Cheshire West & Chester Council

Statement of Accounts

2014-15

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Cheshire West and Chester

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Explanatory Foreword

The Statement of Accounts is produced annually to give electors, local taxpayers, Members of the Council, employees and other interested parties clear information about the Council's finances. The explanatory foreword is designed to provide an explanation of the Council's financial position and to assist in the interpretation of the financial statements. It also contains additional information about the Council in general and the main influences on the financial statements to provide a link between the Councils activities and challenges and how these impact on its financial resources.

The explanatory foreword is structured as follows:

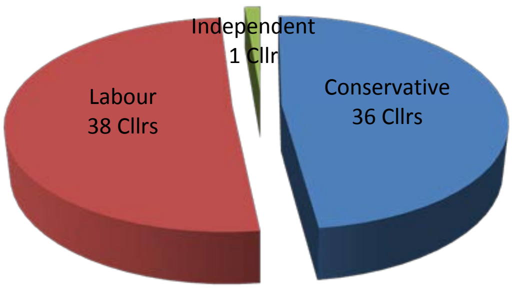
1. About Cheshire West and Chester
2. Strategic Priorities
3. Key achievements
4. Summary of financial performance
5. Main issues from the 2014-15 accounts
6. Explanation of the financial statements

1. About Cheshire West and Chester

Cheshire West and Chester is a unitary authority with a population of 331,000 and covers 350 square miles. The borough is located in the North West of England and includes the historic city of Chester and the industrial and market towns of Ellesmere Port, Frodsham, Helsby, Malpas, Neston, Northwich and Winsford. About a third of the population lives in rural areas.

The Council is responsible for ensuring a wide range of services are provided to the residents, businesses and visitors to the Borough. These include education, safeguarding vulnerable children and adults, social care, public health, highways, leisure, culture, waste collection, planning, housing benefits, regeneration and community engagement. In addition to providing or commissioning services the Council is also responsible for the collection of local taxation in the form of Council Tax and Non Domestic Rates on behalf of itself and local agencies such as Police and Fire authorities.

The Council is a politically-led organisation and has adopted a Leader and Cabinet model. It has 75 elected members representing 50 wards across the Borough. Throughout 2014-15 the Council operated under a Conservative administration but this changed at the Borough Elections in May 2015 where the Labour Party gained a majority. The current political make-up of the Council is as below.



2. Strategic Principles and Priorities

Cheshire West and Chester Council is an innovative organisation that seeks to pioneer new and improved ways of delivering services. It will work hard to improve engagement with customers, individuals, communities and partners and deliver the highest quality of services to all stakeholders.

The principal aims of the Council are to:

- Provide high quality services to the public in a joined-up and efficient manner with other public bodies and service providers
- Deliver services and information in an accessible way, enhancing the customer experience, whether that is to the home, at local service centres, over the phone or via the website
- Work locally with communities and partners through local area forums, parish/town councils and community groups to deliver a common agenda and common outcomes
- Develop a robust approach to value for money with the aim of providing services which are of good quality and affordable within the Council's funding

Financial Scenario

In common with all Local Authorities Cheshire West and Chester needs to manage a situation where the costs and demands of services are growing but the amount of funding available is reducing. Over the last five years Central Government funding to the Council has fallen by nearly £30m and it is anticipated the reductions of at least the same scale will be made in the next five years. Against this backdrop the Council needs to manage growing demand for services, inflationary pressures, a need to invest in the local economy to promote growth and a desire to continually improve services.

The Council has responded to the reduction in funding by making over £100m of savings in the last five years and continues to ensure that wherever possible these are found through improving efficiency rather than impacting on services.

The key focuses for the medium term financial plan are:

- Redesign services to intervene earlier, reducing costly reactive services;
- Reviewing all services to ensure they are delivered in the most effective manner;
- To make the best of property and land to drive efficiency and growth;
- To refocus services to support local growth;
- To have mature conversations with communities to prioritise what matters to them and encourage involvement in solving local problems.
- To root out duplication between services and pursue economies of scale

3. Key achievements

Prevention

West Cheshire has been at the forefront of the national public service modernisation agenda since it was selected as one of four Total Place Community Budgets pilots in 2012, which brought public bodies from the area together with aligned objectives and pooled funding. Our integrated approach to tackling problems at the earliest possible stage in West Cheshire emerged out of our Altogether Better community budget pilot, leading to the establishment of the Integrated Early Support (IES) service and greater integration with Health.

The Integrated Early Support model was formally launched in October 2013, bringing together council, police, probation, health and other services for children and families with multiple needs in a single location. Multi-agency case management teams combine diverse skills, reduce duplication and improve quality assurance. A cross-boundary culture helps professionals understand each other's roles and streamlines support around each family. The West Cheshire Integrated Early Support (IES) service continues to go from strength to strength and was commended as an example of good practice by the Chancellor in his last Autumn Statement for achieving a 13% reduction in referrals for children in need.

Going for Growth

The Council's economic development strategy, Going for Growth, is on target to bring £500m private sector investment, 5,000 new jobs and 7,000 new homes to the borough by 2018. The regeneration of Northwich is well underway with the Hayhurst Quay marina development completed and the commencement of the Barons Quay complex in late 2014. The Northgate development in Chester is in the design stage and aims to attract new retail, restaurant, cinema and leisure businesses to Chester thus strengthening its appeal to visitors and residents.

Leisure and culture in West Cheshire are getting a boost with investment in new facilities. 2015 sees the opening of new leisure centres in both Northwich and Ellesmere Port and the Lion Salt works heritage attraction. Other schemes to preserve local heritage and enhance quality of life include investment in the historic Roman City Walls and funding for Grosvenor Park.

Delivering services

The Council continues to deliver core services to a high standard. This includes educating over 35,000 pupils in maintained schools, looking after 500 children in care, maintaining 1,400 miles of roads, preventing 1,300 cases of homelessness and handling 160,000 tonnes of waste.

The method of delivery of services is key to maintaining high standards and the Council has reviewed every service covered by its £250m budget to decide on the best delivery option.

Whilst moving forward with its ambitious growth and development agenda the Council has supported residents in the challenging financial climate by freezing Council Tax levels while delivering nearly £20m of savings from staffing and contract efficiencies and service redesign whilst maintaining its financial reserves at a level that enables the Council to manage operational risks and respond to emerging pressures or opportunities

4. Summary of financial performance

Revenue Expenditure

The Statement of Accounts sets out the Council's spending and funding in line with accounting requirements. The Council measures financial performance against planned activity in the form of the Council's management accounts. In 2014-15 the Council reported an underspend of £2.0m against planned activity of £284.2m and achieved £19m of savings. The table below reflects the final budget for 2014-15 and actual income and expenditure against it.

2014-15 Revenue Budgets	Budget £m	Actual £m	Variance £m
Children's services	43.1	44.6	1.5
Adult social care and health	104.3	104.2	-0.1
Places	67.2	64.8	-2.4
Corporate services	35.6	34.1	-1.5
Capital Financing	23.8	23.8	0.0
Other	10.2	10.7	0.5
Total Net Spend	**284.2**	**282.2**	**-2.0**

The impact of the underspend means that the Council added £0.5m to the General Fund compared to a budgeted drawdown of £1.5m. This improvement in the Council's Reserves can be seen in the Movement in Reserves Statement in the following Accounts.

The presentation above reflects how costs are categorised, monitored and managed within the Council. The following Accounts report the same expenditure and income but in a different format to comply with statutory external reporting requirements. This incorporates additional costs such as depreciation or changes in the value of property which, under regulation, are not chargeable to usable reserves in the year. The impact of including such costs in the Accounts is set out in Note 26 to the accompanying statements.

Capital Expenditure

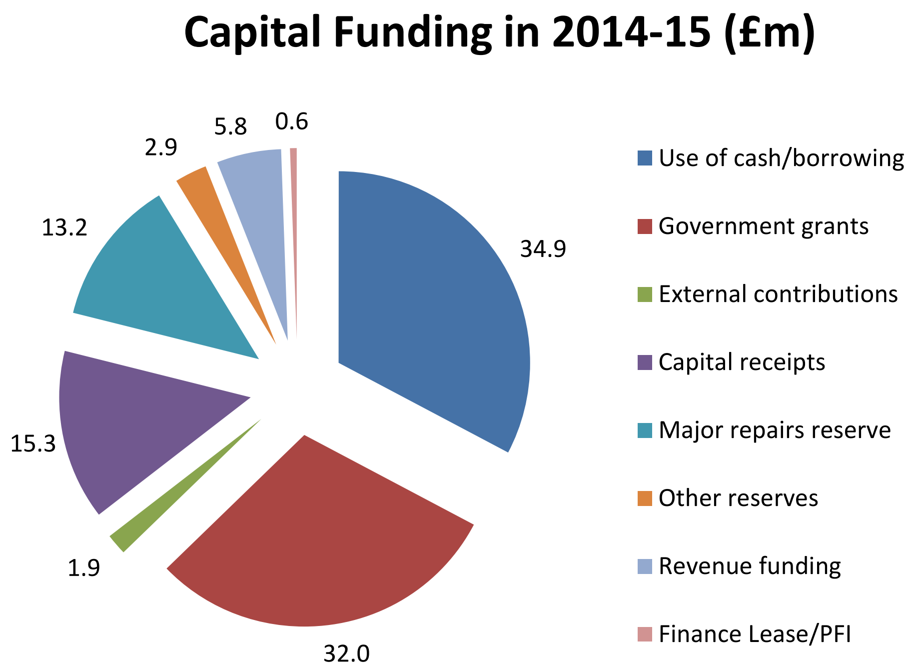
The capital programme supports the Council's wider objective to deliver services and to support economic growth. In 2014-15 the Council invested £114.9m through its total capital programme against a budget of £126.1m. The programme made excellent progress in year, achieving a delivery rate against plan of over 90%. It is expected that the remaining schemes will complete in 2015-16.

From this total spend of £114.9m, £106.0m was capitalised and added to the value of assets in Council's Balance Sheet. The remainder was charged to the Income and Expenditure Statement as it was either in support of assets that are not in direct Council ownership (£7.3m) or did not add value to the capital assets (£1.6m).

The table below analyses the expenditure that has been capitalised. It also includes an additional £0.6m of capital investment incurred outside the capital programme in relation to assets the Council acquired through finance leases and similar contracts.

Capital investments	2014-15 £m
Investment in highways and transport infrastructure	23.1
Leisure facilitates in Ellesmere Port and Northwich	21.0
Improvements to Council Housing	15.1
Investing in regeneration programmes	12.9
Investing in school buildings	7.2
Property management	6.9
Development of cultural assets	5.2
ICT Infrastructure	4.5
Improvements to Housing	3.7
Others	7.0
Total	**106.6**

The funding sources for the capitalised assets is summarised below:



Balance Sheet

The Council's balance sheet demonstrates a strong financial position at the end of 2014-15 with a net asset value of £508.3m, a £24.5m increase from last year.

Long Term Assets

	2014-15 £m	2013-14 £m
Property, plant & equip.	1013.6	909.8
Heritage Assets	72.4	69.7
Investment Properties	125.0	131.1
Intangible Assets	0.5	0.3
Investments	0.5	0.0
Debtors	4.9	0.6
	1216.9	**1111.5**
Overall change	**105.4**	

Changes to Long Term Assets	£m
Capital expenditure	106.4
Valuation changes	50.3
Loans/Shareholdings	4.7
Increases in value	**161.4**
Depreciation/amortisation	-35.5
Disposals	-20.5
Reductions in value	**-56.0**
	105.4

The £105.4m increase in Non-Current Assets is due to investment of over £106m in new/enhanced assets and increases in asset values (primarily for School premises). These are offset by £56m depreciation and disposals. The increase in Long Term Debt largely relates to loans given to Council owned companies. Further details are provided in Notes 13 - 16.

Current Assets / Liabilities

	2014-15 £m	2013-14 £m
Investments	30.0	30.0
Assets Held for Sale	0.1	3.2
Debtors	51.0	57.3
Cash balances	62.7	87.6
Other	0.3	0.5
Current Assets	**144.1**	**178.6**
Creditors	-97.5	-89.3
Borrowing	-13.7	-11.7
Provisions	-3.3	-4.1
Current Liabilities	**-114.5**	**-105.1**
	29.6	**73.5**
Overall change	**-43.9**	

Changes to Current Assets and Current Liabilities	£m
Early Pension Payment	-17.0
Other cash movements	-7.9
Cash management	**-24.9**
Tfr to Long Term Assets	-1.1
Tfr from Long Term Liabilities	-13.8
Reclassifications	**-14.9**
Reductions in outstanding debt	-5.2
Borrowing Repaid	8.6
Increases in amounts owing	-4.2
Disposal of assets held for sale	-3.4
Other movements	0.1
Relations with third parties	**-4.1**
	-43.9

The most significant change in current assets and liabilities relates to the £25m reduction in cash balances. This reduction is in line with expectations and reflects usage of £17m to fund a one off payment to offset the Councils Pension Deficit which was brought forward into 2014-15 and £7m of costs incurred on the Barons Quay development. Aside from this the movements in net current assets are largely neutral and just reflect timing differences and the fact that £14m of borrowing repayments come closer to being due.

Long Term Liabilities

	2014-15 £m	2013-14 £m
Long Term Borrowing	-298.0	-308.6
Net Pension Liability	-379.5	-329.1
PFI/finance leases	-34.9	-38.4
Long Term Creditors	-0.9	-0.9
Provisions	-14.9	-11.2
Capital Grant Receipts	-10.0	-13.0
	-738.2	**-701.2**
Overall Change	**-37.0**	

Changes to Long Term Liabilities	£m
Tfr to current liabilities	13.8
Settlement of liabilities	19.7
Change in pension liability	-50.4
Reductions in liabilities	**-16.9**
New Loans	0.0
New leases	-0.2
New provisions/creditors/RIA	-19.9
Recognise new liabilities	**-20.1**
	-37.0

The only significant change in long term liabilities is an increase in the Council's net pension liability of £50m. This reflects a reduction in the actuary's expectations regarding future asset returns. Further details are provided in Note 41.

Reserves

The £24.5m increase in the Council's net worth set out above results in a £32.5m increase in unusable reserves and an £8m reduction in usable balances. This reflects the fact that the majority of the gains are due to changes in property revaluations and therefore aren't available to the Council to spend on services at this point.

6. Main issues impacting on the 2014-15 accounts

There have been a number of developments in 2014-15 which have influenced the presentation of the 2014-15 Accounts and the reported financial position of the Council:

- New accounting standards regarding the recognition of schools as entities
- Revaluation of all schools
- Changes in pension estimates
- Group accounts

New accounting standards regarding the recognition of schools as entities

Following the issuing of new accounting standards and guidance, all maintained schools in the Borough are now considered to be entities "controlled" by the Council. As a result all expenditure, income, assets and liabilities relating to these schools must be recorded in the Council's Accounts. The term maintained schools excludes Academies or Free Schools but covers Community, Voluntary Aided/Controlled and Foundation Schools.

The implications of this change required the Council to recognise a number of schools on its balance sheet for the first time and remove some others. The net effect was an increase in the value of assets recognised of £45m. These changes have to be applied retrospectively so the 2013-14 values in these Accounts have also been restated. More details on this change are set out in Notes 3, 13 and 48.

Revaluation of existing schools

New guidance was issued by the Department for Education during 2014-15 which has required the Council to revisit the value for all its school assets. This new guidance set out the space standards that would be expected for a modern new build school. As school valuations are based on the cost of replacing existing stock with modern equivalents the increased scale of facilities required by the new guidance has increased the replacement cost for most schools. This pushed up the value of the overall school portfolio by approximately £50m. Further details are provided in Note 13.

Changes in pension estimates

Due to the scale of the pension assets (£1.1bn) and liabilities (£1.5bn) in the Accounts any changes in assumptions regarding their value can have a large impact on the reported position. In 2014-15 the net pension liability (deficit) reported in the Accounts has increased by £51m. This change is largely due to 3 factors

- A reduction in the actuary's expectations over the long term rate of return on assets. This value (referred to as the discount rate) is tied to the returns generated on long term government bonds. As these returns have fallen during 2014-15 the actuary has increased the discounted value of the Council's pension liabilities by £183m.
- The in-year return on investments held by the pension fund has been positive, achieving an average return of 15.7% over the 12 months. This exceeded the anticipated returns allowed for last year by £110m.
- The Councils contributions to the Fund in 2014-15 (£45m) exceeded the costs of new pensions earned in the year (£33m)

Group Entities

In May 2014 the Council transferred delivery of back office transactional and ICT services to a new company called CoSocius Limited. CoSocius Ltd has been established in partnership with Cheshire East Council to provide business services to both partner Councils and other customers, primarily in the public sector. Further details about this transfer, governance arrangements and the financial status of the new company are included in Note 45.

This company further increases the volume of arms-length bodies in whom the Council holds a shareholding. These companies, alongside others planned to launch in 2015-16, will have a combined turnover of well over £50m and the scale of transactions now justify the production of Group Statements.

The main financial statements consider the Council as a single entity thus any business interests in other organisations are reflected in terms of the level of the Council's investment in them and not their financial performance, year-end balances and exposure to risk. In order to reflect a full picture of the Council's financial activities and business relationships, group financial statements have been prepared and appear as a supplementary statement to reflect the overall value of Council's activities including its stake in these companies. The Group financial statements and supporting notes are contained in a separate section of the accounts on page 207.

7. Explanation of the financial statements

The Statement of Accounts sets out details of the Council's income and expenditure for the financial year 2014-15 and its Balance Sheet as at 31 March 2015. These statements cover the General Fund, the Collection Fund, Housing Revenue Account and the Pension Fund.

Core Financial Statements:

- **Movement in Reserves Statement (MIRS)** shows the movement in year on reserves held by the Council, analysed into 'usable reserves' and other reserves. The statement shows the true economic cost of providing the authority's services and how those costs are funded from the various reserves held.
- The **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.
- 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 **Notes** to the Core Financial Statements provide more details about the Councils accounting policies and items contained in the statements.

Supplementary Financial Statements:

- **The Statement of Responsibilities for the Statement of Accounts** explains the Council's responsibilities and the responsibilities of the S151 Officer.
- **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.
- 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 **Group Accounts** provide details of the Council's overall financial interests including consideration of its interests in other companies and how their value has changed over the year.
- 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.

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 15 September 2015.

Date: 15 September 2015

Signed by:
Councillor Stephen Burns
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 2015.

Date: 15 September 2015

Signed by:
Mark Wynn
Head of Finance

Annual Governance Statement 2014-15

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 on our website at Code of Corporate Governance 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 2015. Following the recent local elections there will be some changes to this framework, particular in relation to committee structures and the scrutiny process.

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. Progress is overseen 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 Health and Wellbeing Strategy is also a key document setting out the shared priorities across key partners. The plan is currently draft and is due to be considered by the Health and Wellbeing Board in spring 2015. The Health and Wellbeing Board is a statutory committee 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 these documents link with the Council's Five Year 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.
- A new Corporate Plan is likely to be developed and agreed in 2015 to take into account the priorities of the newly elected Council, partnership priorities, the future financial challenge and latest community needs.
- 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.

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.
- During 2014-15 there has been a restructure of senior management and the leadership team at Director and Head of Service level. The revised structure enables senior officers to take a more strategic role and provides greater clarity on the links between Executive Member portfolios and senior officer responsibilities.
- The Authority has adopted a Code of Corporate Governance which has been in place all year. In light of the organisational restructure, this document now needs a refresh and this will be led by the Head of Governance.
- A Corporate Governance officer group met on four occasions in 2014-15. The group was chaired by the Monitoring Officer and comprised a range of senior officers who reviewed aspects of internal control and governance. However, following the organisational restructure this group has been disbanded. Instead, the Head of Governance and the Senior Manager – Audit and Compliance now report directly to the Corporate Leadership Team on the statutory roles of reviewing and updating the Code of Corporate Governance and assessing performance against the Code.

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 Services through individual Business Plans. These plans are currently under review in light of the senior management restructure that has taken place in 2014-15.
- Key pledges and Service 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. These are embedded in the Council's staff appraisal and performance management procedures.
- The Council's Local Account, 'Shaping Services Together', reports on what has been happening in relation to adult social care services in Cheshire West and Chester. It feeds back on what people have told us about adult social care and what actions have been taken as a result of listening to their views and experiences.

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 & Education, Safeguarding, Health & Wellbeing, Locality Working, and Corporate Scrutiny. There is also a Public Accounts Scrutiny Panel and a Joint Health Overview & Scrutiny Committee that combines with Cheshire East Council to review common issues on an ad hoc basis.
- 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 will be updated in 2015-16 following the organisational restructure.
- 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 are monitored through quarterly Holistic Reporting of performance.

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

- The Authority has an established Audit & Governance Committee. The Committee has responsibility for risk management and corporate governance; the Council's Constitution in respect of contract procedure rules; financial regulations and codes of conduct; the Authority's annual governance statement; the annual statement of accounts, and receipt of reports and information from Internal and External Audit. As part of the review of effectiveness, a self-assessment of the Audit & Governance Committee has been undertaken and used to inform the preparation of this statement.
- The Members Audit Working Group is a sub-committee of the Audit & Governance Committee and is a mechanism for a more focused review and challenge of Internal and External Audit Reports. This group met throughout 2014-15.
- 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 Charter and 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 Public Sector Internal Audit Standards as issued by the Relevant Internal Audit Standard Setters, including CIPFA, in 2013.

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

- The Authority has in place an Anti-Fraud & Corruption Strategy, a 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 Information Governance 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 2015-16 in light of the recent local elections.
- 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 will be offered a full induction programme during 2015-16 and the chance to 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 rolled out across the Authority in 2013-14. The completion of appraisals has been closely monitored via OPM and the requirement to populate management information regarding completions has been regularly highlighted to Heads of Service. This has led to an improved completion rate in 2014-15. There is now a link to Contribution Related Reward so there is better engagement with appraisal record keeping. A moderation system, involving Internal Audit, is in place to ensure the process is fair and managed appropriately.

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

- The Authority has a Customer Engagement & Empowerment Strategy.
- Channels of communication include the Council website, the Your West Cheshire website, social media channels and the Talking Together Magazine.
- Decisions taken by Members are minuted and are available for public inspection and meetings are open to the public and 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 opinion, 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 – Audit and Compliance.

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

Corporate / Management Assurance

The Corporate Leadership Team is now in place as a result of the Council's Directorate and Heads of Service restructure.

The Council's governance framework has been reviewed throughout the year by the Corporate Governance Officers' Group. The group met on four occasions in 2014-15. A 'standard' agenda was used to provide a framework for supporting the Statutory Officers Group and Audit & 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

As statutory officers now attend Corporate Leadership Team meetings, there is no longer a need for the Corporate Governance Officers' Group to meet to receive these updates. The remaining responsibilities of this group have now been delegated to the Head of Governance and Senior Manager – Audit and Compliance. These will be satisfied through the Head of Governance reviewing changes to the Constitution, in response to legislation and organisational restructure, and the Senior Manager – Audit and Compliance taking responsibility for assessing the Council's performance against CIPFA's standards of corporate governance and for making recommendations to Chief Officers and / or elected Members as appropriate.
Going forwards the Head of Governance will oversee changes to the Constitution and Finance & Contract Procedure Rules to reflect the new Public Contracts Regulations 2015.

Additionally there have been reviews of Declarations of Interest, reports on Members' budgets expenditure and register of 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 Strategic Directorate Management Team meetings, seeking confirmation that a robust system of internal control and governance had been in place and working effectively in Strategic Directorates / Services during 2014-15. 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 Strategic Directorate and each Head of Service within the Corporate Cluster.

Council

The Council met on seven occasions in 2014-15 and received / approved reports, including those relating to the Annual Budget, Financial Performance, Treasury Management Strategy & Annual Report, Housing Management Services Budget (including rent increases), changes to Licensing Committee Terms of Reference, the Annual Scrutiny Report, the Standards Annual Report, Community Governance, debates on petitions, Member Champions' Annual Reports, adoption of a

Local Plan and a series of 'State of the Borough' topical debates covering subjects such as Fostering and Adoption and Food Banks.

Executive

The Executive met on eleven occasions in 2014-15 and received a number of the reports mentioned above. Additionally they received reports on a range of matters including Policy Commissions, Commissioning services, Children's Centres, Chester Bus Exchange, Cultural Centre, Make or Buy reviews, Children in Care, Housing Strategy and Neighbourhood Plans.

Audit & Governance Committee

The Audit & Governance Committee met on five occasions during 2014-15 and received / approved reports including those related to the Internal Audit Plan, Internal Audit Update Reports and the Annual Report, Treasury Management updates, External Audit Plan and Progress Reports, Statement of Accounts, Outside Body appointments and Changes to the Constitution.

A sub-committee, the Members' Audit Working Group, also met throughout the year and provided a more focused review and challenge of Internal and External Audit Reports.

The Audit Working Group 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 have been acknowledged by the then Committee Members. Following a change in Council leadership after the 2015 elections this will be taken forward with the Chair of the Committee in due course.

Overview & Scrutiny Committee

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

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 2014-15 the Standards Advisory Board held one meeting.

Pension Fund Committee

The Pension Fund Committee is comprised of ten elected Members and an employee representative (non-voting). Four Members are appointed by Cheshire West and Chester Council and four by Cheshire East Council. Warrington Borough Council and Halton Borough Council each appoint one Member. The full Pension Fund Committee meets quarterly to discuss the strategic issues facing the fund, as does the Investment Sub-Committee. The Investment Sub-Committee comprises five Members from the main committee and focusses on specific investment issues including asset performance and investment manager monitoring.

In order to ensure that the Fund utilises its governance budget effectively both the Full Pension Fund Committee and the Investment Sub-Committee have clearly defined terms of reference. 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 challenging and changing nature of the Local Government Pension Scheme (LGPS) the Fund develops and delivers a formal training programme which comprises quarterly sessions delivered by officers, professional advisors, investment managers and industry experts. This training programme is based on the principles of the CIPFA knowledge and skills framework and is updated regularly to reflect key issues.

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. The Administering Authority’s governance arrangements are fully compliant with the Public Service Pensions Act 2013 and the requirement to establish a Local Pension Board. A Local Pension Board has been formally established under the Council’s constitution and will be operational by the end of July 2015.

Internal Audit

The team completed 87% of the Internal Audit Plan in 2014-15, which equated to 70 audits, 22 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, 168 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 Audit Findings Report was presented to Audit & Governance Committee in August 2014. The external auditor reported an unqualified opinion on the Council’s annual accounts for 2013-14, and concluded that the Council has adequate arrangements to secure value for money. The Authority’s strong financial resilience and good financial management was noted, as well as the significant challenges that are likely to be faced given further Government funding reductions.

The Annual Audit Letter was presented to Executive in November 2014. Amongst other positive comments, it was noted that “the Council continues to have effective arrangements in place 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 2014-15 OFSTED conducted an inspection of three Children’s Centres in the Winsford Locality. They highlighted that these centres work well with partners to identify families and children most in need of their support. In addition they found that as a result of the excellent support given many families are helped to move out of crisis situations.

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 2015-16 through the action plan attached as Appendix A.

- Care Act 2014
- Better Care Fund
- Data Protection
- Special Educational Needs legislation
- Public Contracts Regulations 2015
- Alternative Delivery Vehicles – client role

In addition, two of the governance issues identified in 2013-14 continue to remain live issues although the associated risk has not increased in the last 12 months. As outlined in the table below, Internal Audit will be undertaking assurance work in these areas during 2015-16.

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:

Samantha Dixon
Leader of the Council

Date 30 June 2015

Steve Robinson
Chief Executive

Date 30 June 2015

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
Date 15 September 2015

Appendix A

Significant Governance Issues 2014-15

Issue	Action
1. Care Act 2014 The Care Act 2014 builds on recent reviews and reforms, replacing numerous previous laws, to provide a coherent approach to adult social care in England. Part one of the Act (and its Statutory Guidance) consolidates and modernises the framework of care and support law; it sets out new duties for local authorities and partners, and new rights for service users and carers. Part one of the Act (social care reforms) came into effect from 1st April 2015. The reforms include a new emphasis on wellbeing which underpins the Act; additional responsibilities for prevention; and requirements for the Council to provide information, advice and advocacy. National eligibility criteria have been established and local authorities are required to offer Deferred Payment Agreements to allow persons to defer the sale of their home where it is needed to fund care fees. Funding reforms are due to be introduced from 2016-17 which will include introducing a cap on care costs to limit the amount people have to pay towards their eligible care and support. There will also be an extension to means-tested financial support which will work in conjunction with the cap to ensure that people retain more of their assets, and that more people will receive help with the costs of their care from the State The biggest risk financially in 2015-16 is considered to be the cost of assessing (care needs and financial) self-funders coming forward to start counting towards their care cost cap and the additional carers who may present requiring an assessment and ongoing support. Whilst the Council can estimate self-funders / carers in scope – the difficulty is assessing how many will present themselves for support.	A range of appropriate actions have been taken to ensure that the Council is able to implement the reforms, and will continue in 2015-16: • A Care Act Programme Board has been tasked with overseeing the implementation of the Care Act. • Regular progress updates are taken to Corporate Leadership Team and Health & Wellbeing Board (HWBB) • The Council is part of a network of Councils sharing best practice and learning from the implementation of the Care Act. The Council also participates in quarterly stocktakes undertaken by the Department of Health which assess the readiness of Councils to implement the reforms and flag risks / issues where further support is required. • Regular monitoring and quarterly reporting on the impact of the Care Act both in terms of cost and increased demand are being submitted to the Department of Health. • The Council partakes in national cost modelling exercises to understand the potential costs of the reforms. Internal Audit has included time in its 2015-16 Annual Audit Plan to undertake work to ensure Care Act reforms are implemented appropriately.

Issue	Action
2. Better Care Fund (BCF) The 2013 Spending Review created pooled-budgets across Health and Social Care economies to support the integration of services, known as the BCF. Locally, the BCF is a joint-budget worth £24.3million, containing contributions from the Local Authority, NHS West Cheshire Clinical Commissioning Group (CCG), and NHS Vale Royal CCG. Historically, £8.9m of this money would have been received directly by the Local Authority either through a Section 256 transfer from NHS England or via capital grants. The governance issues arising from this change in practice include new partnership arrangements and financial mechanisms. Should resources within the Budget over or underspend appropriate mechanisms need to be in place to enable the effective management of resources. In addition, approximately £1.8m of the local BCF is linked to a nationally established Payment-By-Results mechanism, linked to the achievement of a 3.5% reduction in non-elected hospital admissions.	Actions have been taken to address these issues and will continue in 2015-16. These include: • Oversight from HWBB: The BCF has been presented to each meeting of the HWBB throughout 2014-15 as a standing item, to ensure consistent development. Progress in implementing the schemes included within the BCF and financial and performance monitoring will be reported to HWBB each quarter during 2015-16. • Internal Audit is currently involved in reviewing the risks and processes attached to the BCF. This has been mirrored by audits conducted by health partners. Further audit work is planned in 2015-16 to assess the effective implementation of the BCF. • A robust S75 agreement has been developed and agreed across partners to underpin the governance and financial reporting arrangements attached to the BCF. This includes the development of financial mechanisms, and includes a dedicated schedule on risk sharing, including the use of over / underspending within the pooled-budget.
3. Information Management During 2014-15 the Council invited the Information Commissioner's Office (ICO) to undertake a review of the Council's procedures around data protection, in particular data protection governance, records management and data sharing. The Council was awarded a score of 'limited assurance' for each of the areas reviewed and a significant number of recommendations were made by the ICO. The ICO report recognised the positive direction of travel by the Council in establishing an Information Governance team and a broader remit for the	Following on from the ICO audit, an action plan has been produced by the Information Governance team and progress is monitored against this and reported to Information Governance Strategy Group. The Information Governance team also plans to identify each Information Asset Owner (IAO) in order to produce an assurance statement on information governance during 2015-16. Internal Audit is planning a number of reviews around information

Issue	Action
Information Governance Strategy Group. However, challenges remain in the management of information risk; improving the controls around data sharing; consistency of incident management; performance indicators and physical security over some records and equipment disposal.	management during 2015-16.
4. Special Educational Needs (SEN) legislation The government introduced significant reforms to the arrangements for children with Special Educational Needs (SEN) from 1st September 2014. This included a new statutory 'Code of Practice for Special Educational Needs and Disability: 0 to 25 years'. This introduces Education Health and Care Plans which replace Statements of SEN for children. Local Authorities have three-and-a-half years to transfer all Statements of SEN into Education Health and Care Plans and prior to the implementation of these reforms the Council is required to create and publish its plan for this transition. Due to staffing issues (absences, retirement and staff leaving) delivery of the plan is behind schedule. However, there is some in-built flexibility which should enable the Authority to catch up in the remaining three years it has to complete the transfers.	The Council is making progress to bring the staffing complement in this area up to full capacity and is looking to put in some short term additional capacity, using the SEN Implementation Grant, in order to ensure the required timeline is met. Internal Audit will also be undertaking work in this area during 2015-16.
5. Public Contracts Regulations 2015 The new Public Contracts Regulations 2015 came into force on 26 February 2015. The intention of the new regulations is to simplify EU procurement rules to make public procurement faster and less costly for suppliers. The new regulations apply for all procurements commenced on or after 26 February 2015 and replace the Public Contracts Regulations 2006 (as amended 2009). A number of changes will need to be made to the Council's	To ensure compliance with the new regulations and continue the Council's excellent record of procurement best practice the Council will be undertaking the following actions in 2015-16: • The Finance and Contracts Procedure Rules will be redrafted to reflect the new regulations. In the interim, to ensure immediate compliance, minor changes have been made to the rules to reflect the implementation of the regulations and the changes in the senior management structure.

Issue	Action
procurement procedures as a result of these regulations, including publication of all procurement documentation at the time of the initial advert including in the government's 'Contracts Finder' database. Procurements will need to be divided into smaller lots to encourage smaller suppliers and new reporting requirements have been introduced to improve traceability, transparency and prevent corruption and fraud.	• Standard procurement documents and processes will be modernised. Contracts Finder Guidance will be produced to ensure expressions of interest and awards notices are correctly published. Various policies are being updated including the Council's policy on encouraging SME participation and social value. • Standard terms and conditions will be updated to reflect the requirements of the new regulations. • Training opportunities will be made available to Members and all officers purchasing on behalf of the Council once the new procurement processes and Finance and Contract Procedure Rules have been finalised. • Legal and Procurement will also be supporting the Council's family of companies in training their staff and updating their own policies and procedures to ensure compliance and best practice.
6. Alternative Delivery Vehicles – client role Cheshire West and Chester is moving towards becoming a commissioning Council and has already established a number of Alternative Delivery Vehicles (ADVs) to provide services. There is also a desire to enable collaboration / partnership working, which has resulted in a further joint venture company being commissioned during 2014-15 via a procurement process. With the set-up of the ADVs the challenge to the Council is to become an effective client manager. Clear and consistent governance arrangements must be in place to assess the delivery of ADVs and whether they are meeting client needs and providing value for money to the Council.	A Governance Unit has been created within Legal and Democratic Services during 2014-15 to manage the relationship with Strategic Delivery Companies and to provide support for the Council in its role as shareholder. Delivery of each company's service is managed by the relevant contract holder within the Council. Reports on Strategic Delivery Company performance are presented to Public Accounts Scrutiny Panel and reports on contract delivery performance are presented to the appropriate Scrutiny Committee. The Finance restructure, which will become effective in 2015-16, will create a further supporting role for project delivery and governance arrangements for the Council's shareholder role.

Issues raised in the previous Annual Governance Statement (2013-14)
(Action has been taken and / or the issue is no longer significant)

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." The impact of 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.	The Council set out a "prioritised approach" for dealing with the enormous increase in DOLS assessments in 2014-15, this involved assessing the most urgent cases first based on criteria devised by the multi-agency DOLS Working Group and agreed by the Local Safeguarding Adults Board. This ensured that resources were targeted at the service users most at risk and is in line with the person centred approach advocated by the Department Of Health. The Council assessed all identified priority cases in 2014-15. Alongside this, the council has identified the cases, separate from DOLS, which require referral to the Court Of Protection. As a result of this there has been investment in additional legal and social work resource to meet the statutory requirements in this area. This Court Of Protection work is ongoing. DOLS demand is set to continue at the current level for the foreseeable future, that is until 2018-19. This will continue to be managed through the DOLS Working Group, with the Court Of Protection cases being processed in the next 12 months. **Internal Audit will be undertaking work in this area during 2015-16.**
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	A Governance Unit has been created within Legal and Democratic Services during 2014-15 to manage the relationship with Strategic Delivery Companies and provide support for the Council in its role as shareholder. Delivery of each company's service is managed by the relevant contract holder within the Council. Reporting on Strategic Delivery Company performance is presented to

<table>
<tr><th>Issue</th><th>Action</th></tr>
<tr><td>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 company and ensure that the stated critical success factors agreed at the time of launch are achieved prior to removal from incubation period.</td><td>Public Accounts Scrutiny Panel and reporting on Contract delivery performance is presented to the appropriate Scrutiny Committee.

During 2014-15 Internal Audit assurance work found that effective procurement and governance arrangements were followed when commissioning the joint venture for Customer Services and Integrated Workplace Management.

Issue resolved.

See related risk for 2014-15 regarding the client role in ADVs.</td></tr>
<tr><td>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.</td><td>The senior leadership restructure during 2014-15 has created commercial management responsibilities within two areas: Commissioning Places and Commissioning People. This has strengthened contract monitoring and management activities in relation to key contracts.

The service, now known as Commissioning Places, is fully operational although still less than 12 months old. Following recent restructures, the Service is also now responsible for Corporate Procurement and Capital Delivery.

All contracts managed within the Service are subject to robust performance management frameworks with monthly reporting and scrutiny.

Internal Audit has undertaken some assurance work in 2014-15 in relation to Adults Social Care Contract Management, as well as providing advice and guidance on the waste contract and Schools PFI contract arrangements. Further reviews in this area are planned in 2015-16.</td></tr>
</table>

Issue	Action
	Issue resolved.
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 significant capital projects highlighted continue to be managed in-house with monitoring arrangements in place by relevant officer groups and reported to Members. Internal Audit is at the early stages of a review of the project governance and management arrangements for these projects and will report its findings during 2015-16. **Internal audit will be undertaking work in this area during 2015-16.**

Independent auditor's report to the members of Cheshire West and Chester Council

We have audited the financial statements of Cheshire West and Chester Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the 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 2014/15.

This report is made solely to the members of Cheshire West and Chester Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 auditor

As explained more fully in the Statement of the Chief Financial Officer’s Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, 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 also 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 and Group’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword and the Group accounts overview 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 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2015 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 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword and the Group accounts overview 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 are required to 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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a 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 in October 2014.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, 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 2015.

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 2014, 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 2015.

Certificate

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

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

16 September 2015

Movement in Reserves Statement for the year ended 31 March 2015

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 Chester Council 2014-15	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 2014 (Re-stated)	**21,265**	**9,150**	**54,198**	**725**	**11,796**	**2,008**	**9,266**	**108,408**	**375,408**	**483,816**
Surplus or (deficit) on provision of services (accounting basis)	14,605	0	0	7,482	0	0	0	**22,087**	0	**22,087**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	**0**	2,403	**2,403**
Total Comprehensive Expenditure and Income	**14,605**	**0**	**0**	**7,482**	**0**	**0**	**0**	**22,087**	**2,403**	**24,490**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(25,836)	0	0	(7,413)	5,199	(1,584)	(483)	**(30,117)**	30,117	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**(11,231)**	**0**	**0**	**69**	**5,199**	**(1,584)**	**(483)**	**(8,030)**	**32,520**	**24,490**
Transfers to / from Earmarked Reserves (Note 8)	11,723	(1,998)	(9,656)	(69)	0	0	0	**0**	0	**0**
Increase / (Decrease) in Year	**492**	**(1,998)**	**(9,656)**	**0**	**5,199**	**(1,584)**	**(483)**	**(8,030)**	**32,520**	**24,490**
Balance at 31 March 2015	**21,757**	**7,152**	**44,542**	**725**	**16,995**	**424**	**8,783**	**100,378**	**407,928**	**508,306**

Cheshire West and Chester

2013-14 Comparative figures

Cheshire West and Chester Council 2013-14 (Restated)	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 2013	**22,775**	**9,752**	**35,351**	**555**	**8,125**	**1,699**	**8,453**	**86,710**	**354,837**	**441,547**
Surplus or (deficit) on provision of services (accounting basis)	(30,985)	0	0	6,879	0	0	0	**(24,106)**	0	**(24,106)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	**0**	66,375	**66,375**
Total Comprehensive Expenditure and Income	**(30,985)**	**0**	**0**	**6,879**	**0**	**0**	**0**	**(24,106)**	**66,375**	**42,269**
Adjustments between accounting basis & funding basis under regulations	50,151	0	0	(6,640)	1,171	309	813	**45,804**	(45,804)	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**19,166**	**0**	**0**	**239**	**1,171**	**309**	**813**	**21,698**	**20,571**	**42,269**
Transfers to / from Earmarked Reserves	(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**	**20,571**	**42,269**
Balance at 31 March 2014 (Re-stated)	**21,265**	**9,150**	**54,198**	**725**	**11,796**	**2,008**	**9,266**	**108,408**	**375,408**	**483,816**

The 2013-14 statement has been restated to reflect changes to the accounting treatment of specific school non-current assets (see Note 48).

Comprehensive Income and Expenditure Statement for the year ended 31 March 2015

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.

	2014-15			Re-stated 2013-14
	Expenditure £000	Income £000	Net £000	£000
Central Service to the Public	7,514	-4,668	2,846	1,731
Children's & Education Services	294,061	-236,799	57,262	60,474
Adult Social care	118,958	-30,510	88,448	86,597
Cultural & Related Services	22,868	-1,795	21,073	21,109
Environmental & Regulatory Services	37,475	-4,787	32,688	34,771
Planning Services	23,716	-9,382	14,334	29,206
Highways & Transport Services	39,909	-10,009	29,900	30,185
Public Health	14,308	-14,101	207	-1,891
Housing Services	127,535	-120,450	7,085	9,402
Corporate & Democratic Core	6,004	-55	5,949	6,156
Non-distributed Costs	2,133	-3,971	-1,838	-2,549
Cost of Services	**694,481**	**-436,527**	**257,954**	**275,191**
Other Operating Income & Expenditure (Note 9)	14,665	-13,993	672	-3,232
Financing & Investment Income and Expenditure (Note 10)	55,687	-30,753	24,934	51,683
Taxation & Non-Specific Grant Income & Expenditure (Note 11)	26,999	-332,646	-305,647	-299,536
Surplus on Provision of Services	**791,832**	**-813,919**	**-22,087**	**24,106**
Surplus on Revaluation of Assets			-63,656	-9,328
Re-measurement Gain/-loss on pension			61,253	-57,047
Other Comprehensive Income & Expenditure (Note 12)			**-2,403**	**-66,375**
Total Comprehensive Income and Expenditure			**-24,490**	**-42,269**

The full breakdown of the 2013-14 comparative expenditure and income is included in Note 47. The 2013-14 statement has been restated to reflect:

- changes to the accounting treatment of specific school non-current assets (see Note 48), and
- re-alignment of the cost of disposal of assets when schools transfer to academy status from Other Operating Income & Expenditure to Financing & Investment Income and Expenditure.

Balance Sheet as at 31 March 2015

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 2015 £000	Restated 31 March 2014 £000	Restated 1 April 2013 £000
Non-Current Assets				
- Property, Plant and Equipment	13	1,013,619	909,779	905,204
- Heritage Assets	14	72,439	69,697	66,485
- Investment Properties	15	124,982	131,091	129,447
- Intangible Assets		537	305	48
Long Term Investments	16	448	0	0
Long Term Debtors	17	4,865	653	1,548
Long Term Assets		**1,216,890**	**1,111,525**	**1,102,732**
Short Term Investments	16	30,000	30,001	401
Assets held for Sale		49	3,247	11,313
Current Intangible Assets		27	0	0
Inventories		348	483	375
Short Term Debtors	17	51,000	57,344	61,679
Cash and Cash Equivalents	18	62,670	87,548	18,545
Landfill Allowance Trading Scheme		0	0	328
Current Assets		**144,094**	**178,623**	**92,641**
Short Term Borrowing	16	-13,745	-11,650	-3,827
Short Term Creditors	19	-97,451	-89,346	-83,331
Provisions < 1 yr	20	-3,266	-4,134	-2,025
Current Liabilities		**-114,462**	**-105,130**	**-89,183**
Provisions	20	-14,919	-11,177	-8,991
Long Term Borrowing	16	-297,971	-308,584	-229,460
Pension Fund Liability	41	-379,524	-329,099	-375,241
Other Long Term Liabilities	16	-35,814	-39,305	-41,830
Capital Grant Receipts in Advance	33	-9,988	-13,037	-9,121
Long Term Liabilities		**-738,216**	**-701,202**	**-664,643**
Net Assets		**508,306**	**483,816**	**441,547**
Usable Reserves	21	100,378	108,408	86,710
Unusable Reserves	22	407,928	375,408	354,837
Total Reserves		**508,306**	**483,816**	**441,547**

The 2013-14 opening and closing balances have been restated to reflect changes to the accounting treatment of specific school non-current assets (see Note 48).

Cheshire West and Chester

Cash Flow Statement
for the year ended 31 March 2015

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 2015 £000	Restated 31 March 2014 £000
Net surplus or deficit on the provision of services	-22,087	24,106
Adjust net surplus or deficit on the provision of services for non cash movements	-75,931	-116,875
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	72,648	53,089
Net cash flows from Operating Activities	**-25,370**	**-39,680**
Investing Activities	43,923	57,778
Financing Activities	6,325	-87,101
Net decrease in cash and cash equivalents	**24,878**	**-69,003**
Cash and cash equivalents at the beginning of the reporting	87,548	18,545
Cash and cash equivalents at the end of the reporting period	62,670	87,548
Net decrease in cash and cash equivalents	**24,878**	**-69,003**

Further details are disclosed in Notes 23, 24 and 25 of the supporting information.

The 2013-14 statement has been restated to reflect changes to the accounting treatment of specific school non-current assets (see Note 48).

Notes to the core financial statements

1. Accounting policies

General principles

The Statement of Accounts summarises the Council's transactions for the 2014-15 financial year and its position at the year end of 31 March 2015. 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.

In particular:

- Sales, fees, charges and rent due from customers are accounted for as income at the date the Council supplies the relevant goods and services;
- Supplies are recorded as expenditure when they are consumed, where there is a gap between their purchase and consumption they are carried as inventory on the balance sheet;
- Interest payable on borrowing and receivable on investments is accounted for on the basis of effective interest rate for the relevant financial instrument rather than the cash flows determined by the contract.
- Where income or expenditure has been recognised in the Accounts but cash has not yet been paid a debtor or creditor for the relevant amount is included in the Balance Sheet. Where settlement of outstanding debtors is doubtful, a debt provision is created and a charge is made to the income and expenditure account.
- Where payment is made or income received in advance of a service being received or delivered then a prepayment or receipt in advance is recorded in the Balance Sheet.

Exceptions to these rules include:

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

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

Changes in Accounting Policies, estimates or errors

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

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

Events after the Balance Sheet date

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

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

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

Exceptional items

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

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, Chester and Winsford and paying the sums over to Groundwork or CH1 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 Non Domestic Rates income 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 2014-15 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 the amount set aside for backdated appeals is 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 in 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 41) 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).

Group Accounts

Specific policies in relation to the group accounting and consolidation process are contained in the notes to the Group statements.

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 differences 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. 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.

b. 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. New expenditure incurred to restore these structures to a reasonable condition will be capitalised.

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).

c. 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

Schools are valued using a Modern Equivalent Asset methodology which is a form of depreciated replacement costs. This approach estimates the value of an asset based on the cost of replacing it with a new asset that can deliver the same services. In the case of schools this means the cost of a modern school of appropriate design and size for number of pupils currently educated at the existing school. As such the value of a school is determined by the number of pupils it supports rather than its existing physical structure.

Under specific allowances made within the Code following the introduction of new standards for recognising group entities, any schools newly recognised by the Council have been brought onto the balance sheet at 1 April 2013 at deemed cost, with an offsetting entry in the Capital Adjustment Account.

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.

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.

A similar approach is taken on the transfer of property to newly formed Academy Schools. Under legislation the Council is required to make available premises from which the new Academy can provide its services for nil consideration. As a result the existing school premises (if in Council ownership) are leased to the Academy for a peppercorn rent and the former value of the site is derecognised from the Council's Accounts as if it had been disposed of. As no compensation is received this is recorded as a loss on disposal in the Financing and Investment Income line of the CIES and subsequently transferred to the Capital Adjustment Account. The value of such disposals in any year is disclosed in Note 10.

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.

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 37):

- **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.

Where assets accessed through a PFI contract generate income through their usage then consideration is given as to whether that income should be treated as a contribution towards the cost of financing the asset's construction (and be treated as deferred income) or as a contribution to its net operating costs. In the case of the Council's schemes all income generated is considered to be operational and as a result the future income generation potential is not reflected 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 42 and 43. 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 to support future policies, 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 2015-16 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 2015.

- IFRS 13 – Fair Value Measurement
- IFRIC 21 - Levies
- Annual improvements to IFRS (2011-13 cycle)
    - IFRS1 Meaning of effective IFRSs
    - IFRS3 Scope Exceptions for Joint Ventures
    - IFRS13 Scope of Paragraph 52 (portfolio exception)
    - IAS40 Clarifying the relationship between IFRS3 (business combinations) and IAS40 (Investment Property) when classifying property as investment or owner occupied.

Some changes may need to be adopted retrospectively meaning that on adoption 2014-15 information included within these accounts could be restated in the 2015-16 accounts to reflect the new reporting requirements. This note sets out the impact that would have been seen if the new standards had already been in force.

IFRS 13 is a new standard that will be adopted by local government for the first time in 2015-16. The standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions).

The adoption of this standard will require all surplus assets (those not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13.

This standard is not expected to have a material impact on the Accounts due to the low value of surplus assets held by the Council. The only material surplus asset held by the Council (Woodford Lodge site) is already held at a value reflecting its fair value. This standard will only apply prospectively so no restatement of 2014-15 values will be required.

IFRIC 21 (Levies) provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the trigger point which a levy should be recognised by the paying body. As the Council pays no material levies the standard will not have a material impact on the Statement of Accounts.

The various changes covered by the Annual Improvements to IFRSs (2011 – 2013 Cycle) are relatively minor updates to the relevant standards to clarify the correct treatment. None will have a material impact on the Statement of Accounts.

3. Critical Judgments in applying Accounting Policies

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

- **PFI Schemes**
  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 (£25m) 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 37 (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 37.

- **Group Boundary**
  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 IFRS 11, IAS 27 and IAS 28 (Accounting for Joint Arrangements, Subsidiaries and Associates) and it has been determined that three companies are considered to be subsidiaries of the Council, one meets the criteria to be recognised as a joint venture and a final company should be treated as an associate. These Accounts contain a set of group statements and supporting notes to reflect the nature and value of the Council's interests in those entities. The approach taken by the Council to determining the group boundary and consolidating relevant entries into its group statements is set out in the accompanying notes to those statements.

- **Leased Assets**
  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 utilise a range of vehicles and equipment to provide the services required. 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 (£7.2m at 31 March 2015) and the future contractual payments linked to the assets as a liability. Further details are set out within Note 36 (Leases).

- **Treatment of Schools**
  Following the publication of updated guidance from CIPFA the Council has reviewed its recognition and treatment of the various types of schools and the assets they operate from. Schools governing bodies are separate entities to the Council but (with the exception of academies and free schools) for the purpose of preparing financial statements they are within the group boundary and their activities must be reported.

  Despite the fact they are separate bodies, in recognition of the unique nature of the relationship Councils are required to report any material expenditure, income, assets and liabilities of these schools within its primary statements (not just its group statements). Specific consideration has to be given as to whether the assets from which these schools operate meet the necessary criteria (in terms of access to services and control) to be recognised as Council assets under IAS16.

In Cheshire West and Chester's case it has been judged that faith schools (voluntary aided or controlled) which are not sited on Council land and over which it has no long term guarantees of availability do not meet the criteria for recognition as an asset under IAS16. This results in the exclusion of 20 schools from the Council's non-current assets. Further details are included in Note 13 and the impacts of restating the Council's Accounts to reflect this outcome are set out in Note 48.

- **Treatment of Academies**
  By 31 March 2015 nineteen 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 2014. 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 CIES (Note 10). 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 any schools that plan to transfer to Academy status in 2015-16 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.

- **Categorisation of Assets**
  All property assets have been assigned to a category of asset which reflects their primary usage by the Council. Where properties are held primarily for the generation of rental income or capital appreciation they are treated as an investment asset, held at fair value and are not depreciated. Where they are used for operational purposes or to further policy objectives the property is treated as Property, Plant and Equipment (PPE) and where appropriate will be depreciated to reflect its usage over its life.

  Some assets could potentially meet both criteria and a judgement must be made over the most appropriate classification. For example, the Council operate a number of shops and shopping centres, where these are considered to be primarily held for the purposes of regeneration and the promotion of economic growth in an area they are treated as PPE assets, otherwise they are investment assets.

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 2015 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 £8m 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 across operational and housing assets.
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 41 and reflect best advice on reasonable judgements at 31 March 2015.	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 £145m or a one year increase in pensioner lifespans £43m. Where assumptions change the impacts are reported as remeasurement 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 2015 the Council had a debtor's balance of £67.8m. A review of significant debtor balances has been undertaken and a debtors' impairment figure of £16.8m 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 £3.5m to the Council.
Business Rate Appeals	The 2014-15 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 £5.3m has been set aside based	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

	on details of outstanding claims provided by the valuation office agency, analysis of historical trends in appeal outcomes and local knowledge.	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 £0.5m

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 2014-15.

6. Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Councils S151 officer on 15 September 2015. 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 2015, 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 June 2015, Cheshire West and Chester Council launched a new external company (QWest) in partnership with Cofely to provide customer services and workplace management services. The Council holds a 49% stake in this company and it will sell its services back to the Council in 2015-16. This company will be included within the Council’s group accounts as an associate from 2015-16 onwards.

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.

2014-15	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	-29,846	-5,578				35,424
Impairment and Revaluation of Assets	-13,240	-1,460				14,700
Amortisation of Intangible Assets	-108					108
Movements in the fair value of investment properties	1,517					-1,517
Capital Grants and Contributions applied	34,029					-34,029
Revenue expenditure funded from capital under statute	-4,117					4,117
Net assets written off to the CIES upon disposal or sale	-22,753	-859				23,612
Insertion of items not debited or credited to CIES						
Statutory provision for the financing of capital investment	16,715	61				-16,776
Capital expenditure charged against the General Fund	5,778					-5,778
Adjustments primarily involving the Capital Grants Unapplied Account (CGUA):						
Capital grants and contributions unapplied credited to the CIES	2,436				-2,436	0
Application of grants to the Capital Adjustment Account for financing purposes					2,919	-2,919
Adjustments primarily involving the Capital Receipts Reserve (CRR):						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	20,126	1,249	-21,375			0
Use of CRR to finance new capital expenditure			15,334			-15,334
Non-current asset disposal costs funded from the CRR	-146		159			-13
Government capital receipts pooling payments funded from CRR	-688		688			0
Transfer from Deferred Capital Receipts upon receipt of cash			-5			5
Adjustment primarily involving the Major Repairs Reserve:						
Transfer to the Major Repairs Reserve to fund capital expenditure and the repayment of debt		13,813		-13,813		
Use of Major Repairs reserve to finance capital expenditure and repayment of debt				15,397		-15,397
Adjustments primarily involving the Financial Adjustment Account:						
Difference between finance costs charged to the CIES and those chargeable under statutory requirements	10	2				-12
Adjustments primarily involving the Pension Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	-36,819	-188				37,007
Employers pension contributions and direct payments to pensioners payable in the year	47,462	373				-47,835
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	5,354					-5,354
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	126					-126
Total Adjustments	**25,836**	**7,413**	**-5,199**	**1,584**	**483**	**-30,117**

Cheshire West and Chester

2013-14 (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	-29,256	-5,481				34,737
Impairment and Revaluation of Assets	-21,093					21,093
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	-9,452					9,452
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	0				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	0		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	0		-11			11
Adjustment primarily involving the Major Repairs Reserve:						
Transfer to the Major Repairs Reserve to fund capital expenditure and the repayment of debt	0	11,010		-11,010		0
Use of Major Repairs reserve to finance capital expenditure and repayment of debt	0			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	**-50,151**	**6,640**	**-1,171**	**-309**	**-813**	**45,804**

The 2013-14 statement has been restated to reflect changes to the accounting treatment of specific school non-current assets (see Note 48).

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 2014-15 and 2013-14.

	Balance at 31 March 2013	Transfers Out 2013-2014	Transfers In 2013-2014	**Balance at 31 March 2014**	Transfers Out 2014-2015	Transfers In 2014-2015	**Balance at 31 March 2015**
Revenue Earmarked Reserves	£000	£000	£000	£000	£000	£000	£000
Insurance reserve	**1,813**	-4,196	5,036	**2,653**	-251		**2,402**
PFI Reserves	**4,596**	0	331	**4,927**		327	**5,254**
Revenue Grants	**7,271**	-3,030	7,508	**11,749**	-1,768	1,393	**11,374**
Developer Contributions Unapplied	**1,140**	-161	24	**1,003**	-130		**873**
Sums held by Resource Centre Manager	**1,651**	-1,651	3,717	**3,717**	-3,717	2,046	**2,046**
Childrens Services Improvements Reserve	**1,271**	-137	0	**1,134**			**1,134**
Local Authority Elections Reserve	**228**		120	**348**		88	**436**
Restructuring Reserve	**1,320**	0	0	**1,320**			**1,320**
Northgate Development	**512**	-115	0	**397**	-42		**355**
Northgate Property Revenue costs	**0**	-231	2,950	**2,719**	-701	1,500	**3,518**
Joint Property Running costs	**1,273**	-273	0	**1,000**			**1,000**
Long Term Liabilities	**9,372**	0	7,267	**16,639**	-15,164	7,154	**8,629**
Barons Quay	**859**	0	0	**859**	-65		**794**
Long Term Sickness	**13**	-4	96	**105**		134	**239**
Fluctuation in School Days	**141**	-81	0	**60**		200	**260**
Make or Buy/SLE Reserve	**1,500**	-153	0	**1,347**	-585		**762**
Chester City Baths	**500**	0	0	**500**	-500		**0**
Northwich Flood Protection	**500**	0	0	**500**	-500		**0**
Community Benefits	**245**	-245	381	**381**		277	**658**
Mersey Forest	**330**	-9	0	**321**	-67		**254**
HRA Pensions Reserve	**50**	0	69	**119**		69	**188**
Deprivation of Liberty Safeguarding	**0**	0	1,000	**1,000**	-594		**406**
Children on the Edge of Care	**0**	0	0	**0**		500	**500**
Energy Efficiencies	**0**	0	0	**0**		500	**500**
Other Reserves and Balances	**766**	-264	898	**1,400**	-439	679	**1,640**
Total	**35,351**	-10,550	29,397	**54,198**	-24,523	14,867	**44,542**

Significant movements include:

- An increase of £1.5m in the Northgate contingency to facilitate further development of the scheme to ensure the project is optimally developed before it is taken to market.
- Creation of new reserves totalling £1.3m to fund initiatives in Adult and Children's Social Care and the development of the Council's overall energy efficiency strategy.
- A net usage of the Long Term Liabilities Reserve by £8m to act as bridging funding for an upfront pension deficit payment. The reserve will be reimbursed during 2015-16 and 2016-17 when the savings released by the upfront payment are realised.

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:

	2014-15 £000	* Re-stated 2013-14 £000
Gain on disposal of Non-current assets	-2,792	-5,058
Parish Precepts	2,483	2,430
Levies	293	292
Contribution of Housing Capital Receipts to National Pool	688	917
Other income and expenditure	0	-1,813
	672	**-3,232**

* The 2013-14 figures for disposal of non-current assets have been restated to exclude losses incurred on Academy transfers which are now included in the Financing and Investment note below. This reflects adoption of the new consolidation standards introduced in 2014-15.

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.

	2014-15 £000	* Re-stated 2013-14 £000
Interest payable and similar charges	14,150	11,662
Net interest on pension assets and liabilities	13,503	16,669
Interest receivable and similar income	-683	-415
Loss on disposal of interest in Academy Schools	4,689	30,404
Income and expenditure in relation to investment properties and changes in their fair value	-6,526	-6,686
Trading Accounts not related to Services	-199	49
	24,934	**51,683**

* The costs shown as loss on disposal of interests to Academy Schools relates to the costs of transferring property to newly created Academies. As these schools are moving out of Council control and the assets are transferred on a peppercorn long term lease the accounts record a loss on disposal. Losses can differ significantly year on year depending upon the number and relative size of schools transferring.

11. Taxation and non-specific grant income and expenditure

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

	2014-15 £000	2013-14 £000
Income:		
Council Tax	-146,202	-144,439
Non Domestic Rates	-76,083	-68,633
Revenue Support Grant	-57,590	-69,533
Capital Grants and Contributions	-40,680	-33,115
PFI Grants	-3,039	-3,039
Local Services Support Grant	-407	-681
Council Tax Freeze Grant	-1,581	0
New Homes Bonus	-3,967	-3,094
S31 Business Rates Relief Grants	-2,726	-1,474
Other Grants	-371	-784
Expenditure:		
Non Domestic Rates - Tariff and Levy Payment	26,999	25,256
	-305,647	**-299,536**

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 2015 they are not reflected against the Council's usable reserves at this point and are held separately in unusable reserves as described in Note 21.

	2014-15 £000	* Re-stated 2013-14 £000
Property Revaluation (Gains)	-63,656	-9,328
Pension Deficit Remeasurement Losses/ (Gains)	61,253	-57,047
	-2,403	**-66,375**

* The 2013-14 comparatives have been restated to reflect changes to the accounting treatment of specific school non-current assets (see Note 48).

- 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 loss in 2014-15 reflects a reduction in estimated future asset returns (the discount rate).

13. Property, plant and equipment

Movements in 2014-15	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 2014	143,825	497,059	79,123	318,331	15,657	4,900	18,836	1,077,731
Additions	14,984	10,660	7,231	27,831	408	250	41,458	102,822
Revaluation Gain/Loss to RR	-8,846	56,289	0	0	0	0	0	47,443
Reval/Impair Losses to SDPS	-1,460	-21,692	0	0	0	0	0	-23,152
Derecognition - Disposals	-859	-10,651	-1,581	0	6	0	0	-13,085
Derecognition - Other	0	-1,577	0	0	0	0	0	-1,577
Re-classification of assets	0	-198	0	1,071	2,320	0	-3,193	0
Reclass to/from Investment	0	-233	0	0	0	0	0	-233
Value as at 31 March 2015	**147,644**	**529,657**	**84,773**	**347,233**	**18,391**	**5,150**	**57,101**	**1,189,949**
Depreciation								
At 31st March 2014	-72	-19,454	-45,406	-102,947	-73	0	0	-167,952
Charges for the year	-5,579	-8,810	-10,795	-9,720	0	0	0	-34,904
Revaluation Gain/Loss to RR	5,554	10,637	0	0	0	0	0	16,191
Reval/Impair Loss to SDPS	0	8,308	0	0	0	0	0	8,308
Derecognition - Disposals	0	251	1,104	0	0	0	0	1,355
Derecognition - Other	0	672	0	0	0	0	0	672
Re-classification of assets	0	93	0	-93	0	0	0	0
Accum Depn at 31 March 2015	-97	-8,303	-55,097	-112,760	-73	0	0	-176,330
Net Book Value at 31 March 2015	**147,547**	**521,354**	**29,676**	**234,473**	**18,318**	**5,150**	**57,101**	**1,013,619**
Net Book Value at 31 March 2014	143,753	477,605	33,717	215,384	15,584	4,900	18,836	909,779
Nature of Asset Holding								
Owned	147,547	496,224	21,748	234,473	18,318	5,150	57,101	980,561
PFI		25,130						25,130
Leased			7,928					7,928
Total	**147,547**	**521,354**	**29,676**	**234,473**	**18,318**	**5,150**	**57,101**	**1,013,619**

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 2014-15 include £1.6m 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 £0.8m is included in the Balance Sheet.

Movements in 2013-14	NON- CURRENT ASSETS (Restated)							
	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	496,494	73,297	299,541	13,098	4,900	22,038	1,050,832
Additions	9,633	36,029	7,875	18,790	2,552	0	11,373	86,252
Revaluation Gain/Loss to RR	-6,053	9,114	0	0	0	0	0	3,061
Reval/Impair Losses to SDPS	0	-25,712	-5	0	0	0	0	-25,717
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**	**497,059**	**79,123**	**318,331**	**15,657**	**4,900**	**18,836**	**1,077,731**
Depreciation								
At 31st March 2013	-47	-15,645	-36,575	-93,232	-128	0	0	-145,627
Charges for the year	-5,244	-8,716	-10,543	-9,715	0	0	0	-34,218
Revaluation Gain/Loss to RR	5,219	892	0	0	0	0	0	6,111
Reval/Impair Loss to SDPS	0	3,346	5	0	0	0	0	3,351
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	-19,454	-45,406	-102,947	-73	0	0	-167,952
Net Book Value at 31 March 2014	**143,753**	**477,605**	**33,717**	**215,384**	**15,584**	**4,900**	**18,836**	**909,779**
Net Book Value at 31 March 2013	141,417	480,849	36,722	206,309	12,970	4,900	22,038	905,205
Nature of Asset Holding								
Owned	143,753	449,925	23,155	215,384	15,584	4,900	18,836	871,537
PFI		27,680						27,680
Leased			10,562					10,562
Total	**143,753**	**477,605**	**33,717**	**215,384**	**15,584**	**4,900**	**18,836**	**909,779**

Treatment of School Assets

School education is provided via a range of different school models, some of which are in the Council's direct control, some under its influence and some fully independent. The degree of control the Council has over each school and the sites the schools operate from determine whether or not they are recorded in the Council's balance sheet as assets. The notes below summarise which types of school are recorded as Council assets and which are not.

On the Balance Sheet

- All Community Schools (82 schools, £180m value) are recorded on the Councils balance sheet as assets. All schools are within the Council's control and located on Council owned/controlled land. This includes all five schools which were built under the Private Finance Initiative.

- All Foundation Schools (5 schools, £54m value) are on the Council's balance sheet. Although these schools have greater independence the Council still has a significant degree of influence over the Governing Body. All the schools are on sites which are either in Council or Governing Body ownership.

- Those Voluntary Aided and Voluntary Controlled Schools which are located on Council owned land, or where the Council has the ability to ensure the land remains in educational use, are shown on the balance sheet (5 Schools, £25m). While the schools again have a degree of independence and the linked religious body has significant independence the Council still has a significant control over the school and these sites.

Off Balance Sheet

- The majority of Voluntary Aided and Voluntary Controlled Schools are not located on land which is owned or controlled by the Council and are in the ownership of local diocesan body. These bodies allow the Council to utilise the school buildings under the terms of a license which does not transfer any rights over future usage of the sites. This means the Council does not have long term control over the sites and they do not meet the criteria to be recognised as a Council asset. There are 47 schools in this category at 31 March 2015, had the Council recognised these schools it is estimated they would have held a value of approximately £65m.
- 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 the Academies 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 19 Academies in the Borough as at 31 March 2015 with at least one more scheduled to transfer in 2015-16. These Academies replace 21 former schools which were last valued at approximately £96m. The additional conversion anticipated to take place in 2015-16 would result in a further £1.8m of existing assets being derecognised from the Council's accounts.

  Where former school sites have been handed back to the Council following a relocation of the new Academy, as is the case in Ellesmere Port and Winsford, the sites 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 £5.1m. 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. In exceptional circumstances other useful lives may be retained if appropriate to the asset. Operational Buildings will normally be assigned a 50 year useful life unless there is a reason to override this assumption. All depreciation is charged on a straight line basis.

Asset Classification	Useful Lives	Most Common Depreciation Rate %
Council Housing	Up to 60 years	3.8%
Operational Buildings	Up to 100 years	2.0%
Infrastructure	Up to 40 years	3.0%
Vehicles	Up to 12 years	13.3%
Plant and Equipment	Up to 10 years	20.0%

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 2015.

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	147,548	385,480	5,150	538,178
Valued at Current Value in:				
- 2014-15	146,427	333,049		479,476
- 2013-14		41,532		41,532
- 2012-13		35,438	5,150	40,588
- 2011-12		42,522		42,522
- 2010-11	1,120	68,813		69,933
Total	**147,547**	**521,354**	**5,150**	**674,051**

Effects of changes in methodologies and estimates

During 2014-15 the Council has adapted its methodology for valuing school properties to reflect updated guidance published in the 'Red Book'. While the recommended approach to valuing schools continues to be use of a modern equivalent asset valuation, the criteria to apply under this approach have been amended. The key difference is an increase in the space standards that need to be applied, i.e. the minimum size of school necessary to accommodate a given number of pupils. The Department for Education issued new guidance in June 2014 (Building Bulletin 103) setting out expectations regarding the scale and facilities of modern schools. These typically exceeded the standards adopted in previous valuations and as a consequence increased the cost/value of the notional modern equivalent asset that could replicate the services provided by existing facilities.

In recognition of this impact the Council has undertaken revaluations of all of its school assets in 2014-15 to reflect the new requirements for modern school design. These changes have typically increased the effective value of the schools by 30-40% and led to an overall increase in the value of assets held of nearly £50m.

There have been no other significant changes to the way in which the Council carries out valuations during 2014-15. New valuations are otherwise directly comparable to the approach taken in previous years and changes in those values reflect changes in the asset or the wider economic climate.

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 2015, totals £97.9m (£63.8m in March 2014). The increase is due to the progression of a number of large projects beyond the planning stage with contracts let to construct facilities such as the new Theatre/Library complex in Chester and the Baron's Quay development in Northwich. These contracts are summarised as follows:

Capital Project	Contract Total £000	Amount Paid to Date £000	Outstanding Balance £000
Chester Theatre	28,860	4,588	24,272
Ellesmere Port Sports and Leisure Village	13,105	12,268	837
Northwich Memorial Court	14,380	13,564	816
School Extensions	5,281	595	4,686
Highways Improvements	61,864	26,864	35,000
Northgate Development	1,909	244	1,665
Barons Quay Construction	51,236	6,008	45,228
Rollout of Superfast Broadband	980	25	955
Chester Business Quarter	1,856	546	1,310
Total	**179,471**	**64,702**	**114,769**

14. Heritage assets

Movements in 2014-15	Non-current Assets						
	Historic Buildings/ Memorials £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 2014	53,767	1,895	10,362	500	3,668	592	70,784
Additions	3,114	56	103				3,273
Disposals	-32		-17				-49
Revaluation Gains			22				22
Value as at 31 March 2015	**56,849**	**1,951**	**10,470**	**500**	**3,668**	**592**	**74,030**
Depreciation							
At 31st March 2014	-1,082	-5	0	0	0	0	-1,087
Charges for the year	-520						-520
Disposals	16						16
Accumulated Depn at 31 March 2015	**-1,586**	**-5**	**0**	**0**	**0**	**0**	**-1,591**
Net Book Value at 31 March 2015	**55,263**	**1,946**	**10,470**	**500**	**3,668**	**592**	**72,439**

Movements in 2013-14	Non-current Assets						
	Historic Buildings/ Memorials £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
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**

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.

Public monuments/memorials

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. As the nature of these assets means they do not have a material financial value as anything other than their current usage, the only value reflected within the Heritage Asset category reflects the expenditure incurred in 2014-15 restoring a number of these monuments to appropriate condition. Otherwise these assets are considered to hold negligible financial value.

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.

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	2014-15 £000	2013-14 £000
Rental Income from Investment Property	-8,117	-7,957
Direct Expenditure Arising from Properties	1,934	2,628
Net Cost/(Income) in the Year	**-6,183**	**-5,329**

The movements in the value of investment properties during 2014-15 are analysed below.

Investment Assets - Movements in Year	2014-15 £000	2013-14 £000
Balance at Start of Year	131,091	129,447
Additions		
- Acquisitions	0	537
- Subsequent Expenditure	8	192
Disposals		
- Outright Disposals	-7,867	-267
Fair Value Adjustments		
- Increases in Fair Value	7,709	3,844
- Decreases in Fair Value	-6,192	-2,328
Transfers to or from other asset categories	233	-334
Value as at 31 March	**124,982**	**131,091**

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, as at 31 March 2015 one such asset exists which is held at a value of £49k.

16. 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 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Assets				
Loans and receivables				
Investments identified on the balance sheet	448	0	30,000	30,001
Debtors identified on the balance sheet	4,865	653	51,000	57,344
Less: classes of debtor not recognised as financial instruments	0	0	-16,282	-13,436
Plus: cash and cash equivalents identified on the balance sheet	0	0	62,670	87,548
Total Loans and Receivables	**5,313**	**653**	**127,388**	**161,457**
Liabilities				
Financial liabilities at amortised cost				
Borrowing identified on the balance sheet	-297,971	-308,584	-13,745	-11,650
Other long term liabilities identified on the balance sheet				
PFI Schemes	-29,074	-29,950	0	0
Finance Leases	-5,947	-8,419	0	0
Other	-793	-937	0	0
	-35,814	-39,306	0	0
Short term liabilities held at amortised cost				
PFI Schemes	0	0	-876	-792
Finance Leases	0	0	-2,367	-2,666
	0	0	-3,243	-3,458
Total Financial Liabilities at Amortised Cost	**-333,785**	**-347,890**	**-16,988**	**-15,108**
Financial liabilities carried at contract amount				
Creditors identified on the balance sheet	0	0	-97,451	-89,346
Less: classes of creditor not recognised as financial instruments or held at amortised cost	0	0	26,617	33,721
Total Financial Liabilities Carried at Contract Amount	**0**	**0**	**-70,834**	**-55,625**

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.

Investments represents interest in joint ventures and minority interests and amounts held in short term deposits.

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

Income, expense, gains and losses

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

	2014-15		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	14,150		14,150
Total expense in SDPS	**14,150**	**0**	**14,150**
Interest income		-683	-683
Total income in SDPS	**0**	**-683**	**-683**
Net (gain)/loss for the year	**14,150**	**-683**	**13,467**
	2013-14		
Interest expense	11,662	0	11,662
Total expense in SDPS	**11,662**	**0**	**11,662**
Interest income	0	-415	-415
Total income in SDPS	**0**	**-415**	**-415**
Net (gain)/loss for the year	**11,662**	**-415**	**11,247**

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 2015 of between 1.31% and 3.28% for loans from PWLB based on the 'new borrowing' certainty rate and between 0.19% and 2.16% 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.
- All loans issued are relatively short term (2-3 years) and are therefore fair value will not vary significantly from carrying value;
- The fair value of unquoted equity is assumed to be cost as there is no market value;

Fair value of assets held at amortised cost

	Carrying Value		Fair Value	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Loans and receivables	132,701	162,110	132,701	162,110
Total	**132,701**	**162,110**	**132,701**	**162,110**

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 2015 to repay in full all its outstanding long term loans existing at that date.

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

Financial liabilities with their fair value calculated using the new borrowing rate (including short term interest payable)

	Carrying Value		Fair Value	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Borrowing identified on the balance sheet	-311,716	-320,234	-348,855	-314,073
Financial liabilities held at amortised cost:				
PFI Schemes	-29,950	-30,742	-39,168	-39,026
Finance Leases	-8,314	-11,085	-8,314	-11,085
Other	-793	-937	-793	-937
Total	**-350,773**	**-362,998**	**-397,130**	**-365,121**

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 2015. This is a consequence of fixed rate loans being taken out at a time when borrowing was more expensive than it currently is.

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 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Borrowing identified on the balance sheet	-311,716	-320,234	-399,497	-352,407
Financial liabilities held at amortised cost:				
PFI Schemes	-29,950	-30,742	-29,074	-29,949
Finance Leases	-8,314	-11,085	-8,314	-11,085
Other	-793	-937	-793	-937
Total	**-350,773**	**-362,998**	**-437,678**	**-394,378**

Where no early repayment terms are available, for example PFI and Leases, this is retained at carrying value. The figures for 31 March 2014 have been restated to reflect this approach. The early repayment rate fair value of long term borrowings was above the carrying value as at 31 March 2015. 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.

17. Debtors

The Council's debt position as at 31 March 2015 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, impairment provisions have been set aside.

Analysis of Debtors by Type	**31 March 2015 £000**	**31 March 2014 £000**
Sundry Revenue and Capital Debtors	27,928	33,318
Prepayments	4,034	3,322
HM Revenue and Customs (VAT)	7,679	7,002
Housing Benefit Overpayments	5,830	4,968
Benefits Subsidy	0	120
Housing Revenue Account Tenant Arrears	2,124	1,894
Revenue and Capital Grant Debtors	6,634	8,449
Cheshire Pension Fund Debtor	1,089	1,384
CWAC Share of Council Taxpayers Arrears	9,452	8,583
CWAC Share of Non Domestic Rates Arrears	2,984	2,227
Bad Debt Provision	-16,754	-13,923
Total	**51,000**	**57,344**

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 2015 £000	31 March 2014 £000
Central government bodies	13,708	14,347
Other local authorities	6,889	13,747
NHS bodies	2,016	3,571
Public corporations and trading funds	3	40
Other entities and individuals	28,384	25,639
Total	**51,000**	**57,344**

Analysis of Long Term Debtors	31 March 2015 £000	31 March 2014 £000
Sir John Deane's 6th Form College	51	76
Loans to Group Entities	3,850	0
Parish Councils	110	0
Small Dwellings Act/Housing Act Advances	1	1
Returnable Deposits	53	71
Blacon Community Trust	15	35
Council Mortgages	4	9
Cheshire Pension Fund ICT System	334	0
Marketing Cheshire	12	26
Home-Buy Loans	435	435
Total	**4,865**	**653**

Long term debtors have increased significantly due to the inclusion of working capital loans issued to group entities for £3.85m. The Cheshire Pension Fund ICT System debt reflects costs incurred on delivering new systems for the Pension Fund through the Council's capital programme, this debt is due to be recovered over 5 years.

18. Cash and cash equivalents

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

Where payments have been initiated on 30 and 31 March the current account balance shows them as if they have already been made, even though they will not physically leave the account until 1 or 2 April. The net £535k credit shown against current accounts below reflects the fact that a significant volume of payments (£3.87m) were in process on 31 March, the Council transferred in deposits on 1 and 2 April to cover these costs so the current accounts were never actually in deficit.

	At 31 March 2015 £000	At 31 March 2014 £000
Bank Current Accounts	-535	942
Short Term Deposits	63,205	86,606
Total	**62,670**	**87,548**

Cash and cash equivalents reduced by £25m during 2014-15. This was in part due to the Council making an additional upfront payment of £15m to meet the costs of the Council's pension deficit contributions for the next 3 years. £6m was utilised in year towards the Barons Quay development.

In addition to the Council balances above schools also hold private funds totalling approximately £3.5m. These amounts are made up of the proceeds of donations or fund raising activities undertaken independently by the schools and managed separately from their core funding. The funds are managed by a mix of governing bodies, parent teacher bodies or other individuals associated with the school. As the Council does not have full control over all of these funds it does not recognise them as part of the balance sheet.

19. Creditors

The Council's creditor position as at 31 March 2015 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 2015 £000**	**31 March 2014 £000**
Creditors		
Sundry Revenue Creditors/Payments to Suppliers	44,718	43,062
Staff Accrued Leave Entitlement (see below)	7,333	7,459
HM Revenue and Customs	4,184	4,346
Payroll Related	3,789	4,347
Capital Creditors	15,313	11,827
Central Government relating to Business Rates	9,851	3,538
Other	916	1,031
	86,104	**75,610**
Receipts in Advance		
Council Tax Advance Payments	2,816	2,690
Business Rates Advance Payments	1,796	2,085
Revenue Grants	1,316	2,792
Other	5,419	6,169
	11,347	**13,736**
Total	**97,451**	**89,346**

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 2015 £000 £000	31 March 2014 £000 £000
Central government bodies	19,418	11,894
Other local authorities	4,633	4,774
NHS bodies	3,126	4,341
Public corporations and trading funds	0	18
Other entities and individuals	70,274	68,319
Total	**97,451**	**89,346**

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 22.

At 31 March 2015 the Council had accrued for a leave entitlement of £7.3m. 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 2014-15 as the number of staff directly employed by the Council has fallen.

Accrued Leave Entitlement	2014-15	2013-14
Opening Balance at 1st April	**7,459**	**7,580**
Changes in Unused Leave Entitlement (School Based staff)	169	23
Changes in Unused Leave Entitlement (non School Staff)	-295	-144
Closing Balance at 31st March	**7,333**	**7,459**

20. 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 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**
Balance at 31 March 2014	**0**	**1,204**	**650**	**500**	**451**	**452**	**687**	**190**	**4,134**
Amounts used in year	0	-1,117	0	-423	-449	-452	-30	-190	**-2,661**
Unused Amount Released	0	-39	0	-77	-2	0	-80	0	**-198**
Additional provisions made	0	1,675	0	0	0	0	0	316	**1,991**
Balance at 31 March 2015	**0**	**1,723**	**650**	**0**	**0**	**0**	**577**	**316**	**3,266**

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

- **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 was 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 could only be confirmed once all performance measures for the year had 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 2015-16.

	Long Term Provisions					
	Insurance Provision £000	Closed Landfill £000	Business Rates £000	Care Contingency £000	Other Provisions £000	**Total Long Term £000**
Balance at 31 March 2013	**4,921**	**3,947**	**0**	**0**	**123**	**8,991**
Amounts used in year	-2,296	-62	0	0	-9	**-2,367**
Unused Amount Released	-700	-650	0	0	0	**-1,350**
Additional provisions made	1,737	0	4,166	0	0	**5,903**
Balance at 31 March 2014	**3,662**	**3,235**	**4,166**	**0**	**114**	**11,177**
Amounts used in year	-1,772	-65	-2,184	0	-114	**-4,135**
Unused Amount Released	-54	0	0	0	0	**-54**
Additional provisions made	3,249	0	3,282	1,400	0	**7,931**
Balance at 31 March 2015	**5,085**	**3,170**	**5,264**	**1,400**	**0**	**14,919**

Long Term provisions include:

- **Insurances –** The Council holds insurance provisions against the costs of excesses it needs to pay under it insurance policies. The values of this provision reflect actuarial advice and experience of claims history. The latest review was undertaken in 2014-15 and this led to a need to increase the balances held on the provision.
- **Closed Landfill Sites –** Representing the future costs of necessary remedial works to remove contamination and make safe former landfill sites across the borough.
- **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.
- **Care Contingency –** This provision covers a range of potential costs in ensuring that the Council and the agencies it commissions care through comply with all relevant legislation.

21. 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 net £8m use of reserves during 2014-15, this is consistent with the Council's strategy to pay off an increased share of its deficit in 2014-15 in return for reduced costs in 2015-16 and 2016-17. Explanations for major variances follow the table.

	31 March 2015 £000	31 March 2014 £000
Held for Revenue Purposes		
General Fund	21,757	21,265
School Reserves	7,152	9,150
Housing Revenue Account	725	725
Earmarked General Fund Reserves	44,354	54,079
Earmarked HRA Reserves	188	119
	74,176	**85,338**
Held for Capital Purposes		
Capital Receipts Reserve	16,995	11,796
Capital Grants Unapplied Reserve	8,783	9,266
Major Repairs Reserve	424	2,008
	26,202	**23,070**
Total	**100,378**	**108,408**

Revenue Reserves

General Fund – The General Fund has increased in year as a result of the Council delivering an underspend against its 2014-15 budgets. The Council's budget allowed for utilising £1.56m from the General Fund in year but the budgets underspent by £2.05m so a net increase of £0.49m has been recognised.

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 £2.0m in 2014-15 as a result of calling down the balances to support in year activities and capital projects.

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 remained at £0.7m in 2014-15 which is in line with the budget plan for the year.

Earmarked Reserves – See Note 8 for analysis of the individual movements on earmarked reserves. The most significant change relates to utilising the Long Term Liabilities Reserve to support a re-profiling of pension deficit contributions across 2014-2017.

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 2014-15 the Reserve benefited from £21.4m of new capital receipts and funded £16.2m of qualifying expenditure increasing the balance held by £5.2m. 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 Council introduced a new commercial property strategy during 2014-15 whereby it would dispose of some existing high economic value commercial assets and recycle the receipts generated into replacement assets that help maintain income levels but can also help regenerate certain areas. The majority of the £5.2m increase in the capital receipts reserve was due to the sale of one such asset late in 2014-15 (£4.8m) which will be reinvested in 2015-16.

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 £0.5m decrease in the balance in 2014-15 is primarily as a result of using s106 Developer Contributions that had been set aside for funding future costs.

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 2014-15 the HRA set aside £13.8m of funding into this reserve and utilised £13.2m to fund capital expenditure and £2.2m to repay debt. Further details on the use of this reserve are contained in the HRA Accounts.

22. 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 2015 £000	31 March 2014 Restated £000
Revaluation Reserve	153,423	96,226
Capital Adjustment Account	638,235	617,974
Financial Instruments Adjustments Account	-845	-857
Deferred Capital receipts Reserve	8	13
Pensions reserve	-379,524	-329,099
Collection Fund Adjustment Account	3,964	-1,390
Accumulated Absences Account	-7,333	-7,459
Total	**407,928**	**375,408**

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. The 2013-14 values have been restated to reflect changes in the Councils recognition of school assets (see note 48).

Revaluation Reserve Movements	2014-15 £000	2013-14 Restated £000
Balance at 1 April	**96,226**	**90,746**
Upwards Revaluation of assets	70,186	12,643
Downward revaluations and impairment losses	-6,530	-3,315
Surplus or deficit on revaluation of non-current assets	**63,656**	**9,328**
Difference between fair value and historic cost depreciation	-1,682	-1,748
Accumulated gains on assets sold or scrapped	-4,777	-2,100
Amount written off to the Capital Adjustment Account	**-6,459**	**-3,848**
Balance at 31 March	**153,423**	**96,226**

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 2014-15 is as follows.

Capital Adjustment Account	2014-15 £000	2013-14 Restated £000
Balance at 1 April	**617,974**	**646,380**
Capital funded items charged to CIES		
Charges for depreciation	-35,424	-34,737
Amortisation of Intangible assets	-108	-21
Revaluation and impairment losses on non current assets	-14,844	-20,669
Revaluation/Impairment of capital creditors/debtors	144	-424
Revenue expenditure funded from capital under statute	-4,117	-9,452
Assets written off to the CIES on disposal	-23,612	-44,407
Disposal Costs incurred in advance of asset disposal	0	-14
Change in market value of invt properties charged to CIES	1,517	1,516
	-76,444	**-108,208**
Values released from revaluation reserve		
Depreciation costs funded from revaluation reserve	1,682	1,748
Revalued assets disposed of in year	4,777	2,100
	6,459	**3,848**
Net cost of non-current assets consumed in the year	**-69,985**	**-104,360**
Capital financing applied in the year		
Application of capital receipts	15,334	17,003
Transfer from Major Repairs Reserve	15,397	10,701
Application of capital grants and contributions from CIES	34,029	28,355
Funding applied from capital grants unapplied reserve	2,919	947
Statutory revenue provision for capital financing from CIES	16,776	16,609
Revenue contributions to capital costs from CIES	5,778	2,329
Contribution to prior year costs of disposal	13	10
	90,246	**75,954**
Balance at 31 March	**638,235**	**617,974**

The 2013-14 balance has been restated to reflect changes in the recognition of school assets by the Council (see Note 48).

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; the final charges on existing premiums were made in 2013-14.
- Lender Option Borrower Option (LOBO) loans – these reflect the difference between recording LOBO loans using the effective interest rate as opposed to their normal value, i.e. the principal amount outstanding. These differences 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	**2014-15 £000**	**2013-14 £000**
Balance at 1 April	**-857**	**-884**
Premiums incurred in previous years released to CIES	0	31
LOBO interest debited/ (credited) to CIES	12	-4
Difference between costs charged to CIES and costs chargeable under statutory requirements	**12**	**27**
Balance at 31 March	**-845**	**-857**

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	**2014-15 £000**	**2013-14 £000**
Balance at 1 April	**13**	**24**
Cash received transfered to capital receipts reserve	-5	-11
Balance at 31 March	**8**	**13**

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 require 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	2014-15 £000	2013-14 £000
Balance at 1 April	**-329,099**	**-375,241**
Remeasurement of the net defined benefit liability	-61,253	57,047
Reversal of items Charged to CIES		
-Current Service Costs	-26,576	-29,744
- Past Service Costs, Settlements and Curtailments	3,072	4,570
- Net Interest Costs	-13,503	-16,669
Actual Pension Contributions Charged to General Fund	47,835	30,938
Balance at 31 March	**-379,524**	**-329,099**

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 2013-14 as a number of employees have transferred out of the Council into external companies, such as CoSocius.

Accrued Leave Entitlement	2014-15 £000	2013-14 £000
Leave Entitlement		
- School Based Staff	-5,331	-5,162
- Non School Staff	-2,002	-2,297
Balance at 31 March	**-7,333**	**-7,459**

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	2014-15			2013-14		
	Council Tax	Non Domestic Rates	Total	Council Tax	Non Domestic Rates	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	**3,441**	**-4,831**	**-1,390**	**1,392**	**0**	**1,392**
Share of Collection Fund Surplus /(Deficit)	858	4,496	5,354	2,049	-4,831	-2,782
Balance at 31 March	**4,299**	**-335**	**3,964**	**3,441**	**-4,831**	**-1,390**
Billed Income for in year activities	-141,468	-73,218	-214,686	-139,960	-73,464	-213,424
Council Tax Collected for Parish Precepts	-2,483	0	-2,483	-2,430	0	-2,430
CWaC Contribution to (Surplus)/Deficit	-1,393	1,630	237	0	0	0
Actual Collection Fund (Surplus)/ Deficit	-858	-4,495	-5,353	-2,049	4,831	2,782
Income in CIES	**-146,202**	**-76,083**	**-222,285**	**-144,439**	**-68,633**	**-213,072**
Less Actual Surplus/(Deficit)	858	4,495	5,353	2,049	-4,831	-2,782
Income Credited to General Fund	**-145,344**	**-71,588**	**-216,932**	**-142,390**	**-73,464**	**-215,854**

The reserve holds a surplus of £4.3m for Council Tax which will be available to support Council budgets from 2015-16 onwards. This is an increase of £0.9m from 2013-14 which reflects distribution of £1.4m of the brought forward balance to the Council and an in year surplus of £2.3m reflecting strong collection performance and growth in the numbers of properties within the Borough.

The balance for Non Domestic Rates is a deficit of £0.3m. This shows a significant improvement on the £4.8m deficit brought forward into 2014-15. The deficit has in part been reduced due to contributions from the Council (£1.6m) but also due to increased Non Domestic Rates income and the identification of a number of new large rateable properties (£2.9m).

Under Non Domestic Rating Regulations the Council is entitled to spread the cost of recovering deficits linked to pre 2013 appeals over a 5 year period through to 2017-18. At 31 March 2015 a total cost of £I.7m linked to these costs remains within the Collection Fund waiting to be distributed. Without this balance the Business Rates Fund would have shown a surplus of £1.4m.

23. 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	2014-15 £000	Restated 2013-14 £000
Depreciation and amortisation of non current assets	-35,532	-34,760
Impairments and downward valuations	-14,844	-20,667
Revaluation Gains on Investment Assets	1,517	1,516
Pension Fund Adjustments	10,828	-10,905
(Increase)/ Decrease in Provisions	-11,392	-7,379
Increase/(Decrease) in Inventories	-135	108
Increase/(Decrease) in Debtors	-3,978	-5,357
(Increase)/Decrease in Creditors	1,403	4,947
Carrying value of assets which have been sold	-23,926	-44,750
Other non cash movements	128	372
Adjustments for Non Cash Items	**-75,931**	**-116,875**

The table above has been restated to reflect changes to the accounting treatment of specific school assets (see Note 48).

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	2014-15 £000	2013-14 £000
Proceeds from sale or disposal of non current assets	20,897	19,218
Capital grant income credited to SDPS	41,169	30,449
Income from Trading Operations	5,496	5,157
Other adjustments for financing activities	5,086	-1,735
Net cash flows from investing/financing activities in SDPS	**72,648**	**53,089**

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	2014-15 £000	2013-14 £000
Interest received	-664	-377
Interest paid	14,150	11,564

24. 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	2014-15 £000	Restated 2013-14 £000
Purchase of property, plant and equipment, investment property and intangible assets	107,989	87,169
Purchase of short-term and long-term investments	30,448	30,001
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-20,897	-19,216
Proceeds from short-term and long-term investments	-30,001	-652
Capital grants received	-38,120	-34,365
Other receipts from investing activities	-5,496	-5,159
Net cash flows from investing activities	**43,923**	**57,778**

25. 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	2014-15 £000	2013-14 £000
Cash receipts of short- and long-term borrowing	0	-88,157
Other receipts from financing activities	-1,108	-3,492
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,498	4,039
Repayments of short- and long-term borrowing	9,021	1,556
Other payments for financing activities	-5,086	-1,047
Net cash flows from financing activities	**6,325**	**-87,101**

26. 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 Cabinet 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.

2014-15	Children's Services £000	Adult Social Care and Health £000	Places £000	Corporate Services £000	Housing Revenue Account £000	Other Direct Services £000	Total £000
Fees, charges and other	-37,634	-23,803	-54,945	-15,875	-22,774	-5,634	-160,665
Government grants	-210,687	-2,040	-5,332	-93,986	0	-1,655	-313,700
Total Income	**-248,321**	**-25,843**	**-60,277**	**-109,861**	**-22,774**	**-7,289**	**-474,365**
Employee expenses	190,344	17,759	44,592	26,696	288	20,545	300,224
Other operating expenses	102,528	112,291	80,523	117,246	22,486	21,266	456,340
Total operating expenses	**292,872**	**130,050**	**125,115**	**143,942**	**22,774**	**41,811**	**756,564**
Net Operating Expenditure	**44,551**	**104,207**	**64,838**	**34,081**	**0**	**34,522**	**282,199**

The column headings and values in the 2013-14 comparative table on the following page reflect the management structure in operation prior to 2014-15

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**

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 2014-15 these costs equated to £3.5m.

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 2014-15 £32m of costs included in the outturn report were reported in the CIES below Net Cost of Services. The largest component elements were the minimum revenue provision (£17m) and interest payments (£13m). There are also significant transactions in this section to remove the offsetting expenditure and income costs arising from internal recharging.

	2014-15 £000	2013-14 £000
Net Operating Expenditure in Service Analysis	**282,199**	**289,806**
Add amounts not reported to management	1,563	32,534
Remove amounts reported to management not in CIES	-25,808	-47,149
Net Cost of Services in CIES	**257,954**	**275,191**

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.

2014-15	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	-153,226	0	66,987	-86,239	-22,688	-108,927
Government grants and contributions	-320,425	-31,100	1,237	-350,288	-110,361	-460,649
Interest and investment income	-683	0	683	0	-683	-683
Income from council tax	0	0	0	0	-146,202	-146,202
Business Rates	-31	0	31	0	-76,084	-76,084
Receipts on Disposal of Property	0	0	0	0	-21,374	-21,374
Total Income	**-474,365**	**-31,100**	**68,938**	**-436,527**	**-377,392**	**-813,919**
Employee expenses	300,224	-124	-13,977	286,123	8,119	294,242
Other service expenses	440,263	7,167	-64,692	382,738	8,453	391,191
Business rates levy and tariff payment	1,868	0	-1,868	0	26,999	26,999
Depreciation, amortisation and impairment	0	50,105	0	50,105	271	50,376
Interest Payments	13,916	0	-13,916	0	14,150	14,150
IAS 19 Adjustment	0	-24,485	0	-24,485	13,658	-10,827
Precepts and Levies	293	0	-293	0	2,776	2,776
Payments to Housing Capital Receipts Pool	0	0	0	0	688	688
Revaluation Gain on investment properties	0	0	0	0	-1,517	-1,517
Assets Removed on disposal of properties	0	0	0	0	23,754	23,754
Total operating expenses	**756,564**	**32,663**	**-94,746**	**694,481**	**97,351**	**791,832**
Surplus or deficit on the provision of services	**282,199**	**1,563**	**-25,808**	**257,954**	**-280,041**	**-22,087**

Cheshire West and Chester

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
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	12,441	-102,808	381,048	7,098	388,146
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**	**62,508**	**-145,979**	**704,127**	**115,489**	**819,616**
Surplus or deficit on the provision of services	**289,806**	**32,534**	**-47,149**	**275,191**	**-251,085**	**24,106**

Other service expenses in the Not reported to Management column have been re-stated to reflect changes to the accounting treatment of specific school non-current assets (see note 48)

27. 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 2014-15 £000	Property Disposals/ Valuations 2014-15 £000	Income 2014-15 £000	-Surplus/ Deficit 2014-15 £000	Expend-iture 2013-14 £000	Property Disposals/ Valuations 2013-14 £000	Income 2013-14 £000	-Surplus/ Deficit 2013-14 £000
Industrial & Commercial Properties	3,147	-1,030	-8,607	-6,490	3,056	-1,530	-8,251	-6,725
Transport Management Organisation	2,359		-2,346	13	1,272		-1,292	-20
CBS - Catering	8,261		-8,776	-515	7,702		-7,875	-173
CBS - Cleaning	3,340		-3,058	282	3,229		-3,031	198
Outdoor Education	3,584		-3,820	-236	3,589		-3,477	112
Other Trading Accounts	1,730		-1,865	-135	1,761		-1,645	116
Total	**22,421**	**-1,030**	**-28,472**	**-7,081**	**20,609**	**-1,530**	**-25,571**	**-6,492**

- 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 2014-15 relates to gains on property disposals/valuations which are £0.5m lower than 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. Income and expenditure has increased in line with additional services that are now supplied by the trading operation.
- CBS Catering operates as a trading account for school meals and staff catering. The increase in the surplus is due to an increase in the demand for school meals.
- 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. Improved income generation has resulted in a surplus for 2014-15.
- Other Trading Accounts have returned a net surplus for 2014-15 primarily due to an improvement in the contribution to overheads from the Music Service operation.

28. 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 2014-15 Cheshire West and Chester Council undertook such a role in relation to the collection of Non Domestic Rates and Council Tax.

Under the Business Rates Retention Scheme 51% of any income collected is required to be passed on to Central Government and Cheshire Fire Authority. In 2014-15 this resulted in £76.2m being passed on to those bodies and excluded from the Council's Accounts.

For Council Tax the Council undertakes an agency role on behalf of its major precepting bodies, Cheshire Police Authority and Cheshire Fire Authority. Under this arrangement the Council as billing authority billed for £24.7m of Council Tax on behalf of the major preceptors which is not recorded in the CIES.

At the year end the Council also held a number of Balance Sheet items relating to the collection of Non Domestic Rates and Council Tax, these balances 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.

Non Domestic Rates	2014-15 Adjustment £000	2013-14 Adjustment £000	Balance Sheet Heading
Balances now reported by CLG and Cheshire Fire			
Remove non CWAC share of Arrears	-3,106	-2,318	Debtors
Remove non CWAC share of Debt Provision	1,362	1,237	Debtors
Remove non CWAC share of Appeals Provision	5,479	4,336	Provisions
Remove non CWAC share of Receipts in Advance	1,869	2,170	Creditors
Remove non CWAC share of Collection Fund NNDR Surplus	-349	-5,028	Reserves
	5,255	**397**	
Balances Introduced to reflect monies owed to Other Bodies			
Balances payable to Central Govt and Cheshire Fire Authority	-5,255	-397	Creditors

Council Tax Collection	2014-15 Adjustment £000	2013-14 Adjustment £000	Balance Sheet Heading
Balances now reported by Cheshire Fire and Cheshire Police			
Remove non CWAC share of Arrears	-1,511	-1,352	Debtors
Remove non CWAC share of Debt Provision	899	710	Debtors
Remove non CWAC share of Receipts in Advance	501	469	Creditors
Remove non CWAC share of Collection Fund Surplus	764	599	Reserves
	653	**426**	
Balances Introduced to reflect monies owed to Preceptors			
Balances payable to Preceptors	-653	-426	Creditors

The Council also collects income in relation to its Business Improvement Districts (BIDs). In 2014-15 in addition to the existing BIDs, Northwich and Winsford, two new areas have been established, namely; Chester (known as CH1) and Northwich Town Centre.

Cheshire West and Chester collected approximately £0.67m of Business Rates in 2014-15 on behalf of Groundwork Trust and CH1 Company who provide environmental and security services to the BIDs. At 31 March the Council held cash balances of £0.19m awaiting payment.

29. Members' Allowances

In accordance with the Local Authorities (Member's Allowances) Regulations 2003, the total amount spent on member's allowances in 2014-15 was £1.39m. 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.

	2014-15 £000	2013-14 £000
Basic Allowance	864	859
Special Responsibility Allowance	281	274
Mayors and Deputies Allowances	13	13
Pension	167	163
Childcare	1	1
Members NI's	65	67
Total Members' Allowances	**1,391**	**1,377**

30. Officers Remuneration

The table below shows the number of employees who were paid more than £50,000 but not more than £169,999 in 2014-15. Pay includes salary costs, taxable travel costs and any redundancy payments. It does not include employers' pension or national insurance contributions.

Employee Pay Band	2014-15	2013-14
£50,000 - £54,999	92	106
£55,000 - £59,999	75	85
£60,000 - £64,999	58	55
£65,000 - £69,999	16	18
£70,000 - £74,999	9	15
£75,000 - £79,999	12	8
£80,000 - £84,999	8	11
£85,000 - £89,999	7	6
£90,000 - £94,999	1	4
£95,000 - £99,999	2	3
£100,000 - £104,999	4	2
£105,000 - £109,999	0	1
£110,000 - £114,999	2	0
£115,000 - £119,999	3	1
£120,000 - £124,999	2	1
£125,000 - £129,999	0	2
£140,000 - £144,999	1	0
£155,000 - £159,999	1	0
£165,000 - £169,999	2	0
Total	**295**	**318**

The following tables show the remuneration of all senior officers who earned a salary of more than £150,000 per annum in 2014-15. 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	Total Remuneration excluding pension £000	Employers Pension Contributions £000	Total Remuneration including pension £000
Mr S Robinson - Chief Executive	2014-15	180	180	10	190
	2013-14	180	180	3	183

The Chief Executive's salary has remained unchanged since the inception of the Council. In addition, to the costs shown in the table above, the Chief Executive has also received payments for undertaking the duties of returning officer for the European Elections in May 2014 and two local by-elections. The payment relating to these roles was £14.5k; the level of payment is set in line with nationally agreed rates for elections. The European Election costs (£12k) are fully funded by the electoral commission, local by-election costs are funded by the Council.

The tables on the following pages show the remuneration for senior officers whose salary is between £50,000 and £150,000 per annum in 2014-15 and for comparison in 2013-14. 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 £92k towards these costs.

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.

During 2014-15 the Council undertook a management restructure, this has reduced the underlying structure from 27 to 15 posts. This reduction in posts has resulted in a one costs of £843k as compensation for loss office but has reduced the annual costs of the management structure by £996k.

The tables on the following pages include 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 2014-15 the payment equated to 6.6% of pensionable pay (6.1% in 2013-14). 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 2014-15 £	Employer Pension Contributions £	Total Remuneration including pension contributions 2014-15 £
Current structure from 01/10/2014 unless otherwise specified:						
Strategic Director (Adults)	63,220			63,220	14,414	77,634
Strategic Director (Places)	60,600			60,600	13,817	74,417
Head of Localism (Post removed 31/03/2015)	38,768			38,768		38,768
Head of Children and Families (From 01/12/2014)	28,448			28,448	6,486	34,934
Head of Integrated Early Support	25,927			25,927	5,911	31,838
Head of Achievement and Wellbeing	43,609			43,609	9,942	53,551
Head of Commissioning: People	42,334			42,334	9,652	51,986
Head of Prevention & Wellbeing	41,648			41,648		41,648
Director of Public Health	45,137			45,137	6,319	51,456
Head of Places Strategy	51,405			51,405	11,948	63,353
Head of Commissioning: Places	39,019			39,019	8,896	47,915
Head of Places Operations	40,206			40,206	9,336	49,542
Acting Head of Governance (From 01/07/2014)	45,846			45,846	10,453	56,299
Head of Public Services Reform	42,881			42,881	9,777	52,658
Head of Professional Services	42,881			42,881	9,678	52,559
Head of Finance	46,518			46,518	10,466	56,984
Previous structure up until 30/09/2014 unless otherwise specified:						
Director of Strategic Commissioning	62,423			62,423	14,233	76,656
Director of Growth & Prosperity	58,781			58,781	13,403	72,184
Director of Public Health (Until 12/09/2014)	41,924	2,324	67,600	111,848	5,678	117,526
Head of Integrated Early Support	36,992			36,992	8,434	45,426
Head of Achievement and Wellbeing	42,420			42,420	9,672	52,092
Head of Change Management	38,633			38,633	8,808	47,441
Head of Strategic Commisioning	41,915			41,915	9,557	51,472
Head of Prevention & Wellbeing	41,109			41,109		41,109
Head of Human Resources	38,633			38,633	8,808	47,441
Head of Finance	45,450			45,450	10,363	55,813
Head of Commercial Management	38,632			38,632	8,808	47,440
Head of Children & Families (Until 10/08/2014)	34,857			34,857	8,426	43,283
Head of Rural Localities	33,853			33,853	4,739	38,592
Head of Regulatory Services (Until 31/08/2014)	32,194			32,194	7,340	39,534
Head of Localities - Chester	45,450		121,570	167,020	10,363	177,383
Head of Localities - Northwich & Winsford	37,890			37,890	8,808	46,698
Head of Localities - Ellesmere Port	35,350		63,727	99,077	8,060	107,137
Head of Marketing & Communications	34,340			34,340	7,830	42,170
Head of Culture & Recreation	50,951			50,951	11,845	62,796
Manager, Change and Modernisation (Until 31/05/2014)	13,698		86,993	100,691	3,123	103,814
Head of Legal & Democratic Services (Until 30/06/2014)	20,453			20,453	4,663	25,116
Head of Planning & Transport (Until 08/08/2014)	37,485		130,746	168,231	7,354	175,585
Head of ICT Strategy (Until 31/07/2014)	33,164		62,259	95,423	6,908	102,331
Head of Procurement (Until 05/09/2014)	41,579		82,068	123,647	8,923	132,570
Director of Localities (Until 30/06/2014)	27,854		127,719	155,573	6,333	161,906
Director of Localities (From 01/07/2014)	19,385			19,385		19,385
Director of Resources (Until 04/07/2014)	40,917		100,480	141,397	7,506	148,903
Total	**1,724,779**	**2,324**	**843,162**	**2,570,265**	**347,080**	**2,917,345**
Number of people in management structure as at 31 March 2015 - **15** Total contractual value of salary for the year - **£1.373m**						

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 Remuneration 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 salary for the year - **£2.369m**				

Termination Costs

The Council agreed the early termination of a number of employee contracts in 2014-15, incurring liabilities of £6m (£3.6m in 2013-14). These costs comprised £5.1m of redundancy payments and £0.9m to fund early eligibility for pensions. All costs have been charged in full to the Comprehensive Income and Expenditure Statement in 2014-15. These costs have been incurred due to the need to implement restructures to achieve budget savings targets. The Council has delivered in excess of £19m of recurrent savings during 2014-15 of which over £8m were linked to staffing reductions. During 2014-15 the Council underwent a management restructure at a cost of £0.8m to the authority; the restructure will provide annual contractual savings of £1m.

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 2015 but who had not left employment on that date. A total of 59 individuals fell into this category at a cost of £1.6m 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 46 Individuals whose termination costs were estimated, ultimately two of these individuals were successfully redeployed and did not leave the Council, the remainder did leave as anticipated. The comparative information for 2013-14 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	
	2014-15 People	2013-14 People	2014-15 People	2013-14 People	2014-15 People	2013-14 People	2014-15 £000	2013-14 £000
£0 - £20,000	12	27	146	118	158	145	1,427	1,015
£20,001 - £40,000	4	11	53	32	57	43	1,676	1,266
£40,001 - £60,000	5	2	24	11	29	13	1,441	628
£60,001 - £80,000	0	1	8	3	8	4	519	276
£80,001 - £100,000	0	0	4	5	4	5	372	425
£100,001 - £350,000	0	0	3	0	3	0	559	0
Total	**21**	**41**	**238**	**169**	**259**	**210**	**5,994**	**3,611**

31. Audit Costs

The Council will incur audit fees of £236k relating to external audit of its 2014-15 activities. The Council's auditors are Grant Thornton and 2014-15 represents the third 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	2014-15 £000	2013-14 £000
External audit services carried out by the appointed auditor	209	203
Certification of grant claims and returns	27	32
Total	**236**	**235**

32. Dedicated Schools Grant (DSG)

The primary source of funding for schools is provided via the Dedicated Schools Grant which was allocated at £229.5m in 2014-15. This initial allocation is reduced by £42.7m as funding relating to Academy Schools is passed directly to those establishments and is not reflected in the accounts. The remaining £186.8m, along with any funding carried forward from the previous year, is available to fund services in 2014-15.

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 Finance and Early Years Finance Regulations 2011. The grant is, therefore, credited against Children's and Education Services in the Comprehensive Income and Expenditure Statement. The Schools Budget includes elements for a restricted range of services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and under spending on the two elements are required to be accounted for separately. The Council is also able to supplement the Schools Budget from its own resources.

Where schools become Academies during the year, the DSG funding for those schools is deducted from the grant allocation in year, pro rata to reflect when the school transfers. In 2014-15 £0.4m 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 £4.0m as at the end of 2014-15. Unspent ISB is retained by the individual schools and recorded on the Balance Sheet in the School Balances reserve (£7.1m at 31 March 2015).

DSG for 2014-15	**Central Expenditure £000**	**Individual Schools Budget £000**	**Total £000**
DSG figure issued by the Department in July 2014 (Excludes the Early Years January 2015 adjustment)			229,512
Academy figure recouped for 2014-15			42,718
Total DSG (after Academy recoupment)			**186,794**
Balance brought forward from 2013-14			5,875
Carry forward to 2015-16 agreed in advance			-2,416
Agreed initial budgeted distribution in 2014-15	**29,158**	**161,095**	**190,253**
In year adjustments	156	-361	-205
Final budgeted distribution for 2014-15	**29,314**	**160,734**	**190,048**
Less: Actual Central Expenditure	27,741	0	27,741
Less: Actual ISB deployed to Schools	0	160,734	160,734
Carry Forward 2015-16	**-1,573**	**0**	**-1,573**
Total Carry Forward to 2015-16			**-3,989**

DSG for 2013-14	Central Expenditure £000	Individual Schools Budget £000	Total £000
DSG figure issued by the Department in July 2013 (Excludes the 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	0	27,193
Less: Actual ISB deployed to Schools	0	162,139	162,139
Carry Forward 2014-15	**-2,090**	**0**	**-2,090**
Total Carry Forward to 2014-15			**-5,875**

33. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014-15.

	2014-15 £000	2013-14 £000
Credited to Taxation and Non Specific Grant Income		
Used to Finance Council Activities in Year		
Council Tax	146,202	144,439
Non-Domestic Rates	76,083	68,633
S31 Non Domestic Rates Grant Funding	2,726	1,474
Revenue Support Grant	57,590	69,533
Local Services Support Grant	407	681
Council Tax Freeze Grant	1,581	0
New Homes Bonus	3,967	3,094
PFI Grant	3,039	3,039
Other Core Revenue Grants	371	784
Used to Finance Capital Expenditure		
Capital Grants Utilised in Year	36,197	26,753
Capital Contributions Utilised in Year	2,047	1,602
Set Aside for Future Capital Financing		
Capital Grants Set Aside for Future Usage	1,936	4,734
Capital Contributions Set Aside for Future Usage	500	26
Total	**332,646**	**324,792**
Credited to Services		
Dedicated Schools Grant (DSG)	186,589	189,324
Public Health Grant	13,889	13,371
Mandatory Rent Allowances: subsidy	80,822	81,583
Sixth Forms Funding (Young Peoples Learning Agency)	7,713	7,824
Mandatory and HRA Rent Rebates	11,765	11,876
Adult and Community Learning	943	1,441
Housing Benefit Administration	1,859	2,162
Pupil Premium Grant	9,794	7,306
Care Project Grant	783	0
Education Support Grant	5,014	5,641
Adoption Reform Grant	253	677
PE and Sports Grant	1,121	676
Sustainable Transport Fund	1,244	851
Social Fund Grants	1,047	917
Devolved Formula Capital Grant	125	372
Disabled Facilities Grant	1,099	1,643
Extra Care Housing Grant	1,084	0
Universal Infant Free School Meals	2,136	0
Other Grants	9,557	7,798
Total	**336,837**	**333,462**

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:

	2014-15 £000	2013-14 £000
Capital Grants and Contributions Receipts in Advance		
Devolved Formula Capital	1,183	1,194
Dept of Health	264	0
Schools Basic Need	3,250	1,546
Regional Growth Fund	226	2,156
Transport Funding	0	836
Other Grants	215	1,516
s106 and other Contributions	4,850	5,789
Total	**9,988**	**13,037**
Revenue Grants Receipts in Advance		
Dept of Health - Extra Care Grant	0	1,084
Dept of Health - Various	299	0
Dept of Education - Various	101	69
Dept of Transport - Various	180	1,115
Learning and Skills Council - Adult Education Funding	390	175
Other Govt Bodies	346	349
Total	**1,316**	**2,792**

34. 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, 2013-14 comparators shown in brackets.

• Funding from Govt	Note 33	£447m (£444m)
• Non Domestic Rates Share Payable	Collection Fund	£75m (£75m)
• Non Domestic Rates Tariff/Levy Payments	Note 11	£27m (£25m)

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 £17.0m (Police) and £7.7m (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 £45m (2013-14 £28m). This includes a one off payment of £25m as the Council agreed an front loaded payment profile for its pension deficit contributions with the pension fund. Details of these transactions are disclosed in Note 41. 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 (2013-14 £1.4m). The Pension Fund is administered and governed independently of the Council to avoid the potential for undue influence to be exerted.

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 30.

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, Chester Renaissance to promote the city and Vivo to provide social care. A new company, CoSocius Ltd was created in 2014-15 to operate 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 45 and in the Group Accounts.

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 2014-15 this figure was £12.9m (2013-14 £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 £13.9m 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 2014-15 amounted to £3.8m (£3.6m in 2013-14). 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.

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 2014-15 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	Related party 2014-15	2014-15 £000	2013-14 £000
Booher Construction Services Limited	Cllr Booher	100	137
Fifield Glyn Limited	Cllr Fifield	7	0
ASC Developments		0	4
ARCH Initatives		0	89
Total		**107**	**230**

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 2014-15.

35. Capital Expenditure and Financing

The Council's Capital Financing Requirement has risen in year as capital costs (£110.6m) have exceeded funding set aside (£90.6m). The overall Capital Financing Requirement will be funded from a combination of future revenue contributions, capital receipts and external funding.

	2014-15 £000	Restated 2013-14 £000
Opening Capital Financing Requirement	400,430	378,036
Capital Investment		
- Expenditure on capital assets		
- Property, plant and equipment	102,822	86,252
- Heritage assets	3,273	3,696
- Investment assets	8	729
- Intangible assets	340	278
- Assets Held for Sale	193	0
- REFCUS - expenditure of a capital nature	4,117	8,553
- Change in value of capital creditor	-144	0
- Costs of disposal (incurred pre disposal)	0	14
Total	**110,609**	**99,522**
Sources of Finance		
- Capital Receipts applied	-15,334	-17,003
- Govt grants and contributions applied	-34,029	-28,355
- Tfr from unapplied grants and contributions	-2,919	-947
- Revenue contributions	-5,778	-2,329
- Income from repayment of capital debtors	-25	-25
- Refund prior year costs of disposal	-13	-10
- Release of surplus capital creditors	-314	-1,149
- Use of other Capital Reserves	-15,397	-10,701
- Revenue provision for debt repayment	-16,776	-16,609
Total	**-90,585**	**-77,128**
Closing Capital Financing Requirement	**420,454**	**400,430**
Explanations of Movement in Year		
Increase in underlying need to borrow (unsupported)	19,530	20,712
Assets acquired under finance leases	250	1,671
Assets acquired under PFI/PPP contracts	244	11
Increase in Capital Financing Requirement	**20,024**	**22,394**

The 2013-14 figures have been restated to reflect changing basis for recognising school assets as set out in Note 48. This reclassified £162k from PPE expenditure to REFCUS but left the total capital financing requirement unchanged.

36. 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 2014-15 £000	Vehicles, Plant and Equipment 2013-14 £000
Net Book Value at 1 April	10,563	12,302
New Leases	250	1,671
Depreciation	-2,437	-3,090
Disposals	-448	-320
Value at 31 March	**7,928**	**10,563**

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	2014-15 £000	2013-14 £000
Current (payable within 1 year)	2,367	2,666
Non Current	5,947	8,418
Finance costs payable in future years	506	939
Minimum lease payments	**8,820**	**12,023**

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

Age Profile of Finance Lease Payments	Minimum Lease Payment		Finance Lease Liabilities	
	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000
No later than one year	2,608	3,070	2,367	2,666
Between one and five years	5,800	8,093	5,542	7,577
Later than five years	412	860	405	841
	8,820	**12,023**	**8,314**	**11,084**

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 2014-15, £198k 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 2015 to making payments of £9.9m 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 2014-15 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 2014-15 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 93 employees who are part of this scheme with an annual cost of £0.4m. As the Council carries no risk associated with these arrangements and no Council funds are committed they are not included as Council leases.

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

Age Profile of Operating Lease Payments	2014-15 £000	2013-14 £000
No later than one year	1,007	1,120
Between one and five years	2,513	2,765
Later than five years	6,360	6,338
	9,880	**10,223**

The Council has sub leased out a small number of properties that it has leased 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 2015 the outstanding income linked to future usage of these properties was as below.

Age Profile of Sublease payments receivable	2014-15 £000	2013-14 £000
No later than one year	265	191
Between one and five years	597	514
Later than five years	3,047	3,074
	3,909	**3,779**

The lease payments payable and sublease income receivable in 2014-15 is:

Lease payments and Sublease receivable	2014-15 £000	2013-14 £000
Minimum Lease payments	217	105
Sublease Payments Receivable	-265	-191
	-48	**-86**

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 with the longer leases 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	2014-15 £000	2013-14 £000
No later than one year	7,716	8,163
Between one and five years	16,551	17,906
Later than five years	164,923	174,708
	189,190	**200,777**

In addition to those leases shown above, the Council has agreed lease terms with a number of tenants who will move into the Baron's Quay development in Northwich once construction is complete in 2015-16. While these companies are legally committed to long term leases they do not become live until the Council has fulfilled its obligation to hand over the premises ready for occupation. This will not occur until construction work is complete. As any future income is still contingent on the Council fulfilling outstanding obligations, the income entitlement is not reflected within lease disclosure at this time.

37. 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. Both sets of PFI assets were revalued in 2014-15.

The PFI Schools saw a significant increase in their value in line with the increases seen for non PFI school values during 2014-15. This reflects the enhanced space standards that are now required of any replacement school provision.

The Extra Care facilities saw a reduction in their value due to the exclusion of units at the sites which are not funded through the PFI income stream.

Movement in PFI Asset Values	2014-15			2013-14		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Net Book Value	7,068	20,612	**27,680**	7,221	21,414	**28,635**
Additions	78	166	**244**	4	7	**11**
Revaluations	4,126	-5,954	**-1,828**	0	0	**0**
Depreciation	-157	-809	**-966**	-157	-809	**-966**
Closing Net Book Value	**11,115**	**14,015**	**25,130**	**7,068**	**20,612**	**27,680**

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 2014-15
- 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	2014-15			2013-14		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Service Costs	764	97	**861**	733	-11	**722**
Financing Costs	753	971	**1,724**	780	1,005	**1,785**
Contingent Rents	110	107	**217**	126	88	**214**
Liability Repayment	289	502	**791**	341	734	**1,075**
Lifecycle Costs	78	166	**244**	4	7	**11**
Total	**1,994**	**1,843**	**3,837**	**1,984**	**1,823**	**3,807**

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. 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 each be marginally higher (£0.2m), net spend would not be impacted. The outstanding PFI liability balance (see below) would decrease by approximately £4m, 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	2014-15			2013-14		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Liability	-9,578	-21,165	**-30,743**	-9,919	-21,899	**-31,818**
Payments made in year	289	502	**791**	341	734	**1,075**
Closing Liability	**-9,289**	**-20,663**	**-29,952**	**-9,578**	**-21,165**	**-30,743**

Future Payments under the PFI Contracts	Service Costs £000	Principal Payments £000	Capital Costs £000	Interest £000	Total £000
Schools					
Obligations Payable in 2015-16	644	344	36	731	1,755
Due between 2016-17 and 2019-20	2,969	1,134	597	2,703	7,403
Due between 2020-21 and 2024-25	4,251	2,009	746	2,783	9,789
Due between 2025-26 and 2029-30	4,956	3,035	600	1,817	10,408
Due between 2030-31 and 2033-34	3,652	2,767	637	502	7,558
Total	**16,472**	**9,289**	**2,616**	**8,536**	**36,913**
Extra Care					
Obligations Payable in 2015-16	121	532	203	948	1,804
Due between 2016-17 and 2019-20	477	2,481	745	3,547	7,250
Due between 2020-21 and 2024-25	814	3,620	1,241	3,708	9,383
Due between 2025-26 and 2029-30	1,123	4,208	1,581	2,872	9,784
Due between 2030-31 and 2034-35	1,604	4,838	2,229	1,843	10,514
Due between 2035-36 and 2038-39	1,051	4,984	1,021	561	7,617
Total	**5,190**	**20,663**	**7,020**	**13,479**	**46,352**

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	2014-15			2013-14		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Balance	4,066	861	**4,927**	3,837	759	**4,596**
In Year Additions	226	101	**327**	229	102	**331**
Closing Balance	**4,292**	**962**	**5,254**	**4,066**	**861**	**4,927**

38. Impairment Losses

The Council has recognised approximately £15m in net costs to the CIES in relation to impairment/revaluation losses on operational assets during 2014-15. The most significant individual items was a £6m reduction in the carrying value of the Council's PFI Extra Care Housing schemes, reflecting the lower costs of replacing the facility should it become necessary and a more limited capacity. Other reductions include £3m on various schools where pupil numbers have fallen, £2m in relation to the value of the HQ Offices in Chester and £1.5m on the Council Housing Stock. These have been partially offset by reversing a previously recognised loss of £3.6m on another school.

39. 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.

During 2014-15 these conditions were met in regard to expenditure on the development of Barons Quay, Northwich. The Council undertook specific borrowing in relation to this project in 2013-14 but did not commence construction at that point so no costs were capitalised. Work has now begun and interest costs have been calculated on the costs incurred since that date. It has been calculated that £234k of interest costs were incurred between the commencement of construction and 31 March 2015.

Interest costs can only be capitalised to the extent that they are greater than investment returns the Council generates from the cash borrowed. During 2014-15 the Council earned £284k on the money borrowed to finance Barons Quay, as this figure exceeds the interest paid no costs can be capitalised.

40. 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 2014-15, the Council paid £10.9m to Teachers' Pension in respect of teachers' retirement benefits, (2013-14 £10.9m) 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 41.

When Public Health transferred from Clinical Commissioning Groups in 2013-14, 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 2014-15 equated to £0.1m (2013-14 £0.1m) representing 14% of pensionable pay.

41. Defined Benefit Pension Scheme

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

Accounting Treatment: Both schemes are both accounted for as a defined benefit scheme in accordance with International Accounting Standard 19 (IAS 19). The liabilities for both schemes use projected unit method and the assets of the funds are included at their fair value. The liabilities attributable to the Council under both schemes Council are included in the Balance Sheet.

Local Government Pension Scheme (LGPS)
The Cheshire Pension Fund is a statutory defined contributory benefit pension scheme and all employees of the Council (other than teachers) may participate in the fund. From April 2015, Councillors are no longer able to join although existing members may remain in the scheme. 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 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 based on best estimates for these assumptions based on the advice of the Fund's actuary, Hymans Robertson) is included at the end of this note.

The LGPS is a funded scheme, meaning that the scheme's liabilities are backed by investment assets. The Cheshire Pension Fund manages four investment strategies each with different objectives and different allocations to growth assets and defensive assets. The overarching principle being to tailor investment strategies to better match the risk / return requirements of employers, on their journey towards the long term funding objective. A key part of the Fund's investment strategy is the embedded dynamic risk management framework. The risk management framework ensures that employers only take the level of investment risk that is necessary to meet their funding objectives by adjusting the strategic asset allocation and investment risk profile based on pre-determined funding level triggers.

There have been two key developments during the financial year, firstly Growth Strategy B's funding level had progressed sufficiently that investment risk was reduced during July and September 2014. At 31 March 2015 Strategy B's strategic asset allocation was 58% Growth / 42% Defensive. Risk reduction was achieved through a disinvestment in equities and an investment in Index Linked Gilts (UK Government Bonds). The second development during the year saw a disinvestment from fixed income mandates managed by Baillie Gifford and Goldman Sachs and an investment in the BlueBay Total

Return Diversified Credit Fund. The initial investment in BlueBay (26 January 2015) of £300 million was the final step in the Fund's strategy to restructure the fixed income portfolio in light of the prevailing low yield environment. BlueBay and Henderson as the Fund's core fixed managers both have mandates to deliver returns whilst actively managing the risk posed by an expected rise in interest rates.

The return on assets has increased significantly to £150.0m from the previous year (2013-14 £67.4m). A stronger return in the investment market has been achieved and the fund has benefited from a return of 15.7% on it assets (against a benchmark of 13%).

Teachers Discretionary Payments

The Council also funds discretionary early retirement benefits for teachers and this scheme is unfunded. The Council paid £5.5m in 2014-15 (£6.0m in 2013-14) in relation to this scheme, of which £3.0m has been recovered from Cheshire East, Halton and Warrington Borough Councils.

Transactions Relating to Post-employment Benefits

The costs of retirement benefits are recognised in the CIES as they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charges that are required to be made against council tax are based on the cash paid to the pension fund in the year, to reconcile the two the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement and replaced by the payments made. The following transactions have been made during the year:

	LGPS	Teachers Un-funded Scheme	Total	LGPS	Teachers Un-funded Scheme	Total
	2014-15	2014-15	2014-15	2013-14	2013-14	2013-14
	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement						
Service cost comprising:						
Current service cost	26,576		26,576	29,744		29,744
Past service costs and curtailments	884		884	744		744
(Gain) from settlements	-3,956		-3,956	-5,314		-5,314
Financing and Investment Income and Expenditure						
Net Interest Cost	12,155	1,348	13,503	15,115	1,554	16,669
Total post-employment benefits charged to Surplus or Deficit on the Provision of Services (SDPS)	35,659	1,348	37,007	40,289	1,554	41,843
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability comprising:						
Return on plan assets (excluding the amount included in the net interest expense)	-110,050		-110,050	-27,715		-27,715
Actuarial -Gains / Losses arising on changes in demographic assumptions			0	-26,298	-897	-27,195
Actuarial -Gains / Losses arising on changes in financial assumptions	182,709	619	183,328	-49,784	241	-49,543
Other experience	-12,079	54	-12,025	47,406		47,406
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	96,239	2,021	98,260	-16,102	899	-15,204
Movement in Reserves Statement						
Reversal of net charges made to the SDPS for post-employment benefits	35,659	1,348	37,007	-40,289	-1,554	-41,843
Actual amount charged against the General Fund						
Employers' contributions	45,328		45,328	28,343		28,343
Retirement Benefits Payable		2,507	2,507		2,595	2,595

The employer contributions figure paid by the Council in 2014-15 (£45.3m) is higher than would typically be the case as the Council has agreed an uneven profile for its pension deficit contributions with the Cheshire Pension Fund. Under this agreement the full value of the pension deficit payments for current triennial valuation period (2014-15, 2015-16 and 2016-17) was paid in 2014-15 (£25m). This means the employer’s contributions in 2014-15 were approximately £17m higher than would otherwise been the case. The savings generated by the early payment will mean deficit contributions across 2015-16 and 2016-17 will be nil and total costs will be reduced by just under £2m over the period for taxpayers.

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 2014-15 £000	Teachers 2014-15 £000	Total 2014-15 £000	LGPS 2013-14 £000	Teachers 2013-14 £000	Total 2013-14 £000
Present value of obligations	-1,440,229	-33,631	-1,473,860	-1,244,979	-34,117	-1,279,096
Fair value of plan assets	1,094,336	0	1,094,336	949,997	0	949,997
Net Pension Liability	**-345,893**	**-33,631**	**-379,524**	**-294,982**	**-34,117**	**-329,099**

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilitites	LGPS 2014-15 £000	Teachers 2014-15 £000	Total 2014-15 £000	LGPS 2013-14 £000	Teachers 2013-14 £000	Total 2013-14 £000
Opening Balance	1,244,979	34,117	1,279,096	1,240,465	35,814	1,276,279
Current Service Costs	26,576		26,576	29,744		29,744
Interest Cost	52,596	1,348	53,944	54,829	1,554	56,383
Contribution by Scheme Members	7,252		7,252	7,630		7,630
Remeasurement (gains) and losses:						
Actuarial (gains)/losses arising from changes in demographic assumptions			0	-26,298	-897	-27,195
Actuarial (gains)/losses arising from changes in financial assumptions	182,709	619	183,328	-49,784	241	-49,543
Other experience	-12,079	54	-12,025	47,406		47,406
Benefits Paid	-42,720	-2,507	-45,227	-40,201	-2,595	-42,796
Past Service Costs & curtailments	884		884	744		744
Liabilities Extinguished on Settlement	-19,968		-19,968	-19,556		-19,556
Closing balance at 31 March	**1,440,229**	**33,631**	**1,473,860**	**1,244,979**	**34,117**	**1,279,096**

Movement in Fair Value of Assets	**LGPS 2014-15 £000**	**Teachers 2014-15 £000**	**Total 2014-15 £000**	**LGPS 2013-14 £000**	**Teachers 2013-14 £000**	**Total 2013-14 £000**
Opening Balance	**949,997**	**0**	**949,997**	**901,038**		**901,038**
Interest income	40,441		40,441	39,714		39,714
Remeasurement (gains) and losses:						
Return on plan assets, excluding the amounts included in net interest	110,050		110,050	27,715		27,715
Employer Contributions	45,328		45,328	28,343		28,343
Contribution by scheme members	7,252		7,252	7,630		7,630
Contributions - unfunded benefits		2,507	2,507		2,595	2,595
Benefits paid	-42,720		-42,720	-40,201		-40,201
Unfunded benefits paid		-2,507	-2,507		-2,595	-2,595
Assets distributed on Settlement	-16,012		-16,012	-14,242		-14,242
Closing balance at 31 March	**1,094,336**	**0**	**1,094,336**	**949,997**	**0**	**949,997**

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 2014-15 £000	Quoted Prices not in active markets 2014-15 £000	Total 2014-15 £000	Share of Total Assets %	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 %
Cash & Cash Equivalents		**26,140**	**26,140**	**2.4%**		**3,755**	**3,755**	**0.4%**
Equity Securities:								
By industry type:								
Consumer	106,299		106,299	9.7%	125,021		125,021	13.2%
Manufacturing	30,550		30,550	2.8%	43,395		43,395	4.6%
Energy and Utilities	4,796		4,796	0.4%	26,029		26,029	2.7%
Financial Institutions	32,280		32,280	2.9%	47,578		47,578	5.0%
Health and Care	10,234		10,234	1.0%	11,571		11,571	1.2%
IT	31,831		31,831	3.0%	37,109		37,109	3.9%
Other	10,345		10,345	0.9%	29,350		29,350	3.1%
	226,335	**0**	**226,335**	**20.7%**	**320,053**	**0**	**320,053**	**33.7%**
Debt Securities								
Other			0	0.0%		56,604	56,604	6.0%
	0	**0**	**0**	**0.0%**	**0**	**56,604**	**56,604**	**6.0%**
Private equity:		**52,021**	**52,021**	**4.8%**		**51,652**	**51,652**	**5.4%**
Real Estate:								
UK		85,778	85,778	7.8%		59,942	59,942	6.3%
Overseas		2,568	2,568	0.2%		3,274	3,274	0.3%
	0	**88,346**	**88,346**	**8.0%**	**0**	**63,216**	**63,216**	**6.6%**
Investment funds and unit trusts:								
Equities	106,675		106,675	9.7%	155,522		155,522	16.4%
Bonds	382,706		382,706	35.0%	165,855		165,855	17.5%
Hedge Funds		150,504	150,504	13.8%		133,340	133,340	14.0%
Other		61,609	61,609	5.6%				
	489,381	**212,113**	**701,494**	**64.1%**	**321,377**	**133,340**	**454,717**	**47.9%**
Total Assets	**715,716**	**378,620**	**1,094,336**	**100.0%**	**641,430**	**308,567**	**949,997**	**100.0%**

The table above shows that the Pension Fund has spread its (and by extension the Council's) investments across a range of assets with over half in investment funds and unit trusts, a fifth in equity securities, and the remainder spread across other markets. This reflects the de-risking of the portfolio undertaken by the Pension Fund during the year.

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. Demographic 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 2014-15	Teachers Unfunded Liabilities 2014-15	LGPS 2013-14	Teachers Unfunded Liabilities 2013-14
Financial Assumptions				
Rate of increase in salaries	3.3%	n/a	3.6%	n/a
Rate of increase in pensions	2.4%	2.1%	2.8%	2.6%
Discount rate used				
Rate used to Discount liabilities	3.2%	3.1%	4.3%	4.1%
Demographic Mortality Assumptions				
Longevity at 65 for current pensioners				
Men	22.3 years	22.3 years	22.3 years	22.3 years
Women	24.4 years	24.4 years	24.4 years	24.4 years
Longevity at 65 for future pensioners				
Men	24.1 years		24.1 years	
Women	26.7 years		26.7 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 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)	43,207	1,009	-43,207	-1,009
Salary inflation (change by 0.5%)	43,855		-43,855	
Pension inflation (change by 0.5%)	98,139	643	-98,139	-643
Discount rate (change by 0.5%)	-144,600	-640	144,600	640

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 estimated LGPS pension contributions to be made by Cheshire West and Chester in 2015-16 is £19.1m.

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	41.7%	24.5
Deferred members	15.7%	23.7
Pensioner members	42.6%	12.0
Weighted Average		**18.0**

42. Contingent Liabilities

At 31 March 2015, 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.

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. 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.

Waste Collection Contract
The Council is in discussion with its waste collection contractor regarding disputes over whether any adjustments (up to £0.6m) will be required to the contract payments the Council has made to date or those in the future. The discussions concern whether the contract price adequately reflects the costs of additional collections over and above those assumed when tendering for this work. These claims have been considered by the Council and it is not thought that any liability exists, as at 31st March 2015 the claims have yet to be withdrawn.

Pension Guarantees
The Council has recently launched a number of arms-length organisations who provide services either to or on behalf of the Council. These organisations have largely been created by TUPE transferring staff from the Council to the relevant companies and these staff will have future pension entitlements. The companies became associated members of the Cheshire Pension Scheme on creation and took on responsibility for funding these future pension costs; in return they were given a share of the Council's pension assets from which to fund these costs.

As a result of fluctuations in asset returns and demographic factors the value of the assets transferred may prove to be insufficient to meet the liabilities for some companies. In recognition of this potential cost transfer the Council has offered each company (and the Pension Fund) a pension guarantee that means it would step in should a company be unable to meet its pension funding obligations or provide additional funding should pension costs rise for reasons outside the control of the company.

The likelihood of this risk materialising will be dependent on future investment returns and the performance of the Pension Fund over an extended period. At present the companies are identifying pension deficits within their financial statements of approximately £12m, these are however based on relatively prudent assumptions under FRS17 or IAS19. The better indication of the likelihood of any pension guarantees being triggered will come from the triennial valuation of the fund, the next instance of which is due in 2017.

43. Contingent Assets

At 31 March 2015, the Council had no material contingent assets.

44. Risks Arising from Financial Instruments

The Councils treasury management activity is carried out in accordance with the Council's annual Treasury Management Strategy that is approved by full council shortly before the start of the year. The Treasury Management Strategy for the year 2014-15 allowed the Council to deposit up to £10 million with a number of large banks and building societies that met a range of specified criteria the most objective being to have a long term credit rating equivalent to 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 make a payment of interest or a repayment of principal amount will have an unexpected adverse impact on the Council's financial position.

During 2014-15 the Council chose to place deposits with a number of selected large banks, building societies and sterling money market funds. The Council does not expect any losses from non-performance by any of these counterparties except in the most exceptional of circumstances.

Form of Financial Asset Held	Credit rating at the time the monies were deposited	Credit rating at the balance sheet date	The earliest date on which the monies become available to the Council without penalty	Amount £000
Money Market Funds	AAA	AAA	1st April 2015	39,854
Call Accounts	A	A	1st April 2015	23,351
Fixed Term Deposits	AA-	AA-	Mid April 2015	10,000
Fixed Term Deposit	A+	A+	Mid April 2015	10,000
Fixed Term Deposit	A	A	Mid April 2015	5,000
Fixed Term Deposit	n/a (a UK council)	n/a (a UK council)	Mid April 2015	5,000

Risk Associated with each form of Financial Asset	Amount at 31 March 2015 £000	Historical (10 year) experience of default at 31st March 2015 %	Estimated maximum exposure to default & uncollectability £000
Deposits with banks and building societies			
AA- Rating	10,000	0.03	3.00
A+ Rating	10,000	0.03	3.00
A Rating	28,351	0.03	8.50
n/a (a UK council)	5,000	0.03	1.50
Money Market Funds			
AAA Rated	39,854	0.00	0.00
Bank Current Accounts	-535	0.00	0.00
Loans to Group Entities	3,850	0.00	0.00
Trade and Customer Debt			
Current	29,007	1	290
Less than 6 months	2,315	4	93
6 months +	1,271	60	763
Housing Revenue Account	2,124	80	1,699
	34,717		**2,845**

The Trade and Customer Debt figure includes £29m 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, 84% 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 £11.3m of invoiced debt. The Authority generally allows its customers 28 days credit; £3.59m 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	1772
3 to 6 months overdue	543
6 months to 1 year overdue	377
More than one year overdue	894
Total	**3,586**

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 manage this risk by ensuring it has adequate though not excessive short term cash resources, borrowing arrangements, overdrafts or standby facilities in place. It will also make use of cash flow forecasting to give as accurate a picture as possible of daily cash balances.

There is a risk that when loans or other forms of borrowing fall due to be repaid the Council will be unable to refinance the borrowings on reasonable terms. 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.

To help mitigate this risk the Council have participated in the creation of the Local Capital Finance Company. Once operational this company will be able to offer an alternative source of funding to the Public Works Loan Board and will help to ensure the Council always has access a long term source of finance at a reasonable rate.

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	Salix Loans £000	Banks £000	Other Local Authorities £000	Total 2014-15 £000
In the next financial year	4,213	49	277	0	4,539
In the following financial year	0	41	0	0	41
In 2 to 5 years	0	39	0	0	39
In 5 to 10 years	0	1	0	0	1
In 10 to 15 years	8,358	0	0	0	8,358
In 15 to 20 years	23,144	0	0	0	23,144
In 20 to 25 years	17,199	0	0	0	17,199
In 25 to 30 years	12,378	0	12,506	0	24,884
In 30 to 40 years	38,277	0	5,209	0	43,486
In 40 to 50 years	12,285	0	0	0	12,285
Total	**115,854**	**130**	**17,992**	**0**	**133,976**

Profile of Borrowing in relation to Housing Revenue Account activities	Public Works Loans Board £000	Salix Loans £000	Banks £000	Other Local Authorities £000	Total 2014-15 £000
In the next financial year	1,643	0	90	4,009	5,742
In the following financial year	1,670	0	0	0	1,670
In 2 to 5 years	5,339	0	0	0	5,339
In 5 to 10 years	28,222	0	0	0	28,222
In 10 to 15 years	11,833	0	0	0	11,833
In 15 to 20 years	13,855	0	0	0	13,855
In 20 to 25 years	16,222	0	0	0	16,222
In 25 to 30 years	7,240	0	5,112	0	12,352
Total	**86,024**	**0**	**5,202**	**4,009**	**95,235**

Profile of Borrowing in relation to Northgate and Barons Quay	Public Works Loans Board £000	Salix Loans £000	Banks £000	Other Local Authorities £000	Total 2014-15 £000
In the next financial year	3,419	0	0	45	3,464
In the following financial year	2,480	0	0	0	2,480
In 2 to 5 years	22,440	0	0	7,000	29,440
In 5 to 10 years	12,400	0	0	0	12,400
In 10 to 15 years	12,400	0	0	0	12,400
In 15 to 20 years	12,400	0	0	0	12,400
In 20 to 25 years	9,920	0	0	0	9,920
Total	**75,459**	**0**	**0**	**7,045**	**82,504**

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

The Council reports a separate analysis for the development schemes for the Northgate and Barons Quay projects as this funding is being held discretely. The schemes are of a significant size to warrant being reported separately to help the reader gain key information with regard to these to high profile schemes.

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.

The Barons Quay scheme is underpinned by unconditional 25 year leases of the key anchor tenants (Foodstore and Cinema). The income from these anchor tenants plus associated restaurant tenancies 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

Market Risk

This is the risk of financial loss as a consequence of interest rate and stock market movements. The Council is not exposed to any market risk on any of its investments

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. At present the majority of the Council’s long term loans are fixed rate loans. 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.

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 as a note to the accounts for information only. Had short term and long term interest rates been 0.5% higher during 2014-15 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	-603
Increase in interest payable on variable rate loans	56
Impact on Income and Expenditure Statement	**-547**
Reduction in the fair value of fixed rate borrowing (notional impact only)	-21,269

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.

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 2014-15 the Council issued no capital instruments such as share capital, loan capital, debentures, bonds or other forms of debt instrument.

45. Interest in companies

Following a review of the Council's relationships with various organisations in whom it has a stakehold, it has been determined that the activities of some of these entities should be reported alongside the Council's in a Group Account. Those organisations to be included within Group Accounts are CoSocius Limited, Brio Leisure, Cheshire Provider Services (Vivo) and Avenue Services Limited. Information is included below on these entities and any others the Council has a material interest in.

In June 2015 the Council will launch a new joint venture (QWest), in partnership with Cofely, which will deliver its Customer Services, Business Operations and Building Maintenance/Cleaning Services. Work is also underway to establish, a standalone company to deliver support services to schools. This is in partnership with Wirral Borough Council and expected to be operational by December 2015.

CoSocius Limited

CoSocius Ltd went live on 1st April 2014 as a limited company jointly owned with Cheshire East Council, both Councils holding a 50% share in the company. The company commenced operating as a trading company from the 1st May 2014 providing a range of transactions back office services and ICT corporate business services to both councils and other customers, primarily in the public sector. The company has a contract to provide services to the Council until 2019.

The draft financial statements for their first 11 months show a total loss for the year of £9.3m. This comprises a significant pension deficit of £8.5m and operational losses of £0.8m. As is the case for other companies the Council has provided a pensions guarantee which means it would ultimately be responsible for funding these pension deficits should CoSocius be unable to do so.

Total assets for the period are £9.5m primarily consist of debtor balances of £6m and cash or cash equivalents of £2.3m. These are offset by creditor balances of £10.1m, of which £2.5m relates to a working capital loan advanced to the company by the Council to enable them to manage cash flows during their initial period of operation.

Summary of Statement of Financial Position	**31 Mar 2015 £000**
Total Assets	**9,535**
Net Pensions liability	-8,506
Other liabilities	-10,135
Total Liabilities	**-18,641**
Total Assets and Liabilities	**-9,106**
Total Equity	**-9,106**
Summary Statement of Comprehensive Income for the year	**2014-15 £000**
Turnover	24,686
Operating Profit/(Loss)	-1,262
Profit/(Loss) for the period after Tax	**-1,532**
Actuarial gains/(losses)	-7,770
Total Profit/(Loss) for the year	**-9,302**

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. The company has a contract to provide services to the Council until March 2030.

The company is governed by a board of eight directors, of which two are Elected Members (and nominated representatives of this Council). Brio receives a subsidy from the Council, towards the costs of services, which equated to £1.17m in 2014-15. This amount will be reduced over the contract period.

Financial statements for the CIC for the period to 31 March 2015 show a loss of £0.9m. Included in this position is a loss of £1.2m due to pension deficits, which is partially offset by an underlying operating profit of £0.3m. Total assets for the CIC at the end of the period were £1.5m but these are offset by £1.4m of creditors which include a working capital loan of £0.25m advanced by the Council. A net pension liability of £2.7m exists and the Council is guarantor for this cost should the company cease trading. Excluding this the company has approximately £50k of operational reserves accumulated over its life.

A summary Statement of Financial Position and the Summary Statement of Comprehensive Income for 2014-15 are included below.

Summary of Statement of Financial Position	**31 Mar 2015 £000**	**31 Mar 2014 £000**
Total Assets	**1,519**	**742**
Net Pensions liability	-2,720	-1,560
Other liabilities	-1,468	-940
Total Liabilities	**-4,188**	**-2,500**
Total Assets and Liabilities	**-2,669**	**-1,758**
Total Equity	**-2,669**	**-1,758**
Summary Statement of Comprehensive Income for the year	**2014-15 £000**	**2013-14 £000**
Turnover	8,003	7,323
Operating Profit/(Loss)	190	-263
Profit/(Loss) for the period after Tax	**97**	**-360**
Actuarial gains/(losses)	-1,009	751
Total Profit/(Loss) for the year	**-912**	**391**

Cheshire Provider Services/ Vivo Care Choices
These organisations have been in operation since December 2013 delivering the Council's 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 company is contracted to provide services until December 2018.

The draft financial statements for the year show an overall loss of £1.9m. This balance primarily reflects an increase in the pension deficit during the year of £2.0m, partially offset by underlying profit of £0.1m.

Overall the company has accumulated a significant pension deficit of £5.1m arising from the actuarial valuations 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. Without this balance the company would have £0.3m of reserves.

Total assets at the end of 2014-15 are £2.7m, which are largely offset by liabilities of £2.4m. This includes a £1.1m loan provided by the Council to ensure the company has sufficient funds available to operate effectively while it awaits payment of funding.

A summary of the draft Statement of Financial Position and the Summary Statement of Comprehensive Income for the year are included below.

Summary of Statement of Financial Position	**31 Mar 2015 £000**	**Restated 31 Mar 2014 £000**
Total Assets	**2,663**	**2,368**
Net Pensions liability	-5,061	-3,084
Other liabilities	-2,432	-2,213
Total Liabilities	**-7,493**	**-5,297**
Total Assets and Liabilities	**-4,830**	**-2,929**
Total Equity	**-4,830**	**-2,929**
Summary Statement of Comprehensive Income for the year	**2014-15 £000**	**Restated 4 months to 31 March 2014 £000**
Turnover	12,044	4,085
Operating Profit/(Loss)	-333	96
Profit/(Loss) for the period after Tax	**-248**	**37**
Actuarial gains/(losses)	-1,653	-2,966
Total Profit/(Loss) for the year	**-1,901**	**-2,929**

Avenue Services (Blacon Asset Management Company)
The company is jointly owned by the Council and CDHT (under the banner of Sanctuary Housing). The company has been operational since 1 April 2012 providing services and facilities for the benefit of residents of Blacon and the wider community.

The company has a turnover of around £2m a year and is expected to deliver a small net profit. There are no significant Balance Sheet items held by Avenue Services at 31 March 2015.

In 2015-16 it is proposed that a range of assets owned by the Council to be transferred to Avenue Services under a long term leasehold basis. The current values of those assets anticipated to transfer is estimated to be under £2m.

Local Capital Finance Company
During the year the Council became an investor in a Municipal Bond Agency, a private company, which has been formed to raise capital through the sale of bonds. The money raised from investors will then be lent onwards to councils to either invest in capital projects or to refinance existing loans. This provides diversity of funding sources for local authorities and allows borrowing at a lower cost.

The Council's contribution to the Agency in 2014-15 is £0.35m, with the total investment from all contributors being £6m. The expectation is that over the next 4 to 5 years the Agency will start to generate profits resulting in the Council receiving dividends. It could also make consistent losses in which case there may be may no return on investment.

In the event of borrower defaults, Agency members will only be liable for shortfall where they have borrowed from the Agency themselves. Recovery will instead be made against the borrower's income as the contributors to any shortfalls will have first call on the borrower's income.

The current position regarding liability of the shareholders is that members have not undertaken a financial guarantee as the additional contributions can be recovered from the borrower's income and that the risk of members defaulting is very low. A ruling to confirm this position is due shortly.

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 is one of six Councils that form the County Area Partners who together have 50% of the voting rights on the board. 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.

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 2014-15. As a minority General Partner, CW&C is not required to include the financial activities of Evergreen in its group accounts.

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. Although CW&C is the parent company thus identifying Chester Renaissance as a subsidiary, their current level of financial activity is not sufficient to have a material impact on the Council's 2014-15 group accounts. Thus Chester Renaissance will not be consolidated into the Council's group accounts at this time.

PSP Cheshire West and Chester LLP

A joint venture with PSP Facilitating Limited has been created to assist the Council to access wider funding sources and take advantage of ad-hoc development opportunities. Whilst the Council has equal control of PSP Cheshire West and Chester LLP there has been no financial activity to date, therefore does not have a material impact on the Council's 2014-15 group accounts.

46. Trust Funds

During 2014-15 Cheshire West and Chester Council acted as sole trustee for ten 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.

	2014-15				
	Income £	Expenditure £	Assets £	Liabilities £	Reserves £
Continuing Trust Funds:					
The Lord Mayors Charity Fund	-7,876	12,065	14,500	0	-14,500
Held to support a range of charities supported by the serving Lord Mayor of Chester					
The Lady Mayoress Holiday Fund for Children	0	18,499	56,752	0	-56,752
Established in 1925 to help provide holidays for Childen who are disadvantaged within the Cheshire West and Chester area. The Trust was dissolved on 12 May 2014					
Fred Venables Higher Education Trust	-5,002	4,000	11,090	0	-11,090
Set up in 2007 to give grants to 6th form students resident in Ellesmere Port and Neston for their higher education studies					
Chairman's Trust	-18,841	0	18,841		-18,841
Established in 2014 to support the advancement of education through short term residential learning outside the classroom for school age children residing in the Borough of Cheshire West and Chester or being educated within the Borough who are financially disadvantaged					
Castle Park Trust Fund	-100,635	80,199	626,637	-1,275	-625,362
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	-236	0	2,107	0	-2,107
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	-40,933	40,062	24,259	0	-24,259
Established to continue the Mayoral Function in the borough of Ellesmere Port					

47. Comparative Information

The comparative 2013-14 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 all restatements set out in Note 48.

	Restated 2013-14		
	Expenditure £000	**Income £000**	**Net £000**
Central Service to the Public	5,892	-4,161	1,731
Children's & Education Services	293,018	-232,544	60,474
Adult Social care	113,012	-26,415	86,597
Cultural & Related Services	22,589	-1,480	21,109
Environmental & Regulatory Services	39,415	-4,644	34,771
Planning Services	39,225	-10,019	29,206
Highways & Transport Services	40,464	-10,279	30,185
Public Health	11,853	-13,744	-1,891
Housing Services	129,321	-119,919	9,402
Corporate & Democratic Core	6,462	-306	6,156
Non-distributed Costs	2,876	-5,425	-2,549
Cost of Services	**704,127**	**-428,936**	**275,191**
Other Operating Income & Expenditure	17,523	-20,755	-3,232
Financing & Investment Income and Expenditure	72,710	-21,027	51,683
Taxation & Non-Specific Grant Income	25,256	-324,792	-299,536
-Surplus/Deficit on Provision of Services	**819,616**	**-795,510**	**24,106**
Surplus on Revaluation of Assets			-9,328
Actuarial -Gain/Loss on Pension Assets/Liabilities			-57,047
Other Comprehensive Income & Expenditure			**-66,375**
Total Comprehensive Income and Expenditure			**-42,269**

The 2013-14 statement has been restated to reflect:

- changes to the accounting treatment of specific school non-current assets (see Note 48), and
- re-alignment of the cost of disposal of assets when schools transfer to academy status from Other Operating Income & Expenditure to Financing & Investment Income and Expenditure

48. Prior Year Restatements - Recognition of School Assets

In 2014-15 it has been necessary to restate the previous year's accounts to reflect retrospective adoption of new reporting standards on group accounts and consolidation and their impact on the recognition of Schools. All maintained schools in the Borough are now considered to be entities controlled by the Council and as a result all expenditure, income, assets and liabilities relating to these schools must be recorded in the Council's Accounts.

Any changes arising from adopting these new standards have been adopted retrospectively so 2013-14 comparative information included in these accounts has been restated to reflect the situation that would have been reported had this treatment been in place at that time.

The term maintained schools excludes Academies or Free Schools but covers all the following:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation

Income, Expenditure, Current Assets and Current Liabilities

The Council's account already included all material items of income and expenditure in relation to maintained schools and no restatement was necessary to incorporate these balances. The only items not included within the Council's Accounts are those balances held by schools as private funds. These funds reflect the proceeds of donations or fund raising activities undertaken independently by the schools and managed separately from their core funding. These funds are managed by a mix of governing bodies, parent/teacher bodies or other individuals associated with the school. The Council can only recognise those funds that are within the control of governing bodies and as this is not considered likely to be the case for all funds and the overall value of such funds is immaterial to the Accounts (£3.5m) they are omitted from the Council's balance sheet.

Non-Current Assets

The treatment of school premises is more complicated as the recognition of the school is dependent not only on the Council's degree of control over the school as an entity but also the control it has over the site the school is located at.

The Council has considered every school within the Borough to determine whether or not it had sufficient control over the asset to recognise it within its Balance Sheet. The outcomes of that review are outlined below. Those cells highlighted reflect a change in treatment from previous years.

	Total Schools	Council Controlled			Outside Council Control	
		Owned by CWAC	Leased to Governors	Restrictive Covenant	Owned by Church	Leased to Academies
Community Schools	82	81		1		
Foundation Schools	5		5			
Voluntary Controlled	23			3	20	
Voluntary Aided	29			2	27	
Academies	19					19
	158	**81**	**5**	**6**	**47**	**19**
		92 Schools on Balance Sheet			**66 Schools off Balance Sheet**	

Cheshire West and Chester

All Community Schools are considered to be in Council control and will remain on the balance sheet, one school is held by the Council on behalf of Trustees giving it control over future usage.
All Foundation Schools are on sites where the Council holds the freehold and the Governing Body hold the leasehold. As both entities form part of the Council for accounting purposes the Schools are recorded on the Balance Sheet. This will require restatement of 2013-14 balances.

Most Voluntary Controlled/Aided Schools are located on Church owned land and the Council has no guarantee over the long term usability of the site as a school. These Schools are therefore not shown on the balance sheet. For the 20 Voluntary Controlled Schools on Church land this represents a change in recognition and requires restatement.

A total of 5 Voluntary Controlled/Aided Schools are located on land which remains in the Councils ownership at 31st March 2015. Most of these schools are going through the process of transferring ownership to the relevant Church bodies but these transfers contain conditions that require the site to be retained in use as a school. As a result the Council has control over the future availability of the site. These sites are therefore shown on the balance sheet. For the 2 Voluntary Aided Schools in this category this reflects a change in treatment and requires restatement.

All Academies are on Council owned land but have been given long leases. As the Council does not have control over academies the assets they control cannot be reflected on the balance sheet.

Impacts of Restating the 2013-14 Accounts
As a result of the above the Council has removed the assets relating to 20 schools from its Accounts and introduced those relating to 7 schools. Relevant changes have been reflected in the 1 April 2013 and 31 March 2014 balance sheet, the 2013-14 CIES and Movement in Reserve Statement and relevant notes. Summarised versions of each statement are shown below.

Restatement of Opening Balance Sheet 2013-14

	Opening Balance Sheet 31/03/13 £000	Prior Year Changes (i) £000	Restated Opening Balance £000
Non Current Assets			
- PPE	860,516	44,688	905,204
- Other	197,528		197,528
Other Assets/Liabilities	-661,185		-661,185
Net Assets	**396,859**	**44,688**	**441,547**
Usable Reserves	86,710		86,710
Unusable Reserves			
- Capital Adjustment Acnt	597,606	48,774	646,380
- Revaluation Reserve	94,832	-4,086	90,746
- Other	-382,289		-382,289
Total Reserves	**396,859**	**44,688**	**441,547**

i) The April 2013 balance sheet has been restated to reflect the removal of £25.6m of School Assets which are no longer being recognised and the introduction of £70.3m of new assets. Under dispensations given within the Code the new assets are recognised at deemed cost with corresponding entries being shown against the Capital Adjustment Account.

Restatement of Closing Balance Sheet 2013-14

	Original 2013-14 Movement £000	Change in Depreciation (ii) £000	Change in Capital Spend (iii) £000	Change in Valuations (iv) £000	Restated Closing Balance 31/03/14 £000
Non Current Assets					
- PPE	4,621	-635	-162	751	909,779
- Other	4,218				201,746
Other Assets/Liabilities	33,476				-627,709
Net Assets	**42,315**	**-635**	**-162**	**751**	**483,816**
Usable Reserves	21,698				108,408
Unusable Reserves					
- Capital Adjustment Acnt	-28,541	-635	-162	932	617,974
- Revaluation Reserve	5,661			-181	96,226
- Other	43,497				-338,792
Total Reserves	**42,315**	**-635**	**-162**	**751**	**483,816**

Notes

ii) This adjustment removes depreciation previously charged on assets no longer recognised (£0.6m) and replaces it with depreciation on the new assets (£1.2m).

iii) Costs incurred on assets which are no longer recognised have been reclassified as REFCUS expenditure and charged to the Capital Adjustment Account.

iv) As above this removes any revaluation/impairment changes to assets no longer held.

Restatement of the 2013-14 Comprehensive Income and Expenditure Statement

CIES Statement 2013-14	Original Version			Change	Restated Version		
	Spend £000	Income £000	Net £000	£000	Spend £000	Income £000	Net £000
Cost of Services	**704,262**	**-428,936**	**275,326**	**-135**	**704,127**	**-428,936**	**275,191**
Other Operating Costs	47,927	-20,755	27,172	0	47,927	-20,755	27,172
Financing & Investment	42,306	-21,027	21,279	0	42,306	-21,027	21,279
Taxation & Non-Specific Grant	25,256	-324,792	-299,536	0	25,256	-324,792	-299,536
Deficit on Provision of Services	**819,751**	**-795,510**	**24,241**	**-135**	**819,616**	**-795,510**	**24,106**
Loss on Revaluation of Assets	-9,509	0	-9,509	181	-9,328	0	-9,328
Remeasurement Loss on Pension	-57,047	0	-57,047	0	-57,047	0	-57,047
Other Comprehensive I&E	**-66,556**	**0**	**-66,556**	**181**	**-66,375**	**0**	**-66,375**
Total Comprehensive I&E	**753,195**	**-795,510**	**-42,315**	**46**	**753,241**	**-795,510**	**-42,269**

Notes

i) All adjustments to Net Cost of Services are recorded on the Children's and Education Services line. The net £135k credit reflects the impact of depreciation, REFCUS costs and valuation changes charged to revenue.

ii) The £181k charge reflects removal of revaluation gains credited to the revaluation reserve.

Restatement of the 2013-14 Movement in Reserves Statement

MIRS Statement 2013-14 Only impacted columns shown	Original General Fund £000	Original Unusable Reserves £000	Change to GF £000	Change to CAA	Restated General Fund £000	Restated Unusable Reserves £000
Balance at 31 March 2013	**22,775**	**310,149**		**44,688**	**22,775**	**354,837**
Share of SDPS	-31,120		135		-30,985	
Other Comprehensive I&E		66,556		-181		66,375
Adjustments to funding basis	50,286	-45,939	-135	135	50,151	-45,804
Transfers to Earmarked Reserves	-20,676	0			-20,676	0
Balance at 31 March 2014	**21,265**	**330,766**	**0**	**44,642**	**21,265**	**375,408**

Supplementary Financial Statements – Housing Revenue Account

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.

	2014-15	2013-14
	£000	£000
Expenditure		
Repairs and Maintenance	5,465	5,338
Supervision & Management	3,288	3,280
Special Services	1,012	1,007
Depreciation & revaluation losses on non-current assets	7,038	5,481
Debt Management costs	4	9
Increase in the allowance for bad debts	119	761
Total Expenditure	**16,926**	**15,876**
Income		
Dwelling Rents	-21,782	-20,931
Non-dwelling rents	-508	-515
Charges for services and facilities	-164	-158
Supplementary contributions towards expenditure	-199	-287
Total Income	**-22,653**	**-21,891**
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	-5,727	-6,015
HRA services' share of Corporate and Democratic Core	62	62
Net Income/Expenditure for HRA Services	**-5,665**	**-5,953**
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	-390	-714
Interest payable and similar charges	2,805	2,780
Interest and Investment Income	-19	-2
Pensions interest cost and expected return on pension assets	2	10
Capital Grants & Contributions Receivable	-4,215	-3,000
(Surplus) or deficit for the year on HRA Services	**-7,482**	**-6,879**

Cheshire West and Chester

Movement on the Housing Revenue Account Statement 2014-15

	2014-15	2013-14
	£000	£000
Balance of HRA at the end of the previous year	-725	-555
(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	-7,482	-6,879
Adjustments between accounting basis and funding under statute	7,413	6,640
Net (increase) or decrease before transfers to reserves	**-69**	**-239**
Transfer to (from) reserves	69	69
(Increase) or decrease on the HRA	0	-170
Balance on the HRA at the end of the year	**-725**	**-725**

Adjustments between accounting basis and funding under statute

	2014-15	2013-14
	£000	£000
Difference between interest payable and similar charges including amortisation of premiums and discounts	2	33
Differences relating to other items of income and expenditure		
- Contribution to repayment of debt	61	153
- HRA share of contributions to or from the Pension Reserve	185	211
- (Gain) or loss on the sale on non current HRA assets		
- Sale proceeds	1,249	1,933
- Carrying amount of assets	-859	-1,219
Differences relating to changes in property values		
- Reversal of revaluation losses on HRA Properties	-1,460	0
- Funding of depreciation from capital adjustment account	-5,578	-5,481
Transfers to the Major Repairs Reserve		
- Funding set aside for capital expenditure	8,259	5,554
- Funding for future debt repayment/MRA equivalent sum	5,554	5,456
Total Adjustments	**7,413**	**6,640**

Notes to the Housing Revenue Account

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

Description	2014-15 No.	2013-14 No.
Houses	3,063	3,088
Flats	1,752	1,756
Bungalows	639	640
Maisonettes	92	93
Total Dwellings	**5,546**	**5,577**
Garages	**1,549**	**1,549**

2. Housing Stock Valuations at 31 March

Description	2014-15 £000	2013-14 £000
Property Plant and Equipment		
- Dwellings	146,428	142,609
- Garages	1,120	1,144
Total	**147,548**	**143,753**

3. Vacant Possession Value of Dwellings at 31 March

Description	2014-15 £000	2013-14 £000
Market value - Vacant possession	418,365	397,904
Existing use value for social housing	146,428	142,609
Difference	**271,937**	**255,295**

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 2014-15, no change from 2013-14.

4. Major Repairs Reserve for the year ending 31 March

Description	2014-15 £000	2013-14 £000
Balance brought forward	-2,008	-1,699
Debt repayment	1,736	1,688
Set aside voluntary debt repayment	477	380
Transfer of MRA equivalent sum	-5,554	-5,456
Grant funding	-4,215	-3,000
Revenue contribution to capital	-4,044	-2,554
Less capital expenditure financed from Reserve	13,184	8,633
Balance Carried Forward	**-424**	**-2,008**

5. Housing Repairs Expenditure for the year ending 31 March

Description	2014-15 £000	2013-14 £000
Housing repairs	5,465	5,338
Total	**5,465**	**5,338**

6. Capital Expenditure in the year ending 31 March

Description	2014-15 £000	2013-14 £000
Operational assets		
- Dwellings	14,984	9,633
Total	**14,984**	**9,633**
Funded by:		
- Borrowing	-1,800	-1,000
- Major Repairs Reserve	-13,184	-8,633
Total Funding	**-14,984**	**-9,633**

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

Description	2014-15 £000	2013-14 £000
Disposal of dwellings	1,249	1,933
Total from disposals	**1,249**	**1,933**

8. Depreciation in the year ending 31 March

Description	2014-15 £000	2013-14 £000
Property Plant and Equipment	5,578	5,481
Total	**5,578**	**5,481**

The depreciation charge for dwellings is equal to the notional Major Repairs Allowance (£5.554m). This is equal to the assumption made about the need to spend on major repairs in the self-financing valuation for 2014-15. In addition, £0.024m 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	2014-15 £000	2013-14 £000
Current tenants	1,102	1,049
Former tenants	764	616
Total arrears	**1,866**	**1,665**
Deduct - Provision for bad debts	-1,379	-1,385
Net arrears	**487**	**280**

Supplementary Financial Statements - Collection Fund

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

Collection Fund for the Year ended 31 March 2015

Collection Fund Statement	2014-15			2013-14		
	Non Domestic Rates £000	Council Tax £000	Total £000	Non Domestic Rates £000	Council Tax £000	Total £000
Income						
Council Tax Receivable	0	172,990	172,990	0	170,426	170,426
Non Domestic Rates Receivable **	162,096	0	162,096	154,224	0	154,224
Transitional Relief	-2,776	-4	-2,780	-2,360	-6	-2,366
	159,320	**172,986**	**332,306**	**151,864**	**170,420**	**322,284**
Expenditure/Funding						
Apportionment of Previous Years Surplus/(Deficit)						
- Central Government	-1,664	0	-1,664	0	0	0
- Cheshire West and Chester	-1,630	1,393	-237	0	0	0
- Police Authority	0	167	167	0	0	0
- Fire Authority	-33	74	41	0	0	0
	-3,327	**1,634**	**-1,693**	**0**	**0**	**0**
Precepts Demands and Shares						
Central Government	74,713	0	74,713	74,964	0	74,964
Cheshire West and Chester	73,218	141,468	214,686	73,464	139,960	213,424
Police Authority	0	16,996	16,996	0	16,815	16,815
Fire Authority	1,494	7,664	9,158	1,499	7,436	8,935
Town and Parish Councils	0	2,483	2,483	0	2,431	2,431
	149,425	**168,611**	**318,036**	**149,927**	**166,642**	**316,569**
Charges to Collection Fund						
Write offs of uncollectible amounts	1,060	541	1,601	2,410	290	2,700
Increase in Bad Debt Provision	245	1,177	1,422	379	1,082	1,461
Increase in Appeals Provision	2,241	0	2,241	8,502	0	8,502
Cost of Collection	502	0	502	504	0	504
	4,048	**1,718**	**5,766**	**11,795**	**1,372**	**13,167**
In Year Surplus/(Deficit)	**9,174**	**1,023**	**10,197**	**-9,858**	**2,406**	**-7,452**
Balance on Fund Brought Forward	-9,858	4,040	-5,818	0	1,634	1,634
Balance on Fund Carried Forward	**-684**	**5,063**	**4,379**	**-9858**	**4,040**	**-5,818**

** Note: the 2014-15 figure for non-domestic rate receivable includes £866,000 of income which related to 2012-13 under a deferral scheme this income only became available for collection and distribution in 2014-15.

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. The Collection Fund holds balances in respect of both Non-Domestic Rates and Council Tax.

2. Non-Domestic Rates

Since 2013-14 local Councils have been responsible for collecting Non Domestic Rates within their area and are able to retain a proportion of the income collected to support their own services. As a result 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 2014-15 this was 48.2p in the pound (2013-14, 47.1p).There is also a small business multiplier, which was 47.1p in the pound for 2014-15 (2013-14, 46.2p). The income collected is captured in the Collection Fund before being distributed between Central Government, Cheshire West and Chester and Cheshire Fire Authority in accordance with prescribed shares (50%, 49% and 1% respectively).

Under the Business Rates Retention Scheme introduced in 2013-14 the cost of any successful appeals against rating assessments falls to be met from the Collection Fund. These appeals could relate to any period back to the date that the rating list being appealed against started. During 2014-15 it was announced that companies would only be able to submit appeals against the current 2010 list up to 31st March 2015. This led to a surge in appeals to meet this deadline with a total of 2,112 appeals being lodged in 2014-15 against 1,017 in 2013-14. To reflect this higher volume of appeals, the provision that has been set aside against the potential costs of success claims has been increased to £10.7m. Again the cost of creating this provision is distributed between Central Government, Cheshire West and Chester and Cheshire Fire Authority in accordance with their respective shares.

3. Council Tax

The gross Council Tax base was 110,935 Band D Equivalent properties at the time of setting the tax for 2014-15 (2013-14 = 109,753). This was made up as follows:

Band	Number of Properties 2014-15	Band D Equivalent 2014-15	Income in a full year 2014-15 £000	Band D Equivalent 2013-14
A	32,642	16,286	24,753	15,983
B	35,354	21,199	32,220	20,923
C	29,416	20,635	31,363	20,428
D	19,891	16,010	24,334	15,822
E	15,112	15,084	22,926	15,040
F	8,941	10,707	16,274	10,629
G	7,207	10,011	15,216	9,913
H	556	854	1,298	854
	149,119	**110,786**	**168,384**	**109,592**
	Ministry Of Defence	149	227	161
		110,935	**168,611**	**109,753**

There has been an increase in the number of Band D equivalent properties in the tax base for 2014-15 compared to the previous year. This is due to levels of property growth being higher than anticipated alongside a reduction in the number of householders who are excluded from the tax base as a consequence of them receiving help through the Council Tax Reduction Scheme.

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

Non-Domestic Rates
The opening deficit of £9.8m on the Collection Fund in relation to Non-Domestic Rates has been reduced to £0.7m by the end of the year. This was in part due to a contribution of £3.3m from Cheshire West, Cheshire Fire and Central Government.

In addition to this scheduled deficit reduction, the Business Rates Collection Fund has also delivered an in year surplus of £5.8m. This is primarily linked to the receipt of significant backdated income in the year. Other factors leading to the favourable final position are lower than anticipated bad debts, and reduced awards of Empty Property Relief. These positive movements have been partly offset by the increased provision set aside for backdated appeals as previously noted.

The remaining deficit of £0.684m has been distributed between Central Government, Cheshire West and Chester Council and Cheshire Fire and Rescue Service in accordance with their respective shares as detailed below.

Council Tax
The Council Tax Collection Fund has returned a surplus of £5.063m. This is an increase of £1.020m on the previous year. The main reasons for this are the continuation of a pro-active approach to verifying empty property and single person discounts using credit reference agency data and higher than anticipated property growth as previously mentioned.

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.

	Central Govt £000	CWAC £000	Police £000	Fire £000	Total £000
Surplus/(Deficit) - Non-Domestic Rates	-342	-335	0	-7	-684
Surplus/(Deficit) - Council Tax	0	4,299	527	237	5,063

Cheshire Pension Fund

Cheshire West and Chester

Independent auditor's report to the members of Cheshire West and Chester Council

We have audited the pension fund financial statements of Cheshire West and Chester Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Cheshire West and Chester Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 Authority’s Statement of Accounts, which include the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the pension fund 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 pension fund’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 pension fund financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited pension fund 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 the pension fund financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at 31 March 2015, other than liabilities to pay pensions and benefits after the end of the fund year and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

FIONA BLATCHER
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton
4 Hardman Square
Spinningfields
Manchester
M3 3EB

16 September 2015

Cheshire Pension Fund - Fund Account
for the year ended 31 March 2015

	Notes	2014-15 £000	2013-14 Restated £000
Contributions and Benefits			
Contributions Receivable			
From Employers		139,946	116,792
From Employees		34,284	33,124
Total Contributions Receivable	6.1/6.2	174,230	149,916
Transfers in from Other Schemes	7	7,804	8,667
Benefits Payable			
Pensions		-129,111	-124,638
Lump Sums		-21,999	-21,051
Death Benefits		-3,443	-3,619
Total Benefits Payable	8	-154,553	-149,308
Payments to and on account of Leavers			
Refund of Contributions		-195	-13
Transfers to Other Schemes		-59,471	-8,534
	9	-59,666	-8,547
Net Additions / (withdrawals) from dealing with members		-32,185	728
Management Expenses	10	-44,143	-37,623
Returns on Investments			
Investment Income	11	35,840	40,608
Taxes on Income	12	-1,074	-920
Profits and losses on disposal of investments and changes in the market value of investments	13f	577,888	316,220
Net Returns On Investments		612,654	355,908
Net Increase/ (Decrease) in the Fund During the Year		536,326	319,013
Opening Net Assets of the Scheme		3,578,342	3,259,329
Closing Net Assets of the Scheme		**4,114,668**	**3,578,342**

*The fund account has been restated for 2013-14 to remove the separate classifications for administration and investment manager fees which have been replaced by Management expenses. The change is in accordance with the CIPFA guidance Accounting for LGPS Management Costs and resulted in changes to Management expenses, Profit and the Closing net assets (see Note 2).

Cheshire Pension Fund - Net Assets Statement
as at 31 March 2015

	Notes	2014-15 £000	2013-14 Restated £000
Investment Assets			
Pooled Investment Vehicles	13/f, 18/19	1,886,609	1,408,953
Equities	13/f, 18/19	1,000,624	1,129,018
Absolute Return Funds	13b/f, 18/19	551,756	496,466
Investment Properties	16	311,510	230,965
Private Equity	13c/f 18/19	214,969	195,454
Loans	13d/f, 18/19	54,534	57,632
Derivative Contracts	14, 18/19	855	479
		4,020,857	3,518,967
Cash	13e/f, 18/19	72,066	32,153
		4,092,923	3,551,120
Other Investment Balances		4,288	6,024
	13f, 18/19	4,097,211	3,557,144
Investment Liabilities			
Derivative Contracts	14, 18/19	0	-764
Total Net Investments	17	**4,097,211**	**3,556,380**
Long Term Assets	22	11,306	13,653
Current Assets	23		
Cash at Bank		185	47
Debtors		15,316	16,723
Current Liabilities	24		
Creditors		-8,732	-7,854
Receipts In Advance		-618	-607
Net Current Assets		6,151	8,309
Total Net Assets		**4,114,668**	**3,578,342**

*The cash and other investment balances have been restated in 2013-14 (see Note 2) which has also resulted in changes to the Total Net Investments and Total Net Assets figures.

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 Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

The scheme is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2009

The LGPS is a statutory, funded pension scheme. 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 Section 151 Officer, who undertakes the day to day management of the Fund. The Head of Finance is 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 Cheshire Pension Fund manages four investment strategies each with different objectives and different allocations to growth assets and defensive assets. The overarching principle being to tailor investment strategies to better match the risk / return requirements of employers, on their journey towards the long term funding objective. A key part of the Fund's investment strategy is the dynamic risk management framework. The risk management framework ensures that employers only take the level of investment risk that is necessary to meet their funding objectives by adjusting the strategic asset allocation and investment risk profile based on pre-determined funding level triggers.

At 1 April 2014 the Fund managed 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 (58%/42% at 31 March 2015)
Medium Growth Strategy	50% Growth / 50% Defensive
Gilts Strategy	0% Growth / 100% Defensive

There have been two key developments during the financial year, firstly Growth Strategy B's funding level had progressed sufficiently that investment risk was reduced during July and September 2014. At 31 March 2015 Strategy B's strategic asset allocation was 58% Growth / 42% Defensive. Risk reduction was achieved through a disinvestment from equities and an investment in Index Linked Gilts (UK Government Bonds).

The second development during the year saw a disinvestment from fixed income mandates managed by Baillie Gifford and Goldman Sachs and an investment in the BlueBay Total Return Diversified Credit Fund. The initial investment in BlueBay (26 January 2015) of £300 million was the final step in the Fund's strategy to restructure the fixed income portfolio in light of the prevailing low yield environment. BlueBay and Henderson as the Fund's core fixed income managers both have mandates to deliver returns whilst actively managing interest rates risk.

The Fund made a £20 million investment in the Darwin Leisure Property Fund. This investment was funded from cash reserves and now forms part of the Fund's alternatives portfolio. The Fund also took the opportunity to dispose of the remaining units in The Property Industrial Trust managed by Rockspring with the units being purchased by another investor in the fund allowing the pension fund to reinvest in other priority areas.

To manage the Fund's assets in accordance with its investment strategy, the Council has 15 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 reported that for the year ending 31 March 2015 the Fund achieved a return from its investments of +15.7% (+9.8% in 2013-14) compared with the Fund's tailored benchmark return of +13.0% (+4.9% in 2013-14). For the three years ending 31 March 2015 the Fund achieved an annualised return of +12.6% per annum against the Fund's benchmark return of +9.3% per annum.

Membership
In accordance with the Governments Automatic Enrolment Legislation, eligible employees are automatically enrolled 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 210 employer organisations with active members who were contributing into the fund as at 31 March 2015, including the Administering Authority itself, as detailed below:

Cheshire Pension Fund	31 March 2015	31 March 2014
Number of employers with active members	**210**	**177**
Number of employees in the scheme		
Cheshire West and Chester Council	7,521	7,481
Other employers	25,527	23,980
Total	**33,048**	**31,461**
Number of pensioners		
Cheshire West and Chester Council	1,644	1,404
Other employers	23,173	22,915
Total	**24,817**	**24,319**
Number of Deferred pensioners		
Cheshire West and Chester Council	2,944	2,784
Other employers	21,250	21,376
Total	**24,194**	**24,160**
Undecided Leavers	**1,184**	1,121
Total Membership	**83,243**	**81,061**

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2015. 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

Prior to 1 April 2014, Pension benefits under the LGPS were 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 pension. 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.

LGPS 2014

From 1 April 2014, the LGPS became a career average revalued earnings scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is inflated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For details, please refer to the fund scheme handbook which is available from the Fund or visit the website cheshirepensionfund.org.

	New Scheme
Basis of Pension	Career Average Revalued Earnings (CARE)
Accrual Rate	1/49th
Revaluation Rate	By order of Her Majesty's Treasury
Contribution Flexibility	Members can pay 50% contributions for 50% of the pension benefit
Normal Pension Age	Equal to the individual member's State Pension Age (minimum 65)
Death in Service lump sum	3 x assumed pensionable pay
Death in Service survivor benefits	1/160 accrual basis
Ill-health provision	Three Tiers
Indexation of pension in payment	Pensions Increase Orders (presently CPI)
Qualifying period for benefits	2 years

Note 2 – Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2014-15 financial year and its position at year end as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 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 21 of these accounts.

The accounts contain a number of restatements to the 2013-14 figures as follows:

The Fund Account has been restated to remove the separate classifications for Investment Management and Administration Expenses which have been replaced by Management expenses. The change is in accordance with the CIPFA guidance Accounting for LGPS Management Costs. Further detail is provided in Note 10. As well as separate categories for Investment Management Fees and Administration costs an additional category of Oversight and Governance Costs has been introduced and costs have been redistributed across the three categories in accordance with the CIPFA guidance.

Investment Management Expenses have been restated to include £11.8m of fees and expenses which had been deducted at source relating to Fund of Fund investments. The profit and loss on disposal of investments and changes in market value of investments has similarly been increased by £11.8m to reflect the deductions of these fees from the Market Value (see Note 13f). Transaction costs of £1.279k have also been adjusted on the same basis.

Investment manager fees have also been restated to remove £107k relating to a fee rebate which had been misclassified. The profit and loss on disposal of investments and changes in market value of investments has similarly been reduced by £107k to reflect this amendment (see Note 13f).

The Net Assets Statement has been restated. Cash has been increased by £1.048m due to a misclassification of £9k previously included within Other Investment Balances and an omission of £1.039m. Other Investment Balances has also been restated for an omission of £1k of accrued income (see Notes 13e and 13f).

An amount of £235k relating to the Magistrates Court bulk transfer has been reclassified as a current rather than long term debtor (see notes 22 and 23).

The interest rate risk and credit risk disclosures in note 18c have been restated to include Index Linked Gilts of £171k managed by Legal and General which were omitted.

Note 3 – Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

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 a cash basis once terms have been agreed and payment made to/from the respective fund.

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 from operating leases on properties owned by the fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.
- 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) Management Expenses

Pension fund management expenses are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs. The comparator figures for 2013-14 have been restated to reflect the implementation of the CIPFA guidance. Consequently management expenses reported in the Fund Account for 2013-14 have been increased by £11.8m and Profit and Loss on disposal of investments and changes in the market value of investments has similarly been increased by £11.8m to reflect the deductions of these fees from the Market Value.

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
- Goldman Sachs Asset Management
- M&G Investments
- Arrowgrass Capital Partners
- Permal
- Winton Capital
- Och Ziff Capital Management
- Darwin

Performance related fees amounted to £17.29m in 2014-15 (£12.2m in 2013-14 Restated) for managers who outperformed the benchmark.

Performance fees for 2013-14 have been restated from £6.96m to £12.2m to account for the additional fees which had been deducted at source relating to fund of fund assets.

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 2014-15 was £4.6m relating to fees due for the quarter ending 31 March 2015 (£1.9m in 2013-14).

Administration expenses

All administration expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight is charged directly to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Net Assets Statement

g) 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 2015 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.

h) 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.

i) Derivatives

The Fund uses derivative financial instruments predominantly to manage its exposure to specific risks arising from its investment activities. The Fund's equity managers can utilise forward foreign currency exchange contracts to express market views.

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 13f).

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.

j) Cash and cash equivalents

Cash comprises cash in hand and on demand deposits, and includes amounts held by the fund's external managers. 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.

k) 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 assessed on a triennial basis 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 25.

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 2015 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 £215m (£195.5m 2013-14). 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 £552m (£496m in 2013-14). 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

Under the Public Service Pensions Act 2013 and Regulation 106 of the Local Government Pension Scheme Regulations 2013 there is a requirement for all Administering Authorities to establish a Local Pensions Board (LPB) by 1st April 2015. The first meeting of the LPB for Cheshire Pension Fund will be held before the end of July 2015.

As part of a consolidation of services in the North West of England, the fire control centres for Greater Manchester, Cheshire, Cumbria and Lancashire were combined into a single entity (North West Fire Control who are an employer in the Cheshire Pension Fund) on 29 May 2014 with assets of £966k being received from Lancashire Pension Fund during 2014-15. A further £2.33m has been received from the Greater Manchester Pension Fund on 18th May 2015.

The Valuation Tribunal Service seeks to consolidate its Local Government Pension Scheme administration by transferring all assets and liabilities to the London Pension Fund Authority (LPFA). The effective date of consolidation is proposed as 1 July 2015. It is expected that assets totalling circa £550k will be transferred to LPFA between 1 July 2015 and 31 March 2016.

Note 6 – Contributions Receivable

6.1 Employer and Employee Contributions Receivable

	2014-15	2013-14
	£000	£000
Employers Normal Contributions	**95,441**	78,405
Employees Normal Contributions	**34,284**	33,124
Employers Deficit Funding*	**40,550**	32,628
Employers Cost of Early Retirements (pension strain)	**3,886**	5,477
Employers Augmentation Contributions	**69**	282
Total	**174,230**	**149,916**

* Employer Normal Contributions may include an element towards reducing any deficit in the scheme's funding position. At the triennial valuation (31 March 2013) the Actuary calculated a common employer contribution rate of 27.5% of which 8.2% targeted recovering the funding deficit with 19.3% towards future service costs. These rates apply to the 2014-15 contribution figures.

The common contribution rate from the 2010 valuation was 22.8%, of which 6.7% targeted recovering the funding deficit with 16.1% towards future service costs. These rates apply to the 2013-14 figures.

It is estimated that employers contributed a notional £40.6m in 2014-15 (£32.6m in 2013-14) towards deficit funding.

The deficit funding figure of £40.6m includes a payment of £25m from Cheshire West and Chester Council who elected to pay their full 3 year deficit contribution as a lump sum.

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

	2014-15		2013-14	
	Employers	Employees	Employers	Employees
	£000	£000	£000	£000
Scheme Employers	**80,546**	**22,986**	76,858	22,404
Cheshire West & Chester Council	**44,612**	**7,191**	28,502	7,643
Community Admission Body	**11,687**	**2,965**	10,260	2,786
Transferee Admission Body	**3,101**	**1,142**	1,172	291
Total	**139,946**	**34,284**	**116,792**	**33,124**

Note 7 – Transfers in from other Pension Funds

	2014-15	2013-14
	£000	£000
Transfers from other Local Authorities	**3,455**	5,306
Transfers from other pension funds	**3,383**	3,361
Group Transfers	**966**	0
Total	**7,804**	**8,667**

The group transfer figure of £966k relates to a transfer of assets from Lancashire Pension Fund relating to the consolidation of the fire control service in the North West of England which have combined into North West Fire Control who are employer in the Cheshire Pension Fund.

Note 8 – Benefits payable

	2014-15	2013-14
	£000	£000
Scheme Employers	**97,459**	93,647
Cheshire West & Chester Council	**44,044**	43,429
Community Admission Body	**9,245**	8,635
Transferee Admission Body	**3,805**	3,597
Total	**154,553**	**149,308**

Note 9 – Payment to and on account of leavers

	2014-15	2013-14
	£000	£000
Group Transfers	**53,800**	0
Individual Transfers	**5,671**	8,534
Refunds to Members leaving service	**195**	13
Total	**59,666**	**8,547**

The group transfer figure of £53.8m relates to the transfer of assets to the Greater Manchester Pension Fund who were appointed to administer the LGPS in respect of the National Probation Service from 1 June 2014. The assets were transferred in November 2014.

The refunds to members leaving the service relates to members who opted out of the scheme within two years 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 – Management Expenses

	2014-15	2013-14
	£000	£000
Investment management expenses	**42,134**	35,150
Administration costs	**1,321**	1,653
Oversight and governance costs	**688**	820
Total	**44,143**	**37,623**

The analysis of the costs of managing the Cheshire Pension Fund during the period has been prepared in accordance with CIPFA Guidance – Accounting for LGPS Management Costs.

Note 10a – Investment Management Expenses

2014-15	Management Fees	Performance Fees	Other Expenses	Total
	£000	£000	£000	£000
Absolute Return Fund	9,437	13,152	8	**22,597**
Equities	3,084	3,113	2,698	**8,895**
Private Equity	4,212		764	**4,976**
Loans	1,438	1,024		**2,462**
Pooled Funds	2,170			**2,170**
Investment Properties	856			**856**
Custody Fees	178			**178**
Total	**21,375**	**17,289**	**3,470**	**42,134**

The other expenses figure of £3.470m includes transaction costs of £2.672m. No costs have been included for carried interest.

2013-14	Management Fees Restated £000	Performance Fees Restated £000	Other Expenses Restated £000	Total Restated £000
Absolute Return Fund	8,798	9,049		**17,847**
Equities	4,163	1,700	1,279	**7,142**
Private Equity	4,613		732	**5,345**
Loans	1,263			**1,263**
Pooled Funds	1,319	1,452		**2,771**
Investment Properties	620			**620**
Custody Fees	162			**162**
Total	**20,938**	**12,201**	**2,011**	**35,150**

The other expenses figure of £2.011m includes transaction costs of £1.279m. No costs have been included for carried interest.

Investment manager fees for 2013-14 have been restated (see Note 2).

In addition to these costs, indirect costs are incurred through the bid-offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds of sales from investments (see Note 13f).

Note 10b Administration Costs

	2014-15 £000	2013-14 Restated £000
Direct Staffing	**985**	975
Other Supplies and Services	**193**	500
IT	**97**	125
Printing and postage	**53**	53
Legal Expenses	**2**	3
Income	**-9**	-3
Total	**1,321**	**1,653**

Administration costs for 2013-14 have been restated in accordance with CIPFA guidance (see Note 2)

Note 10c Oversight and Governance Costs

	2014-15 £000	2013-14 £000
Direct Staffing	**190**	254
Actuarial Fees	**262**	388
Investment Advisor Expenses	**171**	103
External Audit Fees	**22**	30
Legal Expenses	**27**	35
Other Expenses	**16**	10
Total	**688**	**820**

Note 11 – Investment income

	2014-15 £000	2013-14 £000
Dividends from Equities	**15,678**	19,697
Net Rents from Properties	**11,622**	12,104
Income from Fixed Interest Securities	**7,131**	7,890
Income from Pooled Investment Vehicles:		
Other	**266**	292
Property	**7**	253
Stock Lending	**598**	235
Interest from Cash Deposits	**293**	99
Other	**245**	38
Total	**35,840**	**40,608**

Note 12 – Taxes on income

	2014-15 £000	2013-14 £000
Withholding tax - Equities	**530**	742
Withholding tax – Private Equity	**541**	177
Withholding tax - Other	**3**	1
Total	**1,074**	**920**

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 2014-15 amounts to £1.074k and is shown as a tax charge, compared to £920k in 2013-14.

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 – Investments

	2014-15	2013-14 Restated
Investment Assets	**£000**	**£000**
Equities		
Overseas Quoted	**936,980**	1,037,499
UK Quoted	**63,644**	91,519
Pooled Investments		
UK Government Index Linked Gilts	**696,466**	170,775
Fixed Income – Multi Strategy	**504,491**	452,641
UK Equity Listed	**240,827**	321,405
Overseas Equity Listed	**251,009**	296,441
Secured Loans	**163,326**	155,588
UK Property	**21,567**	0
Overseas Unit Trusts – Property	**8,894**	10,652
UK Unit Trusts – Property	**0**	1,425
UK Equity Unlisted	**29**	26
Absolute Return Funds	**551,756**	496,466
Investment Properties	**311,510**	230,965
Private Equity	**214,969**	195,454
Cash Deposits	**72,066**	32,153
Loans	**54,534**	57,632
Derivative Contracts:		
Forward currency contracts	**855**	479
Other investment balances:		
Outstanding dividends entitlements and withholding tax claims	**4,288**	6,024
	4,097,211	**3,557,144**
Investment Liabilities		
Derivative Contracts:		
Forward currency contracts	**0**	-764
Net Investments	**4,097,211**	**3,556,380**

The Fund made a £20 million investment in the Darwin Leisure Property Fund. This investment was funded from cash reserves and now forms part of the Fund's alternatives portfolio. The Fund also took the opportunity to dispose of the remaining units in The Property Industrial Trust managed by Rockspring with the units being purchased by another investor in the fund allowing the pension fund to reinvest in other priority areas.

The changes have impacted upon the year on year comparison figures for UK Property and UK Unit Trusts Property respectively.

The cash and other investment balances in 2013-14 have been restated (see Note 2).

Note 13a –Fixed Income Multi Strategy

The Fund has invested in two pooled fixed income investment vehicles managed separately by Henderson and BlueBay. The Fund disinvested its fixed income mandate with Goldman Sachs Asset Management during the year. 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 its exposure to specific risks arising from its investment activities.

Note 13b – Absolute Return Funds

	Strategy	2014-15	2013-14
		£000	£000
Permal	Hedge Fund of Funds	**216,977**	202,567
Arrowgrass Capital Partners	Multi Strategy Hedge Fund	**131,588**	124,419
Winton Capital	Commodity Trading Advisor	**107,672**	89,650
Och Ziff Capital Management	Multi Strategy Hedge Fund	**95,519**	79,830
Total		**551,756**	**496,466**

Note 13c - Private Equity	Number of Funds	2014-15	2013-14
		£000	£000
Adam Street Partners	16	**117,155**	105,445
Pantheon Ventures	7	**92,785**	84,222
Lexington	1	**5,029**	5,787
Total		**214,969**	**195,454**

Note 13d - 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 2015 £33.8m 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 2015 the full £30m of the commitment had been drawn down.

Note 13e – Cash

	2014-15	2013-14 Restated
	£000	£000
Cash Deposits	**(176,785)**	4,621
Cash Instruments	**248,851**	27,532
Total	**72,066**	**32,153**

The Fund hedges its direct European and US Dollar equity exposure through forward currency contracts on a three month rolling cycle.

The forward currency contract relating to the January to March hedge was settled on 31 March 2015. In line with the Fund Custodian's accounting policy trades settled after the accounting cut off are allocated to the following business day. This is reflected in the substantial cash instrument figure which offsets the overdrawn cash deposit balance as at 31 March.

The 2013-14 cash deposits figure has been restated (see Note 2)

Note 13f – Reconciliation of movements in Investments and Derivatives

	Fair Value at 31 March 2014	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair value	**Fair Value at 31 March 2015**
	£000	£000	£000	£000	**£000**
Pooled Investment Vehicles	**1,408,953**	1,111,678	-850,995	216,973	**1,886,609**
Equities	**1,129,018**	492,618	-795,780	174,768	**1,000,624**
Absolute Return Funds	**496,466**	1,449	-22,596	76,437	**551,756**
Private Equity	**195,454**	27,760	-86,066	77,821	**214,969**
Investment Properties	**230,965**	47,423	-8,509	41,631	**311,510**
Loans	**57,632**	3,321	-6,349	-70	**54,534**
	3,518,488	1,684,249	-1,770,295	587,560	**4,020,002**
Derivative Contracts:					
Forward currency contracts	**479**	2,664	-2,408	120	**855**
	3,518,967	1,686,913	-1,772,703	587,680	**4,020,857**
Cash	**32,153**	49,705		-9,792	**72,066**
	3,551,120	1,736,618	-1,772,703	**577,888**	**4,092,923**
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	**6,024**				**4,288**
	3,557,144				**4,097,211**
Investment Liabilities					
Derivative Contracts:					
Forward currency contracts	**-764**				**0**
Net Investments	**3,556,380**				**4,097,211**

	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
	Restated		**Restated**	**Restated**	**Restated**
	£000	£000	£000	£000	**£000**
Pooled Investment Vehicles	**1,306,341**	576,051	-534,856	61,417	**1,408,953**
Equities	**994,003**	346,633	-357,161	145,543	**1,129,018**
Absolute Return Funds	**460,638**	31,428	-46,266	50,666	**496,466**
Private Equity	**204,748**	10,372	-42,237	22,571	**195,454**
Investment Properties	**188,249**	22,254	-15,661	36,123	**230,965**
Loans	**38,618**	20,962	-5,264	3,316	**57,632**
	3,192,597	1,007,700	-1,001,445	319,636	**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	-1,007,489	319,313	**3,518,967**
Cash	**34,030**	1,216	0	-3,093	**32,153**
	3,227,923	1,014,466	-1,007,489	**316,220**	**3,551,120**
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	**4,723**				**6,024**
	3,232,646				**3,557,144**
Investment Liabilities					
Derivative Contracts:					
Futures	**-20**				**0**
Forward currency contracts	**-788**				**-764**
Net Investments	**3,231,838**				**3,556,380**

The cash and other investment balances in 2013-14 have been restated (see Note 2).

The sales and change in fair value figures have been restated due to adoption of the CIPFA LGPS Management Costs guidance and for misclassifications (see Note 2).

Note 14 – Analysis of Derivatives

	Asset 2014-15 £000	Liability 2014-15 £000	Asset 2013-14 £000	Liability 2013-14 £000
Forward Foreign Exchange Contracts	855	0	479	764
Total	**855**	**0**	**479**	**764**

2014-15 forward Foreign Exchange Contracts

Contract	Settlement Date	Currency Bought		Currency Sold		Asset	Liability
		£000		£000		£000	£000
Forward OTC	3 months	96,878	GBP	143,000	USD	491	0
Forward OTC	3 months	112,710	GBP	155,000	EUR	364	0
Total Derivatives						**855**	**0**

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**

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 £855k (£341m in 2013-14).

Note 15 – 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 2015 the Fund earned £598k (£235k 2013-14) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £51.5m (£57.9m 2013-14) and the value of collateral held was £56.08m (£63.6m 2013-14).

Note 16 – Investment in properties

	2014-15	2013-14
	£000	£000
Freehold	**263,425**	207,175
Leasehold	**41,935**	18,770
Heritable	**6,150**	5,020
Total	**311,510**	**230,965**

Note 16a – Property Income

	2014-15	2013-14
	£000	£000
Rental Income	**14,694**	14,186
Surrender premiums	**48**	0
Dilapidations	**0**	50
Interest/Misc Income	**2**	7
Direct Operating Expenses	**-3,076**	-2,064
Net Rental Income	**11,668**	**12,179**

Note 16b – Fair Value of Investment Properties

	2014-15	2013-14
	Restated	Restated
	£000	£000
Balance at the start of the year	**230,965**	188,249
Additions	**47,423**	22,254
Disposals	**-8,509**	-15,661
Net gain/loss on fair value	**41,631**	36,123
Balance at the end of the year	**311,510**	**230,965**

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 £8.5m (£157k in 2013-14). There were no obligations to purchase new properties.

The disposals and net gain/loss figures have been restated by due to adoption of the CIPFA LGPS Management Costs guidance in relation to transaction costs. The disposal figure has decreased by £556k with a corresponding increase in the net gain/loss on fair value (see Note 2).

Note 16c – 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	**2014-15**	**2013-14**
	£000	**£000**
No later than one year	2,490	1,963
Between one and five years	5,280	4,298
Later than five years	9,240	6,723
Total	**17,010**	**12,984**

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 17 – Investment by Fund Manager

	2014-15 £000	2014-15 %	2013-14 Restated £000	2013-14 Restated %
Legal & General	**1,184,107**	**29.0**	741,253	**20.8**
Baillie Gifford	**899,151**	**21.9**	783,165	**22.0**
Rockspring Property Investment Managers	**321,312**	**7.8**	244,522	**6.9**
BlueBay	**303,685**	**7.4**	0	**0**
M&G Investments	**219,442**	**5.4**	215,275	**6.1**
Permal	**216,976**	**5.3**	202,566	**5.7**
Henderson	**200,805**	**4.9**	196,258	**5.5**
Arrowgrass Capital Partners	**131,588**	**3.2**	124,419	**3.5**
GMO	**126,849**	**3.1**	459,575	**12.9**
Adams Street Partners	**117,155**	**2.9**	105,445	**3.0**
Winton Capital	**107,672**	**2.6**	89,650	**2.5**
Och Ziff Capital Management	**95,519**	**2.3**	79,830	**2.2**
Pantheon	**92,785**	**2.3**	84,222	**2.4**
Fidelity (Money Market)	**24,528**	**0.6**	7,123	**0.2**
Deutsche Bank (Money Market)	**23,056**	**0.6**	6,111	**0.2**
Darwin	**21,567**	**0.5**	0	**0**
Bank of New York Mellon	**5,954**	**0.1**	5,826	**0.1**
Lexington Capital Partners	**5,029**	**0.1**	5,787	**0.2**
HG Capital	**29**	**0.0**	26	**0.0**
Internal	**2**	**0.0**	9	**0.0**
Goldman Sachs Asset Management	**0**	**0**	205,318	**5.8**
Total	**4,097,211**	**100**	**3,556,380**	**100**

A review of the investment strategy during 2014-15 saw a disinvestment from fixed income mandates managed by Baillie Gifford and Goldman Sachs and an investment in the BlueBay Total Return Diversified Credit Fund.

The Fund made a £20 million investment in the Darwin Leisure Property Fund. This investment was funded from cash reserves and now forms part of the Fund's alternatives portfolio. The Fund also took the opportunity to dispose of the remaining units in The Property Industrial Trust managed by Rockspring with the units being purchased by another investor in the fund allowing the pension fund to reinvest in other priority areas.

The increase in value on investments managed by Legal and General and corresponding reduction in value in assets managed by GMO is attributable to the implementation of the Fund's risk management strategy. Funding level improvements for those employers in growth strategy B have enabled the Fund to reduce exposure to growth assets with GMO and increase the allocation to matching assets through the purchase of index linked gilts with Legal and General.

These changes have impacted upon the year on year comparison figures for Legal and General, GMO, BlueBay, Darwin and Goldman Sachs.

Note 17a - Concentrations of Investments

The CIPFA Code of Practice requires 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. Five investments fall into this former category as follows:

Security Description	Market Value 31 March 2015 £000	% of total fund	Market Value 31 March 2014 £000	% of total fund
Legal and General – Over 5 Yr Index Linked Gilts	696,466	17.0	170,775	4.81
BlueBay Total Return Diversified Credit Fund*	303,685	7.41	0	0
Permal (Fauchier) - Jubilee absolute return fund	216,976	5.30	202,566	5.64

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

Investments which fall into the second category are as follows:

	Market Value 31 March 2015 £000	% of Asset Type	Market Value 31 March 2014 £000	% of Asset Type
Fixed income				
BlueBay Total Return Diversified Fund	303,685	60.20	0	0
Henderson horizon total return bond	200,805	39.8	196,258	43.36
Absolute return				
Jubilee absolute return fund	216,976	39.32	202,566	40.80
Arrowgrass International Fund	131,588	23.85	124,419	25.06
Winton Futures GBP Fund	107,672	19.51	89,650	18.06
OZ Overseas Fund II	95,519	17.31	79,830	16.08
UK Listed Equities				
L&G UK Equity Index	240,827	79.03	321,404	78.94
UK Government index linked gilts				
Over 5 Year Index Linked Gilts	696,466	100.00	170,775	100.00
Secured loans				
M&G European Loan Fund	163,326	87.26	155,588	84.26
M&G UK Companies Financing Fund	23,841	12.74	29,059	15.74
Loans				
M&G Debt Opportunities Fund	30,692	100.00	28,573	100.00
Property				
Burgan House, Staines	31,500	9.46	24,800	10.74
Southampton City Gateway, Southampton	22,560	6.77	17,960	7.78
Tweedbank Retail Park, Berwick on Tweed*	21,800	6.55	0	0
Tottenham Court Road, London*	21,750	6.53	0	0
Darwin*	21,567	6.47	0	0
Maybrook Retail Park, Canterbury	19,600	5.88	17,330	7.50
1, 3, 5 and 7 Haymarket and 2-4 Humberstone Gate, Leicester	18,000	5.40	17,000	7.36
Property – Unit Trusts				
German Retail Box Fund	8,707	97.89	8,065	66.78
Private Equity				
Pantheon 2008 Europe VI	23,369	10.87	20,150	10.31
Pantheon 2004 USA Fund VI	18,447	8.58	15,891	8.13
Pantheon 2007 USA Fund VIII	15,099	7.02	12,221	6.25
ASP 2005 US Fund	14,437	6.72	14,273	7.30
Pantheon 2007 Asia Fund V	13,932	6.48	10,916	5.59
ASP 2007 Direct Co-Investment Fund II	13,910	6.47	8,929	4.57
ASP 2007 US	13,350	6.21	11,654	5.96
Pantheon 2004 Europe Fund IV	11,468	5.33	14,974	7.66
ASP 2006 US	11,403	5.30	11,091	5.67
Cash and cash instruments				
BNY Mellon Sterling Liquidity Fund	20,770	30.17	14,300	51.05
Fidelity Institutional Liquidity Fund	24,528	9.84	7,123	25.43
Deutsche Bank Global Liquidity Managed Fund	23,046	9.24	6,109	21.81
UK Equity unlisted				
Mercury Unquoted 2nd Fund	22	75.92	20	75.51
Mercury Unquoted 1st Fund	7	24.08	6	24.49

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

Note 18 – Financial Instruments

Note 18a – 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	Loans and receivables at Amortised Cost	Financial liabilities at Amortised cost	Fair value through profit and loss	Loans and receivables at Amortised Cost	Financial liabilities at Amortised cost
		31 March 2015			31 March 2014	
	£000	£000	£000	£000	Restated £000	£000
Financial assets						
Pooled investments	1,886,609			1,408,953		
Equities	1,000,624			1,129,018		
Absolute return Funds	551,756			496,466		
Private equity	214,969			195,454		
Loans	54,534			57,632		
Derivative contracts	855			479		
Cash		71,556			31,671	
Other investment balances		4,273			6,011	
Debtors		26,621			30,376	
	3,709,347	**102,450**	**-**	**3,288,002**	**68,058**	**-**
Financial Liabilities						
Derivative contracts	0			-764		
Other investment balances						
Creditors			-8,732			-7,247
	0	**-**	**-8,732**	**-764**	**-**	**-7,247**
TOTAL	**3,709,347**	**102,450**	**-8,732**	**3,287,238**	**68,058**	**-7,247**

The cash and other investment balances have been restated (see Note 2).

Cheshire West and Chester

Note 18b – 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. The carrying value excludes long term debtors of £11.3m (£18m in 2013-14) and investment managers cash and accruals of £22.4m (£12.8m in 2013-14) which are both included in the fair value figure as per the financial instruments note 18a.

	Carrying Value	2014-15 Fair Value	Carrying Value	2013-14 Fair Value
	£000	**£000**	**£000**	**£000**
Financial assets				
Loans and receivables	68,776	102,450	36,193	67,019
Fair value through profit and loss	3,709,346	3,709,346	3,288,002	3,288,002
Total Financial assets	**3,778,122**	**3,811,796**	**3,324,195**	**3,355,021**
Financial Liabilities				
Fair value through profit and loss	0	0	-764	-764
Total Financial Liabilities	**0**	**0**	**-764**	**-764**

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

Note 18c - 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 2015	Quoted Market Price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets				
Available for sale assets	2,884,413	593,893	230,186	3,708,492
Fair value through profit and loss	0	855	0	855
Total Financial assets	**2,884,413**	**594,748**	**230,186**	**3,709,347**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	0	0	0	0
Total Financial Liabilities				
Net financial assets	**2,884,413**	**594,748**	**230,186**	**3,709,347**

Values as at 31 March 2014	Quoted Market Price Level 1 Restated £000	Using observable inputs Level 2 Restated £000	With significant unobservable inputs Level 3 Restated £000	Total Restated £000
Financial assets				
Available for sale assets	2,434,357	640,452	212,714	3,287,523
Fair value through profit and loss	0	479	0	479
Total Financial assets	**2,434,357**	**640,931**	**212,714**	**3,288,002**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	0	-764	0	-764
Total Financial Liabilities	**0**	**-764**	**0**	**-764**
Net financial assets	**2,434,357**	**640,167**	**212,714**	**3,287,238**

The split of the available for sale assets between levels 1 and 2 have been restated by £88.6m as the assets for Winton were previously categorised 100% as level 2 when they should have been split between levels 1 and 2. The Loans and receivables figure of £68,058k has also been included as it was omitted in error.

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

	2014-15	2013-14
	£000	£000
Opening balance	**212,714**	223,498
Acquisitions	**27,760**	10,372
Disposal proceeds	**-84,032**	-39,161
Total gains / (losses) included in the fund account:		
On assets sold	**0**	0
On assets held at year end	**71,417**	18,005
Closing balance	**227,859**	**212,714**

Note 18d– 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**	**2014-15 Total £000**	**Quoted Market Price £000**	**Unquoted Market Price £000**	**2013-14 Total £000**
Equity Securities:						
Consumer	450,852		450,852	424,558		424,558
Manufacturing	134,018		134,018	173,018		173,018
IT	135,697		135,697	160,855		160,855
Financial Institutions	134,139		134,139	159,116		159,116
Other	57,946		57,946	73,682		73,682
Health and Care	46,411		46,411	45,694		45,694
Energy and Utilities	41,562		41,562	92,095		92,095
Private Equity	3,459	211,510	214,969	1,164	194,290	195,454
UK Property	21,567		21,567			
Real Estate – Overseas property		8,894	8,894		12,077	12,077
Investment Funds and Unit Trusts:						
Equities	789,447	6,103	795,550	788,621	26	788,647
Bonds	897,271		897,271	374,851	77,790	452,641
Absolute Return Funds	172,043	379,713	551,756	52,121	444,345	496,466
Other		163,326	163,326		155,588	155,588
Secured Loan Investments		54,534	54,534		57,632	57,632
Derivatives		855	855	-626	341	-285
Total	**2,884,412**	**824,935**	**3,709,347**	**2,345,149**	**942,089**	**3,287,238**

Note 19 – 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 2014-15 reporting period:

Asset Type	**Potential market movements % (+ / -)**
Private Equity	24.2
Global Equities - Emerging	29.5
Global Equities - Developed	17.4
UK Equities	17.4
Property Unit Trusts	15.1
High Yield	9.2
Absolute Return Funds	8.2
Corporate Bonds	3.6
Government Bonds	3.7
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 2015**	**Percentage Change**	**Change in Value on increase**	**Change in Value on decrease**
	£000	**%**	**£000**	**£000**
Global equities – Developed	1,081,252	17.4	188,138	-188,138
Government Bonds	994,077	3.7	36,781	-36,781
Absolute Return Funds	551,756	8.2	45,244	-45,244
UK equities	305,332	17.4	53,128	-53,128
Corporate bonds	228,446	3.6	8,224	-8,224
High Yield	217,860	9.2	20,043	-20,043
Private equity	214,998	24.2	52,030	-52,030
Global equities – Emerging	90,394	29.5	26,666	-26,666
Cash	87,037	1.4	1,219	-1,219
Property Unit Trusts	8,894	15.1	1,343	-1,343
Investment income due	4,274	0.0	-	-
Net derivative assets	855	0.0	-	-
Total assets available to pay benefits	**3,785,175**		**432,816**	**-432,816**

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 Fund’s 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 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial asset at fair value:

Asset Type	**2014-15**	**2013-14 Restated**
	£000	**£000**
Corporate and Government Bonds	**1,200,956**	623,416
Cash and cash equivalents	**24,492**	17,873
Cash balances	**47,573**	13,232
Total	**1,273,021**	**654,521**

The corporate and government bonds figure in the above table has been restated to include Index Linked Gilts of £171k managed by Legal and General (see Note 2).

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 £1,200.96bn fair value of the bond mandates managed by Henderson and BlueBay are particularly sensitive to movements in interest rates. This sensitivity is measured by their duration of 2.07, 3.7 and 23.1 years respectively.

A 1% increase in the prevailing level of interest would decrease the aggregate fair value of these mandates by £176.2m (£58.07m in 2013-14). 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.

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis points (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy. The fund's investment advisor has advised that long term average rates are expected to move less than 100 basis points from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates remain constant and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates.

Asset Type	**Duration**	**Carrying amount at 31 March 2015**	**Effect on Asset Values**	
			+100 BPS	**-100 BPS**
Cash and Cash Equivalents		24,492		
Cash Balances		47,573		
Fixed Income – Henderson	2.07	200,805	4,161	-4,161
Fixed Income - BlueBay	3.7	303,685	11,236	-11,236
Fixed Income – Legal and General	23.1	696,466	25,796	-25,796
Total change in assets available		**1,273,021**	**41,193**	**-41,193**

Asset Type	**Duration**	**Carrying amount at 31 March 2014**	**Effect on Asset Values**	
			+100 BPS	**-100 BPS**
Cash and Cash Equivalents		17,873		
Cash Balances		13,232		
Fixed Income – Baillie Gifford	8.46	51,065	4,320	-4,320
Fixed Income – Goldman Sachs	6	205,318	12,319	-12,319
Fixed Income – Henderson	2.37	196,258	4,651	-4,651
Fixed Income – Legal and General	21.5	170,775	4,047	-4,047
Total change in assets available		**654,521**	**25,337**	**-25,337**

Income Source	**Duration**	**Carrying amount at 31 March 2015**	**Effect on Asset Values**	
			+100 BPS	**-100 BPS**
Cash deposit/cash and cash equivalents	1.4	293	4	-4
Fixed Income Securities		7,131		
Total change in assets available		**7,424**	**4**	**-4**

Income Source	**Duration**	**Carrying amount at 31 March 2014**	**Effect on Asset Values**	
			+100 BPS	**-100 BPS**
Cash deposit/cash and cash equivalents	1.4	99	1	-1
Fixed Income Securities		7,890		
Total change in assets available		**7,989**	**1**	**-1**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

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 2015 and 31 March 2014:

Currency exposure – asset type 2014-15	**Gross Exposure £000**	**Hedging Exposure £000**	**Net Exposure £000**
Overseas listed equities	1,193,410	-157,556	1,035,854
Overseas unquoted securities	214,969		214,969
Absolute Return funds overseas fixed interest	95,519	-96,329	-810
Overseas unit trusts	9,088		9,088
Total	**1,512,986**	**-253,885**	**1,259,101**

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 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**	
	2014-15	**+13%**	**-13%**
	£000	**£000**	**£000**
Overseas listed equities:	**1,035,854**	**134,626**	**-134,626**
Of which from USD	609,251	79,203	-79,203
Of which from JPY	50,565	6,573	-6,573
Of which from HKD	60,542	7,870	-7,870
Of which from SEK	25,788	3,352	-3,352
Of which from CHF	19,189	2,495	-2,495
Of which from DKK	16,173	2,102	-2,102
Of which from ZAR	18,088	2,351	-2,351
Of which from other currencies	235,988	30,680	-30,680
Overseas unquoted securities:	**214,969**	**27,946**	**-27,946**
Of which from USD	180,131	23,417	-23,417
Of which from EUR	34,838	4,529	-4,529
Absolute Return funds overseas:			
Of which from USD*	-810	-105	105
Overseas unit trusts:			
Of which from EUR	9,088	1,181	-1,181
Total	**1,259,101**	**163,648**	**-163,648**

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**

*The Fund hedges its US Dollar exposure for assets held by Och Ziff

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 Legal and General, Henderson and BlueBay 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.

Multi Asset

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 2014-15 £000	% of Fair value of Fixed Income Assets 2014-15
AAA	703,493	59.0
AA	22,515	2.0
A	38,428	3.0
BBB	118,594	10.0
Below BBB	251,437	21.0
Cash	51,203	4.0
NR	15,286	1.0
Derivatives	0	0
Total	**1,200,956**	**100**

S&P Quality Rating	Fair Value 2013-14 Restated £000	% of Fair value of Fixed Income Assets Restated 2013-14
AAA	217,703	34.9
AA	165,814	26.6
A	63,816	10.2
BBB	76,315	12.2
Below BBB	65,279	10.5
Cash	19,756	3.2
Derivatives	2,860	0.5
NR	11,873	1.9
Total	**623,416**	**100**

The above table has been restated to include Index Linked Gilts of £171k managed by Legal and General.

Secured Loans

The Fund also invests in secured loans through dedicated mandates managed by M&G, whilst the Henderson and BlueBay 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:

2014-15 **Rating**	**Fair Value** **£000**	**% of Fair value** **of Assets**
BBB-	0	0
BB+	14,699	9.0
BB	9,800	6.0
BB-	35,932	22.0
B+	39,198	24.0
B	45,732	28.0
B-	6,533	4.0
BBB-	1,633	1.0
CCC+	1,633	1.0
CCC and below	8,166	5.0
Total	**163,326**	**100**

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**

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 AA ratings from a leading ratings agency.

The Fund 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 2015 was £47.6m (31 March 2014 £13.2m) and was held in the Deutsche Bank and Fidelity money market accounts. 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.

2014-15 Counterparty	Moodys Rating	£000	% of cash balances
Bank of New York Mellon (Money Market/Cash Accounts)	Aa2	23,982	33.28
Fidelity Worldwide Investment (Money Market)	Aaa-mf	24,528	34.03
Deutsche Bank Advisors (Money Market)	Aaf/S1	23,046	31.98
Cash in transit	NR	510	0.71
Total		**72,066**	**100**

2013-14 Counterparty	Moodys Rating	Restated £000	Restated % of cash balances
Bank of New York Mellon (Money Market/Cash Accounts)	Aaa-mf	18,439	57.35
Fidelity Worldwide Investment (Money Market)	Aaa-mf	7,123	22.15
Deutsche Bank Advisors (Money Market)	Aaa-mf	6,109	19.00
Cash in transit	NR	482	1.50
Total		**32,153**	**100**

The 2013-14 table has been restated by £1.048m (see Note 2).

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 2015 the value of illiquid assets was £316m, which represented 7.8% of the total fund assets (31 March 2014 £287m which represented 8.07% of the total fund assets).

In terms of liquidity risk, the Fund had £72m (2013-14 £32m restated) of cash balances as at 31 March 2015 and current net assets of £17m (£22m in 2013-14). The Funds net cashflow, before taking account of investments and excluding management expenses, as at 31 March 2015 was -£32m (+£0.7m in 2013-14). 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 2015 £000**	**% of Fair value of collateral 31 March 2015 %**	**Fair Value of Collateral 31 March 2014 £000**	**% of Fair value of collateral 31 March 2014 %**
Aaa	**35,047**	**63**	52,584	83
Aa1	**21,028**	**37**	11,042	17
Grand Total	**56,075**	**100**	**63,626**	**100**
Value of Stock on Loan	**51,506**		**57,877**	

During the year ended 31 March 2015 the Fund earned £598k (£235k 2013-14) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £51.5m (£57.9m 2013-14) and the value of collateral held was £56.08m (£63.6m 2013-14).

Note 20 – 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	6.7	8.2
Total	22.8	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%	-

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 21 – Actuarial value of promised retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2014-15 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 22– Long Term Assets

	2014-15	**2013-14 Restated**
Long Term Debtors:	**£000**	**£000**
• Contributions due - Employers	**10,130**	12,477
• Sundry Debtors	**1,176**	1,176
Total	**11,306**	**13,653**

Analysis of Long Term debtors

	2014-15	**2013-14 Restated**
	£000	**£000**
Due from Cheshire West & Chester Council	**9,851**	9,933
Due from Bodies External to General Government	**1,206**	1,282
Due from Other Local Authorities	**249**	2,438
Total	**11,306**	**13,653**

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.

Long term and current debtors have been restated by £235k (see Note 2).

Note 23 – Current Assets

	2014-15	2013-14 Restated
Current Debtors and cash:	**£000**	**£000**
Contributions due - Employers	**12,314**	14,390
Contributions Due - Employees	**2,778**	2,150
Sundry Debtors	**282**	381
Provision for Doubtful Debt	**-58**	-198
Cash balances	**185**	47
Total	**15,501**	**16,770**

Analysis of Current debtors

	2014-15	2013-14 Restated
	£000	**£000**
Due from Other Local Authorities	**8,640**	9,704
Due from Cheshire West & Chester Council	**3,451**	4,405
Due from Bodies External to General Government	**3,227**	2,704
Other Debtors	**51**	45
Central Government Bodies	**5**	63
Less Provision for Doubtful Debt	**-58**	-198
Total	**15,316**	**16,723**

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.

Sundry debtors and amounts due from bodies external to general government have been restated by £235k (see Note 2).

Note 24 – Current Liabilities

	2014-15	2013-14
	£000	**£000**
Sundry Creditors	**7,879**	6,954
Benefits Payable	**853**	900
Receipts in Advance	**618**	607
Total	**9,350**	**8,461**

Analysis of creditors

	2014-15	2013-14
	£000	**£000**
Due to Bodies External to General Government	**5,085**	4,007
Due to Other Local Authorities	**595**	303
Due to Cheshire West and Chester	**1,089**	1,384
Other Creditors	**1,963**	2,160
Due to Central Government Bodies	**0**	0
Total	**8,732**	**7,854**

Note 25 – 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 2015 is shown below, along with a prior year comparator.

	Clerical Medical £000	Standard Life £000	Equitable Life £000	Total £000
Contributions received in year 2015	323	151	2	476
Contributions received in year 2014	369	161	2	532
Fair value at 31 Mar 2015	2,762	2,510	625	5,897
Fair value at 31 Mar 2014	2,331	2,313	622	5,266

Note 26 – 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 2014-15 the Fund paid £5.9k to the Council for interest accrued on these balances. In 2013-14 the Fund received £1.4k from the Council for interest accrued. 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 £45.3m into the Fund in 2014-15 (2013-14 £28.3m). Of the £45.3m figure £25m related to the payment of the 3 year deficit which the Council elected to pay as a lump sum. At the year end, a balance of £13.302m (2013-14 £14.338m) 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 £1.1m (2013-14 £1.4m) 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 £1.321m to administer the Fund in 2014-15 (2013-14 £1.653m) as well as £688k for oversight and governance costs (2013-14 £820k) and these costs were 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, Cheshire East, Warrington and Halton Councils.

Governance

Responsibility for managing the Fund lies with the full Council of Cheshire West & Chester Council with lead officer responsibility delegated to the Head of Finance, who undertakes the day to day management of the Fund. The Head of Finance is 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 2015, seven 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 (also an Active member) and Councillor D. Newton). In addition, Committee members Councillors M.Hogg , F.Keegan, P. Raynes, D. Beckett, H. McNae, P. Mason and M.Wharton were active members of the Fund as at 31 March 2015.

From 1 April 2014 council Members are not entitled to join the new LGPS 2014 Scheme, 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

Prior to 2014-15 the posts of Director of Resources and Head of Finance were deemed to be key management personnel with regards to the pension fund. Following an organisational restructure the post of Director of resources was removed from the Councils structure during 2014-15 and all responsibilities for the management of the Pension Fund transferred to the Head of Finance. The combined financial value of their relationship with the fund (in accordance with IAS24 Related Party Disclosures) is set out below:

	31 March 2015	**31 March 2014**
	£000	**£000**
Short term benefits	61	59
Long term/post-retirement benefits	1,903	1,314
Total	**1,964**	**1,373**

The long term/post-retirement benefits are calculated on an IAS19 basis and will be affected by the assumption used for the calculation which can vary from year to year.

Note 27 – Contingent Liabilities and Contractual Commitments

The Fund has contractual commitments to the value of £314m (2013-14 £275m) in private equity funds. As at 31 March 2015 the Fund had actually invested £279m (2013-14 £237m) and therefore had an outstanding commitment of £35m (2013-14 £38m). 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 2015 £32m (£32m in 2013-14) 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 the 31st March 2015 the full £30m of the commitment had been drawn down.

Note 28 – Contingent Assets

There are 20 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 2 employers with Parent Company Guarantees. The bonds are drawn in favour of the Council as administering authority for the 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 29 – Impairment for Bad and Doubtful Debts

During 2014-15 the fund has recognised doubtful debts of £52k (£53k in 2013-14) for possible non-recovery of rental income on its investment properties of £47k (£51K in 2013-14) and non-recovery of pensioner death overpayments totalling £5k (£2k in 2013-14).

Note 30– 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 31 – Funding Strategy Statement

Under the LGPS Regulations 2013 (as amended) 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 and their applicable Investment Strategy. 31 March 2015.

Major Scheme Employers	Strategy
Cheshire West & Chester Council	B
Cheshire East Council	A
Police And Crime Commissioner	B
Cheshire Fire and Rescue Service	B
Halton Borough Council	B
Warrington Borough Council	B

Admitted Bodies	Strategy
A D Solutions	B
Adoption Matters North West	B
ANSA Environmental Services Ltd	A
Aspens-Services	B
Bulloughs - Collegiate	B
Bulloughs - Brine Leas	B
Bulloughs Cleaning Ltd	B
Catalyst Choices CIC	B
C L S Care Services	C
Canal and River Trust (Waterways Trust)	C
Care Quality Commission	C
Cheshire and Warrington Sports PT Ltd	B
Cheshire and Warrington Tourism Board	C
Cheshire and Warrington E C	C
Cheshire Community Action	B
Cheshire Peaks and Plains Housing Trust	B
Cheshire Sports Club	C
Chester and District Housing Trust	C
Compass - Chartwells Ltd	B
Curzon Cinemas Ltd	B
Dataspire	B
David Lewis Centre	C
Deafness Support Network	C
Eric Wright - EP Schools	B
Foundation Enterprises NW	C
Golden Gates Housing Trust	B

Academies - Continued	Strategy
County High School Leftwich	B
Cranberry Academy	A
Delamere CofE Primary Academy	B
Eaton Bank Academy	A
Fallibroome Academy	A
Great Sankey High School	B
The Heath School	B
Holmes Chapel Comprehensive	A
Holmes Chapel Primary School	A
Hungerford Primary Academy	A
Ivy Bank Primary School	A
Kelsall Primary School	B
King's Leadership Academy	B
Knutsford Academy	A
Lacey Green Primary	A
Leighton Academy	A
Lymm High School	B
Macclesfield Academy	A
Marlfields Primary Academy	A
Mill View Primary School	B
Mossley CE Primary School	A
Mottram St Andrew Primary	A
Nether Alderley Primary School	A
Neston High School	B
The Oak View Primary Academy	B
Ormiston Bolingbroke Academy	B
Ormiston Chadwick Academy	B
Over Hall Community School	B
Palacefields Academy	B
Parkroyal Community School	A
PEAR TREE SCHOOL	A
Penketh High School	B
Peover Superior Endowed Primary School	A
Rudheath Community Primary School	B
Sandbach High School Sixth Form	A

Hall Cleaning Services	B
Halton Housing Trust	C
Hochtief	B
HQ Theatres Limited	B
I S S Facility Services Ltd	B
Innovate Ltd	A
Innovate Tytherington Ltd	B
Lafarge Tarmac	B
Livewire	B
Making Space	C
Marketing Cheshire	C
May Gurney	B
Mears Care Limited	B
Middlewich Cemetery Committee	B
Norton Priory Museum Trust	B
ORBITAS BEREAVEMENT SVCS LTD	A
Places For People Leisure	B
Plus Dane Housing Association Ltd	B
Plus Dane Housing Association	B
R M Estates Ltd	B
Regent Office Care - Fire	B
Regent Office Care Ltd	B
Ringway Infrastructure Services Ltd	B
Ringway Jacobs	B
School Food Company Ltd	B
Silk Heritage Trust	A
Sir John Deanes College	B
South Cheshire Ent Ltd	B
Sport Cheshire	B
Super Clean Services Ltd - Ashdene	A
Super Clean Services Ltd - Alsager	A
Super Clean Services Ltd - Offley Primary	A
Super Clean Services Ltd - Holmes Chapel	A
Taylor Shaw - Broad Lane	B
Taylor Shaw - Ivy Bank	B
Taylor Shaw - Park Royal	B
The Kings School Chester	B
Tommy Thumbs	C
Turning Point Services Ltd	B
University Of Chester	B

Sandbach Primary Academy	A
Sir William Stanier Community School	A
Smallwood C of E Primary Academy	A
St Alban's Catholic Primary School A V A	A
St Bernard's RC Primary School	B
St Paul's Catholic Primary School	A
St Michaels Community Academy	A
St Thomas More Catholic High	A
Stapeley Broad Lane	A
Tarporley High School Sixth Form College	B
The Catholic High School	B
THE HERMITAGE TRUST	A
The Quinta Primary School	A
TYTHERINGTON SCHOOL	A
University Academy Warrington	B
University C O E Academy	B
Whirley Primary School	A
Widnes Academy	B
Winsford E-ACT Academy	B
Wistaston Academy	A
Wistaston Church Lane Academy	A
Worth Primary School	A

Other Employers	Strategy
Alderley Edge Parish Council	B
Appleton Parish Council	B
Alsager Town Council	B
Birchwood Town Council	B
Bollington Town Council	B
Brio Leisure	B
Congleton Town Council	B
Catering Academy - UCEA	B
Catering Academy - UPAW	B
CoSocius	B
Crewe Town Council	B
Disley Parish Council	B
Everybody Sport and Recreation	A
Frodsham Town Council	B
Grappenhall Thelwall Parish Council	B
Halton Transport	B

Warrington Community Living	B
Warrington Cultural Trust	B
Warrington Housing Association	B
Warrington Voluntary Action	A
Weaver Vale Housing Trust	B
Wulvern Housing Trust	B

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

Academies	Strategy
Adelaide School	A
All Hallows Catholic Coll	A
Alsager School	A
Ash Grove Academy	A
Beamont Collegiate Academy	B
Birchwood Community Academy	B
Bishops Blue Coat COE HS	B
Black Firs Primary School	A
Boughton Heath Academy	B
Bridgewater High School	B
Bridgewater Park Primary	B
Brine Leas School	A
Broken Cross Prim Academy & Nursery	A
Cavendish High Academy	B
Christleton High School	B
Cloughwood Academy	B
Congleton High School	A

Handforth Parish Council	B
Holmes Chapel Parish Council	B
Knutsford Town Council	B
Lymm Parish Council	B
Macclesfield College	B
Mersey Gateway Crossing Board	B
Mid Cheshire College	B
Middlewich Town Council	B
Nantwich Town Council	B
Neston Town Council	B
Nether Alderley Parish Council	B
Northwich Town Council	B
NW Fire Control Ltd	B
Odd Rode Parish Council	B
Penketh Parish Council	B
Poulton Fearnhead Parish Council	B
Poynton Town Council	B
Prestbury Parish Council	B
Priestley Sixth Form College	B
Reaseheath College	B
Riverside College	B
Sandbach Town Council	B
South Cheshire College	B
Stockton Heath Parish Council	B
Transport Services Solutions Limited	A
Valuation Tribunal Service	A
Vivo Care Choices Ltd	B
Warrington Collegiate	B
Warrington Transport	B
West Cheshire College	B
Wilmslow Town Council	B
Winsford Town Council	B
Wybunbury Parish Council	B
UOC Academies Trust	B
UOC Academy Northwich	B
UP Academy Weaverham	B
Wade Deacon High School	B
Warrington College Education Trust	B

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2014/15 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 2015 £m	31 Mar 2014 £m
Present value of Promised Retirement Benefits	5,594	4,791

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 2015 comprises £2,662m in respect of employee members, £897m in respect of deferred pensioners and £2,035m 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 2015 is to increase the actuarial present value by £757m.

Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 Mar 2015 % p.a.	31 Mar 2014 % p.a.
Inflation/Pensions Increase Rate	2.40%	2.80%
Salary Increase Rate	3.30%	3.60%
Discount Rate	3.20%	4.30%

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 were assumed to be aged 45 at the last formal valuation date

Please note that the assumptions are identical to those used for 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 2015 for IAS19 purposes’ dated 17 April 2015. 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:-

Gemma Sefton FFA

8 May 2015

For and on behalf of Hymans Robertson LLP

Group Accounts

Overview

As a modern local authority Cheshire West and Chester chooses to deliver its services through a variety of delivery models, either under ultimate control or in partnership with other organisations. The financial statements consider the Cheshire West and Chester as a single entity thus any business interests in other organisations are reflected in terms of the level of the Council's investment and not their financial performance, year-end balances and exposure to risk. In order to reflect a full picture of the Council's financial activities and business relationships, group financial statements are produced to reflect the extent of Cheshire West and Chester's involvement in group undertakings.

Whilst the Council has had business interests in other organisations for some time, 2014-15 is the first year for which group accounts have been prepared. The number of companies in which CW&C has an interest has increased and is likely to increase further in future years thus, cumulatively, the values are significant.

The group

The relevant accounting standards have been applied in determining which organisations are included in the group boundary. The extent of the Councils interest and control over the entity was considered as was the materiality of the financial impact on the Councils group accounts. From this assessment four organisations have been identified as being within the Council's group for financial reporting purposes and these are summarised below by the relevant group category under which they fall.

- Subsidiaries - where the Council either wholly or by majority controls an entity. Subsidiaries of the Council included in the 2014-15 group accounts are Cheshire Provider Services Trading Limited (Vivo) and Cheshire West and Chester Leisure CIC (Brio Leisure).

  Chester Renaissance Limited was also identified as a subsidiary of the Council but the level of financial activity is not sufficient to have a material impact on the Council's 2014-15 group accounts and has not, therefore been reflected in the Council's group financial statements.

- Joint Ventures – where the Council and another party exercise joint control over an entity. CoSocius is the only Joint Venture included in the 2014-15 group accounts. CoSocius commenced trading on 1 May 2014 and is jointly controlled with Cheshire East Council.

- Associates – where the Council exercises a significant influence and has a participating interest. Avenue Services is the only Associate company included in the 2014-15 group accounts.

The Council has business interests in eight organisations and these all have been reviewed in accordance with the Code of Practice for consolidation purposes, of which only those reported above have been consolidated. Further information on all the organisations is given in the interests in Companies note to the Councils single entity accounts (Note 45 on page 128).

Group accounts

The group accounts contain core financial statements similar to those included in the Council's single entity statements but which represent the consolidated position of the group. Notes to the Group accounts have been included where the relevant values and/or the impact on the group statements are material. Of the four companies included in the group accounts one commenced trading in early 2014-15 and a second commenced trading over half way through 2013-14. The impact of this is that 2013-14 comparators are not material thus prior-year information has not been included in the group accounts with the exception of the Balance Sheet where opening balances at 1 April 2014 have been included.

The group accounts are presented in the following pages and include:

Supporting notes have only been included where the group outcome is significantly different to the disclosures in the Council's single entity accounts.

Group Movement in Reserves Statement for the year ended 31 March 2015

This schedule shows the movement in the year of the Council's single entity usable and unusable reserves as well as the Council's share of the group reserves

Cheshire West and Chester Council Consolidated 2014-15	Council's Usable Reserves £000	Council's share of Group Company Reserves £000	Total Usable Reserves £000	Council's Unusable Reserves £000	Total Reserves of the Group £000
Balance at 31 March 2014	**108,408**	**(4,593)**	**103,815**	**375,408**	**479,223**
Surplus or (deficit) on provision of services (accounting basis)	33,168	(12,148)	**21,020**	0	**21,020**
Other Comprehensive Expenditure and Income	0	(6,332)	**(6,332)**	2,403	**(3,929)**
Total Comprehensive Expenditure and Income	**33,168**	**(18,480)**	**14,688**	**2,403**	**17,091**
* Adjustments between group accounts and the Council's accounts	(11,081)	11,081	**0**	**0**	**0**
Adjustments between accounting basis & funding basis under regulations	(30,117)	0	**(30,117)**	30,117	**0**
Increase / (Decrease) in Year	**(8,030)**	**(7,399)**	**(15,429)**	**32,520**	**17,091**
Balance at 31 March 2015	**100,378**	**(11,992)**	**88,386**	**407,928**	**496,314**

*These adjustments relate to the purchase of goods and services from the Council's subsidiary companies, Vivo and Brio Leisure.

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2015

This account summarises the resources generated and consumed in providing services and managing the Group during the year.

	2014-15		
	Expenditure £000	**Income £000**	**Net £000**
Central Service to the Public	7,514	-4,668	2,846
Children's & Education Services	294,061	-236,799	57,262
Adult Social care	118,675	-29,892	88,783
Cultural & Related Services	30,794	-9,924	20,870
Environmental & Regulatory Services	37,475	-4,787	32,688
Planning Services	23,716	-9,382	14,334
Highways & Transport Services	39,909	-10,009	29,900
Public Health	14,308	-14,101	207
Housing Services	127,535	-120,450	7,085
Corporate & Democratic Core	6,004	-55	5,949
Non-distributed Costs	2,133	-3,971	-1,838
Cost of Services	**702,124**	**-444,038**	**258,086**
Other Operating Income & Expenditure	14,665	-13,993	672
Financing & Investment Income and Expenditure	55,933	-30,729	25,204
Taxation & Non-Specific Grant Income & Expenditure	26,999	-332,646	-305,647
Surplus/Deficit on Provision of Services	**799,721**	**-821,406**	**-21,685**
Share of the SDPS by Joint Ventures and Associates (-Profit/Loss)			776
Tax expenses of Joint Ventures and Associates			-73
Tax expenses of Subsidiaries			-38
Group (Surplus)/Deficit			**-21,020**
Surplus on Revaluation of Assets			-63,656
Re-measurement Gain/-loss on pension assets/liabilities			64,113
Others...			
Deferred tax on actuarial gains			-413
Share of the re-measurement loss on pensions of Joint Ventures			3,885
Other Comprehensive Income & Expenditure			**3,929**
Total Comprehensive Income and Expenditure			**-17,091**

Group Balance Sheet as at 31 March 2015

This statement shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Group.

	31 March 2015 £000	Opening Balances 1 April 2014 £000
Non-Current Assets		
- Property, Plant and Equipment	1,013,807	909,817
- Heritage Assets	72,439	69,697
- Investment Properties	124,982	131,091
- Intangible Assets	537	305
Long Term Investments	350	0
Investments in Associates	158	94
Long Term Debtors	3,215	653
Long Term Assets	**1,215,488**	**1,111,657**
Short Term Investments	30,000	30,001
Assets held for Sale	49	3,247
Current Intangible Assets	27	0
Inventories	398	542
Short Term Debtors	51,378	56,474
Cash and Cash Equivalents	65,014	88,898
Current Assets	**146,866**	**179,162**
Short Term Borrowing	-13,745	-11,650
Short Term Creditors	-98,755	-89,966
Provisions < 1 yr	-3,266	-4,134
Current Liabilities	**-115,766**	**-105,750**
Provisions	-14,919	-11,177
Long Term Borrowing	-297,971	-308,584
Pension Fund Liability	-391,558	-333,743
Other Long Term Liabilities	-35,838	-39,305
Capital Grant Receipts in Advance	-9,988	-13,037
Long Term Liabilities	**-750,274**	**-705,846**
Net Assets	**496,314**	**479,223**
Usable Reserves	88,386	103,815
Unusable Reserves	407,928	375,408
Total Reserves	**496,314**	**479,223**

Group Cash Flow Statement for the year ended 31 March 2015

The cash flow statement shows the changes in cash and cash equivalents in the group during the reporting period. The statement shows how the Group generates and uses cash equivalents by classifying cash flows as operating, investing and financing activities.

	31 March 2015 £000
Net surplus or deficit on the provision of services	-21,685
Adjust net surplus or deficit on the provision of services for non cash movements	-77,005
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	72,580
Net cash flows from Operating Activities	**-26,110**
Investing Activities	44,116
Financing Activities	5,878
Net decrease in cash and cash equivalents	**23,884**
Cash and cash equivalents at the beginning of the reporting period	88,898
Cash and cash equivalents at the end of the reporting period	65,014
Net decrease in cash and cash equivalents	**23,884**

Notes to the group core financial statements

1. Accounting policies

The group accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and those International Financial Reporting Standards where CIPFA had provided guidance notes.

The accounting policies used in preparing the group accounts reflect those used by Cheshire West and Chester Council in their single entity financial statements. In order to ensure consistency of Accounting treatment and the alignment of policies across the group the following policies have been adopted:

Consolidation of Subsidiaries

Subsidiaries have been consolidated using the acquisition accounting basis. This is the full, line by line consolidation of financial transactions and balances of the Council and its subsidiary companies. To avoid overstating balances within the group financial statements, all transactions and balances between the Council and group companies have been eliminated.

Consolidation of Joint Venture and Associate

Both the Joint Venture and Associate companies have been consolidated using the equity method. Here an investment is brought into the group balance sheet and adjusted to reflect the Council's share in the venture's net asset movement. The Council's share of the body's operating results for the year is included within the group income and expenditure account. Transactions between the Council and these bodies are not eliminated.

Alignment of accounting framework and policies

Where the accounting framework used by group companies differs from that of the Council (UK GAAP rather than IFRS) including the accounting policies and the impact of such differences would have a material impact on the group financial statements then the relevant balances from the group companies will be adjusted to bring the accounting treatment into line with that applied by the Council. For 2014-15, adjustments have been made where necessary to reflect pension costs on an IFRS basis across the group.

Unrealised profits from intra-group transactions

Any unrealised profit reflected in the carrying amount of property, plant and equipment and inventory arising from trading between the Council and its group companies will be eliminated to avoid the double counting of gains. No such adjustments have been necessary for the 2014-15 group accounts.

Company losses Accounting Treatment

Two of the companies that have been consolidated have reported losses in the year, namely Vivo and CoSocius Limited. The losses have been reported in accordance with IAS 28 to the extent that all the losses have been recognised in the group accounts. These annual losses are reflected in the Group Comprehensive Income and Expenditure Account.

Pensions deficits in these companies are the main contributors to the losses and these are included in the group accounts. The approach to recording the losses has been to eliminate the reported investment in the companies to zero, impair a long term debtor and report an increased pension liability and pension reserve. Pension guarantees have been offered by the Council to some of its group companies that means it would, under specified circumstances, fund the pension obligations. Further information about the pension guarantees is given in the Contingent Liabilities note in the single entity accounts (Note 42 on page 121).

2. Reconciliation of Single Entity statements to Group statements

Further explanations as to the movement between the single entity and group financial statements have been included in the notes to the accounts where the values and/or the impact on the group statements are material.

Movement in Reserves Statement as at 31 March 2015

Cheshire West and Chester Council Group 2014-15	Usable Reserves						Council Unusable Reserves	Total Group Reserves
	Council Single Entity £000	Intra-group transactions £000	Council Group £000	Subsidiaries £000	Joint Venture/ Associate £000	Group Total £000	£000	£000
Balance at 31 March 2014	**108,408**	**0**	**108,408**	**(4,688)**	**95**	**103,815**	**375,408**	**479,223**
Surplus or (deficit) on provision of services (accounting basis)	22,087	11,081	33,168	(11,445)	(703)	21,020	0	21,020
Other Comprehensive Expenditure and Income	0	0	0	(2,447)	(3,885)	(6,332)	2,403	(3,929)
Total Comprehensive Expenditure and Income	**22,087**	**11,081**	**33,168**	**(13,892)**	**(4,588)**	**14,688**	**2,403**	**17,091**
Adjustments between group accounts and Council's accouts	0	(11,081)	(11,081)	11,081	0	0		0
Adjustments between accounting basis & funding basis under regulations	(30,117)	0	(30,117)	0	0	(30,117)	30,117	0
Increase / (Decrease) in Year	**(8,030)**	**0**	**(8,030)**	**(2,811)**	**(4,588)**	**(15,429)**	**32,520**	**17,091**
Balance at 31 March 2015	**100,378**	**0**	**100,378**	**(7,499)**	**(4,493)**	**88,386**	**407,928**	**496,314**

Comprehensive Income and Expenditure Statement for the year ended 31 March 2015

	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Intra-group transactions £000	Group Results £000
Central Service to the Public	2,846				2,846
Children's & Education Services	57,262				57,262
Adult Social Care	88,448	335			88,783
Cultural & Related Services	21,073	-191		-12	20,870
Environmental & Regulatory Services	32,688				32,688
Planning Services	14,334				14,334
Highways & Transport Services	29,900				29,900
Public Health	207				207
Housing Services	7,085				7,085
Corporate & Democratic Core	5,949				5,949
Non-distributed Costs	-1,838				-1,838
Cost of Services	**257,954**	**144**	**0**	**-12**	**258,086**
Other Operating Income & Expenditure	672				672
Financing & Investment Income and Expenditure	24,934	43		227	25,204
Taxation & Non-Specific Grant Income & Expenditure	-305,647				-305,647
Surplus/Deficit on Provision of Services	**-22,087**	**187**	**0**	**215**	**-21,685**
Share of the SDPS by Joint Ventures and Associates (-Profit/Loss)			776		776
Tax expenses of Joint Ventures and Associates			-73		-73
Tax expenses of Subsidiaries		-38			-38
Group (Surplus)/Deficit	**-22,087**	**149**	**703**	**215**	**-21,020**
Surplus on Revaluation of Assets	-63,656				-63,656
Re-measurement Gain/-loss on pension assets/liabilities	61,253	3,075		-215	64,113
Others…					
Deferred tax on actuarial gains		-413			-413
Share of the CIES of Joint Ventures			3,885		3,885
Other Comprehensive Income & Expenditure	**-2,403**	**2,662**	**3,885**	**-215**	**3,929**
Total Comprehensive Income and Expenditure	**-24,490**	**2,811**	**4,588**	**0**	**-17,091**

Balance Sheet as at 31 March 2015

	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Intra-group transactions £000	Group Results £000
Non-Current Assets	1,211,040	188			1,211,228
Intangible Assets	537				537
Long Term Investments	448		-98		350
Investments in Associates			158		158
Long Term Debtors	4,865		-300	-1,350	3,215
Long Term Assets	**1,216,890**	**188**	**-240**	**-1,350**	**1,215,488**
Short Term Investments	30,000				30,000
Assets held for Sale	49				49
Current Intangible Assets	27				27
Inventories	348	50			398
Short Term Debtors	51,000	1,600		-1,222	51,378
Cash and Cash Equivalents	62,670	2,344			65,014
Current Assets	**144,094**	**3,994**	**0**	**-1,222**	**146,866**
Short Term Borrowing	-13,745				-13,745
Short Term Creditors	-97,451	-2,776		1,472	-98,755
Provisions < 1 yr	-3,266				-3,266
Current Liabilities	**-114,462**	**-2,776**	**0**	**1,472**	**-115,766**
Provisions	-14,919				-14,919
Long Term Borrowing	-297,971	-1,100		1,100	-297,971
Pension Fund Liability	-379,524	-7,781	-4,253		-391,558
Other Long Term Liabilities	-35,814	-24			-35,838
Capital Grant Receipts in Advance	-9,988				-9,988
Long Term Liabilities	**-738,216**	**-8,905**	**-4,253**	**1,100**	**-750,274**
Net Assets	**508,306**	**-7,499**	**-4,493**	**0**	**496,314**
Usable Reserves	100,378	-7,499	-4,493		88,386
Unusable Reserves	407,928				407,928
Total Reserves	**508,306**	**-7,499**	**-4,493**	**0**	**496,314**

Cash Flow Statement for the year ended 31 March 2015

	Council Single Entity £000	Subsidiaries £000	Intra-group transactions £000	Group Results £000
Net cash flows from Operating Activities	-25,370	-823	83	-26,110
Investing Activities	43,923	276	-83	44,116
Financing Activities	6,325	-447	0	5,878
Net decrease in cash and cash equivalents	**24,878**	**-994**	**0**	**23,884**
Cash and cash equivalents at the beginning of the reporting period	87,548	1,350	0	88,898
Cash and cash equivalents at the end of the reporting period	62,670	2,344	0	65,014
Net decrease in cash and cash equivalents	**24,878**	**-994**	**0**	**23,884**

3. Amounts Reported for resource Allocation Decisions

The table below reconciles income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement (CIES) with budget reports used by the Council's Cabinet to make decisions. The management reports of Group entities are not reported to the Council Cabinet therefore the subjective analysis will not differ to that presented in the Council's single entity statements.

2014-15	Children's Services £000	Adult Social Care and Health £000	Places £000	Corporate Services £000	Housing Revenue Account £000	Other Direct Services £000	Total £000
Fees, charges and other income	-37,634	-23,803	-54,945	-15,875	-22,774	-5,634	-160,665
Government grants	-210,687	-2,040	-5,332	-93,986	0	-1,655	-313,700
Total Income	**-248,321**	**-25,843**	**-60,277**	**-109,861**	**-22,774**	**-7,289**	**-474,365**
Employee expenses	190,344	17,759	44,592	26,696	288	20,545	300,224
Other operating expenses	102,528	112,291	80,523	117,246	22,486	21,266	456,340
Total operating expenses	**292,872**	**130,050**	**125,115**	**143,942**	**22,774**	**41,811**	**756,564**
Net Operating Expenditure	**44,551**	**104,207**	**64,838**	**34,081**	**0**	**34,522**	**282,199**

	2014-15 £000
Net Operating Expenditure in Service Analysis	**282,199**
Add services not included in main analysis	0
Add analysis of subsidiaries not included in net cost of services	132
Add amounts not reported to management	1,563
Remove amounts reported to management not in CIES	-25,808
Net Cost of Services in CIES	**258,086**

2014-15	Service Analysis £000	Analysis of subsidiaries not included in service analysis £000	Not reported to Manageme nt £000	Not included in NCOS £000	Net Cost of Services £000	Corporate Amounts £000	Subsidiaries, Joint Venture and Associate amounts not in Net Cost of Services £000	Total for the Group £000
Fees, charges and other service income	-153,226	-7,511	0	66,987	-93,750	-22,688	0	-116,438
Government grants and contributions	-320,425	0	-31,100	1,237	-350,288	-110,361	0	-460,649
Interest and investment income	-683	0	0	683	0	-683	-3	-686
Income from council tax	0	0	0	0	0	-146,202	0	-146,202
Business Rates	-31	0	0	31	0	-76,084	0	-76,084
Receipts on Disposal of Property	0	0	0	0	0	-21,374	0	-21,374
Total Income	**-474,365**	**-7,511**	**-31,100**	**68,938**	**-444,038**	**-377,392**	**-3**	**-821,433**
Employee expenses	300,224	5,850	-124	-13,977	291,973	8,119	0	300,092
Other service expenses	440,263	1,793	7,167	-64,692	384,531	8,453	-38	392,946
Share of operating net expenditure of associates and joint venture	0	0	0	0	0	0	703	703
Business rates levy and tariff payment	1,868	0	0	-1,868	0	26,999	0	26,999
Depreciation, amortisation and impairment	0	0	50,105	0	50,105	271	0	50,376
Interest Payments	13,916	0	0	-13,916	0	14,150	28	14,178
IAS 19 Adjustment	0	0	-24,485	0	-24,485	13,658	245	-10,582
Precepts and Levies	293	0	0	-293	0	2,776	0	2,776
Payments to Housing Capital Receipts Pool	0	0	0	0	0	688	0	688
Revaluation Gain on investment properties	0	0	0	0	0	-1,517	0	-1,517
Assets Removed on disposal of properties	0	0	0	0	0	23,754	0	23,754
Total operating expenses	**756,564**	**7,643**	**32,663**	**-94,746**	**702,124**	**97,351**	**938**	**800,413**
Surplus or deficit on the provision of services	**282,199**	**132**	**1,563**	**-25,808**	**258,086**	**-280,041**	**935**	**-21,020**

4. Defined benefit pension schemes

The following tables show the amounts included in the group Balance Sheet arising from the Council's obligation in respect of defined pension benefit plans:

Reconciliation of present value of the scheme liabilitites	<------ LGPS				------>	Teachers	Total
	CW&C	Vivo	Brio Leisure	CoSocius Limited	Group	2014-15	2014-15
	£000	£000	£000	£000	£000	£000	£000
Opening Balance *	**1,244,979**	**17,472**	**8,270**	**0**	**1,270,721**	**34,117**	**1,304,838**
Current Service Costs	26,576	1,560	564	804	29,504		29,504
Interest Cost	52,596	792	369	574	54,331	1,348	55,679
Contribution by Scheme Members	7,252	357	147	211	7,967		7,967
Remeasurement (gains) and losses:							
Actuarial (gains)/losses arising from changes in financial assumptions	182,709	3,528	1,833	2,983	191,053	619	191,672
Other experience	-12,079		-7	-1	-12,087	54	-12,033
Benefits Paid	-42,720		-65		-42,785	-2,507	-45,292
Past Service Costs & curtailments	884			21	905		905
Liabilities Extinguished on Settlement	-19,968			14,440	-5,528		-5,528
Closing balance at 31 March 2015	**1,440,229**	**23,709**	**11,111**	**19,032**	**1,494,081**	**33,631**	**1,527,712**

Movement in Fair Value of Assets	<------ LGPS				------>	Teachers	Total
	CW&C	Vivo	Brio Leisure	CoSocius Limited	Group	2014-15	2014-15
	£000	£000	£000	£000	£000	£000	£000
Opening Balance *	**949,997**	**13,617**	**6,710**	**0**	**970,324**	**0**	**970,324**
Interest income	40,441	616	300	446	41,803		41,803
Remeasurement (gains) and losses:							
Return on plan assets, excluding the amounts included in net interest	110,050	1,677	817	1,268	113,812		113,812
Employer Contributions	45,328	1,116	482	491	47,417		47,417
Contribution by scheme members	7,252	357	147	211	7,967		7,967
Contributions - unfunded benefits						2,507	2,507
Benefits paid	-42,720		-65		-42,785		-42,785
Unfunded benefits paid						-2,507	-2,507
Assets distributed on Settlement	-16,012			11,299	-4,713		-4,713
Closing balance at 31 March 2015	**1,094,336**	**17,383**	**8,391**	**13,715**	**1,133,825**	**0**	**1,133,825**

Total Surplus/Deficit	**-345,893**	**-6,326**	**-2,720**	**-5,317**	**-360,256**	**-33,631**	**-393,887**
Deferred Taxation on losses	**0**	**1,265**	**0**	**1,064**	**2,329**	**0**	**2,329**
Net liability at 31 March 2015	**-345,893**	**-5,061**	**-2,720**	**-4,253**	**-357,927**	**-33,631**	**-391,558**

*The opening balances for the CoSocius Scheme have been included in the Liabilities extinguished on Settlement and Assets distributed on Settlement rows to reflect the recognition of the cumulative net liability in the company's 2014-15 income and expenditure statement.

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.

Associate
Where the Council exercises a significant influence and has a participating interest in a company.

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 2015.

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 2015, 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.

Entity
For accounting purposes, an 'entity' is a business, division or other aspect of an organisation that requires its own financial reporting structure for legal or tax purposes.

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.

Joint Venture
Where the Council and another party exercise joint control over a company.

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 remains 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 2014-15 in relation to goods and services not received until 2015-16.

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 2014-15 relating to goods or services delivered in 2015-16.

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.

Subsidiary
Where the Council either wholly or by majority controls a company.

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.