its capital programme. There has been a change in the Council's role in delivering these projects (Northgate/ Barons Quay) by undertaking work in-house which increases exposure to a number of risks (planning, insurance, financial, balance sheet, governance). This has been recognised by the Council and monitoring arrangements have been established as follows: • Risks are considered for each major capital project. • A multi-disciplinary team of design and development consultants are in place to advise on delivery of major projects and specialist appointments of client side Project Managers are undertaken to ensure there is a clear governance structure in place. • Major Projects Operation Board, Capital Projects Strategic Board and Capital Projects Operational Group meet monthly. • Major Changes Executive Group meets bi-monthly.	The capital delivery programme will continue to be monitored by the relevant officer groups and reported to Members. Internal Audit will also be undertaking work in this area during 2014-15.

Independent auditor's 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 2014 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 2013/14.

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 Finance 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 Finance 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

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 we 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 the 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 ourselves 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 October 2013, 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 2014.

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 October 2013, 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 2014.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Robin Baker
Associate Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Royal Liver Building
Liverpool L3 1PS

2 September 2014

Movement in Reserves Statement for the year ended 31 March 2014

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 (CIES). 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 Cheter Council 2013-14	General Fund Balance £000	Sums held by Schools £000	Earmarked 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 2013	**22,775**	**9,752**	**35,351**	**555**	**8,125**	**1,699**	**8,453**	**86,710**	**310,149**	**396,859**
Surplus or (deficit) on provision of services (accounting basis)	(31,120)	0	0	6,879	0	0	0	**(24,241)**	0	**(24,241)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	**0**	66,556	**66,556**
Total Comprehensive Expenditure and Income	**(31,120)**	**0**	**0**	**6,879**	**0**	**0**	**0**	**(24,241)**	**66,556**	**42,315**
Adjustments between accounting basis & funding basis under regulations (Note 7)	50,286	0	0	(6,640)	1,171	309	813	**45,939**	(45,939)	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**19,166**	**0**	**0**	**239**	**1,171**	**309**	**813**	**21,698**	**20,617**	**42,315**
Transfers to / from Earmarked Reserves (Note 8)	(20,676)	(602)	18,847	(69)	2,500	0	0	**0**	0	**0**
Increase / (Decrease) in Year	**(1,510)**	**(602)**	**18,847**	**170**	**3,671**	**309**	**813**	**21,698**	**20,617**	**42,315**
Balance at 31 March 2014	**21,265**	**9,150**	**54,198**	**725**	**11,796**	**2,008**	**9,266**	**108,408**	**330,766**	**439,174**

2012-13 Comparative figures

The unusable reserves values for 2012-13 have been re-stated to reflect the changes to IAS19 (see note 53)

Cheshire West and Cheter Council 2012-13	General Fund Balance £000	Sums held by Schools £000	Earmarked 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 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)	(29,949)	0	0	2,641	0	0	0	**(27,308)**	0	**(27,308)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	**0**	(67,225)	**(67,225)**
Total Comprehensive Expenditure and Income	**(29,949)**	**0**	**0**	**2,641**	**0**	**0**	**0**	**(27,308)**	**(67,225)**	**(94,533)**
Adjustments between accounting basis & funding basis under regulations	37,510	0	0	(2,829)	326	1,699	(1,724)	**34,982**	(34,982)	**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**

Comprehensive Income and Expenditure Statement for the year ended 31 March 2014

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.

	2013-14			Restated 2012-13
	Expenditure £000	Income £000	Net £000	£000
Acquired Operations				
Public Health	11,853	-13,744	-1,891	0
	11,853	**-13,744**	**-1,891**	**0**
Continuing Operations				
Central services to the public	5,892	-4,161	1,731	4,079
Children's and education services	293,153	-232,544	60,609	49,883
Adult social care	113,012	-26,415	86,597	76,902
Cultural and related services	22,589	-1,480	21,109	17,556
Environmental and regulatory services	39,415	-4,644	34,771	41,818
Planning services	39,225	-10,019	29,206	18,299
Highways and transport services	40,464	-10,279	30,185	33,289
Local Authority housing (HRA)	15,876	-21,891	-6,015	-5,324
Housing services	113,445	-98,028	15,417	17,536
Corporate and democratic core	6,462	-306	6,156	4,912
Non-distributed costs	2,876	-5,425	-2,549	4,055
	692,409	**-415,192**	**277,217**	**263,005**
Cost of Services	**704,262**	**-428,936**	**275,326**	**263,005**
Other operating income and expenditure (Note 9)	47,927	-20,755	27,172	58,930
Financing and investment income and expenditure (Note 10)	42,306	-21,027	21,279	13,575
Taxation and non-specific grants (Note 11)	25,256	-324,792	-299,536	-308,202
Surplus(-)/Deficit on Provision of Services	**819,751**	**-795,510**	**24,241**	**27,308**
Surplus(-)/deficit on revaluation of assets			-9,509	5,360
Re-measurement Gain/-loss on pension assets/liabilities			-57,047	61,865
Other Comprehensive Income and Expenditure (Note 12)			**-66,556**	**67,225**
Total Comprehensive Income and Expenditure			**-42,315**	**94,533**

* The full breakdown of the 2012-13 comparative expenditure and income is included in Note 52 on page 129. The 2012-13 statement has been restated to reflect updated IAS19 transactions following restatement (see Note 53)

Balance Sheet as at 31 March 2014

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 2014 £000	Restated 31 March 2013 £000
Non-Current Assets			
- Property, Plant and Equipment	13	865,137	860,516
- Heritage Assets	14	69,697	66,485
- Investment Properties	15	131,091	129,447
- Intangible Assets	16	305	48
Long Term Investments	17	0	0
Long Term Debtors	19	653	1,548
Long Term Assets		**1,066,883**	**1,058,044**
Short Term Investments	17	30,001	401
Assets held for Sale	21	3,247	11,313
Inventories	18	483	375
Short Term Debtors	19	57,344	61,679
Cash and Cash Equivalents	20	87,548	18,545
Landfill Allowance Trading Scheme	50	0	328
Current Assets		**178,623**	**92,641**
Short Term Borrowing	17	-11,650	-3,827
Short Term Creditors	22	-89,346	-83,331
Provisions < 1 yr	23	-4,134	-2,025
Current Liabilities		**-105,130**	**-89,183**
Provisions	23	-11,177	-8,991
Long Term Borrowing	17	-308,584	-229,460
Pension Fund Liability	44	-329,099	-375,241
Other Long Term Liabilities	17	-39,305	-41,830
Capital Grant Receipts in Advance	36	-13,037	-9,121
Long Term Liabilities		**-701,202**	**-664,643**
Net Assets		**439,174**	**396,859**
Usable Reserves	24	108,408	86,710
Unusable Reserves	25	330,766	310,149
Total Reserves		**439,174**	**396,859**

Capital Grant Receipts in Advance include S106 contributions where conditions have not yet been met. Such contributions were previously included in short term creditors thus 2012-13 comparators have been restated to reflect the revised presentation.

Cash Flow Statement for the year ended 31 March 2014

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 2014 £000	Re-stated 31 March 2013 £000
Net surplus or deficit on the provision of services	24,241	27,308
Adjust net surplus or deficit on the provision of services for non cash movements	-117,172	-93,057
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	53,089	58,880
Net cash flows from Operating Activities	**-39,842**	**-6,869**
Investing Activities	57,940	9,846
Financing Activities	-87,101	21,171
Net decrease in cash and cash equivalents	**-69,003**	**24,148**
Cash and cash equivalents at the beginning of the reporting	18,545	42,693
Cash and cash equivalents at the end of the reporting period	87,548	18,545
Net decrease in cash and cash equivalents	**-69,003**	**24,148**

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 2013-14 financial year and its position at the year end of 31 March 2014. 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.

Acquired Operations

On 1 April 2013 the responsibility for Public Health within the borough transferred from the health sector to local government. The costs and funding linked to the provision of this new service have therefore been separately disclosed as an acquired operation on the face of the Comprehensive Income and Expenditure Statement. Public Health is a commissioning service and as such did not transfer with any material reserves, assets or outstanding liabilities. As a result there has been no requirement to restate the Council's balance sheet.

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 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 and Cheshire Fire – In relation to the collection of Non Domestic Rates income.
- 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 Non Domestic Rates (NDR)

Similarly to Council Tax regulations dictate that there are differences between when it is recognised in the Council's accounts and when it is released to the General Fund. The NDR income reflected in the Collection Fund represents the total accrued income for the year for the Cheshire West area, this includes allowances for non- collection and any repayments which may be required due to appeals. The Council is entitled to receive 49% of this income (with 50% being due to central government and 1% to Cheshire Fire) and this is reflected in the Comprehensive Income and Expenditure Statement.

Under regulation the amount of NDR that can be credited to the Council's usable reserves in any year is restricted to the level estimated at the start of that financial year plus/minus its share of any surpluses or deficits anticipated at that time. Any differences between this sum and the share of accrued NDR income included in the Comprehensive Income and Expenditure Statement is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The calculation of the NDR position for 2013-14 includes an allowance for any costs that may be repayable to businesses who have appealed against their assessed rates payments for periods pre-dating April 2013. Before this date responsibility for Non Domestic Rates rested with central government but the Council is still responsible for funding its share of any costs that are paid.

To reduce the impact of funding these additional costs the Non Domestic Rating Regulations have been amended, allowing Councils to spread the cost of this appeals provision over five years. Cheshire West and Chester have taken advantage of this option when setting its budgets and only 20% of the cost of backdated appeals are being charged to the General Fund each year until 2017-18, the residual balance will remain in the Collection Fund Adjustment Account in the interim period.

The Government operate equalisation arrangements whereby funding is top-sliced from Councils with a large NDR income base and transferred to those with a lower income base. Under this scheme Cheshire West is required to transfer 35% of its accrued share of NDR income to central government each year as a tariff/levy payment. The cost of making this payment is recorded in the Comprehensive Income and Expenditure Statement.

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 as follows:

- Quoted securities — using current bid price.
- Unquoted securities — based on professional estimate.
- Unitised securities — current bid price.
- Property — market value

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

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

B) Past service cost and curtailments – changes arising from current year decisions which affect the value of service earned in earlier years. Curtailments are additional employer liabilities incurred when a member stops contributing to the scheme earlier than expected, e.g. following redundancy, but without a reduced pension;

C) Gains/Losses on settlements – the result of actions that change the scope of the Council's future pension liability, for example a group of staff transferring to a different employer;

D) Net Interest – difference between the increase in the present value of liabilities as they move a year closer to payment and the expected return on investments over the same period;

E) Remeasurements – the impact of changes to the assumptions underpinning the actuarial estimates of the value of assets and liabilities. These could be due to changes in assumed mortality rates, discount rates, inflation or because the actual level of investment returns is different from the long term averages assumed under D;

F) Contributions paid to the Fund – cash paid as employer contributions to the Pension Fund.

Components A-D 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 (F). 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 de-recognition 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), (in the case of the Backlog Funding Grant which is specific to the HRA the unspent grant is instead credited to the Major Repairs Reserve).
- 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 the scheme was brought to an early close in March 2013 meaning that 2013-14 will be the final year with LATS accounting entries. The scheme allocated 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 they are being traded as at the end of the relevant year. 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. The only LATS transactions in the 2013-14 accounts relate to the clearance of the accrued assets and liabilities that existed at 31st March 2013.

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 cost of acquiring the original interest in the asset, 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	Any difference between the rent paid in year and the original amount guaranteed under the lease is 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 costs of finance leases are not directly 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 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 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 in 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 2014-15 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 2014.

- IFRS 10 - Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IAS 27 – Separate Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures
- IAS 32 – Financial Instruments: Presentation
- IAS1 - Annual improvements to IFRS (2009-2011 cycle)

The changes will be adopted retrospectively meaning that on adoption 2013-14 information included within these accounts will be restated in the 2014-15 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 first five standards listed above relate to how group accounts are prepared and the consolidation process for reporting interests in other companies. The 2013-14 accounts are not produced on a group accounts basis as the Council's interest in such bodies are considered immaterial, the adoption of the new standards would not have impacted on this judgement.

As the Council is launching new arms-length companies in 2014-15, the materiality of these companies will rise and group accounts will be produced from 2014-15 onwards. Those accounts will be produced in line with the new accounting standards outlined above.

The amendments to IAS 32 bring in new disclosures to prevent the inappropriate offsetting of financial instruments. The Council has no offsetting financial instruments so adopting the new standard will have no impact.

The amendments to IAS1 clarify the circumstances where it is necessary to include comparative information in the accounts. Comparative information is already included within these statements in line with the revised requirements.

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 (£28m) 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 Notes 13 (PPE) and 40 (PFI).

  In addition the Council needs to consider the treatment of the income generating potential of these assets. Where the asset generates income an assumption needs to be made as to whether the income primarily funds operational running costs, repayment of initial capital or a combination of the two. In the case of the Council's PFI schemes it is assumed that third party income is primarily to support operating costs with all capital expenditure being funded from the PFI unitary payment the Council makes to the contractor. The impacts of this assumption are outlined in Note 40.

- 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).

- 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 2014 fifteen Academies had been created from schools which were formerly funded by Cheshire West and Chester Borough Council, this is an increase of four since March 2013. 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 schools that are currently planning to transfer to Academy status in 2014-15 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.

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 2014 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 Valuations	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 £7m 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 relevant annual depreciation charges, approx £1.4m.
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 at 31 March 2014.	The pensions' liability and reserve will vary significantly should any of the assumptions prove inaccurate. For instance, a 0.5% decrease in discount rate would increase the pension liability by £118m or a one year increase in pensioner lifespans £38m. 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 2014 the Council had a debtor's balance of £71.3m. A review of significant debtor balances has been undertaken and a debtors' impairment figure of £13.9m 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 uncollectable (above the amount set aside) there would be a cost of £3.6m to the Council.
Business Rate Appeals	The 2013-14 Accounts include estimates of the potential costs that may arise as a result of appeals lodged against non-domestic rate charges by local organisations. A provision of £4.2m has been set aside based on details of outstanding claims provided by the valuation office agency, analysis of historical trends in appeal outcomes and local knowledge.	Should the actual outcomes from these appeals result in higher or lower costs then there would be a corresponding increase in the collection fund deficit charged to the taxation and non-specific grant income line of the Comprehensive Income and Expenditure Statement. This deterioration would be recorded against the Collection Fund Adjustment Account for one year before being transferred to the General Fund the next. A 10% increase in costs from appeals would reduce net income by £0.4m

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 had no exceptional items in 2012-13 or 2013-14.

6. Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Councils S151 officer on 26 August 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2014, 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 May 2014, Cheshire West and Chester Council launched a new external company in partnership with Cheshire East Borough Council to supply back office support services to both Councils. This company, CoSocius, is wholly owned by the two Councils (50% each) and will sell services back to the Council in 2014-15. As a result of the creation of this company, alongside other similar bodies created in recent years, the Council will be producing consolidated group accounts from 2014-15 onwards.

In June 2014 the Council announced its intention to restructure its senior management team to help better position it to respond to service delivery challenges, support the Council’s strategies and make efficiency savings. Following a period of consultation the majority of appointments have now been confirmed and approximately 10 posts have been removed from the previous senior management structure (set out in Note 33).

As a result of the changes implemented in July, responsibility for discharging the Council’s S151 functions (including the authorisation of its Accounts) has transferred to the Head of Finance, who has authorised the final Accounts for publication in line with the new responsibilities. The Council’s pre-audit set of Accounts had been authorised by the previous S151 officer in June, no material changes were necessary between the two versions.

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.

2013-14	Usable reserves					Movement in Unusable reserves
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major repairs reserve £000	Capital Grants Unapplied £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	-28,621	-5,481				34,102
Impairment and Revaluation of Assets	-22,025					22,025
Amortisation of Intangible Assets	-21					21
Movements in the fair value of investment properties	1,516					-1,516
Capital Grants and Contributions applied	28,355					-28,355
Revenue expenditure funded from capital under statute	-9,290					9,290
Net assets written off to the CIES upon disposal or sale	-43,202	-1,219				44,421
Insertion of items not debited or credited to CIES						
Statutory provision for the financing of capital investment	16,456	153				-16,609
Capital expenditure charged against the General Fund	2,329					-2,329
Adjustments primarily involving the Capital Grants Unapplied Account (CGUA):						
Capital grants and contributions unapplied credited to the CIES	1,760				-1,760	0
Application of grants to the Capital Adjustment Account for financing purposes					947	-947
Adjustments primarily involving the Capital Receipts Reserve (CRR):						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	17,285	1,933	-19,218			0
Use of CRR to finance new capital expenditure			17,003			-17,003
Non-current asset disposal costs funded from the CRR	-128		138			-10
Government capital receipts pooling payments funded from CRR	-917		917			0
Transfer from Deferred Capital Receipts upon receipt of cash			-11			11
Adjustment primarily involving the Major Repairs Reserve:						
Transfer to the Major Repairs Reserve to fund capital expenditure and the repayment of debt		11,010		-11,010		
Use of Major Repairs reserve to finance capital expenditure and repayment of debt				10,701		-10,701
Adjustments primarily involving the Financial Adjustment Account:						
Difference between finance costs charged to the CIES and those chargeable under statutory requirements	-6	33				-27
Adjustments primarily involving the Pension Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	-41,649	-194				41,843
Employers pension contributions and direct payments to pensioners payable in the year	30,533	405				-30,938
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	-2,782					2,782
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	121					-121
Total Adjustments	**-50,286**	**6,640**	**-1,171**	**-309**	**-813**	**45,939**

2012-13 (Restated)	Usable reserves					Movement in Unusable reserves
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major repairs reserve £000	Capital Grants Unapplied £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 to the CIES 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 the CIES	572				-572	0
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 the CRR	-460		460			0
Transfer from Deferred Capital Receipts upon 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	-38,328	-444				38,772
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 the 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	**-37,510**	**2,829**	**-326**	**-1,699**	**1,724**	**34,982**

The prior year table has been restated to reflect the adoption of an updated IAS19 (Employee Benefits) as outlined in Note 53.

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 2013-14 and 2012-13.

Revenue Earmarked Reserves	Balance at 31 March 2012 £000	Transfers Out 2012-2013 £000	Transfers In 2012-2013 £000	**Balance at 31 March 2013** £000	Transfers Out 2013-2014 £000	Transfers In 2013-2014 £000	**Balance at 31 March 2014** £000
Insurance reserve	1,142	-29	700	**1,813**	-4,196	5,036	**2,653**
PFI Reserves	4,136	0	460	**4,596**	0	331	**4,927**
Revenue Grants	4,610	-1,766	4,427	**7,271**	-3,030	7,508	**11,749**
Developer Contributions Unapplied	1,504	-1,533	1,169	**1,140**	-161	24	**1,003**
Sums held by Resource Centre Manager	827	-827	1,651	**1,651**	-1,651	3,717	**3,717**
Childrens Services Improvements Reserve	1,271	0	0	**1,271**	-137	0	**1,134**
Local Authority Elections Reserve	108	0	120	**228**		120	**348**
Members Localisation Reserve	336	-336	39	**39**	0	295	**334**
Restructuring Reserve	1,320	0	0	**1,320**	0	0	**1,320**
Northgate Development	1,172	-660	0	**512**	-115	0	**397**
Northgate Property Revenue costs	0	0	0	**0**	-231	2,950	**2,719**
Joint Property Running costs	1,273	0	0	**1,273**	-273	0	**1,000**
Long Term Liabilities	5,832	-1,033	4,573	**9,372**	0	7,267	**16,639**
Barons Quay	859	0	0	**859**	0	0	**859**
Long Term Sickness	123	-145	35	**13**	-4	96	**105**
Fluctuation in School Days	60	0	81	**141**	-81	0	**60**
Make or Buy/SLE Reserve	0	0	1,500	**1,500**	-153	0	**1,347**
Chester City Baths	0	0	500	**500**	0	0	**500**
Northwich Flood Protection	0	0	500	**500**	0	0	**500**
Community Benefits	0	0	245	**245**	-245	381	**381**
Mersey Forest	0	0	330	**330**	-9	0	**321**
HRA Pensions Reserve	0	0	50	**50**	0	69	**119**
Deprivation of Liberty Safeguarding	0	0	0	**0**	0	1,000	**1,000**
Other Reserves and Balances	457	-91	361	**727**	-264	603	**1,066**
Total	26,449	-7,839	16,741	**35,351**	-10,550	29,397	**54,198**

Significant movements include:

- Creation of new reserves totalling £3.9m to fund the operation of new facilities acquired as part of the Northgate Development and to fund anticipated liabilities arising from recent court cases in relation to Deprivation of Liberty Safeguarding.

- Increasing the Long Term Liabilities Reserve by £7.3m through setting aside elements of the Capital Financing Budget and Pensions Budget.

- An increase in revenue budgets carried forward (£2.1m) and unspent grant funding (£4.5m) both reflect re-profiling of funding for costs that will not be incurred until 2014-15.

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:

	2013-14 £000	2012-13 £000
Loss on disposal of Non-current assets	25,346	55,590
Parish Precepts	2,430	2,624
Levies	292	277
Contribution of Housing Capital Receipts to National Pool	917	460
Other income and expenditure	-1,813	-21
	27,172	**58,930**

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 2013-14 this included properties for four new academies, one school taking up voluntary aided status and the transfer of the newly completed Winsford Academy. The loss on disposal of assets in these circumstances was £30m (2012-13 £50m).

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.

	2013-14 £000	2012-13 £000
Interest payable and similar charges	11,662	11,954
Net interest on pension assets and liabilities	16,669	14,411
Interest receivable and similar income	-415	-598
Income and expenditure in relation to investment properties and changes in their fair value	-6,686	-12,009
Trading Accounts not related to Services	49	-183
	21,279	**13,575**

11. Taxation and non-specific grant income and expenditure

The Council received the following funding which does not relate to specific services. Following the introduction of locally managed Non Domestic Rates this section also contains the payments made by Cheshire West to Government from its rates income, as part of the equalisation of funding across the country.

	2013-14 £000	2012-13 £000
Income:		
Council Tax	-144,439	-155,710
Non Domestic Rates	-68,633	-89,371
Revenue Support Grant	-69,533	-1,732
Capital Grants and Contributions	-33,115	-50,778
PFI Grants	-3,039	-3,039
Local Services Support Grant	-681	-1,716
Council Tax Freeze Grant	0	-3,817
New Homes Bonus	-3,094	-1,426
Small Business Rates Relief Grant	-1,474	0
Other Grants	-784	-613
Expenditure:		
Non Domestic Rates - Tariff and Levy Payment	25,256	0
	-299,536	**-308,202**

12. Other Comprehensive Income and Expenditure (CIES)

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 2014 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.

	2013-14 £000	2012-13 £000
Property Revaluation - (Gains)/Losses	-9,509	5,360
Pension Deficit Remeasurements -(Gains)/ Losses	-57,047	61,865
	-66,556	**67,225**

- 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 re-measurements reflect revised estimates as to the value of future pension liabilities or assets made by actuaries. The gain in 2013-14 represents a combination of a slight reduction in estimated life expectancies (reducing pension liabilities) and above average investment returns on assets (9.1% returns compared to long term rates of 4.5%).

13. Property, plant and equipment

Movements in 2013-14	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 2013	141,464	452,625	73,297	299,541	13,098	4,900	22,038	1,006,963
Additions	9,633	36,191	7,875	18,790	2,552	0	11,373	86,414
Revaluation Gain/Loss to RR	-6,053	9,232	0	0	0	0	0	3,179
Reval/Impair Losses to SDPS	0	-26,722	-5	0	0	0	0	-26,727
Reverse Reval/Impair to SDPS	0	1,655	0	0	0	0	0	1,655
Derecognition - Disposals	-1,219	-33,336	-2,094	0	-55	0	0	-36,704
Derecognition - Other	0	-1,280	0	0	0	0	0	-1,280
Re-classification of assets	0	14,513	0	0	62	0	-14,575	0
Reclass to/from Held for Sale	0	-752	0	0	0	0	0	-752
Reclass to/from Heritage	0	0	50	0	0	0	0	50
Reclass to/from Investment	0	334	0	0	0	0	0	334
Value as at 31 March 2014	**143,825**	**452,460**	**79,123**	**318,331**	**15,657**	**4,900**	**18,836**	**1,033,132**
Depreciation								
At 31st March 2013	-47	-16,465	-36,575	-93,232	-128	0	0	-146,447
Charges for the year	-5,244	-8,080	-10,543	-9,715	0	0	0	-33,582
Revaluation Gain/Loss to RR	5,219	956	0	0	0	0	0	6,175
Reval/Impair Loss to SDPS	0	3,423	5	0	0	0	0	3,428
Reverse Reval/Impair to SDPS	0	101	0	0	0	0	0	101
Derecognition - Disposals	0	87	1,707	0	55	0	0	1,849
Derecognition - Other	0	481	0	0	0	0	0	481
Accum Depn at 31 March 2014	-72	-19,497	-45,406	-102,947	-73	0	0	-167,995
Net Book Value at 31 March 2014	**143,753**	**432,963**	**33,717**	**215,384**	**15,584**	**4,900**	**18,836**	**865,137**
Net Book Value at 31 March 2013	141,417	436,160	36,722	206,309	12,970	4,900	22,038	860,516
Nature of Asset Holding								
Owned	143,753	405,283	23,155	215,384	15,584	4,900	18,836	826,895
PFI		27,680						27,680
Leased			10,562					10,562
Total	**143,753**	**432,963**	**33,717**	**215,384**	**15,584**	**4,900**	**18,836**	**865,137**

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 Net Book Values for 2013-14 include £1.9m of assets which are held in partnership with Cheshire East Borough Council. The Council will ultimately need to buy out the Cheshire East Borough Council interest in these assets so an offsetting long term liability of £0.9m is included in the Balance Sheet.

Movements in 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
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 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**

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. One school (Great Budworth Primary School) converted to voluntary aided status during 2013-14 bringing the total at 31 March 2014 to 30 schools with a value of just over £39m.

  Proposed changes to reporting requirements make it likely that from 2014-15 Councils will be required to include the value of voluntary aided schools within their balance sheets. This will require a change in reporting for Cheshire West and future years' accounts would be adjusted to include these assets.
- 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 2014 there were five such schools with a value of approximately £43m. This is unchanged from the previous year.
- 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 15 Academies in the Borough as at 31 March 2014 with at least one more scheduled to transfer in 2014-15. 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 17 former schools which were last valued at approximately £91m. A further school transferred in April 2014. This transfer will result in a further £1.2m of existing assets being derecognised from the Council's accounts in 2014-15.

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 are 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.

Depreciation

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

Asset Classification	Useful Lives	Most Common Depreciation Rate %
Council Housing	Up to 60 years	2.5%
Operational Buildings	Up to 100 years	2.0%
Infrastructure	Up to 40 years	3.0%
Vehicles	Up to 12 years	14.3%
Plant and Equipment	Up to 10 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 2014, totals £63.8m (£39.5m in March 2013). The increase is due to a number of projects progressing beyond the planning stage with contracts let to construct facilities such as the new leisure facilities in Ellesmere Port and Northwich. These contracts are all fully funded and are summarised as follows:

Capital Project	Contract Total £000	Amount Paid to Date £000	Outstanding Balance £000
Chester Theatre	1,675	632	1,043
Ellesmere Port Sports and Leisure Village	13,105	2,970	10,135
Northwich Memorial Court	14,380	3,164	11,216
Grosvenor Park improvements	2,966	1,927	1,039
Highways Improvements	45,000	13,436	31,564
Gypsy and Traveller Sites	4,195	426	3,769
Ellesmere Port Regeneration Sites	3,587	942	2,645
Rollout of Superfast Broadband	1,406	303	1,103
Barrow Primary School Improvments	621	74	547
Relocation of Waste Depot	1,040	320	720
Total	**87,975**	**24,194**	**63,781**

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

The Council's Property Services section value the freehold and leasehold properties which make up the Council's portfolio. They are valued in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors (The Red Book). Valuations are undertaken to reflect asset values as at 31 March 2014.

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 and compares these to their historic cost equivalents.

	Council Dwellings £000	Operational Land and Buildings £000	Surplus Assets £000	Total PPE Assets £000
Valued at Historic Cost	140,328	353,719	4,900	498,947
Valued at Current Value in:				
- 2013-14	142,609	79,663		222,272
- 2012-13		56,677	4,900	61,577
- 2011-12		80,402		80,402
- 2010-11	1,144	131,213		132,357
- 2009-10		85,008		85,008
Total	**143,753**	**432,963**	**4,900**	**581,616**

Effects of changes in methodologies and estimates
There have been no major changes to the way in which the Council carries out valuations during 2013-14; 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 2013-14	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 2013	50,178	1,839	10,275	500	3,668	592	67,052
Additions	3,600	56	40				3,696
Disposals	-11						-11
Revaluation Gains			155				155
Impairment Losses/(Reversals) to SDPS			-58				-58
Reclassification from PPE Assets			-50				-50
Value as at 31 March 2014	**53,767**	**1,895**	**10,362**	**500**	**3,668**	**592**	**70,784**
Depreciation							
At 31st March 2013	-562	-5	0	0	0	0	-567
Charges for the year	-520						-520
Disposals							0
Accumulated Depn at 31 March 2014	**-1,082**	**-5**	**0**	**0**	**0**	**0**	**-1,087**
Net Book Value at 31 March 2014	**52,685**	**1,890**	**10,362**	**500**	**3,668**	**592**	**69,697**

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**

Summary of acquisitions, donations and disposals

The table below summarises the changes in the makeup of the Council's assets over the last four 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 Trustees.

New Acquisitions/Disposals	2013-14 £000	2012-13 £000	2011-12 £000	2010-11 £000
Museum Collections				
- Acquisitions				
- Fine Art	26	17	29	35
- Archaeology	0	1	3	4
- Donations				
- Archaeology	14	20	16	2
Total Costs of Purchases	**40**	**38**	**48**	**41**
Civic Regalia				
- Disposals				
- Ellesmere Port Regalia	0	-93	0	0
Total Asset Disposals	**0**	**-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	2013-14 £000	2012-13 £000
Rental Income from Investment Property	-7,957	-7,903
Direct Expenditure Arising from Properties	2,628	2,454
Net Cost/(Income) in the Year	**-5,329**	**-5,449**

The movements in the value of investment properties during 2013-14 are analysed below.

Investment Assets - Movements in Year	2013-14 £000	2012-13 £000
Balance at Start of Year	129,447	122,535
Additions		
- Acquisitions	537	1,962
- Subsequent Expenditure	192	224
Disposals		
- Outright Disposals	-267	-2,063
- Transfers to/from Assets Held for Sale	0	-310
Fair Value Adjustments		
- Increases in Fair Value	3,844	18,038
- Decreases in Fair Value	-2,328	-10,272
Transfers to or from other asset categories	-334	-667
Value as at 31 March	**131,091**	**129,447**

Where Investment Properties meet the criteria that would mean they are Assets Held for Sale they may be shown alongside their property, plant and equipment equivalents in Note 21. There were two Investment Assets held for sale at 31 March 2013 with a combined value of £293k. One of these was sold in April 2013 for a receipt of £249k, marginally above its valuation. As at 31 March 2014 one asset remains which is held at a value of £49k.

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:

	Other Assets 2013-14 £000	Other Assets 2012-13 £000
2 Years	6	0
3 Years	283	534
4 Years	27	27
5 Years	72	149
	388	**710**

The carrying amount of intangible assets is amortised on a straight-line basis, the charge for 2013-14 has been shown across service lines in the Comprehensive Income and Expenditure Statement.

	Other Assets 2013-14 £000	Other Assets 2012-13 £000
Balance at start of year:		
Gross carrying amount	710	1,067
Accumulated amortisation	-662	-975
Net carrying amount at start of year	**48**	**92**
Additions:		
Purchases	278	12
Disposals:		
Gross carrying amount	-600	-369
Accumulated amortisation	600	369
Amortisation for the Period	-21	-56
Net carrying value at end of year	**304**	**48**
Comprising:		
Gross Carrying Amount	388	710
Accumulated Amortisation	-83	-662
Total	**305**	**48**

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 2014 £000	31 March 2013 £000	31 March 2014 £000	Restated 31 March 2013 £000
Assets				
Loans and receivables				
Investments identified on the balance sheet	0	0	30,001	401
Debtors identified on the balance sheet	653	1,548	57,344	61,679
Less: classes of debtor not recognised as financial instruments	0	0	-13,436	-18,826
Plus: cash and cash equivalents identified on the balance sheet	0	0	87,548	18,545
Total Loans and Receivables	**653**	**1,548**	**161,457**	**61,799**
Liabilities				
Financial liabilities at amortised cost				
Borrowing identified on the balance sheet	-308,584	-229,460	-11,650	-3,827
Other long term liabilities identified on the balance sheet	-39,306	-41,830	0	0
Short term liabilities held at amortised cost	0	0	-3,458	-3,790
Total Financial Liabilities at Amortised Cost	**-347,890**	**-271,290**	**-15,108**	**-7,617**
Financial liabilities carried at contract amount				
Creditors identified on the balance sheet	0	0	-89,727	-83,712
Less: classes of creditor not recognised as financial instruments or held at amortised cost	0	0	33,721	31,832
Total Financial Liabilities Carried at Contract Amount	**0**	**0**	**-56,006**	**-51,880**

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 table above has been restated for March 2013 to record the short term elements of PFI and finance leases as liabilities held at amortised cost. These balances were previously shown as being held at contract amount.

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.

Bank Deposits made with Heritable Bank

Following the collapse of the three major Icelandic banks, the Financial Services authority (FSA) in the UK sought to have the UK subsidiary of Landsbanki (being Heritable Bank) placed into administration. Heritable Bank was placed into administration on 7 October 2008. On this date the former Cheshire County Council had three amounts deposited with the bank.

During the year 2013-14 the administrators of Heritable Bank paid a final dividend to the ordinary creditors of Heritable Bank. The dividend was paid in August 2013 and totalled £652k representing 16.37% of the amount due on 7 October 2008. This further dividend payment brought the total number of dividend payments received at the Balance Sheet date to fourteen and the total dividends paid to 94% of the amount owed by the bank. The latest view from the administrators of Heritable Bank is that no further material dividend payments are likely to be made.

The 'special' accounting rules that apply in respect of impaired financial assets also mean that Cheshire West and Chester Council's income and expenditure account will receive a one-off credit for £242k in the year 2013-14.

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:

	2013-14			
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Total £000
Interest expense	11,662			11,662
Total expense in SDPS	**11,662**	**0**	**0**	**11,662**
Interest income		-415	0	-415
Total income in SDPS	**0**	**-415**	**0**	**-415**
Net (gain)/loss for the year	**11,662**	**-415**	**0**	**11,247**
	2012-13			
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**

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 2014 of between 1.46% and 4.57% for loans from PWLB based on the 'new borrowing' certainty rate and between 0.34% and 3.41% 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.

Fair value of assets held at amortised cost

	Carrying Value		Fair Value	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Loans and receivables	162,110	63,347	162,110	63,347
Total	**162,110**	**63,347**	**162,110**	**63,347**

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 2014 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		Restated Fair Value	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Financial liabilities at amortised cost	-362,998	-278,907	-365,121	-290,131
Total	**-362,998**	**-278,907**	**-365,121**	**-290,131**

The majority of the Councils long- term loans have a fair value well in excess of the carrying value, due to the rate of interest payable being higher than the interest rate prevailing at 31st March 2014. This is a consequence of fixed rate loans being taken out at a time when borrowing was more expensive than it currently is.

The fact the overall fair value of the portfolio is only marginally above the carrying value due to the effect of loans raised in 2011-12 as part of the Council's buyout of HRA assets from central government. As these loans were available at a preferential rate, the interest payable on them is significantly below the level prevailing at 31st March 2014 and as a result the fair value of those loans is significantly below the carrying value.

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		Restated Fair Value	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Financial liabilities at amortised cost	-362,998	-278,907	-403,456	-332,540
Total	**-362,998**	**-278,907**	**-403,456**	**-332,540**

The early repayment rate fair value of long term borrowings was above the carrying value as at 31 March 2014. 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 table below shows the value of inventories or stock held by the Council. During 2012-13 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 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**
Purchases	0	2,908	0	217	**3,125**
Recognised as an expense in the year	0	-2,886	-2	-129	**-3,017**
Written off balances	0	0	0	0	**0**
Balance at 31 March 2014	**0**	**137**	**85**	**261**	**483**

The value of inventories or stock held has increased in 2013-14. This is due in part to Travel Railcards for the Concessionary Fares Scheme included in the Other Stocks increasing by £98k. It is estimated that current stocks of Railcards will be sold by March 2015

19. Debtors

The Council's debt position as at 31 March 2014 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 2014 £000**	**31 March 2013 £000**
Sundry Revenue and Capital Debtors	33,318	40,654
Prepayments	3,322	4,115
HM Revenue and Customs (VAT)	7,002	7,781
Housing Benefit Overpayments	4,968	4,813
Benefits Subsidy	120	849
Housing Revenue Account Tenant Arrears	1,894	1,649
Revenue and Capital Grant Debtors	8,449	5,746
Cheshire Pension Fund Debtor	1,384	82
CWAC Share of Council Taxpayers Arrears	8,583	7,235
CWAC Share of Non Domestic Rates Arrears	2,227	0
Bad Debt Provision	-13,923	-11,245
Total	**57,344**	**61,679**

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 Councils (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 2014 £000**	**31 March 2013 £000**
Central government bodies	14,347	14,172
Other local authorities	13,747	22,833
NHS bodies	3,571	28
Public corporations and trading funds	40	335
Other entities and individuals	25,639	24,311
Total	**57,344**	**61,679**

Analysis of Long Term Debtors	**31 March 2014 £000**	**31 March 2013 £000**
Sir John Deane's 6th Form College	76	101
Small Dwellings Act/Housing Act Advances	1	2
Returnable Deposits	71	102
Blacon Community Trust	35	0
Council Mortgages	9	9
Marketing Cheshire	26	0
Home-Buy Loans	435	1,334
Total	**653**	**1,548**

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.

	At 31 March 2014 £000	**At 31 March 2013 £000**
Bank Current Accounts	942	-2,838
Short Term Deposits	86,606	21,383
Total	**87,548**	**18,545**

During 2013-14 the Council has taken out significant new loans which have materially increased the value of its cash and cash equivalents at 31 March 2014. A total of £62m was taken out in new loans in relation to the redevelopment of the Barons Quay area of Northwich. The great majority of these costs will not be incurred until 2014-15 or later but the funding was taken out late in 2013-14 to take the opportunity to secure favourable fixed interest rates and guard against potential unfavourable shifts over the next 12 months. Further details on the rationale for this approach are set out in Note 47.

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 ten assets held for sale at 31 March 2013, eight were sold during 2013-14. An additional property which neighbours one of the sold sites was purchased in year and combined with the existing site before its subsequent sale to maximise the value gained. These assets sold for a combined sum of £9.5m compared to their book value (including the cost of the newly acquired site) of £8.8m, the profit on these sales is recorded in the Comprehensive Income and Expenditure Statement on the 'Other Operating Income and Expenditure' line. No further assets were transferred to the Held for Sale category in 2013-14.

	2013-14 £000	2012-13 £000
Balance at start of the year	11,313	5,874
Assets Transferred into Assets Held for Sale:		
Property, Plant and Equipment	752	6,602
Investment Assets	0	310
Valuation Changes		
- Revaluation Gains/Losses	0	21
Assets sold	-8,818	-1,494
Balance at end of the year	**3,247**	**11,313**

22. Creditors

The Council's creditor position as at 31 March 2014 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 services 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.

Analysis of Creditors by Type	31 March 2014 £000	Restated 31 March 2013 £000
Creditors		
Sundry Revenue Creditors/Payments to Suppliers	43,062	42,346
Staff Accrued Leave Entitlement (see below)	7,459	7,580
HM Revenue and Customs	4,346	4,739
Pension Fund and Other Payroll Related	4,347	4,328
Capital Creditors	11,827	12,193
Central Government relating to Business Rates	3,538	1,153
Other	1,031	1,511
	75,610	**73,850**
Receipts in Advance		
Council Tax Advance Payments	2,690	2,455
Business Rates Advance Payments	2,085	0
Revenue Grants	2,792	2,119
Other	6,169	4,907
	13,736	**9,481**
Total	**89,346**	**83,331**

The figures for 31 March 2013 have been restated to reflect the fact that £3.217m of S106 contributions from developers that are ultimately expected to be used to finance capital expenditure are now shown as part of the Capital Grants Receipt in Advance balance sheet category. These balances are now shown in Note 36.

The majority of the Councils creditors are individual companies with whom it trades but it does have some significant liabilities with other Councils (joint working) and the Government (Tax and NI payments).

Analysis of Bodies to whom the Council owes money	31 March 2014 £000	31 March 2013 £000
Central government bodies	11,894	10,013
Other local authorities	4,774	4,242
NHS bodies	4,341	148
Public corporations and trading funds	18	99
Other entities and individuals	68,319	68,829
Total	**89,346**	**83,331**

Short Term Accumulating Paid Absences

In accordance with required practice the Council reflects 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 2014 the Council had accrued for a leave entitlement of £7.5m. 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 has slightly reduced in 2013-14 as the number of staff directly employed by the Council has fallen.

Accrued Leave Entitlement	**2013-14**	**2012-13**
Opening Balance at 1st April	**7,580**	**8,365**
Changes in Unused Leave Entitlement (School Based staff)	23	-793
Changes in Unused Leave Entitlement (non School Staff)	-144	8
Closing Balance at 31st March	**7,459**	**7,580**

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)								
	Landfill Allowance £000	Redundancy £000	Land Search Charges £000	Brio VAT £000	Public Enquiry £000	Public Health £000	Terms & Conditions £000	Other ST Provisions £000	**Total £000**
Balance at 31 March 2012	**0**	**494**	**0**	**0**	**0**	**0**	**0**	**220**	**714**
Amounts used in year	0	-494	0	0	0	0	0	-220	**-714**
Unused Amount Released	0	0	0	0	0	0	0	0	**0**
Additional provisions made	288	684	650	0	0	0	0	403	**2,025**
Unwinding of discounting	0	0	0	0	0	0	0	0	**0**
Balance at 31 March 2013	**288**	**684**	**650**	**0**	**0**	**0**	**0**	**403**	**2,025**
Amounts used in year	-270	-684	0	0	0	0	0	-403	**-1,357**
Unused Amount Released	-18	0	0	0	0	0	0	0	**-18**
Additional provisions made	0	1,204	0	500	451	452	687	190	**3,484**
Unwinding of discounting	0	0	0	0	0	0	0	0	**0**
Balance at 31 March 2014	**0**	**1,204**	**650**	**500**	**451**	**452**	**687**	**190**	**4,134**

Short Term (likely to become payable within 12 months) provisions include:

- Landfill Allowances - to fund payment of Landfill Allowance costs to DEFRA, 2012-13 was the final year this scheme was operational so release of the provision in 2013-14 will be the final transaction.
- 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.
- Brio VAT – To fund the backdated costs of vat on energy supplies to Brio Leisure between 2011-12 and 2013-14 following an unfavourable judgement by HMRC.
- Public Enquiry Costs – This provision will be used to fund any costs incurred by the Council in responding to legal challenges to the appropriateness of planning decisions made.
- Public Health – To fund the costs of performance payments due to contractors under the CQUIN framework. The value of these payments can only be confirmed once all performance measures for the year have been ratified.
- Terms and Conditions – Payments to individuals for withdrawing legal challenges against existing staffing terms and conditions in advance of implementing new terms and conditions in 2014-15

	Long Term Provisions				
	Insurance Provision	Closed Landfill	Business Rates	Other Provisions	**Total Long Term**
	£000	£000	£000	£000	**£000**
Balance at 31 March 2012	**4,404**	**0**	**0**	**180**	**4,584**
Amounts used in year	-1,659	0	0	-57	**-1,716**
Unused Amount Released	0	0	0	0	**0**
Additional provisions made	2,176	3,947	0	0	**6,123**
Unwinding of discounting	0	0	0	0	**0**
Balance at 31 March 2013	**4,921**	**3,947**	**0**	**123**	**8,991**
Amounts used in year	-2,296	-52	0	-9	**-2,357**
Unused Amount Released	-700	-660	0	0	**-1,360**
Additional provisions made	1,737	0	4,166	0	**5,903**
Unwinding of discounting	0	0	0	0	**0**
Balance at 31 March 2014	**3,662**	**3,235**	**4,166**	**114**	**11,177**

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. Future liabilities were reassessed during 2013-14 and £650k was released as surplus from this provision.
- Business Rates Appeals – The Council's share of costs that would arise should the appeals lodged by a range of companies against their Non Domestic Rates charges be upheld by the Valuation Office Agency.

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 next review is scheduled to take place in 2014-15.

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 2014 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 at the start of the year included 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 2012-13 court decision regarding an Employer Liability case on mesothelioma meant a scheme was likely to be triggered which required policyholders to repay a percentage of settled claims to MMI. Based on advice from Ernst & Young, who are managing the scheme on behalf of MMI, the Council set aside sufficient provision to fund a repayment levy of 15% of reported claims. The scheme was duly triggered in 2013-14 and a 15% payment has been made. As there is the potential this sum may need to be increased in later years, additional balances are held in the insurance reserve to reflect uncertainty over the final levy rate and claims yet to be reported.

Insurance fund for Cheshire West and Chester	Provision 2013-14 £000	Reserve 2013-14 £000	Provision 2012-13 £000	Reserve 2012-13 £000
Opening balance	**4,921**	**945**	**4,404**	**350**
Less claims paid during the year:				
Property	-98		-140	
Commercial Property	-1		-6	
Public Liability	-1,238		-1,033	
Employer's Liability	-252		-184	
Money	0		-2	
Motor	-212		-294	
MMI payment	-495		0	
Additional contribution from revenue	1,737		2,771	
Transfer from/(to) insurance reserve	-700	700	-595	595
Balance carried forward	**3,662**	**1,645**	**4,921**	**945**

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 2014 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. As with the former District Councils, the County Council fund had a liability in relation to the MMI scheme of arrangement and a repayment levy of 15% has been made on paid claims, this equated to £1.24m.

Former Cheshire County Council fund	Provision 2013-14 £000	Reserve 2013-14 £000	Provision 2012-13 £000	Reserve 2012-13 £000
Opening balance (held by Cheshire East)	872	2,330	2,120	1,720
Less claims paid during the year:				
Public Liability	-115		-458	
Employer's Liability	43		-116	
Motor	-3		-2	
MMI payment	-1,241		0	
Interest accrued on the fund	14		21	
Interest paid to Cheshire West and Cheshire East	-14		-21	
Call down to CIES to fund admin costs		-48		-62
Transfer from/(to) insurance reserve	1,347	-1,347	-672	672
Balance of provision and reserve carried forward	**903**	**935**	**872**	**2,330**

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	2013-14 £000	2012-13 £000
Opening balance	**88**	**117**
Transfer from/(to) revenue	44	-29
Balance of reserve carried forward	**132**	**88**

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 (Insurance Reserve)	2013-14 £000	2012-13 £000
Opening balance	**780**	**675**
Transfer from/(to) revenue	96	105
Balance of reserve carried forward	**876**	**780**

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 2014 £000	31 March 2013 £000
Held for Revenue Purposes		
General Fund	21,265	22,775
School Reserves	9,150	9,752
Housing Revenue Account	725	555
Earmarked General Fund Reserves	54,079	35,301
Earmarked HRA Reserves	119	50
	85,338	**68,433**
Held for Capital Purposes		
Capital Receipts Reserve	11,796	8,125
Capital Grants Unapplied Reserve	9,266	8,453
Major Repairs Reserve	2,008	1,699
	23,070	**18,277**
Total	**108,408**	**86,710**

Revenue Reserves

General Fund – The General Fund has decreased in year which was in line with the budget plan for 2013-14. The planned scale of usage (£3m) has however been reduced as a result of the Council's £0.9m underspend and a £0.6m windfall receipts in year.

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 £0.6m in 2013-14 as a result of 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 increased by £0.2m to £0.7m in 2013-14 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 Reserves

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 2013-14 the Reserve benefited from £18.1m of new capital receipts and funded £17m of qualifying expenditure increasing the balance held by £1.1m. The Council has a capital strategy which allows it to continue disposing of capital assets over coming years, as long as value for money can be achieved, in order to fund investment in new facilities.

The income from disposals has been supplemented by a further £2.5m funded from underspends within General Fund budgets for 2013-14. This amount is being set aside in the capital receipts reserve to provide a source of funding for potential cost pressures of external funding shortfalls that may emerge in delivering an ambitious capital programme. The total increase in the reserve in 2013-14 is therefore £3.6m.

Capital Grant Unapplied – This reserve holds any capital funds that the Council has received where it has met all the relevant funding conditions, but has not yet used the balance to fund any specific capital expenditure. As such it is an available source of finance to fund future years' capital works. The £0.8m increase in the balance in 2013-14 is primarily as a result of additional pinch point funding from the Department for Transport that will be used on highways improvements in 2014-15.

Major Repairs Reserve – The Major Repair Reserve holds 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 2013-14 the HRA set aside £11.0m of funding into this reserve and utilising £8.6m to fund capital expenditure and £2.1m to repay debt. Further details of the use of this reserve are contained in the HRA Accounts.

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 2014 £000	31 March 2013 £000
Revaluation Reserve	100,493	94,832
Capital Adjustment Account	569,065	597,606
Financial Instruments Adjustments Account	-857	-884
Deferred Capital receipts Reserve	13	24
Pensions reserve	-329,099	-375,241
Collection Fund Adjustment Account	-1,390	1,392
Accumulated Absences Account	-7,459	-7,580
Total	**330,766**	**310,149**

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	2013-14 £000	2012-13 £000
Balance at 1 April	**94,832**	**113,051**
Upwards Revaluation of assets	12,970	11,255
Downward revaluations and impairment losses	-3,461	-16,615
Surplus or deficit on revaluation of non-current assets	**9,509**	**-5,360**
Difference between fair value and historic cost depreciation	-1,748	-2,101
Accumulated gains on assets sold or scrapped	-2,100	-10,758
Amount written off to the Capital Adjustment Account	**-3,848**	**-12,859**
Balance at 31 March	**100,493**	**94,832**

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 2013-14 is as follows.

Capital Adjustment Account	2013-14 £000	2012-13 £000
Balance at 1 April	**597,606**	**613,995**
Capital funded items charged to CIES		
Charges for depreciation	-34,102	-34,240
Amortisation of Intangible assets	-21	-56
Revaluation and impairment losses on non current assets	-21,601	-16,094
Impairment of capital creditors/debtors	-424	0
Revenue expenditure funded from capital under statute	-9,290	-6,278
Assets written off to the CIES on disposal	-44,407	-63,940
Disposal Costs incurred in advance of asset disposal	-14	-4
Change in market value of invt properties charged to CIES	1,516	7,766
	-108,343	**-112,846**
Values released from revaluation reserve		
Depreciation costs funded from revaluation reserve	1,748	2,101
Revalued assets disposed of in year	2,100	10,758
	3,848	**12,859**
Net cost of non-current assets consumed in the year	**-104,495**	**-99,987**
Capital financing applied in the year		
Application of capital receipts	17,003	6,647
Transfer from Major Repairs Reserve	10,701	5,917
Application of capital grants and contributions from CIES	28,355	50,206
Funding applied from capital grants unapplied reserve	947	2,296
Statutory revenue provision for capital financing from CIES	16,609	15,128
Revenue contributions to capital costs from CIES	2,329	3,386
Contribution to prior year costs of disposal	10	18
	75,954	**83,598**
Balance at 31 March	**569,065**	**597,606**

The balance on the reserve has fallen by £28.5m, this is primarily as a result of transferring a number of school premises to Academies (£30.4m). There are no capitals receipt linked to the transfer of these premises so the Capital Adjustment Account does not get replenished as it would on a normal asset sale.

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 being made in 2013-14.
- 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 (until 2054).

Financial Instrument Adjustment Account Movement	**2013-14 £000**	**2012-13 £000**
Balance at 1 April	**-884**	**-972**
Premiums incurred in previous years released to CIES	31	106
LOBO interest credited to CIES	-4	-18
Difference between costs charged to CIES and costs chargeable under statutory requirements	**27**	**88**
Balance at 31 March	**-857**	**-884**

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	**2013-14 £000**	**2012-13 £000**
Balance at 1 April	**24**	**38**
Deferred receipts credited to CIES on disposal	0	0
Cash received transfered to capital receipts reserve	-11	-14
Balance at 31 March	**13**	**24**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund from accruing for paid absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. The reserve represents accrued costs that have not been charged to the General Fund so it holds a deficit balance. The level of accrued leave has fallen slightly from 2012-13 as a number of employees have transferred out of the Council into external companies, such as VIVO.

Accrued Leave Entitlement	**2013-14 £000**	**2012-13 £000**
Leave Entitlement		
- School Based Staff	-5,162	-5,139
- Non School Staff	-2,297	-2,441
Balance at 31 March	**-7,459**	**-7,580**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding them in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES 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 resource set aside to meet the costs. However, statutory arrangements requires that benefits earned should only be recognised against the General Fund when the Council makes employer's contributions to the Pension Fund or pays any pension for which it is directly responsible.

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

Pensions Reserve Movement	**2013-14 £000**	**2012-13* £000**
Balance at 1 April	**-375,241**	**-305,815**
Remeasurement of the net defined benefit liability	57,047	-61,865
Reversal of items Charged to CIES		
-Current Service Costs	-29,744	-24,452
- Past Service Costs, Settlements and Curtailments	4,570	91
- Net Interest Costs	-16,669	-14,411
Actual Pension Contributions Charged to General Fund	30,938	31,211
Balance at 31 March	**-329,099**	**-375,241**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account comprises two distinct balances which reflect timing differences between the recognition of council tax and non-domestic rates income in the CIES as it falls due and the statutory arrangements that dictate when this funding can be paid across to the General Fund from the Collection Fund.

In the case of Council Tax and Non Domestic Rates the level of income that can be passed to the General Fund each year is determined in advance of the financial year when the Council sets its budget for the forthcoming period. Should there be any difference between the sums estimated at that time and the income accrued in year the surplus or deficit which arises cannot be distributed to the General Fund until the following financial year, in the interim period the balance is held on the Collection Fund Adjustment Account.

The movement on the reserve is as follows:

Collection Fund Movement Account	2013-14			2012-13		
	Council Tax	Non Domestic Rates	Total	Council Tax	Non Domestic Rates	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	**1,392**	**0**	**1,392**	**424**	**0**	**424**
Share of Collection Fund Surplus /(Deficit)	2,049	-4,831	**-2,782**	968	0	968
Balance at 31 March	**3,441**	**-4,831**	**-1,390**	**1,392**	**0**	**1,392**
Billed Income for in year activities	-139,960	-73,464	-213,424	-152,278	**0**	-152,278
Council Tax Collected for Parish Precepts	-2,430	0	-2,430	-2,624	0	-2,624
Contribution to Collection Fund for deficit	0	0	0	160	0	160
Actual Collection Fund (Surplus)/ Deficit	-2,049	4,831	2,782	-968	0	-968
Income in CIES	**-144,439**	**-68,633**	**-213,072**	**-155,710**	**0**	**-155,710**
Less Actual Surplus/(Deficit)	2,049	-4,831	-2,782	968	0	968
Income Credited to General Fund	**-142,390**	**-73,464**	**-215,854**	**-154,742**	**0**	**-154,742**

The reserve holds a surplus of £3.4m for Council Tax which will be available to support Council budgets from 2015-16 onwards. This is an increase from 2012-13 as there was an in year surplus of £2.0m reflecting strong collection performance and growth in the numbers of properties within the Borough.

The balance for Non Domestic Rates is a deficit of £4.8m. 2013-14 reflects the first year for which the Council is directly responsible for a share (49%) of NDR income having previously only collected this income on behalf of central Government. The deficit position reflects the fact that on this transfer of responsibility NDR became subject to full accrual accounting for the first time. The backdated costs of settling appeals that have been lodged against rating assessments are now reflected in provisions and this has significantly reduced the accrued income available to distribute. Amendments to Non-Domestic Ratings regulations in 2013-14 allow the Council to spread the cost of these backdated appeals over a five year period which will result in the deficit being gradually released to the General Fund through until 2017-18. The residual deficit balance will remain on the Collection Fund Adjustment Account during this period.

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	2013-14 £000	Re-stated 2012-13 £000
Depreciation and amortisation of non current assets	-34,124	-34,677
Impairments and downward valuations	-21,601	-15,942
Revaluation Gains on Investment Assets	1,516	7,766
Pension Fund Adjustments	-10,905	-7,561
(Increase)/ Decrease in Provisions	-7,379	-3,794
Increase/(Decrease) in Inventories	108	-427
Increase/(Decrease) in Debtors	-5,357	8,206
(Increase)/Decrease in Creditors	4,947	16,570
Carrying value of assets which have been sold	-44,750	-63,963
Other non cash movements	373	765
Adjustments for Non Cash Items	**-117,172**	**-93,057**

The table above has been restated to reflect changes to IAS19 as set out in Note 53.

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	2013-14 £000	2012-13 £000
Proceeds from sale or disposal of non current assets	19,218	7,480
Capital grant income credited to SDPS	30,449	48,557
Income from Trading Operations	5,157	5,164
Other adjustments for financing activities	-1,735	-2,321
Net cash flows from investing/financing activities in SDPS	**53,089**	**58,880**

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	2013-14 £000	2012-13 £000
Interest received	-377	-732
Interest paid	11,564	11,522

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	2013-14 £000	2012-13 £000
Purchase of property, plant and equipment, investment property and intangible assets	87,331	74,779
Purchase of short-term and long-term investments	30,001	16,000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-19,218	-7,480
Proceeds from short-term and long-term investments	-652	-26,337
Other receipts from investing activities	-39,522	-47,116
Net cash flows from investing activities	**57,940**	**9,846**

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	2013-14 £000	2012-13 £000
Cash receipts of short- and long-term borrowing	-88,157	-62
Other receipts from financing activities	-3,492	-1,061
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	4,039	3,533
Repayments of short- and long-term borrowing	1,556	15,472
Other payments for financing activities	-1,047	3,289
Net cash flows from financing activities	**-87,101**	**21,171**

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.

2013-14	Children's Services £000	Strategic Comm-issioning £000	Localities £000	Growth & Prosperity £000	Resources £000	Chief Executive £000	Housing Revenue Account £000	Other Direct Services £000	Total £000
Fees, charges and other	-34,296	-21,979	-26,697	-42,530	-34,944	-37	-18,893	-6,144	-185,520
Government grants	-208,105	-2,005	-516	-4,177	-94,318	0	-3,000	-151	-312,272
Total Income	**-242,401**	**-23,984**	**-27,213**	**-46,707**	**-129,262**	**-37**	**-21,893**	**-6,295**	**-497,792**
Employee expenses	188,668	26,068	22,162	26,210	36,257	576	369	4,202	304,512
Other operating expenses	98,481	105,033	51,553	46,213	121,929	66	21,353	38,458	483,086
Total operating expenses	**287,149**	**131,101**	**73,715**	**72,423**	**158,186**	**642**	**21,722**	**42,660**	**787,598**
Net Operating Expenditure	**44,748**	**107,117**	**46,502**	**25,716**	**28,924**	**605**	**-171**	**36,365**	**289,806**

The column headings and values in the 2012-13 comparative table on the following page reflect the management structure in operation prior to 2013-14

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**

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 2013-14 these costs equated to £33m.

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 2013-14 £48m 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 (£22m), minimum revenue provision (£17m) and interest payments (£12m). There are also significant transactions in this section to remove the offsetting expenditure and income costs arising from internal recharging.

	2013-14 £000	2012-13 £000
Net Operating Expenditure in Service Analysis	**289,806**	**276,436**
Add services not included in main analysis	0	0
Add amounts not reported to management	32,669	21,247
Remove amounts reported to management not in CIES	-47,149	-34,678
Net Cost of Services in CIES	**275,326**	**263,005**

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.

2013-14	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	-185,105	-5,251	94,882	-95,474	-22,149	-117,623
Government grants and contributions	-312,272	-24,723	3,533	-333,462	-111,720	-445,182
Interest and investment income	-415	0	415	0	-415	-415
Income from council tax	0	0	0	0	-144,439	-144,439
Business Rates	0	0	0	0	-68,633	-68,633
Receipts on Disposal of Property	0	0	0	0	-19,218	-19,218
Total Income	**-497,792**	**-29,974**	**98,830**	**-428,936**	**-366,574**	**-795,510**
Employee expenses	304,511	-231	-31,499	272,781	8,175	280,956
Other service expenses	471,415	12,576	-102,808	381,183	7,098	388,281
Business rates levy and tariff payment	-282	0	282	0	25,256	25,256
Depreciation, amortisation and impairment	0	55,968	0	55,968	179	56,147
Interest Payments	11,662	0	-11,662	0	11,662	11,662
IAS 19 Adjustment	0	-5,670	0	-5,670	16,575	10,905
Precepts and Levies	292	0	-292	0	2,722	2,722
Payments to Housing Capital Receipts Pool	0	0	0	0	917	917
Revaluation Gain on investment properties	0	0	0	0	-1,516	-1,516
Assets Removed on disposal of properties	0	0	0	0	44,421	44,421
Total operating expenses	**787,598**	**62,643**	**-145,979**	**704,262**	**115,489**	**819,751**
Surplus or deficit on the provision of services	**289,806**	**32,669**	**-47,149**	**275,326**	**-251,085**	**24,241**

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	-900	0	900	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	**-540,781**	**-31,431**	**101,503**	**-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	14,411	7,561
Precepts and Levies	0	0	-277	-277	2,901	2,624
Payments to Housing Capital Receipts Pool	0	0	0	0	460	460
Revaluation Loss 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**	**101,223**	**834,937**
Surplus or deficit on the provision of services	**275,536**	**21,247**	**-33,778**	**263,005**	**-235,697**	**27,308**

The IAS19 Adjustment for Corporate Amounts has been re-stated for 2012-13 to reflect the changes to IAS19 (see note 44 and 53)

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 2013-14 £000	Property Disposals/ Valuations 2013-14 £000	Income 2013-14 £000	-Surplus/ Deficit 2013-14 £000	Expend-iture 2012-13 £000	Property Disposals/ Valuations 2012-13 £000	Income 2012-13 £000	-Surplus/ Deficit 2012-13 £000
Industrial & Commercial Properties	3,056	-1,530	8,251	-6,725	3,019	-6,845	-8,226	-12,052
Transport Management Organisation	1,272		1,292	-20	1,230		-1,238	-8
CBS - Catering	7,702		7,875	-173	7,729		-7,801	-72
CBS - Cleaning	3,229		3,031	198	3,141		-3,284	-143
Outdoor Education	3,589		3,477	112	3,400		-3,249	151
Other Trading Accounts	1,761		1,645	116	2,348		-2,200	148
Total	**20,609**	**-1,530**	**25,571**	**-6,492**	**20,867**	**-6,845**	**-25,998**	**-11,976**

- The Industrial and Commercial Properties trading account lets Council owned business premises to small and medium size enterprises across the Borough. The reduction in the surplus for 2013-14 relates to the gain on property disposal/valuations which was £5.6m higher in the previous year.
- 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.
- 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 reduced primarily due to the Schools Development Service where the current year excludes transactions which are no longer relevant to the trading operation.

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 2013-14 Cheshire West and Chester Council undertook the collection of Non Domestic Rates under the Business Rates Retention Scheme introduced this year. A proportion of the amount collected (51%) is required to be passed on to Central Government and Cheshire Fire Authority.

The Council also undertakes an agency role in collecting Council Tax on behalf of its major precepting bodies, Cheshire Police Authority and Cheshire Fire Authority. Under this arrangement the Council as billing authority billed for £24.3m 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 Non Domestic Rates and Council Tax, these items have been allocated across the other bodies for which the Council acts in an agency capacity in line with their respective precepts or prescribed shares. The resulting accounting adjustments are shown in the following tables.

National Non Domestic Rates	2013-14 Adjustment £000	2012-13 Adjustment £000	Balance Sheet Heading
Balances now reported by CLG and Cheshire Fire			
Remove non CWAC share of Arrears	-2,318	0	Debtors
Remove non CWAC share of Debt Provision	1,237	0	Debtors
Remove non CWAC share of Appeals Provision	4,336	0	Creditors
Remove non CWAC share of Receipts in Advance	2,170	0	Creditors
Remove non CWAC share of NNDR Deficit	-5,028	0	Reserves
	397	**0**	
Balances Introduced to reflect monies owed by Preceptors			
Balances payable to Central Govt and Cheshire Fire	-397	0	Creditors

Council Tax Collection	2013-14 Adjustment £000	2012-13 Adjustment £000	Balance Sheet Heading
Balances now reported by Cheshire Fire and Cheshire Police			
Remove non CWAC share of Arrears	-1,352	-1,140	Debtors
Remove non CWAC share of Debt Provision	710	546	Debtors
Remove non CWAC share of Receipts in Advance	469	425	Creditors
Remove non CWAC share of Council Tax Surplus	599	241	Reserves
	426	**72**	
Balances Introduced to reflect monies owed by Preceptors			
Balances payable to Preceptors	-426	-72	Creditors

The Council also collects income in relation to its Business Improvement Districts (BIDs) in Northwich and Winsford. It collected approximately £0.288m of Business Rates in 2013-14 on behalf of Groundwork who provide environmental and security services to the BIDs. At 31 March the Council held cash balances of £0.038m 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 2013-14 was £1.38m. 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.

	2013-14 £000	2012-13 £000
Basic Allowance	859	859
Special Responsibility Allowance	274	270
Mayors and Deputies Allowances	13	13
Pension	163	161
Childcare	1	2
Members NI's	67	67
Total Members' Allowances	**1,377**	**1,372**

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 2013-14. Pay includes salary costs, taxable travel costs and any redundancy payments. It does not include employers' pension or national insurance contributions.

Employee Pay Band	2013-14	2012-13
£50,000 - £54,999	106	103
£55,000 - £59,999	85	89
£60,000 - £64,999	55	41
£65,000 - £69,999	18	16
£70,000 - £74,999	15	17
£75,000 - £79,999	8	14
£80,000 - £84,999	11	14
£85,000 - £89,999	6	7
£90,000 - £94,999	4	4
£95,000 - £99,999	3	5
£100,000 - £104,999	2	1
£105,000 - £109,999	1	1
£110,000 - £114,999	0	0
£115,000 - £119,999	1	2
£120,000 - £124,999	1	2
£125,000 - £129,999	2	1
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	0	0
Total	**318**	**317**

The following tables show the remuneration of all senior officers who earned a salary of more than £150,000 per annum in 2013-14. 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 - Chief Executive	2013-14	180	0	180	3	183
	2012-13	180	0	180	39	219

The Chief Executive salary has remained unchanged since the inception of the Council. During the financial year the Chief Executive left the Employers pension scheme therefore reducing the cost of employer pension contributions funded by the Council by £36k.

The tables on the following pages show the remuneration for senior officers whose salary is between £50,000 and £150,000 per annum in 2013-14, and for comparison in 2012-13. 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 Council utilised the services of non-employees in management roles during the year to support the organisation.

- Since March 2011 the Council has operated its Children's Services in partnership with Halton Borough Council under a joint Strategic Director. This role covers both Councils but the individual filling the role is employed by Halton so does not appear on the list. The Authority contributes £91k towards these costs.
- The role of Head of Legal and Democratic Services was filled for part of the year by an agency appointment at a cost of £78k, a permanent appointment was made in year and from that point on costs are recorded on the table overleaf.
- The roles of Head of HR and Finance Shared Service and Head of ICT Shared Services are jointly shared with Cheshire East Borough Council. The Councils incurred a total cost of £35k and £105k respectively for these posts during 2013-14, towards which Cheshire West contributes 50%. The Head of HR and Finance Shared Service left during the year and from that point both roles were undertaken by the former Head of ICT Shared Service.

The tables on the following pages show all employees who filled relevant roles during the year, in some cases the same role will appear more than once reflecting that fact that the holder changed during the year. In these cases only the costs relating to their time in the named role are shown.

As these changes can make it difficult to compare the scale of the Council's management structure across years the final row in each year's table records the number of posts in the structure at the end of each year and the full year salary cost of that structure. Between 2012-13 and 2013-14 the underlying structure reduced from 28 to 27 posts along with a reduction in contractual costs of £19k. This reduction was despite the need to introduce a new statutory post to oversee responsibilities for Public Health which transferred from the Health Sector. The Council has subsequently confirmed that a further review of its senior management structures will be undertaken in 2014-15 which is expected to significantly reduce management costs.

Post holder information (Post title)	Salary £	Benefits in Kind (e.g. Car Allowance) £	Compensation for loss of office £	Remuneration excl pension contributions 2013-14 £	Employer Pension Contributions £	Total Remeration including pension contributions 2013-14 £
Director of Strategic Commissioning	122,271			122,271	27,567	149,838
Director of Localities (until 01.07.13)	32,460			32,460	7,239	39,698
Director of Localities (from 15.07.13)	79,144			79,144	17,649	96,793
Director of Growth & Prosperity	116,150			116,150	25,901	142,051
Director of Resources	126,560			126,560	28,154	154,713
Head of Strategic Commissioning	83,830			83,830	18,694	102,524
Head of Prevention & Wellbeing	83,830			83,830		83,830
Director of Public Health	91,599	5,810		97,409		97,409
Head of Provider Services Transformation	72,491			72,491	16,166	88,657
Manager, Change and Modernisation	80,273			80,273	17,901	98,173
Head of Change Management	75,078			75,078	16,742	91,820
Head of Commercial Management (from 06.01.14)	23,517			23,517	4,238	27,756
Head of Early Support	73,984			73,984	16,498	90,482
Head of Achievement & Wellbeing	83,325			83,325	18,582	101,907
Head of Children & Families	100,869			100,869	22,880	123,749
Head of Rural Localities (until 14.07.13)	26,146			26,146	5,831	31,977
Head of Rural Localities (from 01.11.13)	35,350			35,350	4,949	40,299
Head of Regulatory Services (until 31.12.13)	77,250			77,250	13,835	91,085
Head of Regulatory Services (from 01.01.14)	19,316			19,316	4,308	23,624
Head of Localities - Northwich & Winsford	72,911			72,911	16,559	89,471
Head of Localities - Chester	90,900			90,900	20,271	111,171
Head of Localities - Ellesmere Port (until 31.08.13)	22,582			22,582	6,903	29,485
Head of Localities - Ellesmere Port (from 01.09.13)	36,534			36,534	8,200	44,733
Head of Marketing & Communications	68,680			68,680	15,316	83,996
Head of Regeneration (until 30.09.13)	41,915		46,162	88,077	9,347	97,424
HRA - Lead Client Officer (until 05.01.14)	36,095			36,095	9,055	45,150
Head of Planning & Transport	90,900			90,900	20,271	111,171
Acting Head of Culture & Recreation (until 31.08.13)	30,500			30,500	6,801	37,301
Head of Culture & Recreation (from 01.09.13)	60,608			60,608	13,516	74,124
Head of Human Resources	74,160			74,160	16,538	90,698
Head of Legal & Democratic Services (from 21.10.13)	34,862			34,862	7,774	42,636
Head of Finance	84,407			84,407	19,088	103,496
Head of ICT Strategy	90,900			90,900	20,271	111,171
Head of Procurement	90,472			90,472	20,271	110,742
Total	**2,329,869**	**5,810**	**46,162**	**2,381,841**	**477,313**	**2,859,153**
Number of posts in management structure at 31 March 2014 **- 27**						
Total contractual value of structure (full year salary) - **£2,369k**						

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 2013-14 the payment equated to 6.1% of pensionable pay (5.6% in 2012-13). 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 2012-13 £	Employer Pension Contributions £	Total Remuneration including pension contributions 2012-13 £
Director of Adults Social Care & Health	123,009	3		123,012	27,110	150,122
Director of Community & Environment	115,000			115,000	25,070	140,070
Director of Regeneration & 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 & Wellbeing	83,000			83,000	69	83,069
Head of Provider Services Transformation	76,500	3		76,503	16,677	93,180
Manager, Change & Modernisation	76,229			76,229	16,618	92,847
Head of Achievement & Wellbeing (until 31.07.12)	32,338	3	94,241	126,582	6,336	132,918
Head of Achievement & Wellbeing (from 01.08.12)	54,000			54,000	11,772	65,772
Head of Strategy & Commissioning (until 31.03.13)	100,215		88,027	188,242	19,620	207,862
Head of Children & Families	101,700			101,700	22,171	123,871
Head of Waste Management & Street Scene	88,935	9		88,944	19,702	108,646
Head of Planning & 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 & Communications	66,687	15		66,702	14,538	81,240
Head of Facilities & 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 & 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 & 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**	**499,722**	**3,074,830**
Number of people in management structure at 31 March 2013 - **28**						
Total contractual value of structure (full year salary) - **£2,388k**						

Termination Costs

The Council agreed the early termination of a number of employee contracts in 2013-14, incurring liabilities of £3.6m (£5.1m in 2012-13). These costs comprised £3.3m of redundancy payments and £0.3m to fund early eligibility for pensions. All costs have been charged in full to the Comprehensive Income and Expenditure Statement in 2013-14. These costs have been incurred due to the need to implement restructures to achieve budget savings targets. The Council has delivered in excess of £13m of recurrent savings during 2013-14 of which £3.2m were linked to staffing reductions.

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 2014 but who had not left employment on that date. A total of 46 individuals fell into this category at a cost of £1.3m and a provision for this value has been created on the Balance Sheet to fund these costs.
At the equivalent point last year there were 35 Individuals whose termination costs were estimated, ultimately three of these individuals were successfully redeployed and did not leave the Council, the remainder did leave as anticipated. The comparative information for 2012-13 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	
	2013-14 People	2012-13 People	2013-14 People	2012-13 People	2013-14 People	2012-13 People	2013-14 £000	2012-13 £000
£0 - £20,000	27	8	120	122	147	130	1,045	1,166
£20,001 - £40,000	12	2	30	47	42	49	1,212	1,437
£40,001 - £60,000	3	1	13	13	16	14	788	664
£60,001 - £80,000	1	0	2	4	3	4	194	284
£80,001 - £100,000	0	0	4	5	4	5	342	448
£100,000 - £150,000	0	1	0	8	0	9	0	1,061
£150,001 - £200,000	0	0	0	0	0	0	0	0
£200,001 - £250,000	0	0	0	0	0	0	0	0
Total	**43**	**12**	**169**	**199**	**212**	**211**	**3,581**	**5,060**

34. Audit Costs

The Council will incur audit fees of £235k relating to external audit of its 2013-14 activities. The Council's auditors are Grant Thornton and 2013-14 represents the second year of a five year appointment. As a result of the appointment in 2012-13 the Council has seen significantly reduced audit fees.

Fees Payable for Audit Work	2013-14 £000	2012-13 £000
External audit services carried out by the appointed auditor	203	203
Certification of grant claims and returns	32	46
Total	**235**	**249**

35. Dedicated Schools Grant (DSG)

The primary funding for schools is provided via the Dedicated Schools Grant which was allocated at £229.7m in 2013-14. This initial allocation is reduced by £39.2m as funding relating to Academy Schools is passed directly to those establishments and is not reflected in the accounts. The remaining £190.4m, along with any funding carried forward from the previous year, is available to fund services in 2013-14.

This is a ring-fenced grant and can only be applied to meet expenditure properly included in the Schools Budget as defined by the School and Early Years Finance Regulations. The grant is credited against Children's and Education Services in the CIES. 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 deducted from the grant allocation in year, pro rata to reflect when the school transfers. In 2013-14 £1m of DSG funding was deducted for 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 2013-14. Unspent ISB is retained by the individual schools and recorded on the Balance Sheet in the School Balances reserve (£9.15m at 31 March 2014).

DSG for 2013-14	**Central Expenditure £000**	**Individual Schools Budget £000**	**Total £000**
DSG figure issued by the Department in July 2013 (Excludes Early Years January 2014 adjustment)			229,673
Academy figure recouped for 2013-14			39,230
Total DSG (after Academy recoupment)			**190,443**
Balance brought forward from 2012-13			5,883
Carry forward to 2014-15 agreed in advance			-3,785
Agreed initial budgeted distribution in 2013-14	**29,383**	**163,158**	**192,541**
In year adjustments	-100	-1,019	-1,119
Final budgeted distribution for 2013-14	**29,283**	**162,139**	**191,422**
Less: Actual Central Expenditure	27,193		27,193
Less: Actual ISB deployed to Schools		162,139	162,139
Carry Forward from 2013-14 Allocations	**-2,090**	**0**	**-2,090**
Total Carry Forward to 2014-15			**-5,875**

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		22,715
Less: Actual ISB deployed to Schools		167,813	167,813
Carry Forward 2013-14	**-5,883**	**0**	**-5,883**

36. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013-14.

	2013-14 £000	2012-13 £000
Credited to Taxation and Non Specific Grant Income		
Used to Finance Council Activities in Year		
Council Tax	144,439	155,710
Non-Domestic Rate	68,633	89,371
Revenue Support Grant	69,533	1,732
Local Services Support Grant	681	1,716
Council Tax Freeze Grant	0	3,817
New Homes Bonus	3,094	1,426
PFI Grant	3,039	3,039
Academy Refund	0	547
Other Core Revenue Grants	2,258	66
Used to Finance Capital Expenditure		
Capital Grants Utilised in Year	26,753	48,309
Capital Contributions Utilised in Year	1,602	1,897
Set Aside for Future Capital Financing		
Capital Grants Set Aside for Future Usage	4,734	0
Capital Contributions Set Aside for Future Usage	26	572
Total	**324,792**	**308,202**
Credited to Services		
Dedicated Schools Grant (DSG)	189,324	193,183
Public Health Grant	13,371	0
Mandatory Rent Allowances: subsidy	81,583	82,420
Standards Fund	0	53
Council Tax Benefit: subsidy	0	22,390
Sixth Forms Funding (Young Peoples Learning Agency)	7,824	11,447
Mandatory and HRA Rent Rebates	11,876	11,390
Adult and Community Learning	1,441	1,515
Housing Benefit Administration	2,162	2,385
Early Intervention Grant	0	12,980
Learning Disability Grant	0	8,855
Pupil Premium Grant	7,306	5,081
Care Project Grant	0	756
Education Support Grant	5,641	0
Adoption Reform Grant	677	0
PE and Sports Grant	676	0
Sustainable Transport Fund	851	0
Social Fund Grants	917	0
Community Budgets	0	1,021
Devolved Formula Capital Grant	372	1,761
Disabled Facilities Grant	1,643	1,390
Extra Care Housing Grant	0	1,084
Other Grants	7,798	7,035
Total	**333,462**	**364,746**

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 returned to the giver. The balances at year-end are as follows:

	2013-14 £000	2012-13 Restated £000
Capital Grants and Contributions Receipts in Advance		
Devolved Formula Capital	1,194	1,740
Academy Grant	0	1,764
Schools Basic Need	1,546	0
Regional Growth Fund	2,156	0
Transport Funding	836	0
Other Grants	1,516	666
s106 and other Contributions	5,789	4,951
Total	**13,037**	**9,121**
Revenue Grants Receipts in Advance		
Dept of Health - Extra Care Grant	1,084	1,084
Dept of Education - Various	69	151
Dept of Transport - Various	1,115	0
Learning and Skills Council - Adult Education Funding	175	287
Department of Energy and Climate Change - Fuel Poverty and Green Deal Fund	0	238
Other Govt Bodies	349	359
Total	**2,792**	**2,119**

The totals for 2012-13 have been restated (increased by £3.2m) to include a number of Section 106 developer contributions that were previously recorded as part of the creditors category on the balance sheet. This ensures that all external funding received towards future capital works is now reflected in this note.

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 (2012-13 comparators shown in brackets, as the process for administering Non Domestic Rates) has changed in 2013-14 comparators for 2012-13 are not meaningful)

• Funding from Govt	Note 36	£444m (£514m)
• Non Domestic Rates Share Payable	Collection Fund	£75m (NA)
• Non Domestic Rates Tariff/Levy Payments	Note 11	£25m (NA)

The Council undertakes significant transactions with the Cheshire Police Authority and Cheshire Fire and Rescue Service. These relate to payment of Council Tax income collected on behalf of both bodies and Non Domestic Rates collected on behalf of Cheshire Fire. These values are disclosed in the Collection Fund Account and amount to payments of £16.8m (Police) and £7.4m (Fire) in respect of Council Tax Precepts and £1.5m (Fire) in respect of shares of Non Domestic Rates income.

The Council undertakes transactions with the Pension Fund in the form of contributions to fund future Pension payments for Council employees valued at £28m (2012-13 £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 £1.4m (2012-13 £0.1m). 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 2013-14 the Council itself spent £10.5m delivering services jointly with Cheshire East Borough Council; £3.8m of these costs were subsequently recharged to Cheshire East. These transactions are disclosed in Note 49.

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.

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. In 2013-14 the Council launched a new group of companies, Vivo Care Choices and Cheshire Provider Services, to operate as a provider of social care and in 2014-15 will add CoSocius as a provider of back office support services. The Council holds significant influence over all of these companies as they receive funding from the Council, the Council has governance responsibilities and Members or Officers occupy seats on their boards. 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 2013-14 this figure was £11.0m. Since the start of 2013-14 responsibility for Public Health services sits with the Council but it still works in partnership with NHS bodies to determine the most effective way of utilising the £13.4m of government funding linked to the 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 2013-14 amounted to £3.6m (£3.9m in 2012-13). On review of these payments the Council does not feel that any undue influence is exerted on these organisations as a result of the contributions made.

The Council made a £50k loan to Blacon Community Trust in December 2013 to support the Trust while it is addressing the restructuring of its ongoing activities. The loan was made at an interest rate which was consistent with the prevailing rates available from the Public Works Loan Board at that time. The loan is due to be repaid in instalments over the next three years.

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 2013-14 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	2013-14 £000	Restated 2012-13 £000
Booher Construction Services Limited	137	95
ASC Developments	4	4
ARCH Initiatives	89	0
Total	**230**	**99**

In 2012-13 Chester and District Housing Trust, Muir Housing and Weaver Vale were included in the above table as Councillors still held positions of influence over these bodies, through seats on their boards or 'golden shares'. In March 2013 the Council surrendered its golden share as part of the takeover of Chester and District by Sanctuary Housing, it has also given up its seats on the boards of the other bodies. As a result these organisations have been dropped from the disclosure. The Council continues to do business with these bodies in 2013-14 incurring costs of £3.6m with CDHT, £0.9m with Muir and £1.1m with Weaver Vale. As major suppliers of social housing in the borough this level of activity is not unusual. The significant increase in transactions to Chester and District Housing Trust is due to one off grant funding for the residential development at the Parade in Blacon.

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 2013-14.

38. Capital Expenditure and Financing

The Council's Capital Financing Requirement has risen in year as capital costs (£99.5m) have exceeded funding set aside (£77.1m). The overall Capital Financing Requirement will be funded from a combination of future revenue contributions, capital receipts and external funding.

	2013-14 £000	Restated 2012-13 £000
Opening Capital Financing Requirement	378,036	352,523
Capital Investment		
- Expenditure on capital assets		
- Property, plant and equipment	86,414	97,471
- Heritage assets	3,696	3,056
- Investment assets	729	2,186
- Intangible assets	278	12
- REFCUS - expenditure of a capital nature	8,391	6,278
- Reduction in value of capital debtors	0	152
- Costs of disposal (incurred pre disposal)	14	4
Total	**99,522**	**109,159**
Sources of Finance		
- Capital Receipts applied	-17,003	-6,647
- Govt grants and contributions applied	-28,355	-50,206
- Tfr from unapplied grants and contributions	-947	-2,296
- Revenue contributions	-2,329	-3,386
- Income from repayment of capital debtors	-25	-26
- Refund prior year costs of disposal	-10	-18
- Release of surplus capital creditors	-1,149	-22
- Capital and other reserves	-10,701	-5,917
- Revenue provision for debt repayment	-16,609	-15,128
Total	**-77,128**	**-83,646**
Closing Capital Financing Requirement	**400,430**	**378,036**
Explanations of Movement in Year		
Increase in underlying need to borrow (unsupported)	20,712	12,548
Assets acquired under finance leases	1,671	12,965
Assets acquired under PFI/PPP contracts	11	0
Increase in Capital Financing Requirement	**22,394**	**25,513**

For clarity of comparison the 2012-13 column has been restated to show reimbursements for any advance costs of disposal (incurred the year before an asset's sale) incurred in 2011-12 as a source of finance. In the 2012-13 Accounts the balance of £18k reimbursed from the Capital Receipts Reserve was shown as part of the capital investment section and netted of against the £4k of new advanced costs of disposal incurred that year.

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.

Movements in the values of Finance Lease Assets	Vehicles, Plant and Equipment 2013-14 £000	Vehicles, Plant and Equipment 2012-13 £000
Net Book Value at 1 April	12,302	2,286
New Leases	1,671	12,965
Depreciation	-3,090	-2,922
Disposals	-320	-27
Value at 31 March	**10,563**	**12,302**

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	2013-14 £000	2012-13 £000
Current (payable within 1 year)	2,666	2,715
Non Current	8,418	10,008
Finance costs payable in future years	939	1,187
Minimum lease payments	**12,023**	**13,910**

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

Age Profile of Finance Lease Payments	Minimum Lease Payment		Finance Lease Liabilities	
	2013-14 £000	2012-13 £000	2013-14 £000	2012-13 £000
No later than one year	3,070	3,148	2,666	2,715
Between one and five years	8,093	8,426	7,577	7,721
Later than five years	860	2,336	841	2,287
	12,023	**13,910**	**11,084**	**12,723**

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 2013-14, £149k 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 2014 to making payments of £10.2m 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 2013-14 were £0.7m.

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 2013-14 was £0.5m.

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 113 employees whom are part of this scheme with an annual cost of £0.5m. 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	2013-14 £000	2012-13 £000
No later than one year	1,120	977
Between one and five years	2,765	2,197
Later than five years	6,338	5,530
	10,223	**8,704**

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 forms part of the commercial properties trading account. As at 31 March 2014 the outstanding income linked to future usage of these properties was as below.

Age Profile of Sublease payments receivable	2013-14 £000	2012-13 £000
No later than one year	191	145
Between one and five years	514	400
Later than five years	3,074	3,038
	3,779	**3,583**

The lease payments payable and sublease income receivable in 2013-14 is:

Lease payments and Sublease receivable	2013-14 £000	2012-13 £000
Minimum Lease payments	105	131
Sublease Payments Receivable	-191	-158
	-86	**-27**

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 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	2013-14 £000	2012-13 £000
No later than one year	8,163	7,997
Between one and five years	17,906	19,310
Later than five years	174,708	221,486
	200,777	**248,793**

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	2013-14			2012-13		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Net Book Value	7,221	21,414	**28,635**	7,378	22,223	**29,601**
Additions	4	7	**11**	0	0	**0**
Depreciation	-157	-809	**-966**	-157	-809	**-966**
Closing Net Book Value	**7,068**	**20,612**	**27,680**	**7,221**	**21,414**	**28,635**

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 the net cost of services delivered in 2013-14
- 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	2013-14			2012-13		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Service Costs	733	-11	**722**	855	-14	**841**
Financing Costs	780	1,005	**1,785**	797	1,037	**1,834**
Contingent Rents	126	88	**214**	84	68	**152**
Liability Repayment	341	734	**1,075**	213	711	**924**
Lifecycle Costs	4	7	**11**	0	0	**0**
Total	**1,984**	**1,823**	**3,807**	**1,949**	**1,802**	**3,751**

The spread of the Unitary Payment shown above (and the liability balances on the following page) reflect a presumption that the Council's Unitary Payments are the primary means by which the PFI operator is recovering the costs of constructing these assets and that any third party income generated through operating the sites is instead used to subsidise the schemes operational running costs (in effect reducing the service costs recorded above). The Council believes that this approach best reflects the way the schemes are operated as the contractor is solely responsible for collecting any third party income and utilising it to finance the services provided on the site, the contractor therefore bears the risk of any shortfall in those income levels or increases in those costs.

Had the Council instead assumed that the third party income was in part committed to funding the upfront construction costs with only a proportion being available to reduce net running costs then accounting standards would have required these transactions to be recorded differently in the Council's Accounts. As the Unitary Payment would only need to finance part of the construction cost, the Council would hold a lower value PFI liability and make a reduced annual repayment against that value. However, there would be an offsetting increase in the scale of the net operating cost as there is now less available operating income being generated by the sites due to it being top-sliced to fund capital repayments.

To allow the reader to understand the consequences of the assumptions used, the impacts of adopting the alternate approach are set out here. Had the third party income for the extra care scheme (there is no significant income for the School scheme) been split between capital and revenue usage then the figures presented above would show a £0.2m higher net service cost offset by an similarly reduced liability repayment. The levels of gross income and expenditure recognised in the Adult Social Care line of the CIES would be marginally higher (£0.2m), net spend would not be impacted. The outstanding PFI liability balance (see below) would decrease by approximately £5m, but there would be a need to recognise a new deferred income creditor of the same value to reflect the fact that a proportion of the schemes income streams were committed to repaying capital costs. The overall levels of liabilities reported would therefore be unaffected.

Movement in Liability during the year	2013-14			2012-13		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Liability	-9,919	-21,899	**-31,818**	-10,132	-22,610	**-32,742**
Payments made in year	341	734	**1,075**	213	711	**924**
Closing Liability	**-9,578**	**-21,165**	**-30,743**	**-9,919**	**-21,899**	**-31,818**

Future Payments under the PFI Contracts	Service Costs £000	Principal Payments £000	Capital Costs £000	Interest £000	Total £000
Schools					
Obligations Payable in 2014-15	628	290	78	754	1,750
Due between 2015-16 and 2018-19	2,824	1,106	580	2,790	7,300
Due between 2019-20 and 2023-24	4,147	1,900	669	2,932	9,648
Due between 2024-25 and 2028-29	4,789	2,868	519	2,043	10,219
Due between 2029-30 and 2033-34	4,713	3,414	848	770	9,745
Total	**17,101**	**9,578**	**2,694**	**9,289**	**38,662**
Extra Care					
Obligations Payable in 2014-15	121	502	204	1,011	1,838
Due between 2015-16 and 2018-19	528	2,257	829	3,873	7,487
Due between 2019-20 and 2023-24	648	3,690	1,004	4,351	9,693
Due between 2024-25 and 2028-29	1,166	3,915	1,663	3,368	10,112
Due between 2029-30 and 2033-34	1,635	4,548	2,302	2,100	10,585
Due between 2034-35 and 2038-39	945	6,253	1,222	1,864	10,284
Total	**5,043**	**21,165**	**7,224**	**16,567**	**49,999**

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 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	2013-14			2012-13		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Balance	3,837	759	**4,596**	3,477	659	**4,136**
In Year Additions	229	102	**331**	360	100	**460**
Closing Balance	**4,066**	**861**	**4,927**	**3,837**	**759**	**4,596**

41. Impairment Losses

During 2013-14 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 £2.2m (2012-13 £5.6m) and this cost has been reflected in the surplus or deficit on provision of services in the CIES. This balance included impairment of both non-current assets (£1.0m) and capital debtors (£1.2m) which will not be collectable. The debtor balance was the impairment of a capital debtor reflecting future lease income for a range of former Council care homes. The Council agreed to terminate this arrangement early, enabling the freehold on the premises to be sold. The impairment loss on the termination of the lease (£1.2m) was therefore offset by a capital receipt of £3m.

In addition to impairment losses the Accounts also include a number of revaluation losses (£24m). These are not linked to a specific deterioration in the operating capacity of the asset but are instead due to changes in the basis of valuation or the underlying market within which the assets operate. The only individually material item reflects the carrying value of the Forum Shopping Centre in Chester. This facility was acquired during 2013-14 as a key part of the Council’s strategic initiative to redevelop the Northgate area of the city. The purchase value (£19m) reflected the value of the site to the Council as it unlocks the potential of the wider Northgate site for development. For Statement of Accounts purposes, it would be inappropriate to record the asset at a value based on its future usage as it will be some years before this value can be realised, instead the facility is recorded at a value consistent with its current operational capacity (£10m).

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. Borrowing costs can only capitalised where there is a significant period between when the funded expenditure is incurred and the relevant asset becoming operational. These conditions were not met in 2013-14 so no borrowing costs have been capitalised.

During 2013-14 the Council undertook a range of borrowing to support capital projects.

- £15m was borrowed to support the purchase of the Forum Shopping centre, the purchased asset was brought into immediate usage so no borrowing costs are being capitalised.
- £62m was borrowed to support the development of Barons Quay, Northwich. No material costs have been funded from this borrowing as at 31 March 2014 so no interest costs can currently be capitalised. It is expected that as this project is progressed in future years the interest costs incurred during the development/construction period will be capitalised.
- £11m was borrowed to support the core capital programme, this funded expenditure across a wide range of projects rather than a specific scheme, as such the interest costs incurred cannot be 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 2013-14, the Council paid £10.9m to Teachers' Pension in respect of teachers' retirement benefits (£11.7m in 2012-13), 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.

On transfer of Public Health from Clinical Commissioning Groups the Council inherited a small number of workers who are members of the NHS Pension Scheme. This scheme is a defined benefit scheme but similarly to the Teachers' Pension Scheme must be treated as a defined contribution scheme. Contributions made in 2013-14 equated to £0.2m representing 24.5% of pensionable pay.

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.

The Cheshire Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the Fund is the responsibility of the full Council within Cheshire West and Chester Council, supported by the Pensions Committee. The Fund's policies and investment strategy are set by the Committee and administered by the Director of Resources and Head of Finance from Cheshire West and Chester.

The principal risks to the authority are the assumptions on longevity, inflation, salary changes, investment returns and changes in the structure of the fund. Consideration of these risks is included at the end of this note. The information contained below is based on best estimates for these assumptions based on the advice of the Fund's actuary, Hymans Robertson.

In 2013-14 the Council paid employer contributions of £28.3m (£28.6m in 2012-13) into the Cheshire Pension Fund (the Fund). This represented 22.3% of employees (other than teachers) pensionable pay. The rate of employer contributions due to the fund is determined every three years and is based on a valuation by the Fund's actuary. The valuation effective for the 2013-14 financial year was undertaken as at 31 March 2013.

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 also funds discretionary early retirement benefits for teachers and this scheme is unfunded. The Council paid £6.0m in 2013-14 in relation to this scheme, of which £3.4m 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 presentation of pension disclosures has been amended in the 2013-14 Accounts following the Code's adoption of an updated IAS 19 (Employee Benefits). The primary effect of the new standard is to change how investment income earned on scheme assets is recorded in the Accounts. There is no impact on the value of the resulting pension assets, liabilities or deficit. The comparative 2012-13 information in the table below has been restated to reflect the new reporting requirements, more detail is shown in Note 53.

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 are 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 during the year:

	LGPS 2013-14 £000	Teachers Un-funded Scheme 2013-14 £000	Total 2013-14 £000	Restated LGPS 2012-13 £000	Restated Teachers Un-funded Scheme 2012-13 £000	Restated Total 2012-13 £000
Comprehensive Income and Expenditure Statement						
Service cost comprising:						
Current service cost	29,744		29,744	24,452		24,452
Past service costs and curtailments	744		744	1,497		1,497
(Gain)/Loss from settlements	-5,314		-5,314	-1,588		-1,588
Financing and Investment Income and Expenditure						
Net Interest Cost	15,115	1,554	16,669	12,758	1,653	14,411
Total post-employment benefits charged to Surplus or Deficit on the Provision of Services (SDPS)	40,289	1,554	41,843	37,119	1,653	38,772
Other post-employment benefits charged to the Comprehensive Income and Expenditure Satement						
Remeasurement of the net defined benefit liability comprising:						
Return on plan assets (excluding the amount included in the net interest expense)	-27,715		-27,715	-67,793	0	-67,793
Actuarial -Gains / Losses arising on changes in demographic assumptions	-26,298	-897	-27,195	0	0	0
Actuarial -Gains / Losses arising on changes in financial assumptions	-49,784	241	-49,543	132,557	1,037	133,594
Other experience	47,406		47,406	-3,936	0	-3,936
Total post-employment benefit charged to the Comprehensive Income and Expenditure Account	-16,102	899	-15,203	97,947	2,689	100,636
Movement in Reserves Statement						
Reversal of net charges made to the SDPS for post-employment benefits	-40,289	-1,554	-41,843	-37,119	-1,653	-38,772
Actual amount charged against the General Fund						
Employers' contributions	28,343		28,343	28,616		28,616
Retirement Benefits Payable		2,595	2,595		2,595	2,595

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	LGPS 2013-14 £000	Teachers 2013-14 £000	Total 2013-14 £000	LGPS 2012-13 £000	Teachers 2012-13 £000	Total 2012-13 £000
Present value of obligations	-1,244,979	-34,117	-1,279,096	-1,240,465	-35,814	-1,276,279
Fair value of plan assets	949,997	0	949,997	901,038	0	901,038
Net Pension Liability	**-294,982**	**-34,117**	**-329,099**	**-339,427**	**-35,814**	**-375,241**

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilitites	LGPS 2013-14 £000	Teachers 2013-14 £000	Total 2013-14 £000	LGPS Restated 2012-13 £000	Teachers Restated 2012-13 £000	Total Restated 2012-13 £000
Opening Balance	1,240,465	35,814	1,276,279	1,077,157	35,719	1,112,876
Current Service Costs	29,744		29,744	24,452		24,452
Interest Cost	54,829	1,554	56,383	50,535	1,653	52,188
Contribution by Scheme Members	7,630		7,630	7,915		7,915
Remeasurement (gains) and losses:						
Actuarial (gains)/losses arising from changes in demographic assumptions	-26,298	-897	-27,195	0		0
Actuarial (gains)/losses arising from changes in financial assumptions	-49,784	241	-49,543	132,557	1,037	133,594
Other experience	47,406		47,406	6,943		6,943
Benefits Paid	-40,201	-2,595	-42,796	-36,343	-2,595	-38,938
Past Service Costs & curtailments	744		744	1,497		1,497
Liabilities Extinguished on Settlement	-19,556		-19,556	-24,248		-24,248
Closing balance at 31 March	**1,244,979**	**34,117**	**1,279,096**	**1,240,465**	**35,814**	**1,276,279**

Movement in Fair Value of Assets	LGPS 2013-14 £000	Teachers 2013-14 £000	Total 2013-14 £000	LGPS Restated 2012-13 £000	Teachers Restated 2012-13 £000	Total Restated 2012-13 £000
Opening Balance	**901,038**		**901,038**	**807,061**		**807,061**
Interest income	39,714		39,714	37,777		37,777
Remeasurement (gains) and losses:						
Return on plan assets, excluding the amounts included in net interest	27,715		27,715	67,793		67,793
Other	0		0	10,879		10,879
Employer Contributions	28,343		28,343	28,616		28,616
Contribution by scheme members	7,630		7,630	7,915		7,915
Contibutions - unfunded benefits		2,595	2,595		2,595	2,595
Benefits paid	-40,201		-40,201	-36,343		-36,343
Unfunded benefits paid		-2,595	-2,595		-2,595	-2,595
Assets distributed on Settlement	-14,242		-14,242	-22,660		-22,660
Closing balance at 31 March	**949,997**	**0**	**949,997**	**901,038**	**0**	**901,038**

Local Government Pension Scheme Assets

The Local Government Pension Scheme's assets consist of the following categories, showing whether the investment is in assets quoted in active markets or not.

	Quoted Prices in active markets 2013-14 £000	Quoted Prices not in active markets 2013-14 £000	Total 2013-14 £000	Share of Total Assets %	Quoted Prices in active markets 2012-13 £000	Quoted Prices not in active markets 2012-13 £000	Total 2012-13 £000	Share of Total Assets %
Cash & Cash Equivalents		**3,755**	**3,755**	**0.4%**		**4,062**	**4,062**	**0.5%**
Equity Securities:								
By industry type:								
Consumer	125,021		125,021	13.2%	113,901		113,901	12.6%
Manufacturing	43,395		43,395	4.6%	46,188		46,188	5.1%
Energy and Utilities	26,029		26,029	2.7%	20,317		20,317	2.3%
Financial Institutions	47,578		47,578	5.0%	35,405		35,405	3.9%
Health and Care	11,571		11,571	1.2%	11,835		11,835	1.3%
IT	37,109		37,109	3.9%	29,802		29,802	3.3%
Other	29,350		29,350	3.1%	29,883		29,883	3.3%
	320,053	**0**	**320,053**	**33.7%**	**287,331**	**0**	**287,331**	**31.8%**
Debt Securities								
Other		56,604	56,604	6.0%		51,904	51,904	5.8%
	0	**56,604**	**56,604**	**6.0%**	**0**	**51,904**	**51,904**	**5.8%**
Private equity:		**51,652**	**51,652**	**5.4%**		**57,120**	**57,120**	**6.3%**
Real Estate:								
UK		59,942	59,942	6.3%		52,502	52,502	5.8%
Overseas		3,274	3,274	0.3%		3,628	3,628	0.4%
	0	**63,216**	**63,216**	**6.6%**	**0**	**56,130**	**56,130**	**6.2%**
Investment funds and unit trusts:								
Equities	155,522		155,522	16.4%	190,630		190,630	21.2%
Bonds	165,855		165,855	17.5%	125,390		125,390	13.9%
Hedge Funds		133,340	133,340	14.0%		128,471	128,471	14.3%
	321,377	**133,340**	**454,717**	**47.9%**	**316,020**	**128,471**	**444,491**	**49.4%**
Total Assets	**641,430**	**308,567**	**949,997**	**100.0%**	**603,351**	**297,687**	**901,038**	**100.0%**

The table above shows that the Pension Fund has spread its (and by extension the Council's) investments across a broad range of assets with a third of the assets held in equity securities, nearly half in investment funds and unit trusts and the remainder spread across other markets. There has been no significant shift in the allocation of the assets over the last 12 months.

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 2013. The principal assumptions used by the actuary have been:

	LGPS 2013-14	Teachers Unfunded Liabilities 2013-14	LGPS 2012-13	Teachers Unfunded Liabilities 2012-13
Financial Assumptions				
Rate of increase in salaries	3.6%	n/a	5.1%	n/a
Rate of increase in pensions	2.8%	2.6%	2.8%	2.8%
Discount rate used				
Rate used to Discount liabilities	4.3%	4.1%	4.5%	4.5%
Demographic Mortality Assumptions				
Longevity at 65 for current pensioners				
Men	22.3 years	22.3 years	22.9 years	22.9 years
Women	24.4 years	24.4 years	25.7 years	25.7 years
Longevity at 65 for future pensioners				
Men	24.1 years		24.9 years	
Women	26.7 years		27.7 years	
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.				

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies of the scheme, on an actuarial basis using the projected unit credit method.

Sensitivity analysis - impact on the defined benefit obligation in the scheme	Increase in assumption		Decrease in assumption	
	LGPS £000	Teachers £000	LGPS £000	Teachers £000
Longevity (change by 1 year)	37,349	1,023	-37,349	-1,023
Salary inflation (change by 0.5%)	68,622	0	-68,622	0
Pension inflation (change by 0.5%)	164,432	1,352	-164,432	-1,352
Discount rate (change by 0.5%)	-117,684	-669	117,684	669

Impact on the Council's Cash Flows

A key objective of the Pension Fund is to keep employer's contributions at as constant a rate as possible. The Council has agreed a strategy with the actuary that would achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis to achieve this. The contribution rates are specifically reconsidered on a triennial basis with the latest assessment taking effect from 2014-15. The scheme offers protections whereby any increases in Council pension contributions are capped to 0.5% per year as long as this will still achieve the balanced fund in the planning period.

The 2014 assessment will take account of the national changes to the scheme under the Public Pension Services Act 2013. Under this Act the current LGPS arrangements will be replaced for service after 1 April 2014 with a career average earning scheme. This will impact on the rate at which Council accrues pension liabilities from 1 April 2014 onwards and will start to take effect from next year's Accounts.

The estimated LGPS pension contributions to be made by Cheshire West and Chester in 2014-15 is £27.6m.

The weighted average duration of the defined benefit obligation is 18 years. This reflects that fact that on average there is an expectation that each person in the fund will receive pension payments for an 18 year period once they become eligible. The average outstanding period is clearly lower for those who are already pensioners and higher for those who are yet to reach a pensionable age.

	Liability Split	Average Duration (Years)
Active members	37.6%	24.5
Deferred members	15.0%	23.7
Pensioner members	47.4%	12.0
Weighted Average		**18.0**

45. Contingent Liabilities

At 31 March 2014, 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 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 £0.5m 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.

Non Domestic Rates – Appeals
Since April 2013 and the localisation of Non Domestic Rates, the Council is directly responsible for a proportion (49%) of the rates income collected through the Collection Fund each year. This responsibility brings with it a requirement to recognise any outstanding creditors and debtors on the Council's closing balance sheet. One such item that now needs to be recognised is the cost that may arise from appeals against rating assessments that have been logged with the Valuation Office Agency. These appeals seek to reduce the contributions that individual companies make and if successful will require the Council to refund backdated payments to the relevant companies.

The Council has carried out a review of existing claims and estimated the probability that those claims will be successful and the resulting costs if they are. These costs are reflected in a provision on the balance sheet (see Note 23). However, it is not possible to make a reasonable estimate of the impact from additional claims that have yet to be lodged. As claims can be backdated for several years it is possible that additional appeals may be lodged relating to 2013-14 or earlier years and if successful these will result in a cost to the Council.

While it is highly likely some claims will emerge, it is not possible to predict which companies will lodge these claims, the period they relate to or their value so no meaningful estimate can be made as to the costs. Therefore no allowance has been made within the Accounts. Where such costs are incurred in 2014-15 and they cannot be met from the provision held they will be recorded against the new year. As more evidence emerges over time about the pattern of appeals it is likely that a reasonable estimate will become possible and this contingent liability disclosure will no longer be required.

Waste Collection Contract
The Council is in discussion with its waste collection contractor regarding disputes over whether any adjustments will be required to the contract payments the Council has made to date or those in the future. The discussions concern the whether the contract price adequately reflects the costs of additional collections

over and above those assumed when tendering for this work. The Council has counter claims against the contractor in relation to volumes of landfill used during the contract to date. The Council believes that the net costs of any settlement will be minimal.

46. Contingent Assets

At 31 March 2014, 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 the year 2013-14 was largely unchanged from that in 2012-13. The strategy allowed the Council to deposit up to £20 million with UK banks and building societies that met specified criteria the most objective being a requirement to have a long term credit rating equivalent of at least A-.

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 2013-14 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.

In March 2014 the Council placed 2 fixed term deposits with UK banks and purchased 1 certificate of deposit issued by a UK bank. These deposits reflected the decision of the Council to borrow monies in respect of the construction costs on Barons Quay in Northwich (see interest rate risk section below).

For the year 2014-15 the number of organisations that the Council can place monies with has been increased by the addition of seven major Australian, European and North American banks that have a long term credit rating of at least A+. In addition the maximum amount that can be deposited with any one organisation has been reduced from £20 million to £10 million. Both of these changes have been made in order to reduce the credit risk faced by the Council. Under new UK and EU legislation in future, should a bank get into difficulty, then Central Governments will only be able to provide support to such banks if shareholders, unsecured bondholders and large deposit holders have first suffered a significant write down in the value of their shares and bonds or in the size of their deposits.

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 2014	58,220
Certificates of Deposit	AA-	AA-	1st April 2014	10,001
Call Account	A	A	1st April 2014	28,386
Fixed Term Deposit	A	A	18th March 2015	10,000
Fixed Term Deposit	A	A	26th September 2014	10,000

Risk Associated with each form of Financial Asset	Amount at 31 March 2014 £000	Historical (10 year) experience of default at 31st March 2014 %	Estimated maximum exposure to default & uncollectability £000
Deposits with banks and building societies			
AA- Rating	10,001	0.03	3
A Rating	48,386	0.03	15
Money Market Funds			
AAA Rated	58,220	0.00	0
Bank Current Accounts	942	0.00	0
Trade and Customer Debt			
Current	37,533	1.00	375
Less than 6 months	3,202	4.00	128
6 months +	1,279	60.00	767
Housing Revenue Account	1,894	70.00	1,326
	43,908		**2,596**

The Trade and Customer Debt figure includes £37.5m 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.

Of the total debt outstanding in relation to the Housing Revenue Account, 73% is over 6 months old. The risk associated with this is reflected in the higher percentage used for the estimated maximum exposure to default and collectability.

The Trade and Customer Debt balance includes £12.02m of invoiced debt. The Authority generally allows its customers 28 days credit; £4.48m 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	2,468
3 to 6 months overdue	734
6 months to 1 year overdue	189
More than one year overdue	1,090
Total	**4,481**

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 endeavours to even out the maturity profile of its existing long term loans such that, where possible, no more than £10 million of loans will mature in any given 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	Other Local Authorities £000	Total 2013-14 £000
In the next financial year	6,873	276	46	7,195
In the following financial year	2,506	0	0	2,506
In 2 to 5 years	78	0	0	78
In 5 to 10 years	4	0	0	4
In 10 to 15 years	3,444	0	0	3,444
In 15 to 20 years	23,766	0	0	23,766
In 20 to 25 years	16,574	0	0	16,574
In 25 to 30 years	14,837	12,515	0	27,352
In 30 to 40 years	40,734	0	0	40,734
In 40 to 50 years	12,285	5,211	0	17,496
Total	**121,101**	**18,002**	**46**	**139,149**

Profile of Borrowing in relation to Housing Revenue Account activities	Public Works Loans Board £000	Banks £000	Other Local Authorities £000	Total 2013-14 £000
In the next financial year	1,595	90	9	1,694
In the following financial year	1,620	0	4,000	5,620
In 2 to 5 years	5,177	0	0	5,177
In 5 to 10 years	27,907	0	0	27,907
In 10 to 15 years	11,469	0	0	11,469
In 15 to 20 years	13,429	0	0	13,429
In 20 to 25 years	15,699	0	0	15,699
In 25 to 30 years	10,696	5,113	0	15,809
In 30 to 40 years	0	0	0	0
Total	**87,592**	**5,203**	**4,009**	**96,804**

Profile of Borrowing in relation to Northgate and Barons Quay	Public Works Loans Board £000	Banks £000	Other Local Authorities £000	Total 2013-14 £000
In the next financial year	2,761	0	0	2,761
In the following financial year	2,480	0	0	2,480
In 2 to 5 years	7,440	0	7,000	14,440
In 5 to 10 years	27,400	0	0	27,400
In 10 to 15 years	12,400	0	0	12,400
In 15 to 20 years	12,400	0	0	12,400
In 20 to 25 years	12,400	0	0	12,400
Total	**77,281**	**0**	**7,000**	**84,281**

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

The Council is now showing a separate analysis for the development schemes for the Northgate and Barons Quay projects as this funding is being held discretely.

The Council is using its financial strength to progress retail developments at Barons Quay, Northwich and Northgate, Chester. The Council is acting in the capacity of full developer for Barons Quay, and is in the early stages of the developer role taking forward the Northgate scheme. Development schemes naturally carry risks and this innovative approach requires the Council to manage those risks closely.

In the case of Barons Quay many of the financial risks associated with a large development have already been addressed by the development team. The Council has raised the fixed rate loans required to fund the scheme to practical completion, thus providing security of funding and certainty of cost. Under the model adopted by the Council the capital financing costs associated with the scheme will be wholly funded from new income streams. The Council therefore bears the risk that future rental incomes will not cover the cost of interest and capital repayments.

However, the scheme is underpinned by unconditional 20 and 25 year leases of the key anchor tenants (Foodstore and Cinema). The income from these anchor tenants plus associated restaurant tenancies comfortably exceeds the interest payments on the total scheme which are estimated at £2.2m at the peak. The Council is therefore confident that it is not taking undue risks on future income streams.

The Council has determined to adopt a similar model for the Northgate scheme which is at a much earlier stage of development. The Council has incurred costs relating to site assembly which it is anticipated will be recovered through the further development of the scheme. In adopting this approach the Council again bears the risk that future income streams do not materialise. Given that the scheme is at an earlier stage of development and therefore carries an increased level of risk, the Council has earmarked £2.5m as part of its reserve strategy to fund the ongoing costs up until the point at which the scheme goes unconditional and the future of the scheme is secured.

Interest Rate Risk

Interest rate risk is the risk that unexpected changes in interest rates may 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 shield the Council from increases in long term interest rates.

In March 2014, following a decision of full Council, a new long term loan was raised in order to fund the construction works that will be undertaken at Barons Quay, Northwich. By raising the loan in March 2014 the Council sought to secure for itself the benefit of the historically low rates of interest available at that time thereby eliminating one area of risk from the project.

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 2013-14 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	-334
Increase in interest payable on variable rate loans	94
Impact on Income and Expenditure Statement	**-240**
Reduction in the fair value of fixed rate borrowing (notional impact only)	-17,198

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 financial year 2013-14 the Council issued no capital instruments such as share capital, loan capital, debentures, bonds or other forms of debt instrument.**48. Interests in Companies**

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

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

Summary information about each organisation has been included below.

The Council, in partnership with Cheshire East Borough Council, has subsequently created a further standalone company in May 2014 to deliver back office functions to both Councils. Further companies may follow at a later stage either as wholly owned subsidiaries or owned in partnership with other local authorities.

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 organisations 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 (under the banner of Sanctuary Housing), 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 2014.

A proposal has been approved for a range of assets owned by the Council to be transferred to Avenue Services under a long term leasehold basis. These transfers had not taken place by 31st March 2014 but will affect Council balances in future years. The current value of those assets anticipated to transfer is estimated to be under £2m.

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 2013-14.

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 2013-14 the subsidy reduced by £0.1m to £0.9m.

Financial statements for the CIC for the period to 31 March 2014 show the gross profit generated from activities in 2013-14 was £6.9m (2012-13 £6.7m). Before accounting for pension adjustments the loss for the period was £0.36m.

The statement of financial position for the period shows total assets for the CIC at the end of the period of £0.7m but these are offset by £0.9m of creditors. The most significant assets held are debtors of £0.5m. A net pension liability of £1.56m exists (£2.1m in 2012-13) 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 net loss for the year of £0.36m 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 2013-14 are included below.

Summary of Statement of Financial Position	**31 Mar 2014 £000**	**31 Mar 2013 £000**
Non current assets	38	35
Current assets	704	1,270
Total Assets	**742**	**1,305**
Current liabilities	-940	-1,309
Non current liabilities	-1,560	-2,145
Total Liabilities	**-2,500**	**-3,454**
Total Assets and Liabilities	**-1,758**	**-2,149**
Total Equity	**-1,758**	**-2,149**
Summary Statement of Comprehensive Income for the year	**2013-14 £000**	**2012-13 (Restated) £000**
Gross profit for continuing operations	6,869	6,663
Other operating income	53	436
Administrative expenses	-7,185	-7,112
Operating Loss	**-263**	**-13**
Net finance costs	-97	-62
Loss for the period	**-360**	**-75**
Actuarial gains/(losses)	751	-787
Total Profit/(Loss) for the year	**391**	**-862**

Cheshire Provider Services/ Vivo Care Choices
In December 2013 the Council created a wholly owned company to deliver its non-residential adult social care services. The Council owns a 100% stake in a management company (Cheshire Provider Services Trading Company) which in turn owns 100% of Vivo Care Choices, the ultimate care provider.

The new companies lease all their premises from the Council under a peppercorn rent agreement and at present the Council is the sole material customer. The company is governed by five executive directors and one non-executive representative appointed by the Council. The company is contracted to provide services until December 2018.

The draft financial statements for the four months to 31 March 2014 show a gross profit of £0.79m, which after offsetting administrative costs, interest and tax reduces to a net profit of £0.12m for the period. The company is reporting a significant pension deficit of £3.9m arising from the actuarial valuation of the company's pension assets and liabilities. As with Brio the Council has provided a pensions guarantee and would ultimately be responsible for funding this deficit should CPS/Vivo be unable to do so. The scale of this deficit is not material in the context of the Council's wider deficit.

Total assets for the period of £2.4m are largely offset by liabilities of £2.2m. These include offsetting debtor and creditor balances of £1.1m for which the Council is the primary counterparty, £1.2m in cash balances and a £1.1m loan repayable to the Council. The loan was advanced to the company to enable them to manage cash flows during its initial operational period.

A summary of the draft Statement of Financial Position and the Summary Statement of Comprehensive Income for the four months trading to 31 March 2014 are included below. The draft position shown in the table below is subject to Audit and may change.

Summary of Statement of Financial Position	**31 Mar 2014 £000**
Non current assets	0
Current assets	2,365
Total Assets	**2,365**
Current liabilities	-2,218
Non current liabilities	-30
Net Pensions liability	-3,855
Total Liabilities	**-6,103**
Total Assets and Liabilities	**-3,738**
Total Equity	**-3,738**

Summary Statement of Comprehensive Income for the period 1 Dec 2013 - 31 Mar 2014	**2013-14 £000**
Gross profit for continuing operations	789
Administrative expenses	-633
Operating Surplus	**156**
Net finance costs	-5
Surplus for the period	**151**
Tax on profit	-34
Profit for period	**117**
Pension Scheme deficit	**-3,855**
Total Recognised loss	**-3,738**

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 £42k in 2013-14.

49. Local government reorganisation and other combinations

Since April 2009 Cheshire West and Chester Council and Cheshire East Borough Council 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 £1.9m. A liability valued at £0.9m reflecting the interest held by Cheshire East Borough Council in these assets is also included within the Council's Balance Sheet.

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 were held by Cheshire East Borough Council at the beginning of the financial year; 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. During 2013-14 the relocation reserve has been closed down with the residual balance distributed between the Councils, Cheshire West received £0.5m.

Pan Cheshire Shared Services

The Councils continue to work together to deliver a number of jointly managed services. Each Council accounts for its own share of any costs, income, assets or liabilities in accordance with their status as Jointly Controlled Operations under IAS 31. 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	2013-14 Actual Outturn			Share of Total Cost	
	East	West	Total	East	West
	£000	£000	£000	£000	£000
Hosted West					
HR and Finance	1,063	1,815	2,878	1,412	1,466
ICT	572	7,361	7,933	3,939	3,994
Civil Protection	152	132	284	142	142
Occupational Health	-7	199	192	96	96
Archives	206	148	354	177	177
Libraries	384	362	746	384	362
Rural Touring Network	12	13	25	12	13
Archaeological Service	97	131	228	97	131
Hosted East					
Farms Estates	-897	122	-775	-417	-358
Total Costs	**1,582**	**10,283**	**11,865**	**5,842**	**6,023**

The activities are overseen by a Joint Committee which ensures effective delivery of such services and provides strategic direction. The Joint Officer 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.

From May 2014 the activities of the two largest Pan Cheshire Services, HR and Finance and ICT, will be transferred out of direct Council control and will operate through an arm's length service delivery vehicle, CoSocius. This company, which is a wholly owned by the two Councils, will supply each Council with transactional back office services. Further details are contained in Note 48.

Public Health

From April 2013 the Council inherited responsibility for Public Health services which were previously provided via the local Clinical Commissioning Groups. The service is funded from a specific central government grant and the relevant expenditure and income are recorded in the CIES as a newly acquired operation in 2013-14. There were no material balance sheet items or reserves inherited from the health sector.

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 provided the legal framework for the Landfill Allowances Trading Scheme, which commenced operation on 1 April 2005.

The Landfill Allowances Trading Scheme was a 'cap and trade' scheme, which allocated tradable landfill allowances to each WDA in England up to the value of the WDA's 'cap'. These allowances are recognised and classified as current assets and measured at their fair value. Any 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.

The scheme ended on 31 March 2013 so the only transactions in 2013-14 related to the unwinding of the assets, provisions and reserves that existed at the start of the year.

In 2012-13 the Council received allowances of 51,902 tonnes which held a value of £328k. Against this it had estimated its landfill usage at 45,709 tonnes (a liability of £289k). The residual value of the allowances was placed on a reserve.

The actual landfill usage ratified by Defra in year was a lower value of 42,807 tonnes so the balances discharged in 2013-14 totalled £270k. The remaining balances no longer hold a value and have been written out of the balance sheet with the net costs of £39k being met from the opening balance on the reserve.

Landfill Allowance Trading Scheme	2013-14 £000	2012-13 £000
Current Assets		
Allowances brought forward from previous year	328	0
Derecognition of Verified Prior Year Allowances	-270	0
Writing Down of Allowances to Reflect Market Value	-58	0
New Allowances Allocated by DEFRA	0	328
Total Assets	**0**	**328**
Provisions		
Liabilities for Usage brought forward from previous year	-289	0
Reduction in Prior Year Liability Post Verification	19	0
Prior Year Liability Discharged	270	0
Liability to DEFRA for new allowances used	0	-289
Total Liability	**0**	**-289**
Total Net Assets	**0**	**39**
LATS Reserve		
Opening Balance	39	0
Transfers to/from Reserve	-39	39
Closing Balance	**0**	**39**

51. Trust Funds

During 2013-14 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.

	2013-14				
	Income £	Expenditure £	Assets £	Liabilities £	Reserves £
Continuing Trust Funds:					
The Lord Mayors Charity Fund	-18,938	12,218	18,689	0	-18,689
Held to support a range of charities supported by the serving Lord Mayor of Chester					
The Lady Mayoress Holiday Fund for Children	-1,889	2,510	75,251	0	-75,251
Established in 1925 to help provide holidays for Childen who are disadvantaged within the Cheshire West and Chester area					
Castle Park Trust Fund	-99,732	87,740	604,062	-1,359	-602,703
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	-454	0	1,871	0	-1,871
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	13,427	0	-13,427
Established in 1999 for the promotion and development of the arts in the borough of Ellesmere Port and Neston					
Charter Trustees for Ellesmere Port	-40,730	44,979	23,388	0	-23,388
Established to continue the Mayoral Function in the borough of Ellesmere Port					

52. Comparative Information

The comparative 2012-13 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. This table reflects the restatement set out in Note 53.

Comparative Income and Expenditure Statement for 2012-13	2012-13		
	Expenditure £000	Income £000	Net £000
Central Service to the Public	30,302	-26,223	4,079
Children's & Education Services	297,787	-247,904	49,883
Adult Social care	110,551	-33,649	76,902
Cultural & Related Services	20,230	-2,674	17,556
Environmental & Regulatory Services	45,375	-3,557	41,818
Planning Services	30,918	-12,619	18,299
Highways & Transport Services	55,788	-22,499	33,289
Local Authority Housing (HRA)	15,278	-20,602	-5,324
Housing Services	117,896	-100,360	17,536
Corporate & Democratic Core	5,381	-469	4,912
Non-distributed Costs	4,158	-103	4,055
Cost of Services	**733,664**	**-470,659**	**263,005**
Other Operating Income & Expenditure	65,268	-6,338	58,930
Financing & Investment Income and Expenditure	30,355	-16,780	13,575
Taxation & Non-Specific Grant Income	0	-308,202	-308,202
(Surplus)/Deficit on Provision of Services	**829,287**	**-801,979**	**27,308**
Loss on Revaluation of Assets			5,360
Remeasurement Loss on Pension Assets/Liabilities			61,865
Other Comprehensive Income and Expenditure			**67,225**
Total Comprehensive Income and Expenditure			**94,533**

53. Prior Year Restatements

In 2013-14 it has been necessary to restate the previous year's accounts to reflect retrospective adoption of new reporting requirements on pension costs and income following the adoption of a new version of IAS19 (employee benefits). The impact on the 2012-13 financial statements is outlined below.

Restatement due to IAS19

These changes are only presentational, only impacting on where expenditure and income is reported within the Comprehensive Income and Expenditure Statement (CIES) and Movement in Reserves Statement (MIRS). There is no impact on the opening or closing balance sheet as a result of the new standard.

The impact of the change was to move £5.65m of income which was previously recorded as Financing and Investment Income (F&II) and show it as a remeasurement gain/loss in the 'other comprehensive income and expenditure (OCIE)' section. This reflected the fact that returns on assets is now split across these two lines when previously all income was recorded in F&II. This line now contains the anticipated income linked to the expected returns on government bonds (4.5% in 2012-13) with any difference between this figure and the real return being shown as a remeasurement.

CIES Statement 2012-13	Original Version			Change	Restated Version		
	Spend £000	Income £000	Net £000	£000	Spend £000	Income £000	Net £000
Cost of Services	**733,664**	**-470,659**	**263,005**	**0**	**733,664**	**-470,659**	**263,005**
Other Operating Costs	65,268	-6,338	58,930	0	65,268	-6,338	58,930
Financing & Investment	30,355	-22,430	7,925	5,650	30,355	-16,780	13,575
Taxation & Non-Specific Grant	0	-308,202	-308,202	0	0	-308,202	-308,202
Deficit on Provision of Services	**829,287**	**-807,629**	**21,658**	**5,650**	**829,287**	**-801,979**	**27,308**
Loss on Revaluation of Assets	5,360	0	5,360	0	5,360	0	5,360
Remeasurement Loss on Pension	67,515	0	67,515	-5,650	61,865	0	61,865
Other Comprehensive I&E	**72,875**	**0**	**72,875**	**-5,650**	**67,225**	**0**	**67,225**
Total Comprehensive I&E	**902,162**	**-807,629**	**94,533**	**0**	**896,512**	**-801,979**	**94,533**

MIRS Statement 2012-13 Only impacted columns shown	General Fund £000	HRA £000	Unusable Reserves £000	Change £000	General Fund £000	HRA £000	Unusable Reserves £000
Balance at 31 March 2012	**21,114**	**793**	**412,356**	**0**	**21,114**	**793**	**412,356**
SDPS	-24,341	2,683	0	-5,650	-29,949	2,641	0
Other Comprehensive I&E	0	0	-72,875	5,650	0	0	-67,225
Adjustments to funding basis	31,902	-2,871	-29,332	0	37,510	-2,829	-34,982
Transfers to Earmarked Reserves	-5,900	-50	0	0	-5,900	-50	0
Balance at 31 March 2013	**22,775**	**555**	**310,149**	**0**	**22,775**	**555**	**310,149**

The supporting information in Note 44 has also been restated to reflect the new reporting requirements.

Supplementary Financial Statements – Housing Revenue Account

	2013-14	2012-13 Restated
	£000	£000
Expenditure		
Repairs and Maintenance	5,338	5,062
Supervision and Management	3,280	3,387
Special Services	1,007	1,118
Rents, rates,taxes and other charges	0	77
Depreciation and impairment of non-current assets	5,481	5,345
Debt Management costs	9	40
Increase in the allowance for bad debts	761	250
Total Expenditure	**15,876**	**15,279**
Income		
Dwelling Rents	-20,931	-19,459
Non-dwelling rents	-515	-529
Charges for services and facilities	-158	-313
Supplementary contributions towards expenditure	-287	-300
Total Income	**-21,891**	**-20,601**
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	-6,015	-5,322
HRA services' share of Corporate and Democratic Core	62	62
Net Income/Expenditure for HRA Services	-5,953	-5,260
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	-714	-234
Interest payable and similar charges	2,780	2,770
Interest and Investment Income	-2	-2
Pensions - net interest cost	10	85
Capital Grants & Contributions Receivable	-3,000	0
(Surplus) or deficit for the year on HRA Services	**-6,879**	**-2,641**

Movement on the Housing Revenue Account Statement 2013-14

	2013-14	2012-13
	£000	£000
Balance of HRA at the end of the previous year	-555	-793
(Surplus)Deficit on the HRA Income and Expenditure Account	-6,879	-2,641
Adjustments between accounting basis and funding under statute	6,640	2,829
Net (increase) or decrease before transfers to reserves	**-239**	**188**
Transfer to (from) reserves	69	50
(Increase) or decrease on the HRA	-170	238
Balance on the HRA at the end of the year	**-725**	**-555**

The balances for 2012-13 have been restated to reflect the adoption of an updated version of IAS19 (employee benefits). See Note 53 in the Council's core accounts for further explanation. The impact is an increase in the pensions net interest cost with an offsetting reduction in the adjustments line linked to a higher HRA contribution from the pension fund.

Adjustments between accounting basis and funding under statute

Adjustments between transactions recorded in accordance with the Code and those in accordance with Statute	**2013-14 £000**	**2012-13 £000**
Differences relating to interest payable and similar charges including amortisation of premiums and discounts	33	108
Differences relating to other items of income and expenditure		
Contribution to Repayment of Debt	153	227
(Gain) or loss on the sale on non current HRA assets		
- Sale proceeds	1,933	651
- Carrying amount of assets	-1,219	-417
HRA share of contributions to or from the Pension Reserve	211	-71
Removal of accumulated benefit accrual		60
Transfer to the Major Repairs Reserve		
- Funding set aside for Capital Expenditure	5,554	2,296
- Funding for Future Debt Repayment / MRA Equivalent Sum	5,456	5,320
Funding of Depreciation from the Capital Adjustment Account	-5,481	-5,345
Total Adjustments	**6,640**	**2,829**

Notes to the Housing Revenue Account

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

Description	**2013-14 No.**	**2012-13 No.**
Houses	3,088	3,129
Flats	1,756	1,758
Bungalows	640	641
Maisonettes	93	93
Total Dwellings	**5,577**	**5,621**
Garages	**1,549**	**1,559**

2. Housing Stock Valuations at 31 March

Description	**2013-14 £000**	**2012-13 £000**
Property Plant and Equipment		
- Dwellings	142,609	140,248
- Garages	1,144	1,169
Equipment	0	237
Total	**143,753**	**141,654**

3. Vacant Possession Value of Dwellings at 31 March

Description	2013-14 £000	2012-13 £000
Market value - Vacant possession	397,904	401,387
Existing use value for social housing	142,609	140,485
Difference	**255,295**	**260,902**

The difference between market value and the Balance Sheet value for dwellings represents the economic cost to the Government of providing council housing at less than open market rents. The vacant property adjustment factor for NW England is 35% for 2013-14, no change from 2012-13.

4. Major Repairs Reserve for the year ending 31 March

Description	2013-14 £000	2012-13 £000
Balance brought forward	-1,699	0
Debt repayment	1,688	1,639
Set aside voluntary debt repayment	380	369
Transfer of MRA equivalent sum	-5,456	-5,320
Decent homes backlog funding	-3,000	0
Revenue contribution to capital	-2,554	-2,296
Less capital expenditure financed from Reserve	8,633	3,909
Balance Carried Forward	**-2,008**	**-1699**

5. Housing Repairs Expenditure for the year ending 31 March

Description	2013-14 £000	2012-13 £000
Housing repairs	5,338	5,062
Total	**5,338**	**5,062**

6. Capital Expenditure in the year ending 31 March

Description	2013-14 £000	2012-13 £000
Operational assets		
- Dwellings	9,633	6,862
- Other land and buildings	0	0
Total	**9,633**	**6,862**
Funded by:		
Supported capital expenditure	-1,000	-2,762
Usable capital receipts, grants and contributions	0	-191
Capital Expenditure Financed from reserve	-8,633	-3,909
Total Funding	**-9,633**	**-6,862**

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

Description	2013-14 £000	2012-13 £000
Disposal of dwellings	1933	651
Total from disposals	**1933**	**651**

8. Depreciation in the year ending 31 March

Description	2013-14 £000	2012-13 £000
Property Plant and Equipment	5,481	5,345
Total	**5,481**	**5,345**

The depreciation charge for dwellings is equal to the notional Major Repairs Allowance (£5.456m). 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.

9. 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.

10. Rent Arrears at 31 March

Description	2013-14 £000	2012-13 £000
Current tenants	1049	923
Former tenants	616	514
Total arrears	**1,665**	**1,437**
Deduct - Provision for bad debts	-1,385	-856
Net arrears	**280**	**581**

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 2014

Collection Fund Statement	2013-14			2012-13		
	Non Domestic Rates £000	Council Tax £000	Total £000	Non Domestic Rates £000	Council Tax £000	Total £000
Income						
Council Tax Receivable	0	170,426	170,426	0	160,420	160,420
Non Domestic Rates Receivable	154,224	0	154,224	145,405	0	145,405
Council Tax Benefits	0	0	0	0	22,110	22,110
Transitional Relief	-2,360	-6	-2,366	0	-5	-5
	151,864	**170,420**	**322,284**	**145,405**	**182,525**	**327,930**
Expenditure						
Apportionment of Previous Years Surplus/(Deficit)						
Central Government	0	0	0	0	0	0
Cheshire West and Chester	0	0	0	0	-160	-160
Police Authority	0	0	0	0	-18	-18
Fire Authority	0	0	0	0	-9	-9
	0	**0**	**0**	**0**	**-187**	**-187**
Precepts Demands and Shares						
Central Government	74,964	0	74,964	144,899	0	144,899
Cheshire West and Chester	73,464	139,960	213,424	0	152,278	152,278
Police Authority	0	16,815	16,815	0	18,278	18,278
Fire Authority	1,499	7,436	8,935	0	8,083	8,083
Town and Parish Councils	0	2,431	2,431	0	2,624	2,624
	149,927	**166,642**	**316,569**	**144,899**	**181,263**	**326,162**
Charges to Collection Fund						
Write offs of uncollectible amounts	2,410	290	2,700	0	202	202
Increase/(Decrease) in Bad Debt Provision	379	1,082	1,461	0	110	110
Increase/(Decrease) in Appeals Provision	8,502	0	8,502	0	0	0
Cost of Collection	504	0	504	506	0	506
	11,795	**1,372**	**13,167**	**506**	**312**	**818**
Surplus for year	**-9,858**	**2,406**	**-7,452**	**0**	**1,137**	**1,137**
Balance on Fund Brought Forward	0	1634	1634	0	497	497
Balance on Fund Carried Forward	**-9,858**	**4,040**	**-5,818**	**0**	**1,634**	**1,634**

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. For the first time this year, as a result of the introduction of the Business Rates Retention Scheme, the Collection Fund holds balances in respect of Non-Domestic Rates and Council Tax.

2. Non-Domestic Rates

The Council are responsible, as billing authority, for collecting non-domestic rates within our area. From 2013-14, new Business Rate Retention arrangements came into force. Instead of paying over all monies collected into the national pool and then receiving a formula based re-distribution as in previous years, local authorities are now able to keep a proportion of business rates collected. 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.

Local businesses pay rates calculated by multiplying their rateable value by an amount which is specified by Government. In 2013-14 this was 47.1p in the pound (2012-13 45.8p).There is also a small business multiplier, which was 46.2p in the pound for 2013-14 (2012-13 45.0p). The total non-domestic rateable value at 31st March 2014 was £379,211,675.The income collected is then distributed between Central Government, Cheshire West and Chester and Cheshire Fire Authority in accordance with prescribed shares (50%, 49% and 1% respectively).

Under the previous arrangement Central Government bore the full effect of losses in income, caused by either non-payment or refunds given due to successful appeals against rating assessments, in the year that they were paid. Under the new scheme the cost of any successful appeals which are currently lodged with the Valuation Office Agency must be met by the Collection Fund. These appeals may relate not only to the current year but to 2012-13 and prior. A new appeals provision, estimated at £8.5m, has therefore been established to mitigate the effect of these potential costs. This charge is required to be distributed between Central Government, Cheshire West and Chester and Cheshire Fire Authority in accordance with their respective shares (see Agency Services note 31). This charge constitutes the majority of the resulting Collection Fund deficit in relation to Non Domestic Rates.

3. Council Tax

The gross Council Tax base was 109,753 Band D Equivalent properties at the time of setting the tax for 2013-14 (2012-13 = 121,681). This was made up as follows:

Band	Number of Properties 2013-14	Band D Equivalent 2013-14	Income in a full year 2013-14 £000	Band D Equivalent 2012-13
A	32,473	15,983	24,268	17,659
B	35,216	20,923	31,768	23,243
C	29,299	20,428	31,017	22,631
D	19,761	15,822	24,023	17,476
E	15,085	15,040	22,836	16,736
F	8,903	10,629	16,138	11,805
G	7,157	9,913	15,051	11,049
H	557	854	1,297	927
	148,451	109,592	166,398	121,526
	Ministry Of Defence Properties	161	244	155
		109,753	166,642	121,681

There has been a reduction in number of Band D equivalent properties in the tax base for 2013-14 in comparison to the previous year. This is a consequence of the withdrawal of the Council Tax Benefit Scheme where qualifying households, were included in the tax base, and the introduction of the replacement Council Tax Reduction Scheme (CTRS) which excludes a proportion of qualifying households dependent upon the circumstances of the occupants. The changes have resulted in a fall in the amount of Council Tax income billed.

4. Contribution to Collection Fund Deficits and Distribution of Collection Fund Surpluses

Council Tax
There is a surplus of £4.040m on the Collection Fund in relation 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.

Non-Domestic Rates
There is a deficit of £9.858m on the Collection Fund in relation to Non-Domestic Rates for the reasons already identified in note 2. The deficit will be distributed between Central Government, Cheshire West and Chester Council and Cheshire Fire and Rescue Service in accordance with their respective shares as detailed below.

Normally this deficit would be recognised in the following year however, in recognition that it would be burdensome for Councils to fully meet their share, legislation has been introduced to allow costs to be spread over the next five years. The full effect is shown in the Collection Fund in the first year but will be released to the associated bodies over this extended time-frame.

	Central Govt £000	CWAC £000	Police £000	Fire £000	Total £000
Collection Fund Surplus - Council Tax	0	3,441	414	185	4,040
Collection Fund Deficit - Non-Domestic Rates	-4,929	-4,831	0	-98	-9,858

Cheshire Pension Fund

Independent auditor's statement to the Members of Cheshire West and Chester Council on the Pension Fund Financial Statements

We have examined the pension fund financial statements for the year ended 31 March 2014, which comprise the Fund Account, the Net Assets Statement and the related notes.

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 Financial Officer and the auditor

As explained more fully in the Statement of the Chief Financial Officers' Responsibilities, the Chief Financial Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Cheshire West and Chester Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of only the Introduction, Financial Performance, and Investment Policy & Performance sections of the annual report.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Cheshire Pension Fund for the year ended 31 March 2014 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Grant Thornton UK LLP

Royal Liver Building
Liverpool
L3 1PS

26 August 2014

Cheshire Pension Fund – Fund Account
for the year ended 31 March 2014

	Notes	2013-14 £000	2012-13 Restated £000
Contributions and Benefits			
Contributions Receivable			
From Employers	6.1	116,792	113,962
From Employees		33,124	33,050
Total Contributions Receivable	6.2	149,916	147,012
Transfers in from Other Schemes	7	8,667	11,268
Benefits Payable			
Pensions		-124,638	-118,983
Lump Sums		-21,051	-19,843
Death Benefits		-3,619	-3,142
Total Benefits Payable	8	-149,308	-141,968
Payments to and on account of Leavers			
Refund of Contributions		-13	-14
Transfers to Other Schemes		-8,534	-8,510
	9	-8,547	-8,524
Administration Expenses	10	-2,202	-2,169
Net Additions / withdrawals from dealing with members		-1,474	5,619
Returns on Investments			
Investment Income	11	40,608	42,486
Taxes on Income	12	-920	-792
Profits and losses on disposal of investments and changes in the market value of investments	14f	302,256	312,507
Investment Management Expenses *	13	-22,497	-20,934
Net Returns On Investments		319,447	333,267
Net Increase/ (Decrease) in the Fund During the Year		317,973	338,886
Opening Net Assets of the Scheme		3,259,329	2,920,443
Closing Net Assets of the Scheme		**3,577,302**	**3,259,329**

*The 2012-13 figure for investment manager fees has been restated to include fees relating to private equity funds in the sum of £3.579m (further detail is provided in note 2).

Cheshire Pension Fund - Net Assets Statement
as at 31 March 2014

	Notes	2013-14 £000	2012-13 £000
Investment Assets			
Pooled Investment Vehicles	14/f, 19/20	1,408,953	1,306,341
Equities	14/f, 19/20	1,129,018	994,003
Absolute Return Funds	14b/f, 19/20	496,466	460,638
Investment Properties	17	230,965	188,249
Private Equity	14c/f 19/20	195,454	204,748
Loans	14d/f, 19/20	57,632	38,618
Derivative Contracts	15, 19/20	479	1,296
		3,518,967	3,193,893
Cash	14e/f, 19/20	31,105	34,030
		3,550,072	3,227,923
Other Investment Balances		6,032	4,723
	14f, 19/20	3,556,104	3,232,646
Investment Liabilities			
Derivative Contracts	15, 19/20	-764	-808
Total Net Investments	18	3,555,340	3,231,838
Long Term Assets	23	13,888	16,019
Current Assets	24		
Cash at Bank		47	197
Debtors		16,488	19,243
Current Liabilities	25		
Creditors		-7,854	-5,245
Receipts In Advance		-607	-2,723
Net Current Assets		21,962	27,491
Total Net Assets		**3,577,302**	**3,259,329**

Note 1 – Description of the Fund

The Cheshire Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Cheshire West & Chester Council (The Council). The Council is the reporting entity for this pension fund.

The following description is a summary only. For more detail, reference should be made to the Cheshire Pension Fund Annual Report 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) (Amendment) Regulations 2013
- The LGPS (Management and Investment of Funds) Regulations 2009

The LGPS is a contributory defined benefit pension scheme up to 31 March 2014 and will be a career average revalued earnings scheme from 1 April 2014. The LGPS is administered by the Council to provide pensions and other benefits for pensionable employees of Cheshire West and Chester, Cheshire East, Halton and Warrington Borough Councils and a range of other scheduled and admitted bodies within the County area. The Fund excludes provision for teachers, fire fighters and police officers as they come within other national pension schemes. A full list of the employers with active members participating in the Fund is shown at the end of the Fund's Statement of Accounts.

Responsibility for managing the Fund lies with the full Council of Cheshire West & Chester Council with lead officer responsibility delegated to the Director of Resources. Day to day management of the Fund's affairs has been delegated to the Head of Finance advised, with regard to investment matters, by the Pension Fund Committee and external advice from 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.

The Fund undertakes a strategic review of its investments on a triennial basis to coincide with the LGPS's triennial valuation cycle and 2013-14 was the last year of the current cycle. New contributions strategies will be in place for 1 April 2014.

In recent years the UK Public Sector has undergone unprecedented change; as a result the Cheshire Pension Fund's employers have increased significantly in both number and diversity. A key part of setting an appropriate investment strategy involves consideration of the broad range of financial characteristics and structural factors relevant to different groups of employers. A one-size fits all approach investment approach is therefore no longer appropriate for the Fund.

The key development arising from the 2013-14 investment strategy review is therefore the implementation of four bespoke investment strategies. Each investment strategy aims to better reflect the risk and return characteristics required by individual employers on their journey towards their own long term funding objective.

The Fund has introduced four investment strategies each defined by their respective allocation to growth assets and defensive assets:

Growth Strategy A	80% Growth / 20% Defensive
Growth Strategy B	70% Growth / 30% Defensive
Medium Growth Strategy	50% Growth / 50% Defensive
Gilts Strategy	0% Growth / 100% Defensive

Previously the Fund's investment strategy was weighted 81% to growth assets and 19% to defensive assets. The key investment manager change during 2013-14 was therefore linked to aligning the asset allocation for each investment strategy to strategic allocation as set out above. In November 2013 the Fund invested £167m in the Legal and General Over 5 Year Index Linked Gilts Fund with a corresponding reduction to passive equities, also with Legal & General. This is part of a phased transition to the four starting investment strategies with a further tranche of Gilts due to be purchased during April 2014. Further changes to the Fund's investment managers will be implemented during 2014-15.

To manage the Fund's assets in accordance with the agreed investment strategy, the Council has 14 appointed external investment managers 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 2014 shows that the Fund achieved a return from its investments of +9.8% (+12.8% in 2012-13) compared with the Fund's tailored benchmark return of +4.9% (+10.0% in 2012-13). For the three years ended 31 March 2014 the Fund achieved an annualised return of +8.2% per annum against the Fund's benchmark return of +5.5% per annum.

Membership

In accordance with the Governments Automatic Enrolment Legislation, eligible employees are automatically entered into the LGPS from their first day of employment, however membership of the LGPS is voluntary and employees are able to choose to remain in the scheme, opt out of the Scheme, re-join at a later date 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 177 employer organisations with active members who were contributing into the fund as at 31 March 2014, including the Administering Authority itself, as detailed below:

Cheshire Pension Fund	**31 March 2014**	**31 March 2013 RESTATED**
Number of employers with active members	**177**	**148**
Number of employees in the scheme		7,812
Cheshire West and Chester Council	7,481	22,871
Other employers	23,980	**30,683**
Total	**31,461**	
Number of pensioners		1,173
Cheshire West and Chester Council	1,404	22,301
Other employers	22,915	**23,474**
Total	**24,319**	
Number of Deferred pensioners		
Cheshire West and Chester Council	2,784	2,187
Other employers	21,376	21,226
Total	**24,160**	**23,413**
Undecided Leavers	1,121	1,467
Total Membership	**81,061**	**79,037**

The membership figures for 2012-13 have been restated by 1,467 to include undecided leavers (i.e. those members who are no longer accruing service and to whom a refund of contributions or transfer out may be due) who had been omitted from the total.

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 (as amended) and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2014. Employee contributions are matched by employer's contributions which are set based on triennial actuarial valuations. The last such valuation was at 31 March 2013. The next valuation will be based on information as at 31 March 2016.

Benefits

Pension benefits under the LGPS up to 31 March 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, the LGPS will undergo significant change from 1 April 2014. A summary of the key changes 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 2013-14 financial year and its position at year end as at 31 March 2014. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 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 appended to the statement of accounts. Further information is included within Note 22 of these accounts.

The accounts contain a number of restatements to the 2012-13 figures as follows:

The 2012-13 figures for investment manager fees relating to private equity investments were not previously been captured within the Investment Management Expenses figure as distributions are received net of fees, therefore the fees were contained within the change in fair value figure. The accounts have been adjusted to capture the private equity fees which amounted to £3.579m (note 13). This change also affects the investment management fees and profit and loss figure in the fund account as well as the sales and change in fair value figures in note 14f.

The 2012-13 figures in Note 20 for the other price risk sensitivity analysis have also been restated to take account of updated potential market movements as at 31 March 2014, in order to provide consistent comparison across the two years. There has also been a restatement of £12.7m which was previously included within the high yield figure in error. The £12.7m has been redistributed across UK, developed and emerging equities and cash.

The prior year comparator figure for the M&G UK Financing Fund has been restated from £32.4m to £32m (note 28) for the amount drawn down against the £50m commitment.
The table in note 19c has been restated as forward foreign currency contracts had been classified as level 1 in error when they should be level 2. The misstatement relates to £922k of assets and £153k of liabilities.

The table in note 19b has been restated for 2012-13 to reclassify all balances into fair value through profit and loss which were previously categorised as available for sale assets in error. The category of available for sale assets has been removed. The carrying value has been restated by £682k and the fair value has been restated by £3.004m, both on the fair value through profit and loss line.

The membership figures in note 1 have been restated for 2012-13 by 1,467 to include undecided leavers (i.e. those members who are no longer accruing service and to whom a refund of contributions or transfer out may be due) who had been omitted from the total.

Note 3 – Summary if 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 7 and 9).

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 7).

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. Rental income is received under

contracts classified as operating leases. The income is recognised on an accruals basis for income due within the year rather than a straight line basis across the term of the lease (see Note 17c for further information).

- 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
- Arrowgrass Capital Partners
- Permal
- Winton Capital
- Och Ziff Capital Management

Performance related fees amounted to £6.96m in 2013-14 (£5.7m in 2012-13) for managers who outperformed the benchmark.

The fees for private equity investments have not previously been captured within the Investment Management Expenses figure as distributions are received net of fees, therefore the fees were contained

within the change in fair value figure. The accounts have been adjusted to capture the private equity fees which amounted to £2.236m in 2013-14 (the 2012-13 Investment Management Expenses has also been restated to include the private equity fees of £3.579m).
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 2013-14 was £1.9m relating to fees due for the quarter ending 31 March 2014 (£729k in 2012-13).

The cost of obtaining investment advice from external consultants is included in investment expenses (Note 13).

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 with the exception of any assets classified as loans and receivables, e.g. cash and debtors, which will be measured at amortised cost. 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:

- 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 absolute return 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 2014 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) 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 (note 14f).

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.

k) Cash and cash equivalents

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.

l) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date, excluding creditors which are measured at amortised cost. 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. Further detail can be found in Note 26.

Note 4 – Critical judgements and key sources of estimation uncertainty

In the application of the Fund's accounting policies, which are described in Note 3, those charged with governance of the Fund are required to make judgements, estimates and assumptions about the values of assets and liabilities which are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Note 4.1 – Critical Judgements in applying accounting policies

The Cheshire Pension Fund does not have any critical judgements contained within the accounts.

Note 4.2 – 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 2014 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	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. 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 £195.5m (£204.7m as at 31 March 2013). There is a risk that this investment may be under or overstated in the accounts.
Absolute Return funds	Absolute Return 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 absolute return funds in the financial statements is £496m (£461m in 2012-13). There is a risk that this investment may be under or overstated in the accounts.

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.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would reduce the value of the liabilities by approximately £374m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £114m and a 1 year increase in assumed life expectancy would increase the liabilities by approximately £119m.

Note 5 – Events after the Balance Sheet date

The Greater Manchester Pension Fund (GMPF) was chosen by the Ministry of Justice to administer the LGPS in respect of the National Probation Service from 1 June 2014. Liabilities formally transferred to GMPF on 1 June 2014 and it is expected that assets totalling circa £50m will be transferred to GMPF between 1 October 2014 and 31 March 2015.

Note 6 – Contributions Receivable

6.1 Employer Contributions Receivable

	2013-14	2012-13
	£000	£000
Normal Contributions	**78,405**	76,509
*Deficit Funding	**32,628**	31,839
Cost of Early Retirements (pension strain)	**5,477**	5,402
Augmentation Contributions	**282**	212
Total	**116,792**	113,962

* 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 £32.6m in 2013-14 (£31.8m in 2012-13) 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.

6.2. Analysis of Contributions Receivable

	2013-14		2012-13	
	Employers	**Employees**	Employers	Employees
	£000	**£000**	£000	£000
Scheme Employers	**76,858**	**22,404**	73,352	22,116
Cheshire West & Chester Council	**28,502**	**7,643**	28,740	7,931
Community Admission Body	**10,260**	**2,786**	9,906	2,697
Transferee Admission Body	**1,172**	**291**	1,964	306
Total	**116,792**	**33,124**	**113,962**	**33,050**

Note 7 – Transfers in from other Pension Funds

	2013-14	2012-13
	£000	£000
Transfers from other Local Authorities	**5,306**	7,038
Transfers from other pension funds	**3,361**	4,230
Bulk Transfers	**0**	0
Total	**8,667**	**11,268**

There were no bulk transfers during 2013-14.

Note 8 – Benefits payable

	2013-14	2012-13
	£000	£000
Scheme Employers	**93,647**	88,973
Cheshire West & Chester Council	**43,429**	41,402
Community Admission Body	**8,635**	8,024
Transferee Admission Body	**3,597**	3,569
Total	**149,308**	**141,968**

Note 9 – Payment to and on account of leavers

	2013-14	2012-13
	£000	£000
Individual Transfers	**8,534**	8,510
Refunds to Members leaving service	**13**	14
Total	**8,547**	**8,524**

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 10 – Administrative expenses

The costs incurred by the Council in administering the Fund, as declared annually to Communities and Local Government, totalled £2.202m for the year ended 31 March 2014. This represents an increase of £33k from £2.169m in 2012-13. A breakdown of the significant items is shown below.

	2013-14	2012-13
	£000	£000
Direct Staffing	**1,245**	1,410
Other Supplies and Services	**336**	344
Actuarial Fees	**388**	202
IT	**131**	102
Legal Fees	**38**	58
Printing and Postage	**37**	32
External Audit Fees	**30**	25
Income	**-3**	-4
Total	**2,202**	**2,169**

Note 11 – Investment income

	2013-14	2012-13
	£000	£000
Dividends from Equities	**19,697**	20,554
Net Rents from Properties	**12,104**	13,288
Income from Fixed Interest Securities	**7,890**	6,501
Income from Pooled Investment Vehicles:		
Other	**292**	365
Property	**253**	1,130
Stock Lending	**235**	138
Interest from Cash Deposits	**99**	162
Other	**38**	348
Total	**40,608**	**42,486**

Note 12 – 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 2013-14 amounts to £920k and is shown as a tax charge, compared to £792k in 2012-13.

As Cheshire West & Chester Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment and property expenses.

Note 13 – Investment expenses

	2013-14 £000	2012-13 Restated £000
Management Fees	**21,619**	**20,152**
Management Fees – Investment Properties	**620**	**529**
Investment Advisory Fees	**125**	**95**
Custody Fees	**103**	**128**
Performance monitoring services	**30**	**30**
Total	**22,497**	**20,934**

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.

The fees for private equity investments have not previously been captured within the Investment Management Expenses figure as distributions are received net of fees, therefore the fees were contained within the change in fair value figure. The accounts have been adjusted to capture the private equity fees which amounted to £2.236m in 2013-14 (the 2012-13 Investment Management Expenses has also been restated to include the private equity fees of £3.579m).

Note 14 – Investments

	2013-14	2012-13
Investment Assets	**£000**	£000
Equities		
Overseas Quoted	**1,037,499**	916,162
UK Quoted	**91,519**	77,840
Pooled Investments		
Fixed Income – Multi Strategy	**452,641**	449,592
UK Government Index Linked Gilts	**170,775**	0
UK Equity Listed	**321,405**	383,515
Overseas Equity Listed	**296,441**	312,710
Secured Loans	**155,588**	147,486
Overseas Unit Trusts – Property	**10,652**	11,930
UK Unit Trusts – Property	**1,425**	1,077
UK Equity Unlisted	**26**	32
Absolute Return Funds	**496,466**	460,638
Private Equity	**195,454**	204,748
Investment Properties	**230,965**	188,249
Cash Deposits	**31,105**	34,030
Loans	**57,632**	38,618
Derivative Contracts:		
Futures	**0**	334
Forward currency contracts	**479**	962
Other investment balances:		
Outstanding dividends entitlements and withholding tax claims	**6,032**	4,723
	3,556,104	**3,232,646**
Investment Liabilities		
Derivative Contracts:		
Futures	**0**	-20
Forward currency contracts	**-764**	-788
Net Investments	**3,555,340**	**3,231,838**

A review of the investment strategy during 2013-14 resulted in the fund's asset allocation being amended in order to implement the four new investment strategies as outlined in Note 1. This led to a change in the assets held with Legal and General. In November 2013 the Fund invested £167m in the Legal and General Over 5 Year Index Linked Gilts Fund with a corresponding reduction to passive equities, also with Legal & General. This is part of a phased transition to the four starting investment strategies with a further tranche of Gilts due to be purchased during April 2014. Further changes to the Fund's investment managers will be implemented during 2014-15.

The changes have impacted upon the year on year comparison figures for UK Listed Equities, UK Government Index Linked Gilts and Overseas Listed Equities.

Note 14a –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 14b – Absolute Return Funds

	2013-14	2012-13
	£000	£000
Permal	**202,567**	182,420
Arrowgrass Capital Partners	**124,419**	115,251
Winton Capital	**89,650**	86,548
Och Ziff Capital Management	**79,830**	76,419
Total	**496,466**	**460,638**

In March 2013 Legg Mason and its affiliate Permal completed the acquisition of Fauchier from BNP Paribas Investment Partners. Consequently, Fauchier has been merged under the wider Permal Group brand however the Pension Fund’s investment in the Jubilee Absolute Return Fund remains unaffected.

Note 14c - Private Equity	Number of Funds	2013-14	2012-13
		£000	£000
Adam Street Partners	16	**105,445**	108,126
Pantheon Ventures	7	**84,222**	89,681
Lexington	1	**5,787**	6,941
Total		**195,454**	**204,748**

Note 14d - 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 2014 £32m 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 2014 £26.7m of this commitment had been drawn down.

Note 14e – Cash

	2013-14	2012-13
	£000	£000
Cash Deposits	**3,573**	16,771
Cash Instruments	**27,532**	17,259
Total	**31,105**	**34,030**

Note 14f – Reconciliation of movements in Investments and Derivatives

	Fair Value at 31 March 2013	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair value	**Fair Value at 31 March 2014**
	£000	£000	£000	£000	**£000**
Pooled Investment Vehicles	**1,306,341**	576,051	-534,091	60,652	**1,408,953**
Equities	**994,003**	346,633	-356,439	144,821	**1,129,018**
Absolute Return Funds	**460,638**	31,428	-29,982	34,382	**496,466**
Private Equity	**204,748**	10,372	-39,161	19,495	**195,454**
Investment Properties	**188,249**	22,254	-15,105	35,567	**230,965**
Loans	**38,618**	20,962	-4,766	2,818	**57,632**
	3,192,597	1,007,700	-979,544	297,735	**3,518,488**
Derivative Contracts:					
Futures	**334**			-334	**0**
Forward currency contracts	**962**	5,550	-6,044	11	**479**
	3,193,893	1,013,250	-985,588	297,412	**3,518,967**
Cash	**34,030**		-7,769	4,844	**31,105**
	3,227,923	1,013,250	-993,357	**302,256**	**3,550,072**
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	**4,723**				**6,032**
	3,232,646				**3,556,104**
Investment Liabilities					
Derivative Contracts:					
Futures	**-20**				**0**
Forward currency contracts	**-788**				**-764**
Net Investments	**3,231,838**				**3,555,340**

	Fair Value at 31 March 2012	Purchases at cost and derivative payments	Sales proceeds and derivative receipts Restated	Change in Fair value Restated	**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**
Absolute Return Funds	**425,911**	207,827	-206,564	33,464	**460,638**
Private Equity	**199,580**	24,040	-35,920	17,048	**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	-642,366	312,086	**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	-649,537	311,167	**3,193,893**
Cash	**59,880**		-27,190	1,340	**34,030**
	2,883,427	708,716	-676,727	312,507	**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**

The fees for private equity investments have not previously been captured within the Investment Management Expenses figure as distributions are received net of fees, therefore the fees were contained within the change in fair value figure. The accounts have been adjusted to capture the private equity fees which amounted to £2.236m in 2013-14 (the 2012-13 Investment Management Expenses has also been restated to include the private equity fees of £3.685m). These adjustments have resulted in changes to the sales and change in fair value figures for 2012-13.

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 2013-14 (£1.3m for 2012-13). 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 2013-14.

Note 15 – Analysis of Derivatives

	Asset 2013-14 £000	**Liability 2013-14 £000**	Asset 2012-13 £000	Liability 2012-13 £000
Equity Futures Contracts	**0**	**0**	334	20
Forward Foreign Exchange Contracts	**479**	**764**	962	788
Total	**479**	**764**	**1,296**	**808**

Equity Futures and Foreign Exchange Contracts:

	Exchange	Expiration	Economic Exposure Value 2013-14 £000	Market Value 2013-14 £000	Economic Exposure Value 2012-13 £000	Market Value 2012-13 £000
Assets						
Japan	TOPIX	Less than 1 Year	0	0	5,092	224
Australia	SPI 200	Less than 1 Year	0	0	-2,728	54
Singapore	MSCI Singapore	Less than 1 Year	0	0	1,939	23
Germany	DAX	Less than 1 Year	0	0	-660	13
USA	S&P 500 Emini	Less than 1 Year	0	0	1,184	15
Canada	S&P TSE60	Less than 1 Year	0	0	-756	5
Sweden	OMXS30	Less than 1 Year	0	0	0	0
Switzerland	Swiss MKT	Less than 1 Year	0	0	0	0
Total assets			**0**	**0**	**4,071**	**334**
Liabilities						
Italy	FTSE/MIB	Less than 1 Year	0	0	381	-20
UK	FTSE 100	Less than 1 Year	0	0	0	0
Sweden	OMXS30	Less than 1 Year	0	0	-253	0
Australia	SPI 200	Less than 1 Year	0	0	0	0
Singapore	MSCI Singapore	Less than 1 Year	0	0	0	0
Total Liabilities			**0**	**0**	**128**	**-20**
Net futures			**0**	**0**	**4,199**	**314**

Equity futures have been removed from the portfolio as the fund can achieve the desired results through direct investment in the underlying securities.

2013-14 Forward Foreign Exchange Contracts:

Contract	Settlement Date	Currency Bought £000			Currency Sold £000	Asset £000	Liability £000
Forward OTC	3 months	2,154	USD	1,316	GBP		-24
Forward OTC	3 months	1,188	EUR	1,623	USD	9	
Forward OTC	3 months	435,496	JPY	4,203	USD	16	
Forward OTC	3 months	435,496	JPY	4,203	USD	34	
Forward OTC	2 months	71	USD	64	CHF		-1
Forward OTC	2 months	663	USD	491	EUR		-8
Forward OTC	2 months	748	SGD	590	USD	3	
Forward OTC	2 months	908	USD	672	EUR		-11
Forward OTC	2 months	1,046	SGD	824	USD	4	
Forward OTC	2 months	932	USD	1,034	CAD		-3
Forward OTC	2 months	1,190	USD	1,076	CHF		-17
Forward OTC	2 months	1,202	USD	1,087	CHF		-17
Forward OTC	2 months	1,202	USD	1,087	CHF		-17
Forward OTC	2 months	1,317	USD	1,485	AUD		-35
Forward OTC	2 months	1,393	USD	1,571	AUD		-38
Forward OTC	2 months	1,597	USD	1,771	CAD		-5
Forward OTC	2 months	2,479	USD	1,833	EUR		-28
Forward OTC	2 months	1,679	USD	1,892	AUD		-45
Forward OTC	2 months	510,148	JPY	5,031	USD		-46
Forward OTC	2 months	673,396	JPY	6,639	USD		-60
Forward OTC	2 months	683,599	JPY	6,741	USD		-62
Forward OTC	2 months	683,599	JPY	6,744	USD		-63
Forward OTC	2 months	1,099	USD	6,940	NOK		-36
Forward OTC	2 months	18,723	USD	11,474	GBP		-243
Forward OTC	2 months	1,011	USD	608	GBP		-1
Forward OTC	2 months	2,030	SGD	1,602	USD	7	
Forward OTC	2 months	1,801	USD	183,340	JPY	13	
Forward OTC	2 months	2,064	USD	1,234	GBP	4	
Forward OTC	2 months	3,045	SGD	2,415	USD	4	
Forward OTC	2 months	5,404	USD	550,020	JPY	38	
Forward OTC	2 months	3,045	SGD	2,416	USD	3	
Forward OTC	1 month	124,278	JPY	1,210	USD		-2
Forward OTC	1 month	1,027	USD	6,120	NOK	3	
Forward OTC	1 month	124,278	JPY	1,209	USD		-2
Forward OTC	1 month	1,023	USD	6,120	NOK	0	
Forward OTC	3 months	80,496	GBP	134,000	USD	65	
Forward OTC	3 months	162,400	GBP	196,000	EUR	276	
Total Derivatives						**479**	**-764**

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
Total Forward Foreign Currency Contracts						**962**	**-788**
Total Derivatives						**1,296**	**-808**

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 £341k (-£1m in 2012-13).

Note 16 – 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 2014 the Fund earned £235k (£138k 2012-13) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £57.9m (£2.1m 2012-13) and the value of collateral held was £63.6m (£2.3m 2012-13).

Note 17 – Investment in properties

	2013-14	2012-13
	£000	£000
Freehold	**207,175**	163,124
Heritable	**5,020**	19,420
Leasehold	**18,770**	5,705
Total	**230,965**	**188,249**

Note 17a – Property Income

	2013-14	2012-13
	£000	£000
Rental Income	**14,186**	13,691
Surrender premiums	**0**	1,603
Dilapidations	**50**	300
Interest/Misc Income	**7**	66
Direct Operating Expenses	**-2,064**	-1,932
Rent adjustment required on purchase/sale	**0**	-675
Net Rental Income	**12,179**	**13,053**

Note 17b – Fair Value of Investment Properties

	2013-14	2012-13
	£000	£000
Balance at the start of the year	**188,249**	169,034
Additions	**22,254**	22,419
Disposals	**-15,105**	-7,550
Net gain/loss on fair value	**35,567**	4,346
Balance at the end of the year	**230,965**	**188,249**

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 £157k (£4.761m in 2012-13). There were no obligations to purchase new properties.

Note 17c – Operating Leases

The Fund's property portfolio comprises a variety of units which are leased to organisations with the objective of generating an appropriate investment returns.

These leases are all categorised as operating leases due to the relatively short length of the agreements i.e. relative to the overall life of the asset and proportion of the assets overall value. The leases do not meet the assessment criteria for finance leases, and the risks and rewards of ownership of the leased assets are retained by the Fund (and reflected in the Net Assets Statement).

The properties comprise a mix of office, retail and industrial buildings. These leases vary in length from short term to over 25 years.

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

Age profile of lease income	**2013-14**	2012-13
	£000	£000
No later than one year	1,963	1,305
Between one and five years	4,298	6,108
Later than five years	6,723	7,341
Total	**12,984**	**14,754**

With regards to the properties owned and leased by the Fund, all are leased to the tenants under contracts that have been assessed as operating leases and which may include periodic rent reviews etc. The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease entered into, such as adjustments following rent reviews.

Note 18 – Investment by Fund Manager

	2013-14 £000	2013-14 %	2012-13 £000	2012-13 %
Baillie Gifford & Co	**783,165**	**22.0**	681,843	21.1
Legal & General	**741,253**	**20.8**	683,515	21.1
GMO	**459,575**	**12.9**	399,748	12.4
Goldman Sachs Asset Management	**205,318**	**5.8**	204,682	6.3
Rockspring Property Investment Managers	**244,522**	**6.9**	202,738	6.3
M&G Investments	**215,275**	**6.1**	187,039	5.8
Permal	**202,566**	**5.7**	182,419	5.6
Henderson	**196,258**	**5.5**	193,550	6.0
Arrowgrass Capital Partners	**124,419**	**3.5**	115,251	3.6
Adams Street Partners	**105,445**	**3.0**	108,126	3.3
Winton Capital	**89,650**	**2.5**	86,548	2.7
Pantheon Ventures	**84,222**	**2.4**	89,681	2.8
Och Ziff Capital Management	**79,830**	**2.2**	76,419	2.4
Fidelity (Money Market)	**7,123**	**0.2**	5,299	0.2
Deutsche Bank (Money Market)	**6,111**	**0.2**	6,646	0.2
Lexington Capital Partners	**5,787**	**0.2**	6,941	0.2
Bank of New York Mellon	**4,786**	**0.1**	-588	0.0
HG Capital	**26**	**0.0**	32	0.0
Internal	**9**	**0.0**	9	0.0
The Co-Operative Bank (Public Sector Reserve)	**0**	**0.0**	1,940	0.1
Total	**3,555,340**	**100**	3,231,838	100

A review of the investment strategy during 2013-14 resulted in the fund's asset allocation being amended in order to implement the four new investment strategies as outlined in Note 1. This led to a change in the assets held with Legal and General. In November 2013 the Fund invested £167m in the Legal and General Over 5 Year Index Linked Gilts Fund with a corresponding reduction to passive equities, also with Legal & General. This is part of a phased transition to the four starting investment strategies with a further tranche of Gilts due to be purchased during April 2014. Further changes to the Fund's investment managers will be implemented during 2014-15.

These changes have impacted upon the year on year comparison figures for UK Listed Equities, UK Government Fixed Interest and Overseas Listed Equities.

The Co-operative Bank (Public Sector Reserve) balance is nil as the fund has changed its banking service provider to Lloyds bank with effect from 1 April 2014.

Note 18a - Concentrations of Investments

The SORP and CIPFA Code of Practice require disclosure where there is a concentration of investment which exceeds either 5% of the total value of the net assets of the scheme or of any class or type of security. Four investments fall into this former category as follows:

Security Description	**Market Value 31 March 2014 £000**	**% of total fund**	Market Value 31 March 2013 £000	% of total fund
Goldman Sachs Sterling Broad Fund	205,318	5.78	204,682	6.33
Legal and General pooled UK equities	202,036	5.69	366,038	11.33
Permal (Fauchier) - Jubilee absolute return fund	202,566	5.64	182,419	5.64
Henderson horizon total return bond	196,258	5.52	193,550	5.99

Investments which fall into the second category are as follows:

	Market Value 31 March 2014 £000	**% of Asset Type**	Market Value 31 March 2013 £000	% of Asset Type
Fixed income				
Goldman Sachs Sterling Broad Fund	205,318	45.36	204,682	45.53
Henderson horizon total return bond	196,258	43.36	193,550	43.05
Baillie Gifford Aggregate Bond	45,866	10.13	46,273	10.29
Absolute return				
Jubilee absolute return fund	202,566	40.80	182,419	39.60
Arrowgrass International Fund	124,419	25.06	115,251	25.02
Winton Futures GBP Fund	89,650	18.06	86,548	18.79
OZ Overseas Fund II	79,830	16.08	76,419	16.59
UK Listed Equities				
L&G UK Equity Index	321,404	78.94	366,038	79.34
UK Government index linked gilts				
Over 5 Year Index Linked Gilts*	170,775	100.00	0	0
Secured loans				
M&G European Loan Fund	155,588	84.26	147,486	81.98
M&G UK Companies Financing Fund	29,059	15.74	32,427	18.02
Overseas listed equities				
L&G North America Equity Index Fund	65,719	4.91	123,255	10.03
ED – Europe (EX UK) Index	43,343	3.24	73,382	5.97
Loans				
M&G Debt Opportunities Fund	28,573	100.00	6,191	100.00
Property				
Burgan House, Staines	24,800	10.74	15,800	8.39
Southampton City Gateway, Southampton	17,960	7.78	4,680	2.49
Maybrook Retail Park, Canterbury	17,330	7.50	16,850	8.95
1, 3, 5 and 7 Haymarket and 2-4 Humberstone Gate, Leicester	17,000	7.36	15,500	8.23
11-29 Victoria Street, Grimsby	14,000	6.06	13,815	7.34
Spring Street, Bury*	13,600	5.89	0	0
Haddenham Business Park, Buckinghamshire	13,500	5.85	11,530	6.12
Riverside House, Aberdeen*	0	0	13,200	7.01
Welcome Break Services, Derby	10,845	4.70	11,250	5.98
Property – Unit Trusts				
German Retail Box Fund	8,065	66.78	8,566	65.86
Pan European Property Unit Trust	2,587	21.42	3,364	25.87
Industrial Trust	1,425	11.80	1,077	8.28

	Market Value 31 March 2014 £000	**% of Asset Type**	Market Value 31 March 2013 £000	% of Asset Type
Private Equity				
Pantheon 2008 Europe VI	20,150	10.31	609	0.30
Pantheon 2004 USA Fund VI	15,891	8.13	2,978	1.45
Pantheon 2004 Europe Fund IV	14,974	7.66	1,377	0.67
ASP 2005 US Fund	14,273	7.30	17,624	8.61
Pantheon 2007 USA Fund VIII	12,221	6.25	2,194	1.07
ASP 2007 US	11,654	5.96	9,813	4.79
ASP 2006 US	11,091	5.67	1,884	0.92
ASP 2004 US Fund	10,933	5.59	11,819	5.77
Pantheon 2007 Asia Fund V	10,916	5.59	18,455	9.01
ASP Direct Co (2006)	8,347	4.27	11,615	5.67
ASP 2005 Non-US Fund	6,413	3.28	15,401	7.52
ASP 2006 Non US	6,259	3.20	12,543	6.13
ASP 2004 Non-US Fund	4,909	2.51	18,146	8.86
ASP 2007 Direct	2,363	1.21	10,950	5.35
ASP 2006 Direct	2,184	1.12	11,715	5.72
Cash and cash instruments				
BNY Mellon Sterling Liquidity Fund	14,300	51.05	3,380	19.15
Fidelity Institutional Liquidity Fund	7,123	25.43	5,299	30.03
Deutsche Bank Global Liquidity Managed Fund	6,109	21.81	6,640	37.63
UK Equity unlisted				
Mercury Unquoted 2nd Fund	20	75.51	25	77.65
Mercury Unquoted 1st Fund	6	24.49	7	22.35

*The assets identified were only held by the fund in one of the two years.

Note 19 – Financial Instruments

Note 19a – 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.

	Fair value through profit and loss £000	Loans and receivables at Amortised Cost £000	Financial liabilities at amortised cost £000	Fair value through profit and loss £000	Loans and receivables at Amortised Cost £000	Financial liabilities at amortised cost £000
Financial assets						
Pooled investments	1,408,953			1,306,344		
Equities	1,129,018			994,003		
Absolute return Funds	496,466			460,638		
Private equity	195,454			204,748		
Loans	57,632			38,618		
Derivative contracts	479			1,296		
Cash		30,623			33,642	
Other investment balances		6,020			4,664	
Debtors		30,376			35,262	
	3,288,002	**67,019**	**-**	**3,005,647**	**73,568**	**-**
Financial Liabilities						
Derivative contracts	-764			-808		
Other investment balances						
Creditors			-7,247			-7,968
	-764	**-**	**-7,247**	**-808**	**-**	**-7,968**
TOTAL	**3,287,238**	**67,019**	**-7,247**	**3,004,839**	**73,568**	**-7,968**

Note 19b – Fair value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and liabilities presented in the Fund's net asset statement. The fair values presented in the table are at a specific date and may be significantly different from the amounts which were actually paid or received on the maturity or settlement date. Loans and receivables are included for current assets measured at fair value whereas long term assets are excluded.

	Carrying Value	2013-14 Fair Value	Carrying Value Restated	2012-13 Fair Value Restated
	£000	£000	£000	£000
Financial assets				
Loans and receivables	36,193	67,019	35,233	73,568
Fair value through profit and loss	3,288,002	3,288,002	3,005,647	3,005,647
Total Financial assets	**3,324,195**	**3,355,021**	**3,040,880**	**3,079,215**
Financial Liabilities				
Fair value through profit and loss	-764	-764	-808	-808
Total Financial Liabilities	**-764**	**-764**	**-808**	**-808**

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

The above table has been restated for 2012-13 to reclassify all balances into fair value through profit and loss which were previously categorised as available for sale assets in error. The category of available for sale assets has been removed. The carrying value has been restated by £682k and the fair value has been restated by £3.004m, both on the fair value through profit and loss line.

Note 19c - 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 absolute return 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, absolute return 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 absolute return 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 absolute return 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 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. The table does not reconcile back to the net assets figure as it excludes direct property and items which are valued at amortised cost (i.e. loans and receivables).

Values as at 31 March 2014	Quoted Market Price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets				
Available for sale assets	2,345,774	729,035	212,714	3,287,523
Fair value through profit and loss		479		479
Total Financial assets	**2,345,774**	**729,514**	**212,714**	**3,288,002**
Financial Liabilities				
Available for sale assets				
Fair value through profit and loss		-764		-764
Total Financial Liabilities		**-764**	**-**	**-764**
Net financial assets	**2,345,774**	**728,750**	**212,714**	**3,287,238**

Values as at 31 March 2013	Quoted Market Price Level 1 Restated	Using observable inputs Level 2 Restated	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets				
Available for sale assets	2,040,526	740,325	223,498	3,004,349
Fair value through profit and loss	334	923		1,256
Total Financial assets	**2,040,860**	**741,248**	**223,498**	**3,005,605**
Financial Liabilities				
Available for sale assets				
Fair value through profit and loss	-20	-787		-808
Total Financial Liabilities	**-20**	**-787**	**-**	**-808**
Net financial assets	**2,040,840**	**740,461**	**223,498**	**3,004,797**

The table above has been restated as forward foreign currency contracts had been classified as level 1 in error when they should have been level 2. The misstatement relates to £922k of assets and £153k of liabilities.

A reconciliation of fair value measurement in Level 3 is set out below:

	2013-14	2012-13
	£000	£000
Opening balance	**223,498**	**217,670**
Acquisitions	10,372	24,040
Disposal proceeds	-39,161	-35,920
Total gains / (losses) included in the fund account:		
On assets sold	0	0
On assets held at year end	18,005	17,708
Closing balance	**212,714**	**223,498**

Note 19d– Breakdown of Asset Values

The table below summarises the asset between types of assets and whether they are quoted or unquoted (excluding direct property and items valued at amortised cost i.e. cash and accruals).

	Quoted Market Price £000	**Unquoted Market Price £000**	**2013-14 Total £000**	Quoted Market Price £000	Unquoted Market Price £000	2012-13 Total £000
Equity Securities:						
Consumer	424,558		424,558	408,395		408,395
Manufacturing	173,018		173,018	165,609		165,609
IT	160,855		160,855	106,858		106,858
Financial Institutions	159,116		159,116	126,945		126,945
Energy and Utilities	92,095		92,095	72,848		72,848
Other	73,682		73,682	70,913		70,913
Health and Care	45,694		45,694	42,435		42,435
Private Equity	1,164	194,290	195,454	2,151	202,597	204,748
Real Estate – Overseas property		12,077	12,077		13,007	13,007
Investment Funds and Unit Trusts:						
Equities	788,620	26	788,647	696,225	32	696,257
Absolute Return Funds	52,121	444,345	496,466	43,635	417,003	460,638
Bonds	374,851	77,790	452,641	304,510	145,081	449,592
Other		155,588	155,588		147,486	147,486
Secured Loan Investments		57,632	57,632		38,618	38,618
Derivatives	-626	341	-285	1,296	-808	488
Total	**2,345,148**	**942,089**	**3,287,238**	**2,041,820**	**963,016**	**3,004,836**

Note 20 – 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 administering authority 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	25.4
Global Equities - Emerging	30.1
Global Equities - Developed	17.3
UK Equities	17.3
Property Unit Trusts	15.1
High Yield	8.8
Absolute Return Funds	7.9
Corporate Bonds	2.8
Government Bonds	2.3
Cash	1.4

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. The tables do not reconcile back to the net assets figure as they exclude direct property.

Asset Type	Value as at 31 March 2014 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Global equities – Developed	1,203,961	17.3	208,285	-208,285
Absolute Return Funds	496,466	7.9	39,221	-39,221
UK equities	406,466	17.3	70,319	-70,319
Government Bonds	349,368	2.3	8,035	-8,035
Corporate bonds	274,048	2.8	7,673	-7,673
High Yield	213,220	8.8	18,763	-18,763
Private equity	195,480	25.4	49,652	-49,652
Global equities – Emerging	121,149	30.1	36,466	-36,466
Cash	45,911	1.4	643	-643
Property Unit Trusts	12,077	15.1	1,824	-1,824
Investment income due	6,021	0.0	-	-
Net derivative assets	-285	0.0	-	-
Total assets available to pay benefits	**3,323,882**		**441,775**	**-441,775**

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	1,074,507	17.3	185,890	-185,890
Absolute Return Funds	478,115	7.9	37,771	-37,771
UK equities	443,414	17.3	76,711	-76,711
Corporate bonds	338,631	2.8	9,482	-9,482
Private equity	204,780	25.4	52,014	-52,014
High Yield	186,104	8.8	16,377	-16,377
Global equities – Emerging	138,889	30.10	41,806	-41,806
Government Bonds	110,961	2.3	2,552	-2,552
Cash	49,583	1.4	694	-694
Property Unit Trusts	13,007	15.1	1,964	-1,964
Investment income due	4,664	0.0	-	-
Net derivative assets	489	0.0	-	-
Total assets available to pay benefits	**3,043,144**		**425,261**	**-425,261**

The figures for year ending 31 March 2013 have been restated to take account of updated potential market movements. There has also been a restatement of £12.7m which was included within the high yield figure in error. The £12.7m has been redistributed across UK, developed and emerging equities and cash.

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 2014 and 31 March 2013 is set out below. These disclosures present interest rate risk based on the underlying financial asset at fair value:

Asset Type	**2013-14 £000**	2012-13 £000
Corporate and Government Bonds	**452,641**	449,592
Cash and cash equivalents	**17,873**	20,151
Cash balances	**13,232**	13,879
Total	**483,746**	**483,622**

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 £452.641m (£449.592m in 2012-13) 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 2.37, 6 and 8.46 years respectively.

A 1% increase in the prevailing level of interest would decrease the aggregate fair value of these mandates by £21.3m (£26.5m in 2012-13). 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 2014 and 31 March 2014:

Currency exposure – asset type 2013-14	**Gross Exposure £000**	**Hedging Exposure £000**	**Net Exposure £000**
Overseas listed equities	1,373,627	-187,725	1,185,902
Overseas unquoted securities	195,454		195,454
Absolute Return funds overseas fixed interest	79,830	-80,377	-547
Overseas unit trusts	11,639		11,639
Total	**1,660,550**	**-268,102**	**1,392,448**

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
Absolute Return 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 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	
	2013-14	**+13%**	**-13%**
	£000	**£000**	**£000**
Overseas listed equities:	**1,191,666**	**154,916**	**-154,916**
Of which from USD	676,508	87,946	-87,946
Of which from JPY	59,143	7,689	-7,689
Of which from HKD	45,403	5,902	-5,902
Of which from SEK	32,541	4,230	-4,230
Of which from CHF	27,462	3,570	-3,570
Of which from DKK	16,799	2,184	-2,184
Of which from ZAR	11,461	1,490	-1,490
Of which from other currencies	322,349	41,905	-41,905
Overseas unquoted securities:	**195,454**	**25,409**	**-25,409**
Of which from USD	160,330	20,843	-20,843
Of which from EUR	35,124	4,566	-4,566
Absolute Return funds overseas:			
Of which from USD	-546	-71	71
Overseas unit trusts:			
Of which from EUR	11,639	1,513	-1,513
Total	**1,398,213**	**181,767**	**-181,767**

Net Currency exposure – asset type	Asset values	Change to net assets available to pay benefits	
	2012-13	**+13%**	**-13%**
	£000	**£000**	**£000**
Overseas listed equities:	**1,078,856**	**140,251**	**-140,251**
Of which from USD	566,495	73,644	-73,644
Of which from JPY	63,049	8,196	-8,196
Of which from HKD	27,331	3,553	-3,553
Of which from SEK	38,739	5,036	-5,036
Of which from CHF	28,771	3,740	-3,740
Of which from DKK	15,175	1,973	-1,973
Of which from ZAR	10,401	1,352	-1,352
Of which from other currencies	328,895	42,757	-42,757
Overseas unquoted securities:	**204,748**	**26,617**	**-26,617**
Of which from USD	168,147	21,859	-21,859
Of which from EUR	36,601	4,758	-4,758
Absolute Return funds overseas:			
Of which from USD	-633	-82	82
Overseas unit trusts:			
Of which from EUR	12,966	1,686	-1,686
Total	**1,295,937**	**168,472**	**-168,472**

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 2013-14 £000**	**% of Fair value of Fixed Income Assets 2013-14**
AAA	46,928	10.37
AA	165,814	36.64
A	63,816	14.10
BBB	76,315	16.86
Below BBB	65,279	14.42
Cash	19,756	4.36
Derivatives	2,860	0.63
NR	11,873	2.62
Total	**452,641**	**100**

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**

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:

2013-14 **Rating**	**Fair Value** **£000**	**% of Fair value** **of Assets**
BBB-	467	0.30
BB+	9,491	6.10
BB	17,270	11.10
BB-	34,540	22.20
B+	34,229	22.00
B	50,722	32.60
B-	5,446	3.50
CCC+	2,801	1.80
CCC and below	622	0.40
Total	**155,588**	**100**

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**

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 2014 was £13.2m (31 March 2013 £13.9m) and was held in the Deutsche Bank and Fidelity money market accounts. The Co-operative Bank (Public Sector Reserve) balance is nil as the fund has changed its banking service provider to Lloyds bank with effect from 1 April 2014. 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.

2013-14 Counterparty	Moodys Rating	£000	% of cash balances
Bank of New York Mellon (Money Market)	Aaa-mf	14,300	45.97
Fidelity Worldwide Investment (Money Market)	Aaa-mf	7,123	22.90
Deutsche Bank Advisors (Money Market)	Aaa-mf	6,109	19.64
Bank of New York Mellon Cash Accounts	Aaa-mf	3,091	9.94
The Co-Operative Bank (Public Sector Reserve)	A-	0	0
Cash in transit	NR	482	1.55
Total		**31,105**	**100**

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**

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 2014 the value of illiquid assets was £287m, which represented 8.07% of the total fund assets (31 March 2013 £294m which represented 9.1% of the total fund assets).

In terms of liquidity risk, the Fund had £31m (2012-13 £34m) of cash balances as at 31 March 2014 and current net assets of £22m (£27m in 2012-13). The Funds net cashflow, before taking account of investment, as at 31 March 2014 was -£1.4m (+£6m in 2012-13). There is 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 2014 £000**	**% of Fair value of collateral 31 March 2014 %**	Fair Value of Collateral 31 March 2013 £000	% of Fair value of collateral 31 March 2013 %
Aaa	**52,584**	**83**	1,626	69
Aa1	**11,042**	**17**	721	31
Grand Total	**63,626**	**100**	**2,347**	**100**

Note 21 – Funding Arrangements

In line with the LGPS (Administration) (Amendment) Regulations 2013, 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 2013. The next valuation will take place as at March 2016.

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 2013 valuation, the fund was assessed as 82% funded (81% at the March 2010 valuation). This corresponded to a deficit of £723m (2010 valuation: £600m) at that time.

Contribution increases will be phased in over the three-year period ending 31 March 2017 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	31 March 2010	31 March 2013
	%	%
Future	16.1	19.3
Deficit	8.2	8.2
Total	27.5	27.5

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 2013 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

	31 March 2010		31 March 2013	
	Nominal	**Real**	**Nominal**	**Real**
Discount rate	6.1%	2.8%	4.6%	2.1%
Salary increases*	5.3%	2.0%	3.3%	0.8%
Price inflation / Pension Increases	3.3%	-	2.5%	-

*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.

Longevity assumptions

	Actives & Deferreds		Current Pensioners	
Assumed life expectancy at age 65	**Male**	**Female**	**Male**	**Female**
2010 valuation - baseline	19.8	22.5	19.8	22.5
2010 valuation - improvements	24.9	27.7	22.9	25.7
2013 valuation - baseline	19.8	22.7	20.1	22.4
2013 valuation - improvements	24.1	26.7	22.3	24.4

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 22 – Actuarial value of promised retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2013-14 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 23– Long Term Assets

	2013-14	2012-13
Long Term Debtors:	**£000**	£000
• Contributions due - Employers	**12,477**	14,499
• Sundry Debtors	**1,411**	1,520
Total	**13,888**	**16,019**

Analysis of Long Term debtors

	2013-14	2012-13
	£000	£000
Due from Cheshire West & Chester Council	**9,933**	10,485
Due from Other Local Authorities	**2,438**	3,799
Due from Bodies External to General Government	**1,517**	1,735
Total	**13,888**	**16,019**

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 24 – Current Assets

	2013-14	2012-13
Current Debtors:	**£000**	£000
Contributions due - Employers	**14,390**	16,321
Contributions Due - Employees	**2,150**	2,676
Sundry Debtors	**146**	281
Provision for Doubtful Debt	**-198**	-35
Cash balances	**47**	197
Total	**16,535**	**19,440**

Analysis of Current debtors

	2013-14	2012-13
	£000	£000
Due from Other Local Authorities	**9,704**	11,803
Due from Cheshire West & Chester Council	**4,405**	4,388
Due from Bodies External to General Government	**2,469**	2,943
Other Debtors	**45**	115
Central Government Bodies	**63**	29
Less Provision for Doubtful Debt	**-198**	-35
Total	**16,488**	**19,243**

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 25 – Current Liabilities

	2013-14	2012-13
	£000	£000
Sundry Creditors	**6,954**	4,969
Benefits Payable	**900**	276
Receipts in Advance	**607**	2,723
Total	**8,461**	**7,968**

Analysis of creditors

	2013-14	2012-13
	£000	£000
Due to Bodies External to General Government	**4,007**	3,361
Due to Other Local Authorities	**303**	142
Due to Cheshire West and Chester	**1,384**	116
Other Creditors	**2,160**	1,546
Due to Central Government Bodies	**0**	80
Total	**7,854**	**5,245**

Note 26 – 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 2014 is shown below, along with a prior year comparator.

	Clerical Medical £000	Standard Life £000	Equitable Life £000	Total £000
Contributions received in year 2014	369	161	2	532
Contributions received in year 2013	272	224	4	500
Fair value at 31 Mar 2014	2,331	2,313	622	5,266
Fair value at 31 Mar 2013	2,337	2,206	751	5,294

Note 27 – 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 2013-14 the Fund received £1.4k from the Council (paid in 2012-13 £2.4k) for interest accrued on these balances. This payment was to correct a miscalculation of interest which had been paid to the council in error.

The Council is one of the largest employers and contributed £28.3m into the Fund in 2013-14 (2012-13 £28.9m). At the year end, a balance of £11.562m (2012-13 £14.872m) was due to the Fund from the Council, primarily relating to early retirement costs which will be repaid over more than one year and also contributions which were paid in April but became due in March. A balance of £1.4m (2012-13 £0.1m) 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 £2.202m to administer the Fund in 2013-14 (2012-13 £2.169m) and this was recharged to the Pension Fund. Note 10 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 & 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 2014, nine 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 (Councillor P. Mason and Councillor D. Newton). In addition, Committee members Councillors M.Hogg (Chairman), F.Keegan, P. Raynes, D. Beckett, H. McNae, M. Henesy, P. Mason and M. Wharton are active members of the Fund.

With the introduction of the new LGPS from 1 April 2014 council Members are not entitled to join, however, a Councillor who was a member of the scheme on 31 March 2014 may continue to accrue rights until the end of the term of office which that member is serving.

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

	31 March 2012	31 March 2013
	£000	£000
Short term benefits	59	58
Long term/post retirement benefits	1,314	1,323
Total	**1,373**	**1,381**

Note 28 – Contingent Liabilities and Contractual Commitments

The Fund has contractual commitments to the value of £275m (2012-13 £299m) in private equity funds. As at 31 March 2014 the Fund had actually invested £237m (2012-13 £270m) and therefore had an outstanding commitment of £38m (2012-13 £29m). 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 £32m (£32m in 2012-13 restated from £32.4m) 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 2014 £26.7m has been drawn down (£6.2m in 2012-13).

Note 29 – Contingent Assets

There are 21 admitted bodies in the Cheshire Pension Fund who hold insurance bonds to guard against the possibility of being unable to meet their pension obligations, along with an additional 3 employers with Parent Company Guarantees. The bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.

The Pension Fund is a member of two group litigation actions aimed at reclaiming tax credits on overseas dividends and foreign income dividends on the basis that the original denial of a full tax credit was in contravention of EU non-discrimination law. If successful the estimated potential income to the Pension Fund is in the region of £7m. The estimated fees payable in respect of the litigations, regardless of the outcome, are approximately £0.1m. This issue is still progressing through the courts.

Note 30 – Impairment for Bad and Doubtful Debts

During 2013-14 the fund has recognised doubtful debts of £53k (£35k in 2012-13) relating to outstanding rental income on its investment properties of £51k (£32K in 2012-13) and non-recovery of pensioner death overpayments totalling £2k (£3k in 2012-13).

Note 31– Statement of Investment Principles

The Fund's Statement of Investment Principles (SIP) sets out the Fund's investment objectives and investment management arrangements. A full copy of the SIP can be obtained from the Pensions Section, Cheshire West & Chester Council, HQ, Nicholas Street, Chester, CH1 2NP or from the Fund's website at: www.cheshirepensionfund.org

Note 32 – Funding Strategy Statement

Under the LGPS (Administration) (Amendment) Regulations 2013 administering authorities are required to prepare a Funding Strategy Statement (FSS).The key requirements relating to the FSS in the regulations are that;

- After consultation with all relevant interested parties involved with the Fund, the administering authority will prepare and publish their funding strategy.
- In preparing the FSS, the administering authority must have regard to:
    - FSS guidance produced by CIPFA;
    - Its Statement of Investment Principles published under Regulation 12 of the LGPS (Management and Investment of Funds) Regulations 2009
- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.
- The Fund's actuary must have regard to the FSS as part of the fund valuation process.

Fund members' accrued benefits are guaranteed by statute. Members' contributions are fixed in the Regulations at a level which covers only part of the cost of accruing benefits. Employers pay the balance of the cost of delivering the benefits to members (net of returns from the Fund's investments). The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers pay for their own liabilities.

The Funding Strategy Statement for the Cheshire Pension Fund can be obtained from the Pensions Section, Cheshire West & Chester Council, HQ, Nicholas Street, Chester, CH1 2NP or from the Fund's website at: www.cheshirepensionfund.org

Employers with active members participating in the Cheshire Pension Fund 31 March 2014.

Major Scheme Employers
Cheshire West & 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
B A M Construct
Bulloughs - Collegiate
Bulloughs - Brine Leas
Bulloughs Cleaning Ltd
C L S Care Services
Canal and River Trust
Care Quality Commission
Cheshire and Warrington Sports PT Ltd
Cheshire and Warrington Tourism Board
Cheshire and Warrington E C
Cheshire Community Action
Cheshire Peaks and Plains Housing Trust
Cheshire Sports Club
Chester and District Housing Trust
Compass - Chartwells Ltd
Curzon Cinemas Ltd
Dataspire
David Lewis Centre
Deafness Support Network
Eric Wright - EP Schools
Foundation Enterprises NW
Golden Gates Housing Trust
Hall Cleaning Services
Halton Housing Trust
Hochtief
HQ Theatres Limited
I S S Facility Services Ltd

Admitted Bodies Continued
I-Care GB Ltd
Innovate Ltd
Innovate Tytherington Ltd
Livewire
Making Space
Marketing Cheshire
May Gurney
Mears Care Limited
Middlewich Cemetary Committee
Northgate Managed Services
Norton Priory Museum Trust
Places For People Leisure
Plus Dane Housing Association Ltd
Plus Dane Housing Association
R M Estates Ltd
Regent Office Care - Fire
Regent Office Care Ltd
Ringway Infrastructure Services Ltd
Ringway Jacobs
School Food Company Ltd
Seddon Property Services
Serco
Silk Museum Trust
Sir John Deanes College
South Cheshire Ent Ltd
Sport Cheshire
Taylor Shaw - Broad Lane
Taylor Shaw - Ivy Bank
Taylor Shaw - Park Royal
The Kings School Chester
Tommy Thumbs
Treefellers Ltd
University Of Chester
Warrington Community Living
Warrington Cultural Trust
Warrington Housing Association
Warrington Voluntary Action
Weaver Vale Housing Trust
Wulvern Housing Trust

Free Schools
Sandbach School
St Martin's Academy
University Cathedral Free School
Sandymoor School

Academies
Adelaide School
All Hallows Catholic Coll
Alsager School
Ash Grove Academy
Beamont Collegiate Acad
Birchwood Community Acad
Bishops Blue Coat Coe Hs
Brine Leas School
Cavendish High Academy
Christleton High School
Cloughwood Academy
Congleton High School
County High School Leftwich
Cranberry Academy
Delamere CofE Primary Academy
Eaton Bank Academy
Fallibroome Academy
Great Sankey High School
The Heath School
Holmes Chapel Comprehensive
Holmes Chapel Primary School
Kelsall Primary School
King's Leadership Academy
Knutsford Academy
Lacey Green Primary
Leighton Academy
Lymm High School
Macclesfield Academy
Mottram St Andrew Primary
Neston High School
Ormiston Bolingbroke Academy
Over Hall Community School
Palacefields Academy

Academies - Continued
Whirley Primary School
Winsford E-ACT Academy
Wistaston Academy
Worth Primary School

Other Employers
Alderley Edge Parish Council
Alsager Town Council
Birchwood Town Council
Bollington Town Council
Brio Leisure
Congleton Town Council
Crewe Town Council
Disley Parish Council
Frodsham Town Council
Grappenhall Thelwell Parish Council
Halton Transport
Handforth Parish Council
Holmes Chapel Parish Council
Knutsford Town Council
Lymm Parish Council
Macclesfield College
Mid Cheshire College
Middlewich Town Council
Nantwich Town Council
Neston Town Council
Nether Alderley Parish Council
Northwich Town Council
NW Fire Control Ltd
Odd Rode Parish Council
Penketh Parish Council
Poulton Fearnhead Parish Council
Poynton Town Council
Prestbury Parish Council
Priestley Sixth Form College
Reaseheath College
Riverside College
Sandbach Town Council
South Cheshire College

Parkroyal Community School	Valuation Tribunal Service
Penketh High School	Vivo Care Choices Ltd
Rudheath Community Primary School	Warrington Collegiate
Sandbach High School Sixth Form	Warrington Transport
Sir William Stanier Community School	West Cheshire College
St Michaels Community Academy	Wilmslow Town Council
St Thomas More Catholic High	Winsford Town Council
Stapeley Broad Lane	Wybunbury Parish Council
Tarporley High School Sixth Form College	UOC Academies Trust
The Catholic High School	UOC Academy Northwich
The Quinta Primary School	UP Academy Weaverham
University Academy Warrington	Wade Deacon High School
University C O E Academy	Warrington College Education Trust

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2013/14 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 2014 £m	31 Mar 2013 £m
Present value of Promised Retirement Benefits	4,791	4,607

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. I estimate this liability at 31 March 2014 comprises £1,965m in respect of employee members, £739m in respect of deferred pensioners and £2,087m 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 2014 is to decrease the actuarial present value by £275m.

Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 Mar 2014 % p.a.	31 Mar 2013 % p.a.
Inflation/Pensions Increase Rate	2.8%	2.8%
Salary Increase Rate	3.6%	5.1%*
Discount Rate	4.3%	4.5%

*Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption shown thereafter.

Longevity assumption

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.3 years	24.4 years
Future Pensioners*	24.1 years	26.7 years

*Future pensioners are assumed to be aged 45 at the last valuation date

Please note that the assumptions have changed since the previous IAS26 disclosure for the Fund.

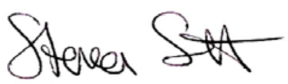
Commutation assumption

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 2014 for IAS19 purposes' dated 2 May 2014. 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.

Prepared by:-



Steven Scott FFA

16 May 2014

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.

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 2014.

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 2014, 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.

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.

Non-Domestic Rate (NDR)
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 by Councils, and are then shared between Central Government, the Billing Authority (Council) and other bodies in proportion to prescribed shares.

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 2013-14 in relation to goods and services not received until 2014-15.

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 2013-14 relating to goods or services delivered in 2014-15.

Related party
A person or organisation which has influence over another person or organisation.

Remeasurements (IAS19 term)
For a defined benefit pension scheme, the changes in the value of a schemes assets and liabilities as a result of the changes to the underlying assumptions concerning their value, as opposed to any performance or activity in year

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 reflects 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.