

Cheshire West & Chester Council

# Draft Statement of Accounts 2022-23

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Cheshire West  
and Chester

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## Narrative Report

### Introduction

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 narrative report 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 Council's activities and challenges and how these impact on its financial resources.

The narrative report is structured as follows:

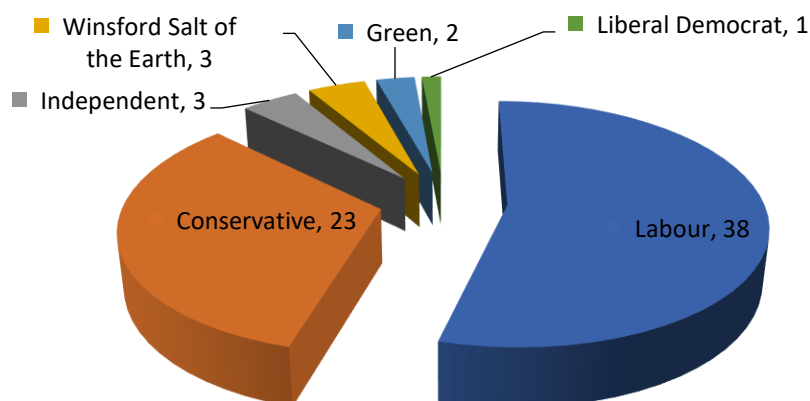
1. About Cheshire West and Chester
2. Strategic principles and priorities
3. Summary of Performance
4. Summary of financial performance and main issues in 2022-23
5. Summary of Significant Items 2022-23
6. Explanation of the financial statements

### 1. About Cheshire West and Chester

Cheshire West and Chester is a unitary authority with a population of 343,823 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 and disposal, 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 70 elected members representing 45 wards across the Borough. The political make-up of the Council on 31<sup>st</sup> May 2023 is shown 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. As an ambitious Council we are determined to deliver the best possible services, improve the quality of life for all residents and help to tackle disadvantage.

In February 2020 Cheshire West and Chester Council approved a Council Plan for 2020-2024 called 'Play Your Part To Thrive'. This plan is supported by the Stronger Futures Recovery and Renewal plan which was published in December 2020 and which enabled the Council to refresh its plans in light of the opportunities and challenges arising from the pandemic. The Council Plan set out the Council's vision, what it wants to achieve, and the way its staff will work. The plan originally set out six priorities, but following the Council's declaration of a poverty emergency in October 2020 the Stronger Futures Plan added this as a seventh priority:

1. Tackling the climate emergency
2. A Fairer Future – tackling the poverty emergency
3. Growing the local economy and delivering good jobs with fair wages for our residents
4. Supporting children and young people to have the best start in life and reach their full potential
5. More adults live longer, healthier, happier lives
6. Making our neighbourhoods even better places to call home
7. Delivering a more efficient and empowering Council

The Council Plan is fully joined-up with other key plans and strategies across the borough and is monitored through a performance management framework - 79 performance indicators reported regularly through an online dashboard. The plan was developed alongside a four-year budget plan to ensure that resources are in place to deliver the focus areas.

### Financial Scenario

The Council's financial position is set against a backdrop of higher than average inflation levels, driven by fuel and energy costs in the wake of the Covid-19 pandemic, and exacerbated by the Russian invasion of Ukraine. The high prevailing level of inflation directly impacted the Council's in year expenditure in 2022-23 and, as a result, the Council had to identify significant mitigating actions in year to offset this additional pressure. In addition to the impact of inflation, significant demand led pressures continue to be experienced and the pressures in the Health and Wellbeing directorate continue to increase.

Current indications are that many of the pressures being faced by the Council in year - both inflationary and demand-led - are likely to continue into future years. These were a key consideration when setting the Council's budget for 2023-24 and indicative budget plan for 2024-25. The February 2023 budget report set out that, based on assumptions regarding Government funding and cost pressures, the Council faced a gross funding gap of over £90.2m over the next two years, with a gap of £46.2m in 2023-24. A package of savings proposals and additional income was approved in February 2023 to arrive at a balanced budget for 2023-24 and 2024-25, with further indicative savings identified for the following two years. There however remains a residual funding gap of £29.1m to be bridged by 2026-27 and the Council continues to face significant financial challenges in 2023-24 that are placing increased pressure on the position.

### Revenue Outturn

There is an underspend for the year against business as usual activity of £1.6m. This compares to a forecast overspend position of £0.6m at Third Review and is after the identification of significant in year mitigations to offset pressures.

There is a significant overspend in the Health & Wellbeing directorate of £15.5m which is offset by an underspend in the Communities, Environment & Economy directorate (£2.4m)



and Corporate Services directorate (£2.1m). The underspends in Community, Environment & Economy and Corporate Services directorates is a direct result of the significant work undertaken to identify mitigating actions in response to the cost pressures previously reported. The pressures are also offset by an underspend on Council wide budgets of £7.4m and one-off exceptional mitigations of £5.2m.

The position includes almost £21m of costs relating to inflation. This includes £13.5m of costs relating to non-pay budgets, including £4.2m for energy, and £3.8m for care contracts, plus £7.2m for the cost of the agreed pay award. As well as inflationary pressures, the overspend is mainly attributable to the continued and increasing pressure on social care budgets within both Children's and Adults services as well as within Education (home to school transport). Throughout the year, in order to offset the underlying cost pressures, Directors have worked on mitigation plans to identify remedial measures. Mitigating actions have been in the following key areas:

- Review of vacancies – delaying recruitment where possible
- Reductions in non essential non pay spend
- Increased income in year
- Maximise the level of base budget costs charged to external funding streams and capital allocations

The underspend on council-wide budgets reflects the release of £7.4m funding from contingency budgets and additional grant income received to support the overall position. One-off exceptional mitigations were also agreed as part of the Mid Year Review, in view of the significant cost pressures experienced in year. These have contributed to the final outturn position as follows: -

- Use of the capital financing underspend (£4.2m) to support the in year position rather than transferring to the Long Term Liability Reserve; and
- Funding in year redundancy costs from the Long Term Liability Reserve to enable the release of the redundancy contingency (£1m).

### 3. Summary of Performance

The following table highlights key areas of Council performance during 2022-23.

Health and Wellbeing
<ul style="list-style-type: none"> <li>• Performance across the Health and Wellbeing directorate is mixed. The majority of local people are being supported to live independently in their communities and increasing numbers of young people with statements of education need and disabilities are being educated in mainstream schools. The proportion of new reablement clients that did not need ongoing support remains strong and stable, with 85% needing no ongoing support compared to 55% in 2019-20. The proportion of families with complex needs being supported to achieve positive outcomes is better than the nationally set target and the number of people being re-referred to children's social care is better than target and showing an improving trend.</li> <li>• However, increased demand on children's social care continue to show in the rate of children in care which, over the last year, has increased from 78 to 85 per 10,000 population. Whilst a focus is being taken on ensuring that children enter and leave care in line with legislative thresholds and their best interest, this increasing trend is expected to continue. The rate of children in need has also increased, from 290 to 313 per 10,000 population which, whilst better than national and regional averages is higher than our statistical neighbour average of 301.4. A 'back to brilliance' approach is being taken to assessments and plans to improve</li> </ul>

timeliness, earlier intervention and SMART planning to reduce risk and improve outcomes.

- Whilst the proportion of care leavers in employment, education or training is falling it remains high at 57%. However, the proportion of all young people who are not in employment, education or training has declined to 3.8% and is red against target.
- The percentage of adults reporting that they smoke – a key contributor to ill-health and health inequalities - has fallen from 13% to 9%. Work is underway to understand what the cause of what appears to be a significant positive change in smoking levels. The proportion of adults regularly undertaking physical exercise has fallen, but remains similar to the national and regional average.
- Provisional attainment results are being reported for the first time since the pandemic, but the Department for Education has highlighted that attainment should not be directly compared to previous years. The majority of attainment indicators are showing as red against the targets set prior to the pandemic and the impact which it has had on attainment and progress. Schools continue to work to address the gaps in learning caused by the disruption and have used the Catch-Up Funding, Recovery Premium and the School-led Tutoring Grant to deliver interventions to support pupils, with Associate School Improvement Advisers including discussions about the impact of this funding when they visit maintained schools. Further analysis is needed to understand how this performance compares with other areas of the country and a review of future targets and the pathway to return to a pre-pandemic trajectory will be required.

### **Community, Environment and Economy**

- Whilst performance remains strong in a number of areas, there are concerns around homelessness albeit rough sleeping levels remain low and stable despite fluctuations within the year. Both the number of homeless households in temporary accommodation and the proportion of these in B&B accommodation have increased to levels seen in 2020-21 when the 'Everybody In' policy was first introduced. Homeless preventions remain low, with performance still hampered by the large number of households only seeking help once they are homeless.
- Against this, there has been a continuing success in returning empty properties to use, with performance having increased year on year from 125 in 2019-20 to 325 in 2022-23. 685 affordable homes have also been delivered against a target of 450, and council tenants satisfaction remains high. Delivery of homes directly through Council investment has slowed however and at 845 is showing as red against a target of 890. A new housing delivery team has been established to improve performance.
- Tree planting has significantly outstripped its target, with 57,000 trees planted against a target of 35,000. The LED streetlight replacement programme is complete and continues to deliver both carbon and financial savings. Whilst 95% of fly-tips were removed within 5-10 days, the percentage of sites meeting standards for litter and detritus have yet to return to pre-pandemic levels and whilst improving remain below target. Waste and recycling performance remains strong and the Council is maintaining nine green flags across its parks and green spaces. Environment Services are finalists in both the LGC (Local Government Chronicle) Awards 2023 and MJ (Municipal Journal) Awards 2023.
- 636 job starts have been supported by the Council and 99% of people who started an adult learning qualification completed it successfully. The number of local businesses offered support has fallen, but year one projects from the UK Shared Prosperity Fund are enabling targeted support to encourage entrepreneurship, business starts and growth.

- The timeliness of determining major planning applications is showing as green in line with the national definition, although 15 applications have had an agreed extension out of 16. The timeliness of determining minor planning applications is showing as amber, with 607 applications with an agreed extension out of 695. Works to support people to remain in their homes have restarted following a change in contractor and completions are increasing despite still showing as red.
- The proportion of A roads, B & C roads, and U roads that require structural maintenance are all better than the national average. However, local satisfaction levels are lower. Overall satisfaction with highways is 49% against a national average of 50% and satisfaction with highways maintenance is 44% against a national average of 47%.

### Corporate Services

- Performance highlights include a significant improvement in the timeliness of benefits processing, which has halved on last year to seven days. The growth in people choosing to contact the Council through the Council app and website continues to grow, with 72% of customer contact during the period being digital. Throughout this shift in behaviour customer satisfaction with customer services, which includes satisfaction with digital services, has remained green against target.
- The proportion of Council spend that is with local suppliers has also increased and is green against target, representing over £61m being spent in the local supply chain. Over £3.4m of social value has also been delivered through council contracts, whilst the Council has directly supported 19 apprenticeships and three supported internships placements, as well as two graduate placements.
- Staff engagement remains positive and stable, with changes not being statistically significant. The great majority of staff feel that the Council is a great place to work, has a positive impact on society and allows them to balance their work and personal life.
- Collection rates for non-domestic rates remain green against target, whilst council tax collection is on an increasing trend and has improved on last year to 96.9%. The service continues to support residents who may be in financial difficulty and takes a sensitive approach to debt collection.
- The timeliness of responding to complaints at both stage one and two has made significant improvement but remains below target. The improvement action plan put in place is continuing to identify blockages and ensure access to refreshed advice, guidance, training and toolkits.
- Staff mileage remains significantly lower than pre-pandemic but is showing as red against the challenging target set. Staff are being supported to consider flexible ways of working and keep mileage low.



#### 4. Summary of financial performance and main issues in 2022-23

##### 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 2022-23 the Council reported an underspend of £1.5m against business as usual activity and achieved £11.5m of savings. As part of finalising the Statement of Accounts there was a small increase in the underspend to £1.6m. The table below reflects the final budget for 2022-23 and actual income and expenditure against it.

Directorate	Budget £m	Actual £m	Variance £m
Integrated Adult Social Care & Health	144.1	150.6	6.5
Children and Families	69.3	78.3	9.0
Communities, Environment and Economy	70.9	68.5	-2.4
Corporate Services	33.2	31.1	-2.1
Other	28.7	16.1	-12.6
<b>Total Net Spend</b>	<b>346.2</b>	<b>344.6</b>	<b>-1.6</b>

##### Capital Expenditure

The capital programme for 2022-23, after decisions taken at outturn, totals £104.7m. Expenditure in year totals £90.844m, representing a delivery rate of 87%, as shown in the table below.

Directorate	Revised Budget £m	Outturn £m	Variance £m	Delivery Rate %
Health & Wellbeing	19.283	17.541	-1.742	91%
Communities, Environment and Economy	80.337	69.420	-10.917	86%
Corporate Services	5.118	3.883	-1.235	76%
<b>Total Capital Programme</b>	<b>104.738</b>	<b>90.844</b>	<b>-13.894</b>	<b>87%</b>

Some of the key outputs in 2022-23 were:

##### Health and Wellbeing

There was approximately £12m of investment in schools and education, including expansion schemes at Tarporley, Christleton, Hartford, Helsby High schools along with The County High School in Leftwich. There is continued planned investment in maintenance and improvements to schools and educational facilities across the borough. A new childrens residential property was acquired which is due to be operational from April 23 and there was continued support to housing adaptations, to help residents live independently and safety, and included 16 major adaptations, 1940 minor adaptation referrals, 50 items of specialist equipment and 398 target hardening referrals were completed in year.

##### Communities, Environment and Economy

£2m Investment in energy improvements including LED installations at Ellesmere Port Civic Hall and Library, funding for Trees for Climate and 4,056 new LED lanterns installations. Expenditure of approximately £13m on housing related projects covering continued reinvestment in the Council's own housing stock, to maintain a decent homes standard, along

with Sutton Way developments and a total 221 properties benefitted from a range of insulation measures, clean-heat technologies, solar PV and replacement windows and doors.

Continued support to regeneration schemes across the Borough including Northgate Development in Chester, Winsford Town Centre and preparatory work for the successful Levelling Up Fund (LUF) bid in Ellesmere Port.

£14.2m investment in Highways during 2022-23 covering 20 carriageways resurfaced sites (43,720m<sup>2</sup>), 9 footway reconstructions (8,370m<sup>2</sup>), 11 footway surface treatments and 24 carriage way surface treatments (190,170 m) along with work at Soot Hill.

Investment of £18m to support the delivery of the waste strategy including the purchase of 80 new waste collection vehicles and over 200,000 recycling containers and the commencement of work to upgrade the Council's Materials Recycling Facility in Ellesmere Port.

Other areas of investment included football pitches and changing facilities at Coronation Fields, Blacon 3G pitch hub (in partnership with Chester FC Community Trust) and King George V sports hub along with development of the new Archive facility which is due to be completed in 2027-28.

### Corporate Services

Within Corporate there was a £2.2m spent on continued improvements to core ICT infrastructure and systems including upgrades and developments of the finance and HR business system. There was also £1.3m on transformational activity to improve the efficiency and effectiveness of Council services.

### **Financing of the Capital Programme**

The capital programme expenditure for 2022-23 is £90.844m. A breakdown of how this expenditure has been financed is shown in the table below.

<b>Capital Programme Financing</b>	<b>£m</b>
<b>Expenditure to be Financed</b>	<b>90.844</b>
<b>To be funded by:-</b>	
General Capital Receipts	5.311
Specific Capital Receipts	1.027
Grants and Contributions	36.775
Revenue & Service Contributions	0.781
HRA Contributions	9.122
<b>Sub-Total</b>	<b>53.016</b>
Core Borrowing	18.369
Ringfenced Borrowing	19.459
<b>Total Funding</b>	<b>90.844</b>

### **Overall impact on the General Fund Reserve**

The general fund reserve balance at the start of the year was £25.8m, with a budgeted release of £1.1m in year to support the 2022-23 budget. The balance has since increased to £25.3m in year as a result of Vivo moving back in house and the associated company reserves being transferred across. The risk assessed range is £23.4m to £26.4m. Transferring the £1.6m in year underspend to the general fund will increase the balance held to £26.9m.

## 5. Coronavirus

The financial impact of Covid-19 in 2022-23 is £8.2m, the total government grant funding available to fund costs in 2022-23 is £8.8m, resulting in unallocated funding in year of £0.6m of which £0.2m will be carried forward into 2023-24 to complete a small number of committed projects. The remaining £0.4m will be transferred to the Covid-19 reserve and taken into consideration as part of 2024-25 budget planning.

## 6. Explanation of the financial statements

The Statement of Accounts sets out details of the Council's income and expenditure for the financial year 2022-23 and its Balance Sheet as at 31 March 2023. These statements cover the General Fund, the Collection Fund, Housing Revenue Account and the Pension Fund.

### Core Financial Statements reflect Council activities including maintained schools:

- 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.
- **Movement in Reserves Statement (MIRS)** shows the movement in year on reserves held by the Council, analysed into 'usable' reserves and 'unusable' 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 **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.

### Additional 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 2023 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 Chief Operating Officer 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 XXX.

Date: XXX

Signed by:  
Councillor Bissett  
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 and of its Pension Fund 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 2023.

Date: XXX

Signed by:  
Simon Riley  
Chief Operating Officer



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## Annual Governance Statement 2022-23

### Executive Summary

The Leader of the Council and the Chief Executive both recognise the importance of having good management, effective processes and other appropriate controls in place to deliver services to the communities of Cheshire West and Chester.

The Annual Governance Statement describes how the Council's corporate governance arrangements have operated during the year. The Statement provides assurance that Council business has been conducted in accordance with law and proper standards. Also, that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively.

The Statement has been prepared following a considered review of various sources of assurance on how effectively the Council's governance framework and control environment have operated during 2022-23. These sources include:

- Directors, who are directly responsible for managing the delivery of their services and their associated risks.
- Functions overseeing the effectiveness of management activity or engaging in risk management or related control and compliance activities. These include the Council's senior management and committee structures, the Council's performance management framework, and the work of the risk management, health and safety and information governance teams.
- Functions that provide independent and objective assurance regarding the integrity and effectiveness of governance, risk management and related controls. These include the Council's Internal Audit team, external audit, regulators such as Ofsted and the Care Quality Commission, and peer reviews, for example through the Local Government Association.

Based on the review of effectiveness of the governance framework the following issues remain as 'significant', all of which are on-going issues highlighted in last year's Annual Governance Statement:

- Significant uncertainty about the level of the Council's future funding
- Exposure to financial risk from major projects
- Council companies and financial pressures
- Climate change
- Cyber threat and business continuity

Full details of the issues and of the proposed actions to address them in 2023-24 are set out in the action plan at Appendix A to this report. Management are aware of and are taking action to mitigate these significant governance issues. Details of one significant issue that was highlighted last year but is now considered lower risk is highlighted at Appendix B.

To the best of our knowledge, the governance arrangements, as outlined in this Statement remain fit for purpose and have been effectively operating during the year in accordance with the governance framework. 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:**

**Leader of the Council**

**Chief Executive**

**Date:**

**Date:**

**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.

Simon Riley  
Chief Operating Officer  
Dated:

## Introduction

Cheshire West and Chester Council (the 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, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

Under Regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 local authorities are required to review the effectiveness of their governance arrangements at least once a year. The preparation and publication of an annual governance statement in accordance with the CIPFA / SOLACE Framework “Delivering Good Governance in Local Government” (2016) helps fulfil that requirement.

## What is Governance?

The Council acknowledges its responsibility for ensuring there is a sound system of governance. Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance contributes to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

This statement reports on the Council’s governance framework that has been in place during 2022-23 and explains how it has complied with its own code of corporate governance, including how the effectiveness of arrangements has been monitored. A copy of the Code of Corporate Governance is on the website at:

<https://www.cheshirewestandchester.gov.uk/your-council/policies-and-performance/council-plans-policies-and-strategies/corporate-governance>

## What is 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 the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The governance framework is designed to manage risk to a reasonable level. The associated processes 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 the 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.

## What is the Council’s governance framework?

Governance generally refers to the arrangements put in place to ensure that intended outcomes are defined and achieved. As set out in its Code of Corporate Governance, the Council aims to achieve good standards of governance by:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining the Council's outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the Council's intended outcomes.
- Developing the Council's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The key policies, procedures and arrangements that support compliance with these principles are set out in the Code. As part of the compilation of this Annual Governance Statement the Code has been reviewed and updated and confirms the Council's commitment to the principles of good governance.

Key elements of the governance framework are as follows:

#### Organisational Priorities

- The four-year Council Plan (Play your part to thrive) 2020-24 sets out the Council's strategic priorities and includes seven priority outcomes. A new plan is to be developed for 2024-2028.
- As a response to the impact of the Covid-19 pandemic a recovery and renewal plan ('Stronger Futures: A four-year plan for Recovery and Renewal following Covid-19') was approved by Cabinet in December 2020. The plan mirrors the four-year Council Plan and sets out how the Council can work with its communities and its partners to deliver a stronger future for everyone.
- The Council Plan is aligned with other key plans and strategies across the Borough including the Medium-Term Financial Plan; Place Plan (which sets out a vision for residents' health and well-being); Cheshire and Warrington sub-regional plans; and the Local Plan.
- Each of the seven priorities has accompanying Key Performance Indicators identified in a Performance Management Framework. Reporting of this performance data allows transparent analysis and challenge of outcomes. The indicators and targets are refreshed on an annual basis. The Framework has been referenced by the Local Government Association as an example of good practice.

#### Roles and Responsibilities of Members and Officers

- Elected Members are collectively responsible for the governance of the Council. The Council operates a Cabinet and elected Leader model of decision making with ten Members on the Cabinet, each responsible for a designated portfolio.
- Council has three principle statutory officers:

- Head of Paid Service is the Chief Executive, who is responsible for all Council staff;
- Section 151 Officer is the Chief Operating Officer, who is responsible for ensuring the proper administration of the Council's financial affairs and ensuring value for money; and
- Monitoring Officer is the Director of Governance, who is responsible for ensuring legality and promoting high standards of public conduct.
- Other key statutory officers include:
  - Director of Children and Families' Services, responsible for securing the provision of services which address the needs of all children and young people, including the most disadvantaged and vulnerable, and their families and carers;
  - Director of Adult Social Services, responsible for assessing, planning and commissioning adult social care and wellbeing services to meet the needs of all adults with social care needs; and
  - Director of Public Health, with overall responsibility for the Council's duties to assess, protect and improve the health and wellbeing of the people in its area, and exercise its functions in planning for, and responding to, emergencies that present a risk to the public's health.
- The Council's Management Board (comprising the Chief Executive, the two Deputy Chief Executives, Chief Operating Officer, and Director of Public Service Reform) has overall responsibility for the vision and culture of the organisation and for delivery against the Council's priorities.
- All directors are responsible for maintaining a sound system of internal control within their area of responsibility.

#### Standards of Conduct and Behaviour

- The Council has a local Code of Corporate Governance, in line with the latest CIPFA / SOLACE guidance, which demonstrates its commitment to the principles of good governance and to operate in an open and accountable manner, while demonstrating high standards of conduct.
- The Constitution, updated with effect from April 2022, sets out how the Council conducts its business and how decisions are made, together with a protocol for Member / Officer relations.
- Finance and Contract Procedure Rules (updated with effect from April 2022, and incorporated within the Constitution), provide the framework for managing the Council's financial affairs, and apply to all Members and officers of the authority and anyone acting on its behalf.
- Codes of Conduct for Members and Employees, included in the Constitution, sets out expected standards of behaviour and include requirements to declare potential conflicts of interest and / or gifts or hospitality, which should be formally recorded. The Codes are communicated through induction, briefings and are available through the Council's intranet. Periodic reminders to complete declarations of interest were issued to all officers during 2022-23.
- The Council values of THRIVE (Teamwork, Honesty, Respect, Innovation, Value for Money and Empowerment) are contained within the Council Plan 2020-24 and were used to guide staff behaviours through their incorporation into recruitment, training and performance management and appraisal processes during 2022-23.



- The Council is committed to creating and maintaining an anti-fraud culture and high ethical standards in the administration of public funds. This is supported through the Anti-Fraud & Corruption Strategy, and Whistle-blowing, Bribery and Anti-Money Laundering Policies.

#### Decision Making and Scrutiny

- The Leader and Cabinet are responsible both individually and collectively for all executive decisions. Forthcoming key decisions by the Cabinet are published in its Forward Plan.
- The Council has four Overview and Scrutiny Committees – Cheshire West and Chester Overview and Scrutiny Committee, People Overview and Scrutiny Committee, Places Overview and Scrutiny Committee and Health Overview and Scrutiny Committee. The Scrutiny Committees hold the Cabinet to account and have the right to ‘call-in’ for reconsideration decisions made but not yet implemented by the Cabinet and individual Portfolio holders.
- The Health and Wellbeing Board is a statutory committee of the Council established under the provisions of the Health and Social Care Act 2012 and the Local Authority (Public Health, Health and Wellbeing Boards and Health Scrutiny) Regulations 2013. The Board has a wide membership including strategic decision makers from the Council, NHS Police, Fire and the voluntary sector. The Board’s main aim is to work in partnership to improve health and wellbeing for residents and reduce inequalities across the Borough. The Board played a key role in developing the Council’s Place Plan (2019-2024), which represents the Council’s vision for residents’ health and wellbeing.
- A “Place Executive”, chaired by the Council’s Chief Executive, with partners from the NHS and community sector, to ensure the necessary governance and operational arrangements were in place for the introduction of Integrated Care Systems from July 2022.
- A Report Clearance Protocol that must be followed by officers when reporting to Members, ensuring that reports are subject to legal and financial review.
- Decision making arrangements delegated to officers are recorded in the Scheme of Delegation, with evidence of appropriate authorisation retained.
- The Council’s Management Board meets up to three times a week. All Directors are invited to attend for matters relevant to their responsibilities and meet monthly as the Extended Management Board.
- The Board is supported by eight cross-directorate governance boards each chaired by a member of the Management Board, to facilitate more joined-up ways of working that align to the key priorities set out in the Council Plan.
- A number of officer groups operate across the Council, responsible for the governance of specific areas of risk. These include the following:
  - Joint Officer Board
  - Commissioning Board
  - Capital Investment Board
  - Capital Operations Group
  - Strategic Assets Board
- Financial approval limits for officers are recorded in Schemes of Financial Delegation, which are prepared and updated by each Council Service.

#### Engaging with Local People

- The Authority has a communication strategy that is an audience-led and outcome-focused approach that supports the Council Plan. Channels of communication include the Council website, the Your West Cheshire website and social media channels.
- The Council's digital engagement platform – Participate Now – allows local people to participate in consultation and engagement activities. The Participate Panel is the Council's online citizens' panel and comprises a cross section of approximately 1,300 residents, broadly reflective of the local adult population, who are invited to take part in regular, online engagement with the Council. In 2022-23 this included a series of focus groups to gain further insight into matters raised in the 2021-22 survey. Panel members were also invited to act as 'mystery shoppers' to provide feedback on their customer experience.
- Council meetings and those of its committees are held in public, and many are webcast. Agendas, minutes and decisions are recorded on the Council's website.

#### Finance, Risk and Performance Management

- The Council has a Performance Management Framework which supports the measurement and monitoring of financial performance as well as the delivery of the seven priority outcomes set out in the Council Plan.
- Financial performance is monitored monthly. Performance by all Council Services against a range of key quantitative and qualitative indicators is also monitored through quarterly reporting to senior managers and members.
- The Medium Term Financial Strategy sets out the Council's approach in managing resources to meet its priorities and ensure value for money.
- The Council's approved Risk Management Strategy seeks to embed the management of risk and opportunities in all Council business and activity.

#### Partnership working

- Collaborative working arrangements are covered specifically within the Council's Constitution, including a requirement for arrangements to be recorded in writing.
- Any such arrangements involving participation in or creation of a separate legal entity or acting as accountable body require approval at director level, including the Director of Governance. The authorisation for collaboration arrangements depends on the Council's contribution and compliance with corporate objectives.
- Governance arrangements for Shared Services are monitored and managed by the Shared Service Joint Committee and the Joint Officer Board.
- The Council has established a central register of significant partnerships to enable corporate oversight and ensure good governance arrangements continue to be in place. This was subject to review by Internal Audit in 2022-23.

#### Council Companies

- Updated company governance arrangements, further to a review and refresh undertaken in 2021-22, have been embedded into business-as-usual activity.
- The Portfolio Holder for Legal and Finance is the Council's shareholder representative on the separate legal entities it has established (Brio Leisure, Cheshire West Recycling Limited, Edsential, LGPS Central Limited, and Qwest Services). The Head of Companies, Compliance and Assurance is the senior accountable officer, reporting to the Section 151 Officer.

- Oversight of shareholder interests is exercised via the Section 151 Officer, who supports the Portfolio Holder. Both receive monthly briefings on company matters.
- There are Cabinet member leads for each company including attendance at company boards as non-voting observers. There is also officer attendance, either as appointed Non-Executive Directors or non-voting observers.
- Several key decisions are identified as reserved matters for which the Council's consent is required.
- Financial oversight is exercised via submission of quarterly finance returns for each company to the Head of Capital and Strategic Finance. The financial impact of each company on the Council's budget position and risk is undertaken via quarterly performance reporting to Cabinet and Chester Overview and Scrutiny Committee.
- There are quarterly shareholder boards with the Chair and Managing Director for each company to review financial, risk and business plan performance.
- The Cabinet and Overview and Scrutiny Committee scrutinise annual business plan proposals, prior to member sign-off. Scrutiny arrangements were strengthened during 2022-23, including the development of a new Finance and Shareholder Scrutiny Working Group to operate post the May 2023 local election.

#### Pension Fund

- The Council is the administering authority for the Cheshire Pension Fund (the name of the Local Government Pension Scheme in Cheshire). The Council reviews the discharge of its responsibilities through its Audit and Governance Committee. The Fund publishes its own statement of accounts on an annual basis and includes a "Governance Compliance Statement" which outlines compliance to industry specific governance principles.
- The Pension Fund Committee advises the Council's Section 151 Officer on the management of the Fund. Also, the Local Pension Board assists the Council to ensure the effective and efficient governance and administration of the Pension Fund responsibilities through the Council's Audit and Governance Committee.

#### Audit and Assurance Arrangements

- Audit & Governance Committee is responsible for overseeing the Council's audit and assurance arrangements. It provides independent review of the Council's governance, risk management and control frameworks and oversees annual governance processes. It also has other corporate governance responsibilities including consideration of Member Standards.
- The Council's Internal Audit function examines and reports on the adequacy and effectiveness of the Council's internal control, risk management and governance arrangements, in accordance with its Internal Audit Charter and risk-based annual audit plan. Agreed actions in response to audit reports are followed up to ensure they have been implemented.
- Internal Audit reports that provide a 'No Assurance' or 'Limited Assurance' opinion on the risk management, governance and internal control environment for the area(s) examined are highlighted in reports to senior management and Audit and Governance Committee.
- The Head of Internal Audit produces an annual report, including an opinion on the overall adequacy of the Authority's framework of governance, risk management and control, in accordance with the Public Sector Internal Audit Standards.

- External audit provides an opinion on the Council's annual statement of accounts and whether the Council has secured economy, efficiency and effectiveness in the use of its resources.
- Other external inspections and peer reviews provide additional accountability and highlight good practice and areas for improvement.

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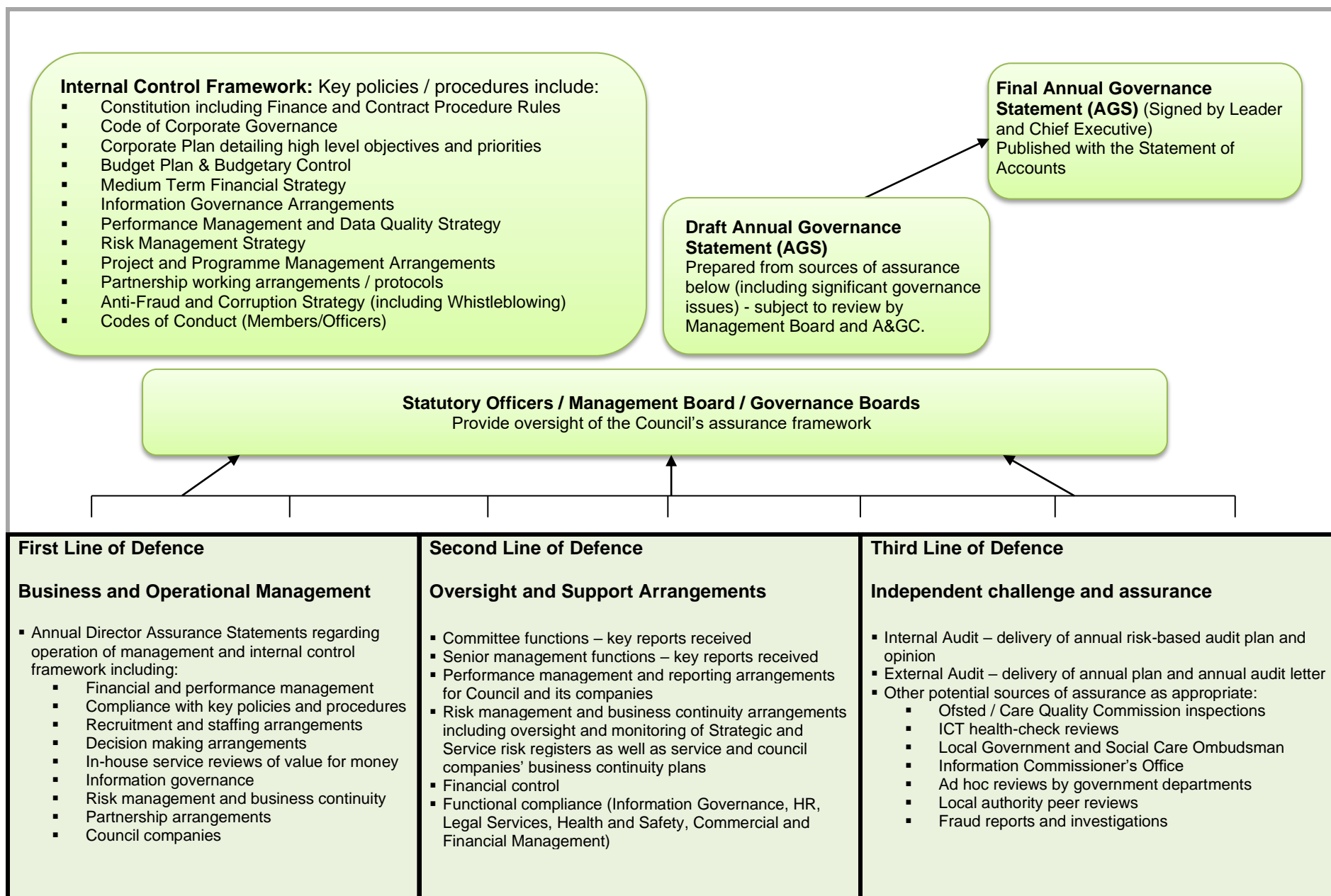
**How does the Council monitor and evaluate the effectiveness of its governance arrangements?**

The 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 various sources of assurance including directors who have overall responsibility for the development and maintenance of governance, internal control, performance and risk management arrangements for their services. Also, the work of the Council and its Committees; and reports from Internal Audit, external audit and other review agencies and inspectorates.

This process is set out in an assurance 'map' overleaf, using a 'three lines of defence' model to help identify and understand the different types of assurance, with further detail provided in support in subsequent paragraphs:

- First line of defence – business and operational management assurance ie management and supervisory controls
- Second line of defence – functions that oversee the risks eg performance management arrangements, Council committees.
- Third line of defence – independent assurances on the management of risk.





### **Business and Operational Management Assurance**

All Service Directors were asked to provide statements of assurance regarding the effective operation of key areas of governance, risk management and internal control in their directorates during 2022-23. All statements of assurance were returned, with responses providing overall assurance that, from an operational management point of view there was effective management control during the year, including in regard to the Council's companies. There was evidence from a number of the responses received that Services are regularly reviewing their own value for money and taking action to improve where possible.

Nevertheless, the process identified several areas for improvement. Some services, noted that they were continuing to experience difficulties with HR related processes, specifically recruitment and absence management, as well as financial forecasting via the Council's new Enterprise Resource Planning system (Unit 4). Whilst there were no issues of non-compliance highlighted the Services considered that the challenges experienced were compromising their efficiency. In June 2023 the Shared Services Transactional Services Centre relaunched a new and much improved support site to support staff in carrying out tasks in Unit 4. Work continues to promote the new site and streamline HR related processes where possible.

Also highlighted were difficulties in compliance with the requirements for Education Health and Care Plans for young people with Special Educational Needs and Disabilities (SEND). This has been caused by significant increases in demand for SEND services. In response, the Children and Families Services is undertaking a transformational review of SEND provision and, via restructuring, has taken steps to increase capacity. Adults Social Care also highlighted that a significant assessment backlog within the Placement Assessment team has led to budget pressures for 2023-24. The Director noted that a recovery plan has been developed. Internal Audit also reviewed and reported on the issues arising and identified areas for improvement.

Directors were also asked to provide statements of assurance as to the robustness of governance arrangements for their significant partnerships in response to an Internal Audit review undertaken between February and May 2023. The audit report finalised in July 2023 identified no areas of significant concern but noted a few areas for improvement. For example, ensuring that all partnerships maintain up to date risk registers, and that there is a process for annual oversight by Management Board and Audit and Governance Committee.

Statements of assurance are also provided by the Directors and Council Companies in support of the Section 151 Officer sign off of the 'letter of representation'. This provides assurance to the external auditors that the Council systems and processes will not result in material errors in the financial statements.

### **Oversight and Support Arrangements**

#### **Senior Management Functions**

There are eight cross-directorate governance boards set up to support the Council's Management Board. Of these, the Compliance and Assurance Board, chaired by the Chief Executive, has a remit of proactively ensuring a Council-wide overview of assurances that the Council's statutory responsibilities and governance are effective and well managed. Also, to ensure statutory officers are enabled and supported to exercise their functions. During 2022-23 the Board were provided with various briefings including the following key governance issues:

- Exercise of statutory officers and proper officers' responsibilities.

- The development of a Compliance Framework, aimed at ensuring the Council meets all its legal duties through relevant monitoring of compliance.
- Internal Audit activity including:
  - review of the robustness of governance arrangements against the Centre Governance and Scrutiny's risk and resilience framework (further details below);
  - lessons learnt from public interest reports at various other local authorities and reflections on Council practices;
  - issues arising from audit reports on Council Services with a 'limited' or 'no' assurance opinion on the governance, risk management and internal control framework.
- The revitalisation of the Council's approach to the management of health and safety including the development of a Health and Safety Compliance Framework to evidence that the Council is proactively managing health and safety.
- Progress updates on service risk registers and business continuity plans and the development and update of the Strategic Risk Register.
- Updates on Council companies' activity.
- Data protection incidents – causes and lessons learnt.

The Compliance Framework referenced above is still in pilot phase with the aim of rolling it out further during 2023-24. Work will also be undertaken to ensure it is aligned with the health and safety compliance framework. In addition, the potential for it to be expanded to include a formal framework of sources of assurance on the Council's governance arrangements will be explored at the time the awaited guidance from CIPFA on assurance mapping is issued.

### **Financial Control**

The Council set a balanced budget for 2023-24 and an indicative balanced budget for 2024-25, including a requirement to deliver on £49.3m savings over the period. A four-year capital programme was also developed.

A self-assessment of the arrangements in place for 2022-23 has been completed against the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government Framework, published in 2016. The Statement sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in carrying out their role. The self-assessment evidenced full compliance with these requirements.

A self-assessment has also been undertaken against the principles in the Financial Management Code, published by CIPFA in 2019. The Code provides guidance on good and sustainable financial management in local authorities and compliance to provide assurance that an authority is managing its resources effectively. No areas of non-compliance were identified through this self-assessment.

Directors' Statements of Assurance for 2022-23 highlighted that Service schemes of financial delegation operated satisfactorily during the year with no significant issues arising.

### **Performance Management**

The performance management framework, implemented with the Council Plan 2020-24, includes financial performance, covering revenue and capital budgets, as well as an assessment of performance against 77 Council Plan indicators. Regular performance reports were taken to Cabinet during 2022-23, with the overall review of performance for 2022-23 taken to Cheshire West and Chester Overview and Scrutiny Committee and to Cabinet in June 2023. Performance details also appears on the Council's website.

### [Performance report | Cheshire West and Chester Council](#)

The June 2023 reported noted that, of the 77 indicators, 41 were assessed as 'green' and performing well against target, eight were 'amber', and 17 were 'red', performing below target. The remaining 11 indicators relate to indicators reported at different times of the year. Performance in relation to benefits processing rates, number of people supported to live independently, digital access to the Council, effectiveness of the reablement service and support to businesses were assessed as positive. However, there continue to be challenges around adults and children's social care services which are reflective of national trends. Overall, performance is strong with 62% of indicators reporting as performing well against target.

In regard to financial performance the report identified an underspend of £1.5m on business-as-usual activity. As well as inflationary pressures there had been significant increased demand and cost increases on adults and children's social care budgets as well as within Education (home to school transport). These were offset by underspends in other areas of the Council, with mitigating actions taken across Council wide budgets to reduce the cost pressures. Actions included delays in recruitment, reductions in non-essential, non-pay spend and increased income. Approximately 81% of proposed savings were delivered in-year with 99% considered still deliverable at the time of the June 2023 reports.

### **Risk Management and Business Continuity**

During 2022-23, risk management and business continuity practises were strengthened, further to the appointment of a Risk and Business Continuity Advisor in January 2022. Risk management and business continuity, guidance and template documents were updated to develop a standardised approach.

All directorates were asked to review and provide updated risk registers, capturing, and assessing key risks specific to their operations. This led to an updated Strategic Risk Register, subject to review and approval by Management Board, providing a holistic understanding of the Council's most significant risks. The Board periodically receives updates in risk scores and actions as provided by risk owners. Work is ongoing to embed the revised risk management arrangements and ensure directorate risk registers are updated on a timely basis.

To reinforce and improve risk management practices, the existing risk management strategy and policy is in the process of being updated. In addition, a risk management toolkit is being developed to empower staff members to effectively identify, assess, and mitigate risks. A risk maturity self-assessment is also in progress, which will be subject to independent review in 2023-24. This should identify areas for improvement and guide future strategies.

Most services have reviewed and provided their up-to-date business continuity plans. The Risk and Business Continuity Manager is actively working with the remainder to ensure the completion of their plans in a timely manner. The business continuity plans were recently used and subject to review by management as part of the 'Mighty Oak' exercise, held in March 2023, to rehearse the co-ordination of a national response to a national power outage (NPO). The Council's NPO Planning Group are utilising the outcomes report from this

exercise as part of its own preparedness, and Management Board have been appraised of the key findings.

## **Functional compliance**

### Health and Safety

During 2022-23 the Council has sought to ensure that the aims of the Health and Safety Strategy are met through the development and promotion of a Compliance Framework. This sets out the mandatory minimum requirements to ensure compliance with health and safety legislation. Health and safety practitioners, integrated within directorates, provide accessible access to relevant advice and guidance. The team monitors health and safety arrangements across the Council.

Specific reports on health and safety have been presented at the bi-monthly Health and Safety Forum meetings, chaired by the Chief Operating Officer. These meetings enable lessons to be learnt from specific incidents and raise awareness of health and safety matters across the Council. This has been supported by regular targeted communications, including requirements for teams across the Council to complete health and safety risk assessments, as well as having a specific focus with an assigned 'Health and Safety Week' during October 2022.

During 2022-23 there was an overall increase in accident / incident reporting. This can be attributed to the impact of raised awareness through better promotion of the Council's accident / incident reporting system via the methods noted above. Also, following a return from remote to more office-based working after two years where the Covid-19 pandemic dramatically impacted on working patterns. Of the incidents reported in 2022-23, only 11 fell into the category of being reportable to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013, the majority relating to accidents in schools. There were 16 such incidents in 2021-22. None of the reported incidents led to prosecution by the Health and Safety Executive.

Over the last year, directors have taken ownership, accountability, and responsibility for managing the health and safety risks within their service areas. All have reported at the Health and Safety Forum which is chaired the Council's Chief Operating Officer who scrutinises the reports. This process acts as a peer-to-peer review. During 2023-24 further work will be undertaken to ensure the Health and Safety Compliance Framework is embedded within the Council, which should lead to future improvements in the management of health and safety.

### Information Governance

There was a reduction in the number of reported security incidents involving the loss of personal data during 2022-23, with 185 reported compared to 228 in 2021-22. Only nine incidents met the threshold to be classed as a formal breach of data protection due to an identified loss of data or clear detriment / risk to the data subject. Additionally, one incident required reporting to the Information Commissioner's Office (ICO). The ICO determined the Council had failed to comply with its data protection responsibilities in that it was considered to have shared personal information that was unnecessary to achieve its identified purpose. This finding led to a successful compensation claim from the individual.

The remaining incidents were assessed as low risk because information was recovered with no ongoing concerns, there was no unauthorised access or there was no loss of control. They mainly related to emails sent to the wrong recipient and failure to blind copy personal address details. The Data Protection Officer made recommendations to address these issues to Compliance and Assurance Board.

Seven compensation claims in respect of data protection incidents were settled in 2022-23 costing £71,000, of which nearly 70% related to the incident reported to the ICO.



During 2022-23, staff working with high-risk data received enhanced virtual training to ensure awareness of the Data Protection Act 2018. In 2023-24 annual assurance statements will be requested from the Council's Senior Managers (Data Guardians) to provide assurances regarding Services' compliance with Data Protection legislation and the Council's associated policies and procedures. This should identify any gaps in accountability and governance.

#### Contract Management

The Commercial Management Service adopts a standardised contract management approach focusing on the principles of accountability, value for money, robust performance management and reporting and health and safety compliance. The Service prepares quarterly reports on the performance of the Council's 14 major strategic contracts it manages (including all Council companies except Edsential). The reports consider, for each contract, performance against the performance management framework. A balanced score card approach is used to arrive at an overall contract health assessment. This considers financial performance, service delivery, health and safety compliance, risk and reputational damage and performance against contract outcomes.

The final quarter review for 2022-23 identified that for nine of 14 contracts contract performance was satisfactory. The remaining five contracts were amber rated but, though there were some issues arising, they did not give rise to significant concerns. The contract with the lowest overall assessment related to underperformance against several of its KPIs. However, this was the first year of the contract and there had been a period of transition and adjustment which had contributed to the underperformance. The Commercial Management Service expect performance to improve in 2023-24. For the other contracts, the assessment primarily related to potential risks connected to the recommissioning process and ensuring a smooth transition, which is natural for contracts of such a strategic nature. In all cases, the risks identified are being managed and there are no significant governance issues arising.

#### Commissioning

The Council has an established Commissioning Board which meets monthly. The Board has the remit of ensuring a consistent and best practice approach to all strategic commissioning activity that exceeds £1m in contract value. It works across all directorates and has cross directorate representation so that commissions are not managed in silos. During the year the Board has worked to identify gaps in the resourcing of the commissioning programme and provides challenge around service design, specification and procurement strategies.

As noted in a review by Internal Audit during 2022-23, the Board achieved its savings target of a minimum 10% for statutory recommissions. Also, and further to changes agreed by Management Board in December 2022, re-commissions of under £1m are now included in its scope for review. The Internal Audit review found the arrangements for reporting major contract re-commissions were operating effectively. Areas identified for improvement, for example the development of an action tracker and dashboard to improve transparency and oversight, had already been recognised by the Commercial Management team and will be addressed during 2023-24.

#### **Committee Functions**

##### Council

The Council met on five occasions in 2022-23 and received / approved reports on a range of matters, including Cheshire and Merseyside Joint Health Scrutiny Arrangements and Review of Progress against the Climate Emergency Response Plan and Carbon Management Plan.

Agendas and reports are accessible here: [Council meetings](#)

##### Cabinet

The Cabinet met on 10 occasions in 2022-23 and received / approved reports on a range of matters including Health Integration – Establishment of Place Governance; Phase Two of the High Speed Rail Network (HS2); Highways Future Delivery Model; Asset Management Strategy; Empty Homes Strategy 2022-27; Review of Performance 2021-22; Mid-Year Review of Performance 2022-23; Housing Management Services Budget Report 2023-24; and Budget Report 2023-24, Medium Term Financial Strategy 2024-27, and Council Tax Setting 2023-24.

Agendas and reports are accessible here: [Cabinet meetings](#)

#### Audit & Governance Committee

The Audit & Governance Committee met on three occasions during 2022-23 and received / approved reports including those related to the External Auditor's progress updates and Audit Plan 2021-22; Treasury Management Annual Report 2021-22, 2022-23 Update Reports, and 2023-24 Strategy; the Head of Internal Audit Annual Report and Opinion 2021-22, and Audit Plan 2022-23; Health and Safety Revitalisation Updates; and Annual Standards Report 2021-22.

Agendas and reports are accessible here: [Audit & Governance Committee meetings](#)

#### Covid-19 Outbreak Board

The Board was established in December 2020 to oversee the delivery of the Council's Outbreak Management Plan. It met three times during 2022-23 and was decommissioned in June 2023.

Agenda and further details are accessible here: [Covid-19 Outbreak Board meetings](#)

#### Cheshire West and Chester Overview and Scrutiny Committee

The Committee met on six occasions during 2022-23 and scrutinised items including 2021-22 Performance; Review of Resources and Lessons Learnt in the Climate Emergency Response; Future Scrutiny Arrangements of Council Owned Companies; Poverty Emergency.

The Committee also undertook in-depth annual scrutiny reviews of Flood Management and Council Companies.

Agendas and reports are accessible here: [Cheshire West and Chester Overview and Scrutiny meetings](#)

#### People Overview and Scrutiny Committee

The Committee met on six occasions during 2022-23 and its work programme included scrutinising Local Safeguarding Adults Board and Safeguarding Children's Partnership Annual Reports; Recommendation 41 Visits; Adult Social Care and Children and Families Safeguarding and Performance Reports; Care Market Oversight Report; Children's Centre Scrutiny Visits; and Annual Regulation 44 Visits to Children's Homes.

The Committee also undertook in-depth scrutiny reviews of Care Leavers and Education.

Agendas and reports are accessible here: [People Overview and Scrutiny meetings](#)

#### Places Overview and Scrutiny Committee

The Committee met on six occasions during 2022-23 and its work programme included scrutinising: Evidence and Options for Introducing Charges at Household Waste Recycling Centres; Digital Connectivity; Housing Delivery Programme Update; Annual Business Growth Update; Fuel Poverty Strategy

The Committee also undertook an in-depth annual scrutiny review of the Community Safety Partnership.

Agendas and reports are accessible here: [Places Overview and Scrutiny meetings](#)

#### Health Overview and Scrutiny Committee

The Committee met on five occasions, two of these being informal meetings, and its work programme included consideration of Cheshire and Wirral Partnership NHS Trust Draft Quality Care Accounts 2021-22 and Dental Services in the Borough.

Agendas and reports are accessible here: [Health Overview and Scrutiny Committee meetings](#)

#### Members' Training

Members' training sessions have continued to take place remotely, and where agreement is in place, the sessions have been recorded to enable those unable to attend to view at a time to suit. Regular sessions have been held hosted by internal staff, with a number of sessions delivered by external providers. The Member i-learn package has been developing since its introduction in 2021, with a number of additional modules.

Planning has continued around the Member Induction Programme, to be implemented following the council-wide elections in May 2023. Statutory training to cover Code of Conduct, Register of Interests, Governance, Regulatory Committee Training and Scrutiny training will be prioritised. A new addition will be a "Meet the Director" facility where each Director is filmed presenting information about their service for all Members to view online. A 'Tour of the Borough' will also be taking place to enable new Members to understand service delivery, events and issues across the Borough as a whole.

#### Cheshire Pension Fund

The Council is the statutory Administering Authority for the Cheshire Pension Fund (the name of the Local Government Pension Scheme in Cheshire). The Council has delegated decision making responsibility for the Fund's affairs to the Chief Operating (S151) Officer who in turn has decided to appoint an advisory panel known as the Pension Fund Committee.

The Council, as Administering Authority, publishes an Annual Report including the Statement of Accounts for the Fund each year and includes a "Governance Compliance Statement". The Fund's governance arrangements are assessed as fully compliant with the Public Service Pensions Act 2013. These arrangements include those put in place to ensure appropriate oversight of LGPS Central Ltd, a wholly owned, investment management company regulated by the Financial Conduct Authority, of which Cheshire is one of eight partner funds.

The Fund's last independent review of governance arrangements concluded that those arrangements are effective, with some recommendations for improvement, many of which have since been put in place. Some actions for improvement were reserved to be progressed alongside outcomes from the national Good Governance review commissioned by the LGPS Scheme Advisory Board. The Scheme Advisory Board review's final recommendations were published in February 2021 and a response from the Government is still awaited, including how these will be brought into regulatory effect.

In the meantime, the Fund continues to identify opportunities to take forward relevant actions from the 2021 report (eg a Fund-specific Conflicts of Interest policy, inclusion of key performance indicators in the Fund's Business Plan, and Member involvement in the earlier stages of the Business Plan) in advance of the regulatory changes. Further guidance from the Department for Levelling Up, Housing and Communities is currently expected late 2023 / early 2024.

### **Independent challenge and assurance**

#### **Internal Audit and Counter Fraud**

Internal Audit has continued to work to the UK Public Sector Internal Audit Standards, that the team were externally assessed as fully conforming to in their 2018 external review.

Internal Audit issued 17 reports on Council activities where an assurance opinion was delivered (including three reports finalised in the first quarter post year-end). In addition, 44 other pieces of non-opinion based, consultancy / advisory work were undertaken, including the audit and sign-off of grants where there is a statutory requirement. All work undertaken contributes to improving the Council's governance, risk management and control arrangements.

Of the 17 reports where an assurance opinion was delivered, 11 were assessed as having 'substantial' or 'reasonable' assurance on the system of governance, risk management and control for the areas examined. Of the remainder five were assessed as 'limited' and one assessed as 'no' assurance. Five of these audits highlighted areas for improvement in processes within Adult Social Care and / or related transactional support within the Finance Service, where applicable.

However, whilst the 'limited / no' assurance assessments identify areas of control weakness, they are virtually all related to areas where the controls were known to be at risk by the respective Services, and in some cases relate to challenges common to most other local authorities. In these cases, an independent review and opinion from Internal Audit was actively sought by the Director, with a view to identifying areas for improvement. Internal Audit is satisfied that appropriate action is being taken to address the issues raised, though in some cases capacity within the Service means that actions have been taking longer to implement than first projected.

The actions agreed in all reports are followed up by Internal Audit to ensure implementation and enhancement of the Council's internal control framework. Overall, 126 (78%) of agreed actions were identified as having been implemented during the financial year, against a target of 85%. Internal Audit provide regular reports to Directors to highlight overdue actions related to audits in their services, to ensure their awareness and, where possible, expedite their implementation. Internal Audit is satisfied that services are acting on the issues raised in its reports, with the majority of overdue actions either in progress or needing to be rescheduled where delay was unavoidable. Internal Audit will continue to monitor, and report on, response rates in 2023-24, escalating where appropriate to ensure actions raised are implemented on a timely basis.

Internal Audit also concluded a review of the robustness of the Council's governance arrangements, using a risk and resilience framework developed by the Centre for Governance and Scrutiny. The framework contained seven characteristics of governance, with each characteristic having its own set of positive and negative behaviours. Internal Audit facilitated discussions with the Council's statutory officers, including the Chief Executive; all Directors and their senior managers; and political representatives from all parties as well as the chairs of the Audit and Governance and Scrutiny Committees. The

aim of the discussions was to identify potential governance risks and any actions needed to address them.

No significant areas of concern were identified through these discussions, with the overall conclusion that governance arrangements were generally robust. Several areas were highlighted for further consideration and action to improve the governance framework. These included issues around capacity, recruitment, decision making, communication, risk management and scrutiny. In a number of these areas actions to address the issues raised were already in progress. The outcome was reported to Compliance and Assurance Board in September 2022 and a repeat exercise for 2024 was agreed.

During 2022-23, the Corporate Fraud team dealt with 240 referrals, of which 43 were subject to full investigation during the year. None of these investigations identified systemic failings in Council services and were relatively 'low level'. The investigations led to outcomes such as discounts and exemptions being withdrawn, and civil penalties applied (primarily in respect of Council Tax). In addition, the Corporate Fraud Manager reviewed eight allegations made through the Council's whistleblowing arrangements. These allegations were found to be either without foundation or 'low level', where the need for limited action such as additional training was identified.

The work undertaken by Internal Audit and Corporate Fraud teams during the year does not give rise to any significant governance concerns. The Head of Internal Audit's Annual Report for 2022-23 will include the opinion that "the Council has in place an adequate and effective framework for governance, risk management and internal control".

### **External Audit**

During 2022-23 it was reported that the audit and sign off of the Council's Group and Council's financial statements for 2020-21 and 2021-22 had been delayed. The respective statutory deadlines of 30 November 2021 and 30 September 2022 for the publication of the audited accounts were not met. The primary cause of delay were issues identified in the 2020-21 financial statements regarding the Council's valuation of its land and buildings assets alongside capacity and delivery delays by External Audit (this was mirrored across the Country). This led to the need for revaluations on most asset categories and a review of valuation processes which have taken time to resolve, with several adjustments needed.

Regular update reports were provided to Audit and Governance Committee during 2022-23 to note progress on the audits and summarise key issues. The outcome of the 2020-21 audit was reported in May 2023 and provides an unqualified opinion on the financial statements. The external auditors noted that issues raised in the audit were not intrinsic to wider arrangements being unsatisfactory in the compilation of the financial statements. As there are knock-on implications for the 2021-22 and 2022-23 financial statements, these audits have been delayed but with consequential delays in publication, approval and issuing of audit opinion.

In June 2022, the external auditors reported that they had not identified any significant weaknesses in the Council's arrangements for value for money and have not made any key recommendations. This was confirmed in their annual report for 2020-21, reported in May 2023. The report included four improvement recommendations with actions and processes already in place to address the points raised.

### **Other Sources of Assurance**

#### **LGA Peer Review**

In July 2022, the Council received a Local Government Association (LGA) peer review focusing on its policies and processes, with interviews undertaken with over 120 councillors, officers, partners and residents. The review considered the Council's progress and



performance and examined in detail work on health and social care integration and engagement with local communities. The feedback from the review was very positive, stating that the Council was “highly impressive and ambitious with an established track record of providing high quality services, strong financial management and robust governance.” Several recommendations were made to build on existing good practice, relating to financial planning, community engagement and co-design, and health and social care integration.

A follow-up progress review was undertaken in March 2023. The feedback was also positive, recognising that action had been taken against all the original recommendations. Work to implement the Peer Review action plan is ongoing.

### **LGA Adult Social Care Preparation for Assurance Peer Challenge**

The LGA were invited to provide an external view of the readiness of the Adult Social Care Directorate for the Care Quality Commission’s Assurance inspections under the Health and Care Act 2022. Also, to provide a view on the Directorate’s ability to deliver value for money, quality, effectiveness, and the most personal outcome-focused offer for local people.

The review, undertaken in March 2023 identified many examples of positive practice, innovation, and commitment. The leadership team were seen to be open, receptive, visible, and working well together. Areas for improvement highlighted included the need for a more robust focus on outcomes. Also, to address the lack of reliable and accessible data which means the Council is unable to assure itself on compliance with all its statutory responsibilities. A need to develop stronger partnerships with health partners to support positive outcomes for residents was also referenced. Overall, it was considered that the Council’s preparations for this review would provide a good base to build on for future assurance inspections.

### **LGA Children’s Services Peer Challenge**

The LGA Peer Challenge review was undertaken during December 2022, with the aim of helping the Council and its partners reflect on and improve the impact of safeguarding services for children and young people.

The Peer Review team commented positively on the political and corporate support to deliver effective children’s services, noting the level of cross-party support. The leadership team were seen as visible, accessible and well respected. Also noted were the excellent collaboration and engagement with schools and health services, providing a good foundation for multi-agency safeguarding delivery.

Areas for development that were highlighted included the need to review and improve some processes and ways of working that appeared over complicated. Also, the need to address caseloads that were considered too high, exacerbated by increasing demand and complexity. In addition, the need to develop the quality assurance framework to improve its effectiveness. The review noted that the leadership team had awareness of these issues and were working to address them.

### **Local Government and Social Care Ombudsman**

The Local Government and Social Care Ombudsman reported details of complaints received against the Council in 2021-22 in July 2022 (2022-23 details are due in July 2023). The Ombudsman upheld 17 cases of complaint, of which six related to Adult Social Services, and six related to Children’s Services. Such cases tend to be amongst the most complex and personal to the customer as they relate to care / care planning, either through social services or Education and Health Care Plans. Whilst these two services tend to receive the most upheld complaints the numbers are very low compared to the level of contact received (around 0.1%).



The Ombudsman further noted that five of the 15 recommendations made were not completed within agreed timescales. The Council was asked to consider how it might make improvements to act on recommendations within the agreed timescales, particularly when they involve making agreed apologies and payments to complainants. On review, it was identified that all five delayed responses related to Services not knowing how to raise the payments in the Council's new financial system, Unit 4. As noted previously, a new and much improved support site has been launched which should support staff in carrying out such tasks going forward. Action is also being taken to develop a new Ombudsman toolkit that will highlight the need to meet deadlines.

### **ICT Controls**

The Council's ICT systems are subject to review through a number of external reviews as well as self-assessments. There is an annual independent ICT health check by an accredited organisation which includes penetration testing to assess system security and vulnerability to cyber-attack; as well as various other external audits or self-assessments to satisfy the requirements of bodies such as the Council's external auditors; the NHS, central government departments such as the Department for Work and Pensions and Cabinet Office. No significant issues of concern were raised. Further enhancements to further improve the security landscape are being implemented and the security integrity of the estate is continually reviewed.

### **Other Assurances**

Other sources of assurances on the robustness of the control framework that operated in 2022-23, included:

- Ofsted inspection visits of Children's Homes. Woodlea (January 2023), Arden (February 2023) and Pinewood (March 2023) Children's Homes. Pinewood was assessed as 'outstanding', with Arden and Woodlea assessed as 'good'
- Peer Review of the Council's Children's Services and Special Educational Needs and Disabilities services via the North West Association of Directors of Children's Services Sector Led Improvement Team. This identified several areas for development to improve service delivery.
- Annual conversations with Ofsted on standards and performance (February 2023) which help promote improvements in services and outcomes for children.
- Supporting Families Earned Autonomy assurance visit from the Department for Levelling Up, Housing and Communities in July 2022. Feedback provided was that there were several examples of good practice with a few areas for development highlighted. The Council responded in October 2022, with details of activity to address the issues raised.
- CQC inspections of registered services.
- 'Substantial' assurance opinion on the Local Government Pension Scheme (LGPS) Central Limited governance arrangements for 2022-23 further to a review issued in June 2023 by Derbyshire County Council Internal Audit on behalf of the LGPS Central Pool partner funds of which the Cheshire Pension Fund is one.

## Appendix A

## Significant Governance Issues 2022-23

Issue	Action
<p><b>1. Significant uncertainty about the level of the Council's future funding</b></p> <p>There continues to be a significant shift in the way in which the Council is funded, resulting in reduced Government funding and an increased reliance on locally generated income in the form of business rates and council tax. The Council is facing considerable financial uncertainty and unprecedented challenges notably:</p> <ul style="list-style-type: none"> <li>• The national financial picture for Local Government remains extremely challenging, with significant economic challenges and financial uncertainty for the Local Government sector. The war in Ukraine has contributed to a surge in energy prices and, coupled with the economic impact of Covid-19, has resulted in the highest levels of inflation in the UK for approximately forty years. This is directly impacting on the costs of providing services and capital investment for all councils as well as having an impact on the cost of living for residents.</li> <li>• The Government's Autumn Statement in November 2022 gave headline funding allocations for Local Government at a national level for 2023-24 and set out funding intentions for a number of allocations in 2024-25. Whilst earlier in the year the Government announced that councils would be receiving a two-year Local Government Finance Settlement, only a single year funding settlement for 2023-24 was then</li> </ul>	<p>The Council's budget setting process is considered to be robust and all savings proposals are scrutinised prior to being included in the budget.</p> <p>The Council has quarterly budget sessions with Directors and the Cabinet to review the delivery of the proposals and identify any remedial measures which are necessary.</p> <p>The Council is actively monitoring the implications of the significant national funding changes and will ensure Members receive regular updates.</p> <p>The Medium-Term Financial Strategy and budget plan has been developed, aligned to the Council Plan and the Stronger Futures Plan for Recovery and Renewal. Further options to bridge the remaining gap will be developed during the summer of 2023.</p> <p>The Council will continue to respond to published consultation documents on the proposed changes to funding and ensure the financial scenario is updated accordingly.</p> <p>The financial challenge going forward is likely to be significant given the funding uncertainty and current inflationary pressures. The Council will therefore need to ensure a culture of continual budget management and will need to develop a demand management strategy to manage the costs of demand led budgets.</p>

Issue	Action
<p>announced in December. The Settlement confirmed the continuation of a number of funding streams into 2023-24 and a number of additional grant funding allocations, mainly to address the significant issues in adult social care.</p> <ul style="list-style-type: none"> <li>• The long awaited Fair Funding Review was due to review and reset councils' funding baselines according to local need. It has been delayed for several years by Central Government and had been expected to be the subject of consultation in Spring 2022. Government have since announced that this will not take place until 2025 at the earliest.</li> <li>• The Government published its adult social care system reform white paper, 'People at the heart of care' on 1 December 2021, with implementation originally planned for October 2023. In the Government's Autumn Statement it was announced that the reforms would be delayed until October 2025. There remains continued uncertainty regarding the future funding for social care.</li> </ul> <p>In 2023-24 the Council faced a funding gap of £46.2m. This funding gap is being bridged by the generation of additional income of £20.8m and budget savings of £25.4m.</p> <p>The Council has set out a two-year balanced budget and a capital programme for 2023-27. At the time the Council's budget was set, in February 2023, it was estimated that the funding gap in 2024-25 would be £44m. The Council has already identified savings proposals of £23.9m and is forecasting additional income of £20.1m for this period.</p>	

Issue	Action
<p>Following the two-year balanced budget package for 2023-25 there is an estimated gross funding gap of £68.1m over 2025 – 2027. This is reduced to £29.1m after the delivery of £22.8m savings and £16.2m of locally generated income. To bridge the significant gap in future years the Council will need to develop further savings proposals which will require a rigorous review of all areas of the Council's budget.</p> <p>The Council has well established processes in place to monitor the delivery of budget savings, but delivery of this level of savings will be challenging.</p>	
<p><b>2. Exposure to financial risk from major projects</b></p> <p>Cheshire West &amp; Chester Council regularly undertakes significant capital projects as part of its capital programme and in some of those schemes (e.g. Northgate, Winsford Town Centre) the Council takes on the role of primary developer to maintain control of the pace, costs and outputs. This increases exposure to a number of risks (planning, insurance, financial, balance sheet, governance).</p> <p>This has been recognised by the Council and monitoring arrangements have been established as follows:</p> <ul style="list-style-type: none"> <li>• Risks are considered for each major capital project.</li> <li>• 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.</li> <li>• Dedicated project boards are established.</li> </ul>	<p>Significant capital projects continue to be managed in-house with monitoring arrangements in place by relevant Officer groups and reported to Members on a regular basis.</p> <p>The largest project that the Council is progressing as “developer” is Northgate which partially opened in November 2022 and is expected to complete during 2023-24. The scheme continues to be managed through a dedicated project board and oversight is provided by a cross party member working group.</p> <p>The Council has directly managed delivery of the scheme and despite the complications of Covid and the impacts of high inflation within the construction industry the total cost of the scheme remains in line with the approved budget. Elements of the scheme are yet to open, notably the cinema where the Council had to pause fit out activity and terminate leases to protect itself when the planned operator was subject to a winding up proceeding during 2022. These issues have now been largely resolved and completion of the remaining units is progressing, under updated agreements that give the Council more security.</p>

Issue	Action
<ul style="list-style-type: none"> <li>• A Commercial Investment Strategy has been approved by Council to provide a framework to help it shape, manage and prioritise its existing and planned investments.</li> <li>• An investment board monitors the financial risks on the Council's balance sheet and to ensure actions are taken to minimise the financial risk faced by the Council.</li> </ul>	<p>The primary risks that the Council still holds in relation to this scheme is the achievement of future income targets (£5m from rentals, market lettings, car parking). While most units have now been let or are under offer, and the market is proving popular the utilisation of the car park is relatively low and strategies to improve take up will be considered for 2023.</p> <p>The Council has developed specific resilience monitoring tools for Northgate (and other similar schemes) which seeks to identify and quantify the risk carried against each element of the schemes.</p> <p>This tool has flagged potential shortfalls against the income targets across Northgate, Barons Quay and Winsford Cross, primarily due to uncertainties of lettings and commercial income. In recognition of this the Council has proactively set aside approx. £3m in its budget to ensure that any shortfalls can be addressed and do not generate significant unexpected losses in future years. There are still risks in these areas, particularly for Northgate as it establishes itself over the next few years.</p> <p>The next major project that will require similar controls and monitoring is the delivery of enhancements to Winsford Town Centre, funded through the Council and Future High Street funding. This project is due to commence construction early in 2023-24 to deliver new retail space, a community hub and public realm improvements. This project is being managed through the same delivery model as Northgate, using its Board and advisors to ensure risks are understood, captured and mitigated, with oversight from Member Working Groups and Capital Investment Board.</p> <p>Other than the above, the Council has not taken on significant new commercial risks, and this is likely to remain the case in the immediate future. There may be a need to consider some investment into current assets, but this would only be progressed on completion of a robust invest to save assessment.</p>

Issue	Action
	<p>As well as considering its individual project risks the Council continues to monitor its overall exposure to risk and this is reported to the Capital Investment Board and as part of the Budget report. There were no material changes in risk levels during 2022-23 and budgets remained unchanged.</p> <p>The latest balance sheet risk assessment similarly confirmed that although the Council still faced significant potential risks, it had already recognised these and set aside budgets accordingly to mitigate any impact. The residual unfunded risks following those mitigations were assessed at £5m, no material change from previous years.</p> <p>Internal Audit continues to provide ongoing risk management support in regard to the Northgate and Winsford Town Centre developments.</p>
<p><b>3. Council Companies and Financial Pressures</b></p> <p>The Council owns or part owns a number of arms-length companies who deliver services to or on behalf of the Council. These companies have been set up gradually over the last decade, for a variety of reasons, and are now responsible for delivering in excess of £70m of services each year.</p> <p>A number of different ownership models have been utilised but in all cases the Council retains some degree of financial risk in relation to each company's performance. Where the Council is the sole shareholder this risk is higher, where it acts in partnership with others the risk is shared.</p> <p>These risks can manifest directly, as pressures are reflected in increased contractual costs to the Council, or indirectly as the Council partially underwrites losses and pension deficits in the companies.</p> <p>Like the previous year, in 2022-23 the Council's exposure to losses being made within its companies remained high, partially due to the</p>	<p>The Council has always ensured it recognises any exposure to financial losses as a result of any shareholdings in Council owned companies. Regular reports are presented to Management Board on the performance and financial position of its companies and key information is included in the quarterly monitoring reports to Cabinet. The companies are also scrutinised through a dedicated scrutiny task group which reports to the CW&amp;C Overview and Scrutiny Committee.</p> <p>The main focus in 2022-23 has been on addressing the ongoing pressures experienced by the companies following Covid and increases in costs following the invasion of Ukraine. To illustrate, the cost of energy for Brio sites more than doubled during 2022-23, increasing costs by nearly £1.5m. Such pressures had a significant impact on Brio and Edsential, and both companies reported material losses. The Council works with these companies to help address these pressures and where necessary and viable support them</p> <p>The Council has agreed a recovery plan with Brio which will see the company take steps to reduce costs and grow income over the next two years, reducing net costs by £2.5m. These, alongside some Council investment, are expected to return Brio to a sustainable position by 2025-26. The Council will provide</p>



Issue	Action
<p>legacy of Covid but also due to the high levels of inflation in areas such as energy costs, food costs and pay. The squeeze on both costs and income has meant those companies that primarily depend on recovering costs from customers, Brio and Edsential, have faced increased risks and losses.</p> <p>This has been most evident in Brio, where underlying costs were more than £3m more than income in 2022-23. The Council has provided financial support to Brio to help mitigate those losses and ensure that services are sustained.</p>	<p>temporary financial support in the interim. The delivery of these plans remains a clear risk and progress will be closely monitored.</p> <p>Edsential faced pressures due to a drop in schools taking-up of residential placements during 2022-23, and high-cost inflation for food with impacts heavily on the school catering offer. While these factors are expected to be temporary, and demand for residential places in 2023-24 is improved, they demonstrate the fragility of the market for such services. The company has restructured services and renegotiated with suppliers to help mitigate these risks but still faces challenges going into 2023-24 and has had to raise prices to remain viable.</p> <p>In September 2021 the Council decided to return the activities provided through Vivo Care Choices back to be directly delivered by the Council. This transition took effect in April 2022 and Vivo has now been formally wound down. This transition process ran smoothly and did not expose the Council to any material risks/costs. The Council received a final dividend of £0.5m from the company on the completion of the wind-up process.</p> <p>The capital programme contains allocations to support refurbishment of its leisure assets and address the deteriorating fabric in key sites such as Northgate Arena. The main phase of work is due to be commence in the summer of 2023, subject to the final sign off of the business case for the scheme.</p> <p>The Council continues to review and develop its Company Strategy to ensure that it retains a clear view of why it holds interests in companies and what it seeks to achieve through them.</p> <p>The Council has strengthened governance at its wholly owned companies, building closer links between company Boards and the Council to ensure that strategic plans and priorities are joined up.</p>
<p><b>4. Climate Change</b></p>	<p>The Council has published two key plans that set out how it will mitigate climate risks. These are the Climate Emergency Response Plan, which sets out how the borough will be supported to achieve carbon neutrality by 2045, and the Carbon</p>

Issue	Action
<p>There is a risk that not rapidly progressing work to tackle the Climate Emergency will increase the degree of risk posed to residents' health, livelihoods and wellbeing, due to the impacts of climate change.</p> <p>As shown via the increasing frequency of extreme weather, the impacts of climate change are significant and disruptive, and they fall disproportionately on vulnerable communities.</p> <p>Climate risks are also closely linked to Air Quality issues, which are widely recognised as a key driver of health inequalities.</p> <p>If action is not accelerated in order to support the delivery of carbon neutrality and adaptation to the effects of climate change, this will also pose a risk to the Council's reputation, given the priority residents and partners place on responding to the climate emergency. Furthermore, given national legislative commitments to achieve carbon neutrality by 2050, in the long-term areas which do not demonstrate appropriate action may be subject to additional government scrutiny and intervention.</p>	<p>Management Plan, which sets out how the Council will achieve carbon neutrality by 2030. The Plans have been shaped by the cross-party Climate Emergency Taskforce, and were approved at Cabinet in February 2021, and are available to read at: <a href="https://www.cheshirewestandchester.gov.uk/your-council/councillors-and-committees/the-climate-emergency/the-climate-emergency.aspx">https://www.cheshirewestandchester.gov.uk/your-council/councillors-and-committees/the-climate-emergency/the-climate-emergency.aspx</a></p> <p>The Climate Emergency Response Plan contains 64 actions to reduce carbon emissions or adapt to the detrimental effects of climate change, that will be tracked between 2021-24. The Plan has been updated and a revised version presented to Cabinet in February 2023.</p> <p>A Climate Emergency Governance Board, chaired by the Deputy Chief Executive for Environment, Communities and Economy meets on a monthly basis to support the response.</p> <p>Transparency and communication has been central to the Climate Emergency Response. The Council issues a monthly Climate Emergency newsletter with more than 2,000 subscribers.</p> <p>There is a need to ensure that the Council's Climate Emergency response is aligned with the delivery of a sustainable and inclusive recovery from COVID-19. The Council is committed to the principles of green economic growth, active travel and green infrastructure, these principles will be central throughout the recovery process.</p>
<p><b>5. Cyber Threat and Business Continuity</b></p> <p>Following increased levels of threats to the public sector and the recognition by government for local authorities to focus and invest in cyber defence there is a risk that the Council has not sufficiently resourced its defences. Furthermore, that if such a critical incident occurs whether internal or external service delivery would be adversely affected if sufficient and comprehensive business continuity plans are not adequately adopted.</p>	<p>The Council infrastructure, networks and operating systems are compliant with the latest security standards, implementation of E5 security licencing and Microsoft defender is in place to offer proactive response to any threat. Additional security features such as SIEM, Zero Trust &amp; Air Gapping are being investigated.</p> <p>Ongoing training for users on how to be more cyber aware is in place. Testing and assessment of users understanding is being conducted through phishing campaigns planned throughout the year.</p>

Issue	Action
Services are reflecting on major risks and lessons learnt from the covid pandemic and making necessary updates to documented business continuity plans, there is however a need for continuous improvement to reflect global, national and local trends.	<p>The Council is actively monitoring the risk to business continuity through Management Board, Compliance and Assurance Board and Audit and Governance Committee. The Compliance and Assurance function ensure regular reviews and updates of risk registers and business continuity plans are conducted, with a clear route for escalation of risks to the Council-wide strategic risk register, if appropriate. Advice is provided by various support services to ensure services' business continuity plans include practical steps for establishing alternative service provision and managers are trained to ensure adoption when required.</p> <p>Regular one-to-one support is being offered by the Compliance and Assurance function within the Council to ensure services are well equipped with the right resources to complete their business continuity plans effectively.</p> <p>The Council has rolled out training through drop-in sessions and mandatory learning videos for senior managers to ensure continual improvement of business continuity plans and to ensure services are prepared to respond to critical incidents effectively.</p>

## Appendix B

**Issues raised in the previous Annual Governance Statement (2021-22) that are now considered lower risk**  
***(Action has been taken and / or the issue is no longer significant)***

Issue	Action
<p><b>1. Adult Social Care Funding Reforms</b></p> <p>On 7 September 2021, the Government set out its new plan for adult social care reform in England. This included a lifetime cap on the amount anyone in England will need to spend on their personal care, alongside a more generous means-test for local authority financial support – which are due to be implemented from October 2023.</p>	<p>The Council established a programme board to oversee the implementation of the reforms, with the Director of Adult Social Care as the Senior Responsible Officer (SRO) and Director of Finance as Deputy SRO. The programme included various workstreams to consider the financial, capacity / resource, technology implications of the reform as well</p>

Issue	Action
<p>These reforms will result in many more individuals being eligible for local authority funded support towards their eligible care needs, and many more people contacting the Council to request needs and financial assessments in order to count the cost of their care towards the cap. As a result, the cost and resource implications of these reforms will be significant, including additional care costs that the Council will incur, loss of income from client contributions and significant additional resource requirements, both to implement the reforms but also on an ongoing basis to meet the additional ongoing demand on both Adult Social Care and Client Finance arising as a result of the reforms. An independent review by the County Council Network suggests that nationally, the cost of reforms will be significantly more than the costs estimated by the Government, and therefore there is a risk that additional funding from the Government (nationally £5.4bn funded from the social care levy) will be insufficient to cover the additional costs incurred by local authorities. There is also a risk that given the current workforce capacity challenges facing adult social care and supporting services, it will be difficult secure the additional resource required.</p>	<p>as the communication and stakeholder engagement considerations and will work as a project team to implement the reforms.</p> <p>The intention was to undertake high level modelling to estimate the financial impact of the reforms for the Council, using methodology provided by the Local Government Association. The Council was also helping shape operational guidance associated with the reforms, through its membership of the North West Association of Directors of Adults Services (ADASS) charging reform task and finish group and engagement with other national or regional working groups.</p> <p>However, in November 2022 it was announced by the government that the proposed funding reforms would be delayed until October 2025. As such, this is not currently a live issue for the Council. Further details on the planned reforms, timing for implementation and implications for local government are expected to be confirmed by central government following the next general election, which is due by January 2025.</p>

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

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**Cheshire West and Chester Council**

**Supplementary Statements**

**Group Accounts**

## Cheshire West and Chester Council Group Accounts

### 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.

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

Group Comprehensive Income and Expenditure Statement	Page 52
Group Movement in Reserves Statement	Page 53
Group Balance Sheet	Page 55
Group Cash Flow Statement	Page 56
Notes to the group accounts:	
1. Overview	Page 57
2. Group accounting policies	Page 57
3. Reconciliation of Single Entity statements to Group statements	Page 59
4. Defined benefit pension schemes	Page 63

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



## Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2023

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

2021-22			Group CIES	2022-23		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
203,069	-42,443	160,626	Adults Directorate	215,694	-53,803	161,891
360,305	-266,732	93,573	Children's Directorate	391,739	-281,931	109,808
172,442	-63,610	108,832	Community, Environment & Economy Directorate	179,168	-72,413	106,755
113,933	-66,550	47,383	Corporate Services Directorate	105,858	-67,428	38,430
14,061	-23,261	-9,200	HRA	14,424	-23,695	-9,271
22,117	-40,308	-18,191	Other	14,027	-51,748	-37,721
247	0	247	Capital Financing	227	0	227
<b>886,174</b>	<b>-502,904</b>	<b>383,270</b>	<b>Cost of Services</b>	<b>921,137</b>	<b>-551,018</b>	<b>370,119</b>
4,625	-3,251	1,374	Other Operating Income & Expenditure	2,676	-339	2,337
33,631	-12,553	21,078	Financing & Investment Income and Expenditure	82,884	-21,707	61,177
21,128	-420,997	-399,869	Taxation & Non-Specific Grant Income & Expenditure	20,660	-355,515	-334,855
<b>945,558</b>	<b>-939,705</b>	<b>5,853</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>1,027,357</b>	<b>-928,579</b>	<b>98,778</b>
		6	Share of the SDPS by Joint Ventures and Associates (Profit)/Loss			-291
		0	Tax expenses of Joint Ventures and Associates			
		-498	Tax expenses of Subsidiaries			121
		<b>5,361</b>	<b>Group (Surplus)/Deficit</b>			<b>98,608</b>
		-26,350	Surplus on Revaluation of Assets			-60,530
		-403,961	Re-measurement (gain)/loss on pension assets/liabilities			-462,583
		0	(Surplus)/deficit on revaluation of available for sale assets			0
			Others			0
		1,337	Deferred tax on actuarial gains			0
		3	Share of Other Comprehensive Income & Expenditure of Associates			-20
		<b>-428,971</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>-523,133</b>
		<b>-423,610</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-424,525</b>

The group companies for year ending 31 March 2022 have been restated to recognise the audited accounts for those entities.

**Group Movement in Reserves Statement for the year ended 31 March 2023**

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.

Consolidated MIRS 2022-23	General Fund Balance £000	Sums held by Schools £000	Earmarked Reserves £000	Total General Fund £000	Housing Revenue Account £000	Capital Receipts Reserve £000	HRA Major Repairs Reserve £000	Capital grants Unapplied £000	Council's Usable Reserves £000	Council's Unusable Reserves £000	Total Reserves of the Council £000	Council's share of Group £000	Total Reserves £000
Balance at 31 March 2022	25,826	14,844	148,379	189,049	670	16,419	15,651	45,207	266,996	956,189	1,223,185	-16,565	1,206,620
Final Reserves Adjustment				0					0		0	-1,834	-1,834
Balance at 31 March 2022	25,826	14,844	148,379	189,049					266,996	956,189	1,223,185	-18,399	1,204,786
Surplus or (deficit) on provision of services	-85,950	0	0	-85,950	6,961	0	0	0	-78,989	0	-78,989	-19,619	-98,608
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	511,947	511,947	11,186	523,133
Total Comprehensive Income and Expenditure	-85,950	0	0	-85,950	6,961	0	0	0	-78,989	511,947	432,958	-8,433	424,525
* Adjustments between group accounts and the Council's accounts	-18,799	0	0	-18,799	0	0	0	0	-18,799	0	-18,799	18,799	0
Adjustments between accounting basis & funding basis under regulations	68,428	0	0	68,428	-6,868	-663	-6,086	2,144	56,955	-56,955	0	0	0
Net Increase/(Decrease) before transfers to Earmarked Reserves	-36,321	0	0	-36,321	93	-663	-6,086	2,144	-40,833	454,992	414,159	10,366	424,525
Transfer of group company to CW&C												13,722	13,722
Transfers (to)/from Earmarked Reserves	37,396	-3,471	-33,856	69	-69				0	0	0	0	0
Increase/(Decrease) in Year	1,075	-3,471	-33,856	-36,252	24	-663	-6,086	2,144	-40,833	454,992	414,159	24,088	438,247
Balance at 31 March 2023	26,901	11,373	114,523	152,797	694	15,756	9,565	47,351	226,163	1,411,181	1,637,344	5,689	1,643,033

The Group Reserves of £5.689m above are made up of usable reserves of 5.544 and unusable reserves of £0.145m.

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

**Group Movement in Reserves Statement 2021-22 Comparative figures**

This schedule shows the movement in reserves for the comparative financial year 2021-22.

Consolidated MIRS 2021-22	General Fund Balance	Sums held by Schools	Earmarked Reserves	Total General Fund	Housing Revenue Account	Capital Receipts Reserve	HRA Major Repairs Reserve	Capital grants Unapplied	Council's Usable Reserves	Council's Unusable Reserves	Total Reserves of the Council	Council's share of Group Company	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2021	24,726	15,505	183,451	223,682	663	12,306	16,727	24,616	277,994	527,882	805,876	-23,534	782,342
Final Reserves Adjustment				0					0		0	667	667
Balance at 31 March 2021	24,726	15,505	183,451	223,682					277,994	527,882	805,876	-22,867	783,009
Surplus or (deficit) on provision of services	20,204	0	0	20,204	6,922	0	0	0	27,126	0	27,126	-32,486	-5,360
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	418,637	418,637	10,334	428,971
<b>Total Comprehensive Income and Expenditure</b>	<b>20,204</b>	<b>0</b>	<b>0</b>	<b>20,204</b>	<b>6,922</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27,126</b>	<b>418,637</b>	<b>445,763</b>	<b>-22,152</b>	<b>423,611</b>
* Adjustments between group accounts and the Council's accounts	-28,454	0	0	-28,454	0	0	0	0	-28,454	0	-28,454	28,454	0
Adjustments between accounting basis & funding basis under regulations	-26,452	0	0	-26,452	-6,846	4,113	-1,076	20,591	-9,670	9,670	0	0	0
<b>Net Increase/(Decrease) before transfers to Earmarked Reserves</b>	<b>-34,702</b>	<b>0</b>	<b>0</b>	<b>-34,702</b>	<b>76</b>	<b>4,113</b>	<b>-1,076</b>	<b>20,591</b>	<b>-10,998</b>	<b>428,307</b>	<b>417,309</b>	<b>6,302</b>	<b>423,611</b>
Transfers (to)/from Earmarked Reserves	35,802	-661	-35,072	69	-69	0	0	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>	<b>1,100</b>	<b>-661</b>	<b>-35,072</b>	<b>-34,633</b>	<b>7</b>	<b>4,113</b>	<b>-1,076</b>	<b>20,591</b>	<b>-10,998</b>	<b>428,307</b>	<b>417,309</b>	<b>6,302</b>	<b>423,611</b>
Balance at 31 March 2022	25,826	14,844	148,379	189,049	670	16,419	15,651	45,207	266,996	956,189	1,223,185	-16,565	1,206,620

The Group Reserves of -£16.565m above are made up of usable reserves of £16.690m and unusable reserves of £0.125m.

**Group Balance Sheet as at 31 March 2023**

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

<b>Group Balance Sheet</b>	<b>31 March 2023 £000</b>	<b>31 March 2022 £000</b>
<b>Non-Current Assets</b>		
- Property, Plant and Equipment	1,529,705	1,491,982
- Heritage Assets	29,549	29,761
- Investment Properties	147,316	138,052
- Intangible Assets	7,445	8,784
Long Term Investments	8,279	9,414
Pension Fund Asset	248,112	0
Investments in Associates	586	275
Deferred Taxation Asset	0	0
Long Term Debtors	21,450	23,613
<b>Long Term Assets</b>	<b>1,992,442</b>	<b>1,701,881</b>
Short Term Investments	10,800	28,300
Assets held for Sale	7,138	6,188
Current Intangible Assets	0	0
Inventories	135	530
Short Term Debtors	86,885	67,426
Cash and Cash Equivalents	95,945	121,473
<b>Current Assets</b>	<b>200,903</b>	<b>223,917</b>
Short Term Borrowing	-23,865	-30,719
Short Term Creditors	-208,467	-192,923
Provisions < 1 yr	-809	-1,125
<b>Current Liabilities</b>	<b>-233,141</b>	<b>-224,767</b>
Provisions	-24,952	-26,408
Long Term Borrowing	-237,677	-244,189
Pension Fund Liability	0	-175,579
Other Long Term Liabilities	-22,278	-24,013
Capital Grant Receipts in Advance	-32,264	-24,222
<b>Long Term Liabilities</b>	<b>-317,171</b>	<b>-494,411</b>
<b>Net Assets</b>	<b>1,643,033</b>	<b>1,206,620</b>
Usable Reserves	231,707	250,306
Unusable Reserves	1,411,326	956,314
<b>Total Reserves</b>	<b>1,643,033</b>	<b>1,206,620</b>

The group companies for year ending 31 March 2022 have been restated to recognise the audited accounts for those entities and are as stated in last year's CW&C Group accounts.

**Group Cash Flow Statement for the year ended 31 March 2023**

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.

<b>Group Cash Flow</b>	<b>31 March 2023 £000</b>	<b>31 March 2022 £000</b>
Net (surplus) or deficit on the provision of services	98,778	5,321
Adjust net surplus or deficit on the provision of services for non cash	-134,887	-141,412
Adjust for items included in the net surplus or deficit on the provision of	51,642	22,419
Net cash flows from Operating Activities	<b>15,533</b>	<b>-113,672</b>
Investing Activities	15,781	58,254
Financing Activities	-5,786	23,338
<b>Net increase in cash and cash equivalents</b>	<b>25,528</b>	<b>-32,080</b>
Cash and cash equivalents at the beginning of the reporting period	121,473	89,393
Cash and cash equivalents at the end of the reporting period	95,945	121,473
<b>Net increase in cash and cash equivalents</b>	<b>25,528</b>	<b>-32,080</b>

The group companies for year ending 31 March 2022 have been restated to recognise the audited accounts for those entities.

**Notes to the group core financial statements****Group Audit Costs for the year ended 31 March 2023**

<b>Fees Payable for Audit Work</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Fees payable for external audit services in regards to Cheshire West and Chester Council	204	204
Fees payable for external audit services in regards to certification of grant claims and other services for Cheshire West and Chester Council	34	34
Fees payable for external audit services in regards to subsidiary companies in group	26	24
<b>Total</b>	<b>264</b>	<b>262</b>

Group Audit Costs for subsidiary companies consolidated on a line by line basis. Details for the Council are in Note 34 of the Single Entity accounts.

## 1. Overview

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 Council 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.

### The Group

The relevant accounting standards have been applied in determining which organisations are included in the group boundary. The extent of the Council's interest and control over the entity was considered as was the materiality of the financial impact on the Council's group accounts and the transparency of less material entities to allow the reader to understand the Group's consolidated position. 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 2022-23 group accounts are Cheshire West and Chester Leisure CIC (Brio Leisure) and Cheshire West Recycling (CWR). Vivo ceased trading on 31 March 2022 and was dissolved 1st August 2023.
- **Joint Ventures** – where the Council and another party exercise joint control over an entity. Edsential CIC is the only Joint Venture included in the group financial statements.
- **Joint Operations** – A joint operation is where the Council and another party have joint control of an arrangement and has rights to the assets and obligations for the liabilities relating to the arrangement; these operations are not included in the group accounts. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. CoWest Ltd trading as QWest is treated as a joint operation, this company is jointly controlled with Engie Plc.
- **Associates** – where the Council exercises a significant influence and has a participating interest. Avenue Services is the only Associate company included in the 2022-23 group accounts.

The Council has business interests in 17 organisations and these 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 Related Parties note Council's single entity accounts (Note 37).

## 2. Accounting policies

The group accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2022-23 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, these can be found in



Note 1 of the Chester West and Chester 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 (FRS102 rather than IAS19) 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.

**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.

**Company losses Accounting Treatment**

In prior year's pension deficits have been the main contributor to the loss and these are included in the group accounts. In 2022-23 all group companies are reporting a pension surplus as a result of the Pension Fund triennial review. The Council offers Pension guarantees to some of its group companies that means it would, under specified circumstances, fund the pension obligations.

Edsential CIC reported losses in the 2021-22. These losses were treated in accordance with IAS 28, which states where the losses reduce the carrying amount to zero deductions are suspended, therefore the Edsential CIC losses were excluded from the consolidated group accounts for 2021-22. For 2022-23 a profit has been made due to the pension increase as a result of the triennial review. The increase in value has been recognised in the consolidated group accounts for 2022-23.

**Non-Consolidated Members**

See Notes 4 and 37 of the Council's Accounts.

### 3. Reconciliation of the Council's 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.

#### Group CIES by Entity type for the year ended 31 March 2023

	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Intra-group transactions £000	Group Results £000
Adults Directorate	161,838	53			161,891
Children's Directorate	109,808				109,808
Places Directorate	105,798	-17,842		18,799	106,755
Corporate Services Directorate	38,430				38,430
HRA	-9,271				-9,271
Other	-37,721				-37,721
Capital Financing	227				227
<b>Cost of Services</b>	<b>369,109</b>	<b>-17,789</b>	<b>0</b>	<b>0</b>	<b>370,119</b>
Other Operating Income & Expenditure	2,676	-339			2,337
Financing & Investment Income and Expenditure	60,858	319			61,177
Taxation & Non-Specific Grant Income & Expenditure	-334,855				-334,855
<b>Surplus/Deficit on Provision of Services</b>	<b>97,788</b>	<b>-17,809</b>	<b>0</b>	<b>0</b>	<b>98,778</b>
Share of the SDPS by Joint Ventures and Associates (-Profit/Loss)			-291		-291
Tax expenses of Joint Ventures and Associates			0		0
Tax expenses of Subsidiaries		121			121
<b>Group (Surplus)/Deficit</b>	<b>97,788</b>	<b>-17,688</b>	<b>-291</b>	<b>0</b>	<b>98,608</b>
Surplus on Revaluation of Assets	-60,752	222			-60,530
Re-measurement Gain/-loss on pension assets/liabilities	-451,195	-11,388			-462,583
Share of Other Comprehensive Income & Expenditure of Associates			-20		-20
Share of the CIES of Joint Ventures			0		0
<b>Other Comprehensive Income &amp; Expenditure</b>	<b>-511,947</b>	<b>-11,166</b>	<b>-20</b>	<b>0</b>	<b>-523,133</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>-414,159</b>	<b>-28,854</b>	<b>-311</b>	<b>0</b>	<b>-424,525</b>

**Group Expenditure and Funding Analysis for the year ended 31 March 2023**

This schedule shows how expenditure is allocated for decision making purposes between the Council's directorates Income and Expenditure.

Expenditure and Funding Analysis	2022-23						
	Outturn Reported to Management	Total adjustments to Outturn position	Net Expenditure Chargeable to the General	Adjustments between the Funding and Accounting	Net Expenditure in the CIES	Net Expenditure in the CIES Subsidiaries	Net Expenditure in the CIES Group Total
	£000	£000	£000	£000	£000	£000	£000
Adults Directorate	150,600	2,936	153,536	8,302	161,838	53	161,891
Children's Directorate	78,400	4,535	82,935	26,873	109,808	0	109,808
Community, Environment, & Economy Directorate	68,500	4,304	72,804	32,994	105,798	957	106,755
Corporate Services Directorate	31,100	-734	30,366	8,064	38,430		38,430
HRA	0	-13,473	-13,473	4,202	-9,271		-9,271
Central Services	16,100	-59,604	-43,504	5,783	-37,721		-37,721
Capital Financing	0	227	227	0	227		227
<b>Net Cost of Services</b>	<b>344,700</b>	<b>-61,809</b>	<b>282,891</b>	<b>86,218</b>	<b>369,109</b>	<b>1,010</b>	<b>370,119</b>
Other Income and Expenditure	-346,200	99,537	-246,663	-24,658	-271,321	-20	-271,341
Joint Ventures and Associates					0	-291	-291
Tax expenses of Subsidiaries					0	121	121
<b>(Surplus)/Deficit on Provision of Services</b>	<b>-1,500</b>	<b>37,728</b>	<b>36,228</b>	<b>61,560</b>	<b>97,788</b>	<b>820</b>	<b>98,608</b>
Opening General Fund and HRA Balances at 31 March 2022			-189,719				
Add Surplus on General Fund and HRA Balance in Year			36,228				
<b>Closing General Fund and HRA Balances at 31 March 2023</b>			<b>-153,491</b>				

## Movement in Reserves Statement as at 31 March 2023

Cheshire West and Chester Council Group 2022-23	Usable Reserves						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	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Group Total £000	£000
<b>Balance at 31 March 2022</b>	<b>266,996</b>	<b>0</b>	<b>266,996</b>	<b>-16,840</b>	<b>150</b>	<b>250,306</b>	<b>956,189</b>		<b>125</b>	<b>956,314</b>	<b>1,206,620</b>
Final Balance Adjustment			0	-1,834	0	-1,834				0	-1,834
<b>Balance at 31 March 2022</b>	<b>266,996</b>		<b>266,996</b>	<b>-18,674</b>	<b>150</b>	<b>248,472</b>	<b>956,189</b>		<b>125</b>	<b>956,314</b>	<b>1,204,786</b>
Surplus or (deficit) on provision of services (accounting basis)	-97,788	18,799	-78,989	-19,910	291	-98,608	0	0	0	0	-98,608
Other Comprehensive Expenditure and Income			0	11,166		11,166	511,947		20	511,967	523,133
<b>Total Comprehensive Expenditure and Income</b>	<b>-97,788</b>	<b>18,799</b>	<b>-78,989</b>	<b>-8,744</b>	<b>291</b>	<b>-87,442</b>	<b>511,947</b>	<b>0</b>	<b>20</b>	<b>511,967</b>	<b>424,525</b>
Adjustments between group accounts and Council's accounts		-18,799	-18,799	18,799		0		0	0	0	0
Adjustments between accounting basis & funding basis under regulations	56,955		56,955	0	0	56,955	-56,955			-56,955	0
Transfer of group company to CW&C				13,722		13,722					13,722
<b>Increase / (Decrease) in Year</b>	<b>-40,833</b>	<b>0</b>	<b>-40,833</b>	<b>23,777</b>	<b>291</b>	<b>-16,765</b>	<b>454,992</b>	<b>0</b>	<b>20</b>	<b>455,012</b>	<b>438,247</b>
<b>Balance at 31 March 2023</b>	<b>226,163</b>	<b>0</b>	<b>226,163</b>	<b>5,103</b>	<b>441</b>	<b>231,707</b>	<b>1,411,181</b>	<b>0</b>	<b>145</b>	<b>1,411,326</b>	<b>1,643,033</b>

**Balance Sheet as at 31 March 2023**

Group Balance Sheet by Entity type as at 31 March 2023	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Intra-group transactions £000	Group Results £000
Non-Current Assets	1,705,528	1,042			1,706,570
Intangible Assets	7,445	0			7,445
Long Term Investments	8,279	0			8,279
Pension Fund Asset	243,454	4,658			248,112
Investments in Associates	0	0	586		586
Deferred Taxation Asset	0	0			0
Long Term Debtors	21,450	0			21,450
<b>Long Term Assets</b>	<b>1,986,156</b>	<b>5,700</b>	<b>586</b>	<b>0</b>	<b>1,992,442</b>
Short Term Investments	10,800	0			10,800
Assets held for Sale	7,138	0			7,138
Current Intangible Assets	0	0			0
Inventories	79	56			135
Short Term Debtors	86,159	1,664		-938	86,885
Cash and Cash Equivalents	92,497	3,448			95,945
<b>Current Assets</b>	<b>196,673</b>	<b>5,168</b>	<b>0</b>	<b>-938</b>	<b>200,903</b>
Short Term Borrowing	-23,865	0			-23,865
Short Term Creditors	-204,005	-5,400		938	-208,467
Provisions < 1 yr	-809	0			-809
<b>Current Liabilities</b>	<b>-228,679</b>	<b>-5,400</b>	<b>0</b>	<b>938</b>	<b>-233,141</b>
Provisions	-24,952	0			-24,952
Long Term Borrowing	-237,677	0			-237,677
Pension Fund Liability	0	0			0
Other Long Term Liabilities	-21,913	-365			-22,278
Capital Grant Receipts in Advance	-32,264	0			-32,264
<b>Long Term Liabilities</b>	<b>-316,806</b>	<b>-365</b>	<b>0</b>	<b>0</b>	<b>-317,171</b>
<b>Net Assets</b>	<b>1,637,344</b>	<b>5,103</b>	<b>586</b>	<b>0</b>	<b>1,643,033</b>
Usable Reserves	226,163	5,103	441		231,707
Unusable Reserves	1,411,181		145		1,411,326
<b>Total Reserves</b>	<b>1,637,344</b>	<b>5,103</b>	<b>586</b>	<b>0</b>	<b>1,643,033</b>

The Pension Asset of £248.1m does not include any IAS19 assets for Joint Ventures of £1.6m.

**Cash Flow Statement for the year ended 31 March 2023**

Group Cash Flow by Entity type 2022-23	Council Single Entity £000	Subsidiaries £000	Intra-group transactions £000	Group Results £000
Net cash flows from Operating Activities	16,764	-1,231		15,533
Investing Activities	15,272	509		15,781
Financing Activities	-5,786			-5,786
<b>Net increase in cash and cash equivalents</b>	<b>26,250</b>	<b>-722</b>	<b>0</b>	<b>25,528</b>
Cash and cash equivalents at the beginning of the reporting period	118,747	2,726		121,473
Cash and cash equivalents at the end of the reporting period	92,497	3,448		95,945
<b>Net increase in cash and cash equivalents</b>	<b>26,250</b>	<b>-722</b>	<b>0</b>	<b>25,528</b>

#### 4. Defined benefit pension schemes

The following transactions have been included in the Group Comprehensive Income and Expenditure Statement, and the General Fund Balance through the Group Movement in Reserves Statement.

Group Pension CIES and MIRS	←-----LGPS-----→				Group	Teachers Unfunded 2022-23	LGPS Unfunded 2022-23	Total 2022-23
	CW&C £000	Vivo £000	Brio Leisure £000	CWR £000				
<b>Comprehensive Income and Expenditure Statement</b>								
Service cost comprising:								
Current service cost	66,182		2,394	272	68,848			68,848
Past service costs and curtailments	637		0	0	637			637
(Gain) from settlements	-2,305		0	0	-2,305			-2,305
<b>Financing and Investment Income and Expenditure</b>								
Net Interest Cost	4,545		182	15	4,742	464	27	5,233
Total post-employment benefits charged to Surplus or Deficit on the Provision of Services (SDPS)	69,059	0	2,576	287	71,922	464	27	72,413
Other post-employment benefits charged to the CIES								
Remeasurement of the net defined benefit liability comprising:								
Return on plan assets (excluding the amount included in the net interest expense)	226,928		2,655	618	230,201	0	0	230,201
Actuarial Gains / Losses arising on changes in demographic assumptions	-13,579	1,385	-744	-207	-13,145	-208	-118	-13,471
Actuarial Gains / Losses arising on changes in financial assumptions	-786,251		-13,785	-2,259	-802,295	-2,711	-73	-805,079
Other experience	123,741		1,313	-364	124,690	957	119	125,766
<b>Total post-employment benefit charged to the CIES</b>	<b>-380,102</b>	<b>1,385</b>	<b>-7,985</b>	<b>-1,925</b>	<b>-388,627</b>	<b>-1,498</b>	<b>-45</b>	<b>-390,170</b>
<b>Movement in Reserves Statement</b>								
Reversal of net charges made to the SDPS for post-employment	-69,059	0	-2,576	-287	-71,922	-464	-27	-72,413
Actual amount charged against the General Fund								
Employers' contributions	32,503	0	1,100	128	33,731	1,503	122	35,356
Retirement Benefits Payable	0	0						
Effect of business combinations and disposals	-14,304	14,304						

#### Pensions and Liabilities Recognised in the Balance Sheet

Pensions and Liabilities in the Group Balance Sheet	CW&C	Vivo	Brio Leisure	CWR	LGPS Group	Teachers Unfunded	LGPS Unfunded	Total
	2022-23 £000	2022-23 £000	2022-23 £000	2022-23 £000	2022-23 £000	2022-23 £000	2022-23 £000	2022-23 £000
Present value of obligations	-1,526,515	0	-17,805	-3,554	-1,547,874	-14,923	-906	-1,563,703
Fair value of plan assets	1,785,798	0	20,906	5,111	1,811,815	0	0	1,811,815
<b>Net Pension Liability</b>	<b>259,283</b>	<b>0</b>	<b>3,101</b>	<b>1,557</b>	<b>263,941</b>	<b>-14,923</b>	<b>-906</b>	<b>248,112</b>



## Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities	<----- LGPS ----->					Teachers	LGPS	Total
	CW&C £000	Vivo £000	Brio Leisure £000	CWR £000	Group £000	Unfunded 2022-23 £000	Unfunded 2022-23 £000	2022-23 £000
Opening Balance	2,069,896	55,376	28,050	6,027	2,159,349	17,924	1,073	2,178,346
Adjustments Note 1	0	0	0	0	0	0	0	0
Adjusted Opening Balance	2,069,896	55,376	28,050	6,027	2,159,349	17,924	1,073	2,178,346
Current Service Costs	66,182	0	2,394	272	68,848	0	0	68,848
Interest Cost	57,576	0	805	169	58,550	464	27	59,041
Contribution by Scheme Members	9,013	0	330	40	9,383	0	0	9,383
Remeasurement (gains) and losses:					0			
Actuarial gains/losses arising from changes in demographic assumptions	-13,579	1,385	-744	-207	-13,145	-208	-118	-13,471
Actuarial (gains)/losses arising from changes in financial assumptions	-786,251	0	-13,785	-2,259	-802,295	-2,711	-73	-805,079
Other experience	123,741	0	950	-452	124,239	957	119	125,315
Benefits Paid	-52,175	0	-195	-36	-52,406	-1,503	-122	-54,031
Past Service Costs & curtailments	637	0	0		637	0	0	637
Liabilities Extinguished on Settlement	-5,286	0	0		-5,286	0	0	-5,286
Effect of Business combinations and disposals	56,761	-56,761	0	0	0			0
Closing balance at 31 March 2023	1,526,515	0	17,805	3,554	1,547,874	14,923	906	1,563,703
Movement in Fair Value of Assets	<----- LGPS ----->					Teachers	LGPS	Total
	CW&C £000	Vivo £000	Brio Leisure £000	CWR £000	Group £000	Unfunded 2022-23 £000	Unfunded 2022-23 £000	2022-23 £000
Opening Balance	1,930,878	42,457	22,066	5,531	2,000,932	0	0	2,000,932
Actuaries Adjustment - Estimated to Final	0	0	0	0	0	0	0	0
Adjusted Opening Balance	1,930,878	42,457	22,066	5,531	2,000,932	0	0	2,000,932
Interest income	53,031	0	623	154	53,808	0	0	53,808
Remeasurement (gains) and losses:						0	0	
Return on plan assets, excluding the amounts included in net interest	-226,928	0	-2,655	-618	-230,201	0	0	-230,201
Other Experience	0		-363	-88	-451	0	0	-451
Employer Contributions	32,503	0	1,100	128	33,731	0	0	33,731
Contribution by scheme members	9,013	0	330	40	9,383	0	0	9,383
Contributions - unfunded benefits						1,503	122	1,625
Benefits paid	-52,175	0	-195	-36	-52,406	0	0	-52,406
Unfunded benefits paid					0	-1,503	-122	-1,625
Effect of Business combinations and disposals	42,457	-42,457	0	0	0	0	0	
Assets distributed on Settlement	-2,981	0	0	0	-2,981	0	0	-2,981
Closing balance at 31 March 2023	1,785,798	0	20,906	5,111	1,811,815	0	0	1,811,815
Total Surplus/Deficit	259,283	0	3,101	1,557	263,941	-14,923	-906	248,112
Deferred Taxation on losses								0
Net liability at 31 March 2023	259,283	0	3,101	1,557	263,941	-14,923	-906	248,112

## Local Government Pension Scheme Assets

Group Pension Scheme assets	Quoted Prices in active markets	Quoted Prices not in active markets	Total	Share of Total Assets	Quoted Prices in active markets	Quoted Prices not in active markets	Total
	2022-23 £000	2022-23 £000	2022-23 £000		2021-22 £000	2021-22 £000	2021-22 £000
<b>Cash &amp; Cash Equivalents</b>		79,833	<b>79,833</b>	<b>4.4%</b>		118,699	<b>118,699</b>
<b>Equity Securities:</b>							
By industry type:							
Consumer	8,202		8,202	<b>0.4%</b>	29,931		29,931
Manufacturing	8,376		8,376	<b>0.5%</b>	25,001		25,001
Energy and Utilities	0		0	<b>0.0%</b>	1,446		1,446
Financial Institutions	0		0	<b>0.0%</b>	13,359		13,359
Health and Care	2,841		2,841	<b>0.2%</b>	11,830		11,830
IT	46,599		46,599	<b>2.6%</b>	107,921		107,921
Other	5,899		5,899	<b>0.3%</b>	15,900		15,900
	<b>71,917</b>	<b>0</b>	<b>71,917</b>	<b>4.0%</b>	<b>205,388</b>	<b>0</b>	<b>205,388</b>
<b>Private equity:</b>		126,280	<b>126,280</b>	<b>7.0%</b>		99,417	<b>99,417</b>
<b>Real Estate:</b>							
UK		150,950	150,950	<b>8.3%</b>	0	139,102	139,102
Overseas		2,398	2,398	<b>0.1%</b>	0	2,313	2,313
	<b>0</b>	<b>153,348</b>	<b>153,348</b>	<b>8.4%</b>	<b>0</b>	<b>141,415</b>	<b>141,415</b>
<b>Investment funds and unit</b>							
Equities	535,475	0	535,475	<b>29.6%</b>	412,522	0	412,522
Bonds	432,173	204,669	636,842	<b>35.1%</b>	615,921	214,603	830,524
Hedge Funds		120,324	120,324	<b>6.6%</b>	0	117,065	117,065
Infrastructure		11,969	11,969	<b>0.7%</b>		241	241
Other		75,827	75,827	<b>4.2%</b>	0	75,661	75,661
	<b>967,648</b>	<b>412,789</b>	<b>1,380,437</b>	<b>76.2%</b>	<b>1,028,443</b>	<b>407,570</b>	<b>1,436,013</b>
<b>Total Assets</b>	<b>1,039,565</b>	<b>772,250</b>	<b>1,811,815</b>	<b>100.0%</b>	<b>1,233,831</b>	<b>767,101</b>	<b>2,000,932</b>

**The principal assumptions used by the actuary have been:**

The estimation is assessed on an actuarial basis by Hymans for all group companies.

Actuarial assumptions	LGPS 2022-23	LGPS 2021-22
<b>Financial Assumptions</b>		
Rate of increase in salaries	3.7%	3.9%
Rate of increase in pensions	3.0%	3.2%
<b>Discount rate used</b>		
Rate used to Discount liabilities	4.8%	2.7%
<b>Demographic Mortality Assumptions</b>		
Longevity at 65 for current pensioners		
Men	21.6	21.3
Women	24.2	24.0
Longevity at 65 for future pensioners		
Men	22.8	22.2
Women	26.1	25.5

Sensitivity analysis - impact on the defined benefit obligation in the scheme	Increase in assumption	Increase in assumption	Increase in assumption	Decrease in assumption	Decrease in assumption	Decrease in assumption
	LGPS £000	Teachers Unfunded £000	LGPS Unfunded £000	LGPS £000	Teachers Unfunded £000	LGPS Unfunded £000
Longevity (change by 1 year)	61,061			-61,061		
Salary inflation (change by 0.1%)	2,667			-2,667		
Pension inflation (change by 0.1%)	23,848	274	13	-23,848	-274	-13
Discount rate (change by 0.1%)	26,127	274	13	-26,127	-274	-13

Liability split	CW&C	Vivo	Brio	CWR
	Liability Split %	Liability Split %	Liability Split %	Liability Split %
Active members	31.9%	0.0%	68.8%	76.8%
Deferred members	18.2%	0.0%	14.3%	3.8%
Pensioner members	49.9%	0.0%	16.9%	19.4%
<b>Total</b>	100.0%	0.0%	100.0%	100.0%

The average duration of the employer's funded liabilities are as follows:

Cheshire West and Chester Council – 19 years

Brio Leisure – 24 years

Cheshire West Recycling – 21 years

**Cheshire West and Chester Council**  
**Financial Statements**

## Comprehensive Income and Expenditure Statement (CIES) for the year ended 31 March 2023

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, which may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (Note 2) and the Movement in Reserves Statement.

2021-22			Comprehensive Income and Expenditure Account	2022-23		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
199,394	-41,345	158,049	Adults Directorate	215,561	-53,723	161,838
360,305	-266,732	93,573	Children's Directorate	391,739	-281,931	109,808
155,816	-51,127	104,689	Community, Environment & Economy Directorate	165,982	-60,184	105,798
113,933	-66,550	47,383	Corporate Services	105,858	-67,428	38,430
14,061	-23,261	-9,200	HRA	14,424	-23,695	-9,271
22,117	-40,308	-18,191	Other	14,027	-51,748	-37,721
247	0	247	Capital Financing	227	0	227
<b>865,873</b>	<b>-489,323</b>	<b>376,550</b>	<b>Cost of Services</b>	<b>907,818</b>	<b>-538,709</b>	<b>369,109</b>
4,625	-332	4,293	Other Operating Income & Expenditure (Note 11)	2,676	0	2,676
32,906	-12,552	20,354	Financing & Investment Income and Expenditure (Note 12)	82,481	-21,623	60,858
21,128	-420,997	-399,869	Taxation & Non-Specific Grant Income and Expenditure (Note 13)	20,660	-355,515	-334,855
<b>924,532</b>	<b>-923,204</b>	<b>1,328</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>1,013,635</b>	<b>-915,847</b>	<b>97,788</b>
		-26,471	Surplus on Revaluation of Assets			-60,752
		-392,166	Remeasurement of the pension liability / (asset)			-451,195
		<b>-418,637</b>	<b>Other Comprehensive Income &amp; Expenditure (Note 14)</b>			<b>-511,947</b>
		<b>-417,309</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-414,159</b>

**Movement in Reserves Statement for the year ended 31 March 2023**

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.

Movement in reserves statement	General Fund Balance £000	Sums held by Schools £000	Earmarked Reserves £000	Total General Fund £000	Housing Revenue Account £000	Capital Receipts Reserve £000	HRA Major Repairs £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Opening Balance at 1st April 2022</b>	<b>25,826</b>	<b>14,844</b>	<b>148,379</b>	<b>189,049</b>	<b>670</b>	<b>16,419</b>	<b>15,651</b>	<b>45,207</b>	<b>266,996</b>	<b>956,189</b>	<b>1,223,185</b>
Surplus or (deficit) on provision of services	-104,749			-104,749	6,961				-97,788		-97,788
Other Comprehensive Income and Expenditure (Note 14)										511,947	511,947
<b>Total Comprehensive Income and Expenditure</b>	<b>-104,749</b>	<b>0</b>	<b>0</b>	<b>-104,749</b>	<b>6,961</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-97,788</b>	<b>511,947</b>	<b>414,159</b>
Adjustments between accounting basis & funding basis under regulations (Note 8)	68,428			68,428	-6,868	-663	-6,086	2,144	56,955	-56,955	0
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>-36,321</b>	<b>0</b>	<b>0</b>	<b>-36,321</b>	<b>93</b>	<b>-663</b>	<b>-6,086</b>	<b>2,144</b>	<b>-40,833</b>	<b>454,992</b>	<b>414,159</b>
Transfers to / from Earmarked Reserves	37,396	-3,471	-33,856	69	-69				0		0
Increase / (Decrease) in Year	1,075	-3,471	-33,856	-36,252	24	-663	-6,086	2,144	-40,833	454,992	414,159
<b>Balance at 31 March 2023</b>	<b>26,901</b>	<b>11,373</b>	<b>114,523</b>	<b>152,797</b>	<b>694</b>	<b>15,756</b>	<b>9,565</b>	<b>47,351</b>	<b>226,163</b>	<b>1,411,181</b>	<b>1,637,344</b>

## 2021-22 Comparative figures

Movement in reserves statement	General Fund Balance £000	Sums held by Schools £000	Earmarked Reserves £000	Total General Fund £000	Housing Revenue Account £000	Capital Receipts Reserve £000	HRA Major Repairs £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Opening Balance at 1st April 2021	24,726	15,505	183,451	223,682	663	12,306	16,727	24,616	277,994	527,882	805,876
Surplus or (deficit) on provision of services	-8,250			-8,250	6,922				-1,328		-1,328
Other Comprehensive Income and Expenditure (Note 14)										418,637	418,637
<b>Total Comprehensive Income and Expenditure</b>	<b>-8,250</b>	<b>0</b>	<b>0</b>	<b>-8,250</b>	<b>6,922</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,328</b>	<b>418,637</b>	<b>417,309</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations (Note 8)</b>	<b>-26,452</b>			<b>-26,452</b>	<b>-6,846</b>	<b>4,113</b>	<b>-1,076</b>	<b>20,591</b>	<b>-9,670</b>	<b>9,670</b>	<b>0</b>
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>-34,702</b>	<b>0</b>	<b>0</b>	<b>-34,702</b>	<b>76</b>	<b>4,113</b>	<b>-1,076</b>	<b>20,591</b>	<b>-10,998</b>	<b>428,307</b>	<b>417,309</b>
Transfers to / from Earmarked Reserves	35,802	-661	-35,072	69	-69						
Increase / (Decrease) in Year	1,100	-661	-35,072	-34,633	7	4,113	-1,076	20,591	-10,998	428,307	417,309
<b>Balance at 31 March 2022</b>	<b>25,826</b>	<b>14,844</b>	<b>148,379</b>	<b>189,049</b>	<b>670</b>	<b>16,419</b>	<b>15,651</b>	<b>45,207</b>	<b>266,996</b>	<b>956,189</b>	<b>1,223,185</b>



**Balance Sheet as at 31 March 2023**

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'.

Balance Sheet	Note	31 March 2023 £000	31 March 2022 £000
<b>Non-Current Assets</b>			
- Property, Plant and Equipment	15	1,528,663	1,490,447
- Heritage Assets	16	29,549	29,761
- Investment Properties	17	147,316	138,052
- Intangible Assets	18	7,445	8,784
Long Term Investments	20	8,279	9,414
Pension Fund Asset	44	243,454	0
Long Term Debtors	20	21,450	23,613
<b>Long Term Assets</b>		<b>1,986,156</b>	<b>1,700,071</b>
Short Term Investments	20	10,800	28,300
Assets held for Sale	19	7,138	6,188
Inventories		79	114
Short Term Debtors	21	86,159	64,117
Cash and Cash Equivalents	22	92,497	118,747
<b>Current Assets</b>		<b>196,673</b>	<b>217,466</b>
Short Term Borrowing	20	-23,865	-30,719
Short Term Creditors	23	-204,005	-187,314
Provisions < 1 yr	24	-809	-1,125
<b>Current Liabilities</b>		<b>-228,679</b>	<b>-219,158</b>
Provisions	24	-24,952	-26,408
Long Term Borrowing	20	-237,677	-243,239
Pension Fund Liability	44	0	-158,015
Other Long Term Liabilities	20	-21,913	-23,310
Capital Grant Receipts in Advance	36	-32,264	-24,222
<b>Long Term Liabilities</b>		<b>-316,806</b>	<b>-475,194</b>
<b>Net Assets</b>		<b>1,637,344</b>	<b>1,223,185</b>
Usable Reserves	25	226,163	266,996
Unusable Reserves	26	1,411,181	956,189
<b>Total Reserves</b>		<b>1,637,344</b>	<b>1,223,185</b>

**Cash Flow Statement for the year ended 31 March 2023**

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.

<b>Cash Flow Statement</b>	<b>31 March 2023 £000</b>	<b>31 March 2022 £000</b>
Net (surplus) or deficit on the provision of services	97,788	1,328
Adjust net surplus or deficit on the provision of services for non cash movements	-132,910	-138,553
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	51,886	22,628
<b>Net cash flows from Operating Activities</b>	<b>16,764</b>	<b>-114,597</b>
Investing Activities	15,272	58,089
Financing Activities	-5,786	23,338
<b>Net increase in cash and cash equivalents</b>	<b>26,250</b>	<b>-33,170</b>
Cash and cash equivalents at the beginning of the reporting period	118,747	85,577
Cash and cash equivalents at the end of the reporting period	92,497	118,747
<b>Net increase in cash and cash equivalents</b>	<b>26,250</b>	<b>-33,170</b>

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

## 1. Significant Accounting policies

### 1.1 General principles

The Statement of Accounts summarises the Council's transactions for the 2022-23 financial year and its position at the year end of 31 March 2023. The Council is required by The Accounts and Audit (England) Regulations 2015 to prepare an annual Statement of Accounts, and those regulations require it to be prepared in accordance with proper accounting practices. These practices primarily comprise of 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 and fair value, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on a going concern basis.

### 1.2 Changes to accounting policies, presentation, disclosure and comparative information

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.

There are several amendments planned for adoption in future years to the Code of Practice for 2022-23 and these are listed below;

- IFRS 16 *Leases* (but **only** for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year).

Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

Some changes may need to be adopted retrospectively meaning that on adoption 2022-23 information included within these accounts could be restated in the 2023-24 accounts to reflect the new reporting requirements.

### 1.3 Accruals of income and expenditure

#### Revenue recognition

Revenue is a sub-set of income and is defined as the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth. Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient. Revenue is measured as the amount of the contract/transaction price which is allocated to that performance obligation when met. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

Income and expenditure are accounted for on an accrual basis in the year the activity it relates to takes place.

This means income is recorded when it is earned not when it is received and expenditure when it is incurred not paid.

In particular:

- Sales, fees, charges and rent due from customers are accounted for as income at the date the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient;
- 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 assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made, the asset is impaired and written down to the recoverable amount and a charge made to the revenue for income that might not be collected.
- 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.

## 1.4 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 as estimated in January of the financial accounting year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement (CIES) 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.

## 1.5 Account for Non Domestic Rates (NDR)

Similarly to Council Tax, regulations dictate that there are differences between when Non Domestic Rates (NDR) 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 and Chester 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 Rescue Service) and this is reflected in the CIES.

Under regulation the amount of NDR that can be credited to the Council's General Fund 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 is included in the CIES is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The Government operates 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 and Chester is required to transfer approximately 25% of its accrued share of NDR income to Central Government each year as a tariff payment. The cost of making this payment is recorded in the CIES.

## 1.6 Accounting for schools

In line with the accounting standards and the Code on group accounts and consolidation, all maintained schools are considered to be entities controlled by the Council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts. Maintained schools exclude Academies and Free Schools but cover all the following schools:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation

Schools' non-current assets (school buildings and playing fields) are recognised on the Balance Sheet where the Council directly owns the assets, where the Council holds the balance of control of the assets or where the school, or the school governing body own the assets or have had the right to use the assets transferred to them.

When a maintained school converts to an Academy, the school's non-current assets held on the Council's Balance Sheet are treated as a disposal. The carrying value of the asset is written off to Financing and Investment Income and Expenditure within the CIES. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off asset is not a charge to the General Fund, as the cost of the non-current asset disposals resulting from schools transferring to an Academy is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserve Statement.

### **1.7 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 and Rescue in the collection of Council Tax.
- Central Government and Cheshire Fire and Rescue – In relation to the collection of Non-Domestic Rates income.
- Business Improvement Districts – Collecting income in relation to BIDs in Northwich, Gadbrook Park, West Chester, and Winsford 1-5 and paying the sums over to Groundwork or CH1 for the provision of security and environmental services.

### **1.8 Current and Non-Current Distinction**

Assets are classified as current when they are expected to be realised within one year. Liabilities are classified as current when they are expected to be settled within one year of the date of the Statement of Accounts. All other assets and liabilities are classified as non-current.

The following are generally classified as non-current:

- intangible assets
- tangible assets (property plant and equipment, heritage, investment property)
- investments in group companies
- pension fund liability
- capital receipts in advance
- long term borrowing
- other debtors

Generally the following are classified as current assets or liabilities:

- cash and cash equivalents
- inventories



- assets held for sale
- short term investments
- short term borrowing
- other creditors

### 1.9 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, see Note 7 for details.

### 1.10 Exceptional items

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

### 1.11 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.

### 1.12 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 CIES.

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 at current rates of pay, as any change to current rates of pay for which the entitlement is paid is deemed not material and therefore no uplift has been accrued.

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 CIES 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 long term liability reserve.

## Post-employment benefits (Pensions)

The LGPS provides defined benefits based on a member's career average salary in the form of lump sums and pensions based on scheme membership earned during employment.

Any fundamental amendments to the Pension Plan will require comparator values to be included in the Accounts to establish any resultant gain or loss.

### (i) Local Government Pension Scheme

All employees (other than teachers and NHS), subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. Councillors were also eligible to participate in the scheme up to the year ending March 2016. The scheme is known as the Cheshire Pension Fund and is administered by Cheshire West and Chester Council; it is governed by the Public Services Pensions Act 2013 and administered with the following secondary legislation on behalf of all participating employers:

- 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 2016

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 the following components:

**A) Service Costs**

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

**ii) Past service cost** – 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;

**iii) 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;

**B) Net Interest on the defined benefit liability** – 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;

**C) Remeasurements of the defined benefit liability** – the impact of changes to the assumptions underpinning the actuarial estimates of the value of assets and liabilities are charged to the Pension Reserve as Other Comprehensive Income and Expenditure. 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 B;

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

Components A-B are charged to the CIES in year (as detailed in Note 44) but, to avoid changes in pension liabilities from having a disproportionate impact on Council Tax, statutory provisions exist that restrict the amount charged against the General Fund.

**(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 Directorate line in the CIES is charged with the employer's contributions payable in the year.

**(iii) Teachers' Unfunded Scheme**

In addition, the Council is responsible for any payments outside the scheme relating to early retirement and these are charged to the CIES within Net Cost of Service to the Directorate they relate. 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.

**1.13 Fair value measurement**

The Council measures a number of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date e.g. Treasury Bills, Gilts and Certificates of Deposit.
- Level 2 – inputs other than quoted prices included within Level 1 that is observable for the asset or liability, either directly or indirectly e.g. fixed term bank deposits.
- Level 3 – unobservable inputs for the asset or liability. For example Ordinary shares in unquoted limited companies.

#### 1.14 Financial instruments

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and are carried at their amortised cost (carrying value). Interest payable on such amounts is charged to the CIES by multiplying the carrying value by the effective interest rate.

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); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Penalties on the early repayment of existing loans are debited to the Financing and Investment Income and Expenditure line in the CIES in the year of early repayment.

Where the early repayment involves the exchange of an existing loan for a new replacement loan (modification), then the cost of any penalty for the early repayment of the loan is added to the carrying value of the new replacement loan and charged to the CIES over the life of the replacement loan as part of the interest charge on the loan. Where penalties for early repayment have been charged to the CIES, regulations allow the impact on the General Fund to be spread over future years. The Council has a policy of spreading such penalties over the remaining term of the replacement loan. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

There are no early loan repayments in 2022-23.

### 1.15 Financial Assets

Financial assets are classified and measured according to the reason the Council has for holding the financial assets and the asset's cash flow characteristics.

There are three main classes and measurement bases for financial assets:

- at amortised cost
- at fair value through profit or loss (FVPL), and
- at fair value through other comprehensive income (FVOCI).

The Council's business model is to buy and hold investments in order to collect contractual cash flows i.e. payments of interest over the term of the asset and repayment of the principal amount invested at the end. Most of the Council's financial assets are therefore classified as being at amortised cost.

#### Financial Assets Measured at Amortised Cost

For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest). Likewise the amount of interest credited to the CIES is the amount receivable for the year as per the loan agreement. Any profit or loss on the sale of the financial asset is debited / credited to the Financing and Investment Income and Expenditure line in the CIES in the year of sale.

#### Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

These assets are initially measured at fair value (market price). At each balance sheet date the asset's fair value is re-measured to the current fair value (market price). Changes in fair value between balance sheet dates are charged or credited to the Surplus / Deficit on the Provision of Services (SDPS).

The fair values of such assets are determined as follows:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in section Fair Value Measurement.

When an asset measured at FVPL is sold any profit or loss on sale is credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

IFRS 9 Financial Instruments sets out that equity type investments should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in Fair Value Through other Comprehensive Income. The Council will assess each equity type investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument. Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

The Council holds pooled investments in a property fund and an equity fund. Any changes in the valuation are required to be recognised as fair value through profit and loss, which again would impact upon the Council's general fund reserve and revenue budget. The Department

for Levelling Up, Housing and Communities (DLUHC) has permitted a temporary (5 year) statutory override to English Local Authorities to mitigate the impact of these changes in valuations. The Council has utilised the statutory override to account for any changes in the value of these investments.

### **Financial Assets measured at Fair Value through Other Comprehensive Income (FVOCI)**

The Council has equity instruments designated at fair value through Other Comprehensive Income (FVOCI) whether this be by election or by reason of statute. The Council has made an irrevocable election to designate certain financial assets as FVOCI on the basis that they are not held for trading but are held for longer term strategic purposes which includes the collection of dividend income.

The asset is initially measured and subsequently re-measured to current fair value at each balance sheet date. Dividend income is credited to Financing and Investment Income and Expenditure in the CIES when it becomes receivable by the Council. Changes in fair value between balance sheet dates are charged / credited to Other Comprehensive Income and Expenditure and are matched by an entry in the Financial Instruments Revaluation Reserve. This matching entry means that there is no impact on the SDPS at that time. When the asset concerned is finally sold the cumulative profits or losses previously recognised in Other Comprehensive Income and Expenditure (i.e. sale proceeds less original cost) are transferred from the Financial Instruments Revaluation Reserve and recognised in the SDPS.

#### **1.16 Expected Credit Loss Model**

The Council recognises expected credit losses (i.e. non-payment of principal and / or interest) on all of its financial assets held at amortised cost (or where relevant FVOCI). Usually, only credit losses arising in the next 12 months are calculated. Lifetime losses are only recognised when the risk of the amount lent out not being made in full increases significantly over the year. Trade receivables (debtors) and HRA tenant debtors are permitted to use the simplified approach to expected credit losses. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

#### **1.17 Grants and contributions**

All Government grants and other contributions are accounted for on an accruals basis and recognised in the CIES 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 CIES, in line with the service area to which they relate. Non Specific Grants such as the Revenue Support Grant, Local Services Support Grant or PFI Grant are shown under Taxation and Non-Specific Grant Income (see Note 13).

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);
- The Capital Adjustment Account (after costs have been incurred).

### 1.18 Group Accounts

The Council is the largest service provider of the Group whereas the members of the Group are wholly owned companies, joint ventures, associates and non-controlling interests. The interests in these companies are reported in the Council's balance sheet within Long Term Debtors less impairment losses and any gains or losses are recognised in the CIES.

Consolidation of entities in the Group accounts is dependent on a number of factors including the extent of the Council's interest and power to influence and control, materiality, investment and transparency to allow the reader of the accounts to understand the boundary of the accounts; where these factors are not considered material those members of the Group have not been consolidated. An assessment of all the Council's interests has been carried out in accordance with the Code of Practice to determine the relationship and whether inclusion in the group accounts is required.

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

### 1.19 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 IAS 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 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 CIES.  |
| • 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 CIES. |

The asset created is treated as per any other Council asset of its type and is depreciated in the year of acquisition, impaired and revalued as appropriate. 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 CIES 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 CIES as they become payable.

Where the Council is the lessor all income is credited to the CIES 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.

## **1.20 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 CIES 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 included in the statement of accounts 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. Investment properties are not depreciated and an annual valuation programme ensures that they are held at highest and best value at the Balance Sheet date. 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 fair value. Valuations are carried out in accordance with Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

Any gain or loss experienced on revaluation, and any profit or loss on disposal is charged to the 'Financing and Investment' line of the CIES. 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 measured at cost and therefore an approximation of valuation. Due to the historic or unique nature of heritage assets it is not 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:

- **Historic buildings and memorials**

The Council owns a number of historic buildings 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. As these assets have no comparable market value, they are held at 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.

- **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.

- **Sites of historic interest**

The Council owns a number of historic 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. As these assets have no comparable market value, they are held at 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.

- **Museum 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.

- **Historic archives**

The Council's historic archives contain historic documents recording the written and printed history of the county of Cheshire. These documents have been compiled from a range of sources and include loaned and donated items. 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. 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.

The archive is a shared resource between Cheshire West and Chester and Cheshire East Borough Council's.

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.

- **Fine art and sculptures**

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.

- **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.

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 16).

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 properties, Assets held for Sale and Surplus assets) 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
- Current value – All other property, plant and equipment assets

The CIPFA Code of Practice definition of current value requires that property, plant and equipment that are operational are recognised in the Statement of Accounts at their service potential value and not their fair value. This is measured by the following valuation techniques:

- Property/land (Specialised assets no market) - 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 capacity for number of pupils that could be educated at the existing school. As such the value of a school is determined by its existing physical structure.

**Subsequent changes in value**

All assets held at current value with the exception of vehicles, plant and equipment are subject to revaluation. Property and Plant assets are revalued when due under the five year cycle (the short period as defined by CIPFA) or earlier where there has been a change in circumstances either for the specific asset or the wider asset group, which may have a material impact on its value. 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 CIES then the gain is instead credited to the CIES.

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 CIES.

## Componentisation of valuations

IAS 16 requires all components with a significant cost in relation to the total cost of the asset to be depreciated separately. Where an item of Property, Plant and Equipment has major components these are depreciated separately such as windows, mechanical and electrical fixtures. This is necessary to reflect the fact that some components have an appreciably different 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 £5m have been considered for componentisation on their first valuation date after 1 April 2017. Where componentisation is appropriate this has been adopted from the valuation date onwards.

## Depreciation of assets to reflect usage

Depreciation is charged to the CIES to reflect the usage of the asset over its estimated useful 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.

Useful lives of assets are as follows:

Council Housing	up to 60 years
Operational Building	up to 100 years
Infrastructure	up to 40 years
Vehicles	up to 12 years
Plant and Equipment	up to 10 years

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.

Depreciation charges are applied annually to the carrying balances and are reflected in the Cost of Services area of the CIES. 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 this note to the 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.

## Derecognition of assets

Assets are derecognised on disposal or when no future economic benefits are expected from their use. When property, plant and equipment are disposed of, the carrying value is written off to the Other Operating Expenditure line of the CIES. 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 12.

Any receipts generated by the disposal are credited to the same line of the CIES to show the overall profit or loss on disposal. A proportion of the receipts from the sale of Council housing 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 CIES 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.

#### **1.21 Non-current assets held for sale**

When it becomes probable an asset will be sold rather than its continued use as an operational or investment asset, it will be reclassified within current assets as held for sale subject to strict criteria being met. The asset must be available for immediate sale, actively marketed and must have a high probability of being sold within one year of the date of classification. Where the Council does not need to carry out active marketing due to already having a prospective buyer at a reasonable price (such as transfers to a joint venture), or a buyer initiates a transaction such as right to buys; this test is not applicable.

Held for sale assets are carried at the lower of carrying value, or the fair value less costs to sell, and no longer depreciated.

#### **1.22 Overheads and support services**

Services are analysed in the CIES and Expenditure and Funding Analysis (EFA) in line with the organisational structure of the Council and in accordance with the Code of Practice (Code) for:

- Corporate and Democratic
- Trading Accounts
- Housing Revenue Accounts (HRA)

Income and Expenditure is allocated to services to reflect the way the Council operates its services and reported to management. The full costs of overheads, such as utility bills, are apportioned to services within the Net Cost of Services section of the CIES and the EFA. Central support recharges and Corporate costs are reported in accordance with the Code as Corporate Services within the CIES and EFA. Overheads and support services for HRA and trading accounts are allocated in accordance with the Code and CIPFA Service Reporting Code of Practice (SeRCOP).

### 1.23 Private Finance Initiatives (PFI) and service concession arrangements

PFI contracts, and similar arrangements, contain agreements for the Council (grantor) to receive services under a contract where the contractor (operator) 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 of these conditions so the Council reflects the value of the properties used under the contracts on the Balance Sheet. On initial recognition, fair value is the estimated cost to purchase the asset. Subsequently, the asset is measured at current value, which will follow the appropriate class of property, plant and equipment.

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

- **Services received** – debited to a service line in the CIES.
- **Finance cost** – interest charges on the outstanding liability are charged to Financing and Investment Income in the CIES.
- **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 CIES.
- **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.

### **1.24 Provisions, Contingent Assets and Contingent Liabilities**

Provisions are shown where the Council has a present legal or constructive obligation as a result of a past event which 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 CIES 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 Contingent Liabilities are obligations or assets arising from past events where:

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

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

### **1.25 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 9.

Expenditure to be financed from an earmarked reserve is initially shown as a cost in the CIES. 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.

### **1.26 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 CIES 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.

### **1.27 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. Expenditure and Funding Analysis**

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The adjustments from Outturn reported to management to the Net Expenditure Chargeable to the General Fund by service includes costs that are reported to management but are not chargeable to the net cost of services, such as Interest Receivable and Interest payable, non-budgeted grant income, but can be found within the Surplus/Deficit on the Provision of Services Position. It also includes the schools carry forwards and HRA final appropriation, and grant income that are held centrally which are in the net cost of services, but not in outturn. A further explanation of the Other Income and Expenditure totals are detailed in Notes 12, 13 and 14.

Expenditure and Funding Analysis	2022-23				
	Outturn Reported to Management	Total adjustments to Outturn position	Net Expenditure Chargeable to the General Fund and HRA Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Adults Directorate	150,600	2,936	153,536	8,302	161,838
Children's Directorate	78,400	4,535	82,935	26,873	109,808
Community, Environment, & Economy Directorate	68,500	4,304	72,804	32,994	105,798
Corporate Services Directorate	31,100	-734	30,366	8,064	38,430
HRA	0	-13,473	-13,473	4,202	-9,271
Other	16,100	-59,604	-43,504	5,783	-37,721
Capital Financing	0	227	227	0	227
<b>Net Cost of Services</b>	<b>344,700</b>	<b>-61,809</b>	<b>282,891</b>	<b>86,218</b>	<b>369,109</b>
Other Income and Expenditure	-346,200	99,537	-246,663	-24,658	-271,321
<b>(Surplus)/Deficit on Provision of Services</b>	<b>-1,500</b>	<b>37,728</b>	<b>36,228</b>	<b>61,560</b>	<b>97,788</b>
Opening General Fund and HRA Balances at 31 March 2022			-189,719		
Add Surplus on General Fund and HRA Balance in Year			36,228		
<b>Closing General Fund and HRA Balances at 31 March 2023</b>			<b>-153,491</b>		

### 2021-22 Comparative Figures

Expenditure and Funding Analysis	2021-22				
	Outturn Reported to Management	Total adjustments to Outturn position	Net Expenditure Chargeable to the General Fund and HRA Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Adults Directorate	138,068	12,923	150,991	7,058	158,049
Children's Directorate	63,568	1,750	65,318	28,255	93,573
Community, Environment, & Economy Directorate	61,296	11,729	73,025	31,664	104,689
Corporate Services Directorate	31,474	5,049	36,523	10,860	47,383
HRA	0	-13,788	-13,788	4,588	-9,200
Other	45,151	-75,602	-30,451	12,260	-18,191
Capital Financing	21,202	-20,955	247	0	247
<b>Net Cost of Services</b>	<b>360,759</b>	<b>-78,894</b>	<b>281,865</b>	<b>94,685</b>	<b>376,550</b>
Other Income and Expenditure	0	-247,239	-247,239	-127,983	-375,222
<b>(Surplus)/Deficit on Provision of Services</b>	<b>360,759</b>	<b>-326,133</b>	<b>34,626</b>	<b>-33,298</b>	<b>1,328</b>
Opening General Fund and HRA Balances at 31 March 2021			-224,345		
Add Surplus on General Fund and HRA Balance in Year			34,626		
<b>Closing General Fund and HRA Balances at 31 March 2022</b>			<b>-189,719</b>		

The 'Other' category EFA line contains Central & Asset Management directorate balances. The year on year decrease in Net Expenditure chargeable to the General Fund and HRA balance from -£30.5M in 21/22 to -£43.5M in 22/23 is driven by a reduction in expenditure due to a revaluation in Asset Management in 21/22 of £8.4M (not in 22/23). Income has also increased in Central due to an increase in grant income.

The decrease in the costs in 'Other' is offset by an increase in costs within the Net Expenditure chargeable to the general fund and HRA balance in the Children's directorate. This is due driven by the average cost of placement increasing within children's social care, and the cost of transport increasing in education due to an increase in the number of special education needs pupils who are eligible for travel assistance and an increase in cost of providing that assistance.

## Note 2a

### Adjustments between Funding and accounting basis

This note explains the main adjustments from the Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure statement.

Adjustments between funding and accounting basis	2022-23			
	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Adjustments £000	Total Adjustments £000
Adults Directorate	2,858	5,282	162	8,302
Children's Directorate	12,891	14,174	-192	26,873
Community, Environment, & Economy Directorate	26,004	6,895	95	32,994
Corporate Services Directorate	3,423	4,633	8	8,064
HRA	4,202	0	0	4,202
Other	6,523	-740	0	5,783
Capital Financing	0	0	0	0
<b>Cost of Services</b>	<b>55,901</b>	<b>30,244</b>	<b>73</b>	<b>86,218</b>
Other Income and Expenditure	-25,923	19,482	-18,218	-24,658
<b>Difference between General Fund (Surplus) and CIES (Surplus) or Deficit</b>	<b>29,978</b>	<b>49,726</b>	<b>-18,145</b>	<b>61,560</b>

Adjustments for Capital Purposes include the depreciation, impairments and revaluation gains and losses. It also adjusts for capital disposals with a transfer on the income to disposals and amounts that have been written off, MRP and RCCO are deducted because they are not chargeable under generally accepted accounting practices to the General Fund.

Pension Adjustment show where costs have been affected by the removal of pension contributions and replaced with IAS19 costs.

Other adjustments are costs that cannot be allocated to either Capital or Pension adjustments.

### 2021-22 Comparative Figures

Adjustments between funding and accounting basis	2021-22			
	Adjustments for Capital Purposes £000	Net Change for the Pensions £000	Other Adjustments £000	Total Adjustments £000
Adults Directorate	2,967	4,011	80	7,058
Children's Directorate	11,193	17,118	-56	28,255
Community, Environment, & Economy Directorate	24,005	7,843	-184	31,664
Corporate Services Directorate	5,248	5,658	-46	10,860
HRA	4,588	0	0	4,588
Other	13,565	-1,305	0	12,260
Capital Financing	0	0	0	0
<b>Cost of Services</b>	<b>61,566</b>	<b>33,325</b>	<b>-206</b>	<b>94,685</b>
Other Income and Expenditure	-108,479	10,597	-30,101	-127,983
<b>Difference between General Fund (Surplus) and CIES (Surplus) or Deficit</b>	<b>-46,913</b>	<b>43,922</b>	<b>-30,307</b>	<b>-33,298</b>

In the Adjustments for Capital purposes column, Other Income and Expenditure line, costs for 21/22 are -£108.5M and -£25.9M for 22/23. The year on year variance is due to a £31M movement in fair value of Investment Properties (driven a £22m revaluation in Baron's Quay in 22/23), a year on year movement of £32M on capital grants applied and unapplied, and £20M movement on MRP appropriations.

## Expenditure and Funding Analysis – Expenditure and Income Analysed by Nature

This note explains the nature of the expenditure and income of the Council as shown in the CIES.  
The authority's expenditure and income is analysed as follows:

Expenditure and Income Analysis by Directorate 2022-23	Adults Directorate	Childrens Directorate	Community, Environment, & Economy Directorate	Corporate Services Directorate	HRA	Central Services	Capital Financing	Total
Expenditure	£000	£000	£000	£000	£000	£000	£000	£000
Employee benefits expenses	38,192	231,352	44,344	25,469	0	13,908	0	353,265
Other services expenses	176,692	147,977	104,040	76,743	10,490	45,560	-2,230	559,272
Support service recharges	0	0	0	0	0	0	0	0
Depreciation, amortisation, impairment	2,858	12,891	25,964	3,661	4,215	35,315	-1,331	83,573
Interest payments	813	661	2,081	0	2,187	0	6,814	12,556
Precepts and levies	0	0	243	0	0	4,726	0	4,969
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	0
Gain on the disposal of assets	0	0	0	0	0	0	0	0
<b>Total expenditure</b>	<b>218,555</b>	<b>392,881</b>	<b>176,672</b>	<b>105,873</b>	<b>16,892</b>	<b>99,509</b>	<b>3,253</b>	<b>1,013,635</b>
<b>Income</b>								
Fees, charges and other service income								
Over time	-52,086	-20,052	-52,408	-3,676	-23,678	-460	0	-152,360
At a point in time	0	0	0	0	0	0	0	0
Interest and investment income	-58	-234	-890	-2	-158	-860	-4,577	-6,779
Income from Council Tax, Non Domestic	0	0	0	0	0	-288,626	0	-288,626
Support service recharges	0	0	0	0	0	0	0	0
Government grants and contributions	-3,339	-261,879	-22,621	-63,756	-17	-85,094	-31,376	-468,082
<b>Total income</b>	<b>-55,483</b>	<b>-282,165</b>	<b>-75,919</b>	<b>-67,434</b>	<b>-23,853</b>	<b>-375,040</b>	<b>-35,953</b>	<b>-915,847</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>163,072</b>	<b>110,716</b>	<b>100,753</b>	<b>38,439</b>	<b>-6,961</b>	<b>-275,531</b>	<b>-32,700</b>	<b>97,788</b>

**2021-22 Comparative Figures**

<b>Expenditure and Income Analysis by Directorate 2021-22</b>	<b>Adults Directorate</b>	<b>Childrens Directorate</b>	<b>Community, Environment, &amp; Economy Directorate</b>	<b>Corporate Services Directorate</b>	<b>HRA</b>	<b>Central Services</b>	<b>Capital Financing</b>	<b>Total</b>
<b>Expenditure</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employee benefits expenses	26,460	223,461	41,757	26,176	0	548	0	318,402
Other services expenses	171,148	126,042	95,047	82,513	9,583	44,970	-1,647	527,656
Support service recharges	0	0	0	0	0	0	0	0
Depreciation, amortisation, impairment	2,967	11,193	24,005	5,247	4,588	16,136	-2,614	61,522
Interest payments	896	753	2,096	0	2,193	0	5,530	11,468
Precepts and levies	0	0	337	0	0	4,371	0	4,708
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	776	776
Gain on the disposal of assets	0	0	0	0	0	0	0	0
<b>Total expenditure</b>	<b>201,471</b>	<b>361,449</b>	<b>163,242</b>	<b>113,936</b>	<b>16,364</b>	<b>66,025</b>	<b>2,045</b>	<b>924,532</b>
<b>Income</b>								
Fees, charges and other service income								
Over time	-37,831	-12,204	-38,358	-7,337	-23,261	-3,348	0	-122,339
At a point in time	0	0	0	0	0	0	0	0
Interest and investment income	-50	-33	-27	-3	-25	0	-1,344	-1,482
Income from Council Tax, Non Domestic Rates	0	0	0	0	0	-273,474	0	-273,474
Support service recharges	0	0	0	0	0	0	0	0
Government grants and contributions	-2,278	-252,009	-23,069	-59,213	0	-126,091	-63,249	-525,909
<b>Total income</b>	<b>-40,159</b>	<b>-264,246</b>	<b>-61,454</b>	<b>-66,553</b>	<b>-23,286</b>	<b>-402,913</b>	<b>-64,593</b>	<b>-923,204</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>161,312</b>	<b>97,203</b>	<b>101,788</b>	<b>47,383</b>	<b>-6,922</b>	<b>-336,888</b>	<b>-62,548</b>	<b>1,328</b>

- The expenditure in adults has increased year on year driven by an increase in external care growth, plus an increase in Leisure expenditure due to additional Brio support costs.
- The expenditure in children's directorate has increased year on year due to an increase in placement cost in children's social care, and an increase in education due to special needs education transport costs.
- SDPS in corporate directorate has decreased year on year due a reduction in covid spend.
- The reduction in surplus for Central and Capital Financing is due to a reduction in Covid Grants of £35m and a reduction in capital grants of £35m.

### 3. Accounting Standards issued, but not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2022-23 requires the Council to disclose information setting out the impact of accounting changes by a new accounting standard that has been issued but not yet adopted by the Code. The relevant changes relate to the following standards all of which will be amended for accounts produced for financial periods starting after 1 April 2023.

- IFRS 16 Leases (but **only** for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year).

Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

Some changes may need to be adopted retrospectively meaning that on adoption 2022-23 information included within these accounts could be restated in the 2023-24 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 16** - was due to be implemented in April 2020 but it has been agreed to delay this implementation until 1 April 2024 for the 2024-25 financial year. However, both the 2022-23 and the 2023-24 Codes will allow for adoption as of 1 April 2022 or 2023. This standard will bring the majority of leases on balance sheet thereby removing the distinction between finance and operating leases; there will be a recognition that low-value (value to be confirmed) and short-term leases (leases less than 12 months in length) will be exempt. The Council has not yet adopted this standard, the estimated impact of bringing current operating lease non-cancellable obligations onto the balance sheet in 2022-23 is £8.5m, see Note 40. This is applicable when either the authority or group companies are the lessee.

The various changes for other Standards as mentioned above are relatively minor updates to the relevant standards to clarify the correct treatment. None will have a material impact on the Statement of Accounts.

### 4. Critical Judgments in Applying Accounting Policies

The following significant management judgements have been made in applying the accounting policies as set out in Note 1 of the accounts. The Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

- **PFI Schemes**

The Council has two 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 regulatory services under these contracts. The accounting policy for PFIs and similar arrangements has been applied to these assets. Consequently, the assets relating to these contracts (£22m) have been recognised on the Balance Sheet as property, plant and equipment, in accordance with IFRIC 12 Service Concession Arrangements. Details of the values of these assets are disclosed in Notes 15 (PPE) and 41 (PFI).

In addition, the Council needs to consider the treatment of the income generating potential of these assets. Where these assets generate income an assumption needs to be made as to whether the income 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 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 41.

- **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 five companies are considered to be subsidiaries of the Council while a further two meet the criteria to be recognised as a joint venture, five associates with four non-controlling and one as a joint operation.

These Accounts contain a set of Group statements and supporting notes to reflect the nature and value of the Council's interests in entities, where the accounts are deemed material. The approach taken by the Council in determining the group boundary and consolidating relevant entries into its group statements is based on materiality, transparency and public perception, to enable the reader to understand the Council's obligations as set out in the accompanying notes to those statements.

Non-consolidation of entities in the Group accounts is dependent on a number of factors including the extent of the Council's interest and power to influence and control, materiality, investment and transparency; where these factors are not considered material those members of the Group have not been consolidated. A full list of members of the Group can be found in the Council Accounts Note 37.

- **Better Care Fund**

The Section 75 agreement by which Better Care resources have been pooled between the Council and Cheshire Clinical Commissioning Group has been assessed against the appropriate standards, mainly IFRS 10 and IFRS11. The arrangement has been assessed to be classified as a Joint Operation given the control and governance arrangements of the pool. As such, each party accounts for the assets, liabilities, revenues and expenses relating to its involvement in a joint operation. The details are included in the Better Care Fund Note 38.

- **Treatment of Schools**

The Council recognises land and building used by schools for educational purposes in line with the Code of Practice. The Code states local authority maintained schools should be recognised using the asset recognition tests whilst recognising the schools governing bodies are separate entities to the Council. The Council recognises the schools land and buildings on its Balance Sheet where it directly owns the assets. However, where the

school, Diocese or governing body own the assets or have the rights of use, these assets have been transferred to the relevant body and these are not reported on the Council Balance Sheet.

School 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. 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. The Council has judged that faith schools (voluntary aided or controlled) which are not sited on Council land, over which it has no long term guarantees of availability, do not meet the criteria for recognition as an asset under IAS16.

The Council has entered into a Private Finance Initiative (PFI) for five schools in the Borough of which two were within Council control in 2022-23.

The Council has completed a school by school assessment across the different types of schools it controls within the Borough. The outcomes of that review are outlined below:

	Total schools	Council Controlled			Outside Council Control		
		Owned by CWAC	Leased to Governors	Restrictive Covenant	Owned by NHS/Other	Owned by Church	Leased to Academies
Community Schools	59	58		1			
Foundation Schools	5		5				
Voluntary Controlled	19			2		17	
Voluntary Aided	29			2		27	
Academies	44						44
Community - Pupil Referral unit	2	1			1		
Studio	1				1		
Free school	2				2		
	<b>161</b>	<b>59</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>44</b>	<b>44</b>
		<b>69</b>	<b>on Balance Sheet</b>		<b>92</b>	<b>off balance sheet</b>	

Academies are not considered maintained schools within the Council's control. The land and buildings are not owned by the Council and therefore not included on the Council's Balance Sheet.

- 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 or both they are treated as an investment asset based on the criteria for recognition under IAS 40 Investment Property, valued annually, 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.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates 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 2023 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 re-values its assets on a five year rolling cycle (excluding investment assets and schools), with one fifth of these assets being reviewed each year, all investment properties annually and schools on a two year rolling programme. It is possible that property, plant and equipment 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 valuation officers but are still based on estimates.	In order to mitigate the risk around non-valued assets an exercise is undertaken each year to establish what the potential impact could be by applying the average movement on valued assets to the portfolio of non-valued assets A 1% fluctuation in property values would amount to £12.5m 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 10% increase in relevant annual depreciation charges, approx. £2.3m across operational and housing assets.
Pensions Liability	The value of the Council's net pension liability is estimated by professional actuaries based on complex and interdependent assumptions, such as life expectancy, long-term salary and pension inflation, and the discount rate used. Any variation in these assumptions will lead to a change in the value of the net pension liability. At 31 March 2023, the actuaries advised that the net pension asset on the Local Government Pension Scheme was £259.3m, which includes a £398.3m movement based on changes in financial and demographic assumptions since 2021-22.	The pensions' liability and reserve will vary significantly should any of the assumptions prove inaccurate. For instance, a 0.1% decrease in discount rate would increase the pension liability by £26m or a one-year increase in pensioner lifespans by £61m. Where assumptions change the impacts are reported as re-measurement gains and losses within Other Income and Expenditure. These changes only impact on the Pensions Liability and Reserve and not the General Fund.

Item	Uncertainties	Effect if Results Differ from Assumptions
PWLB loans	Both the carry value and the fair value of the PWLB loans is included in the disclosure of Note 20 Financial Instruments. The fair value disclosed has been determined by discounting the contractual cash flows over the life of the loan at the market rate for local authority loans. PWLB loans are carried at amortised cost and their fair value is disclosed for information only.	Should the loan be cancelled or reissued with the PWLB at today's interest rates the value would differ to the carry value disclosed in the accounts. This would depend on prevailing rates at this point in time and the formula used by the PWLB to determine the early redemption 'penalty'. The variability of the carry value if it moved by 10% +/- would impact the carry value by +/- £22m.
Business Rate Appeals	The Council is responsible for collecting non-domestic rates from businesses located within the area on behalf of itself, central government and Cheshire Fire Authority. The business rates paid by a business for a property within the Council area equate to the rateable value multiplied by a rate set by Central Government (the multiplier). A historical trend of appeals to the charge is assessed and provided for within the relevant Collection Fund accounts.	Appeals have been received over a period of years and an historical analysis of the relative success of the appeals has been prepared accordingly. Should the rate of successful appeals deviate from this trend, the results of this will be factored into the appropriate 3 year spread of any deficit to the overall Collection Fund.
Expected Credit Loss	As part of IFRS 9, the Council is required to use the expected losses approach to calculate the impairment loss allowance. Using this approach provides a more accurate impairment charge to the CIES. Following the implementation of IFRS 9 in 2017-18 a risk assessment was agreed to determine the levels of 'estimated unrecoverable debt' which is predicted by applying a sliding scale percentage to all debt irrespective of age.	The actual credit loss experienced, if divergent from the expected level will create either a charge or benefit to the income level secured by the Council. Any fluctuation will therefore be accommodated in the following charging period to ensure integrity to the financial position.
Provisions	The Council holds 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 CIES in the year the difference is identified.

## 6. Material Items of Income and Expense

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

The Council has reported a loss on the Fair Value of assets in the sum of £30.7m (Note 12). A further three schools became Academies during 2022-23, with a loss on disposal of £7.1m (Note 12).

## 7. Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Council's S151 officer on 24th October 2023. 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 2023, 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.

One of the Council Group companies ceased trading on 31<sup>st</sup> March 2023 and was formally dissolved on 31<sup>st</sup> August 2023.

Following recent national concern around the potential for properties in public ownership to contain Reinforced Autoclaved Aerated Concrete (RAAC). The Council has commenced a series of visual surveys to assess any potential for this substance to be present within the Asset Portfolio. At the time of writing, no confirmation of the presence of RAAC in any properties owned or occupied by the Council.

There are no other significant events after the Balance Sheet Date for 2022-23.

## 8. 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.

Adjustments between accounting basis and funding basis 2022-23	Usable reserves					Movement in Unusable reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
Adjustments to the Revenue Resources						
Pension costs (transferred to/from the Pension Reserve)	-49,726					49,726
Council tax and NDR (transfers to/from the Collection Fund Adjustment Account)	19,242					-19,242
Financial instruments (transferred to the Financial Instruments Adjustments Account)	112					-112
Financial Instrument Revaluation Reserve Pooled Investments - Statutory override	-1,135					1,135
Holiday pay (transferred to the Accumulated Absences Account)	-74					74
Reversal of entries included in the surplus or Deficit on the provision of Services in relation to capital						0
Depreciation of Non Current Assets	-42,926	-4,202				47,128
Impairment and Revaluation of Assets	-1,442	-13				1,455
Amortisation of Intangible Assets	-2,449					2,449
Movements in the fair value of investment properties	-30,742					30,742
Revenue expenditure funded from capital under statute	-4,865					4,865
Net assets written off to the CIES upon disposal or sale	-9,334	-2,267				11,601
Total Adjustments to Revenue Resources	-123,339	-6,482	0	0	0	129,821
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve/Deferred Capital Receipts Reserve	3,588	2,296	-5,884			0
Non-current asset disposal costs funded from the CRR	-3		3			0
Statutory provision for the repayment of debt	19,382					-19,382
Posting of HRA resources from Revenue to the Major Repairs Reserve	0	11,054		-11,054		0
Payments to the government housing receipts pool (funded by a transfer from CRR)	0					0
Capital expenditure charged against general fund	568					-568
Capital grants and contributions unapplied credited to the CIES	6,923				-6,923	0
Capital Grants and Contributions through the CIES	24,453					-24,453
Total Adjustments between Revenue and Capital resources	54,911	13,350	-5,881	-11,054	-6,923	-44,403
Adjustments to Capital Resources						
Use of Capital Receipts Reserve to finance capital expenditure			6,790			-6,790
Use of Major Repairs Reserve to finance capital expenditure				17,140		-17,140
Cash payments in relation to deferred capital receipts			-246			246
Application of capital grants to finance capital expenditure					4,779	-4,779
Total Adjustments to Capital Resources	0	0	6,544	17,140	4,779	-28,463
Total Adjustments	-68,428	6,868	663	6,086	-2,144	56,955



Adjustments between accounting basis and funding basis 2021-22	Usable reserves					Movement in Unusable reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
Adjustments to the Revenue Resources						
Pension costs (transferred to/from the Pension Reserve)	-43,922					43,922
Council tax and NDR (transfers to/from the Collection Fund Adjustment Account)	31,362					-31,362
Financial instruments (t/f to the Financial Instruments Adjustments Account)	144	3				-147
Financial Instrument Revaluation Reserve	1,190					-1,190
Pooled Investments - Statutory override						
Holiday pay (transferred to the Accumulated Absences Account)	84					-84
Reversal of entries included in the surplus or Deficit on the provision of Services in relation						0
Depreciation of Non Current Assets	-41,182	-4,218				45,400
Impairment and Revaluation of Assets	-8,251	-370				8,621
Amortisation of Intangible Assets	-2,230					2,230
Movements in the fair value of investment properties	-954					954
Revenue expenditure funded from capital under statute	-5,315					5,315
Net assets written off to the CIES upon disposal or sale	-10,208	-1,870				12,078
Total Adjustments to Revenue Resources	-79,282	-6,455	0	0	0	85,737
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	6,368	2,072	-5,400			-3,040
Non-current asset disposal costs funded from the CRR	-9		9			0
Statutory provision for the repayment of debt	35,322					-35,322
Posting of HRA resources from Revenue to the Major Repairs Reserve		11,229		-11,229		0
Payments to the government housing receipts pool (funded by a transfer from CRR)	-776		776			0
Capital expenditure charged against general fund	1,581					-1,581
Capital grants and contributions unapplied credited to the CIES	28,158				-28,158	0
Capital Grants and Contributions through the CIES	35,090					-35,090
Total Adjustments between Revenue and Capital resources	105,734	13,301	-4,615	-11,229	-28,158	-75,033
Adjustments to Capital Resources						
Use of Capital Receipts Reserve to finance capital expenditure			502			-502
Use of Major Repairs Reserve to finance capital expenditure				12,305		-12,305
Cash payments in relation to deferred capital receipts						0
Application of capital grants to finance capital expenditure					7,567	-7,567
Total Adjustments to Capital Resources	0	0	502	12,305	7,567	-20,374
Total Adjustments	26,452	6,846	-4,113	1,076	-20,591	-9,670



## 9. 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 2022-23 and 2021-2022.

Revenue Earmarked Reserves	Balance at 31 March 2021	Transfers Out 2021-22	Transfers In 2021-22	Balance at 31 March 2022	Transfers Out 2022-23	Transfers In 2022-23	Balance at 31 March 2023
	£000	£000	£000	£000	£000	£000	£000
Council Wide Reserves							
Long Term Liability	48,140	-21,088	5,891	32,943	-846	1,943	34,040
Insurance	8,091	-527	1,004	8,568	-2,589	4,128	10,107
Covid-19	14,294	-4,350	2,458	12,402	-5,084		7,318
Collection Fund Deficit	42,560	-37,094	17,709	23,175	-20,959		2,216
Community Benefits	136	-36		100	-6		94
Discretionary Business Rate Grants	3,507	-3,507		0			0
Directorate Reserves							
Unapplied Revenue Grants	14,877		6,587	21,464	-16,260	7,839	13,043
PFI	6,936		89	7,025	-140	284	7,169
Revenue Budget Carry Forwards	9,997	-9,997	7,281	7,281	-7,281	6,120	6,120
HRA Pension Contingency	600		69	669		69	738
S106 Developer Contributions	496		306	802	-256	889	1,435
Local Authority Elections	384		194	578	-96		482
Local Plan	160			160			160
Adoption Support Fund	143	-12	29	160	-74	36	122
Deprivation of Liberty Safeguarding	57	-57		0			0
SEND/DSG	0		1,969	1,969			1,969
HS2	0		385	385	-98		287
Transformation Reserves							
HR & Finance System Replacement	438	-271	394	561	-98		463
Renewable Energy	374	-374		0	-141	141	0
ICT Transformation	1,172	-1,137	2,400	2,435		509	2,944
Delivering Council Priority Outcomes	488	-93		395	-80		315
Invest to Save	24			24	-24		0
Flexible and Mobile Working	360	-57		303			303
New Ways of Working	158	-130		28	-28		0
Economic Growth Reserves							
Northgate Development	639	-431	86	294	-490	238	42
Winsford Cross Development Account	1,744		605	2,349	-2,975	626	0
Partnership Reserves							
Health Integration	327	-327		0			0
Mersey Forest	436		241	677	-47	151	781
Council Company Reserves							
Waste Collection Contract Exit Arrangements	18,914	-3,564	683	16,033	-2,540	2,717	16,210
Council Company Reserves	4,856	-800	2,001	6,057	-129	1,054	6,982
Other Reserves and Balances	3,143	-1,601		1,542	-1,014	655	1,183
<b>Total</b>	<b>183,451</b>	<b>-85,453</b>	<b>50,381</b>	<b>148,379</b>	<b>-61,255</b>	<b>27,399</b>	<b>114,523</b>

Significant movements during the year were:

- A net appropriation of £1.1m to the long-term liabilities reserve, which includes £1.1m added to the reserve relating to the pension budget clawed back from services in year to repay for the upfront payment of pension deficit and £0.8m contribution from Barons Quay to refund the reserve for funds advanced against historic losses in previous years. This is offset by £0.2m budgeted use of reserve to fund a temporary increase in the Highways budget, to address pothole repairs in 2022-23, and £0.6m to fund in year early retirement and redundancy costs.
- The net appropriation of £5.1m from the Covid-19 reserve. This relates to the element of the reserve that has been funded by central government. £4.8m has been

used to fund some of the Covid pressures experienced by services in 2022-23 and £0.2m to fund the Community Innovation Fund.

- The net appropriation of £21m from the collection fund deficit reserve. This is funded mainly from S31 grant and reflects the budgeted use of this reserve to fund the deficit on the Collection Fund at the end of 2021-22.
- The net appropriation of £8.4m from the unapplied grant reserve. This includes £3.8m use of the Covid Additional Relief Fund (CARF) to fund the deficit on the Collection Fund at the end of 2021-22 and the release of the surplus balance (£1.6m) on the Small Business Rate Relief grant reserve to support general Council expenditure in 2022-23.
- The net appropriation of £1.2m from the reserve for revenue budget carry forwards. This is the drawdown of £7.3m carry forwards in 2022-23, and the addition of £6.1m carry forwards to fund expected budget pressures in 2023-24.
- The net appropriation of £0.6m to the S106 developer contributions reserve, reflecting funding earmarked for specific work in line with S106 agreements. This includes £0.8m in relation to Winnington Urban Village.
- The appropriation of £0.5m to the ICT Transformation reserve reflecting the transfer of the unused ICT Shared Service contingency to ICT Transformation reserve to support costs of implementation of the new ICT model.
- The net appropriation of £2.4m from the Winsford Cross Development Account reflects the release of funds previously set aside within the development account to fund the repayment of debt.
- The net appropriation of £0.9m to the Council Company reserve, reflecting the setting aside of the unused Council Company contingency to support pressures in 2023-24 onwards (£1m) less drawdown to fund increases in companies' provisions and funding towards the Brio External Review (£0.1m).

### Reasons for the earmarked reserves over £500k

#### Council wide reserves

Long term liability	Funds set aside to smooth the impact of long-term liabilities, such as debt re-payment and the pension fund deficit.
Insurance	Funds insurance liabilities relating to Cheshire West & Chester functions.
Covid 19	This reserve is comprised of both unspent un-ringfenced Covid-19 government grant and Council resources. This reserve will be released in the 2023-24 budget to support the Council's wider cost pressures.
Collection Fund Deficit	Equalisation fund to mitigate volatility in Business Rates income.

#### Directorate reserves

Unapplied revenue grants	Enable grants to be used when needed, avoiding year end 'forced' spend.
PFI	Balances spend and income across life of contract.
Revenue budget carry forwards	Agreed, committed spend not accrued funding.
HRA pension contingency	Provides funding for future pensions linked to HRA.
S106 developer contributions	Funding earmarked for specific work per S106.
SEND/DSG	Reserve set-up to match the DSG / SEND deficit.

#### Transformation reserves

ICT transformation	Funds to meet the cost of an ICT Recovery Plan.
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**Partnership reserves**

Mersey Forest

Partnership agreement between 7 contributing local authorities co-ordinated by the Mersey Forest Team to invest in long-term tree planting programmes to improve the local environment.

**Council company reserves**

Former waste collection contract

Reserve linked to long term debtor depends on receipts for funds to be available.

Council company

Funds available to manage pressures in Council companies.

**10. Material Changes within the Comprehensive Income and Expenditure Statement**

Within the Cost of Services in the top half of the CIES (Comprehensive Income and Expenditure Statement), the net spend (expenditure less income) has decreased from £377m to £369m; a decrease of £8m.

The major reasons for this are decreases in year on year costs of £9m in Corporate and £19.5m in Other, offset somewhat by an increase in costs in the Childrens directorate of £16M & adults directorate of £4m.

The decrease in costs in the Corporate directorate is due to a reduction in covid spend. The decrease in year on year costs in the 'Other' directorate is driven by a revaluation in Asset Management in 21/22 (not in 22/23), and an increase in central grant income.

This is offset by a year on year increase in costs in the Children's directorate due to an increase in the average cost of placement for children's social care, and also an increase in the Special Education Needs (SEN) and mainstream transport costs within education. The year on year increase in costs within the adults directorate is driven by an increase in external care growth during the year.

**11. 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:

<b>Other Operating Income &amp; Expenditure</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Loss / (Gain) on disposal of Non-current assets	-2,098	-1,139
Parish Precepts	4,252	3,988
Levies	717	720
Housing Capital Receipts to National Pool	0	776
Other income and expenditure	-195	-52
	<b>2,676</b>	<b>4,293</b>

**12. 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.

<b>Financing &amp; Investment Income &amp; Expenditure</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Interest payable and similar charges	12,556	11,468
Unrealised gains or losses on financial assets held at fair value through profit and loss transferred to Unusable Reserve	30,742	954
Net interest on pension assets and liabilities	5,036	10,449
Remeasurement of the net defined liability	14,304	0
Interest receivable and similar income	-6,779	-1,482
Expected Credit Loss Allowance	2,566	1,506
Loss on transfer of schools to Academy status	7,068	4,780
Income and expenditure in relation to investment Properties and changes in their fair value	-4,825	-7,471
Trading Accounts not related to Services	190	150
	<b>60,858</b>	<b>20,354</b>

**13. Taxation and non-specific grant income and expenditure**

<b>Taxation and Non-specific Grant Income &amp; Expenditure</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Income:		
Council Tax	-220,485	-210,646
Non Domestic Rates	-68,141	-62,828
Covid-19 Emergency Grant	0	-8,550
Other COVID-19 Grants	-567	-16,791
Revenue Support Grant	-3,468	-3,358
Capital Grants and Contributions	-31,376	-63,248
PFI Grants	-3,092	-3,092
Local Services Support Grant	-638	-530
New Homes Bonus	-4,765	-6,646
S31 Non Domestic Rates Grant Funding	-10,852	-35,909
Other Grants	-12,131	-9,399
Expenditure:	0	
Non Domestic Rates - Tariff and Levy Payment	20,660	21,128
	<b>-334,855</b>	<b>-399,869</b>

The year on year variance is driven by a reduction in capital grants of £35m.

#### 14. 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 2023 they are not reflected against the Council's usable reserves at this point and are held separately in Unusable Reserves as described in Note 26.

Other Comprehensive Income and Expenditure (CIES)	2022-23 £000	2021-22 £000
Property Revaluation (Gains)	-60,752	-26,471
Pension Deficit Remeasurement Losses/(Gains)	-451,195	-392,166
	<b>-511,947</b>	<b>-418,637</b>

- 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.

#### 15. Property, Plant and Equipment

Within the table below 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 2022-23 include £0.9m of assets which are held in partnership with Cheshire East Council at a 50% shared ownership agreement.

Property, Plant and Equipment Movements in 2022-23	Non-Current Assets						
	Council Houses £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Value as at 31 March 2022	210,112	867,958	90,477	26,372	738	92,247	1,287,904
Additions	9,080	17,606	21,775	1,053		12,011	61,525
Revaluation Gain/(Loss) to Revaln Res	15,906	32,056	0				47,962
Reval/Impair Losses to SDPS	-16	-3,403	0				-3,419
Reverse Reval/Impair to SDPS	0	1,623	0				1,623
Derecognition - Disposals	-2,275	-7,440	-2,152				-11,867
Derecognition - Other	0	0	0				0
Re-classification of assets	0	0	0				0
Reclass (to)/from Held for Sale	0	-950	0				-950
Reclass (to)/from Heritage	0	0	0				0
Reclass (to)/from Investment	0	-41,080	0				-41,080
Reclass (to)/from Intangible	0	0	0				0
<b>Value as at 31 March 2023</b>	<b>232,807</b>	<b>866,370</b>	<b>110,100</b>	<b>27,425</b>	<b>738</b>	<b>104,258</b>	<b>1,341,698</b>
<b>Depreciation</b>							
Accum Depn at 31 March 2022	0	-9,694	-74,076	-456		-65	-84,291
Charges for the year	-4,202	-18,731	-5,488				-28,421
Revaluation Gain/(Loss) to Revaln Res	4,123	8,667	0				12,790
Reval/Impair Loss to SDPS	3	371	0				374
Reverse Reval/Impair to SDPS	0	0	0				0
Derecognition - Disposals	8	253	1,867				2,128
Derecognition - Other	0	0	0				0
Re-classification of assets	0	0	0				0
Reclass to/from Held for Sale	0	0	0				0
Reclass to/from Heritage	0	0	0				0
<b>Accum Depn at 31 March 2023</b>	<b>-68</b>	<b>-19,134</b>	<b>-77,697</b>	<b>-456</b>	<b>0</b>	<b>-65</b>	<b>-97,420</b>
<b>Net Book Value at 31 March 2023</b>	<b>232,739</b>	<b>847,236</b>	<b>32,403</b>	<b>26,969</b>	<b>738</b>	<b>104,193</b>	<b>1,244,278</b>
Net Book Value at 31 March 2022	210,112	858,264	16,401	25,916	738	92,182	1,203,613
<b>Nature of Asset Holding</b>							
Owned	232,739	825,187	31,322	26,969	738	104,193	1,221,148
PFI		22,049					22,049
Leased			1,081				1,081
<b>Total</b>	<b>232,739</b>	<b>847,236</b>	<b>32,403</b>	<b>26,969</b>	<b>738</b>	<b>104,193</b>	<b>1,244,278</b>

Movements in 2021-22	Non-Current Assets						
	Council Houses £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Value as at 31 March 2021	210,888	829,519	85,852	19,461	3,687	63,734	1,213,141
Additions	8,204	22,513	4,977	2,381	0	45,178	83,253
Revaluation Gain/(Loss) to Revaln Res	-7,975	19,548	0	0	0	0	11,573
Reval/Impair Losses to SDPS	-452	-17,806	0	0	0	0	-18,258
Reverse Reval/Impair to SDPS	0	7,846	0	0	0	0	7,846
Derecognition - Disposals	-1,870	-8,501	-352	0	0	0	-10,723
Derecognition - Other	0	0	0	0	0	0	0
Re-classification of assets	1,317	13,767	0	4,530	-2,949	-16,665	0
Reclass (to)/from Held for Sale		1,072	0	0	0	0	1,072
Reclass (to)/from Heritage		0	0	0	0	0	0
Reclass (to)/from Investment		0	0	0	0	0	0
Reclass (to)/from Intangible	0	0	0	0	0	0	0
<b>Value as at 31 March 2022</b>	<b>210,112</b>	<b>867,958</b>	<b>90,477</b>	<b>26,372</b>	<b>738</b>	<b>92,247</b>	<b>1,287,904</b>
<b>Depreciation</b>							
Accum Depn at 31 March 2022	-355	-2,029	-68,326	-76	0	-65	-70,851
Charges for the year	-4,218	-17,827	-6,083	0	0	0	-28,128
Revaluation Gain/(Loss) to Revaln Res	4,490	8,257	0	0	0	0	12,747
Reval/Impair Loss to SDPS	82	818	0	0	0	0	900
Reverse Reval/Impair to SDPS	0	706	0	0	0	0	706
Derecognition - Disposals	1	1	333	0	0	0	335
Derecognition - Other	0	0	0	0	0	0	0
Re-classification of assets	0	380	0	-380	0	0	0
Reclass to/from Held for Sale	0	0	0	0	0	0	0
Reclass to/from Heritage	0	0	0	0	0	0	0
<b>Accum Depn at 31 March 2022</b>	<b>0</b>	<b>-9,694</b>	<b>-74,076</b>	<b>-456</b>	<b>0</b>	<b>-65</b>	<b>-84,291</b>
<b>Net Book Value at 31 March 2022</b>	<b>210,112</b>	<b>858,264</b>	<b>16,401</b>	<b>25,916</b>	<b>738</b>	<b>92,182</b>	<b>1,203,613</b>
Net Book Value at 31 March 2021	210,533	827,490	17,526	19,385	3,687	63,669	1,142,290
<b>Nature of Asset Holding</b>							
Owned	210,112	839,331	14,952	25,916	738	92,182	1,183,231
PFI		18,933					18,933
Leased			1,449				1,449
<b>Total</b>	<b>210,112</b>	<b>858,264</b>	<b>16,401</b>	<b>25,916</b>	<b>738</b>	<b>92,182</b>	<b>1,203,613</b>



## Infrastructure Assets

In accordance with the Temporary Relief offered by the update to the CIPFA Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

<b>Movements on Balances</b>	<b>2022-23 £000</b>
Net Book Value (Modified historic cost) at 1st April 2022	286,834
Additions	16,022
Derecognition	0
Depreciation	-18,471
Impairment	0
Other Movement in Cost	0
<b>Net Book Value (Modified historic cost) at 31 March 2023</b>	<b>284,385</b>

In order to show a true and fair view of the overall position on PPE for 2022-23, the table below demonstrates the total Net Book Value balance of these assets.

<b>Summary of Assets</b>	<b>31 March 2023 £000</b>
Infrastructure Assets	284,385
PPE	1,244,278
<b>Total PPE Assets</b>	<b>1,528,663</b>

In order to show a true and fair view of the overall position on PPE for 2021-22 as a comparator, the tables below demonstrate the total Net Book Value balance of these assets.

<b>Movements on Balances</b>	<b>2021-22 £000</b>
Net Book Value (Modified historic cost) at 1st April 2020	274,958
Additions	28,915
Derecognition	0
Depreciation	-17,039
Impairment	0
Other Movement in Cost	0
<b>Net Book Value (Modified historic cost) at 31 March 2021</b>	<b>286,834</b>

<b>Summary of Assets</b>	<b>31st March 22 £000</b>
Infrastructure Assets	286,834
PPE	1,203,613
<b>Total PPE Assets</b>	<b>1,490,447</b>



## 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 %
Operational Buildings	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 re-values 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.

For 2022-23 a de-minimis of £20,000 has been applied to operational properties, this does not have a material impact on the property valuations.

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 2023.

Operational properties of a specialised nature are valued on the basis of what it would cost to re-instate 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 on a five year cycle 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.

### Effects of changes in methodologies and estimates

There have been no significant changes to the way in which the Council carries out valuations during 2022-23. 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.

Valuations	Council Dwellings £000	Operational Land and Buildings £000	Surplus Assets £000	Total PPE Assets £000
<b>Revaluation Year Of Net Book Value:</b>				
31 March 2023	232,739	348,788	0	581,527
31 March 2022	0	63,732	0	63,732
31 March 2021	0	383,335	0	383,335
31 March 2020	0	36,931	0	36,931
31 March 2019	0	13,016	738	13,754
31 March 2018	0	1,434	0	1,434
31 March 2017	0	0	0	0
<b>Total</b>	<b>232,739</b>	<b>847,236</b>	<b>738</b>	<b>1,080,713</b>

### Significant commitments outstanding 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 2023, totals £12.7m (£38.7m at 31 March 2022).

There have been new contractual commitments made during 2022-23 with outstanding balances at 31<sup>st</sup> March 2023 including investment in the Materials Recycling Facility at Canalside and a housing development at Verdin in Winsford.

Capital Project	Contract Total Commenced in 2022-23 £000	Contract Amount paid to date 2022-23 £000	Outstanding balance on Contract 2022-23 £000	Outstanding balance 2021-22 £000
HRA Housing Management Contract	20,000	11,289	8,711	12,756
Northgate Development Phase 1	0	0	0	4,062
Waste Strategy	0	0	0	10,261
Recycling Facility	3,617	1,208	2,409	0
Verdin	4,490	2,938	1,552	0
Christleton High School	0	0	0	1,612
Highways Term Maintenance Contract	0	0	0	10,000
<b>Total</b>	<b>28,107</b>	<b>15,435</b>	<b>12,672</b>	<b>38,691</b>

## 16. Heritage assets

Movements in 2022-23	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 £000
Certified Valuation at 31 March 2022	12,204	3,261	10,625	500	4,032	593	31,215
Additions	25						25
Revaluation Gains/Losses							0
Reclassification to/from INV Assets							0
<b>Value as at 31 March 2023</b>	<b>12,229</b>	<b>3,261</b>	<b>10,625</b>	<b>500</b>	<b>4,032</b>	<b>593</b>	<b>31,240</b>
<b>Depreciation</b>							
At 31st March 2022	-1,449	-5					-1,454
Charges for the year	-237						-237
Revaluation Gains/Losses							0
Reclassification to/from INV Assets							0
<b>Accumulated Depn at 31 March 2023</b>	<b>-1,686</b>	<b>-5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,691</b>
<b>Net Book Value at 31 March 2023</b>	<b>10,543</b>	<b>3,256</b>	<b>10,625</b>	<b>500</b>	<b>4,032</b>	<b>593</b>	<b>29,549</b>

Movements in 2021-22	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 £000
Certified Valuation at 31 March 2021	11,750	3,095	10,625	500	4,032	593	30,595
Additions	454	166					620
Revaluation Gains/Losses							0
Reclassification to/from INV Assets	0	0	0	0	0	0	0
<b>Value as at 31 March 2022</b>	<b>12,204</b>	<b>3,261</b>	<b>10,625</b>	<b>500</b>	<b>4,032</b>	<b>593</b>	<b>31,215</b>
<b>Depreciation</b>							
At 31st March 2021	-1,216	-5					-1,221
Charges for the year	-233						-233
Revaluation Gains/Losses							0
Reclassification to/from INV Assets	0	0	0	0	0	0	0
<b>Accumulated Depn at 31 March 2022</b>	<b>-1,449</b>	<b>-5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,454</b>
<b>Net Book Value at 31 March 2022</b>	<b>10,755</b>	<b>3,256</b>	<b>10,625</b>	<b>500</b>	<b>4,032</b>	<b>593</b>	<b>29,761</b>

### Historic buildings

The Council's historic buildings are currently held at Fair Value based on depreciated historic cost. The Council holds the following under historic buildings:

- The Lion Salt Works
- Stretton Mill Museum

### 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.

## 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 (DHC) 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

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 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.

## 17. 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:

<b>Investment Asset Income and Expenditure</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Rental Income from Investment Property	-9,344	-8,781
Direct Expenditure Arising from Properties	3,000	3,719
<b>Net Cost/(Income) in the Year</b>	<b>-6,344</b>	<b>-5,062</b>

During the 2022-23 financial year Barons Quay in Northwich has been reclassified as an investment asset, previously being held as land and buildings and reflected in the £41.1m transfer noted in the table below.

Investment Assets are subject to annual valuations by an external valuer, through the review Barons Quay has had a decrease in fair value of £21.6m. In addition, 226 assets had a decrease in fair value totalling £11.0m

The movements in the value of investment properties during 2022-23 are analysed below:

Investment Assets Movements in Year	2022-23 £000	2021-22 £000
Balance at Start of Year	138,052	139,244
Additions	955	1,193
Disposals		
- Outright Disposals	-2,029	-1,431
Fair Value Adjustments		
- Increases in Fair Value	1,843	2,625
- Decreases in Fair Value	-32,585	-3,579
Transfers (to) or from other asset categories	41,080	0
<b>Value as at 31 March</b>	<b>147,316</b>	<b>138,052</b>

Details of investment properties and information about the fair values hierarchy as at 31 March 2023 are as follows:

Investment Properties Fair Value hierarchy 2022-23	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair Value as at 31 March 2023	Fair Value as at 31 March 2022
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000	Total £000
Recurring fair value measurement using:					
Residential properties		104		104	106
Commercial units		81,466		81,466	80,586
Industrial units		41,874		41,874	44,979
Land (including Car Parks)		22,644		22,644	11,156
Other		1,228		1,228	1,225
<b>Total</b>	<b>0</b>	<b>147,316</b>	<b>0</b>	<b>147,316</b>	<b>138,052</b>

The Council measures its investment properties at Fair Value. Fair Value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The Fair Value measurement assumes that the transaction to sell the asset or transfer the liability takes place either: in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses qualified external property valuers to provide a valuation of its assets in line with the highest and best use definition of its investment properties. In estimating the Fair Value of the Council's investment properties, the highest and best use is their current use.

All the Council's investment properties have been value assessed as Level 2 in the Fair Value hierarchy for valuation. The fair value of investment properties has been determined using a market and income approach, which takes into account direct and indirect observable data from the market where there are no quoted prices. Information is obtained about similar assets, existing lease terms and rentals, research of market evidence including yields and rentals. Adjustments made based on valuer judgement, are unlikely to be material to the overall change in value. We also use the local knowledge and understanding of the

Council portfolio when valuing the investment portfolio. Market conditions of similar assets actively purchased and sold within the market and from within the portfolio provide a level of observable inputs, leading to the properties being categorised as level 2 on the fair value hierarchy. There has been no change in the valuation techniques used during this year for investment properties. There have been no transfers between Levels 1 and 2 during the year.

There has been no change in the valuation techniques used during the year for investment properties.

## 18. Intangible Assets

Intangible Assets	Other Assets 2022-23 £000	Assets Under Construction 2022-23 £000	Total Assets 2022-23 £000	Total Assets 2021-22 £000
Balance at start of year:				
Gross carrying amount	13,287		13,287	10,529
Accumulated amortisation	-4,503		-4,503	-2,465
<b>Net carrying amount at start of year</b>	<b>8,784</b>	<b>0</b>	<b>8,784</b>	<b>8,064</b>
Purchases & Asset under Construction:				
Additions	1,110		1,110	2,953
Reclassification	0		0	0
Disposals:				
Gross carrying amount	-90		-90	-196
Accumulated amortisation	90		90	193
Amortisation for the Period	-2,449		-2,449	-2,230
<b>Net carrying value at end of year</b>	<b>7,445</b>	<b>0</b>	<b>7,445</b>	<b>8,784</b>
<b>Comprising:</b>				
Gross Carrying Amount	14,307		14,307	13,286
Accumulated Amortisation	-6,862		-6,862	-4,502
<b>Total</b>	<b>7,445</b>	<b>0</b>	<b>7,445</b>	<b>8,784</b>

## 19. Assets Held for Sale

The balance of Assets Held for Sale has increased by £0.950m during 2022-23. The assets within this category are currently being marketed and expected to sell within the next 12 months.

Assets held for sale	2022-23 £000	2021-22 £000
Balance at Start of Year	6,188	5,365
Assets Transferred into Assets Held for Sale:		
Property, Plant and Equipment	950	720
Additions	0	0
Valuation Changes:		
- Revaluation Gains/Losses	0	2,151
Assets Transferred out of Assets Held for Sale:		
Property, Plant and Equipment	0	-1,792
Assets sold	0	-256
<b>Balance at end of the year</b>	<b>7,138</b>	<b>6,188</b>

## 20. Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity; these can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council. Non-exchange transactions, such as those relating to prepayments, expected losses, taxes and Government grants, do not give rise to financial instruments.

The tables below outline the categories of financial instruments that are carried in the Council's balance sheet.

### Financial Assets

A financial asset is the right to receive future economic benefits. The financial assets held by the Council during the year are accounted for under the following bases:

Type of Asset	Classification	Measurement
	2022-23 and 2021-22	2022-23 and 2021-22
Cash	Amortised cost	Amortised cost
Bank current and deposit accounts	Amortised cost	Amortised cost
Fixed term deposits with banks	Amortised cost	Amortised cost
Loans to other local councils	Amortised cost	Amortised cost
Trade receivables	Amortised cost	Amortised cost
Shares in UK Municipal Bond Agency (UKMBA)	Fair Value Through other Comprehensive Income (FVOCI)	Fair Value Through other Comprehensive Income (FVOCI)
Units in pooled equity and property funds managed by Schroders and CCLA	Fair Value through Profit and Loss (FVTPL)	Fair Value through Profit and Loss (FVTPL)
Units in instant access pooled money market funds	Fair Value through Profit and Loss (FVTPL)	Fair Value through Profit and Loss (FVTPL)

Prior to the introduction of IFRS 9 the Council's shareholding in the UK Municipal Bond Agency was classified as being held at fair value through profit and loss (FVTPL). On the introduction of IFRS 9 the Council elected to treat the Council's shareholding in the UK Municipal Bond Agency (350,000 ordinary 1p shares) as being classified at fair value through other comprehensive income (FVOCI).

The following investment are classified as Fair Value Through Profit and Loss by regulation:

Type of Investment	Units Held
Income units in CCLA Local Authorities Mutual Investment Trust Property Fund	1,545,356
Income units in Schroders Income Maximiser Fund	9,681,318



The following categories of financial instrument are carried in the balance sheet:

The following categories of financial instrument are carried in the balance sheet:

Long term investments represent interest in minority shareholdings and long term strategic holdings in property and equity funds. Short term investments represent fixed term deposits with other local councils and HM Treasury, notice accounts with banks and investments in instant access accounts.

Cash and cash equivalents are reported on the Balance Sheet as £92.5 million which includes balance a bank overdraft of £18.15 million reported within the financial liabilities table.

Financial Assets	Long Term		Short Term	
	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
<b>Assets at amortised cost</b>				
Principal amount			10,800	28,300
Loss allowance			0	0
<b>Assets at fair value through other comprehensive income (FVOCI)</b>			0	0
Equity investments elected FVOCI			0	0
<b>Assets at fair value through profit and loss</b>				
Pooled Property and Equity Funds	8,279	9,414		
<b>Total Investments</b>	<b>8,279</b>	<b>9,414</b>	<b>10,800</b>	<b>28,300</b>
<b>Assets at amortised cost</b>				
Principal amount			163	9,164
Loss allowance			0	-2
Balance at Bank			17,745	5,043
<b>Assets at fair value through profit and loss</b>				
Money Market Funds			92,743	108,282
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>110,651</b>	<b>122,487</b>
<b>Total Financial Assets</b>	<b>8,279</b>	<b>9,414</b>	<b>121,451</b>	<b>150,787</b>

Reconciliation to Balance Sheet	Long Term		Short Term	
	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
<b>Assets at amortised cost</b>				
Trade receivables/Debtors	21,450	23,613	63,801	46,997
<b>Total</b>	<b>21,450</b>	<b>23,613</b>	<b>63,801</b>	<b>46,997</b>
Other Debtors	0	0	22,358	17,120
<b>Total Debtors</b>	<b>21,450</b>	<b>23,613</b>	<b>86,159</b>	<b>64,117</b>
<b>Amount Included in Debtors</b>	<b>21,450</b>	<b>23,613</b>	<b>63,801</b>	<b>46,997</b>
<b>Total All Financial Assets</b>	<b>29,729</b>	<b>33,027</b>	<b>185,252</b>	<b>197,784</b>

## Equity Instruments

Equity Instruments elected to fair value through other comprehensive income	Fair Value		Dividends	
	31 March 2023 £000	31 March 2022 £000	2022-23 £000	2021-22 £000
UKMBA 1p ordinary shares	0	0	0	0
<b>Total Equity Instruments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The UKMBA investment is carried at zero value as a result of impairments in previous years.

## Pooled Investments

The Council holds pooled investments in a property fund and an equity fund. Any changes in the valuation are required to be recognised as fair value through profit and loss, which again would impact upon the Council's general fund reserve and revenue budget. The Department for Levelling Up, Housing & Communities (DLUHC) has permitted a temporary (5 year) statutory override to English Local Authorities to mitigate the impact of these changes in valuations. The Council has utilised the statutory override to account for any changes in the value of these investments.

Details of the investments are as follows:

Instruments at fair value through profit and loss	Fair Value		Dividends	
	31 March 2023 £000	31 March 2022 £000	2022-23 £000	2021-22 £000
Schroder Income Maximiser Fund Class Z Units	3,941	4,163	300	267
CCLA LAMIT Property Fund Income Units	4,338	5,251	190	170
Money Market Funds	92,743	108,282	2,256	68
<b>Total Instruments at fair value</b>	<b>101,022</b>	<b>117,696</b>	<b>2,746</b>	<b>505</b>

## Financial Liabilities

A financial liability is an obligation to transfer economic benefits. The financial liabilities held by the Council during the year are accounted for under the following basis:

Type of Liability	Measurement	Classification
	2022-23 and 2021-22	2022-23 and 2021-22
Long term loans from the Public Works Loans Board (PWLb)	Amortised cost	Amortised cost
Long term loans from banks and other commercial organisations	Amortised cost	Amortised cost
Loans from other councils	Amortised cost	Amortised cost
Payments due under finance leases	Amortised cost	Amortised cost
Private Finance Initiative (PFI) contracts	Amortised cost	Amortised cost

Financial Liabilities	Long Term		Short Term	
	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
<b>Loans at amortised cost</b>				
Principal Amount	237,677	243,239	21,213	28,031
Accrued Interest			2,652	2,688
<b>Total Borrowing</b>	<b>237,677</b>	<b>243,239</b>	<b>23,865</b>	<b>30,719</b>
<b>Loans at amortised cost</b>				
Bank Overdraft			18,154	3,740
<b>Total Cash Overdrawn</b>	<b>0</b>	<b>0</b>	<b>18,154</b>	<b>3,740</b>
<b>Long Term Liabilities at amortised cost</b>				
Finance Leases	469	765		
PFI contracts	20,996	22,130		
Amounts owed to Cheshire East Council	448	415		
<b>Total Other Long Term Liabilities</b>	<b>21,913</b>	<b>23,310</b>	<b>0</b>	<b>0</b>
<b>Short Term Liabilities at amortised cost</b>				
Finance Leases			801	934
PFI contracts			1,134	1,060
Amounts owed to Cheshire East Council				
Trade Creditors			109,020	93,240
<b>Total Trade Creditors</b>	<b>0</b>	<b>0</b>	<b>110,955</b>	<b>95,234</b>
Non financial instrument creditors	0	0	93,050	92,080
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>204,005</b>	<b>187,314</b>
<b>Amount Included in Creditors</b>	<b>0</b>	<b>0</b>	<b>110,955</b>	<b>95,234</b>
<b>Total All Financial Liabilities</b>	<b>259,590</b>	<b>266,549</b>	<b>152,974</b>	<b>129,693</b>

Short term borrowings comprise in the main of loan principal and interest payments due in less than one year and bank overdrafts. The 'Other long term liabilities' section includes PFI, finance leases and amounts owed to Cheshire East Council in relation to shared properties.

Within the debtors and creditors analysis, certain transactions are removed where they are not considered to be financial instruments (i.e. they do not meet the definition of a financial asset or a financial liability). This is the case for arrangements such as the payover 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.

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends to settle on a net basis or to realise the asset and settle the liability simultaneously. The Council has adopted this approach in respect of its main bank accounts at Lloyds Bank which are shown in the table below on the bank overdraft line. See note 22 Cash and cash equivalent for details of accounts that have permitted right of set off.

Offsetting Financial Assets and Liabilities	31 Mar 2023			31 Mar 2022		
	Gross assets (liabilities) £000	(Liabilities) assets set off £000	Net position on balance sheet £000	Gross assets (liabilities) £000	(Liabilities) assets set off £000	Net position on balance sheet £000
Trade receivables	0	0	0	0	0	0
Bank accounts in credit	13,388	-13,388	0	18,595	-18,595	0
<b>Total financial assets</b>	<b>13,388</b>	<b>-13,388</b>	<b>0</b>	<b>18,595</b>	<b>-18,595</b>	<b>0</b>
Trade payables	0	0	0	0	0	0
Bank overdrafts	-18,154	13,388	-4,766	-22,335	18,595	-3,740
<b>Total financial liabilities</b>	<b>-18,154</b>	<b>13,388</b>	<b>-4,766</b>	<b>-22,335</b>	<b>18,595</b>	<b>-3,740</b>

## Income, expense, gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments comprise of the following:

Financial Instruments Gains and Losses	Financial Liabilities	Financial Assets				
	Amortised Cost £000	Amortised Cost £000	Elected to Fair Value through Other Comprehensive Income £000	Fair Value through Profit & Loss £000	Total 2022-23 £000	Total 2021-22 £000
Interest payable	12,556				12,556	11,449
Loss on de-recognition					0	0
Fees paid					0	19
<b>Interest payable and similar charges</b>	<b>12,556</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,556</b>	<b>11,468</b>
Interest receivable		-3,452			-3,452	-977
Dividend income				-3,327	-3,327	-505
<b>Interest receivable and investment income</b>	<b>0</b>	<b>-3,452</b>	<b>0</b>	<b>-3,327</b>	<b>-6,779</b>	<b>-1,482</b>
<b>Net impact on surplus / deficit on provision of services</b>	<b>12,556</b>	<b>-3,452</b>	<b>0</b>	<b>-3,327</b>	<b>5,777</b>	<b>9,986</b>
(Gains)/Losses on revaluation		0	0		1,135	-1,190
<b>Impact on other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,135</b>	<b>-1,190</b>
<b>Net (Gain) / Loss for the Year</b>	<b>12,556</b>	<b>-3,452</b>	<b>0</b>	<b>-3,327</b>	<b>6,912</b>	<b>8,796</b>

## Fair Values of Assets and Liabilities

All of Council's financial liabilities are carried in the balance sheet at amortised cost. Many of the Council's financial assets are also carried in the balance sheet at their amortised cost. The fair value of both 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:

- Interest rates at 31 March 2023 of between 4.24% and 4.78% for prevailing market interest rates in the local authority loans market;
- The carrying value of the Lender's Option Borrower's Option (LOBO) loan has been increased by the value of the embedded options. The lender's option to increase the rate of interest payable has been valued by reference to a pricing model for Bermudan cancellable swaps. The borrower's option to accept the increased interest rate or repay the loan has been valued at zero;
- No early re-payment or impairment is recognised;
- Where an instrument will mature in the next 12 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 (less than one year) and therefore fair value will not vary significantly from carrying value;
- The fair value of unquoted equity is calculated by reference to the estimated amount of equity attributable to the owners of the company as shown in the company's most recent set of published accounts;

- Finance lease liabilities and PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate Public Works Loans Board annuity loan certainty rate.

The fair value of financial assets and liabilities are determined using one of three bases (level 1, 2 or 3), which is set out in Note 1. Significant accounting policies.

### Fair value of assets

Fair Value of Financial Assets	Fair Value Level	Balance Sheet Value	Fair Value	Balance Sheet Value	Fair Value
		31 March 2023 £000	31 March 2023 £000	31 March 2022 £000	31 March 2022 £000
<b>Financial assets held at fair value</b>					
Money market funds	1	92,743	92,743	108,282	108,282
Pooled equity funds	1	3,941	3,941	4,163	4,163
Pooled property funds	1	4,338	4,338	5,251	5,251
<b>Financial assets held at amortised cost</b>					
Bank deposits and notice accounts	2	963	963	9,962	9,962
Loans to other local councils	2	10,000	10,000	27,500	27,500
Short term debtors	2	63,801	63,801	46,997	46,751
Long term debtors	2	21,450	21,450	23,613	23,859
Balance at Bank		-409	-409	1,303	1,303
<b>Total Financial Assets</b>		<b>196,827</b>	<b>196,827</b>	<b>227,071</b>	<b>227,071</b>
<b>Recorded on the balance sheet as</b>					
Long term investments		8,279		9,414	
Long term debtors		21,450		23,613	
Short term investments		10,800		28,300	
Short term debtors		63,801		46,997	
Cash and cash equivalents		92,497		118,747	
<b>Total Financial Assets</b>		<b>196,827</b>		<b>227,071</b>	

The financial assets whose recurring fair value is determined using level 1 inputs (the ex-div share price on 31 March) comprise of a long term strategic shareholding in the CCLA Local Authorities Property Fund and the Schroders Income Maximiser Fund. The Council view this shareholding as being a long term strategic shareholding. Changes in the fair value of the shareholding are therefore taken direct to the Financial Instruments Revaluation Reserve in accordance with the accounting treatment set out in IFRS 9, and the DLUHC statutory override.

Instant access pooled money market funds are valued using level 1 inputs namely the ex-dividend share price on 31 March 2023.

The financial assets held by the Council at amortised cost on the balance sheet date, and whose fair value is determined using level 2 bases, comprise of short term fixed rate deposits with UK local councils and HM Treasury, instant access accounts with UK banks, notice accounts with UK banks. Trade receivables for goods and services supplied have their fair value determined using level 3 bases. All such monies were, or would become, available to the Council within two months of the balance sheet date.

The financial assets whose recurring fair value is determined using level 3 inputs comprise of a minority shareholding in the UK Municipal Bond Agency (UKMBA). The company having incurred significant set up costs.

The fair value of the Council's 5% shareholding in the company has been calculated by reference to the Council's estimated pro-rata share of the total equity attributable to the

owners of UKMBA as shown in the financial statements for the year ended 30 November 2021.

The Council views the shareholding in UKMBA as being a long term strategic shareholding. Consequently, changes in the fair value of the shareholding are taken to the Financial Instruments Revaluation Reserve in accordance with the accounting treatment set out in IFRS 9.

### Fair Value of Liabilities

Fair Value of Financial Liabilities	Fair Value Level	Balance Sheet Value	Fair Value	Balance Sheet Value	Fair Value
		31 March 2023 £000	31 March 2023 £000	31 March 2022 £000	31 March 2022 £000
Long and short term loans from PWLB	2	219,466	228,241	224,576	254,657
Long term LOBO loans	2	7,361	7,994	7,368	9,650
Other long and short term loans	2	34,715	35,961	42,014	46,011
PFI contracts	2	22,130	32,984	23,190	28,904
Finance leases and other long term liabilities	2	1,718	1,615	2,122	2,122
Short term creditors	2	109,020	109,020	95,234	95,234
<b>Total Financial Liabilities</b>		<b>394,410</b>	<b>415,815</b>	<b>394,504</b>	<b>436,578</b>
<b>Recorded on the balance sheet as</b>					
Long term borrowing		237,677		243,239	
Other long term liabilities		21,913		23,317	
Long term creditors					
Long term provisions					
Short term liabilities		1,935		1,995	
Short term borrowing		23,865		30,719	
Short term creditors		109,020		95,234	
Short term provisions					
<b>Total Financial Liabilities</b>		<b>394,410</b>		<b>394,504</b>	

Ascertaining the fair value of long term loans that are held on the balance sheet at amortised cost makes use of level 2 inputs:

- The level 2 input used is the new market borrowing rate for local councils. The new market borrowing rate has been used to discount the scheduled interest payments and principal re-payments that the Council is committed to under its existing loan agreements back to a fair (net present) value at the balance sheet date.
- The fair value here (and which is shown above) 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 were the loans to be raised at the prevailing market rates.
- Finance leases carrying value is representative of the fair value of the assets and are carried at level 3 inputs due to no observable inputs being available.
- PFI contracts fair value is derived using the interest payable on equivalent PWLB annuity loans raised at the certainty rate at the balance sheet date. This rate is considered to be a fair reflection at which the Council could raise equivalent debt were it to refinance the existing debt.

## 21. Debtors

The Council's debt position as at 31 March 2023 is:

<b>Current Debtors</b>	<b>31 March 2023 £000</b>	<b>31 March 2022 £000</b>
Trade receivables	63,801	46,997
Prepayments	3,915	2,705
Local Taxation	8,163	6,708
Other receivable amounts	10,280	7,707
<b>Total</b>	<b>86,159</b>	<b>64,117</b>

Overall, there has been an increase in outstanding debt of £22.0m when compared to 31 March 2022.

The main factors in this are a £12.7m increase in Accounts Receivable debt and a £2.4m increase in VAT debtors (higher input VAT and lower output VAT compared to last year), alongside a £3.1m increase in relation to Council Tax and Business Rates debt.

The majority of the Council's debt is 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.

As part of IFRS 9, the Council is required to use the expected losses approach to calculate the impairment loss allowance. Using this approach provides a more accurate impairment charge to the CIES.

### Debtors for Local Taxation

Historic total sums due for council tax and non-domestic rates are:

<b>Debtors for Local Taxation</b>	<b>31 March 2023 £000</b>	<b>31 March 2022 £000</b>
Less than twelve months	9,067	9,088
More than one year	18,053	14,953
<b>Total</b>	<b>27,120</b>	<b>24,041</b>

An expected credit loss (bad debt provision) of £17.4m (2021-22 £15.8m) has been provided for. The increase is due to the continued impact of Covid-19 on the collection of debt, and the subsequent increase in debt outstanding.



## 22. Cash and cash equivalents

The following table shows the balance of cash and cash equivalents as of 31 March 2023.

	31 March 2023 £000	31 March 2022 £000
Bank Current Accounts	17,745	5,043
Bank Overdraft	-18,154	-3,740
Short Term Deposits	92,906	117,444
<b>Total</b>	<b>92,497</b>	<b>118,747</b>

The Council holds current 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 short-term commitments. Where payments have been initiated on the last working day of March, the current account balance shows them as if they have already been made, even though they will not physically leave the account until the next working day.

The Council also holds balances in longer term deposit accounts to ensure the balances generate a financial return until they are required to fund expenditure.

The following table shows the types of accounts held by the Council and where there is a legally enforceable right of set off and it intends to settle on a net basis or to realise the assets and liabilities simultaneously. See Note 20 for further details.

	31 March 2023 £000	31 March 2022 £000	Legal right to set off
Council fund account	13,388	18,595	Yes
Payables account	-18,067	-22,330	Yes
Payroll account	-87	-5	Yes
Instant access account	163	9,162	
Money market funds	92,743	108,282	
School bank accounts	3,967	4,479	
Imprest bank accounts	57	38	
Other	333	526	
<b>Total</b>	<b>92,497</b>	<b>118,747</b>	

## 23. Creditors

The Council's creditor position as at 31 March 2023 is analysed as follows:

Creditors	31 March 2023 £000	31 March 2022 £000
Trade payables	79,321	95,234
Receipts in advance	74,634	63,090
Other payables	50,050	28,990
<b>TOTAL</b>	<b>204,005</b>	<b>187,314</b>

Overall, the Council's creditors have increased by £16.7m compared to 31 March 2022. The movement reflects increases in Receipts in Advance (£11.5m) and Other Payables (£21.1m) which have been partially offset by a decrease in Trade Payables (£15.9m).

The reduction in Trade Payables is mainly attributable to the amount of Non-Domestic Rates Section 31 grant due to be paid back to government, which has reduced from £14.5m in 2021-22 to £2.2m in 2022-23. In 2021-22 the creditors balance also included £3.5m in respect of the pay award within Schools that was not paid until 2022-23.

The increase in the value of Receipts in Advance mainly relates to funding received for Mersey Forest, which has an increase in the level of grant carried forward of £24m to fund future tree planting. Similarly, the amount of special educational needs and devolved capital grants carried forward to 2023-24 have increased by £3m. These increases have been partially offset by the reduction in the value of Energy Bills Rebate Grant held by the Council. This grant (£19.1m) was received in 2021/22 for distribution to residents in 2022/23, with £1.7m being carried over to allocate in 23-24.

The increase in other payables mainly relates to the Business Rates. The collection fund has moved from a deficit at the start of the year to surplus at the end of 2022/23. The improved position means that business rate partners (Cheshire Fire and Central Government) are now owed their share (£8.57m) of the surplus, as opposed to the position at the end of 2021/22 which required them to make additional contributions (£11.06m) towards the deficit on the collection fund (a £19.63m year-on-year movement).

## 24. Provisions

The Council holds 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 CIES in the year the difference is identified.

	Short Term Provisions				
	Redundancy £000	Public Enquiry £000	Contribution Related Reward £000	Other ST Provisions £000	Short Term Total £000
<b>Balance at 31 March 2021</b>	<b>30</b>	<b>678</b>	<b>818</b>	<b>537</b>	<b>2,063</b>
Amounts used in year	-30	0	-818	-112	-960
Unused amount released	0	0	0	-326	-326
Additional provisions made	195	8	0	145	348
<b>Balance at 31 March 2022</b>	<b>195</b>	<b>686</b>	<b>0</b>	<b>244</b>	<b>1,125</b>
Amounts used in year	-26	-557	0	-65	-648
Unused amount released	0	0	0	0	0
Additional provisions made	99	40	0	193	332
<b>Balance at 31 March 2023</b>	<b>268</b>	<b>169</b>	<b>0</b>	<b>372</b>	<b>809</b>

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.

- **Public Inquiry Costs** – This provision is to fund any costs incurred by the Council in responding to legal challenges to the appropriateness of planning decisions made.
- **Contribution Related Reward** – Sums held to fund pay rewards based on individuals overall performance rating agreed in advance of 31 March but paid in June the following financial year.
- **Other Short-Term Provisions** – this mainly relates to a provision for a school deficit which is due to become an academy and repairs to solar panels.

	Long Term Provisions					
	Insurance Provision £000	Closed Landfill £000	Business Rates £000	Council Companies £000	Other LT Provisions £000	Long Term Total £000
<b>Balance at 31 March 2021</b>	<b>3,349</b>	<b>2,552</b>	<b>21,447</b>	<b>2,851</b>	<b>1,166</b>	<b>31,365</b>
Amounts used in year	-1,527	0	-1,590	0	0	-3,117
Unused amount released	-422	-165	-1,220	-2,101	-34	-3,942
Additional provisions made	1,900	0	0	101	101	2,102
<b>Balance at 31 March 2022</b>	<b>3,300</b>	<b>2,387</b>	<b>18,637</b>	<b>851</b>	<b>1,233</b>	<b>26,408</b>
Amounts used in year	-1,081	0	-2,533	0	-33	-3,647
Unused amount released	-862	-177	0	-570	0	-1,609
Additional provisions made	1,617	0	1,873	310	0	3,800
<b>Balance at 31 March 2023</b>	<b>2,974</b>	<b>2,210</b>	<b>17,977</b>	<b>591</b>	<b>1,200</b>	<b>24,952</b>

Long Term Provisions include:

- **Insurances** – The Council holds insurance provisions for the cost of known claims up to the excess level on its insurance policies. The value of this provision is based on the individual claim reserves set by either external claims handlers or internal insurance staff.
- **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.
- **Council Companies** – This provision is held in recognition of costs the Council may face as a result of its ownership of arms-length companies. Specifically, the provision reflects potential exposure to costs from underwriting losses that have been made by those companies, and the risk from pension fund guarantees the Council has provided
- **Other LT Provisions** – The Council has subsidiaries with loans and guarantees (non-financial risk) that are assessed annually for default.

## 25. Usable Reserves

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

The revenue reserves are split into three core funds for general activities (General Fund), budgets devolved to schools (School Reserves) and Council 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 9, other balances are explained below.

The overall movements show a net movement in reserves of -£40.8m during 2022-23. This largely reflects decreases to Earmarked Reserves, the Schools Reserve, the Major Repairs Reserve and an increase to the Capital Grants Unapplied Reserve. Further explanations for major variances follow the table.

<b>Usable reserves</b>	<b>31 March 2023 £000</b>	<b>31 March 2022 £000</b>
<b>Held for Revenue Purposes</b>		
General Fund	26,901	25,826
School Reserves	11,373	14,844
Housing Revenue Account	694	670
Earmarked General Fund Reserves	113,785	147,710
Earmarked HRA Reserves	738	669
	<b>153,491</b>	<b>189,719</b>
<b>Held for Capital Purposes</b>		
Capital Receipts Reserve	15,756	16,419
Capital Grants Unapplied Reserve	47,351	45,207
Major Repairs Reserve	9,565	15,651
	<b>72,672</b>	<b>77,277</b>
<b>Total</b>	<b>226,163</b>	<b>266,996</b>

### Revenue Reserves

**General Fund** – The general fund reserve balance at the start of the year was £25.8m. £1.1m was transferred from the reserve at the start of the financial year to support the 2022-23 budget. The balance held at year-end is £26.9m the increase is as a result of Vivo moving back in house and the associated company reserves being transferred across (£0.6m) and the transfer of the in-year underspend of £1.6m to the general fund.

**School Balances** – School Balances represent the use of the Dedicated Schools Grant (DSG), other school specific grants and income generation, which have been devolved to schools.

**Earmarked Reserves** – See Note 9 for analysis of the individual movements on earmarked reserves.

## 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 2022-23 there was a net decrease of £0.66m in the balance on the reserve. This increase reflects a combination of £5.88m of additional income from new receipts and the utilisation of £6.54m of the reserve to fund capital projects in 2022-23. The new capital receipts received related to commercial property re-investment receipts (£1.3m), Right to Buy receipts (£3.1m), compulsory purchase order receipts (£0.14m), specific capital receipts (£0.04m) and general capital receipts (£1.3m).

**Capital Grants Unapplied Reserve** - The movement primarily relates to the unused Winsford Future High Streets Fund grant which was transferred to the unapplied capital grant reserve to be utilised in 2023-24.

**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 Financial Model. In 2022-23 the balance decreased by £6.1m due to a planned increase in capital expenditure funded from the reserve. Further details on the use of this reserve are contained in the Housing Revenue Accounts.

## 26. Unusable Reserves

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

- They represent assets or profits recognised in the Council's accounts but which are not 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 purchase; 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.

Unusable reserves	31 March 2023 £000	31 March 2022 £000
Revaluation Reserve	476,518	428,019
Capital Adjustment Account	689,520	702,396
Financial Instruments Adjustments Account	-1,242	-1,354
Deferred Capital Receipts Reserve	2,794	3,040
Pensions reserve	243,454	-158,015
Collection Fund Adjustment Account	10,400	-8,843
Accumulated Absences Account	-8,236	-8,162
Financial Instrument Revaluation Reserve	-2,027	-892
<b>Total</b>	<b>1,411,181</b>	<b>956,189</b>

## 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:

- Revalued downwards or impaired and the gains are lost
- Used to provide services and the value is consumed through depreciation; or
- Disposed of and the gains are realised.

Where the impairment value is greater than the revalue amount, then the excess impairment is charged to the CIES.

Revaluation Reserve Movements	2022-23 £000	2021-22 £000
<b>Balance at 1 April</b>	<b>428,019</b>	<b>411,395</b>
Upwards Revaluation of assets	66,075	33,045
Downward revaluations and impairment losses	-5,323	-6,574
<b>Deficit on revaluation of non-current assets</b>	<b>60,752</b>	<b>26,471</b>
Difference fair value and historic cost depreciation	-8,965	-8,215
Accumulated gains on assets sold or scrapped	-3,288	-1,632
<b>Written off to the Capital Adjustment Account</b>	<b>-12,253</b>	<b>-9,847</b>
<b>Balance at 31 March</b>	<b>476,518</b>	<b>428,019</b>

## 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 not yet used 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 the year is as follows:



Capital Adjustment Account	2022-23 £000	2021-22 £000
<b>Balance at 1 April</b>	<b>702,396</b>	<b>674,780</b>
<b>Capital funded items charged to CIES</b>		
Charges for depreciation	-47,129	-45,400
Amortisation of Intangible assets	-2,449	-2,230
Revaln and impairment losses on non current assets	-1,422	-8,805
Revaluation/Impairment of capital creditors/debtors	-33	184
REFCUS (Rev exp funded from capital under statute)	-4,865	-5,315
Assets written off to the CIES on disposal	-11,601	-12,078
Change in market value of investment properties charged to CIES	-30,742	-954
<b>Subtotal</b>	<b>-98,241</b>	<b>-74,598</b>
<b>Values released from revaluation reserve</b>		
Depreciation costs funded from revaluation reserve	8,965	8,215
Revalued assets disposed of in year	3,288	1,632
	<b>12,253</b>	<b>9,847</b>
<b>Net cost of non-current assets used in the year</b>	<b>-85,988</b>	<b>-64,751</b>
<b>Capital financing applied in the year</b>		
Application of capital receipts	6,790	502
Transfer from Major Repairs Reserve	17,140	12,305
Capital grants and contributions from CIES	24,453	35,090
Funding from capital grants unapplied reserve	4,779	7,567
Statutory revenue provision for capital financing from CIES	19,382	35,322
Revenue contributions to capital costs from CIES	568	1,581
<b>Subtotal</b>	<b>73,112</b>	<b>92,367</b>
<b>Balance at 31 March</b>	<b>689,520</b>	<b>702,396</b>

### 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 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	2022-23 £000	2021-22 £000
<b>Balance at 1 April</b>	<b>-1,354</b>	<b>-1,501</b>
Premiums/discounts incurred in previous years released to CIES	-4	-4
Proportion of premiums/discounts incurred in previous financial years to be charged to against the General Fund Balance in accordance with statutory requirements	17	17
Amounts by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	99	134
<b>Difference between costs charged to CIES and costs chargeable under statutory requirements</b>	<b>112</b>	<b>147</b>
<b>Balance at 31 March</b>	<b>-1,242</b>	<b>-1,354</b>

### Deferred Capital Receipt

The deferred capital receipt relates to assets which have already been disposed of, but for which the linked receipts will be received in annual instalments through to 2038.

Deferred Capital Receipts Movement	2022-23 £000	2021-22 £000
<b>Balance at 1 April</b>	<b>3,040</b>	<b>0</b>
Deferred Capital Receipts from disposals where cash has not yet been received		3,040
Transfer to capital receipts reserve upon receipt of cash	-246	0
<b>Balance at 31 March</b>	<b>2,794</b>	<b>3,040</b>

### 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 Pension Fund received its triennial valuation for the year-ending 31<sup>st</sup> March 2002 which resulted in a significant movement in the pension reserve to a reduced deficit of £158.015m. In 2022-23 the Pensions Reserve position reported by the Fund's Actuaries has further improved to a surplus of £243.45m. This is mainly due to a change in the financial assumptions used in the actuarial valuation relating to the discount rate for pension liabilities.

<b>Pensions Reserve Movement</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
<b>Balance at 1 April</b>	<b>-158,015</b>	<b>-506,259</b>
Remeasurement of the net defined benefit liability	451,195	392,166
Reversal of items Charged to CIES		
- Current Service Costs	-66,182	-64,239
- Past Service Costs, Settlements and Curtailments	1,668	58
- Net Interest Costs	-5,036	-10,449
Effect of business combinations and disposals	-14,304	0
Actual Pension Contris Charged to General Fund	34,128	30,708
<b>Balance at 31 March</b>	<b>243,454</b>	<b>-158,015</b>

### 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.

<b>Accumulating Absences Adjustment Account</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
<b>Leave Entitlement</b>		
- School Based Staff	-6,108	-6,356
- Non School Staff	-2,128	-1,806
<b>Balance at 31 March</b>	<b>-8,236</b>	<b>-8,162</b>

### Financial Instrument Revaluation Reserve

The Financial Instrument Revaluation Reserve comprises of changes in the fair value of investments held by the Council.

<b>Financial Instrument Revaluation Reserve</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
<b>Balance at 1 April</b>	<b>-892</b>	<b>-2,082</b>
Upward revaluation of investments	-1,135	0
Downward revaluation of investments	0	1,190
<b>Balance at 31 March</b>	<b>-2,027</b>	<b>-892</b>

### 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.

The level of income that can be passed from the Collection Fund to the General Fund each year is determined in advance of the financial year when the Council sets its budget for the year ahead. Any difference between the initial estimates and actual income lead to a surplus or deficit on the Collection Funds which can only be distributed to the General Fund in the following year. In the meantime, the balance is held on the Collection Fund adjustment account.

The movement on the reserve is as follows:

Collection Fund Adjustment Account	2022-23			2021-22		
	Council Tax £000	Non Domestic Rates £000	Total £000	Council Tax £000	Non Domestic Rates £000	Total £000
Balance at 1 April	1,783	-10,625	-8,842	-1,712	-38,493	-40,205
Share of Collection Fund Surplus /(Deficit)	386	18,856	19,242	3,495	27,867	31,362
<b>Balance at 31 March</b>	<b>2,169</b>	<b>8,231</b>	<b>10,400</b>	<b>1,783</b>	<b>-10,626</b>	<b>-8,843</b>
Billed Income for in year activities	-214,448	-63,560	-278,008	-203,674	-71,036	-274,710
Council Tax Collected for Parish Precepts	-4,252	0	-4,252	-3,988	0	-3,988
CWaC Contribution to (Surplus)/Deficit	-1,399	15,222	13,823	510	36,978	37,488
Actual Collection Fund (Surplus)/Deficit	-386	-18,856	-19,242	-3,495	-27,867	-31,362
<b>Income in CIES</b>	<b>-220,485</b>	<b>-67,194</b>	<b>-287,679</b>	<b>-210,647</b>	<b>-61,925</b>	<b>-272,572</b>
Less Actual Surplus/(Deficit)	386	18,856	19,242	3,495	27,867	31,362
<b>Income Credited to General Fund</b>	<b>-220,099</b>	<b>-48,338</b>	<b>-268,437</b>	<b>-207,152</b>	<b>-34,058</b>	<b>-241,210</b>

The reserve holds a surplus of £2.17m for Council Tax which will be available to the Council from 2023-24. This is a movement of £0.39m from last year's surplus and reflects the funding of £1.78m of the brought forward surplus by the Council and an in-year surplus (Council share) of £0.39m. The in year surplus is largely the result of lower than anticipated costs of the Council Tax Reduction Scheme.

The reserve holds a surplus of £8.2m for Non-Domestic Rates. The main reasons for this surplus are strong collection rates for both current year and prior year bills which have led to a lower than forecast increase to the provision for non-payment, as well as the withdrawal of several backdated appeals which led to a reduction in the appeals provision.

## 27. Cash Flow Statement – Operating Activities

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

The following adjustments were removed from the net Surplus or Deficit on the Provision of Services (SDPS) as they relate to costs and income which does not reflect cash based transactions, they instead relate to notional costs or movements in working capital.

<b>Adjustments to remove non-cash items from the SDPS</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Depreciation and amortisation of non current assets	-49,578	-47,630
Impairments and downward valuations	-1,422	-8,806
Revaluation Gains on Investment Assets	-30,742	-954
Reduction in fair value of soft loans	-99	-134
Pension Fund Adjustments	-49,726	-43,921
Other non cash Financial Instrument adjustments	0	0
(Increase)/ Decrease in Provisions	-4,957	-20,415
Increase/(Decrease) in Inventories	-33	-2
Increase/(Decrease) in Debtors	30,284	-16,444
(Increase)/Decrease in Creditors	-14,940	11,750
Carrying value of assets which have been sold	-11,768	-12,078
Other non cash movements	71	81
<b>Adjustments for Non Cash Items</b>	<b>-132,910</b>	<b>-138,553</b>

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.

<b>Adjustments to remove Investing and Financing Activities from the SDPS</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Proceeds from sale or disposal of non current assets	6,128	8,840
Capital grant income credited to SDPS	21,403	15,576
Income from Trading Operations	19,920	-6,934
Other adjustments for financing activities	4,435	5,146
<b>Net cash flows from investing/financing activities in SDPS</b>	<b>51,886</b>	<b>22,628</b>

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

<b>Interest and Investment Income in Operating Activities</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Interest received	-6,779	-1,482
Interest paid	12,556	11,468

## 28. Cash Flow Statement – Investing Activities

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

<b>Investing Activities</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Purchase of property, plant and equipment, investment property and intangible assets	73,916	114,155
Purchase of short-term and long-term investments	928,260	812,390
Other payments for investing activities	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-6,128	-8,840
Proceeds from short-term and long-term investments	-946,895	-834,700
Capital grants received	-29,446	-19,770
Other receipts from investing activities	-4,435	-5,146
<b>Net cash flows from investing activities</b>	<b>15,272</b>	<b>58,089</b>

## 29. Cash Flow Statement – Financing Activities

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

<b>Financing Activities</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Cash receipts of short- and long-term borrowing	-15,518	32,214
Other receipts from financing activities	-308	688
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,062	716
Repayments of short- and long-term borrowing	27,898	-17,214
Other payments for financing activities	-19,920	6,934
<b>Net cash flows from financing activities</b>	<b>-5,786</b>	<b>23,338</b>

## 30. Trading Operations

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

Trading operations	Expenditure 2022-23 £000	Property Disposals / Valuations 2022-23 £000	Income 2022-23 £000	(Surplus)/ Deficit 2022-23 £000	Expenditure 2021-22 £000	Property Disposals / Valuations 2021-22 £000	Income 2021-22 £000	(Surplus)/ Deficit 2021-22 £000
Industrial & Commercial Properties	4,912	1,833	-11,570	-4,825	3,719	1,111	-8,781	-3,951
Transport Management Organisation	3,466	0	-3,276	190	2,815	0	-2,665	150
Grounds Maintenance	77	0	-77	0	76	0	-76	0
<b>Total</b>	<b>8,455</b>	<b>1,833</b>	<b>-14,923</b>	<b>-4,635</b>	<b>6,610</b>	<b>1,111</b>	<b>-11,522</b>	<b>-3,801</b>

- The Industrial and Commercial Properties trading account lets Council owned business premises to small and medium size enterprises across the Borough. From 2022-23 Barons Quay has been reclassified as an investment asset which has resulted in an increase in both expenditure and income for the financial year. There was a loss of £1.883m (relative to the balance sheet value of the asset) on properties disposed of during the 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. Increased expenditure and offsetting income due to the procurement of fuel and leasing on behalf of Cheshire West Recycling.
- An element of the Grounds Maintenance trading operations was retained in year for school maintenance costs.

### 31. Agency Services

Cheshire West and Chester Council undertakes some activities on behalf of other bodies. Only those costs and balances that relate to the Council's own share are reflected in the CIES and Balance Sheet. During 2022-23, the Council acted as an agent in respect of the following:

#### Non-Domestic Rates Collection Fund

The Council collects Business Rates on behalf of central government, itself and Cheshire Fire Authority. This is distributed based on the following shares – central government (50%), Cheshire West and Chester Council (49%) and Cheshire Fire Authority (1%). The table below shows the balances on 31 March 2023 relating to each of these bodies.

Non-Domestic Rates Collection Fund – Balances at 31 March	2022-23 Collection Fund £000	CWAC £000	Central Government £000	Cheshire Fire £000	2021-22 Collection Fund £000
Arrears	7,645	3,746	3,822	77	5,987
Impairment Allowance	-5,698	-2,792	-2,849	-57	-5,080
Appeals Provision	-36,689	-17,978	-18,344	-367	-38,035
Receipts in Advance	-7,622	-3,735	-3,811	-76	-4,891
(Surplus)/Deficit	-16,798	-8,231	-8,399	-168	21,683
Amount owing (to)/from other bodies	0	30,173	-29,581	-592	0



The movement from a deficit to a surplus relates to a combination of factors including a better than anticipated position at the end of 2021-22 and lower than anticipated refunds relating to backdated reductions to rateable values.

### Council Tax Collection Fund

The Council collects Council Tax on behalf of itself, Cheshire Police Authority and Cheshire Fire Authority. This is distributed based on each body's share of the total Council Tax requirement, and in 2022-23 this was as follows – Cheshire West and Chester Council (84.58%), Cheshire Police Authority (11.42%), Cheshire Fire Authority (4.00%). The table below shows the balances on 31 March 2023 relating to each of these bodies.

Council Tax Collection Fund – Balances at 31 March	2022-23 Collection Fund £000	CWAC £000	Cheshire Police £000	Cheshire Fire £000	2021-22 Collection Fund £000
Arrears	23,713	20,019	2,738	956	21,213
Impairment Allowance	-15,718	-13,270	-1,814	-634	-14,315
Receipts in Advance	-5,913	-4,992	-683	-238	-5,536
(Surplus)/Deficit	-2,567	-2,169	-296	-102	-2,108
Amount owing (to)/from other bodies	0	74	-56	-18	0

The increase in surplus of £0.4m is largely due to a reduction in the number of Council Tax Reduction Scheme claimants offset by slower housing growth than anticipated.

### Energy rebate payments

Throughout 2022-23, the Council has acted as an agent of the Department for Business, Energy and Industrial Strategy, administering several different schemes to support local people with the increased cost of energy. Through these schemes the Council has made payments totalling over £18m to eligible households across the borough.

The Council has also distributed payments over which it has had a degree of discretion. These payments and the associated income have been accounted for within the comprehensive statement of income and expenditure and the balance sheet.

### Business Improvement Districts

The Council also collects income from a Business Rates levy in relation to five Business Improvement Districts (BIDs). The table below shows the amount of levy billed for in 2022-23, the amount paid to the BID management company, other transactions (write-offs, receipts in advance, outstanding arrears, and any surplus or deficit brought forward from the previous year) and any cash balances yet to be paid to or owed by the management company.



Business Improvement District	2022-23 Net Debit £000	Amount Paid £000	Other Transactions £000	Cash Balance Awaiting Payment £000	2021-22 Net Debit £000
Winsford	115	-116	10	9	110
Gadbrook Park	225	-245	47	27	219
Northwich	183	-182	12	13	173
CH1	393	-400	103	96	388
West Chester	110	-135	11	-14	100
<b>Total</b>	<b>1,026</b>	<b>-1,078</b>	<b>183</b>	<b>131</b>	<b>990</b>

### 32. Members' Allowances

In accordance with the Local Authorities (Member's Allowances) Regulations 2003, the total amount spent on member's allowances in 2022-23 was £1.20m. The payments include basic allowance, special responsibility allowance, travel and accommodation expenses and members NI costs. The current level of allowances was established following an independent review.

	2022-23 £000	2021-22 £000
Basic Allowance	918	885
Special Responsibility Allowance	207	206
Travel and Accommodation expenses	9	2
Member NI	75	67
<b>Total Members' Allowances</b>	<b>1,209</b>	<b>1,160</b>

### 33. Officers' Remuneration

The table below shows the number of employees (excluding Senior Officers) who were paid more than £50,000 but less than £149,999 in 2022-23. Pay includes salary costs, taxable travel costs and any redundancy payments. It does not include employers' pension or national insurance contributions.

Employee Pay Band	2022-23	2021-22
£50,000 - £54,999	218	202
£55,000 - £59,999	179	115
£60,000 - £64,999	56	72
£65,000 - £69,999	67	45
£70,000 - £74,999	39	41
£75,000 - £79,999	26	12
£80,000 - £84,999	15	3
£85,000 - £89,999	5	6
£90,000 - £94,999	5	3
£95,000 - £99,999	4	4
£10,0000 - £104,999	0	2
£105,000 - £109,999	4	2
£110,000 - £114,999	0	0
£115,000 - £119,999	0	1
£120,000 - £124,999	1	0
<b>Total</b>	<b>619</b>	<b>508</b>

The split by teachers and non-teachers for 2022-23 is shown in the table below:

Employee Pay Band	2022-23			2021-22
	Non Teacher	Teacher	TOTAL	TOTAL
£50,000 - £54,999	90	128	218	202
£55,000 - £59,999	114	65	179	115
£60,000 - £64,999	30	26	56	72
£65,000 - £69,999	27	40	67	45
£70,000 - £74,999	16	23	39	41
£75,000 - £79,999	12	14	26	12
£80,000 - £84,999	10	5	15	3
£85,000 - £89,999	1	4	5	6
£90,000 - £94,999	0	5	5	3
£95,000 - £99,999	0	4	4	4
£10,0000 - £104,999	0	0	0	2
£105,000 - £109,999	0	4	4	2
£110,000 - £114,999	0	0	0	0
£115,000 - £119,999	0	0	0	1
£120,000 - £124,999	0	1	1	0
<b>Total</b>	<b>300</b>	<b>319</b>	<b>619</b>	<b>508</b>

In accordance with the Accounts and Audit Regulations 2015, there is a legal requirement to report the remuneration of certain senior employees:

- Senior employees whose salary is £150,000 or more per year must be identified by name.
- Senior employees who meet the regulation's definition, appear on the senior management structure and whose salary is between £50,000 and £150,000 must be listed by job title.

The numbers have increased from last financial year, however this difference is predominantly due to 118 people have moved into the £50-£55k banding after the recent NJC pay award granted this year.

The following tables below show the remuneration for senior officers per annum. The figures include salary costs, taxable travel costs and where posts are removed any redundancy payments.

Post holder information (Post title)	Salary, Fees & Allowances £	Employer Pension Contributions £	Total Remuneration including Pension Contributions 2022-23 £
<b>2022-23 Current structure:</b>			
Mr A Lewis - Chief Executive	169,247	37,742	206,989
Mr C Seward - Deputy Chief Executive - Places	143,731	32,052	175,783
Ms D Curtis - Deputy Chief Executive - People	153,135	34,149	187,284
Mr M Wynn - Chief Operating Officer	157,568	33,401	190,969
Director of Finance	107,607	23,996	131,603
Director of Adult Social Care and Health	106,067	23,653	129,720
Director of Economy and Housing - mat. leave from Oct 2022	75,732	23,224	98,956
Director of Economy and Housing - mat. cover from 31 Oct 2022	37,388	8,338	45,726
Director of Place Commercial Management and Delivery	107,145	23,653	130,798
Director of Children and Families	116,485	25,976	142,461
Director of Public Health	107,073	23,653	130,726
Director of Public Services Reform	110,705	24,687	135,392
Director of Environment and Communities	97,724	21,792	119,516
Director of Transport and Highways	104,936	23,401	128,337
Director of Governance - Monitoring Officer	110,699	24,687	135,386
Director of Vivo Care Choices	106,067	23,653	129,720
<b>Total</b>	<b>1,811,309</b>	<b>408,057</b>	<b>2,219,366</b>
Number of posts in management structure as at 31 March 2023 - <b>15</b>			
Total contractual value of salary for the year - <b>£1.87m</b>			

The Director of Economy and Housing began maternity leave in October but the post was filled from 31/10/2022. The replacement received directors pay for 5 months during 2022-23.

The Chief Operating Officer was employed by Cheshire West until 31st March but was seconded to Lancashire County Council from November 22 up to and including March 2023 and have contributed £56k for his salary during this time period.

In addition to the costs shown in the table above, the Chief Executive has also received payments for undertaking the duties of Acting Returning Officer for City of Chester Parliamentary by-election.

The payments relating to these roles was **£2.3k** and is fully funded by the Electoral Commission.

In addition, there were also payments to Directors for the duties of: Deputy Acting Returning officers, Polling Station Inspectors and Clerical roles (City of Chester Parliamentary by-election)

These payments totalled **£1.5k** which will be funded by the Electoral Commission.

Post holder information (Post title)	Salary, Fees & Allowances £	Employer Pension Contributions £	Total Remuneration including Pension Contributions 2021-22 £
<b>2021-22 Current structure:</b>			
Mr A Lewis - Chief Executive	162,607	37,850	200,457
Deputy Chief Executive - Places	137,827	32,078	169,905
Deputy Chief Executive - People	137,675	32,078	169,753
Chief Operating Officer	131,254	30,581	161,835
Director of Children & Families	111,527	25,986	137,513
Director of Public Health	102,121	23,558	125,679
Director of Place Commercial Management and Delivery	101,648	23,558	125,206
Director of Environment and Communities	101,109	23,558	124,667
Director of Economy and Housing	101,109	23,558	124,667
Director of Finance	101,109	23,558	124,667
Director of Adult Social Care and Health	101,109	23,558	124,667
Director of Governance - Monitoring Officer	101,105	23,558	124,663
Director of Public Services Reform	101,069	23,558	124,627
Director of Transport and Highways - from 13/09/2021	54,256	12,633	66,889
Director of Integration - left 31/03/2022	58,726	-	58,726
Director of Education and Inclusion - reduced pay	15,874	-	15,874
Director Children Services - left 11/04/2021	3,408	794	4,202
<b>Total</b>	<b>1,623,533</b>	<b>360,464</b>	<b>1,983,997</b>
Number of posts in management structure as at 31 March 2022 - <b>15</b>			
Total contractual value of salary for the year - <b>£1.56m</b>			

## Termination Costs

The number of exit packages and total cost of compulsory and other redundancies are set out in the table below.

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	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
	People	Restated People	People	Restated People	People	Restated People	£000	Restated £000
£0 - £20,000	15	49	19	11	34	60	291	427
£20,001 - £40,000	1	12	7	5	8	17	214	460
£40,001 - £60,000	0	2	2	3	2	5	97	250
£60,001 - £80,000	0	2	0	0	0	2	0	134
£80,001 - £100,000	0	3	1	0	1	3	94	253
£100,001 - £150,000	0	1	0	1	0	2	0	391
£150,001 - £200,000	0	0	0	1	0	1	0	183
£200,001 - £250,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>16</b>	<b>69</b>	<b>29</b>	<b>21</b>	<b>45</b>	<b>90</b>	<b>696</b>	<b>2,098</b>

### 34. Audit Costs

The Council auditors are Grant Thornton and will incur audit fees of £204k relating to external audit activities, in addition to £34k for grant certification for Housing Benefit Subsidy claim, Teachers Pension Certificate and Housing Receipts Capital Pooling.

<b>Fees Payable for Audit Work</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	204	204
Fees payable to Grant Thornton in respect of certification of grant claims and other services	34	34
<b>Total</b>	<b>238</b>	<b>238</b>

### 35. Dedicated Schools Grant (DSG)

The primary source of funding for schools is provided by the Education and Skills Funding Agency via the Dedicated Schools Grant which was allocated at £314.279m in 2022-23. This initial allocation is reduced by £85.450m as funding relating to academies and high needs provisions not maintained by the Local Authority is passed directly to those establishments and is not reflected in the accounts. This allocation has been further adjusted in year for changes to early years funding based on participation in 2021-22 and the difference in National Non Domestic Rates bills for maintained schools compared to the original funding (£0.218m) to give a reported allocation of £228.611m.

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.

Details of the deployment of DSG receivable for the year 2022-23 were as follows:

<b>DSG for 2022-23</b>	<b>Central Expenditure £000</b>	<b>Individual Schools Budget £000</b>	<b>Total £000</b>
Final DSG for 2022-23 before academy and high needs recoupment			314,279
Academy and high needs figure recouped for 2021-22			-85,450
<b>Total DSG for 2022-23 (after Academy and high needs recoupment)</b>			<b>228,829</b>
Less Carry forward to 2023-24 agreed in advance			0
<b>Agreed initial budgeted distribution in 2022-23</b>	<b>45,519</b>	<b>183,310</b>	<b>228,829</b>
In year adjustments	46	-264	-218
<b>Final budgeted distribution for 2022-23</b>	<b>45,565</b>	<b>183,046</b>	<b>228,611</b>
Less: Actual Central Expenditure	-46,307	0	-46,307
Less: Actual ISB deployed to Schools	0	-183,046	-183,046
Local authority contribution 2022-23			0
<b>Carry Forward 2022-23</b>	<b>-742</b>	<b>0</b>	<b>-742</b>
<b>Brought forward from 2021-22</b>			<b>-1,970</b>
<b>Total of DSG Unusable reserve at the end of 2022-23</b>			<b>-2,712</b>

Overspends on central expenditure are carried forward by the Council as part of its Earmarked Reserves, this amount equated to a deficit of £0.742m (£0.938m in 2021-22) as at the end of 2022-23. Unspent ISB is retained by the individual schools and recorded on the Balance Sheet in the School Balances reserve (£11.373m) at 31 March 2023 (£14.844m 31 March 2022).

<b>DSG for 2021-22</b>	<b>Central Expenditure £000</b>	<b>Individual Schools Budget £000</b>	<b>Total £000</b>
Final DSG for 2021-22 before academy and high needs recoupment			301,174
Academy and high needs figure recouped for 2021-22			-79,517
<b>Total DSG for 2021-22 (after Academy and high needs recoupment)</b>			<b>221,657</b>
Less Carry forward to 2022-23 agreed in advance			0
<b>Agreed initial budgeted distribution in 2021-22</b>	<b>37,139</b>	<b>184,518</b>	<b>221,657</b>
In year adjustments	-122	-100	-222
<b>Final budgeted distribution for 2021-22</b>	<b>37,017</b>	<b>184,418</b>	<b>221,435</b>
Less: Actual Central Expenditure	-37,955	0	-37,955
Local authority contribution 2021-22	0	0	0
<b>Carry Forward 2021-22</b>	<b>-938</b>	<b>0</b>	<b>-938</b>
<b>Brought forward from 2020-21</b>			<b>-1,032</b>
<b>Total carry forward to 2022-23</b>			<b>-1,970</b>

### 36. Grant Income

The following grants, contributions and donations were credited to the CIES in 2022-23.

Grant income	2022-23 £000	2021-22 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
<b>Used to finance Council activities in year</b>		
<b>Local Taxation:</b>		
Council Tax	220,485	210,646
Non-Domestic Rate	68,141	62,828
<b>Non Specific Grant Income:</b>		
S31 Non Domestic Rates Grant Funding	10,852	35,909
Revenue Support Grant	3,468	3,358
Local Services Support Grant	638	530
New Homes Bonus	4,765	6,646
PFI Grant	3,092	3,092
Housing and Council Tax Benefit Administration Subsidies	864	842
Covid Emergency Grant	0	8,550
Household Support Fund	0	2,290
Covid Local Support	0	1,089
Local Tax Support Scheme	0	3,130
Outbreak Management	0	2,206
Infection Control	91	3,994
Income Compensation	0	1,072
Test and Trace/Self Isolation/Rapid Testing/Community Testing	476	6,140
UK Shared Prosperity Fund	448	0
22-23 services grant	3,650	0
Homes for Ukraine - guest tariff	5,752	0
Home to School Transport	0	153
Other Core Revenue Grants	1,417	5,274
<b>Used to finance Capital Expenditure</b>		
Capital Grants Utilised in Year	24,453	35,090
Capital Contributions Utilised in Year	2,849	2,669
<b>Set aside for future Capital Financing</b>		
Capital Grants Set Aside for Future Usage	4,074	25,489
<b>Total</b>	<b>355,515</b>	<b>420,997</b>

The Council has received several grants, contributions and donations that have yet to be recognised as income as they still have conditions attached. If these conditions remain unmet, this may require the monies or property to be returned. The balances at year-end are as follows:

Capital Grants and Contributions Receipts in Advance	2022-23 £000	2021-22 £000
Devolved Formula Capital	180	1,185
Other Grants	82	682
Special Educational Needs Grant	7,157	1,687
Transport Funding	1,622	3,139
s106 and other Contributions	23,223	17,529
<b>Total</b>	<b>32,264</b>	<b>24,222</b>

Revenue Grants Receipts in Advance	2022-23 £000	2021-22 £000
Dept of Education - Various	818	446
Department of Housing, Communities and Local Government	5	19,128
Other Govt Bodies	47,173	16,471
Other	706	5,518
<b>Total</b>	<b>48,702</b>	<b>41,563</b>



### 37. Related Parties

The Council is required to disclose related party relationships that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these interests allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. In this context, related parties include:

- Central Government
- Elected Members of the Council
- Senior Officers
- Other Public Bodies
- Entities controlled or significantly influenced by the Council

#### Central Government

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides a significant proportion of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits).

Details of material transactions with Central Government are shown throughout these notes and included within other notes are those listed below (2021-22 comparators in brackets).

Funding from Government (Note 36)	£468m (£526m)
Non-Domestic Rates Share Payable Collection Fund	£49.1m (£34.5m)

The increase in the NDR share payable relates to the reduction in the 2021-22 deficit compared to the prior year meaning a reduced government contribution towards the deficit.

The Council undertakes significant transactions with Cheshire Police Authority and Cheshire Fire Authority. These relate to the payment of Council Tax income collected on behalf of both bodies and Non-Domestic Rates collected on behalf of Cheshire Fire Authority. These transactions are disclosed in the Collection Fund account and amount to payments of £29.7m (Police) and £10.4m (Fire) in respect of Council Tax precepts and shares of a prior year deficit and £1.0m (Fire) in respect of its share of Non-Domestic Rates income.

#### Other Public Bodies

The Pension Fund is administered and governed independently of the Council to avoid the potential for undue influence to be exerted. The Council undertakes transactions with the Pension Fund in the form of contributions to fund future pension payments of Council employees, valued at £32.5m (2021-22 £29.7m). As the Council is the administering authority of the Cheshire Pension Fund, the Council makes payments on behalf of the fund throughout the year. The amount due to the Council or the fund each month is paid via an intercompany cross balance payment. At the year end 31 March 2023, the amount due from the pension fund the Council was £69.4k. Monthly contributions were also due to the fund as at 31 March 2023 of £3.1m. The contributions related to March 2023, paid April 2023.

The Cheshire Pension Fund has set up an arm's length company, LGPS Central Ltd, along with seven other Local Government Pension Funds as an equal partner to manage their investment assets.

The Council holds stakes in a number of organisations who are funded to provide services. The Council has significant influence over all of these organisations 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 this note.

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, care and education needs coincide. In 2022-23 this figure was £21m (2021-22 £17.4m).

### **Entities controlled or significantly influenced by the Council**

Alongside the individually significant relationships, the Council works with a wide range of charitable and voluntary bodies in areas 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 staff time and support when working with its partners and, in certain cases, is represented at officer or member level in strategic decision making. On review of these payments the Council does not feel that any undue influence has been exerted to these organisations as a result of the contributions made. The total direct financial contributions to such organisations for 2022-23 amounted to £5.7m (2021-22 £5.5m).

### **Elected Members of the Council and Officers**

Members of the Council have a direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2022-23 is shown in Note 32.

During 2022-23 there were no reported material transactions with related parties advised by members or Chief Officers (Senior Management Team).

The following Members and Officers of the Council held interests in the following companies, which had transactions with the Council during 2022-23:

Organisation	Member/Officer
Ashton Hayes Community Benefit Society (CBS)	Cllr Deynem
Castle Park Trust	Cllr Basey      Cllr Deynem Cllr Bowers      Cllr Riley
Chapter (West Cheshire) Limited	Cllr Gould
Cheshire & Wirral Partnership NHS Foundation Trust	Cllr Gould Cllr Millar
Cheshire Fire Authority	Cllr Daniels      Cllr S Parker Cllr Houlbrook      Cllr Rudd Cllr Lewis      Cllr Wheeler Cllr Pardoe      Cllr Wright
Cheshire Police & Crime Panel	Cllr Bisset      Cllr Riley Cllr Millar
Cheshire West & Chester Chairman's Trust	Cllr Rudd
Chester Cathedral Council	Cllr Bisset
Chester Mystery Plays	Cllr Little
Childer Thornton Primary School (Concordia Multi Academy Trust)	Cllr Hogg
Countess of Chester NHS Foundation Trust	Cllr Collings Cllr B Jones
Farndon War Memorial Hall	Cllr Roberts, P
ITS Technology Group Ltd	Cllr M Jones
Malpas Victoria Jubilee Hall	Cllr R Williams
Manchester Port Health Authority	Cllr Herbert      Cllr Wheeler Cllr Riley
Marshall's Arm Management Group	Cllr Parkes
Mid Cheshire Foodbank	Cllr Lewis Cllr Pardoe
Mid Cheshire Hospitals NHS Foundation Trust (MCHT)	Cllr Lewis
Neston Community Youth Centre Limited	Cllr Gittins
Neston High School (Academy)	Cllr Gittins
North West Inshore Fisheries Conservation Authority	Cllr P Williams
Oak View Academy (North West Academies Trust Limited)	Cllr Baynham
Pantry for Blacon (Blacon Beacon)	Cllr Little
PATROL	Cllr Blackmore
Rudheath Senior Academy	Cllr Naylor
Sanctuary Group Chester and District Committee	Cllr Board Cllr Little
St Mary's Church Weaverham (Church Council)	Cllr Edwards
Storengy Responsible Business Board	Cllr Naylor
Tattenhall Community Association	Cllr M Jones
The Chester Bluecoat Charity	Cllr Bisset
The Queens School Chester	Cllr Daniels
Transport for the North	Cllr Cernik, K      Cllr Gittins Cllr Cooper      Cllr Shore
Victoria Road Primary School (ASPIRE Academy Trust)	Cllr Cooper
Warrington & Vale Royal College	Cllr Naylor
West Cheshire Foodbank	Cllr Beacham
Winsford Youth Forum	Cllr Blackmore Cllr Moorcroft
Youth Federation	Cllr Langan

The following Members and Officers of the Council held interests in the following companies, which had transactions with the Council during 2022-23 in which the Council also has an interest:

Organisation	Member/Officer
Avenue Services (NW) Limited	Cllr Board Cllr Little Cllr Richards
Cheshire & Warrington Local Enterprise Partnership	Cllr Beacham Cllr Donovan Cllr Gittins Cllr Shore
Cheshire Provider Services (CPST)	Officer D Curtis
Cheshire West Recycling	Cllr Shore
Cowest Services Ltd (T/A Qwest Services)	Cllr Bryan Officer C Seward
Edsential CIC	Officer H Brackenbury
HQ Management Company Ltd	Officer H Job Officer G Joyce
Public Sector PLC LLP (PSP LLP)	Cllr Beacham Cllr Gahan Cllr Gibbon
Vivo Care Choices Ltd	Officer D Curtis

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. There were no significant 'pecuniary interests' identified during 2022-23.

## Interest in Companies

Following a review of the Council's relationships with various organisations in whom it has a stake hold, it has been determined that the activities of some of these entities should be reported alongside the Council's in the Group Accounts. Those organisations to be included within Group Accounts are Brio Leisure, Edsential CIC, Avenue Services Limited and Cheshire West Recycling. Information is included below on these entities and any others the Council has a material interest in. Cheshire Provider Services (Vivo) ceased trading as at 31st March 2022 and was dissolved on 1<sup>st</sup> August 2023. The care services previously delivered by the company are now delivered in-house. The Council's relationship with Qwest is that of a joint operation which is 'outside the scope' of group accounts

Interest in Companies 2022-23	Details of Arrangement	2022-23						
		Total Assets	Total Liabilities	Total Equity	Turnover	Operating Profit/ (Loss)	Actuarial gains/ (losses)	Total Profit/(Loss) for the year
		£000	£000	£000	£000	£000	£000	£000
<b>Associates</b>								
Avenue Services (Blacon Asset Management Company) Limited	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 is jointly owned by the Council (49%) and CDHT (51%) (under the banner of Sanctuary Housing). During the year the Council had expenditure with Avenue Services totalling £0.5m and income totalling £0.016m. There are no debtor or creditor balances with Avenue Services at 31.3.23.	1,318	-1,013	305	2,169	-6	0	0
	<b>2021-22</b>	1,170	-865	305	2,206	-8	0	-13
<b>Subsidiaries</b>								
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 a number of 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 CIC at 31st March 2023 had a £3.1m pension surplus (21-22 - £6.0m pension liability). The improved position is largely reflective of changes to the financial assumptions used to calculate future pension obligations. The Council is guarantor for any future pension liability, in the event that the company ceases trading. During the year the Council had expenditure with Brio totalling £1.3m and income totalling £0.25m. In addition Brio received a further £2.1m of funding from the Council to primarily off-set a reduction in income as a result of Covid-19. Included in the Council's accounts was £0.001m of trade debtors and £0.41m of trade creditors .	2,772	-2,881	-109	12,540	53	10,561	50
	<b>2021-22</b>	3,141	-3,050	91	8,908	42	3,974	0
Cheshire Provider Services/Vivo Care Choices Limited	The company ceased trading as at 31st March 2022 and the care services previously delivered by the company are now delivered in-house.	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	<b>2021-22</b>	1,382	-13,685	-12,303	16,166	-2,584	7,037	-2,403

Interest in Companies 2022-23	Details of Arrangement	2022-23						
		Total Assets	Total Liabilities	Total Equity	Turnover	Operating Profit/ (Loss)	Actuarial gains/ (losses)	Total Profit/(Loss) for the year
		£000	£000	£000	£000	£000	£000	£000
Cheshire West Recycling	Cheshire West Recycling Limited was incorporated on 12th October 2019 and started to operate in March 2020. CWR is a wholly owned subsidiary of the Council and its primary role is to provide a domestic waste collection service for more than 140,000 households across the borough. The company provides these services under a contract from the Council that runs until March 2026.  The accounts include a £1.6m pension surplus (21-22 £0.5m liability). The improved position is largely reflective of changes to the financial assumptions used to calculate future pension obligations. The Council is guarantor for any future pension liability, in the event that the company ceases trading. During the year the Council had expenditure with CWR totalling £16.8m and received income totalling £1.1m. Included in the Council's accounts was £0.422m of trade debtors and £0.106m of trade creditors.	3,437	-2,884	553	19,154	681	2,212	574
		3,552	-3,579	-27	19,491	629	784	421
<b>Joint Operation</b>								
CoWest Services Limited (Qwest)	In June 2015 the Council launched QWest, in partnership with Engie (previously known as Cofely), to deliver its Customer Services, Business Operations and Building Maintenance/Cleaning Services. The council owns 49% ordinary B shares in the company. These shares entitle the council to an annual dividend of between 2% and 6% of the company's turnover to customers external to the council.  During the year to 31st March 2023 the Council had expenditure with Qwest of £17.8m and income of £0.55m. At the year end the Council included £0.36m of trade debtors and £1.4m of trade creditors.	11,251	-9,318	1,933	20,590	729	9,264	647
		13,504	-12,779	725	25,756	610	2,531	610
	<b>2021-22</b>							
<b>Joint Venture</b>								
Edsential CIC	Edsential CIC is a Community Interest Company jointly owned with Wirral Borough Council, both councils have a 50% share. The company has been set up to provide a 'one stop shop' approach for schools to buy services such as music services, outdoor education, governor services, catering, cleaning, school development and learning outside the classroom.  The CIC has a £2.3m pension surplus (21-22 liability of £6.6m), £1.6m of this is in relation to Cheshire Pensions. The improved position is largely reflective of changes to the financial assumptions used to calculate future pension obligations. The Council is guarantor for any future Cheshire pensions liability, in the event that the company ceases trading. During the year the Council had expenditure with Edsential totalling £7.7m and income totalling £0.533m. Included within the Council's accounts is £0.21m of trade debtors and £0.15m of trade creditors.	3,996	-6,341	-2,345	17,302	-569	9,413	-569
		3,982	-12,338	-8,356	14,361	-287	3,875	-403
	<b>2021-22</b>							



The following items are not consolidated into the accounts for reasons stated and are included here for completeness.

### **Local Capital Finance Company**

The Council is a shareholder in the United Kingdom Municipal Bond Agency (UKMBA), a publicly listed company, which has been formed to raise capital through the sale of bonds. The money raised from issuing bonds to investors will 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 will potentially allow councils to borrow at a lower cost than is currently the case through the Public Works Loans Board (PWLb).

The Council subscribed for £350,000 worth of ordinary shares in UKMBA in 2014-15. The total investment from all Councils totalled £6m. The company has received a letter of comfort from the Local Government Association that sets out ongoing financial and operational support for a period of 10 years from January 2018. The board of UKMBA recently issued a statement saying that because the UKMBA has not yet completed its first combined transaction as a proof of concept, "it is not yet certain that the company will be able to price its debt competitively".

### **Northwest Evergreen Limited 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.

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

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

In joining the partnership as a County Area Limited Partner the Authority is expected to advance annually to the Fund (as a loan) an index-linked amount equal to £250k divided by the number of County Area Limited Partners, to meet the ongoing expenses of the fund (Cheshire West and Chester holding is £42k). For 2022-23 the Partnership reviewed the payment and notified the Council that no payment was required for the year (£nil in 2021-22). As a minority General Partner, CW&C is not required to include the financial activities of Evergreen in its group accounts.



### **Chester Renaissance Limited**

The company is limited by guarantee and wholly owned by the council. This organisation is no longer active, and the intention of the Council is to liquidate the company in the next 12 months. As at 31<sup>st</sup> March 2023 net assets are £0.05m.

### **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 the current level of financial activity is not sufficient to have a material impact on the Council's 2022-23 group accounts. Turnover can vary significantly from year to year depending on the timing of disposals. In 2022-23 turnover is expected to be less than £1m and net assets £2.3m (£nil turnover and £0.97m assets 2021-22). The company has an outstanding loan of £2.2m from the council which will be repaid on the disposal of the Winsford employment site. The wind up of the company will also be linked to the completion of the development of this site, which is expected to be within the next 12-24 months.

In June 2023, the partners agreed that the operations of the LLP should be wound down over the next 12 to 18 months.

### **HQ Management Company Limited**

The Council holds a 50% interest in HQ Management Company Limited. The company continues to be dormant. At 30 September 2022, the company had net assets of £16.

### **ENTEP Properties Limited**

ENTEP Properties was established in 1983 with the Council holding a minority shareholding limited by guarantee. Currently the Council leases land off Rother Drive in Ellesmere Port to ENTEP Properties on a 25 year lease which commenced in December 1996. The company has net assets of £1.6m.

### **LGPS Central Limited**

LGPS Central was created in 2017-18 to manage the investment funds of several local government pension schemes across the Midlands and North West, this included the funds of the Cheshire Pension Fund. As the Council is the administering authority of the Cheshire Pension Fund, the Council makes payments on behalf of the fund throughout the year.

The pooled arrangements for the management of the pension fund assets took effect from the 3 April 2018. The Council is an associate of this company with a 12.5% holding. Any consolidation will be in the Cheshire Pension Fund Accounts.

### **38. Better Care Fund**

The Better Care Fund (BCF) is a national initiative led by NHS (England) which was launched on 1st April 2015. The BCF seeks to support both social care and health service integration, and deliver improved outcomes for patients, service users, and carers. In 2022-23 the Cheshire West and Chester BCF combined the required minimum pooling of £43.081m of existing resources through a pooled budget, held by each Commissioning

Partner; Cheshire West and Chester Council, and NHS Cheshire and Merseyside Integrated Care Board (ICB).

The below table outlines the breakdown of the minimum pooled funding for each authority, as well as additional funding received in year held under the BCF.

Scheme	Cheshire West and Chester Council £000	NHS Cheshire and Merseyside ICB £000
<b>Minimum Pooling</b>		
NHS minimum contribution to the BCF	10,837	17,731
IBCF	10,825	
DFG	3,688	
<b>Total Minimum Pooling</b>	<b>25,350</b>	<b>17,731</b>
<b>Additional Funding</b>		
ASC Discharge Funding*	3,876	
Place Funding	691	427
Third party funding relating to DFG expenditure	47	
<b>Total Additional Funding</b>	<b>4,614</b>	<b>427</b>
<b>Total</b>	<b>29,964</b>	<b>18,158</b>

\* The ASC Discharge Funding is made up of the following - £1.223m direct grant and £2.653m from NHS Cheshire and Merseyside ICB.

Funding of £3.002m brought forward from the previous year was also available, and of this a total of £1.462m was used in year. Additional underspends of £0.655m relating to the Place Funding in 2022-23 (held by the Cheshire West and Chester Council) has resulted in the BCF carrying forward £2.195m into 2023-24. Of this, £1.295m is Disabled Facilities Grant funding and therefore ringfenced, whilst the remaining £0.900m is available to be used in line with the agreed plan and underpinning section 75 agreement.

Funding was utilised to deliver several schemes which aim to improve outcomes across a range of national conditions. These include managing avoidable admissions, reducing length of stay, discharge to normal place of residence, reducing residential care admissions, and improving the effectiveness of reablement. The use of the funding is consistent and in line with the aims and visions set out in the BCF narrative for 22-23.

The local BCF pooled budget is underpinned by a Section 75 agreement. Under IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements, all partners agree that they have joint control of the allocation of resources. As part of this agreement partners in the main are responsible for the risks associated with schemes for which they are the commissioning partner. As the reporting partner for the BCF, the Council collates and reports the overall position to its partners. Planned and actual expenditure for 2022-23 is shown below, which also includes the additional funding received in year:

Minimum Pooling 2022-23	Cheshire West and Chester Council		Cheshire Clinical Commissioning Group		Total	
	Plan £000	Actual £000	Plan £000	Actual £000	Plan £000	Actual £000
BCF Funding B/Fwd from 2021/22	0	-2,858	0	-144	0	-3,002
Income	-25,350	-29,964	-17,731	-18,158	-43,081	-48,122
Expenditure	25,350	30,627	17,731	18,302	43,081	48,929
<b>Total</b>	<b>0</b>	<b>-2,195</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2,195</b>
BCF Funding C/Fwd to 2023/24	0	-2,195	0	0	0	-2,195

Minimum Pooling 2021-22	Cheshire West and Chester Council		Cheshire Clinical Commissioning Group		Total	
	Plan £000	Actual £000	Plan £000	Actual £000	Plan £000	Actual £000
BCF Funding B/Fwd from 2020/21	0	-1,699	0	-134	0	-1,833
Income	-24,451	-24,466	-16,781	-16,781	-41,232	-41,247
Expenditure	24,451	23,307	16,781	16,771	41,232	40,078
<b>Total</b>	<b>0</b>	<b>-2,858</b>	<b>0</b>	<b>-144</b>	<b>0</b>	<b>-3,002</b>
BCF Funding C/Fwd to 2022/23	0	-2,858	0	-144	0	-3,002

The Council does not act as the lead commissioner for the BCF as a whole but is lead commissioner of its own element, which is reported in the Council's statement of accounts.

### 39. Capital Expenditure and Financing

The Council's Capital Financing Requirement has risen by £11.3m in year as capital costs of £92.1m were greater than funding set aside of £80.8m. The overall Capital Financing Requirement will be funded from a combination of future revenue contributions, capital receipts and external funding.

	2022-23 £000	2021-22 £000
<b>Opening Capital Financing Requirement</b>	<b>546,885</b>	<b>517,408</b>
Capital Investment		
- Expenditure on capital assets		
- Property, plant and equipment	77,547	112,168
- Heritage assets	25	620
- Investment assets	955	1,193
- Intangible assets	1,110	2,953
- Assets Held for Sale	0	0
Loans transferred to Long Term Debtors	0	0
- REFCUS - expenditure of a capital nature	12,415	12,068
- Change in value of capital creditor	33	-185
<b>Total</b>	<b>92,085</b>	<b>128,817</b>
Sources of Finance		
- Capital Receipts applied	-6,790	-502
- Govt grants and contributions applied	-24,453	-35,090
- Tfr from unapplied grants and contributions	-4,779	-7,567
- Revenue contributions	-568	-1,581
- Income from repayment of capital debtors	-6	-220
- Release of surplus capital creditors	-162	0
- Use of other Capital Reserves	-17,140	-12,305
- Revenue provision for debt repayment	-19,382	-35,322
- REFCUS income	-7,550	-6,753
<b>Total</b>	<b>-80,830</b>	<b>-99,340</b>
<b>Closing Capital Financing Requirement</b>	<b>558,140</b>	<b>546,885</b>

Explanations of Movement in Year		
Increase in underlying need to borrow (unsupported)	10,012	28,543
Assets transferred from Vivo	100	0
Assets acquired under finance leases	794	750
Assets acquired / Disposed under PFI/PPP contracts	349	184
<b>Increase in Capital Financing Requirement</b>	<b>11,255</b>	<b>29,477</b>

#### 40. Leases

##### Authority as Lessee: Finance Leases

The following asset values are held under finance leases by the Council and are accounted for as part of property, plant and equipment.

Movements in the values of Finance Lease Assets	Vehicles, Plant and Equipment 2022-23 £000	Vehicles, Plant and Equipment 2021-22 £000
Net Book Value at 1 April	1,449	1,658
New Leases	794	750
Depreciation	-919	-946
Disposals	-242	-13
<b>Value at 31 March</b>	<b>1,082</b>	<b>1,449</b>

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	2022-23 £000	2021-22 £000
Current (payable within 1 year)	801	934
Non Current	468	765
Finance costs payable in future years	90	80
<b>Minimum lease payments</b>	<b>1,359</b>	<b>1,779</b>

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

Age Profile of Finance Lease Payments	Minimum Lease Payment		Finance Lease Liabilities	
	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000
No later than one year	854	988	801	934
Between one and five years	490	791	454	765
Later than five years	15	0	14	0
	<b>1,359</b>	<b>1,779</b>	<b>1,269</b>	<b>1,699</b>

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 2022-23, no contingent rent payments were payable by the Council.

## Embedded Leases

In 2012-13 the Council entered into a new long-term contractual arrangement for highways maintenance within the borough. The contractors involved utilised a range of vehicles and equipment to provide the services required. Following an assessment of the arrangements, the Council determined that these contracts represented embedded leases as the assets were for the sole use of the authority. From April 2023, the existing contract ceased and a new contract has been established with a new lessor.

### Authority as Lessee: Operating Leases

For 2022-23, the Operating leases have been estimated using the 2021-22 figures.

### Commitments under Operating Leases

The Council estimates that at 31 March 2023 the authority was committed to making payments of £8.5m 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 2022-23 are estimated at £0.7m.

#### Vehicles, Plant and Equipment

The Council uses cars, vans, recycling vehicles, street cleansing vehicles, photocopiers and printers financed under terms of an operating lease. The amount paid under these arrangements in 2022-23 was estimated at £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. The annual cost in 2022-23 was estimated at £0.3m and as at 31 March 2023, there were estimated to be 48 employees participating in the scheme. 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 estimated as follows:

Age Profile of Operating Lease Payments	2022-23 £000	2021-22 £000
No later than one year	1,048	1,048
Between one and five years	2,996	2,996
Later than five years	4,499	4,499
	<b>8,543</b>	<b>8,543</b>

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 2023 the estimated outstanding income linked to future usage of these properties was as below.

Age Profile of Sub-lease payments receivable	2022-23 £000	2021-22 £000
No later than one year	113	113
Between one and five years	0	0
Later than five years	0	0
	<b>113</b>	<b>113</b>

The lease payments payable and sub-lease income receivable in 2022-23 is estimated to be:

Lease payments and Sub-lease receivable	2022-23 £000	2021-22 £000
Minimum Lease payments	137	137
Sublease Payments Receivable	-113	-113
	<b>24</b>	<b>24</b>

### 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 farms. 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 estimated as follows:

Age Profile of Lease Income	2022-23 £000	2021-22 £000
No later than one year	12,106	12,106
Between one and five years	27,555	27,555
Later than five years	164,102	164,102
	<b>203,763</b>	<b>203,763</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2022-23 no contingent rents were received by the authority.

### 41. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the assets needed to provide the services passes to the PFI contractor. Following a competitive procurement process, this contractor will design, build, finance and operate these assets in response to a specification set out by the Council. The assets are made available to the Council over a specified period (the service concession period) and in return



the Council will make regular payments to the contractor over this period (the Unitary Payment). This charge covers the running costs of the facility and contributes to the capital financing costs the contractor incurred.

The Council has two operational PFI schemes:

- A scheme to provide school premises together with associated facilities management services (e.g. caretaking, cleaning and catering) in the Ellesmere Port area. There were originally five schools which were constructed under this agreement and additional facilities were developed at a sixth. The service commenced in September 2003 for a period of 30 years until 2033. Since then three schools have become academies, leaving two schools and additional facilities within the Council's ownership. 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 Winsford and Ellesmere Port. This scheme is managed in partnership with Cheshire East Borough Council where there are a further three sites, although one of these three sites was subject to extensive fire damage during 2019-20. 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**

The Council has determined control of the assets by looking at how we manage the facilities, right of access to the facilities and decisions around the day to day managing of the facilities. The accounting policy for PFI's and similar arrangements has been applied to these assets. Consequently, the assets relating to these contracts (£22.0m) have been recognised on the Balance Sheet as property, plant and equipment, in accordance with IFRIC 12 Service Concession Arrangements.

Under the requirements of IFRIC 12 (Service Concession Arrangements) 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.

In addition the Council needs to consider the treatment of the income generating potential of these assets. Where these assets generate income an assumption needs to be made as to whether the income primarily funds: operational running costs, or 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 to support operational running costs with all capital expenditure being funded from the PFI unitary payment the Council makes to the contractor.

This judgement is based on the respective financial models for the PFIs as approved by the Council at the inception of the programme.

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



Movement in PFI Asset Values	2022-23			2021-22		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Net Book Value	8,710	10,223	18,933	8,862	13,634	22,496
Additions/Disposal	93	256	349	25	159	184
Revaluations	0	3,200	3,200	0	-2,999	-2,999
Depreciation	-179	-254	-433	-177	-571	-748
<b>Closing Net Book Value</b>	<b>8,624</b>	<b>13,425</b>	<b>22,049</b>	<b>8,710</b>	<b>10,223</b>	<b>18,933</b>

### 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 five separate components reflecting what is being funded:

- Service Costs Reflecting the net cost of services delivered in 2022-23
- Financing Costs Effective costs of borrowing and interest on outstanding balances
- Contingent Rent Inflationary costs
- Liability Repayment Writing down the PFI liability
- Lifecycle Costs Reflecting new capital expenditure on the asset

Allocation of Unitary Payment	2022-23			2021-22		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Service Costs	1,143	286	1,429	1,042	160	1,202
Financing Costs	556	740	1,296	589	776	1,365
Contingent Rents	92	73	165	152	120	272
Liability Repayment	351	709	1,060	422	786	1,208
Lifecycle Costs	234	256	490	61	159	220
<b>Total</b>	<b>2,376</b>	<b>2,064</b>	<b>4,440</b>	<b>2,266</b>	<b>2,001</b>	<b>4,267</b>

The spread of the Unitary Payment and the liability balances reflect 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).

The amounts of payments made in 2022-23 and in future years are set out in the following tables. These payments reduce the liability over the life of the contracts to nil by the final year of the contracts.

Movement in Liability during the year	2022-23			2021-22		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Liability	-7,066	-16,124	-23,190	-7,488	-16,910	-24,398
Payments made in year	351	709	1,060	422	786	1,208
<b>Closing Liability</b>	<b>-6,715</b>	<b>-15,415</b>	<b>-22,130</b>	<b>-7,066</b>	<b>-16,124</b>	<b>-23,190</b>

Future Payments under the PFI Contracts	Service Costs £000	Principal Payments £000	Capital Costs £000	Interest £000	Total £000
<b>Schools</b>					
Obligations Payable in 2023-24	871	434	146	528	<b>1,979</b>
Due between 2024-25 and 2026-27	3,755	2,227	398	1,724	<b>8,104</b>
Due between 2027-28 and 2031-32	5,397	3,579	969	1,074	<b>11,019</b>
Due between 2032-33 and 2034-35	349	475	0	16	<b>840</b>
<b>Total</b>	<b>10,372</b>	<b>6,715</b>	<b>1,513</b>	<b>3,342</b>	<b>21,942</b>
<b>Extra Care</b>					
Obligations Payable in 2023-24	202	699	307	707	<b>1,915</b>
Due between 2024-25 and 2026-27	980	2,978	1,396	2,513	<b>7,867</b>
Due between 2027-28 and 2031-32	1,434	4,552	2,023	2,261	<b>10,270</b>
Due between 2032-33 and 2034-35	1,332	6,057	1,768	1,126	<b>10,283</b>
Due between 2036-37 and 2038-39	268	1,130	0	52	<b>1,450</b>
<b>Total</b>	<b>4,216</b>	<b>15,416</b>	<b>5,494</b>	<b>6,659</b>	<b>31,785</b>

### PFI Funding

The Unitary Payments are primarily funded from grants received from the Department for Levelling Up, Housing and Communities (DLUHC) 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. As time elapses this leads to an imbalance between 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 in the following table.

Movement in Equalisation Reserves during the year	2022-23			2021-22		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Balance	5,552	1,473	7,025	5,465	1,471	6,936
In Year Additions	110	34	144	87	2	89
<b>Closing Balance</b>	<b>5,662</b>	<b>1,507</b>	<b>7,169</b>	<b>5,552</b>	<b>1,473</b>	<b>7,025</b>

## 42. Capitalisation of Borrowing Costs

Councils are able to capitalise borrowing costs that are incurred during the undertaking of capital works to construct or acquire an asset. Borrowing costs can only be capitalised where there is a significant period between when the funded expenditure is incurred and the relevant asset becoming operational.

There were no borrowing costs capitalised in the year 2022-23 (nil 2021-22).

## 43. Pension Schemes accounted for as Defined Contribution Schemes

Teachers employed by the Council are eligible for 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 the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2022-23, the Council paid £19.8m (2021-22, £19.1m) to Teachers' Pension in respect of teachers' retirement benefits, representing 23.63% (2021-22, 23.68%) of pensionable pay. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefits basis and are detailed in Note 44.

Public Health transferred from Clinical Commissioning Groups in 2013-14, and 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 2022-23 equated to £23k (2021-22 £25k) representing 14.38% of pensionable pay.

## 44. Defined Benefit Pension Scheme

### Participation in Pension Scheme

The terms and conditions of employment include the Council's contributions towards the cost of post-employment benefits. Although these benefits are not actually payable until employees retire, the Council's commitment to make the payments must be disclosed at the time their future entitlement is earned.

### Accounting Treatment

The Council participates in the Local Government Pension Scheme (LGPS) and Discretionary Pensions for Teachers under the Teachers' Pension Scheme (TPS). Both schemes are accounted for as a defined benefit scheme in accordance with International Accounting Standard 19 (IAS 19). The liabilities for both schemes are calculated using a projected unit method and the assets of the funds are included at their fair value. The liabilities attributable to the Council for both schemes are included in the Balance Sheet.

### Local Government Pension Scheme (LGPS)

The Cheshire Pension Fund operates under the regulatory framework for the Local Government Pension Scheme. The governance of the Fund is the responsibility of the full

Council within Cheshire West and Chester Council, supported by the Pension Fund Committee. The Fund's policies and investment strategy are set by the Committee and administered by the Chief Operating Officer from Cheshire West and Chester. The Local Pension Board assists the Administering Authority to ensure the effective and efficient governance and administration of the LGPS.

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, based on the best estimates for these assumptions following the advice of the Fund's actuary (Hymans Robertson LLP) 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.

The Cheshire Pension Fund operates four investment strategies each with different allocations to growth assets and diversifying and matching assets reflecting the differing pension liabilities and funding positions of employers. At 1 April 2022 the four strategies were as follows:

	Growth	Diversifying and Matching
Open Employers	50%	50%
Academies	55%	45%
Exiting/Closed Employers	50%	50%
Exited Employers	0%	100%

The net return on investments for the Fund for the 2022-23 year was a loss of £669m (2021-22: gain of £455m). The fund achieved a negative return on its investments of -9.8% (2021-22: positive return 6.9%), against a tailored benchmark of -8.4% (2021-22: 5.8%). For the three years ending 31 March 2023 (2022) the Fund achieved an annualised return of 4.5% (7.7%) per annum against the Fund's benchmark return of 2.1% (4.9%) per annum.

### Teachers Discretionary Payments

The Council also funds discretionary early retirement benefits for teachers and this scheme is unfunded. The Council paid £4.2m in 2022-23 (£4.3m in 2021-22) in relation to this scheme, of which £2.6m (£2.8m in 2021-22) 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 real cost of post-employment/retirement benefits is reversed out of the General Fund via the MIRS (Movement in Reserves Statement) and replaced by the payments made.

The following transactions occurred during the year:

CIES and Movement in Reserves Statement	LGPS 2022-23 £000	Teachers Unfunded Scheme 2022-23 £000	LGPS Unfunded Scheme 2022-23 £000	Total 2022-23 £000	LGPS 2021-22 £000	Teachers Unfunded Scheme 2021-22 £000	LGPS Unfunded Scheme 2021-22 £000	Total 2021-22 £000
Service cost comprising:								
Current service cost	66,182	0	0	66,182	64,239	0	0	64,239
Past service costs and curtailments	637	0	0	637	558	0	0	558
(Gain) from settlements	-2,305	0	0	-2,305	-616	0	0	-616
Financing and Investment Income and Expenditure								
Net Interest Cost (Note 12)	4,545	464	27	5,036	10,043	383	22	10,449
Total post-employment benefits charged to SDPS	69,059	464	27	69,550	74,224	383	22	74,630
Other post-employment benefits charged to the CIES								
Remeasurement of the net defined benefit liability comprising:								
Return on plan assets (excluding the amount included in the net interest expense)	226,928	0	0	226,928	-84,609	0	0	-84,609
Actuarial Gains / Losses arising on changes in demographic assumptions	-13,579	-208	-118	-13,905	4,384	-171	-22	4,191
Actuarial Gains / Losses arising on changes in financial assumptions	-786,251	-2,711	-73	-789,035	-133,858	-517	-10	-134,385
Other experience	123,741	957	119	124,817	-177,246	-145	28	-177,363
Total post-employment benefit charged to the CIES	-380,102	-1,498	-45	-381,645	-317,105	-450	18	-317,536
Movement in Reserves Statement								
Reversal of net charges made to the SDPS for post-employment benefits	-69,059	-464	-27	-69,550	-74,224	-383	-22	-74,630
Actual charged to the General Fund								
Employers' contributions	32,503	0	0	32,503	29,013	0	0	29,013
Effect of Business combinations and disposals	-14,304	0	0	-14,304	0	0	0	0
Retirement Benefits Payable	0	1,503	122	1,625	0	1,561	134	1,695

### 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:

Balance Sheet entries	LGPS 2022-23 £000	Teachers Unfunded 2022-23 £000	LGPS Unfunded 2022-23 £000	Total 2022-23 £000	LGPS 2021-22 £000	Teachers Unfunded 2021-22 £000	LGPS Unfunded 2021-22 £000	Total 2021-22 £000
Present value of obligations	1,526,515	14,923	906	1,542,344	-2,069,896	-17,924	-1,073	-2,088,893
Fair value of plan assets	1,785,798	0	0	1,785,798	1,930,878	0	0	1,930,878
<b>Net Pension Liability</b>	<b>259,283</b>	<b>-14,923</b>	<b>-906</b>	<b>243,454</b>	<b>-139,018</b>	<b>-17,924</b>	<b>-1,073</b>	<b>-158,015</b>

In line with the triennial valuation which was carried out by the Actuary, Hymans Robertson LLP, for the year ending 31 March 2022, the net pension liability has moved from a deficit position to a surplus position. The requirement for an asset ceiling calculation is not necessary in line with IFRIC 14, therefore the asset stands as per the Actuary report.

## Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities	LGPS 2022-23 £000	Teachers Unfunded 2022-23 £000	LGPS Unfunded 2022-23 £000	Total 2022-23 £000	LGPS 2021-22 £000	Teachers Unfunded 2021-22 £000	LGPS Unfunded 2021-22 £000	Total 2021-22 £000
Opening balance	2,069,896	17,924	1,073	2,088,893	2,114,897	19,935	1,188	2,136,020
Current Service Costs	66,182	0	0	66,182	64,239	0	0	64,239
Interest Cost	57,576	464	27	58,067	42,453	383	22	42,859
Contribution by Scheme Members	9,013	0	0	9,013	7,986	0	0	7,986
Remeasurement gains and losses:								0
Actuarial gains/losses arising from changes in demographic assumptions	-13,579	-208	-118	-13,905	4,384	-171	-22	4,191
Actuarial gains/losses arising from changes in financial assumptions	-786,251	-2,711	-73	-789,035	-133,858	-517	-10	-134,385
Other experience	123,741	957	119	124,817	22,944	-145	28	22,827
Benefits Paid	-52,175	-1,503	-122	-53,800	-51,173	-1,561	-134	-52,868
Past Service Costs & Curtailments	637	0	0	637	558	0	0	558
Liabilities Extinguished on Settlement	-5,286	0	0	-5,286	-2,534	0	0	-2,534
Effect of Business combinations and disposals	56,761	0	0	56,761	0	0	0	0
Closing balance at 31 March	1,526,515	14,923	906	1,542,344	2,069,896	17,924	1,073	2,088,893

Movement in Fair Value of Assets	LGPS 2022-23 £000	Teachers 2022-23 £000	LGPS 2022-23 £000	Total 2022-23 £000	LGPS 2021-22 £000	Teachers 2022-22 £000	LGPS 2021-22 £000	Total 2021-22 £000
Opening Balance	1,930,878	0	0	1,930,878	1,629,761	0	0	1,629,761
Interest income	53,031	0	0	53,031	32,410	0	0	32,410
Remeasurement gains and (losses):								0
	-226,928	0	0	-226,928	84,609	0	0	84,609
Employer Contributions	32,503	0	0	32,503	29,013	0	0	29,013
Contribution by scheme members	9,013	0	0	9,013	7,986	0	0	7,986
Contributions - unfunded benefits	0	1,503	122	1,625	0	1,561	134	1,695
Benefits paid	-52,175	0	0	-52,175	-51,173	0	0	-51,173
Unfunded benefits paid	0	-1,503	-122	-1,625	0	-1,561	-134	-1,695
Other experience					200,190	0	0	200,190
Effect of Business combinations and disposal	42,457	0	0	42,457				
Assets distributed on Settlement	-2,981	0	0	-2,981	-1,918	0	0	-1,918
Closing balance at 31 March	1,785,798	0	0	1,785,798	1,930,878	0	0	1,930,878

### Local Government Pension Scheme Assets

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

Local Government Pension Scheme assets	Quoted Prices in active markets 2022-23 £000	Quoted Prices not in active markets 2022-23 £000	Total 2022-23 £000	Share of Total Assets %	Quoted Prices in active markets 2021-22 £000	Quoted Prices not in active markets 2021-22 £000	Total 2021-22 £000	Share of Total Assets %
Cash & Cash Equivalents	0	78,687	78,687	4%	0	114,543	114,543	6%
Equity Securities:								
By industry type:								
Consumer	8,084	0	8,084	0%	28,883	0	28,883	1%
Manufacturing	8,255	0	8,255	0%	24,125	0	24,125	1%
Energy and Utilities	0	0	0	0%	1,395	0	1,395	0%
Financial Institutions	0	0	0	0%	12,891	0	12,891	1%
Health and Care	2,800	0	2,800	0%	11,416	0	11,416	1%
IT	45,930	0	45,930	3%	104,143	0	104,143	5%
Other	5,815	0	5,815	0%	15,344	0	15,344	1%
	<b>70,884</b>	<b>0</b>	<b>70,884</b>	<b>3%</b>	<b>198,197</b>	<b>0</b>	<b>198,197</b>	<b>10%</b>
Private equity:	<b>0</b>	<b>124,467</b>	<b>124,467</b>	<b>7%</b>	<b>0</b>	<b>95,936</b>	<b>95,936</b>	<b>5%</b>
Real Estate:								
UK	0	148,782	148,782	8%	0	134,232	134,232	7%
Overseas	0	2,363	2,363	0%	0	2,232	2,232	0%
	<b>0</b>	<b>151,145</b>	<b>151,145</b>	<b>8%</b>	<b>0</b>	<b>136,464</b>	<b>136,464</b>	<b>7%</b>
Investment funds and unit trusts:								
Equities	527,785	0	527,785	30%	398,079	0	398,079	21%
Bonds	425,967	201,731	627,698	35%	594,358	207,090	801,448	41%
Hedge Funds	0	118,596	118,596	7%	0	112,966	112,966	6%
Infrastructure	0	11,798	11,798	2%	0	232	232	0%
Other	0	74,738	74,738	4%	0	73,013	73,013	4%
	<b>953,752</b>	<b>406,863</b>	<b>1,360,615</b>	<b>78%</b>	<b>992,437</b>	<b>393,301</b>	<b>1,385,738</b>	<b>72%</b>
<b>Total Assets</b>	<b>1,024,636</b>	<b>761,162</b>	<b>1,785,798</b>	<b>100%</b>	<b>1,190,634</b>	<b>740,245</b>	<b>1,930,878</b>	<b>100%</b>

### 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 2022 valuation of the scheme as at 31 March 2022.

This report and note do not address any risks to the Fund itself e.g. due to coronavirus. Such advice would generally be given to the Administering Authority by the Fund's Actuary through the actuarial valuation process.



**The principal assumptions used by the actuary have been:**

	LGPS 2022-23	Teachers Unfunded Liabilities 2022-23	LGPS Unfunded Liabilities 2022-23	LGPS 2021-22	Teachers Unfunded Liabilities 2021-22	LGPS Unfunded Liabilities 2021-22
Financial Assumptions						
Rate of increase in salaries	3.7%	n/a	n/a	3.9%	n/a	n/a
Rate of increase in pensions	3.0%	3.0%	3.0%	3.2%	3.2%	3.2%
Discount rate used						
Rate used to Discount liabilities	4.8%	4.8%	4.8%	2.7%	2.7%	2.7%
Demographic Mortality Assumptions						
Longevity at 65 for current pensioners						
Men	21.6 years	21.6 years	21.1 years	21.3 years	21.2 years	21.2 years
Women	24.2 years	24.2 years	24.1 years	24 years	23.8 years	23.8 years
Longevity at 65 for future pensioners						
Men	22.8 years	n/a	n/a	22.2 years	n/a	n/a
Women	26.1 years	n/a	n/a	25.5 years	n/a	n/a

**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	LGPS £000	Teachers £000	LGPS £000
Longevity (change by 1 year)	61,061	597	36	-61,061	-597	-36
Salary inflation (change by 0.5%)	2,667	0	0	-2,667	0	0
Pension inflation (change by 0.5%)	23,848	274	13	-23,848	-274	-13
Discount rate (change by 0.5%)	-26,127	-274	-13	26,127	274	13

**Impact on the Council's Cash Flows**

A key objective of the Pension Fund is to keep employers' contributions as stable and affordable as possible, whilst also ensuring the solvency of the Pension Fund.

The Council has agreed a funding plan with the Pension Fund that targets to achieve a funding level of 100% over the next 20 years.

Funding plans and contribution rates are formally reviewed on a triennial basis. The latest review was 31 March 2022 and applies for the period from 1 April 2023 to 31 March 2026.

The current funding plan provides the Council with stability of contribution rates by limiting any increases/decreases to the Council's pension contributions to +1/-1% per year at each 3 year review.

The estimated LGPS pension contribution to be made by Cheshire West and Chester in 2023-24 is £30m.

## 45. Contingent Liabilities

At 31 March 2023, the Council had the following material contingent 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 significant remedial works have recently been completed it is not possible to estimate the impact on future dilapidations. At the most recent review future costs were estimated at £3.5m and this figure is still considered appropriate. 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. As at 31 March 2023 this liability is not reflected in the Council's accounts as the likelihood of early termination of the lease is considered low.

## 46. Contingent Assets

At 31 March 2023, the Council had no material contingent assets.

## 47. Risks Arising from Financial Instruments

The Council complies with the CIPFA Code of Practice on treasury management and with the Prudential Code for Capital Finance in Local Authorities both of which were revised in December 2021.

The Council's treasury management activity is carried out in accordance with the Council's annual Treasury Management Strategy (TMS) that is approved by full Council shortly before the start of each financial year. The TMS sets out the broad framework for the use of financial instruments. For the year 2022-23 the TMS allowed the Council to deposit up to £10 million with a number of large banks, building societies and sterling denominated money market funds that met a range of specified criteria the most objective of these being to have a long term credit rating equivalent to at least A-. This limit of £10 million is increased to £12.5 million for the Council's main banker, Lloyds Banking Group.

The use of financial instruments by their very nature exposes the Council to a variety of risks and details of these risks, along with how the Council seeks to manage them, are set out below:

### Credit Risk

Credit risk is the risk that failure by a third party to make a payment of interest or repay an amount lent to it will have an unexpected adverse impact on the Council's financial position.

During 2022-23 the Council chose to place deposits with a number of selected large banks, and sterling denominated money market funds. Such banks and money market funds are of a high credit quality (i.e. they have as a minimum a long term credit rating of A-). The Council also lent monies to other local councils and HM Treasury during the year. The Council does not expect any losses from its dealings with any of these counterparties except in the most exceptional of circumstances. IFRS 9 does, however, require that some allowance for potential losses be provided for in the Council's financial statements.

No loss allowances on treasury investments have been provided for in the Council's account at 31st March 2023 as the amounts involved were immaterial (31 March 2022 £2,000).

Form of Financial Asset Held	Credit rating	31st March 2023		31st March 2022	
		Long Term £000	Short Term £000	Long Term £000	Short Term £000
Fixed Term Deposits	A+				
Call Accounts	A+		963		9,964
Fixed Term Deposits	A				
Call Accounts	A				
Fixed Term Deposits	Unrated local councils		10,000		27,500
<b>Sub-total</b>		<b>0</b>	<b>10,963</b>	<b>0</b>	<b>37,464</b>
UKMBA Shareholding	n/a				
Pooled Equity and Property Funds	n/a	8,279		9,414	
Money Market Funds	n/a		92,743		108,282
		<b>8,279</b>	<b>103,706</b>	<b>9,414</b>	<b>145,746</b>

The Council has provided working capital loans to three Council owned companies during the year 2022-23. The maximum amount available those companies totals £5.5 million. At the balance sheet date just one of the companies were making use of the facility, for an amount of £0.25 million. In addition to this the Council also holds a long term loan with one of its companies, issued to support that company with losses incurred during the pandemic. This has an outstanding balance of £0.857m, giving total outstanding loans of £1.107m. After allowing for £0.882 million of loss allowances the recorded loan balance reduces to £0.225m. Loss allowances on these working capital loans has been calculated on an individual basis taking account of the circumstances impacting on each of the companies at the balance sheet date. The loss allowance takes account of the fact that all of the companies have a relatively short trading history and have no credit rating assigned to them.

Borrower	Exposure Type - loan commitments	31st March 2023		31st March 2022	
		Balance Sheet £000	Risk Exposure £000	Balance Sheet £000	Risk Exposure £000
Council owned company	Interest free rates			0	2,500
Council owned company	Market rates	225	5,500	2,300	4,000
<b>Total</b>		<b>225</b>	<b>5,500</b>	<b>2,300</b>	<b>6,500</b>

Customers for goods and services are assessed often taking into their financial position, account trading history and ability to pay. The Councils policy is to obtain payment in advance, where permitted to avoid any risk of unpaid debt.

The Council has adopted a simplified loss approach where impairment loss allowance on trade receivables and HRA tenant arrears has been calculated by using the expected losses approach. Using this approach provides a more accurate impairment charge.

Receivables are written off to the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement when they are deemed unrecoverable, steps are taken to collect sums owing including pursuit through legal means, courts and the use of bailiffs.

**Accounts Receivable**

Period	Impairment allowance rate %	Trade Receivables £000	Impairment Loss £000	31 March 2023 £000
Current	4.2%	59,105	-2,453	56,652
Past due < 3 Months	0.0%	2,112	-1	2,111
Past due 3-6 Months	29.0%	1,654	-480	1,174
Past due 6-9 Months	95.8%	1,491	-1,429	62
Past due 9-12 Months	96.2%	1,037	-998	39
Past due 12+ Months	91.4%	4,730	-4,323	407
Deferred Debt	7.6%	2,656	-202	2,454
<b>Total</b>		<b>72,785</b>	<b>-9,886</b>	<b>62,899</b>

Period	Impairment allowance rate %	Trade Receivables £000	Impairment Loss £000	31 March 2022 £000
Current	8.7%	43,591	-3,793	39,798
Past due < 3 Months	0.0%	3,069	-1	3,068
Past due 3-6 Months	16.2%	1,288	-209	1,079
Past due 6-12 Months	84.5%	1,686	-1,424	263
Past due 12+ Months	88.3%	3,432	-3,030	403
Deferred Debt	13.5%	1,682	-227	1,455
<b>Total</b>		<b>54,748</b>	<b>-8,684</b>	<b>46,066</b>

**Housing Revenue Account**

Period	Impairment allowance rate %	HRA Tenant Arrears £000	Impairment Loss £000	31 March 2023 £000
Up to 28 days	3.93%	305	-12	293
29 - 60 days	3.85%	260	-10	250
61 - 90 days	9.74%	195	-19	176
91 - 120 days	69.86%	146	-102	44
121 - 150 days	70.11%	87	-61	26
151 - 180 days	70.41%	98	-69	29
181 - 365 days	76.00%	350	-266	84
Former Debt	100.00%	1,334	-1,334	0
<b>Total</b>		<b>2,775</b>	<b>-1,873</b>	<b>902</b>

Period	Impairment allowance rate %	HRA Tenant Arrears £000	Impairment Loss £000	31-Mar-22 £000
Up to 28 days	2.8%	177	-5	172
29 - 60 days	4.0%	273	-11	262
61 - 90 days	10.0%	220	-22	198
91 - 120 days	70.3%	185	-130	55
121 - 150 days	70.1%	117	-82	35
151 - 180 days	69.1%	81	-56	25
181 - 365 days	75.9%	390	-296	94
Former Debt	93.3%	1,367	-1,275	92
<b>Total</b>		<b>2,810</b>	<b>-1,877</b>	<b>933</b>

## Liquidity Risk

Liquidity risk is the risk that the Council will not have sufficient cash resources to meet its obligations 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.

An inability to raise finance is not a risk that the Council perceives that it faces.

The Council, like all UK Councils, is able to borrow at favourable rates from the Public Works Loans Board and other local councils. Loans from the Public Works Loans Board can be received into the Council's bank account within 5 working days. In addition, the Council can also borrow from banks and other commercial organisations. There is also an active intra-local authority loans market through which Councils can borrow from and lend to each other on a short term (up to 5 years) basis.

There is a risk, however, that when loans or other forms of borrowing fall due to be repaid the Council will be unable to re-finance 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 (i.e. greater than 1 year) such that, where possible, no more than £10 million of loans will mature in any given financial year. A separate limit of £10 million applies to the General Fund loans portfolio and the Housing Revenue Account loans portfolio. The £10m limit excludes variable rate loans and short-term loans paid within one year.

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

Profile of Borrowing in relation to General Fund activities	Public Works Loans Board £000	Salix Loans £000	Banks £000	Other Local Authorities £000	Total 2022-23 £000
In the next financial year	4,687	1,043	277	15,000	21,007
In the following financial year	2,480	870			3,350
In 2 to 5 years	8,423	2,093			10,516
In 5 to 10 years	33,482				33,482
In 10 to 15 years	29,239				29,239
In 15 to 20 years	21,793				21,793
In 20 to 25 years	12,285		12,420		24,705
In 25 to 30 years	23,158				23,158
In 30 to 40 years	17,200		5,189		22,389
<b>Total</b>	<b>152,747</b>	<b>4,006</b>	<b>17,886</b>	<b>15,000</b>	<b>189,639</b>

Profile of Borrowing in relation to HRA activities	Public Works Loans Board £000	Salix Loans £000	Banks £000	Other Local Authorities £000	Total 2022-23 £000
In the next financial year	2,768		90		2,858
In the following financial year	2,766		5,093		7,859
In 2 to 5 years	8,777				8,777
In 5 to 10 years	16,380				16,380
In 10 to 15 years	18,871				18,871
In 15 to 20 years	17,158				17,158
In 20 to 25 years					0
<b>Total</b>	<b>66,720</b>	<b>0</b>	<b>5,183</b>	<b>0</b>	<b>71,903</b>

The Council has £7m of lender's option borrower's option (LOBO) loans where the lender has the option to propose a change in the rate of interest payable. If this option is exercised the Council, as borrower, has the option of either accepting the new rate of interest payable or repaying the loan in full without penalty. In a low interest rate environment, like that currently prevailing, it is thought unlikely that a lender will exercise their option. If they do the Council will, in all likelihood, repay the loan in full without penalty. In the table above the LOBO loan is shown as maturing on its scheduled maturity date except in those years preceding the next available option date. In those years the LOBO loan is shown as an amount payable within one year.

Cheshire West and Chester Council is in a strong financial position and has a proven track record of using its financial standing to invest in the delivery of key regenerative projects. At the current time the regeneration scheme that carries the greatest risk to the Council is Chester Northgate Phase 1. This is a mixed-use scheme in the centre of the city incorporating a Multi Storey Car Park, Cinema, Market and Restaurants. This scheme partially opened in late 2022, with remaining units due to be opened progressively through to Spring 2024.

The Council is also undertaking re-development in Winsford Town Centre and was awarded £10 million of Future High Street Funding for a package of measures that will begin the transformation of the town centre. The Council has matched the external funding to create a £22m development fund, which will be used to deliver new retail units, a coffee shop and a community hub, reduce the number of empty retail units and make public realm improvements. Works on the site are due to start in 2023-24.

The Council's first town centre regeneration scheme was in Northwich. Barons Quay was completed in 2018 and the Council now has the role of managing the asset for the long term.

The Council has implemented a robust financial risk management process to ensure that it always makes provision within its budget for the running of these schemes, and to ensure that the Council's long term contribution towards the financing, operational and maintenance costs is sustainable. Every 6 months the long term financial assumptions for each major scheme is reviewed and the Council's budget adjusted accordingly annually. This ensures that the Council's financial position is robust and reflects a realistic long term forecast position for these assets.

### **Interest Rate Risk**

Interest rate risk is the risk that unexpected changes in interest rates may expose the Council to greater costs or a lower level of investment income than has been budgeted for.

The impact on the Council of a rise / fall in interest rates will be as follows:

- i) the amount of interest payable on variable rate loans will increase
- ii) the amount of interest receivable on variable rate investments will increase
- iii) there will be no change to the rate of interest payable on fixed rate investments or the rate of interest receivable on fixed rate investments
- iv) the fair value of any investments held at fair value through other comprehensive income or profit and loss will fall / increase

The impact of i) to iii) will be reflected in the surplus or deficit on the provision of services while the impact of iv) will be reflected in the comprehensive income and expenditure for the year.



Financial assets and liabilities measured at amortised cost will see a change in their fair value as interest rates rise / fall. These changes in fair value will appear as disclosures in the notes to the accounts and will not impact on the Council's financial performance for the year.

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.

Had short term and long term interest rates been 1% higher during 2022-23 but all other circumstances been the same, the financial effect would be:

<b>Impact of a 1.0% increase in interest rates</b>	<b>£000</b>
Increase in interest receivable on variable rate investments	-2,148
Increase in interest payable on variable rate loans	54
Impact on Income and Expenditure Statement	-2,094
Reduction in the fair value of fixed rate borrowing (notional impact only)	-25,336
Reduction in the fair value of fixed rate investments (notional impact only)	n/a
<b>Impact of a 5.0% fall in equity prices</b>	<b>£000</b>
Reduction in the fair value of pooled fund investments	197
<b>Impact of a 5.0% fall in commercial property prices</b>	<b>£000</b>
Reduction in the fair value of pooled fund investments	219

## Price Risk

This is the risk of financial loss as a consequence of adverse interest rate and stock / bond market movements.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to any individual pooled property fund being £10 million. A 5% fall in commercial property prices at 31 March 2023 would result in a £219,000 (31 March 2022: £249,000) charge to Financing and Investment Income in the CIES and this would then have a statutory override applied to move to the Financial Instrument Revaluation Reserve in the balance sheet.

The Council's investment in pooled equity funds is also subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to any single pooled equity fund being £10 million. A 5% fall in share prices at 31 March 2023 would result in a £197,000 (2022: £204,000) charge to Financing and Investment Income in the CIES and this would then have a statutory override applied to move to the Financial Instrument Revaluation Reserve in the balance sheet.

## 48. Trust Funds

During 2022-23, Cheshire West and Chester Council acted as sole trustee for six charitable trusts. The trusts, shown below do not represent assets of the Council and have not been included in the Council's Balance Sheet.



Please note values are £, not £000.

Trust Funds	2022-23				
	Income £	Expenditure £	Assets £	Liabilities £	Reserves £
<b>Castle Park Trust</b> 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	-138,274	109,497	851,577	-1,471	-850,106
<b>The Grosvenor Park</b> A park for the enjoyment and recreation of the inhabitants of the city	-45,208	45,208	3,172,260	0	-3,172,260
<b>Johnston Recreation Ground</b> Held for the general benefit of the residents of Willaston	-515	0	3,532	0	-3,532
<b>Little Sutton Reading and Recreation Rooms</b> Held for the general benefit of the residents of Little Sutton	0	0	2,479	0	-2,479
<b>Fred Venables Literary Trust</b> Established in 1998 to provide annual book prizes to young people attending secondary schools	0	0	12,099	0	-12,099
<b>Reg Chrimes Trust for the Arts</b> Established in 1999 for the promotion and development of the arts in the borough of Ellesmere Port and Neston	0	0	13,427	0	-13,427

Trust Funds	2021-22				
	Income £	Expenditure £	Assets £	Liabilities £	Reserves £
<b>Castle Park Trust</b>	-132,934	106,979	804,601	-1,259	-803,342
<b>The Grosvenor Park</b>	-12,883	12,883	3,172,260	0	-3,172,260
<b>Johnston Recreation Ground</b>	-515	0	3,017	0	-3,017
<b>Little Sutton Reading and Recreation Rooms</b>	0	0	2,479	0	-2,479
<b>Fred Venables Literary Trust</b>	0	0	12,099	0	-12,099
<b>Reg Chrimes Trust for the Arts</b>	0	0	13,427	0	-13,427

In respect of the following charities, Cheshire West and Chester Council do not hold or administer their funds. These are administered by the charity trustees but advice may be given by Council Officers (Finance, Legal, and Democratic Services) and Members may be appointed as trustees.

- The Cheshire West and Chester Chairman's Trust
- The Fred Venables Higher Education Trust
- Lion Salt Works Trust
- Charity of Nessie Mathews and John Monk
- The Mayor of Chester Charity Fund

**Cheshire West and Chester Council**  
**Supplementary Financial Statement**  
**Housing Revenue Account**

## Supplementary Financial Statements – Housing Revenue Account

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the movement on the HRA Statement.

<b>Housing Revenue Account (HRA) Income and Expenditure Statement</b>	<b>2022-23</b>	<b>2021-22</b>
	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>		
Repairs and Maintenance	5,310	5,029
Supervision & Management	4,775	4,344
Special Services	101	96
Depreciation & impairment of non-current assets	4,215	4,588
<b>Total Expenditure</b>	<b>14,401</b>	<b>14,057</b>
<b>Income</b>		
Dwelling Rents	-23,019	-22,636
Non-dwelling rents	-429	-419
Charges for services and facilities	-113	-91
Contributions towards expenditure	-115	-115
<b>Total Income</b>	<b>-23,676</b>	<b>-23,261</b>
<b>Net cost of HRA Services as included in the CIES</b>	<b>-9,275</b>	<b>-9,204</b>
HRA services' share of Corporate and Democratic Core	4	4
<b>Net Income/Expenditure for HRA Services</b>	<b>-9,271</b>	<b>-9,200</b>
<b>HRA share of the operating income and expenditure included in the CIES</b>		
(Gain) or Loss on sale of HRA non-current assets	-29	-202
Interest payable and similar charges	2,187	2,193
Interest and Investment Income	-158	-25
Movement in the allowance for bad debts	310	312
<b>(Surplus) or deficit for the year on HRA Services</b>	<b>-6,961</b>	<b>-6,922</b>

**Movement on the Housing Revenue Account Statement 2022-23**

<b>Movement on the HRA</b>	<b>2022-23</b>	<b>2021-22</b>
	<b>£000</b>	<b>£000</b>
Balance of HRA at the end of the previous year	-670	-663
(Surplus) for the year on the HRA Income and Expenditure Account	-6,961	-6,922
Adjustments between accounting basis and funding under statute	6,868	6,846
<b>Net (increase) or decrease before transfers to reserves</b>	<b>-93</b>	<b>-76</b>
Transfer to (from) reserves	69	69
(Increase) or decrease on the HRA	-24	-7
<b>Balance on the HRA at the end of the year</b>	<b>-694</b>	<b>-670</b>

**Notes to the Housing Revenue Account****Adjustments between accounting basis and funding under statute**

<b>Adjustments between accounting basis and funding under statute</b>	<b>2022-23</b>	<b>2021-22</b>
	<b>£000</b>	<b>£000</b>
Difference between interest payable and similar charges including amortisation of premiums and discounts	0	3
Differences relating to other items of income and expenditure: (Gain) or loss on the sale on non current HRA assets		
- Sale proceeds	2,296	2,072
- Carrying amount of assets	-2,267	-1,870
Differences relating to changes in property values:		
- Reversal of revaluation (losses)/gains on HRA Properties	-13	-370
- Funding of depreciation from Capital Adjustment Account	-4,202	-4,218
Transfers to the Major Repairs Reserve		
- Funding set aside for capital expenditure	3,036	6,132
- Funding for future debt repayment /MRA equivalent sum	8,018	5,097
<b>Total Adjustments</b>	<b>6,868</b>	<b>6,846</b>

**1. The number and types of dwellings and garages in the housing stock at 31 March**

Housing Stock	2022-23 No.	2021-22 No.
Houses	2,909	2,946
Flats	1,733	1,771
Bungalows	627	627
Maisonettes	74	83
<b>Total Dwellings</b>	<b>5,343</b>	<b>5,427</b>
<b>Garages</b>	<b>1,181</b>	<b>1,318</b>
<b>Assets Held for Sale - Houses</b>	<b>0</b>	<b>0</b>

**2. Housing stock valuations at 31 March**

Housing Stock Valuations	2022-23 £000	2021-22 £000
Property Plant and Equipment		
- Dwellings	229,371	206,277
- Garages	3,368	3,835
<b>Total</b>	<b>232,739</b>	<b>210,112</b>

**3. Vacant possession value of dwellings at 31 March**

Housing Stock Valuations	2022-23 £000	2021-22 £000
Property Plant and Equipment		
- Dwellings	229,371	206,277
- Garages	3,368	3,835
<b>Total</b>	<b>232,739</b>	<b>210,112</b>

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 40% for 2022-23.

**4. Major Repairs Reserve for the year ending 31 March**

Major Repairs Reserve	2022-23 £000	2021-22 £000
Balance brought forward	-15,651	-16,727
Debt repayment	8,018	4,608
Set aside voluntary debt repayment	0	489
Transfer of MRA equivalent sum	-4,202	-4,218
Revenue contribution to capital	-6,810	-7,011
Less capital expenditure financed from Reserve	9,080	7,208
<b>Balance Carried Forward</b>	<b>-9,565</b>	<b>-15,651</b>

**5. Housing repairs expenditure for the year ending 31 March**

Housing repairs	2022-23 £000	2021-22 £000
Housing repairs	5,310	5,029
<b>Total</b>	<b>5,310</b>	<b>5,029</b>

**6. Capital expenditure in the year ending 31 March**

Capital work	2022-23 £000	2021-22 £000
Existing Dwellings	9,080	8,204
Assets under construction		0
<b>Total</b>	<b>9,080</b>	<b>8,204</b>
Funded by:		
Borrowing	0	0
Usable capital receipts, grants & contributions	0	-996
Major Repairs Reserve	-9,080	-7,208
<b>Total Funding</b>	<b>-9,080</b>	<b>-8,204</b>

**7. Capital receipts from disposal of assets in the year ending 31 March**

Capital receipts	2022-23 £000	2021-22 £000
Disposal of dwellings	2,296	2,072
<b>Total from disposals</b>	<b>2,296</b>	<b>2,072</b>

**8. Depreciation in the year ending 31 March**

Depreciation	2022-23 £000	2021-22 £000
Property, Plant and Equipment	4,202	4,218
<b>Total</b>	<b>4,202</b>	<b>4,218</b>

**9. Rent Arrears at 31 March**

Rent Arrears	2022-23 £000	2021-22 £000
Current tenants	1,441	1,443
Former tenants	1,334	1,367
<b>Total arrears</b>	<b>2,775</b>	<b>2,810</b>
Deduct - impairment allowance	-1,873	-1,877
<b>Net arrears</b>	<b>902</b>	<b>933</b>

**Cheshire West and Chester Council**  
**Supplementary Financial Statement**  
**Collection Fund**



## Supplementary Financial Statements - Collection Fund

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 central government of council tax and non-domestic rates.

### Collection fund for the year ended 31 March 2023

Collection Fund Statement	2022-23			2021-22		
	Non Domestic Rates £000	Council Tax £000	Total £000	Non Domestic Rates £000	Council Tax £000	Total £000
<b>Income</b>						
Council Tax Receivable	0	-262,638	-262,638	0	-251,267	-251,267
Non Domestic Rates Receivable	-139,004	0	-139,004	-128,445	0	-128,445
Transitional Relief	424	1	425	7,547	0	7,547
	<b>-138,580</b>	<b>-262,637</b>	<b>-401,217</b>	<b>-120,898</b>	<b>-251,267</b>	<b>-372,165</b>
<b>Prior Year Surplus/(Deficit)</b>						
Central Government	-15,533	0	-15,533	-37,733	0	-37,733
Cheshire West and Chester	-15,222	1,399	-13,823	-36,978	-510	-37,488
Police Authority	0	188	188	0	-67	-67
Fire Authority	-311	66	-245	-754	-25	-779
	<b>-31,066</b>	<b>1,653</b>	<b>-29,413</b>	<b>-75,465</b>	<b>-602</b>	<b>-76,067</b>
<b>Precepts Demands and Shares</b>						
Central Government	64,633	0	64,633	72,225	0	72,225
Cheshire West and Chester	63,560	214,448	278,008	71,036	203,674	274,710
Police Authority	0	29,540	29,540	0	27,667	27,667
Fire Authority	1,297	10,348	11,645	1,450	9,925	11,375
Town and Parish Councils	0	4,252	4,252	0	3,988	3,988
	<b>129,490</b>	<b>258,588</b>	<b>388,078</b>	<b>144,711</b>	<b>245,254</b>	<b>389,965</b>
<b>Charges to Collection Fund</b>						
Write offs	741	699	1,440	289	351	640
More/(less) Bad Debt Provision	618	1,403	2,021	-1,431	2,302	871
More/(less) Appeals Provision	-1,346	0	-1,346	-5,734	0	-5,734
Disregarded amounts	1,172	-165	1,007	1,163	-166	997
Cost of Collection	490	0	490	493	0	493
	<b>1,675</b>	<b>1,937</b>	<b>3,612</b>	<b>-5,220</b>	<b>2,487</b>	<b>-2,733</b>
<b>In Year Movement on Fund Balance</b>	<b>-38,481</b>	<b>-459</b>	<b>-38,940</b>	<b>-56,872</b>	<b>-4,128</b>	<b>-61,000</b>
<b>Opening Fund Balance</b>	21,683	-2,108	19,575	78,555	2,020	80,575
<b>Closing Fund Balance (surplus) /</b>	<b>-16,798</b>	<b>-2,567</b>	<b>-19,365</b>	<b>21,683</b>	<b>-2,108</b>	<b>19,575</b>

### Non-domestic rates

The Council is responsible for collecting non-domestic rates from businesses located within the area on behalf of itself, central government and Cheshire Fire Authority. The total rateable value of all business properties within the Council's area at the end of March 2023 is £382.9m. The business rates paid by a business for a property within the Council area equate to the rateable value multiplied by a rate set by central government (the multiplier). The multiplier charged is based on the rateable value of the property as follows:

Rateable Value	2022-23 multiplier
Up to £51,000	0.499
Over £51,000	0.512

The following table shows how the surplus on the non-domestic rates collection fund on 31 March 2023 is due to be allocated to partners in 2023-24.

<b>Non-Domestic Rates</b>	<b>Central Govt £000</b>	<b>CW&amp;C £000</b>	<b>Cheshire Fire £000</b>	<b>Total £000</b>
Surplus/(Deficit) at 31 March 2023	8,399	8,231	168	<b>16,798</b>
To be distributed 2023-24 (from prior year)	-943	-924	-19	<b>-1,886</b>
Remaining Surplus/(Deficit)	7,456	7,307	149	<b>14,912</b>

The remaining surplus of £14.912m will be available for distribution in 2024-25.

### Council Tax

The Council is responsible for collecting council tax from its residents on behalf of itself, Cheshire Police Authority and Cheshire Fire Authority. At the time of setting council tax for 2022-23, the tax base was estimated as 125,464.6 band D equivalent properties. The table below shows the number of band D equivalent properties in each valuation band.

<b>Band</b>	<b>Number of Properties (after discounts)</b>	<b>Band Ratio</b>	<b>Band D Equivalent 2022-23</b>	<b>Band D Equivalent 2021-22</b>
Disabled A	82	5/9	46	44
A	25,811	6/9	17,207	17,128
B	36,324	7/9	28,252	27,656
C	30,509	8/9	27,119	26,479
D	19,647	9/9	19,647	19,194
E	12,757	11/9	15,592	15,076
F	6,608	13/9	9,545	9,324
G	4,505	15/9	7,508	7,287
H	274	18/9	548	534
	<b>136,517</b>		<b>125,465</b>	<b>122,722</b>

The following table shows how the surplus on the council tax collection fund on 31 March 2023 is due to be allocated to partners in 2023-24. The 3-year spread relates to an element of the 2020-21 deficit that must be spread over three years in accordance with legislation.

<b>Council Tax</b>	<b>CW&amp;C £000</b>	<b>Cheshire Police £000</b>	<b>Cheshire Fire £000</b>	<b>Total £000</b>
Surplus/(Deficit) at 31 March 2023	2,169	296	102	<b>2,567</b>
To be distributed 2023-24 (from prior year)	-2,433	-329	-115	<b>-2,877</b>
To be funded 2023-24 (3 year spread)	602	79	29	<b>710</b>
Remaining Surplus/(Deficit)	338	46	16	<b>400</b>

The remaining surplus of £0.4m will be available for distribution in 2024-25.

**Cheshire Pension Fund Accounts**

## Cheshire Pension Fund - Fund Account for the year ended 31 March 2023

	Notes	2022-23 £000	2021-22 £000
<b>Contributions and Benefits</b>			
<b>Contributions Receivable</b>			
From Employers		161,348	152,219
From Employees		44,725	41,507
<b>Total Contributions Receivable</b>	6/6a	<b>206,073</b>	<b>193,726</b>
<b>Transfers in from Other Schemes</b>	7	12,896	12,877
<b>Benefits Payable</b>			
Pensions		-173,099	-165,183
Lump Sums		-31,497	-30,891
Death Benefits		-4,817	-3,974
<b>Total Benefits Payable</b>	8	<b>-209,413</b>	<b>-200,048</b>
<b>Payments to and on account of Leavers</b>			
Refund of Contributions		-514	-562
Transfers to Other Schemes		-15,760	-15,036
	9	<b>-16,274</b>	<b>-15,598</b>
<b>Net Additions / (withdrawals) from dealing with members</b>		<b>-6,718</b>	<b>-9,043</b>
<b>Management Expenses</b>	10/10a	-26,152	-27,585
<b>Returns on Investments</b>			
<b>Investment Income</b>	11	34,881	31,873
<b>Taxes on Income</b>	12	-80	-172
<b>Profits and losses on disposal of investments and changes in the market value of investments</b>	13f	-704,284	423,669
<b>Net Returns On Investments</b>		<b>-669,483</b>	<b>455,370</b>
<b>Net Increase/(Decrease) in the Fund During the Year</b>		<b>-702,353</b>	<b>418,742</b>
<b>Opening Net Assets of the Scheme</b>		<b>6,967,980</b>	<b>6,549,238</b>
<b>Closing Net Assets of the Scheme</b>		<b>6,265,627</b>	<b>6,967,980</b>

**Cheshire Pension Fund - Net Assets Statement as at 31 March 2023**

	Notes	<b>2022-23</b> <b>£000</b>	<b>2021-22</b> <b>£000</b>
<b>Investment Assets</b>	13/f, 17/18/19	6,254,040	6,958,758
<b>Long Term Debtors</b>	22	661	578
<b>Current Assets</b>	23	23,224	20,990
<b>Current Liabilities</b>	24	-12,298	-12,346
<b>Total Net Assets</b>		<b>6,265,627</b>	<b>6,967,980</b>

## Note 1 – Description of the Fund

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

The following description is a summary only. For more detail, reference should be made to the Cheshire Pension Fund Annual Report and the underlying statutory powers underpinning the scheme.

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 2016

The LGPS is a statutory, defined benefit, funded pension scheme. The Fund 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 of Cheshire 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 contributing into the Fund is shown at the end of the Fund's Statement of Accounts.

Responsibility for managing the Fund lies with the full Council of Cheshire West and Chester Council. The Council has delegated responsibility for the Fund's affairs to the Chief Operating Officer, who is also the Section 151 Officer. The Chief Operating Officer is advised by the Pension Fund Committee with external advice from Mercer, the Fund's appointed investment consultant, and Hymans Robertson the appointed actuary. The Council's Audit and Governance Committee oversees the Council's arrangements for the Fund.

The Local Pension Board was established with effect from the 1 April 2015 in accordance with the Public Service Pensions Act 2013. The role of the Board, as defined in regulations, is to assist the Administering Authority to ensure the effective and efficient governance and administration of the Fund. The Board is comprised of two Employer Representatives (including one Cheshire West and Chester nominated Councillor), two Scheme Member representatives, and one independent chair (non-voting).

The Cheshire Pension Fund operates four investment strategies each with different allocations to growth assets and diversifying and matching assets reflecting the differing pension liabilities and funding positions of employers. At 1 April 2022 the four strategies were as follows:

	Growth	Diversifying and Matching
Open Employers	50%	50%
Academies	55%	45%
Exiting/Closed Employers	50%	50%
Exited Employers	0%	100%

To manage the Fund's assets in accordance with its investment strategy, the Council had eleven appointed external investment managers as at 31 March 2023 who each have specific responsibility for part of the Fund's investment portfolio in addition to the LGPS Central asset pool.

As part of investment pooling, the Fund is continuing to transfer assets to LGPS Central Ltd, its jointly owned pooling delivery company. As at the 31 March 2023 LGPS Central Ltd managed £1,798m (31 March 2022: £1,348m) of the Fund's assets with additional private market commitments of £515m (31 March 2022: £671m) to be drawn down.

The Council uses the services of Bank of New York Mellon Asset Servicing to independently monitor the performance of the investment strategy as a whole and the contributions of individual managers. Performance is monitored against the Fund's tailored asset allocation benchmark rather than to a peer group benchmark.

Bank of New York Mellon Asset Servicing reported that for the year ending 31 March 2023 the Fund achieved a negative return from its investments of -9.8% (2021-22 positive return of 6.9%) compared with the Fund's tailored benchmark return of -8.4% (5.8% in 2021-22). For the three years ending 31 March 2023 the Fund achieved an annualised return of 4.5% per annum against the Fund's benchmark return of 2.1% per annum.

## Membership

In accordance with the Government's 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 after auto enrolment employees are able to choose whether 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.

In the year to 31 March 2023 a total of 328 employer organisations, including the Administering Authority itself, contributed into the Fund.



<b>Cheshire Pension Fund</b>	<b>31-Mar-23</b>	<b>31-Mar-22</b>
Number of employers making contributions into the fund	<b>328</b>	<b>321</b>
<b>Number of employees in the scheme</b>		
Cheshire West and Chester Council	7,982	7,704
Other employers	34,040	32,962
<b>Total</b>	<b>42,022</b>	<b>40,666</b>
<b>Number of pensioners</b>		
Cheshire West and Chester Council	3,687	3,393
Other employers	29,929	29,036
<b>Total</b>	<b>33,616</b>	<b>32,429</b>
<b>Number of Deferred pensioners</b>		
Cheshire West and Chester Council	5,157	5,251
Other employers	27,147	27,148
<b>Total</b>	<b>32,304</b>	<b>32,399</b>
Undecided Leavers	2,578	2,388
<b>Total Membership</b>	<b>110,520</b>	<b>107,882</b>

## 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 2023.

In addition to employee contributions, employers pay contributions into the Fund which are set through triennial actuarial valuations. The last such valuation was at 31 March 2022 which set employer contribution rates for the 3 year period commencing 1 April 2023 and ending 31 March 2026. Details of employer rates can be found in the Fund valuation report available on the Fund's website.

## Benefits

From 1 April 2014, the LGPS became a career average revalued earnings (CARE) scheme, whereby members accrue benefits based on their pensionable pay each year at an accrual rate of 1/49<sup>th</sup>. The 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 scheme handbook which is available from the Fund or visit the website [www.cheshirepensionfund.org](http://www.cheshirepensionfund.org). Prior to 1 April 2014, LGPS pension benefits were based on final pensionable pay and length of pensionable service, summarised below:

<b>Service pre 1 April 2008</b>	<b>Service post 31 March 2008 to 31 March 2014</b>
<b>Pension</b>	<b>Pension</b>
Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
<b>Lump sum</b>	<b>Lump Sum</b>
Automatic lump sum of 3 x pension.	No automatic lump sum
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.	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

## Note 2 – Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2022-23 financial year and its position as at year ending 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

The Code requires the disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2024. This new accounting standard largely removes the distinction between operating and finance leases. However, the implementation of IFRS 16 is not expected to have a material impact on the Fund because it does not hold any assets as a lessee.

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.

## Note 3 – Summary of significant accounting policies

### Fund Account – revenue recognition

#### a) Contribution income

Normal (primary) contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate of pensionable pay set in regulations or recommended by the Fund actuary in the payroll period to which they relate.

Employer deficit (secondary) 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.

Employers' 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 within investment income 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. Any other income from pooled investments is automatically reinvested within the fund and reflected in the unit price and resultant market value of these investments.

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**

The Code does not require any breakdown of pension fund administration expenses. However, in the interest of greater transparency, the pension fund management expenses are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016).

**Investment Management Expenses**

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are contractually 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
- Darwin Property Investment

Performance related fees amounted to £1.9m in 2022-23 (£3.4m in 2021-22) for managers who outperformed their target.

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 2022-23 was £4.5m relating to fees due for the quarter ending 31 March 2023 (2021-22: £6m).

**Administration expenses**

All administration expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged directly 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 are 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

Cheshire West and Chester Council jointly owns an asset pooling company, LGPS Central Ltd, along with seven other Partner Funds. The Council's shareholding in the asset pool company is valued at £1.315m which is the transaction price i.e. cost of the investment. LGPS Central Ltd began to trade on 3 April 2018 and consequently there are only limited trading results available. As a wholly owned company of the Partner Funds its shares are not traded. The Fund's view is that the market value of this investment at 31 March 2023 cannot be reasonably assessed and that cost is therefore an appropriate estimate of fair value.

All other investment assets, with the exception of the loan to LGPS Central Ltd, are included in the financial statements on a fair value basis at the reporting date. Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 18). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in the Practical Guidance on Investments Disclosures (PRAG/Investment Association 2016).

### h) Stock Lending (Securities Lending)

In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, 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.

In accordance with the securities lending agreement the collateral parameters are restricted to non-cash collateral securities, this being Fixed Income securities issued or guaranteed by a set of 21 OECD countries which have to have a minimum rating of AA by S&P or Aa2 by Moody's rating agency, as well as Supranational securities rated AAA/ Aaa from six issuers.

The market value of the securities at year end is taken from prices from a number of reputable vendors in accordance with the Bank of New York Mellon pricing policy.

In addition, LGPS Central Ltd operate a stock lending programme in respect of their pooled equity funds such as the Global Active Equity Fund, in which the Cheshire Pension Fund invests.

**i) Freehold and leasehold properties**

The Scheme's freehold and leasehold investment properties were valued by an external valuer, Savills. The valuations were in accordance with the requirements of the RICS Valuation-Professional Standards. The valuation of each property was on the basis of Fair Value, subject to the following assumptions:

- (i) For investment property: that the property would be sold subject to any existing leases.
- (ii) For property held for development: that the property would be sold with vacant possession in its existing condition.

The valuer's opinion of Fair Value was primarily derived using comparable recent market transactions on arm's length terms.

**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) Loans and receivables**

Financial assets classed as amortised cost are carried in the net asset statement at amortised cost i.e. the outstanding principal receivable as at the year end date, plus accrued interest.

**l) Financial liabilities**

The Fund recognises financial liabilities at fair value as at the reporting date, excluding creditors which are measured at amortised cost. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

**m) 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 the Code, 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.

**n) 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.

From the 1 April 2019, Standard Life were appointed as the sole AVC provider for the Fund. Prior to 1 April 2019 the AVC providers to the members of the Fund were Scottish Widows, Standard Life and Utmost, who took over Equitable Life on 1 January 2020.

Individual member's AVC contributions are paid directly to the AVC provider by their respective employers and are specifically for providing additional benefits for individual members. AVC contributors receive an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2009/3093) but are disclosed as a note only (Note 25).

**o) Contingent assets and contingent liabilities**

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of the future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

**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**

There were no material critical judgements in 2022-23.



#### 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 2023 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
<b>Pension fund liability</b>	The pension fund liability is calculated every three years by the Fund's 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, <ul style="list-style-type: none"> <li>• A 0.5% increase in the discount rate assumption would reduce the value of the liabilities by approximately £515m.</li> <li>• A 0.5% increase in pensions increase rate would increase the value of the liabilities by approximately £465m.</li> <li>• A 0.5% increase in the salaries increase rate would increase the value of the liabilities by approximately £55m</li> </ul>

The items in the net assets statement at 31 March 2023 include the following items of estimation uncertainty which are significant but not material to the accounts.

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Private equity</b>	It is important to recognise the highly 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 International Private Equity and 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 £437m (£409m 2021-22).  There is a risk that this investment may be under or overstated in the accounts. A potential under or over statement of the value of these investments of 10% would equate to £43.7 m increase or decrease to the market value of these investments.

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Absolute Return funds</b>	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 £411m (£398m in 2021-22). There is a risk that this investment may be under or overstated in the accounts. A potential under or over statement of the value of these investments of 10% would equate to £41.1m increase or decrease to the market value of these investments.
<b>Property valuations</b>	The Scheme's freehold and leasehold investment properties are valued by an external valuer, Savills, who operate entirely independently from the Fund's appointed property manager Patrizia. The valuations are made in accordance with the requirements of the RICS Valuation-Professional Standards. The valuer's opinion of Fair Value is primarily derived using comparable recent market transactions and therefore involves a degree of judgement and estimation.	The total value of direct property investments in the financial statements is £383m (£441m in 2021-22). There is a risk that this investment may be under or overstated in the accounts. A potential under or over statement of the value of these investments of 10% would equate to £38.3m increase or decrease to the market value of these investments.

See Note 18 for a full list of possible market movements.

#### **Note 5 – Events after the Balance Sheet date**

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- a) Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and
- b) Those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

#### Non adjusting events after the reporting period

Following the end of the year, as part of a rebalancing exercise in line with the Fund's Investment Strategy Statement, the Fund redeemed £120m from LGPS Central Multi Factor Climate Fund and utilised £40m of reserve cash balances to top up its allocation to UK Index Linked Gilts by £160m.

Following the May 2023 elections, there have been a number of changes to members of the Pension Fund Committee. However, new Committee members will be provided with a thorough training and induction programme and the Committee will continue to operate as normal.

<b>Note 6 – Contributions Receivable</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Employees Normal Contributions	44,725	41,507
Employers Normal Contributions	144,134	133,488
Employers Deficit Funding	15,753	16,018
Employers Cost of Early Retirements (pension strain)	1,461	2,713
<b>Total Employers Contributions</b>	<b>161,348</b>	<b>152,219</b>
<b>Total Employees and Employers Contributions</b>	<b>206,073</b>	<b>193,726</b>

Employers and employee contributions have increased in 2022-23 compared to 2021-22 due to salary increases and an increase in the number of active members.

The cost of early retirements represents the contributions from Employers to meet the capitalised costs of discretionary early retirements. The Fund recharges 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 employers for early retirement contributions based on the date the scheme member left the scheme regardless of whether scheme employers have the option of paying over more than one year.

<b>Note 6a – Analysis of Contributions Receivable</b>	<b>2022-23</b>		<b>2021-22</b>	
	<b>Employers £000</b>	<b>Employees £000</b>	<b>Employers £000</b>	<b>Employees £000</b>
Scheme Employers	112,760	31,830	107,333	29,312
Cheshire West & Chester Council	31,647	9,013	29,312	8,065
Community Admission Bodies	14,668	3,356	13,102	3,455
Transferee Admission Bodies	2,273	526	2,472	675
<b>Total</b>	<b>161,348</b>	<b>44,725</b>	<b>152,219</b>	<b>41,507</b>

<b>Note 7 – Transfers in from other Pension Funds</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Transfers from other Local Authorities	10,386	10,100
Transfers from other pension funds	2,510	2,777
<b>Total</b>	<b>12,896</b>	<b>12,877</b>

<b>Note 8 – Benefits payable</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Scheme Employers	130,820	125,485
Cheshire West & Chester Council	55,072	53,213
Community Admission Bodies	18,106	16,417
Transferee Admission Bodies	5,415	4,933
<b>Total</b>	<b>209,413</b>	<b>200,048</b>

<b>Note 9 – Payment to and on account of leavers</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Individual transfers out	15,760	15,036
Refunds to Members leaving service	514	562
<b>Total</b>	<b>16,274</b>	<b>15,598</b>

The transfer out figure will vary year on year depending on the number of people that move to employers outside of the Fund and the value of the pension accrued for these individuals.

The refunds to members leaving service relates to members who opted out of the scheme within two years of joining.

<b>Note 10 – Management Expenses</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Investment management expenses	21,285	23,102
Administration costs	2,774	2,627
Oversight and governance costs	2,093	1,856
<b>Total</b>	<b>26,152</b>	<b>27,585</b>

No costs have been included for carried interest. Included within the investment management expenses and oversight and governance costs are fees paid to LGPS Central Ltd, further details of these fees paid and the amounts are included in Note 26- Related Party Transactions.

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 10a– Investment Management Expenses**

<b>Note 10a – Investment Management Expenses 2022-23</b>	<b>Total £000</b>	<b>Management Fees £000</b>	<b>Performance related fees £000</b>	<b>Transaction Costs £000</b>
Equities	4,932	3,111	1,683	138
Pooled Investments	8,797	8,797	0	0
Pooled Property	796	613	183	0
Private Equity	4,733	4,733	0	0
Private Debt	695	695	0	0
Property	1,210	1,210	0	0
	<b>21,163</b>	<b>19,159</b>	<b>1,866</b>	<b>138</b>
<b>Custody fees</b>	<b>122</b>			
<b>Total</b>	<b>21,285</b>			

<b>Note 10a – Investment Management Expenses 2021-22</b>	<b>Total £000</b>	<b>Management Fees £000</b>	<b>Performance related fees £000</b>	<b>Transaction Costs £000</b>
Equities	7,738	4,524	3,057	157
Pooled Investments	8,631	8,631	0	0
Pooled Property	923	608	315	0
Private Equity	4,414	4,393	21	0
Private Debt	30	30	0	0
Property	1,211	1,211	0	0
	<b>22,947</b>	<b>19,397</b>	<b>3,393</b>	<b>157</b>
<b>Custody fees</b>	<b>155</b>			
<b>Total</b>	<b>23,102</b>			

<b>Note 10b – External Audit Costs</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Payable in respect of external audit	51	52
Payable in respect of other services	13	13
<b>Total</b>	<b>64</b>	<b>65</b>

Fees in respect of other services relates to work completed in respect of the IAS19 process which is an audit related non-audit service.

<b>Note 11 – Investment Income</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Net Rents from Properties	18,008	19,936
Income from Fixed Interest Securities	9,836	5,830
Dividends from Equities	977	4,599
Other	12	801
Interest from Cash Deposits	5,509	301
Income from Pooled Property	401	268
Stock Lending	138	138
<b>Total</b>	<b>34,881</b>	<b>31,873</b>

No investment income has been recognised for Private Equity investments. Calls and distributions in relation to these investments are accounted for within the private equity sales and purchases figures in Note 13f.

<b>Note 12 – Taxes on income</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Withholding tax - Equities	80	172
<b>Total</b>	<b>80</b>	<b>172</b>

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 2022-23 amounts to £80k and is shown as a tax charge, compared to £172k in 2021-22.

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

<b>Note 13 – Investments</b>	<b>2022-23</b>	<b>2021-22</b>
<b>Investment Assets</b>	<b>£000</b>	<b>£000</b>
<b>Equities</b>	<b>263,818</b>	<b>607,359</b>
<b>Pooled Investments</b>		
UK Government Index Linked Gilts	1,294,500	1,860,668
Fixed Income - Multi Strategy	1,196,173	1,248,434
UK Equity Listed	1,803,663	1,431,577
Infrastructure	95,183	26,263
Hedge Funds	410,542	397,689
	<b>4,800,061</b>	<b>4,964,631</b>
<b>Other Investments</b>		
Pooled Property Investments	91,177	90,152
Directly Managed Property	383,235	441,300
Private Equity	436,522	408,520
Private Debt	92,034	6,054
	<b>1,002,968</b>	<b>946,026</b>
<b>Cash Deposits</b>	<b>181,298</b>	<b>436,921</b>
<b>Loans</b>	<b>686</b>	<b>686</b>
<b>Other investment balances:</b>		
Outstanding dividends entitlements and withholding tax claims	5,209	3,135
<b>Total</b>	<b>6,254,040</b>	<b>6,958,758</b>

During the year, and in line with the Fund's investment strategy and the government initiative for asset pooling, the Fund fully redeemed funds from Baillie Gifford Global Alpha, redeemed £68m from LGPS Central Global Active Equity Fund and invested £360m in LGPS Central Sustainable Equity Funds, split equally between the Broad and Targeted sleeves. The transition has led to a reduction in Equities and an increase in UK listed Equities within Pooled Investments.

UK Government Index Linked Gilts have reduced in value as a result of the turbulent economic conditions during 2022-23. Following the end of the year, as part of a rebalancing exercise in line with the Fund's Investment Strategy Statement, the Fund redeemed £120m from LGPS Central Multi Factor Climate Fund and utilised £40m of reserve cash balances to top up its allocation to UK Index Linked Gilts by £160m.

Cash balances reduced in year as a result of a £85m top up to the Fund's existing investment in the LGIM Infrastructure Core Index Fund, endorsed by the Pension Fund Committee in June 2022. The Fund also made £177m calls in the year into private debt, infrastructure and private equity funds that the Fund has committed to, in line with its strategic asset allocation model.

### **Note 13a – Fixed Income Multi Strategy**

The Fund has invested in five pooled fixed income investment vehicles managed separately by Janus Henderson Investors, BlueBay, M&G and LGPS Central. The market value of investments with each manager as at the 31 March 2023 was:

- £228m in Janus Henderson Investors (2021-22: £242m),



- £431m (2021-22: £457m) in BlueBay,
- £272m in M&G Alpha Opportunities Fund (2021-22: £268m).
- £126m in LGPS Central Emerging Market Debt Fund (2021-22: £137m)
- £139m in LGPS Central Multi Asset Credit Fund (2021-22: £145m)

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, each manager may use derivative instruments to manage their exposure to specific risks arising from its investment activities.

<b>Note 13b – Absolute Return Funds</b>	<b>Strategy</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Blackstone	Hedge Fund of Funds	410,542	397,689
<b>Total</b>		<b>410,542</b>	<b>397,689</b>

<b>Note 13c – Private Equity</b>	<b>Number of Funds</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Pantheon Ventures	13	238,223	218,542
Adam Street Partners	20	172,966	170,943
LGPS Central Ltd	4	25,186	18,787
Lexington	1	147	248
<b>Total</b>	<b>38</b>	<b>436,522</b>	<b>408,520</b>

#### **Note 13d – Loans**

The Fund has a £685k loan advanced to LGPS Central Ltd in January 2018. The interest accrued on the loan for the year is £47k. The loan is held at amortised cost in the statement of accounts at a value of £732k at 31 March 2023 (31 March 2022: £717k).

<b>Note 13e – Cash</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Cash Instruments	161,768	402,103
Cash Deposits	19,530	34,818
<b>Total</b>	<b>181,298</b>	<b>436,921</b>

**Note 13f – Reconciliation of movements in Investments**

	Fair Value at 31 March 2022	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair value	Fair Value at 31 March 2023
	£000	£000	£000	£000	£000
Equities	607,359	35,496	-336,170	-42,867	263,818
Pooled Investments	4,964,631	527,553	-294,650	-397,473	4,800,061
Pooled Property Investment	90,152	0	-2,711	3,736	91,177
Directly Managed Property	441,300	1,764	-572	-59,257	383,235
Private Equity	408,520	55,148	-33,846	6,700	436,522
Private Debt	6,054	90,316	-5,228	892	92,034
Loans	686	0	0	0	686
	6,518,702	710,277	-673,177	-488,269	6,067,533
Derivatives	0	3	-997	994	0
Cash and Cash Equivalents	436,921		-38,614	-217,009	181,298
	6,955,623	710,280	-712,788	-704,284	6,248,831
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	3,135				5,209
<b>Net Investments</b>	<b>6,958,758</b>	<b>710,280</b>	<b>-712,788</b>	<b>-704,284</b>	<b>6,254,040</b>

	Fair Value at 31 March 2021	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair value	Fair Value at 31 March 2022
	£000	£000	£000	£000	£000
Equities	855,025	120,175	-311,462	-56,379	607,359
Pooled Investments	4,613,918	404,958	-331,705	277,460	4,964,631
Pooled Property Investment	81,378	10,000	-7,510	6,284	90,152
Directly Managed Property	391,850	3,104	-11,940	58,286	441,300
Private Equity	296,417	55,282	-80,360	137,181	408,520
Private Debt	0	6,118	-30	-34	6,054
Loans	686	0	0	0	686
	6,239,274	599,637	-743,007	422,798	6,518,702
Derivatives	0				0
Cash and Cash Equivalents	297,131	138,919		871	436,921
	6,536,405	738,556	-743,007	423,669	6,955,623
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	3,469	0	0	0	3,135
<b>Net Investments</b>	<b>6,539,874</b>	<b>738,556</b>	<b>-743,007</b>	<b>423,669</b>	<b>6,958,758</b>

**Note 14 – Stock Lending**

In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, 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 2023 the Fund earned £138k (2021-22: £138k) of income from its stock lending activities.

At the balance sheet date, the value of aggregate stock on loan was £14.9m (2021-22: £12.1m) and the value of collateral held was £15.8m (2021-22: £13.2m).

**Note 15 Property Holdings**

The Fund's investment in property comprises investments in pooled property funds and a number of directly owned properties which are leased commercially to various tenants. Details of income from these directly owned properties are below:

<b>Note 15a – Property Income</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Rental Income	20,598	21,883
Direct Operating Expenses	-2,590	-1,947
<b>Balance at the end of the year</b>	<b>18,008</b>	<b>19,936</b>

<b>Note 15b – Fair Value of Investment Properties</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Balance at the start of the year	441,300	391,850
Disposals	-2,700	-9,565
Capital Expenditure	1,764	3,104
Net gain/loss on fair value	-57,129	55,911
<b>Balance at the end of the year</b>	<b>383,235</b>	<b>441,300</b>

During the year the Fund did not purchase any investment properties. The Fund disposed of one property in the year.

Investment properties were independently valued by Savills as at 31 March 2023.

At the year-end there were no restrictions on the Fund's ability to realise investment property or the remittance of proceeds of disposals.

Contractual obligations for development, repairs and maintenance amount to £4.1m (£4m in 2021-22).

**Note 16 – 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 return.

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:**

<b>Age profile of lease income</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
No later than one year	21,647	21,465
Between one and five years	59,842	82,549
Later than five years	128,050	118,867
<b>Total</b>	<b>209,539</b>	<b>222,881</b>

The above disclosure for 2022-23 has been reduced by a credit loss allowance of 5% for income due within one year and 3% for the second year onwards reflecting the Fund's expected loss from late or non-recovery of rents from tenants.

With regards to the properties owned and leased by the Fund, all are leased to 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	2022-23 £000	2022-23 %	2021-22 £000	2021-22 %
<b>Investments managed by LGPS Central Ltd Asset Pool:</b>				
All World Equity Climate Multi Factor Fund	705,180	11.3	701,248	10.1
Global Equity Active Multi Manager Fund				
- Schroders	97,848	1.6	118,866	1.7
- Union	86,352	1.4	104,695	1.5
- Harris	71,279	1.1	88,588	1.3
Sustainable Equity Broad Fund	182,563	2.9	0	0.0
Sustainable Equity Target Fund	175,205	2.8	0	0.0
Multi Asset Credit Fund	139,140	2.2	144,765	2.1
Emerging Market Debt Fund	126,390	2.0	136,500	2.0
Infrastructure Core / Core Plus Fund	52,034	0.8	24,784	0.4
Credit Partnership II (Private Debt) Fund	48,460	0.8	6,054	0.1
Credit Partnership III (Private Debt) Fund	43,573	0.7	0	0.0
Infrastructure Single Asset Credit Fund	39,978	0.6	0	0.0
Private Equity Funds	25,186	0.4	18,787	0.3
Infrastructure Value Add/Oppportunistic	3,171	0.1	1,480	0.0
LGPS Central Ltd Asset Pool	2,047	0.0	2,032	0.0
<b>Total</b>	<b>1,798,406</b>	<b>28.7</b>	<b>1,347,799</b>	<b>19.5</b>
<b>Investments managed outside of LGPS Central Ltd Asset Pool:</b>				
Legal & General	1,779,735	28.5	2,278,847	32.7
Bluebay	431,022	6.9	457,493	6.6
Patrizia	387,862	6.2	445,480	6.4
Blackstone	410,542	6.6	397,689	5.7
Baillie Gifford & Co	265,868	4.3	613,821	8.8
M&G Investments	275,491	4.4	269,291	3.9
Pantheon Ventures	238,223	3.8	218,542	3.1
Janus Henderson	227,710	3.6	241,726	3.5
Adams Street Partners	172,966	2.8	170,943	2.5
Deutsche Bank (Money Market)	101,991	1.6	339,742	4.9
Darwin	90,695	1.5	87,797	1.3
Fidelity (Money Market)	49,271	0.8	49,500	0.7
Bank of New York Mellon	21,663	0.3	36,393	0.4
Arrowgrass Capital Partners	2,433	0.0	3,434	0.0
Lexington Capital Partners	147	0.0	248	0.0
GMO	15	0.0	13	0.0
<b>Total</b>	<b>4,455,634</b>	<b>71.3</b>	<b>5,610,959</b>	<b>80.5</b>
<b>Total</b>	<b>6,254,040</b>	<b>100.0</b>	<b>6,958,758</b>	<b>100.0</b>

Key movements in assets during the year are detailed in Note 13.

**Note 17a – Concentration of Investments**

The CIPFA Code of Practice requires disclosure where there is a concentration of investment which exceeds 5% of the total value of the net assets of the scheme. Four investments fall into this category as follows:

Security Description	Market Value 31-Mar-23 £000	% of Total Fund	Market Value 31-Mar-22 £000	% of Total Fund
Legal & General - Over 5 Yr Index Linked Gilts	1,294,499	20.70%	1,860,668	26.74%
LGPS Central Ltd - All World Equity Climate Multi Factor Fund	705,180	11.28%	701,248	10.08%
Bluebay - Total Return Diversified Fund	431,022	6.89%	457,493	6.57%
Blackstone Partners - Class A1 Initial Series	410,542	6.56%	397,689	5.71%

**Note 18 – Fair Value – Basis of Valuation**

The basis of the valuation of each class of investment asset is set out below. There have been no changes in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of Assets	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market Quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted Bonds	Level 1	Fixed interest securities are valued at market value based on current yields	Not required	Not required
Unquoted Bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Pooled investments-property funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV based pricing set on a forward pricing basis	Not required
Pooled investments - absolute return funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end using the investment method of valuation by Savills in accordance with the RICS valuation professional standards	Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts



Description of Assets	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting valuations provided
Private Debt	Level 3	Valued at fair value in accordance with International Valuation Standards and investment managers valuation policy	Comparable valuation of similar assets EBITDA multiple Revenue multiple Discounted cash flows Enterprise value estimation	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Infrastructure	Level 3	At the price or net asset value advised by the manager using the latest financial information available from the respective manager, adjusted for drawdowns and distributions to the final date of the accounting period, if the latest financial information is not produced at that date.	EBITDA multiple Revenue multiple Discount for lack of marketability Discounted cash flows	Valuations could be impacted by material events occurring between the date of the financial statements provided and the year end, by changes to expected cash flows, and any differences between the audited and unaudited accounts

### Sensitivity of Assets Valued at Level 3

The values reported in the Level 3 (see explanation of Level 3 below) valuations represent the most accurate estimation of the portfolio value as at 31 March 2023. Any subjectivity related to the investment value is incorporated into the valuation.

### Note 18a – Fair Value Hierarchy

The valuation of investment assets and liabilities has been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

#### Level 1

Assets and liabilities 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**

Assets and liabilities 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 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 and absolute return funds

**Level 3**

Assets and liabilities 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, absolute return funds, pooled property, private debt and unlisted infrastructure investments which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

Valuations for private equity, private debt and infrastructure are usually undertaken annually at the end of December. Estimated market values or 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 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 items which are valued at amortised cost (i.e. loans and receivables).

**Note 18a – Assets carried at fair value****Assets carried at Fair Value:**

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2023	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
<b>Financial Assets at fair value through profit and loss</b>				
Equities	262,503	0	0	262,503
Pooled investments	0	3,863,314	936,747	4,800,061
Pooled Property	0	482	90,695	91,177
Private Equity	0	0	436,522	436,522
Private Debt	0	0	92,034	92,034
Loans	0	685	1	686
Cash	181,298	0	0	181,298
Accrued Investment Income	5,209			5,209
<b>Net investment assets</b>	<b>449,010</b>	<b>3,864,481</b>	<b>1,555,999</b>	<b>5,869,490</b>
<b>Non-financial assets at fair value through profit and loss</b>				
Property	0	0	383,235	383,235
<b>Total</b>	<b>449,010</b>	<b>3,864,481</b>	<b>1,939,234</b>	<b>6,252,725</b>

**Assets carried at cost:**

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2023	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Investments in LGPS Central Ltd			1,315	1,315
<b>Investments held at cost</b>	<b>0</b>	<b>0</b>	<b>1,315</b>	<b>1,315</b>

**Assets carried at Fair Value:**

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2022	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial Assets at fair value through profit and loss</b>				
Equities	606,044	0	0	606,044
Pooled investments	0	4,083,185	881,446	4,964,631
Pooled Property	0	2,355	87,797	90,152
Private Equity	0	0	408,520	408,520
Private Debt	0	0	6,054	6,054
Loans	0	685	1	686
Cash	436,921	0	0	436,921
Accrued Investment Income	3,135	0	0	3,135
	<b>1,046,100</b>	<b>4,086,225</b>	<b>1,383,818</b>	<b>6,516,143</b>
<b>Non-financial assets at fair value through profit and loss</b>				
Property	0	0	441,300	441,300
<b>Total</b>	<b>1,046,100</b>	<b>4,086,225</b>	<b>1,825,118</b>	<b>6,957,443</b>

**Assets carried at cost:**

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2022	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investments in LGPS Central Ltd			1,315	1,315
<b>Investments held at cost</b>	<b>0</b>	<b>0</b>	<b>1,315</b>	<b>1,315</b>

**Note 18b – Transfers between levels 1 and 2**

No assets were transferred between level 1 and 2 during the year.

**Note 18c – Reconciliation of fair value measurements within level 3**

	Market Value 1 April 2022	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised Gains/ (Losses)	Realised Gains	Market Value 31 March 2023
	£000	£000	£000	£000	£000	£000	£000	£000
Absolute return funds	397,690				- 3,454	12,853	3,453	410,542
Direct Property	441,300			1,764	- 572	- 53,152	- 6,105	383,235
Private equity	408,520			55,148	- 33,846	1,237	5,463	436,522
Pooled Property	87,795				- 796	2,900	796	90,695
Fixed income	457,494			1,655	- 3,038	- 28,126	3,037	431,022
Secured Loans	1							1
Infrastructure	26,264			68,867	- 424	50	426	95,183
Private debt	6,054			90,316	- 5,227	196	695	92,034
	<b>1,825,118</b>	<b>-</b>	<b>-</b>	<b>217,750</b>	<b>- 47,357</b>	<b>- 64,042</b>	<b>7,765</b>	<b>1,939,234</b>

**Note 18d – 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 instruments were reclassified during the accounting period.

**Note 18d – Classification of Financial Instruments**

	Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
	31 March 2023			31 March 2022		
	£000	£000	£000	£000	£000	£000
<b>Financial Assets</b>						
Equities	263,818			607,359		
Pooled Investments	4,800,061			4,964,631		
Pooled Property	91,177			90,152		
Private Equity and Joint Venture	436,522			408,520		
Private Debt	92,034			6,054		
Loans	1	686		1	717	
Cash		177,639			435,316	
Other Investment balances		4,723			2,883	
Debtors		19,617			19,164	
	<b>5,683,613</b>	<b>202,665</b>	<b>0</b>	<b>6,076,717</b>	<b>458,080</b>	<b>0</b>
<b>Financial Liabilities</b>						
Creditors			-12,298			-10,046
<b>TOTAL</b>	<b>5,683,613</b>	<b>202,665</b>	<b>-12,298</b>	<b>6,076,717</b>	<b>458,080</b>	<b>-10,046</b>

**Note 18e – Net Gains and Losses on Financial Instruments**

	2022-23 £000	2021-22 £000
<b>Financial Assets</b>		
Fair value through profit and loss	-429,014	364,513
Amortised cost- unrealised gains	0	871
<b>Financial Liabilities</b>		
Fair value through profit and loss	0	0
Amortised cost- unrealised losses	-215,922	0
<b>Total</b>	<b>-644,936</b>	<b>365,384</b>

Cheshire West & Chester as administering authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

**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 forecast cash flows. The Council

manages these investment risks as part of its overall Pension Fund risk management programme.

Risk management policies were 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 were 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's investment strategy.

#### **Other price risk - sensitivity analysis**

In consultation with the Fund's investment advisers and, following analysis of historical data and expected investment return movement during the financial year, the Council has determined that the following movements in market price risk are reasonably possible for the 2022-23 reporting period:



Asset Type	Potential market movements
	% (+ / -)
Private Equity	27.1
Global Equities - Emerging	25.1
Global Equities - Developed	19.5
Infrastructure	16.9
UK Equities	17.6
Property Unit Trusts	15.0
High Yield	13.0
Absolute Return Funds	7.5
Corporate Bonds	8.1
Government Bonds	9.9
Cash	0.0

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment adviser's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows:

Asset Type	Value at 31 March 2023	Percentage Change	Change in Value on increase	Change in Value on decrease
	£000	%	£000	£000
Government Bonds	1,294,500	9.9	128,155	-128,155
Global Equities - Developed	1,716,367	19.5	334,692	-334,692
Corporate Bonds	855,846	8.1	69,324	-69,324
High Yield	523,057	13.0	67,997	-67,997
Cash	202,170	0.0	0	0
Private Equity	436,522	27.1	118,297	-118,297
Absolute Return Funds	410,542	7.5	30,791	-30,791
Global Equities - Emerging	239,303	25.1	60,065	-60,065
UK Equities	85,964	17.6	15,130	-15,130
Investment Income Due	4,677	0.0	0	0
Infrastructure	95,183	16.9	16,086	-16,086
Property Unit Trusts	482	15.0	72	-72
Equities - LGPS Central Ltd	1,315	0.0	0	0
Loans - LGPS Central Ltd	732	0.0	0	0
<b>Total assets available to pay benefits</b>	<b>5,866,660</b>		<b>840,609</b>	<b>-840,609</b>

The above table excludes direct property due to the illiquidity of this asset type.

### 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 were subject to interest rate risks, which represent the risk that the fair value of 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 assets which have direct exposure to interest rate movements as at 31 March 2023 and 31 March 2022 are set out below. These disclosures present interest rate risk based on the underlying financial asset at fair value:

Asset Type	2022-23	2021-22
	£000	£000
Corporate and Government Bonds	2,490,671	3,109,102
Cash balances	150,873	389,127
Cash and cash equivalents	30,425	47,794
<b>Total</b>	<b>2,671,969</b>	<b>3,546,023</b>

### Interest rate risk sensitivity analysis

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 £2,491m fair value of the bond mandates managed by M&G Alpha Opportunities Fund, Janus Henderson Investors, BlueBay, Legal and General and the Emerging Market Debt Fund and Multi Asset Credit Fund managed by LGPS Central are particularly sensitive to movements in interest rates. This sensitivity is measured by their duration of 4.11, 5.8, 2.32, 19.77, 6.6 and 3.95 years respectively.

A 100BPS increase in the prevailing level of interest rates would decrease the aggregate fair value of these mandates by £304.1m (£472.6m in 2021-22). Likewise a 100BPS decrease in the level of interest would be expected to increase the fair value of these mandates by a similar amount.

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 2023	Effect of Asset Values	
			+100 BPS	-100 BPS
		£000		
Cash and Cash Equivalents		30,425		
Cash Balances		150,873		
Fixed Income - M&G	4.11	271,911	- 11,176	11,176
Fixed Income - Janus Henderson	5.8	227,710	- 13,207	13,207
Fixed Income - BlueBay	2.32	431,022	- 10,000	10,000
Fixed Income - Legal and General	19.77	1,294,499	- 255,922	255,922
Fixed Income - LGPSC EMD Fund	6.6	126,390	- 8,342	8,342
Fixed Income - LGPSC MAC Fund	3.95	139,140	- 5,496	5,496
<b>Total change in assets available</b>		<b>2,671,970</b>	<b>-304,143</b>	<b>304,143</b>

Asset Type	Duration	Carrying amount at 31 March 2022	Effect of Asset Values	
			+100 BPS	-100 BPS
		£000		
Cash and Cash Equivalents		47,794		
Cash Balances		389,127		
Fixed Income - M&G	3.19	267,950	- 8,548	8,548
Fixed Income - Janus Henderson	3.25	241,726	- 8,033	8,033
Fixed Income - BlueBay	3.15	457,493	- 14,411	14,411
Fixed Income - Legal and General	22.97	1,860,668	- 427,395	427,395
Fixed Income - LGPSC EMD Fund	6.38	136,500	- 8,709	8,709
Fixed Income - LGPSC MAC Fund	3.81	144,765	- 5,516	5,516
<b>Total change in assets available</b>		<b>3,546,023</b>	<b>- 472,612</b>	<b>472,612</b>

The tables below illustrate the impact of a change in the interest rate of 1%.

Income Source	Duration	Carrying amount at 31 March 2023	Effect of Asset Values	
			+100 BPS	-100 BPS
		£000		
Cash deposit / cash and cash equivalents	0.25	5,509	-14	14
Fixed Income Securities		9,836		
<b>Total change in assets available</b>		<b>15,345</b>	<b>-14</b>	<b>14</b>

Income Source	Duration	Carrying amount at 31 March 2022	Effect of Asset Values	
		£000	+100 BPS	-100 BPS
Cash deposit / cash and cash equivalents	0.25	301	-1	1
Fixed Income Securities		5,830		
<b>Total change in assets available</b>		<b>6,131</b>	<b>-1</b>	<b>1</b>

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but could 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 GBP 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's currency rate risk is routinely monitored by the Fund 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 2023 and 31 March 2022:

Currency Exposure - Asset Type	Gross Exposure	Hedging Exposure	Net Exposure
<b>2022-23</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Overseas Listed Equities	263,187		263,187
Overseas Unquoted Securities	411,336		411,336
Overseas Unit Trusts	658		658
<b>Total</b>	<b>675,181</b>	<b>0</b>	<b>675,181</b>

Currency Exposure - Asset Type	Gross Exposure	Hedging Exposure	Net Exposure
2021-22	£000	£000	£000
Overseas Listed Equities	596,957		596,957
Overseas Unquoted Securities	389,733		389,733
Overseas Unit Trusts	2,531		2,531
<b>Total</b>	<b>989,221</b>	<b>0</b>	<b>989,221</b>

### Currency risk - sensitivity analysis

Following analysis of historical data in consultation with the Fund investment advisers, the Fund 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 risk is considered reasonable based on the Fund 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 GBP 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	
	2022-23	+13%	-13%
	£000	£000	£000
<b>Overseas Listed Equities:</b>	<b>263,187</b>	<b>34,214</b>	<b>-34,214</b>
Of which from United States Dollar	196,587	25,556	-25,556
Of which from Hong Kong Dollar	22,245	2,892	-2,892
Of which from other currencies	44,355	5,766	-5,766
<b>Overseas Unquoted Securities:</b>	<b>411,336</b>	<b>53,474</b>	<b>-53,474</b>
Of which from United States Dollar	403,487	52,454	-52,454
Of which from Euro	7,849	1,020	-1,020
<b>Overseas Unit Trusts:</b>			
Of which from Euro	658	86	-86
<b>Total</b>	<b>675,181</b>	<b>87,774</b>	<b>-87,774</b>

Net Currency Exposure - Asset Type	Asset Values	Change to net Assets available to pay benefits	
	2021-22	+13%	-13%
	£000	£000	£000
<b>Overseas Listed Equities:</b>	<b>596,957</b>	<b>77,604</b>	<b>-77,604</b>
Of which from United States Dollar	422,057	54,867	-54,867
Of which from Japanese Yen	15,264	1,984	-1,984
Of which from Hong Kong Dollar	49,410	6,423	-6,423
Of which from Swedish Krona	5,477	712	-712
Of which from Swiss Franc	3,229	420	-420
Of which from Danish Krone	2,079	270	-270
Of which from South African Rand	2,136	278	-278
Of which from other currencies	97,305	12,650	-12,650
<b>Overseas Unquoted Securities:</b>	<b>389,733</b>	<b>50,666</b>	<b>-50,666</b>
Of which from United States Dollar	377,821	49,117	-49,117
Of which from Euro	11,912	1,549	-1,549
<b>Overseas Unit Trusts:</b>			
Of which from Euro	2,531	329	-329
<b>Total</b>	<b>989,221</b>	<b>128,599</b>	<b>-128,599</b>

## 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 risk 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 Janus Henderson Investors, BlueBay, M & G Alpha Opportunities Fund and LGPS Central. However, the majority of the Fund's 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 six mandates as measured by the credit rating of external agencies is summarised in the table below:

S&P Quality Rating	Fair Value 2022-23	% of Fair Value of Fixed Income Assets
	£000	£000
AAA	159,090	6.0
AA	1,344,040	54.0
A	73,425	3.0
BBB	447,386	18.0
Below BBB	367,713	15.0
Cash	76,101	3.0
NR	22,916	1.0
<b>Total</b>	<b>2,490,671</b>	<b>100.0</b>

S&P Quality Rating	Fair Value 2021-22	% of Fair Value of Fixed Income Assets
	£000	£000
AAA	65,087	2.0
AA	1,891,595	61.0
A	59,763	2.0
BBB+	267,950	9.0
BBB	150,579	5.0
Below BBB	547,306	17.0
Cash	97,241	3.0
NR	29,581	1.0
<b>Total</b>	<b>3,109,102</b>	<b>100.0</b>

Deposits were not made with banks and financial institutions unless they were rated independently and met the Fund's credit criteria. The Fund also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, the Fund invests an agreed percentage of its assets in the money markets to provide diversification. Money market funds chosen all have at least an AA rating 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 to date. The Fund's cash holding under its treasury management arrangements as at 31 March 2023 was £150.9m (31 March 2022 £389.1m) 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.



<b>2022-23 Counterparty</b>	<b>Moodys Rating</b>	<b>£000</b>	<b>% of cash balances</b>
Bank of New York Mellon (Money Market Cash / Cash Accounts)	P-1	26,766	14.8
Fidelity Worldwide Investment (Money Market)	Aaa-mf	49,271	27.2
Deutsche Bank Advisors (Money Market)	A2	101,603	56.0
Cash in Transit	NR	3,659	2.0
<b>Total</b>		<b>181,299</b>	<b>100.0</b>

<b>2021-22 Counterparty</b>	<b>Moodys Rating</b>	<b>£000</b>	<b>% of cash balances</b>
Bank of New York Mellon (Money Market Cash / Cash Accounts)	P-1	46,189	10.6
Fidelity Worldwide Investment (Money Market)	Aaa-mf	49,500	11.3
Deutsche Bank Advisors (Money Market)	A3	339,627	77.7
Cash in Transit	NR	1,605	0.4
<b>Total</b>		<b>436,921</b>	<b>100.0</b>

### 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 Fund therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments.

The Fund 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:

- there are no highly liquid active markets, such as investment properties and private equity or,
- 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 2023 the value of illiquid assets was £412m, which represented 6.58% of the total fund assets (31 March 2022 £392m which represented 5.64% of the total fund assets).

In terms of liquidity risk, the Fund had £181.3m (2021-22 £436.9m) of cash balances as at 31 March 2023 and net current assets of £10.9m (£8.7m in 2021-22). The Fund's net cash flow, before taking account of investments and excluding management expenses, as at 31 March 2023 was -£6.7m (-£9.0m in 2021-22). Income from investments supports the cash flow for the year to ensure there is no significant risk that the Fund will be unable to meet its current commitments.

All current liabilities are due to be paid in less than one year.

## Other risks

- 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 regular 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 were 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.

	Fair Value of collateral	% of Fair Value of collateral	Fair Value of collateral	% of Fair Value of collateral
	31 March 2023	31 March 2023	31 March 2022	31 March 2022
<b>Moody's rating</b>	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Aaa	12,717	80.6	8,224	62.2
Aa1		0.0	599	4.5
Aa2	2,393	15.2	4,410	33.3
Aa3	669	4.2		
<b>Grand Total</b>	<b>15,779</b>	<b>100</b>	<b>13,233</b>	<b>100</b>
<b>Value of Stock on Loan</b>	<b>14,945</b>		<b>12,114</b>	

During the year ended 31 March 2023 the Fund earned £138k (2021-22: £138k) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £14.9m (2021-22: £12.1m) and the value of collateral held was £15.8m (2021-22: £13.2m).

## Note 20 – Funding Arrangements

In line with the LGPS 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 2022. The next valuation is at 31 March 2025.

The key elements of the funding policy are:

- To ensure long-term solvency of the Fund
- To ensure that sufficient funds are available to meet all members/dependants' benefits as they fall due for payment;
- To ensure that employer contribution rates are reasonably stable where appropriate;
- To minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return;
- To reflect the different characteristics of employers in determining contributions rates;
- To have a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- To use reasonable measures to reduce risk to other employers including tax raising employers from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over each employer's payment period and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. 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 2022 valuation, the fund was assessed as 113% funded (97% at the March 2019 valuation). This corresponded to a surplus of £822m (2019 valuation: deficit of £156m) at that time.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the Funding Strategy Statement. Individual employer's contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in the Funding Strategy Statement.

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership. A market related approach was taken to valuing the liabilities for consistency with the valuation of the Fund assets at their market value.

The principal assumptions were:

<b>Financial assumptions</b>	<b>Real</b>
Discount rate	3.70%
Salary increase assumption	3.40%
Benefit increase assumption (CPI)	2.70%

#### Longevity assumptions

<b>Assumed life expectancy at age 65</b>	<b>Current Pensioners</b>	
	<b>Male</b>	<b>Female</b>
Current Pensioners	21.1 Years	24.1 Years
Future Pensioners*	21.8 Years	25.5 Years

\*Aged 45 at the valuation date

#### Note 21 – Actuarial value of promised retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2022-23 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.

<b>Note 22- Long term assets</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
<b>Long Term Debtors:</b>		
Reimbursement of lifetime tax allowances	661	578
<b>Total</b>	<b>661</b>	<b>578</b>

<b>Note 23 – Current Assets</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
<b>Current Debtors and cash:</b>		
Contributions due - Employers	13,512	13,048
Contributions Due - Employees	3,644	3,439
Sundry Debtors	3,912	4,374
Provision for Doubtful Debt	-2,298	-2,275
Payments in advance	186	0
Cash balances	4,268	2,404
<b>Total</b>	<b>23,224</b>	<b>20,990</b>

<b>Note 24 – Current Liabilities</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Sundry Creditors	4,304	5,926
Benefits Payable	3,282	4,120
Receipts in Advance	4,712	2,300
<b>Total</b>	<b>12,298</b>	<b>12,346</b>

#### **Note 25 – Additional Voluntary Contributions (AVCs)**

From the 1 April 2019 Standard Life were appointed as the sole AVC provider for the Fund. Prior to 1 April 2019 the AVC providers to the members of the Fund were Scottish Widows, Standard Life and Utmost who took over Equitable Life on 1 January 2020.

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 (1) (a) of the LGPS (Management and Investment of Funds) Regulations 2016. 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 Scottish Widows, Standard Life and Utmost for the year to 31 March 2023 is shown below, along with a prior year comparator.

	<b>Scottish Widows £000</b>	<b>Standard Life £000</b>	<b>Utmost £000</b>	<b>Total £000</b>
Contributions received in year 2023		506	1	<b>507</b>
Contributions received in year 2022	135	585	1	<b>721</b>
Fair value at 31 Mar 2023		3,797	345	<b>4,142</b>
Fair value at 31 Mar 2022	2,318	4,210	451	<b>6,979</b>

## Note 26 – Related Party Transactions

### Cheshire West & Chester Council

The Fund is administered by Cheshire West and Chester Council. During the reporting period, the Council incurred costs of £3.298m (2021-22: £4.097m) in relation to the administration and management of the fund and was reimbursed by the fund for these expenses. The Fund repays cash due to the Council for such transactions plus any interest charges on a monthly basis. In 2022-23 the Fund paid £7.8k (2021-22: £992) to the Council for interest accrued on these balances.

The Council is one of the largest participating employers and contributed £31.7m into the Fund in 2022-23 (2021-22: £29.7m). At the year end, a balance of £3.152m (2021-22: £2.692m) was due to the Fund from the Council, primarily relating to contributions which were paid in April but became due in March. A balance of £69.4k was owed to the Council (2021-22: £141.3k) for recharges from the Council in relation to the administration and management of the Fund.

The Fund has not made any employer related investment at any time during the period.

### Pension Fund Committee and Local Pensions Board

Specific declarations have been received from Pension Fund Committee and Local Pension Board 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. Employer representatives for the Local Pension Board also act as Trustees for employers of 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 websites of Cheshire West and Chester, Cheshire East, Warrington and Halton Councils.

Details of the membership of the Local Pension Board are available on the Fund's website.

### Investment Pooling

LGPS Central Ltd has been established to manage investment assets on behalf of eight Local Government Pension Scheme (LGPS) administering authorities across the Midlands including Cheshire. It is jointly owned in equal shares by the eight administering authorities participating in the Pool.

In 2017-18 the fund invested £1.315m in share capital and granted a loan of £685k to LGPS Central Ltd. In 2022-23 interest of £47k (2021-22: £32k) accrued on the loan balance to give a balance at the end of the year of £732k (2021-22: £717k). The share capital was valued at cost at the end of the year at £1.315m. Investments managed by LGPS Central Ltd as at 31 March 2023 are disclosed in Note 17 to the accounts.

During the year the Fund incurred charges for the running costs of LGPS Central Ltd totalling £1.155m (2021-22: £1.095m) and joint pool governance costs of £8k (2021-22: £13k).

The Fund has £82m committed to LGPS Central Private Equity Funds. During the year the Fund paid £5.8m calls to these funds and received £1m in distributions. (£6.8m calls were made and £1.9m distributions were received in 2020-21).

The Fund has committed £510m to the LGPS Private Debt Funds. During the year the Fund paid £90.3m calls to these funds and received £4.5m in distributions. (£6.1m calls were made and no distributions were received in 2021-22).

The Fund has committed £130m to LGPS Central Infrastructure Funds. During the year the Fund paid £66.5m calls to these funds and received £1.1m in distributions. (£26.4m calls were made and no distributions were received in 2021-22).

The market values at the end of the year of all investments with LGPS Central are shown in Note 17.

Investment management fees of £5.2m (2021-22: £3.7m) were incurred on the Fund's investments managed by LGPS Central Ltd.

### Governance

Responsibility for managing the Fund lies with the full Council of Cheshire West and Chester Council. The Council has delegated responsibility to the Chief Operating Officer who is also the s151 officer. The Chief Operating Officer is advised by the Pension Fund Committee and external advice from Mercer the appointed investment consultant. The Fund also receives actuarial advice from Hymans Robertson. The Council's Audit and Governance Committee has oversight of the Council's governance arrangements for the Fund.

The Local Pension Board was established with effect from the 1 April 2015. The role of the Board, as defined in regulations, is to assist the Administering Authority to ensure the effective and efficient governance and administration of the LGPS.

From January 2004 elected members who were offered membership of the Scheme under their respective Council's scheme of allowances were eligible to join the Scheme. From the introduction of the new scheme in 2014 Councillors in England could only continue to accrue rights until the end of the term of office which they were serving on 1 April 2014. As a consequence, all councillors ceased membership of the scheme from 12 May 2015 including those members of the Pension Fund Committee who had been active members of the Scheme.

There are three members of the Committee who are in receipt of pension benefits from the Fund (Councillor M. Hogg, Councillor P. Findlow and Paul Matthews). In addition, Committee member Councillor Corcoran has a deferred pension and Paul Matthews was an active member of the Fund as at 31 March 2023.

There are three members of the Local Pension Board who were active members of the Fund as at 31 March 2023; G. Wright, N. Harvey and A Laing. P. Raynes also has a deferred pension with the Fund.



Each member of the Committee and Board is required to declare their interests at each meeting.

As the Fund forms part of the LGPS it does not 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.

Similarly the members of the Board do not receive any fees in relation to their specific responsibilities as members of the Board, although they may be reimbursed for any out of pocket expenses incurred whilst discharging their role.

Further information on Fund governance can be found in the Fund's Governance Compliance Statement available on the Fund's website at [www.cheshirepensionfund.org](http://www.cheshirepensionfund.org).

### Key Management Personnel

The key management personnel of the Fund are the Chief Operating Officer and the Head of Pension Fund. The the Head of Pension Fund retired during the 2021-22 year and was excluded from the long term benefits at 31 March 2022. A new Head of Pension Fund was appointed in June 2022. The Chief Operating Officer had resigned before 31 March 2023 and therefore is excluded from the long term benefits for 31 March 2023. The Director of Finance was covering this role at 31 March 2023 until the new Chief Operating Officer started in April 2023 and therefore they have been included within the long term benefits for 31 March 2023. The fluctuations in the short term benefits figures are also due to the person changes over the two year period.

The combined financial value of their relationship with the fund (in accordance with IAS24 Related Party Disclosures) is set out below:

	31-Mar-23 £000	31-Mar-22 £000
Short term benefits	116	87
Long term/post-retirement benefits	570	183
<b>Total</b>	<b>686</b>	<b>270</b>

The long term/post-retirement benefits are calculated on an IAS19 basis and will be affected by the assumptions 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 £915m (2021-22 £824m) in private equity funds.

During 2022-23 the Fund made new commitments to private equity funds of \$55m. The \$55m commitment was to Adams Street Partner's Global Fund 2022. This additional investment will help the Fund address its existing underweight allocation to the vintage years 2009 to 2015, thereby further diversifying the private equity portfolio.

As at 31 March 2023 the Fund had actually invested £682.3m (2021-22 £587.6m). As the Pantheon and Adam Street Partner 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 £510m in private debt funds. As at 31 March 2023 the outstanding commitment to these Funds was £417m (2021-22 £504m) .

The Fund has contractual commitments to the value of £130m in infrastructure funds. As at 31 March 2023 the outstanding commitment to these Funds was £38m (2021-22 £113m).

There are 17 admitted bodies in the Cheshire Pension Fund who hold insurance bonds to guard against the possibility of being unable to meet their pension obligations, along with an additional 13 employers with Parent Company Guarantees or Deeds of Guarantee in place. The bonds or guarantees 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.

### **Note 28 – Impairment of Financial Assets**

During 2022-23 the Fund has recognised expected credit losses of £2.3m (2021-22: £2.3m) for possible and actual non-recovery of rental income on its investment properties.

### **Note 29 – Investment Strategy Statement**

The Investment Strategy Statement (ISS) sets out the current investment strategy of the Fund, provides transparency in relation to how the Fund's investments are managed, acts as a high level risk register, and has been designed to be informative for all stakeholders. The ISS also includes the Fund's Responsible Investment Policy which sets out the Fund's approach to the governance and stewardship of its investment assets.

A full copy of the ISS can be obtained is available on the Fund's website at:  
[www.cheshirepensionfund.org](http://www.cheshirepensionfund.org)

### **Note 30 – Funding Strategy Statement**

Under the LGPS Regulations 2013 (as amended) administering authorities are required to prepare a Funding Strategy Statement (FSS).

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 is available on the Fund's website at:  
[www.cheshirepensionfund.org](http://www.cheshirepensionfund.org)

## Employers that have contributed into The Cheshire Pension Fund and their applicable Investment Strategy for the financial year ending 31 March 2023.

\*Employers who joined the fund during 2022-23

Major Scheme Employers	Strategy	Admitted Bodies - Continued	Strategy
Cheshire West & Chester Council	OPEN	Market Asset Management	OPEN
Cheshire East Council	OPEN	Maxim Facilities Management*	OPEN
Cheshire Fire Authority	OPEN	Mellors - St Basils	OPEN
Halton Borough Council	OPEN	Mellors - St Michael & St Thomas	OPEN
Police & Crime Commissioner	OPEN	Mellors Learning for Life	OPEN
Warrington Borough Council	OPEN	Mellors Frank Field Trust	OPEN
		Midshire Catering Ltd	OPEN
Admitted Bodies	Strategy	Midshire Catering Services Ltd - Hartford High School	OPEN
A.B.M Catering Limited*	OPEN	Midshire Signature Serv- Tarvin and Eaton	OPEN
Active Cheshire	OPEN	Norton Priory Museum Trust	OPEN
Adoption Matters	OPEN	Orbitas Bereavement Service	OPEN
ANSA Enviromental Services	OPEN	Orian Solutions Ltd	OPEN
Aramark - Macclesfield*	OPEN	Plus Dane (Cheshire) Housing Association	OPEN
Aspens Svcs Ltd - BrLeas	OPEN	Ringway Infrastructure	OPEN
Belong Limited	CLOSED	Ringway Jacobs	OPEN
Bulloughs - Lymm	OPEN	RM Estates Ltd	OPEN
Bulloughs Collegiate	OPEN	Ross Auto Engineering*	OPEN
Bulloughs Tarporley*	OPEN	Sanctuary Housing Association	CLOSED
Care Quality Commission	CLOSED	SMC Premier Group - Omega*	OPEN
Catalyst Choices	OPEN	Starcare	OPEN
Caterlink - Sir John Brunner Foundation*	OPEN	Tarmac Trading Limited	OPEN
Caterlink (Ruskin)	OPEN	The Guinness Partnership	OPEN
Caterlink (Sandbach)	OPEN	Torus 62	OPEN
CG Cleaning - Great Sankey	OPEN	Torus 62 Foundation	OPEN
Cheshire Community Action	CLOSED	University Of Chester	OPEN
Cheshire Peaks and Plains Housing Trust	OPEN	Verve People	OPEN
Cheshire West Recycle Ltd	OPEN	Warrington Housing Association	OPEN
Churchill Services Ltd	OPEN	Warrington Voluntary Action	CLOSED
Citizens Advice*	OPEN	Weaver Vale Housing Trust	OPEN
Compass - Middlewich High	OPEN	Westminster Drug Project	OPEN
Compass - St Barts MAT	OPEN		
Compass - True Learning Part*	OPEN		
Crossroads Together	OPEN		
Culture Warrington	OPEN		
CWP NHS Trust	OPEN		
David Lewis Centre	CLOSED		
Deafness Support Network	CLOSED		
ForHousing	OPEN		
Hall Cleaning Services	OPEN		
Halton Housing Trust	OPEN		
Hochtief	OPEN		
HQ Theatres Limited	OPEN		
Hutchison Catering	OPEN		
Innovate Ltd Tytherington	OPEN		
ISS Facility Services Ltd	OPEN		
Kings School Chester	CLOSED		
Livewire	OPEN		

Other Employers	Strategy
Alderley Edge Parish Council	OPEN
Alsager Town Council	OPEN
Appleton Parish Council	OPEN
Avenue Services (NW) Ltd	OPEN
Barnton Parish Council	OPEN
Birchwood Town Council	OPEN
Bollington Town Council	OPEN
Brereton Parish Council	OPEN
Brio Leisure (CWaC CIC)	OPEN
Chelford Parish Council	OPEN
Cheshire College South & West	OPEN
Congleton Town Council	OPEN
Crewe Town Council	OPEN
Cuddington Parish Council	OPEN
Delamere and Oakmere Parish Council	OPEN
Disley Parish Council	OPEN
Edsential	OPEN
ENGIE	OPEN
Everybody Sport + Recreation	OPEN
Frodsham Town Council	OPEN
Grappenhall and Thelwell Parish Council	OPEN
Handforth Parish Council	OPEN
Hartford Parish Council	OPEN
Holmes Chapel Parish Council	OPEN
Kingsmead Parish Council	OPEN
Knutsford Town Council	OPEN
Lymm Parish Council	OPEN
Macclesfield College	OPEN
Macclesfield Town Council	OPEN
Mersey Gateway Crossing Board	OPEN
Middlewich Town Council	OPEN
Nantwich Town Council	OPEN
Neston Town Council	OPEN
Nether Alderley Parish Council	OPEN
Northwich Town Council	OPEN
NW Fire Control Limited	OPEN
Odd Rode Parish Council	OPEN
Poulton with Fearnhead Parish Council	OPEN
Poynton with Worth Parish Council	OPEN
QWest Services Ltd	OPEN
Reaseheath College	OPEN
Riverside College	OPEN
Sandbach Town Council	OPEN
Sandymoor Parish Council*	OPEN
Shavingham cum-Gresty Parish Council*	OPEN
Stockton Heath Parish Council	OPEN
Transport Services Solutions Limited	OPEN

Other Employers - Continued	Strategy
Vivo Care Choices Ltd	OPEN
Warrington & Vale Royal College	OPEN
Warrington Transport	OPEN
West Cheshire Facilities Management	OPEN
Wilmslow Town Council	OPEN
Winsford Town Council	OPEN
Winwick Parish Council	OPEN
Your Housing Group	OPEN
Youth Federation	CLOSED

Free Schools	Strategy
Grosvenor Park CoE Academy	ACADS
Sandbach School	ACADS
Sandymoor School	ACADS
St Martins Academy	ACADS

Academies	Strategy	Academies - Continued	Strategy
Acorns Primary School and Nursery*	ACADS	Cranberry Academy	ACADS
Acresfield Primary School	ACADS	Crewe Engineering UTC	ACADS
Acton CE Primary Academy	ACADS	Croft Primary School	ACADS
Adelaide School	ACADS	Cuddington Primary School	ACADS
Adlington Primary Academy	ACADS	Daresbury Primary School	ACADS
Alderman Bolton Comm PS	ACADS	Daven Primary School	ACADS
All Hallows Catholic College	ACADS	Delamere Primary School	ACADS
Alsager Highfield Comm Primary School	ACADS	Disley Primary School	ACADS
Alsager School	ACADS	Ditton Primary School	ACADS
Ash Grove Academy	ACADS	Eaton Bank School	ACADS
Astbury St Mary's CoE Primary School	ACADS	Eaton PS	ACADS
Audlem St James CE Primary	ACADS	Egerton Primary School	ACADS
Axis School	ACADS	Elworth Hall Primary School*	ACADS
Barnton Primary School	ACADS	Evelyn Street Primary School	ACADS
Beamont Primary School	ACADS	Excalibur Primary School	ACADS
Beaumont Collegiate Academy	ACADS	Frodsham Primary Academy*	ACADS
Belgrave Academy	ACADS	Gawsworth Primary School	ACADS
Bexton Primary School	ACADS	Glazebury Primary School	ACADS
Birchwood High School	ACADS	Gorse Covert Primary School	ACADS
Bishops Blue Coat CoE High School	ACADS	Gorseybank Primary School	ACADS
Black Firs Primary School	ACADS	Grange Community & Primary School	ACADS
Bosley St Marys CE Primary School	ACADS	Great Sankey High School	ACADS
Boughton Heath Academy	ACADS	Great Sankey Primary School	ACADS
Brereton CoE Primary School	ACADS	Handforth Grange Community Primary School	ACADS
Bridgewater High School	ACADS	Haslington Primary	ACADS
Bridgewater Park Primary School	ACADS	Highfields Community Primary School	ACADS
Brine Leas School	ACADS	Hollinhey School	ACADS
Broken Cross Primary Academy	ACADS	Hollins Green St Helens CoE Primary School	ACADS
Brookfields School	ACADS	Holmes Chapel Comprehensive School	ACADS
Broomfields Junior School	ACADS	Holmes Chapel Primary School	ACADS
Bruche Primary School	ACADS	Hungerford Primary	ACADS
Bunbury Aldersey CoE Primary School	ACADS	Ivy Bank Primary School	ACADS
Burtonwood Comm Primary School	ACADS	Kelsall Primary School	ACADS
Calveley Primary Academy	ACADS	Kings Leadership Academy	ACADS
Cavendish High Academy	ACADS	Knutsford Academy	ACADS
Chapelford Village Primary School	ACADS	Lacey Green Primary Academy	ACADS
Cheshire Academies Trust*	ACADS	Leftwich Primary	ACADS
Childer Thornton Primary School	ACADS	Leighton Academy	ACADS
Christ The King Primary*	ACADS	Little Bollington PS	ACADS
Christleton High School	ACADS	Little Leigh Primary	ACADS
Cloughwood School	ACADS	Little Sutton CoE Primary School	ACADS
CLTA*	ACADS	Lostock Hall Primary	ACADS
Clutton CoE Primary School	ACADS	Lymm High School	ACADS
Comberbach Primary School	ACADS	Macclesfield Academy	ACADS
Congleton High School	ACADS	Manor Park Primary School	ACADS
Cornerstone Academy	ACADS	Marlborough Primary School	ACADS
County High School Leftwich	ACADS	Marfields Primary Academy	ACADS

Academies - Continued	Strategy	Academies - Continued	Strategy
Meadowside Comm Primary School	ACADS	St Augustines Catholic Primary School	ACADS
Middlewich High School	ACADS	St Bernards RC Primary School	ACADS
Mill View Primary School	ACADS	St Chad's COE & Catholic High	ACADS
Monks Coppenhall Academy	ACADS	St Johns Wood Community School	ACADS
Mossley CE Primary School	ACADS	St Marys Catholic Primary School	ACADS
Mottram St Andrew Primary Academy	ACADS	St Mic with St Thomas Primary School	ACADS
Nantwich Primary Academy	ACADS	St Michaels Community Academy	ACADS
Neston High School	ACADS	St Oswalds Worleston Primary School	ACADS
Nether Alderley Primary School	ACADS	St Pauls Catholic Primary School	ACADS
New Horizons School	ACADS	St Thomas More Catholic High School	ACADS
Oak View Primary Academy	ACADS	Stapeley Broad Lane	ACADS
Oakfield LodgeSchool*	ACADS	Statham Primary	ACADS
Oakwood Avenue Primary School	ACADS	Tarporley High School & 6th Form College	ACADS
Offley Primary Academy	ACADS	Tarvin Primary School	ACADS
Ormiston Bolingbroke Academy	ACADS	The Berkeley Academy	ACADS
Ormiston Chadwick Academy	ACADS	The Catholic High - Chester	ACADS
Oughtrington Primary	ACADS	The Ellesmere Port C of E College	ACADS
Over Hall Community School	ACADS	The Fallibroome Academy	ACADS
Padgate Academy	ACADS	The Fermaine Academy	ACADS
Palacefields Academy	ACADS	The Grange School	ACADS
Park Road Primary School	ACADS	The Heath Academy	ACADS
Parklands Community Primary School	ACADS	The Hermitage Trust	ACADS
Parkroyal Community School	ACADS	The Oaks Academy	ACADS
Pear Tree School	ACADS	The Quinta Primary School	ACADS
Penketh High School	ACADS	The Russett School	ACADS
Penketh Primary School	ACADS	Thelwell Primary	ACADS
Penketh South Primary School	ACADS	Tytherington School	ACADS
Peover Superior Primary School	ACADS	Underwood West Academy	ACADS
Pikemere School	ACADS	University Technical College (UTC) Warrington	ACADS
Poynton High School	ACADS	Upton Heath CoE Primary School	ACADS
Priestley 6th Form College	ACADS	Upton Priory School	ACADS
Puss Bank School	ACADS	Utkinton St Pauls CE PS	ACADS
Queens Park High School	ACADS	Victoria Road Primary School	ACADS
Ravensbank Primary	ACADS	Wade Deacon High School	ACADS
Rudheath Primary School	ACADS	Warrington CofE Primary School	ACADS
Rudheath Senior Academy	ACADS	Weaverham Primary Academy	ACADS
Sandbach High School & 6th Form	ACADS	Westbrook Old Hall School	ACADS
Sandbach Primary Academy School	ACADS	Westminster Community Primary*	ACADS
Sandiway Primary School	ACADS	Weston Village Primary School	ACADS
Shavington Academy	ACADS	Wheelock Primary School	ACADS
Shavington Primary School	ACADS	Whirley Primary School	ACADS
Simms Cross Primary School	ACADS	Whitley Village School*	ACADS
Sir John Deanes College	ACADS	Widnes Academy	ACADS
Sir Thomas Boteler High School	ACADS	Willaston Primary Academy	ACADS
Sir William Stanier Community School	ACADS	Wilmslow Academy	ACADS
Smallwood CofE Primary Academy	ACADS	Winsford Academy	ACADS
St Albans Catholic Primary School	ACADS	Wistaston Academy	ACADS

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Academies - Continued	Strategy
Wistaston Church Lane Academy	ACADS
Wolverham Primary and Nursery School	ACADS
Woolston Comm Primary School	ACADS
Worth Primary School	ACADS
Wybunbury Delves Primary School	ACADS



## 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

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.

### 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.

### Better Care Fund (BCF)

The BCF is a pooled budget between the Council and the Clinical Commissioning Group (CCG).

### 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 include 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 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 2023.

**Credit Adjusted Interest Rate**

The rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.

**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.

**Current Value**

The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

**Debtors**

Amounts owed to the Council at 31 March 2023, 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 straight line method and 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 or liability from the Balance Sheet as it has been extinguished, for example, the settling of a liability by paying the creditor.

**Discounting**

Process of determining the present value of a payment or a stream of payments that is to be received in the future.

**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 Credit Losses**

Defined as the weighted average of credit losses with the respective risks of a default occurring as the weights.

**12 Month Expected Credit Loss**

The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

**Lifetime Expected Credit Losses**

The expected credit losses that result from all possible default events over the expected life of a financial instrument.

**Expected return on assets (IAS 19 term)**

The average rate of return expected on the actual assets held by the scheme.

**Expenditure and Funding Analysis (EFA)**

The Expenditure and Funding Analysis links the Comprehensive Income and Expenditure Statement by demonstrating how available funding has been used to provide services. Whilst still reported in accordance with accounting practice, the analysis shows how the expenditure has been allocated by directorates for decision making purposes rather than legislative purposes.

**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 at the measurement date.

**Fair Value Through Profit and Loss**

Classification is dependent on the contractual terms (i.e. solely payments of principle and interest (SPPI) on the principle outstanding), if any other kind of payment is included the instrument will fail the test and fall into the FVTPL class. The primary objective is to hold the financial asset by any other means than to collect contractual cash flows.

**Fair Value Through Other Comprehensive Income**

Objective is to receive contractual cash flows and sell the financial asset. The terms give rise to specified cash flow on specific dates and must be solely principal and interest (SPPI) on outstanding balance. Election can be made where changes to the value can be reported in Other Comprehensive Income and Expenditure.

**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.

**Financial Instrument Revaluation Reserve**

Unusable Reserve that holds financial instrument unrealised gains and losses. These amounts will only become available to provide services once the gain/loss has been realised and the financial asset has either been disposed of or reached maturity.

**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 not yet 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.

**Housing Revenue Account (HRA)**

Local authorities are required to maintain a separate account. This sets out expenditure and income arising from the provision of Council housing.

**Impairment**

A reduction in the value of a non-current asset arising from physical damage to the asset, dilapidation or obsolescence.

**Impairment Allowance**

A provision held on the balance sheet as a result of the raising of a charge against profit for the inherent expected loss.

**Income**

Income is defined as increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in an increase in reserves or net worth. 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 Control**

Where decisions about the relevant activities of an arrangement require the unanimous consent of all the parties sharing control.

**Joint Operation**

Where the Council and another party have joint control of an arrangement and have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators.

**Joint Venture**

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

**Lifetime Probability**

The likelihood of accounts entering default during the expected remaining life of the asset.

**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 comprise of 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 where the risks and rewards associated with ownership remain with the lessor.

**Operational assets**

Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**Past Service Cost (IAS 19 term)**

The increase in the scheme liabilities arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**Precept**

Amounts the Council is required to raise from Council Tax on behalf of other authorities.

**Prepayments**

Amounts paid by the Council in 2022-23 in relation to goods and services not received until 2023-24.

**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 2022-23 relating to goods or services delivered in 2023-24.

**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 period**

In terms of non-current assets this is interpreted to mean that assets are normally revalued once every five years for each class of assets, provided that carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.

**Short Term Accumulating Paid Absences**

Benefits that employee's 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.

**Solely Payments of Principle and Interest**

The classification of a financial asset depends on whether its contractual terms give rise on specific dates to cash flows that are solely payments of principle and interest.

**Subsidiary**

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

**Tangible Non-current Assets**

Non-current assets of physical substance and which yield benefits to the Council for a period of more than one year.

**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.