

Cheshire West & Chester Council

Statement of Accounts

2020-21

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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:

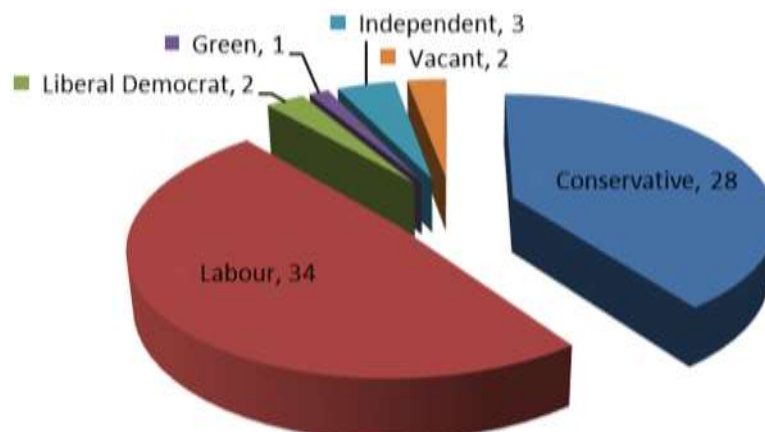
1. About Cheshire West and Chester
2. Strategic principles and priorities
3. Summary of Performance
4. Summary of financial performance and main issues in 2020-21
5. Summary of Significant Items 2020-21
6. Explanation of the financial statements

1. About Cheshire West and Chester

Cheshire West and Chester is a unitary authority with a population of 339,800 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 46 wards across the Borough. The political make-up of the Council at 31 March 2021 is shown below.



Following the local elections held on 6 May 2021, two new members were appointed to the Council; one member Conservative and one member Labour.

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

In common with all Local Authorities, Cheshire West and Chester needs to manage a situation where the costs and demands of services are growing but the amount of funding available is reducing. Since the Comprehensive Spending Review of 2010 Central Government funding to the Council has significantly reduced. Against this backdrop the Council needs to manage growing demand for services, inflationary pressures, a need to invest in the local economy to promote growth and a desire to continually improve services.

The Spending Round 2019 provided a one year financial settlement for Councils for 2020-21 only. Whilst it was hoped that the Comprehensive Spending Review in 2020 would result in a multi-year settlement, and therefore give more certainty around funding for future years, the Spending Round 2020 again provided a one year settlement for 2021-22 only. Consequently, there remains considerable uncertainty about the funding for all Councils in future years.

Due to this uncertainty the Council approved a single year Budget in February 2021 for 2021-22, coupled with an indicative budget for the following three years. The Council is currently facing a funding gap of £10.5m over the period 2022-25 despite £19.1m of savings being identified for that period and £23.8m of locally generated income.

The Council's budget, due to the way Government announcements have been made, and the subsequent uncertainty on the Council's funding, includes significant elements of

temporary funding. If this temporary funding (i.e. Revenue Support Grant, Improved Better Care Fund, Winter Pressures, Social Care Grant) is not made permanent this gap could increase to around £20.5m.

Bridging a gap of this scale will be challenging, even given the Council's track record of financial management. It will necessitate further savings proposals being developed and further rigorous review of all areas of the Council's budget, ensuring all areas of spend are linked to its key priorities and maximising the impact on them, and the Council is currently considering options to bridge this gap. The uncertainty around the longer term impact of Covid-19 on the Council's finances further adds to this challenge.

3. Summary of Performance

The following table highlights key areas of Council performance during 2020-21. Due to the reallocation of staff resources to support the Council's response to the Covid-19 crisis, as well as specific issues with collecting certain data during the lockdown, a number of performance indicators are not currently available to be reported.

People
<ul style="list-style-type: none"> • There have been reported improvements in key healthy lifestyle indicators. The number of people reporting that they smoke fell from 13.8% in the previous year to 11.3%. The percentage of people reporting that they are undertaking regular exercise has also improved, from 67% to 71.1% over the same period. • Data across Children's Social Care and Early Help and Prevention is showing that demand on services is increasing. Both the rate of children in care (75.4) and the proportion of referrals within 12 months of a previous referral (23.1%) have slowly increased through the year. The percentage of young people becoming the subject of a child protection plan for the second or subsequent time has increased to 23.3% compared to 17.1% for the previous year but was beginning to reduce towards year end. The rate of children in need has also increased, with March 2021 seeing an additional 90 children being subject to a child in need plan but figures remains significantly better than both the national average and historic local performance. • The impact of the pandemic on the availability of education, employment and training opportunities for young people is clear, but services have been successful in meeting national targets for supporting complex families to achieve positive outcomes. Re-referrals to domestic abuse intervention and prevention teams have also remained at expected levels, with dip sampling evidencing a positive trend in re-referrals with people self-reporting incidents, seeking advice and enacting their safety plans from previous interventions. • Within Adult Social Care reablement has shown improved performance on the previous year (improving from 55% to 61% of new clients not requiring ongoing support) and the number permanent admissions to residential social care have remained low since the beginning of the pandemic. The number of carers assessments taking place has fallen (from 491 in the previous year to 421) but this reflects both the reluctance of carers to request assessments whilst vulnerable people have been recommended to shield and the focus of staff on keeping people safe in their homes. • The NHS are still not reporting figures for delayed transfers of care so data cannot be reported. Although anecdotal, the rapid discharge pathways from acute settings set up at the beginning of the pandemic have contributed to a continued reduction through the year. • National decisions to close schools and to cancel examinations means that pupils were awarded a calculated grade for progression in Summer 2020 and there will be no attainment indicators to report for local authority areas for the Summer 2020 examinations.

Places

- The level of support being provided to local businesses remains high, with over 9000 businesses receiving support against a target of 850. Whilst this reflects a positive response by the business support team it also highlights the significant ongoing demand for support from local businesses in the current economic context.
- The skills and employment service have successfully supported 563 people into employment against an annual target of 428, and vacancy rates in the Council's commercial properties remain both low and stable at 10.6%
- The timeliness of planning applications has also been positive, with 100% of major and 91.9% of minor applications being determined within agreed timescales. However, a significant proportion of these applications have been achieved through extensions agreed with the customer. This reflects both positive customer engagement to agree extensions but also highlights the impact of a 61% increase in householder applications during January to March 2021 in comparison to the same period in 2020.
- Homelessness remains a significant issue with both the numbers in temporary accommodation and the proportion of these in bed and breakfast having increased significantly on last year as a result of the 'everybody in' policy to house all homeless people during the pandemic, this does mean that the number of rough sleepers has fallen from 14 in March 2020 to three in March 2021. Homeless prevention work continues but is being hampered by a shortage in housing options as housing turnover has reduced, with more households being reluctant or unable to move.
- With almost 32,000 trees planted across the borough during the year, performance on tree planting has hugely outstripped the annual target of 13,000 trees. Many of the trees planted by the Mersey Forest Partnership in Cheshire West this year have been as a result of concerted efforts of securing new funding as part of the Nature for Climate Fund. Trees for Climate is a new national programme across England's Community Forests, funded by Defra; and Cheshire West and Chester Council is managing the programme as the accountable body. The funding lasts until 2025 and will help Cheshire West deliver against its Climate Emergency commitments, as well as boosting our local economy, reducing flooding and creating new habitats for wildlife.
- The proportion of the borough's A roads, B & C roads and U roads that require structural maintenance have worsened slightly on the previous year, although all remain better than most recent national averages. However, despite this, the overall public satisfaction with highways in the borough and with highways maintenance specifically have both fallen and are lower than the national average.
- Whilst the number of sites inspected meeting the acceptable standard for litter and detritus has been improving during the year, annual performance remains below the levels achieved in previous years (having fallen from 98% to 75%). This reflects the fact that streetscene operatives are continuing to support the distribution of PPE equipment as well as providing support to local testing facilities.
- Changes to people's lifestyles, with more people spending more time at home and increases in home shopping and home deliveries, are continuing to impact on waste and recycling figures. These figures are reported a quarter in arrears but show that the level of household waste being collected is increasing slightly whilst recycling figures have fallen.

Corporate

- The number of business miles claimed by staff has fallen to 1,050,117 – a drop of 65% on the previous year. Whilst this clearly reflects the temporary closure of many face-to-face services and the move to virtual meetings during the pandemic, it is also a huge opportunity. The 1.8 million fewer miles than were claimed during 2019/20 represent reduced carbon emissions, clearer roads and cost savings, from both unproductive staff time and mileage payments.

- The proportion of customers choosing to access Council services digitally improved from 38% in the previous year to 55%. This reflects changes in customer behaviour during the pandemic but also represents a significant opportunity for the Council to encourage more people to connect digitally, particularly as customer satisfaction with customer services has remained high throughout the year.
- Collection rates for both Non-Domestic Rates and Council Tax continue to improve but remain lower than the same period last year. The collection of Non-Domestic Rates in particular has been significantly impacted on by the pandemic and is 4.1% lower than the same period last year. This reflects the fact that many local businesses lost income during the first lockdown and have subsequently asked for payments to be reprofiled. Council Tax collection rates have also been impacted on by the financial insecurity of local households and are 0.2% below the same period last year.
- The speed of processing benefit payments has improved significantly, helped by a large number of changes in circumstance forms relating to rent increases for next year that have all been turned around in a day. This has balanced out the additional workload on the transactional service centre which this year has also had to distribute grants and support to local businesses and residents and an increased number of awards to local Council Tax Reduction claimants.
- The number of apprentices starting with the Council is slowly increasing, with an additional ten in the last four months meaning that twenty-five starts have taken place so far this year, with others currently awaiting approval by services. A revised Apprenticeship Strategy is nearing completion and will particularly consider how opportunities can be created for young people aged 16-19.
- In the most recent citizens survey, 53% of respondents felt that people in their local neighbourhood pull together to improve the area, slightly less than the 59% of people who responded to a similar question nationally. However, people in Cheshire West and Chester were slightly more likely to feel that they were able to influence decisions affecting them (34% compared to 27% in a similar national survey) and were more likely to have been involved with local groups, clubs and organisations in the last twelve months (72% compared to 64% in a similar national survey).

4. Summary of financial performance and main issues in 2020-21

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 2020-21 the Council reported an underspend of £0.9m against planned activity of £310.6m and achieved £4.532m of savings. The table below reflects the final budget for 2020-21 and actual income and expenditure against it.

2020-21 Revenue Budget	Budget	Actual	Variance
	£m	£m	£m
Integrated Adult Social Care & Health	131.0	130.8	-0.2
Children and Families	57.0	57.3	0.3
Places	56.6	56.4	-0.2
Corporate Services	29.7	29.8	0.1
Capital Financing	20.8	20.8	0.0
Other	15.5	14.6	-0.9
Total Net Spend	310.6	309.7	-0.9

Overall, Council services presented a balanced position for 2020-21, with the overall underspend as a result of an underspend on Council wide budgets (£0.9m). The position includes adjustments for both the carry forward of budgets, and changes to earmarked reserves which includes the underspend value. It should be noted that £41.728m Covid Grant has been held centrally and therefore, not reported against service lines.

2020-21 has been an exceptional year and the impact of the pandemic has been felt across all Council services. In response to the pandemic, a number of services, such as homelessness, economic growth and transactional services, have seen significant increases in demand. The Council also created new teams in response to additional responsibilities such as Test & Trace.

Due to lockdowns and restrictions a number of services have also been delivered differently or were stopped or reduced due to building closures. The demand for some Council services has also significantly reduced. Whilst this is reflected in the outturn position for business as usual activity, it is a temporary position and an increase in demand is anticipated in 2021-22, especially in respect of social care services.

Capital Expenditure

The capital programme supports the Council's wider objective to deliver services and support economic growth. In 2020-21 the Council invested £91.8m through its capital programme against a budget of £109.3m. This represents a delivery rate of 84%. The investment is summarised by Directorates in the table below.

Directorate	Revised Budget	Outturn	Variance	Delivery Rate
	£m	£m	£m	%
Health & Wellbeing	8.728	7.852	-0.876	90%
Communities, Environment & Economy	93.130	76.451	-16.680	82%
Corporate	6.701	7.034	0.333	105%
Cross Cutting	0.707	0.462	-0.244	65%
Total Capital Programme	109.266	91.799	-17.467	84%

Some of the key outputs in 2020-21 were:

Schools and Education

£7.2m of investment in schools and education, including progression of a school expansion scheme at Blacon High School that will deliver 150 permanent places, a programme of school maintenance schemes covering 34 sites and small roof works on a further 10 sites.

Highways and Transport

£25m investment on highways and transport infrastructure across the Borough to significantly improve both safety and driving conditions and extend the life of the road network. This includes completion of works on the Northgate steps section of Chester Walls, carriageway resurfacing works and surface redressing schemes to improve the quality of the network across the borough, Traffic Signals and Street Lighting works and essential Structural works on Bridges, along with improvement works continuing along the A51, Chester.

Regeneration

£22m in significant regeneration schemes within the borough including the Northgate Development, Chester, Winsford Industrial Estate and Winsford Cross Shopping Centre

Housing (including HRA)

£11.8m investment in housing, including the HRA programme in Ellesmere Port, completion of the HRA new build scheme delivering 230 new Council affordable homes on 8 sites across the Borough, progression of the borough wide Housing delivery programme including the infrastructure and enabling works across 4 sites that will deliver 327 new units in total of which 195 will be affordable homes.

Corporate Programme

Key outcomes in respect of the Corporate capital programme include the successful launch of the financial elements of Unit4 ERP, continued improvements to core ICT infrastructure and systems and delivery of transformational activity to improve the efficiency and effectiveness of Council services.

Financing of the Capital Programme

The capital programme expenditure for 2020-21 is £91.8m. A breakdown of how this expenditure has been financed is shown in the table below. Taking this expenditure and the reprofiling of resources into future years, the overall Capital Programme for 2020-21 to 2024-25 remains affordable from within the existing financial envelope.

Capital Programme Financing	£m
Expenditure to be Financed	91.799
To be funded by:-	
General Capital Receipts	1.559
Specific Capital Receipts	0.318
Capital Reserve	1.999
Grants and Contributions	50.169
HRA Contributions	4.672
Revenue & Service Contributions	1.723
Sub-Total	60.440
Core Borrowing	30.054
Invest to Save Borrowing	0.462
Borrowing for Significant Regeneration Schemes	0.843
Total Funding	91.799

Overall impact on the General Fund Reserve

Taking into account the position set out above the General Fund reserve was £24.7m at the end of the year, which is within the risk assessed range.

Changes in Earmarked Reserves during the year are provided in detail in Note 9 on page 104, and in summary in the Core financial statement – Movement in Reserves Statement.

5. Summary of Significant Items 2020-21

Coronavirus

2020-21 was an unprecedented and incredibly challenging financial year; the Council played a crucial role in helping our communities navigate a safe route through restrictions and other challenges. A number of new services were established almost overnight to help us manage the impact of Covid-19 as effectively as possible and many staff were redeployed to help create and run those services

Our Public Health Team was central to the COVID-19 response. They helped us to better understand local risks, the fast-developing information being shared at a national level, and ensured the plans we put in place have been as effective as they possibly can be in protecting the health and wellbeing of our residents.

During the year, the Council distributed grants and support to local community business, as detailed in the table below;

Grant type	Amount awarded £000
Small business grant fund	45,870
Retail, hospitality and leisure grant fund	24,390
Local restrictions support grant (closed + addenda)	4,986
Local restrictions support grant (sector)	5
Christmas support payment for wet-led pubs	145
Business support package for January 2021 lockdown	29,334
	104,730

The Council faced additional financial pressures of £41.6m in 2020-21 due to Covid-19, relating to additional costs incurred as a result of the Council's Covid-19 response, and a reduction in income due to current restrictions. A more detailed report was presented to Cabinet on 9 June 2021.

The figures provided below are those based on estimates of information available at the time the report was prepared for the Cabinet meeting in 9 June 2021. However, the current situation remains without precedent and highly volatile. It is therefore possible that there could be a significant deterioration in the future, especially if the government caps its further contributions and the Council has to fund ongoing and/or new pressures.

The Council's involvement in the response and its financial impact have come from a number of strands:

- the Council passporting funds to various residents and businesses;
- the provision of new and additional services;
- a change in the scope to deliver scheduled savings;
- the loss of income received through Council and Business Rates;
- loss of budgeted income from existing and new regeneration projects, and
- loss of income received for services provided directly or through the subsidiary companies e.g. leased property, car parking, and services to clients.

The table below shows a breakdown of the estimated financial impact in 2021-22:

Category	Current Estimated Impact 2021-22 £m
Cost pressures	21.1
Income pressures	3.5
Income from regeneration projects	0.8
Savings proposals	3.2
Council companies	4.1
Total	32.7

There are other areas where the Council's finances could be impacted but cannot yet be quantified:

- The impact on the Council Tax and Business Rates Collection Fund position is being closely monitored and the impact in 2020-21 resulted in an additional provision of approximately £7m for future potential appeals. The Council has a strong track record for the collection of Council Tax and expects to collect 98.5% of bills raised in any given year. Indicatively, each 1% reduction in the collection rates would lead to a loss of income of around £1.9m for Council Tax and £0.350m for Business Rates.

6. Explanation of the financial statements

The Statement of Accounts sets out details of the Council's income and expenditure for the financial year 2020-21 and its Balance Sheet as at 31 March 2021. 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 2021 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: 23/05/2023

Signed by:
Councillor Bisset
Chair of Audit and Governance Committee
Deputy Chairman of the Council

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 2021.

Date: 23/05/2023

Signed by:
Simon Riley
Chief Operating Officer

Annual Governance Statement 2020-21

1. What is 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.

Cheshire West & Chester Council acknowledges its responsibility for ensuring there is a sound system of governance. The Council has adopted a Code of Corporate Governance, which is consistent with the latest principles of the CIPFA / SOLACE Framework “Delivering Good Governance in Local Government”.

This statement reports on the Council’s governance framework that has been in place during 2020-21 and explains how it has complied with its own code of corporate governance, including how the effectiveness of arrangements has been monitored. This meets the requirements of regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 which requires all relevant bodies to prepare an annual governance statement. A copy of the Code of Corporate Governance is on the website at:

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

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

The 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.

3. 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 it has been confirmed that the documents and arrangements referenced remain current. The process of updating and maintaining the Code 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 (2020-24) sets out the Council's strategic priorities including six priority outcomes the Council is seeking to achieve and the actions required. These outcomes derive from a widespread and thorough consultation programme with local residents and stakeholders and are fully aligned with priorities shared with other partner organisations. The Council also considered the needs of the communities, political priorities, areas for improvement, partner views, resources available, priorities of neighbouring councils, national objectives and good practice when developing the Council Plan.
- A seventh priority was added further to the Council declaring a poverty emergency for the borough in October 2020. This declaration sets poverty alongside climate in providing a framework for a fairer, greener recovery. This will include considering how community ownership models and community wealth-building approaches can provide alternative models of economic development that can stimulate a fairer, greener recovery that better serve the needs of our communities and environment, in light of the impacts and insights the crisis has brought.
- In response to the impact of the Covid-19 pandemic the Cabinet approved a recovery and renewal plan ('Stronger Futures: A four-year plan for Recovery and Renewal following Covid-19') in December 2020. The plan is largely focused on the medium to long term, mirroring the four year council plan, and includes a series of actions outlining how the Council could work with its communities and its partners to deliver a stronger future for everyone.
- For 2020-21 the Council's intention was to set a four year budget plan, linked to the Council Plan. However, this was constrained by the central government one-year funding announcement, repeated again in 2021-22, and a lack of clarity over the financial position in future years. The budget for 2020-21 and indicative budget plans for 2021-2024 carefully considered the impact of any decisions on the Council's priorities to avoid any detrimental impact and ensure resources were in place to deliver. The Council was able to manage the financial impact of the pandemic during 2020-21 with minimal impact on its resources.

- The Plan is also 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 wellbeing); Cheshire and Warrington sub-regional plans; and the Local Plan.
- Each of the seven priorities has accompanying Key Performance Indicators identified in a revised Performance Management Framework. These indicators were arrived at after a lengthy process, including a significant contribution from a cross party Scrutiny Task Group. Reporting of this performance data will allow transparent analysis and challenge of outcomes. The indicators and targets are refreshed on an annual basis to take account of latest circumstances.

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 seven Members on the Cabinet, each responsible for a designated portfolio. Responsibilities of the Cabinet include the Council's budget, decisions on expenditure, the Council's financial affairs, and new policies. In addition, three 'Leader's Champions' provide advocacy and act as an enabler and facilitator across three key priority and cross-cutting areas of climate emergency, poverty and inequality and mental health.
- Due to the coronavirus pandemic, during 2020-21 member training was held remotely, either by Council Officers on Microsoft Teams or by online attendance at external events. The training plan was amended to take into account the initial delivery and recovery phase of the pandemic. However, training sessions held remotely had better attendance and sessions were able to be recorded to allow greater member involvement. The programme focussed on major programmes, such as the waste management contract, and member support issues including Chairing remote meetings, personal security and cyber security. In addition, a Member i-learn package was developed to allow members to undertake training in their own time by completing individual online training modules. This package is currently being tested with a member working group before being rolled out to all members and will include a mixture of off the shelf and bespoke modules.
- The Council has the appropriate statutory chief officers in place as follows. The three principle statutory officers are:
 - 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's Services, who is 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, who is 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, who has overall responsibility for the Council's duties to assess, protect and improve the health and wellbeing of the people in its area, exercise its functions in planning for, and responding to, emergencies that present a risk to the public's health; and co-operating with the police and criminal justice partners in securing safer communities, including the commissioning of services and developing a public health approach to crime and disorder.
- The Senior Leadership Team has overall responsibility for the vision and culture of the organisation and for delivery against the Council's priorities.
- 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, updated 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 sets out how the Council conducts its business and how decisions are made, including the roles and responsibilities of the Chief Executive, the Section 151 Officer and the Monitoring Officer, together with a protocol for Member / Officer relations. A full review of the constitution commenced in January 2021 to ensure it is accurate, up to date, accessible and properly reflects the Council's operational arrangements.
- Codes of Conduct for Members and Employees are recorded in the Constitution and set 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. Both Codes are due for review in 2021-22.
- The Finance and Contract Procedure Rules (incorporated within the Constitution), which are subject to regular review and update, 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.
- The Council values of THRIVE (Teamwork, Honesty, Respect, Innovation, Value for Money and Empowerment) are contained within the new Council Plan 2020-24 and are used to guide staff behaviours through their incorporation into recruitment, training and performance management and appraisal processes.
- The Council is committed to creating and maintaining an anti-fraud culture and high ethical standards in the administration of public funds. In support, it has in place a number of key documents - Anti-Fraud & Corruption Strategy, and the Whistle-blowing, Bribery and Anti-Money Laundering Policies.
- The Council is also party to the pan-Cheshire Modern Slavery Strategy together with its neighbouring councils (Warrington, Halton and Cheshire East) as well as Cheshire Police. The Strategy sets out four priorities aimed at preventing, identifying, disrupting and eradicating modern slavery and exploitation in all its forms.
- Complaints, compliments and suggestions can be made at Council offices and submitted online. The information is received by a dedicated Information Governance Team, to ensure that all complaints are appropriately logged, investigated and resolved.

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 which 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. In addition, a temporary Pandemic Response and Recovery Scrutiny Committee operated between June and October 2020 to review and scrutinise the Council’s response to the Covid-19 pandemic.
- 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 and NHS and senior leaders from other interests such as Healthwatch, 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 first Place Plan, which was formally approved in October 2019. The Plan represents the Council’s vision for residents’ health and wellbeing for the next five years and is its Health and Wellbeing Strategy.
- The Covid-19 Outbreak Board was established in December 2020 to oversee the delivery of the Council’s Outbreak Management Plan. It includes the Leader, Deputy Leader and equivalents from the Conservative Group as well as the Cabinet Member for Adult Social Care and Public Health and the Chief Executive and Director of Public Health. In addition, there are a number of co-opted members for various sectors of the community including, health, business, community and education.
- There is a Report Clearance Protocol that must be followed by officers when reporting to Members, which ensures 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 locally.
- 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.
- 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

- Financial performance is monitored on a monthly basis. 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.
- Budgets and performance continue to be subject to critical business sessions and are subject to regular monitoring and reporting. The Medium Term Financial Strategy sets out the Council's approach in managing resources to meet its Outcome Plan pledges 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.
- The Council has a Performance Management Framework which supports the measurement and monitoring against the delivery of the seven priority outcomes set out in the Council Plan.
- The Council consulted with the public and partners on changes that could impact them, including the budget and major policy decisions throughout 2020-21.

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.

Council Companies

- 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, Qwest Services and Vivo Care Choices), The Head of Legal Services is the senior accountable officer reporting to the S151 Officer (Chief Operating Officer).
- They are supported by an officer team and are responsible for approval of business plans, decisions on investment proposals and oversight of the way in which they support Council outcomes.
- A number of key decisions are identified as reserved matters for which the Council's consent is required.
- The roles of shareholder, commissioner and contract management are separated to reduce the risks of conflicts of interest and maintain an environment of challenge and accountability.
- The Framework for Engagement with Council Companies was approved by the Council as part of the 2020-21 budget – this statement sets out the Council's approach to its companies. The outcome of the review of the framework and future strategy was approved by Management Board in December 2020 and Cabinet in April 2021 to agree the direction of travel for each company.

- Oversight of shareholder interests is exercised via the Management Board and there is a process of quarterly performance reporting to senior management.
- The Cabinet and Cheshire West and Chester Overview and Scrutiny Committee also receives update reports on performance and scrutinises annual business plan proposals, prior to member sign-off. A standing task group of the Overview and Scrutiny Committee has terms of reference that include review of companies' performance and the effectiveness of the Council and companies in developing and implementing their respective strategies.

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

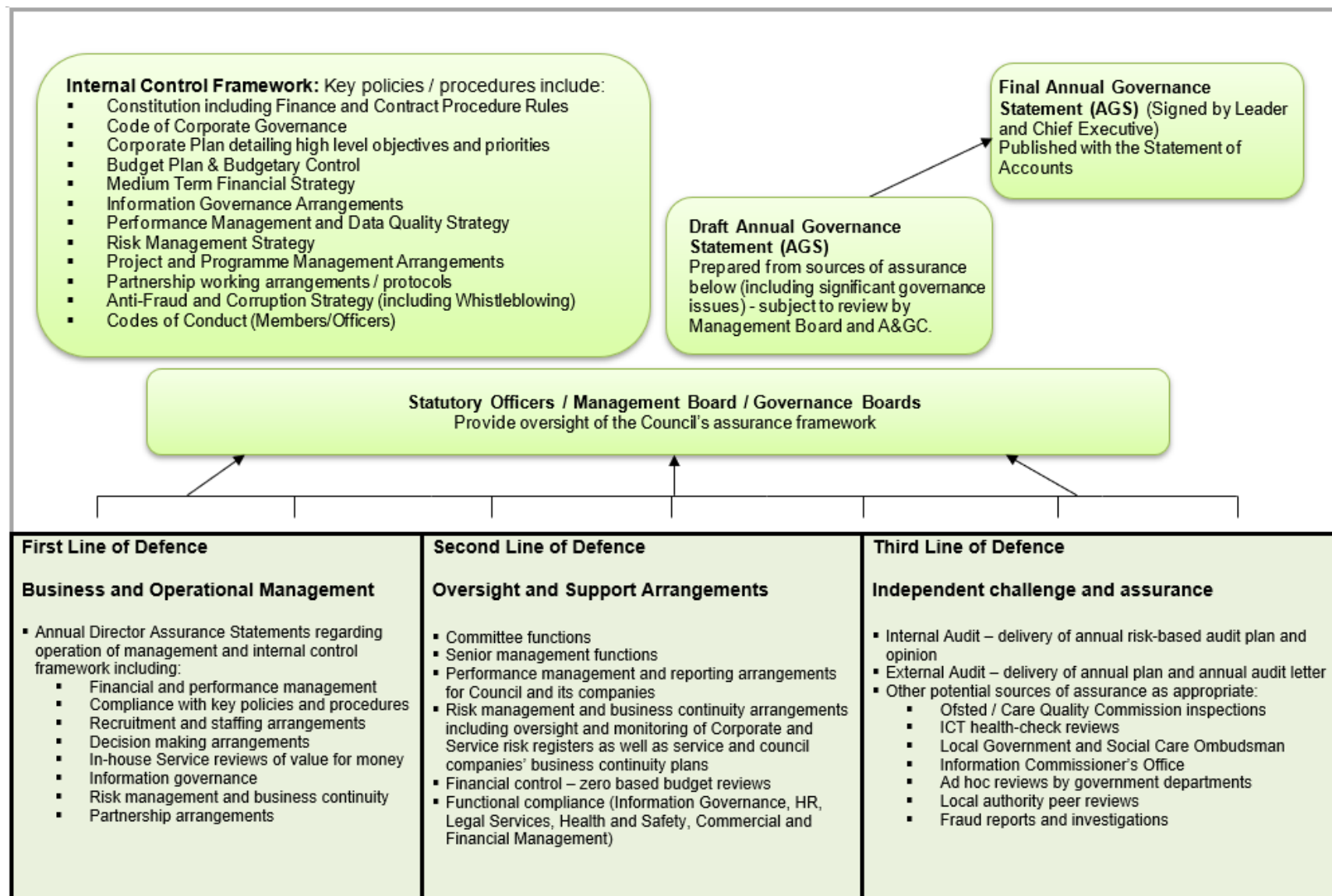
- There is an established Audit & Governance Committee, responsible for overseeing the Council's audit and assurance arrangements. It provides independent review of the Council's governance, risk management and control frameworks and oversees annual governance processes. It also has other corporate governance responsibilities including making appointments to certain outside bodies and organisations and for considering Member Standards.
- The Council's Internal Audit function examines, evaluates and reports on the adequacy and effectiveness of internal control, risk management and governance arrangements operated throughout the Authority, in accordance with its Internal Audit Charter and risk-based Audit Plan. All recommendations made are followed up to ensure they have been implemented.
- Internal Audit Reports which result in an assurance opinion on the Council's risk management, governance and internal control environment of '1 / No assurance' or '2' / Limited Assurance are highlighted in reports to senior management and the Audit and Governance Committee.
- The Head of Internal Audit produces an annual report and provides an "Internal Audit 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 an additional accountability mechanism and highlight good practice and areas for improvement.

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

Cheshire West & Chester Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of senior managers within the authority who have responsibility for the development and maintenance of the governance environment, performance and risk management arrangements; the work of the Council and its Committees; the Head of Internal Audit's annual report and opinion, and also by comments made by the external auditors and other review agencies and inspectorates.

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 i.e. management and supervisory controls
- Second line of defence – functions that oversee the risks e.g. performance management arrangements, Council committees.
- Third line of defence – independent assurances on the management of risk



Business and Operational Management Assurance

The Internal Audit team distributed Statements of Assurance to Service Directors, seeking confirmation that a robust system of internal control and governance had been in place and working effectively during 2020-21. This included the follow up of issues raised in the previous Annual Governance Statement. All Service Directors completed and returned the Statement of Assurance providing overall assurance that effective management control has been exercised during the year, including those in regard to significant partnerships and the Council's companies. No significant areas of concern with the control framework were identified though in some cases the returns highlighted the need for updates of key documentation (schemes of financial delegation, risk registers and business continuity plans) as noted in relevant sections below. These matters are in hand in the relevant services.

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. The assurances for the 2020-21 accounts are due at the end of June 2021.

Oversight and Support Arrangements

Senior Management Functions

During the year changes have been made to governance arrangements for Senior Management. In response to the pandemic, which began to impact in March 2020, to ensure an effective response and deliver robust and timely decision making, the following arrangements were in place:

- Daily meetings of the Corporate Leadership Team (CLT), comprising the Chief Executive, Deputy Chief Executives and Statutory Officers, to determine the Council's strategic response to the pandemic and to raise issues of concern, including liaison with and review of reports / briefings from the multi-agency Local Resilience Forum.
- Regular contact between CLT and members (daily contact between Chief Executive and Leader) to maintain awareness of the developing situation and to obtain formal approval for decisions where necessary.
- Exception reporting to CLT by the Council's newly established Cheshire Emergency Management and Response Team (CEMART), chaired by the Director of Public Health, and responsible for co-ordinating the Council's operational response.
- The establishment of 15 programme cells, each led by a Director and in a number of cases, also including the respective Cabinet portfolio holder. The cells met on a daily basis to oversee various aspects of the Council's response, reporting to CEMART on key issues, risks and resource requirements on a daily basis.

As the pressures eased during the summer of 2020 the frequency of meetings reduced with programme cells ending their operation where there was no longer a need to continue. The revised governance arrangements proved very successful, as noted in Internal Audit's follow up to its review of the Council's ethical framework and how this was applied in the response to the pandemic. Further detail is provided in the Internal Audit section later in this Statement.

Further to these changes, and as part of the Council's recovery phase, more long term changes to governance structures were established to facilitate more joined-up, ways of working that align more closely to the key priorities set out in the Council Plan. The

Corporate Leadership Team was replaced by a Council Management Board comprising the Chief Executive, Deputy Chief Executives and Chief Operating Officers as well as the Director for Public Service Reform, with the Strategic Leadership Team replaced with quarterly meetings of all Directors and Heads of Service.

In addition, eight standing governance boards were established, each chaired by a member of the Council Management Board to ensure appropriate focus on the significant issues affecting the Council, to respond to challenges as they arise and to provide effective support to Cabinet members and other councillor groups to help ensure the delivery of joined-up and timely advice to inform decision making. The boards include a Compliance and Assurance Board, chaired by the Chief Executive, which 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, to address specific issues, and to ensure that statutory officers are enabled and supported to exercise their functions. This Board has met monthly since October 2020 and has received a wide range of reports in exercising this oversight. Reports received by the Board include those relating to the Council's revitalisation of its approach to the management of health and safety; the approach to the review of the Constitution; compliance reporting including schemes of financial delegation, risk registers and data guardian assurance statements; updates from Internal Audit and in regard to the management of complaints, fire safety and security.

In addition, a number of officer groups operated across the Council, responsible for the governance of specific areas of risk. These included the following:

- Joint Officer Board
- Strategic Recommissioning Board
- Capital Investment Board
- Capital Appraisal Panel
- Strategic Assets Board

Financial control

The latest self-assessment has confirmed full compliance with the CIPFA Statement on the Role of the Chief Financial Officer as set out in the Guidance Note to the Delivering Good Governance in Local Government Framework published in 2016.

Directors' Statements of Assurance for 2020-21 highlighted that for a number of Council Services a review of schemes of financial delegation are necessary to reflect changes to business processes and some approval levels linked to the move to the new financial system (Unit 4). In some cases, the planned reviews also need to incorporate changes in service responsibilities following respective restructures. Notwithstanding the need for these reviews and updates all services have operated to their established, 2019-20, schemes of financial delegation during the year. The Statements provided assurance that control procedures have operated effectively during 2020-21, and no evidence to the contrary has been identified.

During 2020-21 there was a need for appropriate and proportionate waivers of the Council's Finance and Contract Procedure Rules to allow urgent expenditure to support the Council's response to the Covid-19 pandemic. In these cases, a transparent audit trail was established to evidence the necessary approvals.

In October 2019 the Chartered Institute for Public Finance and Accountancy (CIPFA) published the Financial Management Code. 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. It covers standards that are considered necessary to financially manage short, medium and long-term finances of a local

authority; to meet unforeseen demands on services; and manage unexpected shocks in their financial circumstances. Local authorities are required to be able to demonstrate that they are working towards full implementation of the code by 31 March 2021, with the first full year of compliance with the FM Code being 2021-22. A self-assessment has been undertaken against the principles in the Financial Management Code with no areas of non-compliance identified. As such, the assessment is that the Council is compliant with the Code.

Performance and Risk Management

Under the revised performance management framework, implemented with the Council Plan 2020-24, the reporting approach was updated to provide a more concise and visual dashboard of key performance data outlining the key headlines for financial performance, covering revenue and capital budgets, as well as the assessment of performance against the Council Plan indicators. There are now 79 indicators compared to 160 under the previous performance management framework.

In regard to financial performance, the third review of Council performance reported to Cheshire West and Chester Overview and Scrutiny Committee and to Cabinet (in January 2021) reported a forecast underspend of £1.9m on business as usual activity. It is proposed that any underspend at the year-end is put into a reserve to fund pressures on the collection fund as a result of Covid-19 and thereby reduce any future impact on the Council's financial scenario. The review noted that the financial impact of Covid-19 was forecast to be £46m for 2020-21 with a funding shortfall of £0.1m for the year, taking into account central government funding. At this time Council services were forecasting that 62% of savings proposals (£4.5m) for the year were on target to be delivered, with 92% (£6.6m) considered to be deliverable.

Whilst performance data is being collated against the Council Plan indicators, due to the exceptional circumstances of Covid-19 and the impact that this had on services across the Council, it was agreed at Cabinet that for the first year of the new performance framework, performance would not be judged as red, amber or green against target. Reporting against target is to be reinstated in 2021-22, using baseline data from 2020-21.

The Council's performance was reported to Cabinet three times during 2020-21 and details also appear on the Council's website : <https://www.cheshirewestandchester.gov.uk/your-council/policies-and-performance/Joint-performance-and-finance-report.aspx>

All Council services have established risk registers which have operated during the year and the key risks are incorporated into the Corporate Risk Register, that is subject to review by the Corporate Leadership Team (now Management Board). The focus on the Council's response to the pandemic deflected from the usual quarterly review of the respective registers for many services. However, individual key risks continued to be monitored across services and in regard to major projects, such as the Northgate development, the respective project risk registers continued to be maintained and updated as normal.

All Council services delivering critical activities updated their business continuity plans in March 2020 as the Covid-19 pandemic began to impact in the UK. In some cases, they were further updated during 2020-21, with the remainder due for update early 2021-22. The plans were effectively deployed during the year in response to the need for remote working. They also facilitated a prompt response to central government requirements and supported changes to some business processes in response to changed working arrangements.

Functional compliance

During the year, and in response to reviews by Internal Audit and a HSE prosecution for a breach of the Health and Safety at Work Act 1974, the Council has made progress in updating its approach to the governance and management of health and safety. A revitalisation programme was established in November 2020 which has included preparing an updated draft health and safety policy; establishing new governance and reporting arrangements, and completing training requirements in respect of members, directors, senior managers and officers. Further work will be taken forward in 2021-22 to establish new compliance arrangements and reporting against key performance indicators.

In regard to information governance, 185 security incidents were reported to the Data Protection and Compliance Team during 2020-2021. While the majority of these incidents were assessed as low risk, two were reported to the Information Commissioner's Office (ICO). Both incidents are now resolved, however, one of the incidents resulted in a formal reprimand for the Council in accordance with Article 58 of the UK GDPR. The incident related to a confidential address being exposed inappropriately. Work is currently underway with the service to implement steps to improve compliance. The other incident was reported to the Council, and the ICO, by one of the Council's suppliers following a ransomware attack on their network. Whilst the number of security incidents significantly reduced during 2020-2021 (from 265 the previous year), there has been an increase in the number of claims for compensation and monetary awards. There are currently eight registered claims, that have resulted in 4 pay-outs totalling £47,750.

The Data Protection Officer continues to raise awareness of the Data Protection Act through targeted training. During 2020-2021 all staff were required to undertake the GDPR mini modules on i-learn. In addition, 1,244 staff working with high risk data, also received enhanced virtual training, via Microsoft teams. In March 2021 the Data Protection Officer, requested annual assurance statements from the Council's 47 Senior Managers (Data Guardians). The statements were requested in order to provide assurances around the level of compliance by services with Data Protection legislation and the Council's associated policies and procedures and to identify any gaps in accountability and governance. Undertaking this process contributes to the Council to evidencing its compliance with the accountability principle under the Data Protection Act 2018. As at 28 May 2021, assurance statements have been provided by 85% of those senior managers with the remainder due to be received imminently. No significant issues were identified though some areas for improvement have been identified, for example, in regard to service specific training for high risk data areas; reviewing privacy processes to ensure clients are aware of their data protection rights at point of contact; and in regard to the inspection, monitoring and audit of contracts with some suppliers. The information provided will assist the Data Protection Officer in targeting support during 2021-22.

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 provides quarterly reports to senior management on the performance of the Council's 13 major strategic contracts it manages (including all Council companies except Edsential). The reports consider, for each contract, performance against the performance management framework, financial performance, health and safety compliance, risk and reputational damage and performance against contract outcomes. The impact of Covid-19 on Council companies was also reported during the year. The most recent, third-quarter, review identified that for eight of 13 contracts there were no concerns regarding contract performance or service delivery. For the remaining five contracts (of which four related to Council companies), whilst operating conditions as a result of Covid-19 had impacted on aspects of performance, they were not highlighted as of major significance.

The Council has an established Strategic Recommissioning 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 recommissioning programme and provides challenge around service design, specification and procurement strategies. The Board supported a number of commissioners in re-profiling those services affected by the Covid-19 pandemic.

Committee Functions

Council

The Council met on three occasions in 2020-21 and received / approved reports and verbal updates, including those relating to the declaration of a poverty emergency, key messages in relation to the Covid-19 pandemic, the 2021-22 Annual Budget and Setting of Council Tax; as well as debates on petitions and various notices of motion. The Council also received a number of the reports highlighted below from Cabinet and Audit and Governance Committee for approval.

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

Cabinet

The Cabinet met on ten occasions in 2020-21 and received reports on a range of matters including the Council's response to the Covid-19 pandemic and financial implications; Outbreak Management and Prevention Support Plan and Establishment of Covid-19 Outbreak Board; Stronger Futures: A Four Year Plan for Recovery and Renewal following COVID-19; Report of the Pandemic Response and Recovery Scrutiny Committee; Year-end Performance 2019-20; Review of Performance 2020-21; Medium Term Financial Strategy 2021-25; Treasury Management Strategy 2021-22; Climate Emergency Response Plan and Carbon Management Plan; Proposal to Call a Poverty Emergency; Northgate Development Update; Winsford Town Centre Regeneration and Future High Street Funding Bids; Adult Social Care Non-Residential Care Charging Policy and Transport Policy; Future Offer for Leisure, Health and Wellbeing Services. The Committee also confirmed appointments to sub-committees, panels and working groups and representation on outside bodies

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

Audit & Governance Committee

In 2020-21 the Committee undertook a facilitated self-assessment exercise against CIPFA best practice guidance, as set out in 'Audit Committees: Practical Guidance for Local Authorities and Police' published in March 2018. The external facilitator, from North West Employers, highlighted in her report (received by the Committee in November 2020) that the Committee works effectively and operates in line with CIPFA best practice. Members demonstrated awareness of their roles, responsibilities and accountabilities as part of the Committee. The report also highlighted that the range and skills of Committee members is well-balanced and that members have a wealth of experience and a high degree of commitment to their roles and in developing their knowledge and skills to ensure their continued effectiveness. The report also highlighted the inclusive nature of the Committee, led by an effective chair, with high levels of engagement and good relationships with Council officers. A few areas were highlighted to further strengthen the Committee including the use of workshops to increase knowledge in respect of fraud, whistleblowing and risk management. These actions will be taken forward in 2021-22.

The Audit & Governance Committee met on four occasions during 2020-21 and received / approved reports including those related to the Committee's Annual Report; the Council's

Statement of Accounts; the Head of Internal Audit Annual Report and Opinion 2019-20 and Internal Audit Plan and Charter 2020-21; External Audit Progress Reports and Sector Update, Audit Findings Reports for the Council and Cheshire Pension Fund 2019-20 and Annual Audit Letter; Treasury Management 2019-20 Annual Report, 2020-21 Update Reports, and 2021-22 Strategy; Local Government Ethical Standards Best Practice Recommendations; Constitution Review; Health and Safety Update Reports; Annual Standards Reports and Outside body appointments.

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 eight times between December and March 2021.

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

Overview & Scrutiny Committees

The **Cheshire West and Chester Overview and Scrutiny Committee** met on three occasions during 2020-21 and scrutinised items including the Annual Budget Report; Local Plan Task Group Report; Mid-Year Review of Council Performance; Future Offer for Leisure; Health and Wellbeing Services; and Digital Strategic Programme.

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 three occasions during 2020-21 and its work programme included scrutinising: Adults and Children's Social Care Compliments, Complaints Annual Report; Local Safeguarding Adults / Children's Annual Reports; and Updates on the status of recommendations from the Scrutiny Review of Domestic Abuse, Recommendation 41 Visits.

The Committee also undertook an in-depth scrutiny reviews of Safeguarding and Youth service Provision.

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

Places Overview and Scrutiny Committee

The Committee met on three occasions during 2020-21 and its work programme included scrutinising: Delivery of the Highways Service; 20mph Speed Limit Programme; and Support to Business and Community Safety Partnership.

The Committee also undertook in depth scrutiny reviews of Waste and Recycling and Bus Services.

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

Health Overview and Scrutiny Committee

The Committee met on six occasions and its work programme included consideration of services provided by Cheshire and Wirral Partnership and North West Ambulance Service. The Committee also met informally as part of its development programme to help members develop a range of skills to more effectively carry out their scrutiny responsibilities.

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

Pandemic Response and Recovery Scrutiny Committee

The Committee met on seven occasions between June and October 2020. Its work programme included scrutinising the Council's response to the pandemic, how services are transitioning out of the pandemic and recovery plans; the Council and partners' response to health and care; the impacts of the pandemic on education, early years and learning and transitional arrangements and recovery plans for returning as well as lessons learnt; the way in which the needs of vulnerable children were met; the primary healthcare services and NHS community healthcare services response; the impact of the pandemic on the Council's finances; communications during the pandemic; community engagement and response; impact on the local economy; Care Homes and Domiciliary Care Providers; and the Council's Recovery and Reform Plan.

Agendas and reports are accessible here: [Pandemic Response and Recovery Scrutiny Committee meetings](#)

Pension Fund Committee

Cheshire West and Chester 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 governance arrangements are fully compliant with the Public Service Pensions Act 2013.

With effect from 1 April 2018, governance arrangements were strengthened to provide oversight of the LGPS Central Pool, which has been jointly established by the administering authorities of Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire pension funds, in response to statutory requirements. Pooled investments are managed on a day to day basis by LGPS Central Ltd, a wholly owned, investment management company regulated by the Financial Conduct Authority.

During 2018-19 the Council commissioned an independent review of the Fund's governance arrangements. The findings and recommendations from the review were considered by the Pension Fund Committee in March 2019. Overall, the review concluded that the current governance arrangements are effective, that officers, members and advisors work well together, that the Fund is contributing positively to the development of the governance interface with LGPS Central, and that the requirements of the Pensions Regulator are appropriately considered.

The recommendations from the independent review were largely implemented with some 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 Government is awaited, including how these will be brought into regulatory effect. In the meantime, the Council is assessing current governance arrangements to these proposals, with many proposals already embedded in current practice.

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 assessed as fully conforming to in their 2018 external review. The Internal Audit Team completed 86% (against a target of 83%) of the revised Internal Audit Plan in 2020-21, approved by Audit and Governance Committee in September 2020. The plan was significantly revised in light of the impact of the Covid-19 pandemic on Council service delivery and in consultation with Directors. The delivery of the plan in 2020-21 equated to 44 audits / consultancy activity, 14 of which were issued as formal scored reports. The number of non-scored audits reflects the increased role played by Internal Audit in an advisory and consultancy capacity, which contributes to improving the Council's governance, risk management and control arrangements.

Of the 14 scored reports, four were assessed as '2' (significant improvement in control framework required / limited assurance) or '1' (urgent system revision needed / no assurance). Whilst these low scored reports identify areas of control weakness, Internal Audit is satisfied that appropriate action is being taken to address the issues raised.

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, 90 (75%) of Internal Audit's recommendations were identified as having been implemented during the financial year. This compared to a target of 87.5% implementation. Performance in this area has been impacted by the Covid-19 pandemic. Internal Audit determined not to follow up progress on actions that were due for implementation until September 2020 in view of the impact of the pandemic on the delivery of services and availability of staff resources across Council services. Whilst follow-ups have been reintroduced the timeliness of services in responding to requests for updates and / or in implementing agreed actions was not as timely as desirable in some cases, largely reflecting the continued focus by services in responding to the pandemic. Internal Audit is satisfied that the agreed actions identified are either in progress or have been rescheduled where delay has been unavoidable. Internal Audit will be looking to improve response rates in 2021-22 and will refresh its follow up and escalation process to ensure actions raised are implemented on a timely basis as the impact of Covid-19 on service delivery reduces.

As part of the delivery of the 2020-21 Plan, Internal Audit followed up a major review undertaken the previous year on the robustness of the ethical framework in place to deliver good governance in the Council and the effectiveness of its operation in practice. The review considered how the framework had driven and shaped the Council's response to the pandemic, and how this has been evidenced to staff, residents, service users and business and other community partners. The review also considered how effective the Council had been in addressing the national best practice guidance from the Committee on Standards in Public Life, as well as the specific recommendations arising from the previous Internal Audit review.

The Internal Audit report, issued in March 2021, found that the Council's ethical framework had provided a strong foundation for its response and that it had demonstrated clearly it has the right processes, policies and people to ensure it can deliver services, protect its workforce and safeguard the interests of the community in the most challenging circumstances. The review also identified that the Council already adhered to most of the Committee on Standards in Public Life recommendations, but action was still needed in regard to the recommendations made in the original review by Internal Audit. In many cases the Covid-19 pandemic had been a clear factor in the delay in progress and Internal Audit undertook to work closely with management to seek implementation of these actions at the earliest opportunity.

During 2020-21 the Counter Fraud Team has largely supported the administration of central government grants to businesses impacted by the pandemic during the year, undertaking pre-payment checks as part of this process. However, the fraud and whistleblowing hotlines have remained open during this period for concerns to be reported and the Team has monitored and followed-up where matters have been raised through this route or via direct referrals from senior managers within the Council, undertaking more formal investigations where necessary. No issues of significance were raised during the year.

Based on the work undertaken during the year and other assurances, as identified in this Annual Governance Statement, the Head of Internal Audit's Annual Report for 2020-21 will include the opinion that "the Council's governance, risk management and control arrangements for 2020/21 were adequate and operated effectively during the year".

External Audit

The Audit Findings Report was presented to Audit & Governance Committee in November 2020. The external auditors reported an unqualified opinion on the Council's annual accounts for 2019-20 and concluded that the Council has proper arrangements in all significant respects to ensure it delivers value for money in use of its resources. The audit identified no significant issues of concern and where matters arose management co-operated in changing the accounts with regard to the Council's operations and the balances reported in its financial statements. The audit also confirmed that recommendations arising from the 2018-19 audit findings had been implemented.

The 2019-20 Annual Audit Letter was presented to Audit & Governance Committee in March 2021. The Letter confirms the audit findings previously reported, specifically that the accounts presented a true and fair view; effective arrangements are in place to secure value for money and the Council's finances remain robust.

Other Inspections / Sources of Assurance

Key sources of assurance regarding the Council's governance framework during 2020-21 are noted in the paragraphs below:

The Council received a 'Recovery and Renewal Panel' review by the Local Government Association (LGA) in the Autumn of 2020, reporting in February 2021. This followed a similar approach taken by the LGA on previous corporate peer challenge assessments but with an obvious focus on the impacts of, and the Council's response to, the pandemic. In their key findings the review noted a number of areas of good practice including:

- valuable support to 13,800 shielding residents and distribution of some £69m in grants to over 7,400 local businesses (these figures will have risen subsequently with the allocation of new business grants as tiered restrictions and further national lockdowns were implemented);
- positive engagement with the local community leading to a remarkable public response to the crisis with over 2,000 local people registering as volunteers and a further 300 individuals and organisations committing to be community champions. Alongside the development of the Council's 'Inspire Cheshire West' platform, this public response provides a clear opportunity for further building a strong relationship with the public as part of the Borough's recovery;
- the positive impact of the pandemic on joint working arrangements, highlighting the close working relationships developed within the borough and with neighbouring Councils;
- a thorough Scrutiny Process to review their response to the pandemic and support their approach to recovery and the establishment of the Pandemic Response and Recovery Committee as a public forum which was considered to illustrate "a political

maturity, and commitment to transparency by providing space for cross party discussions of live and complex issues in real time”; and

- support provided to staff, including facilitating the ability to work remotely through the provision of equipment and flexible application of working from home policies; and the proactive introduction of mental health champions to support staff in managing the impact as well as an additional three days’ annual leave as “wellbeing” days over the Christmas period.

The overall view of the leadership approach and governance arrangements operating through the pandemic is very positive, and this is supported by evidence-based reports, clear and regular communications and a general consensus amongst politicians and external partners that the response had at heart the clear interests of the Borough and has been delivered effectively. The findings of the review are in accord with Internal Audit’s review (reported in March 2021) of how the Council’s ethical framework had driven and shaped its response to the pandemic, and how this had been evidenced to staff, residents, service users and business and other community partners.

The Council’s ICT systems were 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 and a number of recommended enhancements to further improve the security landscape are being actioned. The Council is also working towards the Cyber Essentials accreditation.

In 2020-21, due to the Covid-19 pandemic, the Council was not subject to a ‘Troubled Families’ earned autonomy monitoring visit by the Department for Levelling Up, Housing and Communities (DLUHC) in the usual way to review progress in the delivery of the Council’s plan to accelerate the transformation of services around families. Instead, there have been regular online calls and submission of a multi-agency Early Help system document to assure DLUHC of the continued local work to transform processes to integrate and create a sustainable Early Help system. In discussions, DLUHC commented positively again on developments regarding Our Way of Working to embed culture change, work to implement an ICT solution that will support direct schools to access the local authority case management system and the support offered to schools in regard to the Team Around the Family process. This has led to the Council offering best practice support to other areas around their similar journey with schools. This reassurance plus the stating of the aims of this year assured DLUHC on progress and ensured the Council will receive its full entitlement in respect of available funding to deliver an additional year of the Troubled Families Programme, that has now become known as the Supporting Families Programme.

Other key sources of assurances on the robustness of the control framework that operated in 2020-21, were:

- ‘Good’ opinion on the governance of the Local Government Pension Scheme Central Pool, further to a review by Shropshire Council Audit Services on behalf of the LGPS Central Pool partner funds of which the Cheshire Pension Fund is one; also external auditors’ unqualified ‘Internal Controls Report’ for LGPS Central Limited.
- ‘Satisfactory’ opinion on the Council’s administration of the Concessionary Travel Scheme, further to a review by Warrington Borough Council Internal Audit on behalf of the Scheme Consortium, which comprises the Council and Warrington and Halton Borough Councils.
- Annual self-evaluation of Children’s Services by Directors and Senior Managers and discussion with Ofsted.

- Special Educational Needs and Disability Peer Review by the North West Association of Directors of Children's Services in March 2020 - no issues of concern identified, with the main area for improvement being to better evidence impact and outcomes. Self-evaluation undertaken in 2021-22 with no significant issues identified.
- Recommendation 41 visits undertaken 'virtually' via Microsoft Teams by Elected Members to frontline Children's Social Care teams and reported to People Overview and Scrutiny Committee.
- Independent casework audits by the safeguarding unit.
- Independent Regulation 44 visits to care homes, subject to review by the Home Improvement Board, Director of Children's Social Care and Chief Executive.
- CQC inspection of Sutton Beeches in February 2021– to check how the home was managing during the pandemic and ensure there were adequate measures in place in relation to infection control.
- Quality assurance visits to providers of concern.
- Lexcel accreditation of Legal Services, confirming compliance with practice management standards. As part of a three year accreditation process, a full assurance review was undertaken in 2019-20 with an annual refresh via an external assessor in September 2020. No areas of non-compliance were identified.
- No significant issues identified in Emergency Planning Service reports submitted to the Joint Shared Services Committee, and Joint Emergency Planning Liaison Board (attended by Client Managers and Portfolio Holders from this Council and Cheshire East).
- BRIO assessed as 'excellent' in Quest review of customer service at assessed leisure facilities.
- Mersey Forest - external audits by funding organisations identified no issues.

5. What were the significant governance issues arising in 2020-21?

Based on the review of effectiveness of the governance framework the following issues have been identified as 'significant', all of which are on-going from last year's Annual Governance Statement:

- Covid-19 pandemic and emergency response
- Significant uncertainty about the level of the Council's future funding
- Exposure to financial risk from major projects
- Replacement of core financial systems
- Council companies and financial pressures
- Climate change

Full details of the issues and of the proposed actions to address them in 2021-22 are set out in the action plan at Appendix A. Management is aware of and is taking action to mitigate these significant governance issues.

To the best of our knowledge, the governance arrangements, as outlined above 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:

Louise Gittins
Leader of the Council

Date: 25 May 2023

Delyth Curtis
Acting Chief Executive

Date: 25 May 2023

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: 25 May 2023

Appendix A

Significant Governance Issues 2020-21

Issue	Action
<p>1. COVID-19 Pandemic and Emergency Response</p> <p>COVID-19 poses a serious, ongoing health risk to our residents, service users and workforce. Almost all of the Council's services have been affected by the pandemic in some way since March 2020, including the transition to social distancing, use of protective measures including PPE and Test and Trace, and working from home requirements. The pandemic has affected the Council's resource allocation profoundly as it responds in order to ensure it meets its responsibilities, particularly in relation to the wellbeing of residents, service users and staff.</p> <p>There is an ongoing risk that the resources provided to the Council by central government may not match the Council's expenditure incurred in responding to the emergency and the recovery. Severe economic uncertainty may lead to high levels of business failure and also increased demand on services that support vulnerable people. There is likely to be higher levels of unemployment and under-employment compared to directly before the pandemic. These factors are projected to cause a significant loss of income to the Council at the same time as an increase in demand for some services, which creates a challenging context for service delivery.</p> <p>The pandemic has changed how people interact with services and some of these behaviours are anticipated to continue beyond the pandemic, including a greater desire for digital services.</p>	<p>Since January 2020, the Council has established a coordinated formal emergency response to COVID-19. This response has been guided by Cabinet as detailed in a number of Cabinet Reports. This involved establishing the Council Emergency Management and Response Team in line with the Council's Emergency Plan. Corporate Leadership Team (CLT), in consultation with Cabinet, has provided oversight of this response throughout. In addition, the Cheshire Local Resilience Forum, covering Cheshire East and Cheshire West, Halton and Warrington, has mobilised all key public services to provide sub-regional coordination and a link to central government.</p> <p>The Council has rapidly scaled up effective infrastructure to respond to COVID-19 in collaboration with partners and the community. This has involved extensive changes to service delivery, redeployment of staff and financial resources to support the response. New services have been created, such as local testing centres. There has been a wide-ranging community response to support vulnerable individuals and organisations, including support to shielded individuals. This has included setting up new mechanisms to access support, such as the Community Response Fund. The Council has prioritised support to care homes and the social care provider market in light of the exceptional pressure placed on that sector at this time. In addition, support to schools and education settings has been an important area of focus to ensure that key workers are enabled to keep working.</p> <p>Supporting businesses and the local economy has been at the forefront of the response, and the Council has also been effective in distributing business support grants, providing more than £117m in support to local businesses.</p> <p>This coordinated response mitigates a proportion of the immediate risk associated with COVID-19 but the longer-term impact on the Council and</p>

Issue	Action
	<p>the Borough remains high for the reasons stated in the issue section. Managing the recovery from the pandemic will be central to the Council's priorities for the foreseeable future, in order to deliver on the aims of the Council Plan.</p> <p>The Council has introduced a new COVID Outbreak Board with the majority of meetings being webcasted, including and encouraging transparency and public interaction with regular Q&A sessions regarding the Council's ongoing response to the pandemic</p> <p>During the summer of 2020 the Council's response to Covid was scrutinised by the Pandemic Scrutiny Committee. The report on the outcomes of the scrutiny process was considered by Cabinet in December 2020. On the whole the review identified that the Council's response to Covid was well managed and they identified a number of recommendations for improvement. These recommendations have influenced the 'Stronger Futures' plan.</p> <p>In December 2020 the Cabinet approved the Covid-19 recovery and renewal plan 'Stronger Futures'. The plan is largely focused on the medium to long term, mirroring the four year Council plan, and takes a deliberately positive outlook on how the Council could work with its communities and its partners to deliver a stronger future for everyone.</p> <p>The Cheshire West and Chester Council response to the pandemic was assessed by leaders from the local government sector in a review co-ordinated by the LGA. The review panel recognised that we 'adapted well to the national challenges presented by the pandemic, continuing to provide essential services and support to residents, businesses and communities.' It also highlighted the strength of our community leadership and engagement with local people, and 'the immense commitment and progress made with partners.'</p>

Issue	Action
<p>2. Significant uncertainty about the level of the Council's future funding</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"> • The 2020 Spending Round provided only a one-year funding settlement and, whilst the Financial Settlement in February 2021 confirmed the continuation of a number of temporary funding streams in 2021-22 it gave no certainty in respect of this funding for future year; • The national financial picture for Local Government remains extremely challenging, particularly given the additional challenges presented by the Covid-19 pandemic. • The comprehensive spending review which will be announced in the Autumn will set out the prospects for future years funding; • The pandemic has also caused further delays to national funding reforms, including the review of the Business Rates Retention Scheme and the Fair Funding Review; • In addition to continuing financial uncertainty within the Local Government sector, the budget has been set against the backdrop of the Covid-19 pandemic, of which the Council has been at the forefront of the response. The Council has successfully managed the financial impact of the pandemic in 2020-21, with minimal impact on Council resources. It is clear however, that the impact will continue to be felt in 2021-22 and future years, both by vulnerable residents and local businesses, and the Council will take a lead role to support the recovery. 	<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>A four year Council and budget plan has been developed and further options to bridge the remaining gap will be developed during the summer of 2021.</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 Council will take a lead role to support the recovery from Covid-19, as set out in the Stronger Futures Plan.</p>

Issue	Action
<ul style="list-style-type: none"> Significant cost pressures facing Adults and Children's Social Care. The future of funding to Adult Social Care is uncertain until the Green Paper is published. <p>In 2021-22 the Council faces a funding gap of £30m. This funding gap is being bridged by the generation of additional income of £8.3m and budget savings of £21.7m.</p> <p>The Council has developed a four-year Council and budget plan. It is estimated that the funding gap over the period 2022-25 is £53.4m. The Council has already identified savings proposals of £19.1m and is forecasting additional income of £23.8m for this period. Despite this there is an estimated gap of £10.5m still remaining for 2022-25. This position currently assumes that a number of government grants, totalling £10m, will continue over this period. There is therefore a risk that the funding gap could increase to £20.5m if this funding does not continue beyond 2021-22. Further proposals are being developed as part of the four-year plan to bridge the gap.</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>3. Exposure to financial risk from major projects</p> <p>Cheshire West & Chester Council is currently undertaking some significant capital projects as part of its capital programme. There has been a change in the Council's role in delivering these projects (Northgate) by undertaking work in-house which 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"> Risks are considered for each major capital project. A multi-disciplinary team of design and development consultants are in place to advise on delivery of major projects and specialist 	<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 main project that the Council is progressing as "developer" is Northgate for which construction contracts were issued in June 2020 and the build will continue until early 2022. The delivery of this scheme continues to be managed through a dedicated project board and oversight is provided by a member working group. Despite the complications of Covid the delivery of the scheme remains in line with the approved programme and cost base approved at the start of the year, although there are cost pressures on the associated works to improve drainage.</p>

Issue	Action
<p>appointments of client side Project Managers are undertaken to ensure there is a clear governance structure in place.</p> <ul style="list-style-type: none"> • Dedicated project boards are established. • 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. An investment board has been set up to monitor the financial risks on the Council's balance sheet and to ensure actions are taken to minimise the financial risk faced by the Council. 	<p>The primary risks that the Council still holds in relation to this scheme are the future income (£5m from rentals, market lettings, car parking) that the site is expected to generate. In recognition of the risks that this income carries the Council determined at the start of the year that it would be inappropriate to fund Northgate as a development where the ability to repay borrowing would be dependent on the surpluses the scheme generates. The scheme was therefore progressed as a traditional Council capital scheme, with all borrowing requirements needing to fit within the established prudential borrowing limits.</p> <p>The income targets will be managed in the same manner as any other Council income as part of the mainstream revenue budget monitoring and budget setting process. In addition, the Council has developed specific resilience monitoring tools for Northgate which seeks to identify the risk carried against each element of the scheme.</p> <p>This tool has flagged the potential for a shortfall of approx. £1m against the income targets, primarily due to uncertainties of markets and commercial income, exacerbated by the uncertainty caused by Covid. Based on this the Council has incorporated a £1m contingency budget against the risks associated with this scheme within its future budget. This prudent provision helps ensure the Council is not put at undue risk of unexpected funding shortfalls in future years.</p> <p>Outside of Northgate the Council has not taken on significant additional risks during 2020-21 as a result of major project investment. The overall scale of commercial investment has not increased, and this is likely to remain the case in the immediate future.</p> <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. The latest balance sheet risk assessment identified a significant scale of potential risk but also demonstrated that the Council has already recognised it and set aside budgets accordingly to mitigate any impact. As such, it is assessed as not representing a risk to the Council's overall financial stability.</p>

Issue	Action
	Internal Audit continues to provide ongoing risk management support in regard to the Northgate development.
<p>4. Replacement of core financial systems</p> <p>The Council is currently implementing a replacement for its current ERP system (Oracle), together with Cheshire East Council who share the same system. This will involve the replacement of component modules for most Corporate Council activities (payroll, income collection, procurement) and involve a significant programme of business change.</p> <p>The new system will provide a modern system that supports a flexible workforce and is anticipated to generate business efficiencies across the Council.</p> <p>In February 2021 the finance modules went live and the Council will using the new system to produce the 2020-21 year end accounts. During 2021-22 the Human Resources and Payroll modules will go live.</p> <p>The implementation will need to be managed to successfully ensure that a cost effective and modern fit for purpose business system is introduced, and that the risk during cut-over from old to new system including the continuation of business as usual is managed effectively and safely.</p>	<p>A number of actions have been put in place to mitigate this risk.</p> <ul style="list-style-type: none"> • A market leading partner has been appointed to support the implementation and an external partner to support the programme management. • An internal team has been maintained to ensure continuity from procurement to implementation. • Effective Officer and Member governance has been put in place to oversee the programme. • A key focus of the implementation plan has included training and change management to ensure the adoption of an appropriate culture whilst ensuring the delivery of business efficiencies. <p>Internal Audit will continue to provide support by reviewing and providing assurance on key phases of the implementation process including readiness to 'go live'. The work will be undertaken alongside colleagues from Cheshire East Internal Audit, reflecting that the new system will serve both Councils.</p>
<p>5. Council Companies and Financial Pressures</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>The Council has always ensured it recognises any exposure to financial losses as a result of any shareholdings in Council owned companies.</p> <p>Regular reports are presented to CLT 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&C Overview and Scrutiny Committee</p> <p>The main focuses in 2020-21 have been on addressing the additional financial pressures experienced by the companies due to Covid and the mobilisation of the new waste collection company, CWR.</p>

Issue	Action
<p>These risks can manifest directly as pressures are reflected in increased contractual charges to the Council, or indirectly as the Council partially underwrites losses and pension deficits in the companies.</p> <p>In 2020 the Council's exposure to losses being made within its companies increased significantly as a result of Covid and the launch of a new company, Cheshire West Recycling (CWR).</p> <p>These added to existing deficits within its leisure provider, Brio. In 2019-20 the company was forecasting in year losses of approximately £1.7m. This loss was principally driven by inflationary pressures, a drop off in usage of the sites and increasing maintenance costs from an ageing property portfolio.</p>	<p>Covid has had a significant impact on those companies (Brio and Edsential) that rely on generating income from the public or schools as facilities have had to be closed and these income sources have greatly reduced. The Council has worked with these companies to help them manage these pressures and where necessary support them in remaining viable until services can reopen. In total the Council is likely to incur additional costs of approximately £6m supporting Brio and Edsential as a result of Covid in 2020-21. These cost pressures will continue into 2021-22 as some facilities will remain closed or below full capacity well into the new year. The Council has been able to partially recover this cost through Government grant support (£3m)</p> <p>CWR was launched as a new company at the start of 2020-21 and took over the running of domestic waste collection services from Kier, who terminated their contract. This new service was mobilised in the teeth of the pandemic but was able to ensure service continuity throughout the year. The establishment of CWR has more directly exposed the Council to the risks and costs associated with an ageing vehicle fleet and volatility in the recycled materials market, and the Council has set aside approx. £1.3m to cover losses incurred during 2020-21. This was within the sum set aside in budget contingencies at the start of the year.</p> <p>The Council will seek to recover these costs and deliver additional savings through the rollout of a new waste strategy. This strategy will be considered by Council in July 2021 for potential implementation in 2022. The Council has approved additional interim funding to cover costs until those changes can take effect.</p> <p>The pre-existing (non-Covid) deficits within Brio have largely been addressed through a service redesign which was agreed by Cabinet in November 2020. This saw a contraction of Brio services at some sites, a revised focus of their services onto public health outcomes and an increased level of Council for the delivery of those services. There remain risks with the sustainability of the service and recovering its previous income base. The Council continues to work closely with Brio through the</p>

Issue	Action
	<p>Joint Transformation Board to manage these risks and ensure the Council is not exposed to avoidable costs.</p> <p>Alongside stabilising the revenue position, allocations have been included in the 2021-25 capital programme to support refurbishment of a number of leisure assets and address the deteriorating fabric in key sites such as Northgate Arena. An initial phase of work (£0.6m) was carried out in 2020-21 with a further £13m scheduled over the next four years.</p> <p>The Council has continued to 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. Further work is being undertaken early in 2021-22 to revisit the rationale for each company and ensure they remain fit for purpose.</p>
<p>6. Climate Change</p> <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 in recent flood events, 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>The Council has recently 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 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: https://www.cheshirewestandchester.gov.uk/your-council/councillors-and-committees/the-climate-emergency/the-climate-emergency.aspx</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. These have been developed following 12 months of engagement with the Climate Emergency Taskforce, residents and key stakeholders.</p> <p>A Climate Emergency Governance Board, chaired by the Deputy Chief Executive for Environment, Communities and Economy has been established to support the Climate response.</p> <p>Transparency and communication has been central to the Climate Emergency Response. The Council issues a monthly Climate Emergency</p>

Issue	Action
	<p>newsletter with more than 1000 subscribers and has recently completed a public consultation to seek views on the response to the climate emergency.</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>

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Cheshire West and Chester Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2021, which comprise the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements includes the Group, the core financial statements, the Housing Revenue Account and the Collection Fund. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2021 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Operating Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Chief Operating Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the

application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Operating Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Operating Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Operating Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chief Operating Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Operating Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the Statement of Accounts, the Authority 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. The Chief Operating Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Operating Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Operating Officer is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local government Act 1972, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.

- We enquired of senior officers and the Audit and Governance Committee, concerning the group and Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls fraud risk identified for the audit.. We determined that the principal risks were in relation to:
 - unusual journals with specific risk characteristics and large value journals; and
 - significant accounting estimates and critical judgements made by management
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Chief Operating Officer has in place to prevent and detect fraud;
 - journal entry testing, with a focus on unusual journals with specific risk characteristics and large value journals;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings, valuation of investment property, defined benefit pensions liability valuations, valuation of PFI liability, provisions, depreciation, expenditure accruals and fair value disclosures; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to valuation of land and buildings, valuation of investment property, defined benefit pensions liability valuations, valuation of PFI liability, provisions, depreciation, expenditure accruals and fair value disclosures.
- Assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority and group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in respect of the above matter.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Cheshire West and Chester Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature: *JD Roberts*

Jon Roberts, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date: 26 May 2023

Cheshire West and Chester Council

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. It should be noted that values included as at 31 March 2020 have been restated.

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 58
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 2021

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

2019-20			Group CIES	2020-21		
Restated Expenditure £000	Restated Income £000	Restated Net £000		Expenditure £000	Income £000	Net £000
163,073	-32,746	130,327	Adults Directorate	182,313	-34,506	147,807
324,930	-249,876	75,054	Children's Directorate	319,845	-252,522	67,323
138,663	-45,098	93,565	Places Directorate	142,415	-36,269	106,146
109,002	-73,460	35,542	Corporate Services Directorate	108,547	-69,788	38,759
16,913	-22,882	-5,969	HRA	13,546	-22,720	-9,174
6,621	-67,680	-61,059	Other	26,111	-39,406	-13,295
295	-8	287	Capital Financing	236	0	236
759,497	-491,750	267,747	Cost of Services	793,013	-455,211	337,802
15,253	-14,613	640	Other Operating Income & Expenditure	10,067	-12,139	-2,072
53,914	-16,157	37,757	Financing & Investment Income and Expenditure	32,428	-11,971	20,457
18,816	-315,871	-297,055	Taxation & Non-Specific Grant Income & Expenditure	18,338	-412,668	-394,330
847,480	-838,391	9,089	(Surplus)/Deficit on Provision of Services	853,846	-891,990	-38,144
		-4	Share of the SDPS by Joint Ventures and Associates (Profit)/Loss			2
			Tax expenses of Joint Ventures and Associates			
		-406	Tax expenses of Subsidiaries			-63
		8,679	Group (Surplus)/Deficit			-38,205
		-69,451	Surplus on Revaluation of Assets			-56,920
		-204,253	Re-measurement (gain)/loss on pension assets/liabilities			250,401
		0	(Surplus)/deficit on revaluation of available for sale assets			0
			Others			
		1,312	Deferred tax on actuarial gains			-1,747
		2	Share of Other Comprehensive Income & Expenditure of Associates			88
			Share of the CIES of Joint Ventures			
0	0	-272,390	Other Comprehensive Income & Expenditure			191,822
		-263,711	Total Comprehensive Income and Expenditure			153,617

Group Movement in Reserves Statement for the year ended 31 March 2021

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 2020-21	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 Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2020	24,726	8,295	124,310	157,331	651	10,923	16,392	16,746	202,043	741,099	943,142	-9,006	934,136
Final Reserves Adjustment				0					0		0	1,823	1,823
Balance at 31 March 2020	24,726	8,295	124,310	157,331					202,043	741,099	943,142	-7,183	935,959
Surplus or (deficit) on provision of services	61,488	0	0	61,488	6,562	0	0	0	68,050	0	68,050	-29,845	38,205
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	-176,947	-176,947	-14,875	-191,822
Total Comprehensive Income and Expenditure	61,488	0	0	61,488	6,562	0	0	0	68,050	-176,947	-108,897	-44,720	-153,617
* Adjustments between group accounts and the Council's accounts	-28,369	0	0	-28,369	0	0	0	0	-28,369	0	-28,369	28,369	0
Adjustments between accounting basis & funding basis under regulations	33,165	0	0	33,165	-6,483	1,383	335	7,870	36,270	-36,270	0	0	0
Net Increase/(Decrease) before transfers to Earmarked Reserves	66,284	0	0	66,284	79	1,383	335	7,870	75,951	-213,217	-137,266	-16,351	-153,617
Transfers (to)/from Earmarked Reserves	-66,284	7,210	59,141	67	-67	0	0	0	0	0	0	0	0
Increase/(Decrease) in Year	0	7,210	59,141	66,351	12	1,383	335	7,870	75,951	-213,217	-137,266	-16,351	-153,617
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

The Group Reserves of -£23.534m above are made up of usable reserves of -£23.662 and unusable reserves of £0.128m.

It should be noted that the brought forward balance as at the 31 March 2020 has been restated in line with the PPA adjustments shown on Note 49.

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

Group Movement in Reserves Statement 2019-20 Comparative figures

This schedule shows the movement in reserves for the comparative financial year 2019-20.

Consolidated MIRS Restated 2019-20	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 of the Group
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019	24,726	8,960	97,692	131,378	655	7,992	13,257	16,039	169,321	513,908	683,229	-12,483	670,746
Final Reserves Adjustment				0					0		0	-320	-320
Balance at 31 March 2020	24,726			131,378					169,321	513,908	683,229	-13,022	670,207
Surplus or (deficit) on provision of services	4,451	0	0	4,451	3,684	0	0	0	8,135		8,135	-16,814	-8,679
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	264,987	264,987	7,403	272,390
Total Comprehensive Income and Expenditure	4,451	0	0	4,451	3,684	0	0	0	8,135	264,987	273,122	-9,411	263,711
* Adjustments between group accounts and the Council's accounts	-13,209	0	0	-13,209	0	0	0	0	-13,209	0	-13,209	13,209	0
Adjustments between accounting basis & funding basis under regulations	34,642	0	0	34,642	-3,619	2,931	3,135	707	37,796	-37,796	0	0	0
Net Increase/(Decrease) before transfers to Earmarked Reserves	25,884	0	0	25,884	65	2,931	3,135	707	32,722	227,191	259,913	3,798	263,711
Transfers (to)/from Earmarked Reserves	-25,884	-665	26,618	69	-69				0		0	0	0
Increase/(Decrease) in Year	0	-665	26,618	25,953	-4	2,931	3,135	707	32,722	227,191	259,913	3,798	263,711
Balance at 31 March 2020	24,726	8,295	124,310	157,331	651	10,923	16,392	16,746	202,043	741,099	943,142	-9,005	934,137

The Group Reserves of -£9.005m above are made up of usable reserves of -£9.222m and unusable reserves of £0.217m.

It should be noted that the brought forward balance as at the 31 March 2019 has been restated in line with the PPA adjustments shown on Note 49.

Group Balance Sheet as at 31 March 2021

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

Group Balance Sheet	31 March 2021 £000	Restated 31 March 2020 £000	Restated 31 March 2019 £000
Non-Current Assets			
- Property, Plant and Equipment	1,417,490	1,339,308	1,284,091
- Heritage Assets	29,374	29,465	29,374
- Investment Properties	139,244	131,238	137,922
- Intangible Assets	8,064	4,932	2,087
Long Term Investments	8,224	7,554	9,242
Investments in Associates	284	367	366
Deferred Taxation Asset	0	0	0
Long Term Debtors	23,829	27,948	11,585
Long Term Assets	1,626,509	1,540,812	1,474,667
Short Term Investments	51,800	5,100	9,999
Assets held for Sale	5,365	5,750	10,900
Current Intangible Assets	0	0	0
Inventories	349	184	184
Short Term Debtors	80,843	68,708	52,263
Cash and Cash Equivalents	89,393	64,242	38,071
Current Assets	227,750	143,984	111,417
Short Term Borrowing	-57,116	-19,739	-21,748
Short Term Creditors	-174,246	-125,478	-114,444
Provisions < 1 yr	-2,063	-1,934	-2,072
Current Liabilities	-233,425	-147,151	-138,264
Provisions	-31,365	-25,132	-23,302
Long Term Borrowing	-231,806	-264,028	-266,967
Pension Fund Liability	-530,127	-270,274	-441,160
Other Long Term Liabilities	-25,167	-26,552	-27,902
Capital Grant Receipts in Advance	-20,027	-17,522	-17,743
Long Term Liabilities	-838,492	-603,508	-777,074
Net Assets	782,342	934,137	670,746
Usable Reserves	254,332	192,821	156,619
Unusable Reserves	528,010	741,316	514,127
Total Reserves	782,342	934,137	670,746

The group companies for year ending 31 March 2020 have not been restated to recognise the audited accounts for those entities and are as stated in last year's CWAC Group accounts.

Group Cash Flow Statement for the year ended 31 March 2021

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.

Group Cash Flow	31 March 2021 £000	Restated 31 March 2020 £000
Net (surplus) or deficit on the provision of services	-38,144	9,089
Adjust net surplus or deficit on the provision of services for non cash movements	-105,808	-93,037
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	44,946	49,028
Net cash flows from Operating Activities	-99,006	-34,920
Investing Activities	76,226	7,492
Financing Activities	-2,371	1,256
Net increase in cash and cash equivalents	-25,151	-26,172
Cash and cash equivalents at the beginning of the reporting period	64,242	38,070
Cash and cash equivalents at the end of the reporting period	89,393	64,242
Net increase in cash and cash equivalents	-25,151	-26,172

The group companies for year ending 31 March 2020 have not been restated to recognise the audited accounts for those entities however, year ending 31 March 2021 have been restated during the movement between draft and final accounts.

Notes to the group core financial statements

Group Audit Costs for the year ended 31 March 2021

Fees Payable for Audit Work	2020-21 £000	2019-20 £000
Fees payable for external audit services in regards to Cheshire West and Chester Council	274	141
Fees payable for external audit services in regards to certification of grant claims and other services for Cheshire West and Chester Council	27	23
Fees payable for external audit services in regards to subsidiary companies in group	32	28
Total	333	192

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 five 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 2020-21 group accounts are Cheshire Provider Services Trading Limited (Vivo), Cheshire West and Chester Leisure CIC (Brio Leisure) and Cheshire West Recycling (CWR).
- **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 are treated as a joint operation, this company is jointly controlled with Engie.
- **Associates** – where the Council exercises a significant influence and has a participating interest. Avenue Services is the only Associate company included in the 2020-21 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 2020-21 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

Pension's deficits are the main contributor to the loss and these are included in the group accounts. The approach to recording losses is to reduce the reported investment in the group companies and a pension liability. These are reflected in the total reserves. Pension guarantees have been offered by the Council to some of its group companies that means it would, under specified circumstances, fund the pension obligations.

Edsential CIC has reported losses in the year. The losses have been 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 have been excluded from the consolidated group accounts for 2020-21.

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 2021

Group CIES by Entity type 2020-21	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Intra-group transactions £000	Group Results £000
Adults Directorate	147,404	-14,479		14,882	147,807
Children's Directorate	67,323				67,323
Places Directorate	97,291	-4,640		13,495	106,146
Corporate Services Directorate	38,759				38,759
HRA	-9,174				-9,174
Other	-13,295				-13,295
Capital Financing	236				236
Cost of Services	328,544	-19,119	0	28,377	337,802
Other Operating Income & Expenditure	5,886	-7,959			-2,073
Financing & Investment Income and Expenditure	20,219	246		-8	20,457
Taxation & Non-Specific Grant Income & Expenditure	-394,330				-394,330
(Surplus)/Deficit on Provision of Services	-39,681	-26,832	0	28,369	-38,144
Share of the SDPS by Joint Ventures and Associates			2		2
Tax expenses of Joint Ventures and Associates					0
Tax expenses of Subsidiaries		-63			-63
Group (Surplus)/Deficit	-39,681	-26,895	2	28,369	-38,205
Surplus on Revaluation of Assets	-56,920				-56,920
Re-measurement Gain/-loss on pension	233,867	16,534			250,401
Surplus / Deficit on revaluation of available for sale					0
Other					
Deferred tax on actuarial gains		-1,747			-1,747
Share of Other Comprehensive Income & Expenditure			88		88
Share of the CIES of Joint Ventures					0
Other Comprehensive Income & Expenditure	176,947	14,787	88	0	191,822
Total Comprehensive Income and Expenditure	137,266	-12,108	90	28,369	153,617

Group Expenditure and Funding Analysis for the year ended 31 March 2021

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

Expenditure and Funding Analysis	2020-21						
	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	Net Expenditure in the CIES Subsidiaries	Net Expenditure in the CIES Group Total
	£000	£000	£000	£000	£000	£000	£000
Adults Directorate	130,833	12,593	143,426	3,978	147,404	403	147,807
Children's Directorate	57,344	-6,237	51,107	16,216	67,323		67,323
Places Directorate	56,360	19,370	75,730	21,561	97,291	8,855	106,146
Corporate Services Directorate	29,746	3,752	33,498	5,261	38,759		38,759
HRA	0	-13,212	-13,212	4,038	-9,174		-9,174
Central Services	57,270	-61,891	-4,621	-8,672	-13,293		-13,293
Capital Financing	20,776	-20,540	236	0	236		236
Net Cost of Services	352,329	-66,165	286,164	42,382	328,546	9,258	337,804
Other Income and Expenditure	0	-352,527	-352,527	-15,698	-368,225	-7,721	-375,946
Joint Ventures and Associates							2
Tax expenses of Subsidiaries						-63	-63
(Surplus)/Deficit on Provision of Services	352,329	-418,692	-66,363	26,684	-39,679	1,537	-38,203
Opening General Fund and HRA Balances at 31 March 2020			-157,982				
Add Surplus on General Fund and HRA Balance in Year			-66,363				
Closing General Fund and HRA Balances at 31 March 2021			-224,345				

Movement in Reserves Statement as at 31 March 2021

Group MIRS by Entity type 2020-21	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
Balance at 1 April 2020	202,043	0	202,043	(9,372)	150	192,821	741,099		216	741,315	934,136
Final Reserves Adjustment			0	1,816	7	1,823				0	1,823
Balance at 31 March 2020	202,043		202,043	(7,556)	157	194,644	741,099		216	741,315	935,959
Surplus or (deficit) on provision of services (accounting basis)	39,681	28,369	68,050	(29,844)	(2)	38,204					38,204
Other Comprehensive Expenditure and Income				(14,786)	0	(14,786)	(176,947)	0	(88)	(177,035)	(191,821)
Total Comprehensive Expenditure and Income	39,681	28,369	68,050	(44,630)	(2)	23,418	(176,947)	0	(88)	(177,035)	(153,617)
Adjustments between group accounts and Council's accounts		(28,369)	(28,369)	28,369		0				0	0
Adjustments between accounting basis & funding basis under regulations	36,270		36,270	0	0	36,270	(36,270)	0	0	(36,270)	0
Increase / (Decrease) in Year	75,951	0	75,951	(16,261)	(2)	59,688	(213,217)	0	(88)	(213,305)	(153,617)
Balance at 31 March 2021	277,994	0	277,994	(23,817)	155	254,332	527,882	0	128	528,010	782,342

It should be noted that the brought forward balance as at the 31 March 2020 has been restated in line with the PPA adjustments shown on Note 49.

Balance Sheet as at 31 March 2021

Group Balance Sheet by Entity type as at 31 March 2021	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Intra-group transactions £000	Group Results £000
Non-Current Assets	1,585,866	242	0	0	1,586,108
Intangible Assets	8,064	0	0	0	8,064
Long Term Investments	8,224	0	0	0	8,224
Investments in Associates	0	0	284	0	284
Deferred Taxation Asset	0	0	0	0	0
Long Term Debtors	24,779	0	0	-950	23,829
Long Term Assets	1,626,933	242	284	-950	1,626,509
Short Term Investments	51,800	0	0	0	51,800
Assets held for Sale	5,365	0	0	0	5,365
Current Intangible Assets	0	0	0	0	0
Inventories	113	236	0	0	349
Short Term Debtors	78,419	3,832	0	-1,408	80,843
Cash and Cash Equivalents	85,577	3,816	0	0	89,393
Current Assets	221,274	7,884	0	-1,408	227,750
Short Term Borrowing	-57,116	0	0	0	-57,116
Short Term Creditors	-168,736	-6,918	0	1,408	-174,246
Provisions < 1 yr	-2,063	0	0	0	-2,063
Current Liabilities	-227,915	-6,918	0	1,408	-233,425
Provisions	-31,365	0	0	0	-31,365
Long Term Borrowing	-231,806	0	0	0	-231,806
Pension Fund Liability	-506,259	-23,868	0	0	-530,127
Other Long Term Liabilities	-24,959	-1,158	0	950	-25,167
Capital Grant Receipts in Advance	-20,027	0	0	0	-20,027
Long Term Liabilities	-814,416	-25,026	0	950	-838,492
Net Assets	805,876	-23,818	284	0	782,342
Usable Reserves	277,994	-23,818	156	0	254,332
Unusable Reserves	527,882		128	0	528,010
Total Reserves	805,876	-23,818	284	0	782,342

The Pension Liability of £530.1m does not include any IAS19 liabilities for Joint Ventures of £8.3m.

Cash Flow Statement for the year ended 31 March 2021

Group Cash Flow by Entity type 2020-21	Council Single Entity £000	Subsidiaries £000	Intra-group transactions £000	Group Results £000
Net cash flows from Operating Activities	-95,273	-3,733	0	-99,006
Investing Activities	76,101	125	0	76,226
Financing Activities	-3,979	1,608		-2,371
Net increase in cash and cash equivalents	-23,151	-2,000	0	-25,151
Cash and cash equivalents at the beginning of the reporting period	62,426	1,816	0	64,242
Cash and cash equivalents at the end of the reporting period	85,577	3,816	0	89,393
Net increase in cash and cash equivalents	-23,151	-2,000	0	-25,151

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 2020-21	LGPS Unfunded 2020-21	Total 2020-21
	CW&C £000	Vivo £000	Brio Leisure £000	CWR £000				
Comprehensive Income and Expenditure Statement								
Service cost comprising:								
Current service cost	41,087	2,742	1,381	224	45,434			45,434
Past service costs and curtailments	115	0	35	0	150			150
(Gain) from settlements	-291			0	-291			-291
Financing and Investment Income and Expenditure								
Net Interest Cost	5,621	151	58	0	5,830	427	26	6,283
Total post-employment benefits charged to Surplus or Deficit on the Provision of Services (SDPS)	46,532	2,893	1,474	224	51,123	427	26	51,576
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)	-206,536	-4,444	-2,396	-585	-213,961			-213,961
Actuarial Gains / Losses arising on changes in demographic assumptions	28,882	846	434	90	30,252	1,924	15	32,191
Actuarial Gains / Losses arising on changes in financial assumptions	428,093	13,852	7,722	1,583	451,250	211	85	451,546
Other experience	-18,443	-389	-155	-24	-19,011	-366	2	-19,375
Total post-employment benefit charged to the CIES	278,528	12,758	7,079	1,288	299,653	2,196	128	301,977
Movement in Reserves Statement								
Reversal of net charges made to the SDPS for post-employment	-46,532	-2,893	-1,474	-224	-51,123	-427	-26	-51,576
Actual amount charged against the General Fund								
Employers' contributions	35,093	1,868	1,100	143	38,204			38,204
Retirement Benefits Payable					0	1,665	139	1,804

It should be noted that the elements in respect of the statutory override in the Movements in Reserve Statement relate to the single entity accounts of the Council only.

Pensions and Liabilities Recognised in the Authority Balance Sheet

Pensions and Liabilities in the Authority Balance Sheet	CW&C £000	Vivo £000	Brio Leisure £000	CWR £000	LGPS Group £000	Teachers Unfunded £000	LGPS Unfunded £000	Total £000
Present value of obligations	-2,114,897	-55,138	-27,935	-6,115	-2,204,085	-19,935	-1,188	-2,225,208
Fair value of plan assets	1,629,761	38,106	19,579	5,020	1,692,466	0	0	1,692,466
Net Pension Liability	-485,136	-17,032	-8,356	-1,095	-511,619	-19,935	-1,188	-532,742

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 2020-21 £000	Unfunded 2020-21 £000	2020-21 £000
Opening Balance	1,641,417	37,165	18,022	4,097	1,700,701	19,404	1,199	1,721,304
Adjustments Note 1	0	0	0	0	0	0	0	0
Adjusted Opening Balance	1,641,417	37,165	18,022	4,097	1,700,701	19,404	1,199	1,721,304
Current Service Costs	41,087	2,742	1,416	224	45,469	0	0	45,469
Interest Cost	37,697	886	431	102	39,116	427	26	39,569
Contribution by Scheme Members	7,750	501	271	43	8,565			8,565
Remeasurement (gains) and losses:					0			
Actuarial gains/losses arising from changes in demographic assumptions	28,882	0	0	0	28,882	1,924	15	30,821
Actuarial (gains)/losses arising from changes in financial assumptions	428,093	14,309	8,001	1,649	452,052	211	85	452,348
Other experience	-18,443				-18,443	-366	2	-18,807
Benefits Paid	-49,873	-465	-206	0	-50,544	-1,665	-139	-52,348
Entity Combinations					0			0
Past Service Costs & curtailments	115				115			115
Exceptional Past Service Costs					0			0
Liabilities Extinguished on Settlement	-1,828				-1,828			-1,828
Closing balance at 31 March 2021	2,114,897	55,138	27,935	6,115	2,204,085	19,935	1,188	2,225,208

Movement in Fair Value of Assets	<----- LGPS ----->					Teachers	LGPS	Total
	CW&C £000	Vivo £000	Brio Leisure £000	CWR £000	Group £000	Unfunded 2020-21 £000	Unfunded 2020-21 £000	2020-21 £000
Opening Balance	1,399,716	31,023	15,645	4,147	1,450,531	0	0	1,450,531
Actuaries Adjustment - Estimated to Final	0	0	0	0	0	0	0	0
Adjusted Opening Balance	1,399,716	31,023	15,645	4,147	1,450,531	0	0	1,450,531
Interest income	32,076	735	373	102	33,286			33,286
Remeasurement (gains) and losses:								
Return on plan assets, excluding the amounts included in net interest	206,536	4,444	2,396	585	213,961			213,961
Other								
Administration expenses								
Employer Contributions	35,093	1,868	1,100	143	38,204			38,204
Contribution by scheme members	7,750	501	271	43	8,565			8,565
Contributions - unfunded benefits						1,665	139	1,804
Benefits paid	-49,873	-465	-206	0	-50,544			-50,544
Unfunded benefits paid						-1,665	-139	-1,804
Assets distributed on Settlement	-1,537				-1,537			-1,537
Closing balance at 31 March 2021	1,629,761	38,106	19,579	5,020	1,692,466	0	0	1,692,466

Total Surplus/Deficit	-485,136	-17,032	-8,356	-1,095	-511,619	-19,935	-1,188	-532,742
Deferred Taxation on losses	0	2,615	0	0	2,615	0	0	2,615
Net liability at 31 March 2021	-485,136	-14,417	-8,356	-1,095	-509,004	-19,935	-1,188	-530,127

Local Government Pension Scheme Assets

Group Pension Scheme assets	Quoted Prices in active markets 2020-21 £000	Quoted Prices not in active markets 2020-21 £000	Total 2020-21 £000	Share of Total Assets %	Quoted Prices in active markets 2019-20 £000	Quoted Prices not in active markets 2019-20 £000	Total 2019-20 £000
Cash & Cash Equivalents		75,271	75,271	4%		42,318	42,318
Equity Securities:							
By industry type:							
Consumer	27,416	0	27,416	2%	18,294		18,294
Manufacturing	32,845	0	32,845	2%	14,686		14,686
Energy and Utilities	1,404	0	1,404	0%	2,134		2,134
Financial Institutions	17,152	0	17,152	1%	20,343		20,343
Health and Care	12,194	0	12,194	1%	8,860		8,860
IT	123,870	0	123,870	7%	72,634		72,634
Other	11,319	0	11,319	1%	5,240		5,240
	226,200	0	226,200		142,191	0	142,191
Private equity:		65,123	65,123	4%	0	54,451	54,451
Real Estate:							
UK	0	119,971	119,971	7%	0	115,856	115,856
Overseas		2,140	2,140	0%	0	2,019	2,019
	0	122,111	122,111		0	117,875	117,875
Investment funds and unit							
Equities	321,198	0	321,198	19%	221,800	0	221,800
Bonds	593,813	117,368	711,181	42%	536,228	106,634	642,862
Hedge Funds		103,841	103,841	6%		165,168	165,168
Other		67,541	67,541	4%		59,719	59,719
	915,011	288,750	1,203,761		758,028	331,521	1,089,549
Total Assets	1,141,211	551,255	1,692,466	100%	900,219	546,165	1,446,384

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	LGPS
	2020-21	2019-20
Financial Assumptions		
Rate of increase in salaries	3.6%	2.6%
Rate of increase in pensions	2.9%	1.9%
Discount rate used		
Rate used to Discount liabilities	2.0%	2.3%
Demographic Mortality Assumptions		
Longevity at 65 for current pensioners		
Men	21.4 years	21.2 years
Women	24.0 years	23.6 years
Longevity at 65 for future pensioners		
Men	22.4 years	21.9 years
Women	25.7 years	25.0 years

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)	84,595	797	47	-84,595	-797	-47
Salary inflation (change by 0.5%)	20,061	0	0	-20,061	0	0
Pension inflation (change by 0.5%)	185,781	2,345	106	-185,781	-2,345	-106
Discount rate (change by 0.5%)	-210,274	-2,345	-106	210,274	2,345	106

Liability split	CW&C	Vivo	Brio	Edsential	CWR
	Liability Split %	Liability Split %	Liability Split %	Liability Split %	Liability Split %
Active members	41.0%	67.3%	85.7%	69.3%	100.0%
Deferred members	20.5%	19.1%	7.4%	19.5%	0.0%
Pensioner members	38.5%	13.6%	6.9%	11.2%	0.0%
Weighted Average	100.0%	100.0%	100.0%	100.0%	100.0%

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

Cheshire West and Chester Council – 17 years
 Vivo Care Services Limited – 25 years
 Brio Leisure – 28 years
 Edsential – 23 years
 Cheshire West Recycling – 23 years

Comprehensive Income and Expenditure Statement (CIES) for the year ended 31 March 2021

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.

2019-20			Comprehensive Income and Expenditure Statement	2020-21		
Restated Expenditure £000	Restated Income £000	Restated Net £000		Expenditure £000	Income £000	Net £000
160,615	-32,060	128,555	Adults Directorate	181,010	-33,606	147,404
324,930	-249,876	75,054	Children's Directorate	319,845	-252,522	67,323
126,871	-35,114	91,757	Places Directorate	130,204	-32,913	97,291
109,002	-73,460	35,542	Corporate Services	108,547	-69,788	38,759
16,913	-22,882	-5,969	HRA	13,546	-22,720	-9,174
6,621	-67,680	-61,059	Other	26,111	-39,406	-13,295
295	-8	287	Capital Financing	236	0	236
745,247	-481,080	264,167	Cost of Services	779,499	-450,955	328,544
16,527	-14,606	1,921	Other Operating Income & Expenditure (Note 11)	10,067	-4,181	5,886
52,217	-16,176	36,041	Financing & Investment Income and Expenditure (Note 12)	32,197	-11,979	20,218
18,816	-315,871	-297,055	Taxation & Non-Specific Grant Income and Expenditure (Note 13)	18,338	-412,667	-394,329
832,807	-827,733	5,074	(Surplus)/Deficit on Provision of Services	840,101	-879,782	-39,681
		-69,451	Surplus on Revaluation of Assets			-56,920
		-195,536	Remeasurement of the pension liability / (asset)			233,867
		-264,987	Other Comprehensive Income & Expenditure (Note 14)			176,947
		-259,913	Total Comprehensive Income and Expenditure			137,266

Movement in Reserves Statement for the year ended 31 March 2021

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 Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	HRA Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Opening Balance at 1st April 2020	24,726	8,295	124,310	157,331	651	10,923	16,392	16,746	202,043	741,099	943,142
Surplus or (deficit) on provision of services	33,119			33,119	6,562				39,681		39,681
Other Comprehensive Income and Expenditure (Note 14)									0	-176,947	-176,947
Total Comprehensive Income and Expenditure	33,119	0	0	33,119	6,562	0	0	0	39,681	-176,947	-137,266
Adjustments between accounting basis & funding basis under regulations (Note 8)	33,165			33,165	-6,483	1,383	335	7,870	36,270	-36,270	0
Net Increase / Decrease before Transfers to Earmarked Reserves	66,284	0	0	66,284	79	1,383	335	7,870	75,951	-213,217	-137,266
Transfers to / from Earmarked Reserves	-66,284	7,210	59,141	67	-67				0	0	0
Increase / (Decrease) in Year	0	7,210	59,141	66,351	12	1,383	335	7,870	75,951	-213,217	-137,266
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

It should be noted that the brought forward balance as at the 31 March 2020 has been restated in line with the PPA adjustments shown on Note 49.

2019-20 Comparative figures

Restated 2019-20	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 Council Reserves £000
Opening Balance at 1st April 2019	24,726	8,960	97,692	131,378	655	7,992	13,257	16,039	169,321	513,908	683,229
Surplus or (deficit) on provision of services	-8,758			-8,758	3,684				-5,074		-5,074
Other Comprehensive Income and Expenditure									0	264,987	264,987
Total Comprehensive Income and Expenditure	-8,758	0	0	-8,758	3,684	0	0	0	-5,074	264,987	259,913
Adjustments between accounting basis & funding basis under regulations (Note 8)	34,642			34,642	-3,619	2,931	3,135	707	37,796	-37,796	0
Net Increase / Decrease before Transfers to Earmarked Reserves	25,884	0	0	25,884	65	2,931	3,135	707	32,722	227,191	259,913
Transfers to / from Earmarked Reserves	-25,884	-665	26,618	69	-69				0	0	0
Increase / (Decrease) in Year	0	-665	26,618	25,953	-4	2,931	3,135	707	32,722	227,191	259,913
Balance at 31 March 2020	24,726	8,295	124,310	157,331	651	10,923	16,392	16,746	202,043	741,099	943,142

Balance Sheet as at 31 March 2021

The unaudited accounts were issued on 23 July 2021 and the audited accounts were authorised for issue on 23 May 2023. The Balance Sheet has been restated to accommodate amendments made in the Prior Period Adjustment included at Note 49 in both years.

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 2021 £000	Restated 31 March 2020 £000	Restated 31 March 2019 £000
Non-Current Assets				
- Property, Plant and Equipment	15	1,417,248	1,339,099	1,284,002
- Heritage Assets	16	29,374	29,465	29,374
- Investment Properties	17	139,244	131,238	137,922
- Intangible Assets	18	8,064	4,932	2,087
Long Term Investments	20	8,224	7,554	9,242
Long Term Debtors	20	24,779	28,191	11,828
Long Term Assets		1,626,933	1,540,479	1,474,455
Short Term Investments	20	51,800	5,100	9,999
Assets held for Sale	19	5,365	5,750	10,900
Inventories		114	135	128
Short Term Debtors	21	78,419	68,586	52,088
Cash and Cash Equivalents	22	85,577	62,426	35,330
Current Assets		221,275	141,997	108,445
Short Term Borrowing	20	-57,116	-19,739	-21,748
Short Term Creditors	23	-168,736	-122,483	-111,325
Provisions < 1 yr	24	-2,063	-1,934	-2,072
Current Liabilities		-227,915	-144,156	-135,145
Provisions	24	-31,365	-25,132	-23,302
Long Term Borrowing	20	-231,806	-264,028	-266,967
Pension Fund Liability	44	-506,259	-262,304	-428,969
Other Long Term Liabilities	20	-24,959	-26,195	-27,545
Capital Grant Receipts in Advance	36	-20,027	-17,522	-17,743
Long Term Liabilities		-814,416	-595,181	-764,526
Net Assets		805,877	943,139	683,229
Usable Reserves	25	277,994	202,043	169,321
Unusable Reserves	26	527,882	741,099	513,908
Total Reserves		805,876	943,142	683,229

Cash Flow Statement for the year ended 31 March 2021

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.

Cashflow Statement	31 March 2021 £000	Restated 31 March 2020 £000
Net (surplus) or deficit on the provision of services	-39,681	5,074
Adjust net surplus or deficit on the provision of services for non cash movements	-100,617	-89,822
Adjust for items included in the SDPS that are investing and financing activities	45,025	49,155
Net cash flows from Operating Activities	-95,273	-35,593
Investing Activities	76,101	7,090
Financing Activities	-3,979	1,407
Net increase in cash and cash equivalents	-23,151	-27,096
Cash and cash equivalents at the beginning of the reporting period	62,426	35,330
Cash and cash equivalents at the end of the reporting period	85,577	62,426
Net increase in cash and cash equivalents	-23,151	-27,096

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 2020-21 financial year and its position at the year end of 31 March 2021. 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 2020-21' (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 there are material changes within the comparative information. Any relevant amendments to prior periods for 2020-21 are articulated within Note 49 in this set of accounts.

There are several amendments to the Code of Practice for 2020-21 and these are listed below:

- Amendments to IAS 1 and IAS 8: Definition of Material. This currently has no impact on the accounts as the amend to the definition does not give rise to any additional considerations.
- Minor amendment made to clarify that there are no accounting standards that specify the treatment of REFCUS adjustments to reserves.
- Amendments to IAS 23 Borrowing Costs in relation to 'Borrowing Costs Eligible for Capitalisation'
- Post-employment benefits section of the Code has been updated for the amendments to IAS 19: 'Plan Amendment, Curtailment or Settlement'.
- Updated section of the Code to improve alignment with the Financial Reports of Pension Schemes SORP 2018 relating to the presentation of investment assets.
- Clarification that the interpretation relating to LOBOs does not cover compound embedded derivatives if the LOBO is not permitted to be separated under IFRS 9.
- Deletion of transition requirements in the 2019-20 Code for the treatment of instruments with negative compensation features.
- Allowance that soft loans may be recognised at below zero interest rates.
- Clarification of the exemption of some impairment requirements relating to balances with specified other public sector bodies.
- Removal of the ability to defer provisions for unequal pay claims.
- Removal of the transition arrangements in 2019-20 regarding Annual Improvements to IFRS Standards 2014-2016 Cycle relating to Group Accounts.

1.2 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 is accounted for on an accruals 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. Any residual deficit on the Collection Fund may be spread over the following three-year period in order to prevent material movements in the position.

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 (MiRS).

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 Accounting 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 area; this includes allowances for non-collection and any repayments which may be required due to appeals. The Council is entitled to receive 49% of this income (with 50% being due to Central Government and 1% to Cheshire Fire) and this is reflected in the 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. Any residual shortfall in the income may be spread over the following three-year period in order to prevent material movements in the position.

The Government operate equalisation arrangements whereby funding is top sliced from Councils with a large NDR income base and transferred to those with a lower income base. Under this scheme Cheshire West is required to transfer 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 schools' 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 in the collection of Council Tax.
- Central Government and Cheshire Fire – In relation to the collection of Non-Domestic Rates income.
- Business Improvement Districts – Collecting income in relation to BIDs in Northwich, 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 (or short term) 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 (this comprises cash balances held and cash equivalents with three or less months to maturity)
- 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 consists of cash in hand and deposits with financial institutions repayable without penalty on notice of no more than twenty-four hours. Cash equivalents are highly liquid investments that mature in no more than one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. This category includes cash on call and instant access Money Market Funds.

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 2020-21.

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 of 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 or 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) is transferred from the Financial Instruments Revaluation Reserve and recognised in the SDPS. The same accounting treatment was adopted in the prior year when the assets were classified as Available for Sale. The accumulated gains and losses on the available for sale asset were previously held in an Available for Sale Financial Instruments Reserve prior to 31 March 2018. The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserve as at 1 April 2018.

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 in fact a lease.

(i) Finance leases

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

The annual lease payment is apportioned between;

- Acquisition costs: The cost of acquiring the original interest in the asset, charged against the liability in the Balance Sheet.
- Finance charge: Charged to the Financing and Investment Income line of the 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 however, 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, hence at Depreciated Replacement Cost.

- **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).

d. Infrastructure Assets

These are assets that form a part of the infrastructure of the Borough. They include items such as highways, bridges, and street furniture. They are held at historic cost and depreciated on a straight line basis. Each asset is added to the Asset Register in line with the Highways England Design Manual for Roads and Bridges which determines useful lives of individual design specifications.

The authority has determined in accordance with Regulation [30M England or 24L Wales] of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Highways infrastructure assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accruals basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April [1994 England and Scotland] [1996 Wales], which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight line basis. Annual depreciation is the depreciation amount allocated each year.

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
- Property/land (non-specialised) – Existing use value
- 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.

In relation to Highways Network Infrastructure Assets, where part of the network is replaced, an adaptation provided in a separate update to the Code assumes that from the introduction of the IFRS based Code, when parts of an asset are replaced or restored the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

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 the 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.

It should be noted that the values included as at 31 March 2020 have been re-stated.

Expenditure and Funding Analysis	2020-21				
	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	130,833	12,593	143,426	3,978	147,404
Children's Directorate	57,344	-6,237	51,107	16,216	67,323
Places Directorate	56,360	19,370	75,730	21,561	97,291
Corporate Services Directorate	29,746	3,752	33,498	5,261	38,759
HRA	0	-13,212	-13,212	4,038	-9,174
Central Services	57,270	-61,891	-4,621	-8,672	-13,293
Capital Financing	20,776	-20,540	236	0	236
Net Cost of Services	352,329	-66,165	286,164	42,382	328,546
Other Income and Expenditure	0	-352,527	-352,527	-15,698	-368,225
(Surplus)/Deficit on Provision of Services	352,329	-418,692	-66,363	26,684	-39,679
Opening General Fund and HRA Balances at 31 March 2020			-157,982		
Add Surplus on General Fund and HRA Balance in Year			-66,363		
Closing General Fund and HRA Balances at 31 March 2021			-224,345		

2019-20 Comparative Figures

	Restated 2019-20				
	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	122,848	2,291	125,139	3,416	128,555
Children's Directorate	53,075	4,562	57,637	17,417	75,054
Places Directorate	59,227	2,155	61,382	30,375	91,757
Corporate Services Directorate	29,486	-1,119	28,367	7,175	35,542
HRA	0	-13,560	-13,560	7,591	-5,968
Central Services	7,946	-75,319	-67,373	6,313	-61,060
Capital Financing	26,921	-26,634	287	0	287
Net Cost of Services	299,503	-107,624	191,879	72,288	264,167
Other Income and Expenditure	0	-217,828	-217,828	-41,265	-259,093
(Surplus)/Deficit on Provision of Services	299,503	-325,452	-25,949	31,023	5,074
Opening General Fund and HRA Balances at 31 March 2019			-132,033		
Add Surplus on General Fund and HRA Balance in Year			-25,949		
Closing General Fund and HRA Balances at 31 March 2020			-157,982		

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	2020-21			
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
Adults Directorate	3,306	720	-48	3,978
Children's Directorate	13,586	1,446	1,184	16,216
Places Directorate	20,129	1,431	1	21,561
Corporate Services Directorate	4,222	1,026	13	5,261
HRA	4,038	0	0	4,038
Central Services	-8,028	-644	0	-8,672
Capital Financing	0	0	0	0
Cost of Services	37,253	3,979	1,150	42,382
Other Income & Expenditure	-68,239	6,108	46,433	-15,698
Difference between General Fund (Surplus) and CIES (Surplus) or Deficit	-30,986	10,087	47,583	26,684

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. These adjustments mainly relate to the Collection Fund deficit movement funded by the Council (£46m).

2019-20 Comparative Figures

Adjustments between funding and accounting basis	Restated 2019-20			
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
Adults Directorate	1,026	2,425	-34	3,417
Children's Directorate	13,086	4,547	-216	17,417
Places Directorate	25,304	5,057	14	30,375
Corporate Services Directorate	3,730	3,434	11	7,175
HRA	7,591	0	0	7,591
Central Services	3,524	2,789	0	6,313
Capital Financing	0	0	0	0
Cost of Services	54,261	18,252	-225	72,288
Other Income & Expenditure	-49,830	10,620	-2,055	-41,265
Difference between General Fund (Surplus) and CIES (Surplus) or Deficit	4,431	28,872	-2,280	31,023

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 income and expenditure is analysed as follows:

Expenditure and Income Analysis by Directorate 2020-21	Adults Directorate	Childrens Directorate	Places Directorate	Corporate Services Directorate	HRA	Central Services	Capital Financing	Total
Expenditure	£000	£000	£000	£000	£000	£000	£000	£000
Employee benefits expenses	19,039	200,730	34,123	23,153	81	5,832	0	282,958
Other services expenses	159,890	105,869	81,854	81,333	11,268	59,583	236	500,033
Support service recharges	0	0	0	0	0	0	0	0
Depreciation, amortisation, impairment	3,306	13,691	20,340	4,222	4,038	- 4,092	-850	40,655
Interest payments	917	727	2,321	1	2,225	0	5,362	11,553
Precepts and levies	0	0	330	0	0	3,955	0	4,285
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	593	593
Gain on the disposal of assets	0	0	0	0	0	0	25	25
Total expenditure	183,152	321,017	138,968	108,709	17,612	65,278	5,366	840,102
Income								
Fees, charges and other service income								
Over time	-33,457	-10,268	-33,961	-7,540	-24,168	-295	-2,731	-112,420
At a point in time	0	0	0	0	0	0	0	0
Interest and investment income	-21	-4	-1	-5	-6	0	-1,289	-1,326
Income from Council Tax, Non Domestic Rates, BID Income	0	0	0	0	0	-227,183	0	-227,183
Support service recharges	0	0	0	0	0	0	0	0
Government grants and contributions	-1,853	-242,254	-9,607	-62,248	0	-169,472	-53,420	-538,854
Total income	-35,331	-252,526	-43,569	-69,793	-24,174	-396,950	-57,440	-879,783
(Surplus) or Deficit on the Provision of Services	147,821	68,491	95,399	38,916	-6,562	-331,672	-52,074	-39,681

2019-20 Comparative Figures

Expenditure and Income Analysis by Directorate Restated 2019-20	Adults Directorate	Childrens Directorate	Places Directorate	Corporate Services Directorate	HRA	Central Services	Capital Financing	Total
Expenditure	£000	£000	£000	£000	£000	£000	£000	£000
Employee benefits expenses	19,284	199,660	37,496	24,241	45	2,278	0	283,004
Other services expenses	140,861	112,751	70,188	81,067	11,457	53,330	295	469,949
Support service recharges	0	0	0	0	0	0	0	0
Depreciation, amortisation, impairment	1,026	13,086	25,555	3,730	7,591	10,168	0	61,156
Interest payments	963	802	2,467	6	2,367	0	7,158	13,763
Precepts and levies	0	0	324	0	0	3,767	0	4,091
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	780	780
Gain on the disposal of assets	0	0	0	0	0	0	64	64
Total expenditure	162,134	326,299	136,030	109,044	21,460	69,543	8,297	832,807
Income								
Fees, charges and other service income								
Over time	-31,896	-20,449	-40,110	-7,916	-25,106	-23,276	-17,941	-166,694
At a point in time	0	0	0	0	0	0	0	0
Interest and investment income	-17	-49	-4	-5	-38	0	-1,909	-2,022
Income from Council Tax, Non Domestic Rates, Support service recharges	0	0	0	0	0	-263,977	0	-263,977
Government grants and contributions	-1,836	-229,428	-5,862	-65,544	0	-69,320	-23,050	-395,040
Total income	-33,749	-249,926	-45,976	-73,465	-25,144	-356,573	-42,900	-827,733
(Surplus) or Deficit on the Provision of Services	128,385	76,373	90,054	35,579	-3,684	-287,030	-34,603	5,074

3. Accounting Standards issued, but not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2020-21 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 2021.

- Definition of a business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

Some changes may need to be adopted retrospectively meaning that on adoption 2020-21 information included within these accounts could be restated in the 2021-22 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 was agreed to delay this implementation until 1 April 2023 for the 2023-2024 financial year. 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 of low-value (value to be confirmed) and short-term leases (leases less than 12 months in length) will be exempt. The estimated impact based on current operating lease non-cancellable obligations is £8.8m which will be brought onto the balance sheet for 2021-2022, see Note 40. This will also include Peppercorn Rent. 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.

- **Grants in relation to the impact of the Coronavirus Pandemic**
The Council has received a Grant with Conditions in respect of the impact of the Coronavirus Pandemic. Under normal business operation, such Grants would be attributed appropriately to the relevant service line on the face of the CIES however, given the impact of the Pandemic across all services and at an intricate level, it has been determined that this specific Grant should be attributed to Other Operating Income and Expenditure.
- **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 PFI's and similar arrangements has been applied to these assets. Consequently, the assets relating to these contracts (£29.5m) 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 primarily funds operational running costs, repayment of initial capital or a combination of the two. In the case of the Council's PFI schemes it is assumed that third party income is primarily to support operating costs with all capital expenditure being funded from the PFI unitary payment the Council makes to the contractor.

- **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 2020-21.

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	67	66		1			
Foundation Schools	5		5				
Voluntary Controlled	19			2		17	
Voluntary Aided	29			2		27	
Academies	38						38
Community - Pupil Referral unit	2	1			1		
Studio	1				1		
Free school	2				2		
	163	67	5	5	4	44	38
		77	on Balance Sheet		86	off balance sheet	

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 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. They are 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 2021 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 and are still based amortised cost.	In order to mitigate the risk around non-valued assets and 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 £11.12m 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, approximately £0.71m 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 2021, the Actuaries advised that the net pension liability on the Local Government Pension Scheme was £485.1m, which includes a £255.6m increase based on changes in financial and demographic assumptions since 2019-20.	The pensions' liability and reserve will vary significantly should any of the assumptions prove inaccurate. For instance, a 0.5% decrease in discount rate would increase the pension liability by £210.3m or a one year increase in pensioner lifespans by £84.6m. 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.
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 +/- £23m.

Item	Uncertainties	Effect if Results Differ from Assumptions
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 on the impact of Covid-19 in the Narrative and in other relevant Notes (especially Notes 9,13 and 36). A further three schools became Academies during 2020-21, with a loss on disposal of £9.6m (Note 12).

7. Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Council's S151 Officer on 23 May 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 2021, 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.

During the intervening period between the publication of the draft and final accounts, the Chief Executive announced his planned departure on 19 May 2023 and an Acting Interim Chief Executive has been appointed. In addition, there has been a change in S151 Officer. The new postholder has been in post since 3 April 2023.

Since 31 March 2023, two new Councillors have been appointed to the Council, one from the Labour Party and one from the Conservative Party. Following the local elections on 4 May 2023, the Council now has a majority Labour membership.

It should be noted that none of the issues below have impacted the financial position at the 31 March 2021 as they are all non-adjusting items.

During the Audit of the draft accounts, a material amendment was made to the Property, Plant and Equipment values which has been articulated in the Prior Period Adjustment Note accordingly (Note 49).

Legislation relating to the right for businesses to appeal the level of Non-Domestic Rates in respect of a loss for material change of circumstances on the grounds of Coronavirus received Royal assent on 15 December 2021. The Council will therefore release the relevant provision made as at 31 March 2021 during the financial year 2021-22 accordingly (£7.727m).

A major development in Chester has taken place in the Northgate Area of the city which is a significant development and has fundamentally enhanced the environment and public experience. This opened in the Autumn of 2022.

Further to this, there have also been a number of changes in membership of the Council and this will increase due to the Local Government elections which took place on Thursday 4 May 2023.

In addition to the above, a Group Company, Vivo, was repatriated to the Council on 1 April 2022 and now forms part of internal business operation accordingly.

There are no other significant events after the Balance Sheet Date for 2020-21.

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 and 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 2020-21	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)	-10,088					10,088
Council tax and NDR (transfers to/from the Collection Fund Adjustment Account)	-46,559					46,559
Financial instruments (transferred to the Financial Instruments Adjustments Account)	122	3				-125
Financial Instrument Revaluation Reserve Pooled Investments - Statutory override	670					-670
Holiday pay (transferred to the Accumulated Absences Account)	-1,147					1,147
Depreciation of Non Current Assets	-40,268	-3,997				44,265
Impairment and Revaluation of Assets	5,876	-42				-5,834
Amortisation of Intangible Assets	-1,185					1,185
Movements in the fair value of investment properties	3,804					-3,804
Revenue expenditure funded from capital under statute	-2,872					2,872
Net assets written off to the CIES upon disposal or sale	-16,281	-1,510				17,791
Total Adjustments to Revenue Resources	-107,928	-5,546	0	0	0	113,474
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	2,911	1,450	-4,361			0
Non-current asset disposal costs funded from the CRR	-25		25			0
Statutory provision for the repayment of debt	14,816					-14,816
Posting of HRA resources from Revenue to the Major Repairs Reserve		10,579		-10,579		0
Payments to the government housing receipts pool (funded by a transfer from CRR)	-593		593			0
Capital expenditure charged against general fund	4,235					-4,235
Capital grants and contributions unapplied credited to the CIES	8,246				-8,246	0
Capital Grants and Contributions through the CIES	45,173					-45,173
Total Adjustments between Revenue and Capital resources	74,763	12,029	-3,743	-10,579	-8,246	-64,224
Adjustments to Capital Resources						
Use of Capital Receipts Reserve to finance capital expenditure			2,359			-2,359
Use of Major Repairs Reserve to finance capital expenditure				10,244		-10,244
Application of capital grants to finance capital expenditure					376	-376
Total Adjustments to Capital Resources	0	0	2,359	10,244	376	-12,979
Total Adjustments	-33,165	6,483	-1,383	-335	-7,870	36,270

It should be noted that the table below for 2019-20 has been re-stated.

2019-20 Comparative Figures

Adjustments between accounting basis and funding basis Restated 2019-20	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)	-28,871					28,871
Council tax and NDR (transfers to/from the Collection Fund Adjustment Account.)	2,024					-2,024
Financial instruments (t/f to the Financial Instruments Adjustments Account)	30	2				-32
Financial Instrument Revaluation Reserve Pooled Investments - Statutory override	-1,688					1,688
Holiday pay (transferred to the Accumulated Absences Account)	225					-225
Depreciation of Non Current Assets	-42,871	-3,917				46,788
Impairment and Revaluation of Assets	3,439	-3,674				235
Revaluation/Impairment of capital creditors/debtors	2					-2
Amortisation of Intangible Assets	-915					915
Movements in the fair value of investment properties	-6,606					6,606
Revenue expenditure funded from capital under statute	-1,441					1,441
Net assets written off to the CIES upon disposal or sale	-22,710	-1,859				24,569
Total Adjustments to Revenue Resources	-99,382	-9,448	0	0	0	108,830
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	15,678	2,224	-17,902			0
Non-current asset disposal costs funded from the CRR	-64		64			0
Statutory provision for the repayment of debt	22,059					-22,059
Posting of HRA resources from Revenue to the Major Repairs Reserve		10,843		-10,843		0
Payments to the government housing receipts pool (funded by a transfer from CRR)	-780		780			0
Capital expenditure charged against general fund	2,586					-2,586
Capital grants and contributions unapplied credited to the CIES	1,851				-1,851	0
Capital Grants and Contributions through the CIES	23,410					-23,410
Total Adjustments between Revenue and Capital resources	64,740	13,067	-17,058	-10,843	-1,851	-48,055
Adjustments to Capital Resources						
Use of Capital Receipts Reserve to finance capital expenditure			14,127			-14,127
Use of Major Repairs Reserve to finance capital expenditure				7,708		-7,708
Application of capital grants to finance capital expenditure					1,144	-1,144
Total Adjustments to Capital Resources	0	0	14,127	7,708	1,144	-22,979
Total Adjustments	-34,642	3,619	-2,931	-3,135	-707	37,796

9. Transfers to/from Earmarked Reserves

This note details 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 2020-2021 and 2019-20.

Revenue Earmarked Reserves	Balance at 31 March 2019	Transfers Out 2019-20	Transfers In 2019-20	Balance at 31 March 2020	Transfers Out 2020-21	Transfers In 2020-21	Balance at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Council Wide Reserves							
Long Term Liability	35,409	-4,301	14,164	45,272	-4,713	7,581	48,140
Insurance	8,577	-395	2,346	10,528	-3,211	774	8,091
Covid-19	0		10,833	10,833	-735	4,196	14,294
Collection Fund Deficit	1,170			1,170		41,390	42,560
Community Benefits	307	-166		141	-5		136
Discretionary Business Rate Grants	0			0		3,507	3,507
Directorate Reserves							
Unapplied Revenue Grants	10,068	-5,111	3,261	8,218		6,659	14,877
PFI	6,406		293	6,699		237	6,936
Revenue Budget Carry Forwards	3,385	-3,385	1,438	1,438	-1,438	9,997	9,997
HRA Pension Contingency	464		69	533		67	600
S106 Developer Contributions	510	-386	408	532	-36		496
Local Authority Elections	590	-567	219	242		142	384
Local Plan	0		160	160			160
Adoption Support Fund	127	-14	21	134	-9	18	143
Care Act	987	-897		90	-90		0
Deprivation of Liberty Safeguarding	207	-150		57			57
Transformation Reserves							
HR & Finance System Replacement	2,300	-675		1,625	-1,540	353	438
Renewable Energy	975	-134	484	1,325	-1,489	538	374
ICT Transformation	2,241	-678		1,563	-532	141	1,172
Delivering Council Priority Outcomes	2,091	-850		1,241	-753		488
Invest to Save	1,790	-766		1,024	-1,000		24
Flexible and Mobile Working	1,222	-826		396	-36		360
New Ways of Working	854	-696		158			158
Economic Growth Reserves							
Northgate Development	2,342	-703		1,639	-1,000		639
Winsford Cross Development Account	870		444	1,314		430	1,744
Partnership Reserves							
Health Integration	886	-261		625	-298		327
Mersey Forest	365	-105	138	398		38	436
Council Company Reserves							
Waste Collection Contract Exit Arrangements	0		22,934	22,934	-4,020		18,914
Council Company Reserves	1,315	-1,081	1,000	1,234	-398	4,020	4,856
Other Reserves and Balances	3,608	-1,225	404	2,787		356	3,143
Total	97,692	-32,998	59,616	124,310	-21,303	80,444	183,451

Significant movements during the year were:

- A net appropriation of £2.9m to the long term liabilities reserve, which includes £4.2m added to the reserve due to the capital financing underspend.
- A net appropriation of £2.4m from the insurance reserve which includes the release of £3m to support general Council expenditure in 2020-21.

- The net appropriation of £3.46m to the Covid-19 reserve to fund potential future pressures. This reserve will be needed if cost pressures exceed the funding from Central Government.
- The appropriation of £41.4m to the collection fund deficit reserve. This is funded mainly from S31 grant. The increase is as a result of a timing difference, with the grant received in 2020-21 to fund the deficit that will be released in 2021-22.
- The appropriation of £3.5m to a reserve for discretionary business rate grants. The grants will be used to support businesses in 2021-22.
- The net appropriation of £6.7m to the unapplied grant reserve. This is mainly due to the addition of £7.4m ringfenced Covid-19 grants.
- The net appropriation of £8.6m to the reserve for revenue budget carry forwards. This is the drawdown of £1.4m carry forwards in 2020-21, and the addition of £10m carry forwards to fund expected budget pressures in 2021-22.
- The drawdown of £4m from the waste collection reserve, to fund the ongoing costs the Council inherited on the hand back of the waste collection service from the previous service provider.
- The net appropriation of £3.6m to the Council company reserve, including £4m added to the reserve to support potential pressures in 2021-22, and longer term recovery.

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 repayment and the pension fund deficit.
Insurance	funds insurance liabilities relating to Cheshire West & Chester functions.
Covid-19	funding set aside from Council resources as a safeguard in the event that Covid pressures exceed the funding received from Central Government .
Collection Fund	equalisation fund to mitigate volatility in Business Rates income.

Directorate reserves

Unapplied revenue grants	enables 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.

Transformation reserves

ICT transformation	enables changes needed for cloud-based ICT.
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Economic growth reserves

Northgate development	funds available for working capital, as needed.
Winsford Cross development	funds available for working capital, as needed.

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 increased from £264m to £328.5m; an increase of £64.5m.

The major reasons for this are an increase of £19m for Adult Social Care, and a net expenditure effect of £47.7m in the “Other” area of the Council.

The increase of costs within Adult Social Care are due predominately to disbursement costs to Care Homes for Covid-19 related activity and an overall increase in external care costs during the year.

The movement in the net service cost for ‘Other’ area of the council is mainly as a result of the creation of a debtor with the former provider of the Council Waste contract and subsequent set up of a new Waste Company to provide the service in 2019-20 that hasn’t been replicated in 2020-21 (£21m). Along with this there has been an increase in Grant Funding provided by the Council in relation to Hardship Funds due to Covid-19 (£28.3m) and an increase in the IAS 19 Charge following a decrease in the previous year. During 2019-20 only deficits recovered in respect of upfront payments in 2017-18 being recovered over a three year period. This consequently reduced the impact of revaluations (-£10.8m), in 2020-21 payment of £5m was made with recovery over a further three-year period. An additional impact has been in relation to the re-statement of the previous year in line with Note 49 PPA.

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:

Other Operating Income & Expenditure	2020-21 £000	Restated 2019-20 £000
Loss / (Gain) on disposal of Non-current assets	1,008	-3,950
Parish Precepts	3,955	3,767
Levies	330	324
Housing Capital Receipts to National Pool	593	780
Cheshire West and Chester Share of Pension Guarantees and Loans	0	1,000
	5,886	1,921

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.

Financing & Investment Income & Expenditure	2020-21 £000	Re-stated 2019-20 £000
Interest payable and similar charges	11,553	12,075
Unrealised gains or losses on financial assets held at fair value through profit and loss transferred to Unusable Reserve	-3,804	414
Net interest on pension assets and liabilities	6,074	10,489
Interest receivable and similar income	-1,326	-2,022
Expected Credit Loss Allowance	1,472	1,205
Loss on transfer of schools to Academy status	9,674	10,854
Income and expenditure in relation to investment Properties and changes in their fair value	-3,652	2,894
Trading Accounts not related to Services	228	132
	20,219	36,041

It should be noted that the values for 2019-20 have been re-stated in line with Note 49 PPA.

13. Taxation and non-specific grant income and expenditure

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

Taxation and Non-specific Grant Income & Expenditure	2020-21 £000	2019-20 £000
Income:		
Council Tax	-197,709	-191,036
Non Domestic Rates	-29,474	-72,941
Covid-19 Emergency Grant	-15,667	0
Other COVID-19 Grants	-29,681	0
Revenue Support Grant	-3,340	-3,286
Capital Grants and Contributions	-53,519	-25,261
PFI Grants	-3,092	-3,061
Local Services Support Grant	-428	-383
New Homes Bonus	-10,178	-10,254
S31 Non Domestic Rates Grant Funding	-64,968	-8,033
Other Grants	-4,612	-1,616
Expenditure:		
Non Domestic Rates - Tariff and Levy Payment	18,338	18,816
	-394,330	-297,055

The significant decrease and increase in both Non-Domestic rates and S31 Non-Domestic rates grant funding is primarily due to the Government introducing 100% business rates relief to support retail hospitality and leisure businesses through the pandemic. The reduction in rates payable by businesses as a result of this relief was instead paid to local authorities by Central Government through S31 grants.

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 2021 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.

It should be noted that values for 2019-20 have been re-stated.

Other Comprehensive Income and Expenditure (CIES)	2020-21 £000	2019-20 £000
Property Revaluation (Gains)	-56,920	-69,451
Pension Deficit Remeasurement Losses/(Gains)	233,867	-195,536
	176,947	-264,987

- 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 there is a situation leading to an initial increase change and the asset value is reduced towards its original cost.
- Pension deficit re-measurements reflect revised estimates as to the value of future pension liabilities or assets made by Actuaries. The increased liability in 2020-21 reflects an increase in inflation and life expectancy in the financial assumptions used by the Actuary.

15. Property, Plant and Equipment

Property, Plant and Equipment Movements in 2020-21	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 2020	197,551	796,646	81,431	19,074	4,886	44,823	1,144,411
Additions	3,399	10,946	5,256	387	0	32,733	52,721
Revaluation Gain/(Loss) to Revaln Res	11,066	28,297	0	0	0	0	39,363
Reval/Impair Losses to SDPS	-143	-7,436	0	0	0	-4,026	-11,605
Reverse Reval/Impair to SDPS	32	7,587	0	0	0	0	7,619
Derecognition - Disposals	-1,516	-10,044	-835	0	-1,199	0	-13,594
Derecognition - Other	0	0	0	0	0	0	0
Re-classification of assets	499	0	0	0	0	-499	0
Reclass (to)/from Held for Sale	0	1,015	0	0	0	0	1,015
Reclass (to)/from Heritage	0	0	0	0	0	0	0
Reclass (to)/from Investment	0	2,508	0	0	0	-9,297	-6,789
Reclass (to)/from Intangible	0	0	0	0	0	0	0
Value as at 31 March 2021	210,888	829,519	85,852	19,461	3,687	63,734	1,213,141
Depreciation							
Accum Depn at 31 March 2020	-271	-2,420	-63,290	-76	0	-257	-66,314
Charges for the year	-3,997	-20,159	-5,856	0	0	0	-30,012
Revaluation Gain/(Loss) to Revaln Res	3,837	10,577	0	0	0	0	14,414
Reval/Impair Loss to SDPS	4	1,610	0	0	0	0	1,614
Reverse Reval/Impair to SDPS	66	8,140	0	0	0	0	8,206
Derecognition - Disposals	6	223	820	0	0	192	1,241
Derecognition - Other	0	0	0	0	0	0	0
Re-classification of assets	0	0	0	0	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
Accum Depn at 31 March 2021	-355	-2,029	-68,326	-76	0	-65	-70,851
Net Book Value at 31 March 2021	210,533	827,490	17,526	19,385	3,687	63,669	1,142,290
Net Book Value at 31 March 2020	197,280	794,226	18,141	18,998	4,886	44,566	1,078,097
Nature of Asset Holding							
Owned	210,533	804,994	15,869	19,385	3,687	63,669	1,118,137
PFI		22,496					22,496
Leased			1,657				1,657
Total	210,533	827,490	17,526	19,385	3,687	63,669	1,142,290

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

The Net Book Values for 2020-21 include £0.9m of assets which are held in partnership with Cheshire East Council at a 50% shared ownership agreement.

2019-20 Comparative Figures

Movements in 2019-20	Non-Current Assets						
	Council Houses £000	Re-stated Land and Buildings £000	Vehicles, Plant and Equipment £000	Re-stated Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Valuation at 31 March 2019	194,005	749,063	85,804	18,265	4,722	41,705	1,093,564
Additions	3,252	10,531	6,511	809	0	10,631	31,734
Revaluation Gain/Loss to RR	-508	61,053	0	0	37	0	60,582
Reval/Impair Losses to SDPS	-4,006	-13,761	0	0	-273	0	-18,040
Reverse Reval/Impair to SDPS	259	1,791	0	0	0	0	2,050
Derecognition - Disposals	-1,859	-13,941	-10,884	0	0	0	-26,684
Derecognition - Other	0	0	0	0	0	0	0
Re-classification of assets	6,408	705	0	0	400	-7,513	0
Reclass to/from Held for Sale	0	-2	0	0	0	0	-2
Reclass to/from Heritage	0	0	0	0	0	0	0
Reclass to/from Investment	0	1,207	0	0	0	0	1,207
Other Movements	0	0	0	0	0	0	0
Value as at 31 March 2020	197,551	796,646	81,431	19,074	4,886	44,823	1,144,411
Depreciation							
At 31st March 2019	-198	-4,494	-66,870	-76	0	-257	-71,895
Charges for the year	-3,917	-18,999	-6,257	0	0	0	-29,173
Revaluation Gain/Loss to RR	3,771	5,160	0	0	0	0	8,931
Reval/Impair Loss to SDPS	26	2,083	0	0	0	0	2,109
Reverse Reval/Impair to SDPS	47	13,637	0	0	0	0	13,684
Derecognition - Disposals	0	193	9,837	0	0	0	10,030
Derecognition - Other	0	0	0	0	0	0	0
Re-classification of assets	0	0	0	0	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
Accum Depn at 31 March 2020	-271	-2,420	-63,290	-76	0	-257	-66,314
Net Book Value at 31 March 2020	197,280	794,226	18,141	18,998	4,886	44,566	1,078,097
Net Book Value at 31 March 2019	193,807	744,569	18,934	18,189	4,722	41,448	1,021,669
Nature of Asset Holding							
Owned	197,280	766,144	16,688	18,998	4,886	44,566	1,048,562
PFI		28,082					28,082
Leased			1,453				1,453
Total	197,280	794,226	18,141	18,998	4,886	44,566	1,078,097

It should be noted that the values for 2019-20 have been re-stated in line with Note 49 PPA.

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.

Movements on Balances	2020-21 £000
Net Book Value (Modified historic cost) at 1st April 2020	261,002
Additions	27,977
Derecognition	0
Depreciation	-14,021
Impairment	0
Other Movement in Cost	0
Net Book Value (Modified historic cost) at 31 March 2021	274,958

In order to show a true and fair view of the overall position on PPE for 2020-21, the table below demonstrates the total Net Book Value balance of these assets.

Summary of Assets	31 March 21 £000
Infrastructure Assets	274,958
PPE	1,142,290
Total PPE Assets	1,417,248

In order to show a true and fair view of the overall position on PPE for 2019-20 as a comparator, the tables below demonstrate the total Net Book Value balance of these assets.

Movements on Balances	2019-20 £000
Net Book Value (Modified historic cost) at 1st April 2020	259,724
Additions	18,661
Derecognition	0
Depreciation	-17,383
Impairment	0
Other Movement in Cost	0
Net Book Value (Modified historic cost) at 31 March 2021	261,002

Summary of Assets	31 March 2020 £000
Infrastructure Assets	261,002
PPE	1,078,097
Total PPE Assets	1,339,099

Depreciation

The following useful lives and depreciation rates are used for depreciating new or revalued capital assets. In exceptional circumstances, other useful lives may be retained if appropriate to the asset. Operational Buildings will normally be assigned a 50 year useful life unless there is a reason to override this assumption. All depreciation is charged on a straight line basis.

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

Bases of valuations

The Council 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.

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 2021.

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

Council Houses are valued 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 2020-21. The Council has outsourced valuations of Investment properties. 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
Revaluation Year Of Net Book Value:				
31 March 2021	206,669	759,744	0	966,413
31 March 2020	0	33,645	165	33,810
31 March 2019	0	13,104	3,411	16,515
31 March 2018	0	12,160	111	12,271
31 March 2017	3,864	8,837	0	12,701
Total	210,533	827,490	3,687	1,041,710

Significant commitments under capital contracts

The value of significant commitments under capital contracts, where amounts of £0.5m or more are contracted to be paid after 31 March 2021, totals £51.8m (£7.4m as at 31 March 2020).

There have been new commitments included during 2020-21 including Phase 1 of the Northgate Project in Chester, Ellesmere Port Public Sector hub, and major improvement works to the infrastructure of Chester City Centre.

Capital Project	Contract Total 2020-21 £000	Amount paid to date 2020-21 £000	Outstanding balance 2020-21 £000	Outstanding balance 2019-20 £000
HRA Housing Management Contract	3,272	1,342	1,930	1,157
ICT Transformation	3,416	2,416	1,000	582
HR & Finance System Replacement	3,023	2,400	623	1,937
A51 Pinch Point	3,159	1,228	1,931	0
Ellesmere Port Public Sector Hub	14,432	6,487	7,945	0
Northgate Development Phase 1	47,375	15,039	32,336	0
Chester City Centre Infrastructure	7,135	2,574	4,561	0
School Basic Need	1,641	169	1,472	0
Highways and Transport - Term Maintenance Contract	15,499	15,499	0	3,750
Total	98,952	47,154	51,798	7,426

16. Heritage assets

Movements in 2020-21	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 2020	11,730	3,074	10,525	500	4,032	593	30,454
Additions	20	21	100	0	0	0	141
Revaluation Gains/Losses	0	0	0	0	0	0	0
Reclassification to/from INV Assets	0	0	0	0	0	0	0
Value as at 31 March 2021	11,750	3,095	10,625	500	4,032	593	30,595
Depreciation							
At 31st March 2020	-984	-5	0	0	0	0	-989
Charges for the year	-232	0	0	0	0	0	-232
Revaluation Gains/Losses	0	0	0	0	0	0	0
Reclassification to/from INV Assets	0	0	0	0	0	0	0
Accumulated Depn at 31 March 2021	-1,216	-5	0	0	0	0	-1,221
Net Book Value at 31 March 2021	10,534	3,090	10,625	500	4,032	593	29,374

Movements in 2019-20	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 2019	11,461	3,043	10,525	500	4,011	593	30,133
Additions	250	31	0	0	21	0	302
Revaluation Gains	3	0	0	0	0	0	3
Reclassification to/from INV Assets	16	0	0	0	0	0	16
Value as at 31 March 2020	11,730	3,074	10,525	500	4,032	593	30,454
Depreciation							
At 31st March 2019	-754	-5	0	0	0	0	-759
Charges for the year	-230	0	0	0	0	0	-230
Revaluation Gains/Losses	0	0	0	0	0	0	0
Reclassification to/from PPE Assets	0	0	0	0	0	0	0
Accumulated Depn at 31 March 2020	-984	-5	0	0	0	0	-989
Net Book Value at 31 March 2020	10,746	3,069	10,525	500	4,032	593	29,465

Historic buildings

The Council's historic buildings are currently held 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 or 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:

Investment Asset Income and Expenditure	2020-21 £000	2019-20 £000
Rental Income from Investment Property	-7,980	-8,601
Direct Expenditure Arising from Properties	3,983	3,370
Net Cost/(Income) in the Year	-3,997	-5,231

The movements in the value of investment properties during 2020-21 are analysed below.

It should be noted that the values for 2019-20 have been re-stated as per the PPA Note 49.

Investment Assets Movements in Year	2020-21 £000	Re-stated 2019-20 £000
Balance at Start of Year	131,238	140,529
Additions		
- Acquisitions	366	1,700
- Subsequent Expenditure		
Disposals		
- Outright Disposals	-2,953	-3,122
Impairments		-40
Fair Value Adjustments		
- Increases in Fair Value	12,970	6,151
- Decreases in Fair Value	-9,166	-12,757
Transfers (to) or from other asset categories	6,789	-1,223
Value as at 31 March	139,244	131,238

Details of investment properties and information about the fair values hierarchy as at 31 March 2021 are as follows:

It should be noted that the values for 31 March 2020 have been re-stated as per the PPA Note 49.

Investment Properties Fair Value hierarchy 2020-21	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair Value as at 31 March 2021	Fair Value as at 31 March 2020 [all Level 2]
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000	Total £000
Recurring fair value measurement using:					
Residential properties		105		105	410
Commercial units		83,216		83,216	78,175
Industrial units		44,191		44,191	36,767
Land (including Car Parks)		10,539		10,539	14,266
Other		1,193		1,193	1,620
Total	0	139,244	0	139,244	131,238

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. Local knowledge and understanding of the Council portfolio are used 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 2020-21 £000	Assets Under Construction 2020-21 £000	Total Assets 2020-21 £000	Total Assets 2019-20 £000
Balance at start of year:				
Gross carrying amount	6,561		6,561	2,836
Accumulated amortisation	-1,629		-1,629	-749
Net carrying amount at start of year	4,932	0	4,932	2,087
Purchases & Asset under Construction:				
Additions	1,919	2,400	4,319	3,760
Reclassification	0	0	0	0
Disposals:				
Gross carrying amount	-351		-351	-35
Accumulated amortisation	349		349	35
Amortisation for the Period	-1,185		-1,185	-915
Net carrying value at end of year	5,664	2,400	8,064	4,932
Comprising:				
Gross Carrying Amount	8,129	2,400	10,529	6,561
Accumulated Amortisation	-2,465	0	-2,465	-1,629
Total	5,664	2,400	8,064	4,932

19. Assets Held for Sale

The balance of Assets Held for Sale has decreased by £0.4m during 2020-21. The assets within this category are currently being marketed and expected to sell within the next 12 months.

Assets held for sale	2020-21 £000	2019-20 £000
Balance at Start of Year	5,750	10,900
Assets Transferred into Assets Held for Sale:		
Property, Plant and Equipment	1,118	2
Additions	0	37
Valuation Changes:		
- Revaluation Gains/Losses	3,143	-65
Assets Transferred out of Assets Held for Sale:		
Property, Plant and Equipment	-2,133	0
Assets sold	-2,513	-5,124
Balance at end of the year	5,365	5,750

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 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
	2020-21 and 2019-20	2020-21 and 2019-20
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 IFRS9 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 IFRS9 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	Investments Units
Income units in CCLA Local Authorities Mutual Investment Trust	1,545,356
Income units in Shroders Income Maximiser Fund	8,950,848

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

Financial Assets	Long Term		Short Term	
	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000
Assets at amortised cost				
Principal amount			51,800	5,100
Loss allowance			0	0
Assets at fair value through other comprehensive income (FVOCI)				
Equity investments elected FVOCI	0	0	0	0
Assets at fair value through profit and loss				
Pooled Property and Equity Funds	8,224	7,554		
Total Investments	8,224	7,554	51,800	5,100
Assets at amortised cost				
Principal amount			9,162	860
Loss allowance			-5	-1
Balance at Bank			2,771	2,238
Assets at fair value through profit and loss				
Money Market Funds			76,048	61,639
Total Cash and Cash Equivalents	0	0	87,976	64,736
Total Financial Assets	8,224	7,554	139,776	69,836

Reconciliation to Balance Sheet	Long Term		Short Term	
	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000
Assets at amortised cost				
Trade receivables/Debtors	24,779	28,191	44,311	49,248
Total	24,779	28,191	44,311	49,248
Other Debtors	0	0	34,108	19,338
Total Debtors	24,779	28,191	78,419	68,586
Amount Included in Debtors	24,779	28,191	44,311	49,248
Total Long Term Assets	33,003	35,745	184,087	119,084

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, notice accounts with banks and investments in instant access Money Market funds.

Cash and cash equivalents are reported on the Balance Sheet as £85.6 million which includes balance at bank of £0.372 million reported within the financial assets table.

Equity Instruments

Equity Instruments elected to fair value through other comprehensive income	Fair Value		Dividends	
	31 March 2021 £000	31 March 2020 £000	2020-21 £000	2019-20 £000
UKMBA 1p ordinary shares	0	0	0	0
Total Equity Instruments	0	0	0	0

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 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.

Details of the investments are as follows:

Instruments at fair value through profit and loss	Fair Value		Dividends	
	31 March 2021 £000	31 March 2020 £000	2020-21 £000	2019-20 £000
Schroder Income Maximiser Fund Class Z Units	3,757	3,055	233	370
CCLA LAMIT Property Fund Income Units	4,467	4,499	198	203
Money Market Funds	76,048	61,639	86	443
Total Instruments at fair value	84,272	69,193	517	1,016

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
	2020-21 and 2019-20	2020-21 and 2019-20
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 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000
Loans at amortised cost				
Principal Amount	231,806	264,028	54,463	17,047
Accrued Interest			2,653	2,692
Total Borrowing	231,806	264,028	57,116	19,739
Loans at amortised cost				
Bank Overdraft			2,399	2,310
Total Cash Overdrawn	0	0	2,399	2,310
Long Term Liabilities at amortised cost				
Finance Leases	1,170	1,197		
PFI contracts	23,190	24,399		
Amounts owed to Cheshire East Council	599	599		
Total Other Long Term Liabilities	24,959	26,195	0	0
Short Term Liabilities at amortised cost				
Finance Leases			716	577
PFI contracts			1,208	1,063
Trade Creditors			123,786	64,773
Total	0	0	125,710	66,413
Non financial instrument creditors	0	0	43,026	56,070
Total Creditors	0	0	168,736	122,483
Amount Included in Creditors	0	0	125,710	66,413
Total All Financial Liabilities	256,765	290,223	185,225	88,462

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 pay over of deductions for tax and national insurance to Government, receipts in advance or prepayments. These are not contractual arrangements whereby the Council is giving or receiving credit so they are not classed as financial instruments.

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 2021			31 Mar 2020		
	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	31,569	-31,569	0	27,083	-27,083	0
Total financial assets	31,569	-31,569	0	27,083	-27,083	0
Trade payables	0	0	0	0	0	0
Bank overdrafts	-33,968	31,569	-2,399	-29,393	27,083	-2,310
Total financial liabilities	-33,968	31,569	-2,399	-29,393	27,083	-2,310

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 2020-21 £000	Total 2019-20 £000
Interest payable	11,574				11,574	12,046
Loss on de-recognition	-48				-48	0
Fees paid	27				27	28
Interest payable and similar charges	11,553	0	0	0	11,553	12,074
Interest receivable	0	-809	0	0	-809	-749
Dividend income	0	0	0	-517	-517	-1,273
Interest receivable and investment income	0	-809	0	-517	-1,326	-2,022
Net impact on surplus / deficit on provision of services	11,553	-809	0	-517	10,227	10,052
(Gains)/Losses on revaluation		0	0	-670	-670	1,688
Impact on other comprehensive income	0	0	0	-670	-670	1,688
Net (Gain) / Loss for the Year	11,553	-809	0	-1,187	9,557	11,740

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 2021 of between 0.01% and 2.19% 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 repayment 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 AA rated corporate bond yield.

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 2021 £000	31 March 2021 £000	31 March 2020 £000	31 March 2020 £000
<u>Financial assets held at fair value</u>					
Money market funds	1	76,048	76,048	61,639	61,639
Pooled equity funds	1	3,757	3,757	3,055	3,055
Pooled property funds	1	4,467	4,467	4,499	4,499
<u>Financial assets held at amortised cost</u>					
Bank deposits and notice accounts	2	9,957	9,957	959	959
Loans to other local councils	2	51,000	51,000	5,000	5,000
Short term debtors	2	44,311	44,311	49,248	49,248
Long term debtors	2	24,779	24,779	28,191	28,191
Balance at Bank		372	372	-72	-72
Total Financial Assets		214,691	214,691	152,519	152,519
Recorded on the balance sheet as					
Long term investments		8,224		7,554	
Long term debtors		24,779		28,191	
Short term investments		51,800		5,100	
Short term debtors		44,311		49,248	
Cash and cash equivalents		85,577		62,426	
Total Financial Assets		214,691		152,519	

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.

The long term strategic shareholding in the CCLA Local Authorities Property Fund of £4,467 million (£4.499 million at 31 March 2020) has been moved back to Level 1 from Level 2 for the hierarchy for the year 2020-21. This move reflects the fact that the temporary suspension in dealing in units in the fund was lifted back in September 2020 meaning that there is once again an active market in these instruments.

Instant access pooled Money Market funds are valued using Level 1 inputs namely the ex-dividend share price on 31 March 2021.

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, 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.

In the current financial climate, being one of very low short term interest rates, the carrying value of such financial assets is very close to the fair value of such financial assets. This is supported by the rate of interest being earned at the financial assets at the balance sheet date being broadly in line with the rates of interest on offer, and available, in the financial markets on 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 2020.

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 2021 £000	31 March 2021 £000	31 March 2020 £000	31 March 2020 £000
Long and short term loans from PWLB	2	233,225	294,594	237,617	300,121
Long term LOBO loans	2	7,374	10,118	7,382	10,619
Other long and short term loans	2	48,323	55,929	38,767	46,171
PFI contracts	2	24,398	33,386	25,463	31,905
Finance leases and other long term liabilities	2	2,485	2,485	2,373	2,373
Short term creditors	2	123,786	123,786	64,773	64,773
Total Financial Liabilities		439,591	520,298	376,375	455,962
Recorded on the balance sheet as					
Long term borrowing		231,806		264,028	
Other long term liabilities		24,959		26,195	
Long term creditors					
Long term provisions					
Short term liabilities		1,924		1,640	
Short term borrowing		57,116		19,739	
Short term creditors		123,786		64,773	
Short term provisions					
Total Financial Liabilities		439,591		376,375	

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 repayments 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 yield available on AA rated corporate bonds 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.

The majority of the Council's long term loans have a fair value well in excess of the carrying value. This is not unsurprising given that the rate of interest payable on the Council's existing fixed rate long term loans are significantly higher than the interest rates prevailing at the balance sheet date. This is a consequence of raising fixed rate loans many years ago when long term interest rates were higher than current long term interest rates.

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

21. Debtors

The Council's debt position as at 31 March 2021 is:

Current Debtors	31 March 2021 £000	31 March 2020 £000
Trade receivables	44,311	49,248
Prepayments	2,631	11,679
Local Taxation	5,877	4,951
Other receivable amounts	25,600	2,708
Total	78,419	68,586

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.

Other receivable amounts have increased significantly (£23m) of which £17m relates to the indebtedness with DLUHC due to the impact of the Coronavirus Pandemic and associated support initiatives.

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:

Debtors for Local Taxation	31 March 2021 £000	31 March 2020 £000
Less than twelve months	9,710	6,552
More than one year	10,752	8,649
Total	20,462	15,201

An expected credit loss (bad debt provision) of £14.5m (2019-20 £10.2m) has been provided for. The increase is due to the impact of Covid-19 on the collection of debt, and the subsequent increase in debt outstanding.

Long Term Debtors

Long Term Debtors include a balance of £11.3m (£12.2m for 2019-20) relating to agreement with the previous Waste contractor on cessation of their contract.

22. Cash and Cash Equivalents

The following table shows the balance of cash and cash equivalents as at 31 March 2021:

	At 31 March 2021 £000	At 31 March 2020 £000
Bank Current Accounts	2,771	2,238
Bank Overdraft	-2,399	-2,310
Short Term Deposits	85,205	62,498
Total	85,577	62,426

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 2021 £000	31 March 2020 £000	Legal right to set off
Council fund account	31,569	27,083	Yes
Payables account	-32,654	-27,787	Yes
Payroll account	-1,314	-1,606	Yes
Instant access account	9,157	859	
Money market funds	76,048	61,639	
School bank accounts	2,281	1,833	
Imprest bank accounts	38	38	
Other	452	367	
Total	85,577	62,426	

23. Creditors

The Council's creditor position as at 31 March 2021 is analysed as follows:

Creditors	31 March 2021 £000	31 March 2020 £000
Trade payables	125,710	66,413
Receipts in advance	28,082	23,282
Other payables	14,944	32,788
TOTAL	168,736	122,483

The Council has an increase in Trade Payables liability due to the receipt of a Section 31 Government Grant supporting business during the pandemic totalling 35.2m. The associated liability for repayment of the grant has increased our Creditor position as at 31 March 2021.

The Council has also increased the use of accruals during the transitional period relating to migration to the new Finance Business system.

Receipts in Advance are mainly relating to Grants including specific conditions which will not be met until future periods (£13.1m) and advances on Local Taxation (£5.9m).

The Council has experienced a reduction within the 'Other' payables liability due to a significant in year deficit, relating to the award of 100% rate relief to retail, hospitality, and leisure businesses. As a result, the Council has been compensated by DLUHC for loss of revenues on the collection fund throughout the pandemic. As at 31 March 2021 the financial support to be received from DLUHC has been reported within the Council's Debtors.

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	Land Search Charges £000	Public Enquiry £000	Contribution Related Reward £000	Other ST Provisions £000	Short Term Total £000
Balance at 31 March 2019	414	0	822	477	359	2,072
Amounts used in year	-365	0	-144	-474	-148	-1,131
Unused amount released	0	0	0	-3	-11	-14
Additional provisions made	31	0	0	464	512	1,007
Balance at 31 March 2020	80	0	678	464	712	1,934
Amounts used in year	-31	0	0	-448	-400	-879
Unused amount released	-49	0	0	-2	-205	-256
Additional provisions made	30	0	0	804	430	1,264
Balance at 31 March 2021	30	0	678	818	537	2,063

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.

	Long Term Provisions						Long Term Total £000
	Insurance Provision £000	Closed Landfill £000	Business Rates £000	Care Contingency £000	Council Companies £000	Other LT Provisions £000	
Balance at 31 March 2019	3,229	2,819	14,208	250	1,000	1,796	23,302
Amounts used in year	-681	-146	-14,208	-70	0	0	-15,105
Unused amount released	-1,176	0	0	0	0	0	-1,176
Additional provisions made	1,089	0	16,173	0	750	99	18,111
Balance at 31 March 2020	2,461	2,673	16,173	180	1,750	1,895	25,132
Amounts used in year	-920	-121	-1,457	-180	-395	-333	-3,406
Unused amount released	-402	0	0	0	0	0	-402
Additional provisions made	2,210	0	6,731	0	0	1,100	10,041
Balance at 31 March 2021	3,349	2,552	21,447	0	1,355	2,662	31,365

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.
- **Care Contingency** – This provision covers a range of potential costs in ensuring that the Council and the agencies it commissions care through comply with all relevant legislation.
- **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 contribution to reserves of £76m during 2020-21. This largely reflects increases to Earmarked Reserves, the Schools Reserve, and the Capital Grants Unapplied Reserve. Further explanations are given below.

Usable reserves	31 March 2021 £000	31 March 2020 £000
Held for Revenue Purposes		
General Fund	24,726	24,726
School Reserves	15,505	8,295
Housing Revenue Account	663	651
Earmarked General Fund Reserves	182,851	123,779
Earmarked HRA Reserves	600	531
	224,345	157,982
Held for Capital Purposes		
Capital Receipts Reserve	12,306	10,923
Capital Grants Unapplied Reserve	24,616	16,746
Major Repairs Reserve	16,727	16,392
	53,649	44,061
Total	277,994	202,043

Revenue Reserves:

General Fund – The General Fund has not changed and remains at £24.7m.

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 2020-21 the reserve was topped up with £4.7m of receipts /income. This included general capital receipts (£1.6m), commercial property re-investment receipts (£0.2m), Right to Buy receipts (£1.1m) and specific capital receipts (£1.8m). £3.3m of the reserve was used to fund capital projects in 2020-21.

Capital Grants Unapplied Reserve - The increase in the capital grants unapplied reserve of £7.9m relates to the transfer of prior year grants in order to fund schemes in 2021-22. The movement primarily relates to a Public Sector Decarbonisation grant (£5.8m) which will be used in the delivery of sustainable energy measures for a number of Council assets to reduce carbon emissions and energy costs, Disabled Facilities Grant (£0.8m) to provide assistance to residents with disabilities to enable safe and independent living at home, Starter Homes funding (£0.6m) to deliver affordable housing and other minor movements.

Major Repairs Reserve – The Major Repair Reserve holds all the balances that the Housing Revenue Account 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 2020-21 the balance increased by £0.3m due to the planned revenue

contribution from the HRA. 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 that 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.

It should be noted that balances at 31 March 2020 in this note are all re-stated following the PPA Note 49.

Unusable reserves	31 March 2021 £000	Restated 31 March £000
Revaluation Reserve	411,395	372,234
Capital Adjustment Account	674,780	636,292
Financial Instruments Adjustments Account	-1,501	-1,626
Pensions reserve	-506,259	-262,304
Collection Fund Adjustment Account	-40,205	6,354
Accumulated Absences Account	-8,246	-7,099
Financial Instrument Revaluation Reserve	-2,082	-2,752
Total	527,882	741,099

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	2020-21 £000	Restated 2019-20 £000
Balance at 1 April	372,234	315,945
Upwards Revaluation of assets	57,995	72,907
Downward revaluations and impairment losses	-1,075	-3,456
Surplus on revaluation of non-current assets	56,920	69,451
Difference fair value and historic cost depreciation	-8,821	-7,258
Accumulated gains on assets sold or scrapped	-8,938	-5,904
Written off to the Capital Adjustment Account	-17,759	-13,162
Balance at 31 March	411,395	372,234

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	2020-21 £000	Restated 2019-20 £000
Balance at 1 April	636,293	632,649
Capital funded items charged to CIES		
Charges for depreciation	-44,265	-46,788
Amortisation of Intangible assets	-1,185	-915
Revaln and impairment losses on non current assets	5,834	-235
Revaluation/Impairment of capital creditors/debtors	0	2
REFCUS (Rev exp funded from capital under statute)	-2,872	-1,441
Assets written off to the CIES on disposal	-17,791	-24,569
Change in market value of investment properties charged to CIES	3,804	-6,606
Subtotal	-56,475	-80,552
Values released from revaluation reserve		
Depreciation costs funded from revaluation reserve	8,821	7,258
Revalued assets disposed of in year	8,938	5,904
	17,759	13,162
Net cost of non-current assets used in the year	-38,716	-67,390
Capital financing applied in the year		
Application of capital receipts	2,359	14,127
Transfer from Major Repairs Reserve	10,244	7,708
Capital grants and contributions from CIES	45,173	23,410
Funding from capital grants unapplied reserve	376	1,144
Statutory revenue provision for capital financing	14,816	22,059
Revenue contributions to capital costs	4,235	2,586
Subtotal	77,203	71,034
Balance at 31 March	674,780	636,293

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	2020-21 £000	Restated 2019-20 £000
Balance at 1 April	-1,626	-1,658
Adjustment to Opening Balance		
Premiums/discounts incurred in previous years released to CIES	-4	-3
Proportion of premiums/discounts incurred in previous financial years to be charged to against the General Fund Balance in accordance with statutory requirements	18	15
Amounts by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	111	20
Difference between costs charged to CIES and costs chargeable under statutory requirements	125	32
Balance at 31 March	-1,501	-1,626

Pensions Reserve

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

The deficit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources the Council has, to date, set aside to meet them. An increase in the deficit by £244m to a net liability of £506.3m has been reported in 2020-21 by the Fund's Actuaries. This is mainly due to an increase in the projected pension liabilities due to increased inflation and longer life duration assumptions. Statutory arrangements ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve Movement	2020-21 £000	Restated 2019-20 £000
Balance at 1 April	-262,304	-428,969
Adjustments (see Note 44)	0	3,815
Remeasurement of the net defined benefit liability	-233,867	195,536
Reversal of items Charged to CIES		
- Current Service Costs	-41,087	-52,520
- Past Service Costs, Settlements and Curtailments	176	353
- Net Interest Costs	-6,074	-10,489
Actual Pension Contris Charged to General Fund	36,897	29,970
Balance at 31 March	-506,259	-262,304

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 2020. The reserve represents accrued costs that have not been charged to the General Fund so it holds a deficit balance.

Accumulating Absences Adjustment Account	2020-21 £000	2019-20 £000
Leave Entitlement		
- School Based Staff	-6,589	-5,276
- Non School Staff	-1,657	-1,823
Balance at 31 March	-8,246	-7,099

Financial Instrument Revaluation Reserve

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

Financial Instrument Revaluation Reserve	2020-21 £000	2019-20 £000
Balance at 1 April	-2,752	-1,064
Downward revaluation of investments	670	-1,688
Balance at 31 March	-2,082	-2,752

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	2020-21			2019-20		
	Council Tax	Non Domestic Rates	Total	Council Tax	Non Domestic Rates	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	3,422	2,932	6,354	4,986	-656	4,330
Share of Collection Fund Surplus /(Deficit)	-5,134	-41,425	-46,559	-1,564	3,588	2,024
Balance at 31 March	-1,712	-38,493	-40,205	3,422	2,932	6,354
Billed Income for in year activities	-195,557	-69,549	-265,106	-185,081	-69,607	-254,688
Council Tax Collected for Parish Precepts	-3,955	0	-3,955	-3,767	0	-3,767
CWaC Contribution to (Surplus)/Deficit	-3,331	0	-3,331	-3,753	652	-3,101
Actual Collection Fund (Surplus)/Deficit	5,134	41,425	46,559	1,564	-3,588	-2,024
Income in CIES	-197,709	-28,124	-225,833	-191,037	-72,543	-263,580
Less Actual Surplus/(Deficit)	-5,134	-41,425	-46,559	-1,564	3,588	2,024
Income Credited to General Fund	-202,843	-69,549	-272,392	-192,601	-68,955	-261,556

The reserve holds a deficit of £1.7m for Council Tax which will be funded from Council budgets over the next three years; this is in line with Government regulations brought in to offset the negative impact of Covid-19. The movement of (£5.1m) from 2019-20 reflects the distribution of £3.3m of the brought forward balance to the Council and an in year deficit of £1.8m (Council share). The in year deficit reflects the impact of the Covid-19 pandemic – reduced housing growth, an increase in claimants of the Council Tax Reduction Scheme and reduced collection rates.

The reserve holds a deficit of £38.5m for Non-Domestic Rates. Much of this deficit is the result of reliefs awarded to businesses in the retail, hospitality and leisure sectors. These reliefs had not been announced at the time of the business rates income estimate (NNDR1) in January 2020. The Council has been reimbursed during 2020-21 for the cost of these reliefs and this will be placed in reserve to part-fund the deficit. The remaining deficit is the result of reduced collection rates due to the Covid-19 pandemic; this will be funded from Council budgets over the next three years, in line with Government regulations.

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.

It should be noted that values relating to 2019-20 have been re-stated.

Adjustments to remove non-cash items from the SDPS	2020-21 £000	Restated 2019-20 £000
Depreciation and amortisation of non current assets	-45,450	-47,702
Impairments and downward valuations	5,834	-238
Revaluation Gains on Investment Assets	3,804	-6,606
Reduction in fair value of soft loans	-111	-112
Pension Fund Adjustments	-10,088	-32,687
Other non cash Financial Instrument adjustments	0	0
(Increase)/ Decrease in Provisions	-25,681	-17,743
Increase/(Decrease) in Inventories	-25	7
Increase/(Decrease) in Debtors	7,531	32,020
(Increase)/Decrease in Creditors	-17,464	4,095
Carrying value of assets which have been sold	-17,820	-24,900
Other non cash movements	-1,147	4,045
Adjustments for Non Cash Items	-100,617	-89,821

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

Adjustments to remove Investing and Financing Activities from the SDPS	2020-21 £000	2019-20 £000
Proceeds from sale or disposal of non current assets	4,098	15,375
Capital grant income credited to SDPS	40,654	23,562
Income from Trading Operations	-4,118	5,496
Other adjustments for financing activities	4,391	4,722
Net cash flows from investing/financing activities in SDPS	45,025	49,155

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

Interest and Investment Income in Operating Activities	2020-21 £000	2019-20 £000
Interest received	-1,326	-2,022
Interest paid	11,553	12,074

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.

It should be noted that the comparative values for 2019-20 have been re-stated.

Investing Activities	2020-21 £000	2019-20 £000
Purchase of property, plant and equipment, investment property and intangible assets	80,379	57,889
Purchase of short-term and long-term investments	458,870	69,881
Other payments for investing activities		0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-4,098	-15,375
Proceeds from short-term and long-term investments	-411,500	-76,468
Capital grants received	-43,159	-23,341
Other receipts from investing activities	-4,391	-5,496
Net cash flows from investing activities	76,101	7,090

The large increase in 2020-21 is due to the Council holding higher levels of cash balances than it had in previous years. This is mainly due to items influenced by the recent Coronavirus Pandemic and included an increase in the amount of grant funding received from Central Government to 'pass through' to local businesses, a reduction in the amount of capital expenditure undertaken in the year, a reduction in revenue expenditure in certain areas countered in some part by increases in expenditure relating to the response to the Pandemic.

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.

Financing Activities	2020-21 £000	2019-20 £000
Cash receipts of short- and long-term borrowing	22,238	-14,031
Other receipts from financing activities	-4,992	-488
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,088	1,804
Repayments of short- and long-term borrowing	-27,432	18,844
Other payments for financing activities	4,119	-4,722
Net cash flows from financing activities	-3,979	1,407

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 2020-21 £000	Property Disposals / Valuations 2020-21 £000	Income 2020-21 £000	(Surplus)/ Deficit 2020-21 £000	Expenditure 2019-20 £000	Property Disposals / Valuations 2019-20 £000	Income 2019-20 £000	(Surplus)/ Deficit 2019-20 £000
Industrial & Commercial Properties	3,983	-1,032	-7,980	-5,029	3,370	6,432	-8,601	1,201
Transport Management Organisation	2,602	0	-2,376	226	2,189	0	-2,067	122
Grounds Maintenance	85	0	-83	2	98	0	-88	10
Total	6,670	-1,032	-10,439	-4,801	5,657	6,432	-10,756	1,333

- The Industrial and Commercial Properties trading account lets Council owned business premises to small and medium size enterprises across the Borough. Income and expenditure for the year has remained similar to previous years. Valuations for 2020-21 were done on all investment properties, with an increase in the valuation of the properties, compared with the decrease in 2019-20.
- 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 and increased contract costs for streetcare vehicles.
- 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 2020-21, 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 at 31 March 2021 relating to each of these bodies.

Non-Domestic Rates Collection Fund – Balances at 31 March	2020-21 Collection Fund £000	CWAC £000	Central Government £000	Cheshire Fire £000	2019-20 Collection Fund £000
Arrears	8,070	3,954	4,035	81	3,527
Impairment Allowance	-6,510	-3,190	-3,255	-65	-3,527
Appeals Provision	-43,769	-21,447	-21,884	-438	-33,007
Receipts in Advance	-2,954	-1,447	-1,477	-30	-2,208
(Surplus)/Deficit	78,555	38,492	39,277	786	-5,985
Amount owing (to)/from other bodies	0	-17,030	16,696	334	0

The move from a surplus of £6.0m to a deficit of £78.6m is primarily due to a timing issue relating to Central Government's decision to extend its award of 100 per cent relief to all retail, leisure and hospitality businesses after local authorities had submitted their estimates for the year.

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 2020-21 this was as follows – Cheshire West and Chester Council (84.77%), Cheshire Police Authority (11.06%), Cheshire Fire Authority (4.17%). The table below shows the balances at 31 March 2021 relating to each of these bodies.

Council Tax Collection Fund – Balances at 31 March	2020-21 Collection Fund £000	CWAC £000	Cheshire Police £000	Cheshire Fire £000	2019-20 Collection Fund £000
Arrears	17,595	14,898	1,985	712	14,385
Impairment Allowance	-12,013	-10,171	-1,356	-486	-8,908
Receipts in Advance	-5,357	-4,536	-604	-217	-4,378
(Surplus)/Deficit	2,020	1,713	223	84	-4,048
Amount owing (to)/from other bodies	0	-342	249	93	0

The move from a surplus of £4.0m to a deficit of £2.0m is due to the impacts of the COVID-19 pandemic – housing growth has reduced, the number of claimants of Council Tax reduction has increased, and debt levels have increased.

Business Support Grants

Throughout 2020-21, the Council has acted as an agent of both the Department for Levelling Up, Housing and Communities (DLUHC) and the Department for Business, Energy and Industrial Strategy, administering a number of different grant schemes to support local businesses through the pandemic. The following payments have been made to local businesses through these schemes:

Grant Type	Amount awarded £000
Small Business grant fund	45,870
Retail, hospitality and leisure grant fund	24,390
Local restrictions support grant (closed + addenda)	4,986
Local restrictions support grant (sector)	5
Christmas support payment for wet-led pubs	145
Business support package for January 2021 lockdown	29,334
	104,730

The Council has also distributed grants over which it has had a degree of discretion. These grants and the associated income have been accounted for within the Comprehensive Income and Expenditure Statement 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 2020-21, 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	2020-21 Net Debit £000	Amount Paid £000	Other Transactions £000	Cash Balance Awaiting Payment £000	2019-20 Net Debit £000
Winsford	109	-100	2	11	109
Gadbrook Park	209	-175	-48	-14	223
Northwich	132	-149	-7	-24	190
CH1	395	-334	-77	-16	391
West Chester	100	-93	7	14	95
Total	945	-851	-123	-29	1,008

32. Members' Allowance

In accordance with the Local Authorities (Member's Allowances) Regulations 2003, the total amount spent on member's allowances in 2020-21 was £1.10m. 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.

	2020-21 £000	2019-20 £000
Basic Allowance	855	854
Special Responsibility Allowance	207	198
Members National Insurance Contributions	67	63
Travel and Accommodation expenses	2	24
Total Members' Allowances	1,131	1,139

From the 1 April 2017, the Mayor and deputies' allowance was funded by the City of Chester Charter Trustees, which became a precept funded body from the same date. Prior to this, Cheshire West and Chester funded the Mayor and deputy allowances.

33. Officers' Remuneration

The table below shows the number of employees (excluding Senior Officers) who were paid more than £50,000 but less than £129,999 in 2020-21. Pay includes salary costs, taxable travel costs and any redundancy payments. It does not include employers' pension or national insurance contributions.

Employee Pay Band	2020-21	2019-20
£50,000 - £54,999	199	184
£55,000 - £59,999	91	67
£60,000 - £64,999	73	70
£65,000 - £69,999	59	40
£70,000 - £74,999	24	21
£75,000 - £79,999	11	11
£80,000 - £84,999	9	5
£85,000 - £89,999	3	3
£90,000 - £94,999	2	4
£95,000 - £99,999	2	3
£100,000 - £104,999	3	1
£105,000 - £109,999	2	3
£110,000 - £114,999	0	1
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
Total	478	413

The number of staff paid above £50,000 has increased due to incremental rises and the annual pay award which has taken more staff over the threshold.

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 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 2020-21 £
2020-21 Current structure:			
Mr A Lewis - Chief Executive	162,448	39,475	201,923
Deputy Chief Executive - Places	137,675	33,455	171,130
Deputy Chief Executive - People	138,125	33,564	171,689
Chief Operating Officer - Corporate Services	126,193	30,665	156,858
Director of Children's Social Care (left 11/04/2021)	111,527	27,101	138,628
Director of Integrated Adult Social Care & Health	100,184	24,345	124,529
Director of Commercial Management & Delivery	101,109	24,570	125,679
Director of Public Service Reform	101,559	24,679	126,238
Director of Environment & Communities	107,011	26,004	133,015
Director of Public Health	100,890	24,576	125,466
Director of Early Intervention and Commissioning	101,502	24,665	126,167
Director of Finance	98,095	23,837	121,932
Director of Economy & Housing - from 01/09/20	58,980	14,332	73,312
Director of Integrated Commissioning	60,665	-	60,665
Director of Governance/Monitoring Officer - Full time from 01/10/2020	51,676	12,559	64,235
Director of Governance/Monitoring Officer - Job share until 30/09/2020	40,995	9,963	50,958
Director of Governance/Monitoring Officer - Job share until 30/09/2020	40,624	9,871	50,495
Director of Education - Job Share to 31/08/2020	24,761	-	24,761
Director of Education - Job Share to 31/08/2020	26,487	-	26,487
Director of Education & Inclusion - Full time from 01/09/2020	45,553	-	45,553
Director of Places Strategy - left 26/04/2020	8,239	1,727	9,966
Total	1,744,298	385,388	2,129,686
Number of posts in management structure as at 31 March 2021 - 16			
Total contractual value of salary for the year - £1.67m			

The Director of Education job share ended on 31/08/2020, with the post becoming full time from 01/09/2020.

The Director of Governance/Monitoring Officer job share ended on 30/09/2020, with the post becoming full time from 01/10/2020

A new Director of Economy & Housing started in post on 01/09/2020.

No additional payments were made to any officers in connection to elections during 2020-21. The scheduled 'National' election for the Police & Crime Commissioner was cancelled in May 2020 and there were no other local elections or Neighbour Plan Referendums held between 1 April 2020 and 31 March 2021.

2019-20 Comparative Figure

Post holder information (Post title)	Salary, Fees & Allowances	Employer Pension Contributions	Total Remuneration including Pension Contributions 2019-20
	£	£	£
2019-20 Current structure:			
Mr A Lewis - Chief Executive	158,100	39,999	198,099
Deputy Chief Executive - Places	133,991	33,900	167,891
Deputy Chief Executive - People	133,991	33,900	167,891
Chief Operating Officer - Corporate Services	117,614	29,756	147,370
Director of Children's Social Care	108,821	27,532	136,353
Director of Place Commissioning and Commercial Management	99,382	25,010	124,392
Director of Public Services Reform	98,853	25,010	123,863
Director of Places Strategy	98,403	24,896	123,299
Director of Place Operations	96,548	24,427	120,975
Director of Public Health	94,045	24,170	118,215
Director of Integrated Early Support	91,429	23,132	114,561
Director of Integrated Adult Social Care and Health	90,435	19,146	109,581
Director of Finance	88,741	22,452	111,193
Director of Governance/Monitoring Officer - Job share	83,412	21,480	104,892
Director of Education - full time until 31/08/2019, Job Share from 01/09/2019	75,892	10,487	86,379
Director of Governance/Monitoring Officer - Job share	39,541	10,004	49,545
Director of Education (job share) from 01/09/2019	18,546	-	18,546
Director of Education (interim job share)	12,756	3,227	15,983
Director of Adults - from 16/03/2020 (not paid in year)	-	-	-
Total	1,640,500	398,528	2,039,028
Number of posts in management structure as at 31 March 2020 - 15			
Total contractual value of salary for the year - £1.63m			

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	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
	People	Restated People	People	Restated People	People	Restated People	£000	Restated £000
£0 - £20,000	22	24	4	25	26	49	161	337
£20,001 - £40,000	6	5	3	6	9	11	266	322
£40,001 - £60,000	0	2	2	1	2	3	105	150
£60,001 - £80,000	0	3	0	1	0	4	0	285
£80,001 - £100,000	0	0	0	1	0	1	0	97
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	1	0	1	0	176
£200,001 - £250,000	0	0	0	0	0	0	0	0
Total	28	34	9	35	37	69	532	1,366

34. Audit Costs

The Council auditors are Grant Thornton UK LLP and will incur audit fees of £274k relating to external audit activities, in addition to £27k for grant certification for Housing Benefit Subsidy claim, Teachers Pension Certificate and Housing Receipts Capital Pooling.

Fees Payable for Audit Work	2020-21 £000	2019-20 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	274	141
Fees payable to Grant Thornton in respect of certification of grant claims and other services	27	23
Total	301	164

Additional costs have been incurred due to the enhanced audit rigour emanating from the Redmond Review and additional work around the outcomes of this rigour. These fees are approved by the PSAA and in accordance with due governance processes.

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 £278.596m in 2020-21. This initial allocation is reduced by £70.478m 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 (-£0.110m) to give a reported allocation of £208.6m.

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 2020-21 were as follows:

DSG for 2020-21	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2020-21 before academy and high needs recoupment			278,596
Academy and high needs figure recouped for 2020-21			-70,478
Total DSG for 2020-21 (after Academy and high needs recoupment)			208,118
Plus Brought forward from 2019-20			1,018
Less Carry forward to 2021-22 agreed in advance			-426
Agreed initial budgeted distribution in 2020-21	44,794	163,916	208,710
In year adjustments	-146	36	-110
Final budgeted distribution for 2020-21	44,648	163,952	208,600
Less: Actual Central Expenditure	-46,106	0	-46,106
Less: Actual ISB deployed to Schools	0	-163,952	-163,952
Carry Forward 2020-21	-1,458	0	-1,458
Total carry forward to 2021-22			-1,032

Overspends on central expenditure are carried forward by the Council as part of its Earmarked Reserves. This amount equated to a deficit of £1.032m (£1.0m in 2019-20) as at the end of 2020-21. Unspent ISB is retained by the individual schools and recorded on the Balance Sheet in the School Balances reserve (£15.505m) at 31 March 2021 (£8.3m 31 March 2020).

2019-20 Comparative Figure

DSG for 2019-20	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2019-20 before Academy and High			266,516
Academy and high figure recouped for 2019-20			-64,770
Total DSG for 2019/20			201,746
Balance brought forward from 2018-19			2,131
Carry forward to 2020-21 agreed in advance			-984
Agreed initial budgeted distribution in 2019-20	44,787	155,855	202,893
In year adjustments	148	92	240
Final budgeted distribution for 2019-20	44,935	155,947	203,133
Less: Actual Central Expenditure	-44,901		-44,901
Less: Actual ISB deployed to Schools		-158,198	-158,198
Funds undeployed 2019-20	34	-2,251	34
Carried forward to 2020-21			1,018

36. Grant and Taxation Income

The following grants, contributions and donations were credited to the CIES in 2020-21:

Grant income	2020-21 £000	2019-20 £000
Credited to Local Taxation and Non Specific Grant Income		
Used to finance Council activities in year		
Local Taxation:		
Council Tax	197,708	191,036
Non-Domestic Rate	29,474	72,941
Non Specific Grant Income:		
S31 Non Domestic Rates Grant Funding	64,968	8,033
Revenue Support Grant	3,340	3,286
Local Services Support Grant	428	383
New Homes Bonus	10,178	10,254
PFI Grant	3,092	3,061
Housing and Council Tax Benefit Administration Subsidies	850	793
Covid Emergency Grant	15,667	0
Outbreak Management	8,038	0
Infection Control	7,529	0
Income Compensation	7,137	0
Test and Trace/Self Isolation/Rapid Testing/Community Testing	3,501	0
Covid Hardship Fund	2,424	0
Home to School Transport	1,052	0
Other Core Revenue Grants	3,762	823
Used to finance Capital Expenditure		
Capital Grants Utilised in Year	45,173	21,121
Capital Contributions Utilised in Year	970	2,289
Donated assets	100	0
Set aside for future Capital Financing		
Capital Grants Set Aside for Future Usage	7,276	1,851
Total	412,667	315,871

Credited to Services		
Dedicated Schools Grant (DSG)	207,572	201,672
Public Health Grant	16,538	15,825
Covid Emergency Grant	0	9,430
Mandatory and HRA Rebates	7,537	8,043
Independent Living Fund	1,499	1,499
Sixth Forms Funding (Young Peoples Learning Agency)	5,558	5,283
Mandatory Rent Allowances: subsidy	54,390	56,461
Adult and Community Learning	820	918
Pupil Premium Grant	9,329	9,422
Improved Better Care Fund/Adult Social Care Support Grant	18,393	13,013
PE and Sports Grant	1,966	2,049
Devolved Formula Capital	0	215
Disabled Facilities Grant	2,717	2,569
Universal Infant Free School Meals	3,085	3,275
Other Grants	23,965	15,711
Total	353,369	345,385

The significant increase in grant income compared to 2019-20 largely relates to grants awarded to help manage the impact of Covid-19. These include discretionary grants to businesses of £13.7m included in the S31 Non-Domestic Rates Grant Funding line above as well as the other Covid-19 specific grants detailed above.

The increase Capital Grants Utilised in year relate to; Highways Network (£21.6m), Housing (£6.8m), the Ellesmere Port Hub (£6.3m), and Schools (£4.8m).

The main grants included in Other Grants relate to; Teacher's Pay and Pensions (£8.1m), Mersey Forest (£3.6m), COVID 19 (£2m), Bus Services (£0.8m) and Rough Sleepers (£0.7m).

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they still have conditions attached. 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	2020-21 £000	2019-20 £000
Devolved Formula Capital	1,348	1,355
Other Grants	850	749
Transport Funding	4,351	2,116
s106 and other Contributions	13,478	13,303
Total	20,027	17,523

Revenue Grants Receipts in Advance	2020-21 £000	2019-20 £000
Dept of Education - Various	407	365
Dept of Transport - Various	0	0
Ministry of Housing, Communities and Local Government	35	8,840
Learning and Skills Council - Adult Education Funding	1,174	864
Other Govt Bodies	9,233	532
Other	520	343
Total	11,369	10,944

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 (2019-20 comparators in brackets).

- Funding from Government: (Note 36) - £539m (£397m)
- Non-Domestic Rates Share Payable: (Collection Fund) - £70.7m (£70.8m)

In previous years, the Non-Domestic rates tariff and levy payments have been payable to Central Government. However, from 1 April 2016 the Council became a member of the Greater Manchester and Cheshire business rates pool. Consequently, the tariff and levy are now payable to Manchester City Council as the administrator of the pool. The main benefit to the Council of this arrangement is that the levy payable of £0.4m is half of what would otherwise have been payable to Central Government if the Council was not a member of the pool. The total payment made to Manchester City Council in 2020-21 in relation to the tariff and levy is £18.3m

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 £26.4m (Police) and £10.0m (Fire) in respect of Council Tax precepts and shares of a prior year surplus and £1.4m (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 £35.1m (2019-20 £28.1m). 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 2021, the amount due to the pension fund was £258k. Monthly contributions were also due to the fund as at 31 March 2021 of £2.8m. The contributions related to March 2021, paid April 2021.

The Cheshire Pension Fund has set up an arm's length company, LGPS Central Limited, 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 2020-21 this figure was £18.2m (2019-20 £14.2m).

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 2020-21 amounted to £6.4m (2019-20 £6.3m).

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 2020-21 is shown in Note 32.

During 2020/21 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 2020-21:

Organisation	Member/Officer
ASPIRE Academy Trust (Victoria Road Primary School)	Cllr Cooper
Castle Park Trust	Cllr Bowers Cllr Deynem Cllr Riley
Chapter (West Cheshire) Limited	Cllr Delaney
Cheshire Fire Authority	Cllr Daniels Cllr Delaney Cllr Houlbrook Cllr Lewis
Cheshire Police & Crime Panel	Cllr S Parker Cllr Rudd Cllr Wheeler Cllr Wright
Cheshire West Voluntary Action	Cllr Bisset Cllr Delaney Cllr Riley
Concordia Multi Academy Trust (Childer Thornton Primary School)	Cllr Denson
Countess of Chester NHS Foundation Trust	Cllr Hogg
ENTEP Properties Ltd	Cllr Collings Cllr B Jones
Hoole Community Development Trust	Cllr Denson
ITS Technology Group Ltd	Cllr Watson
Manchester Port Health Authority	Cllr M Jones
Mid Cheshire Hospitals NHS Foundation Trust (MCHT)	Cllr Riley
Neston Community Youth Centre Limited	Cllr Lewis
Neston High School (Academy)	Cllr Gittins
North West Academies Trust Limited (Oak View Academy)	Cllr Gittins
North West Inshore Fisheries Conservation Authority	Cllr Baynham
Tattenhall Community Association	Cllr P Williams
Thermo Fisher Scientific	Cllr M Jones
Transport for the North	Cllr Baynham
Winsford Youth Forum	Cllr Cooper Cllr Gittins Cllr Shore
Youth Federation	Cllr Blackmore Cllr Langan

The following Members and Officers of the Council held interests in the following companies, which had transactions with the Council during 2020-21 in which the Council also has an interest:

Organisation	Member/Officer
Avenue Services (NW) Limited	Cllr Board Cllr Beacham Cllr Gahan Cllr Delaney Cllr Little Cllr Richards
Cheshire West Recycling Ltd	Officer C Seward Officer M Byrne Officer G Pink Officer K McIlwaine
Cheshire & Warrington Local Enterprise Partnership	Cllr Gittins
Cowest Services Ltd	Officer C Seward
HQ Management Company Ltd	Officer H Job Officer G Joyce
Vivo Care Choices Ltd	Cllr Armstrong

In accordance with Section 117 of the Local Government and Finance Act 1972, all Senior Officers of the Council have been asked to declare any interests in other bodies with whom the Council may have dealings. No significant "pecuniary interests" have been identified during 2020-21.

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 the Group Accounts are Brio Leisure, Cheshire Provider Services (Vivo), Edsential CIC, Avenue Services Limited and Cheshire West Recycling. The Council's relationship with Qwest is that of a joint operation which is 'outside the scope' of group accounts. Information is included below on these entities and any others the Council has a material interest in. The values included below comprise all component values for the relevant party and the details of the Council involvement in that party are given in the details of arrangement column below.

Interest in Companies 2020-21	Details of Arrangement	2020-21						
		Total Assets £000	Total Liabilities £000	Total Equity	Turnover £000	Operating Profit/ (Loss) £000	Actuarial gains/ (losses) £000	Total Profit/(Loss) for the year £000
Associates								
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 £0.6m and income totalling £0.01m. Included in the Council's accounts was £0.004m of trade debtors.	1,586	-1,269	-317	2,189	-1	0	-5
	2019-20	1,332	-1,026	-306	2,237	5	0	8
Subsidiaries								
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 has a £8.3m pension liability and the Council is guarantor for this should the company cease trading. During the year the Council had expenditure with Brio totalling £2.1m and income totalling £0.3m. Included in the Council's accounts was £0.1m of trade debtors and £0.9m of trade creditors .	1,833	-10,098	-8,265	2,780	-82	-5,605	-475
	2019-20	1,423	-5,608	-4,184	12,533	-833	1,811	-1,934

Interest in Companies 2020-21	Details of Arrangement	2020-21						
		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 Provider Services/Vivo Care Choices Limited	<p>These organisations have been in operation since December 2013 delivering the Council's non-residential adult social care services. The Council owns a 100% stake in a management company (Cheshire Provider Services Trading Company) which in turn owns 100% of Vivo Care Choices, the ultimate care provider. The company is contracted to provide services until the end of March 2020.</p> <p>The accounts include a £17m pension liability and the Council is guarantor for this should the company cease trading. During the year the Council had expenditure with Vivo and CPS totalling £15.1m and income totalling £0.2m. At the year end the Council included £0.2m of trade debtors and £0.5m of trade creditors.</p>	3,062	-19,444	-16,382	16,162	-351	-9,865	-436
	2019-20	2,405	-7,594	-5,189	-15,842	-1,773	6,906	-1,674
Cheshire West Recycling	<p>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.</p> <p>The accounts include a £1m pension liability and the Council is guarantor for this should the company cease trading. During the year the Council had expenditure with CWR totalling £12.2m and income totalling £0.5m. At the year end the Council included £0.2m of debtors and £0.2m of creditors. At the year end included within the Council debtors is a 0.9m loan advanced to CWR.</p>	2,269	-3,991	-1,722	14,896	-599	-1,064	-626
	2019-20							
Joint Operation								
CoWest Services Limited (Qwest)	<p>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.</p> <p>During the year to 31st March 2021 the Council had expenditure with Qwest of £5.2m and income of £0.4m. A net pension gain of £181k exists and the Council is guarantor for this cost should the company cease trading.</p>	11,695	-11,823	-128	17,915	843	-3,486	542
	2019-20	8,975	-10,067	-1,092	16,246	383	-1,231	330
Joint Venture								
Edsential CIC	<p>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.</p> <p>The CIC has a £9.9m pension liability, £8.3m of this is in relation to Cheshire Pensions and the Council is guarantor for this element should the company cease trading. During the year the Council had expenditure with Edsential totalling £5.3m and income totalling £2.1m, £1.3m of trade debtors, included within the Council's creditors is £0.6m of trade creditors.</p>	4,293	-15,784	-11,491	10,159	-1,496	0	-1,496
	2019-20	4,791	-13,915	-9,124	18,740	323	0	197

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 2020-21 the Partnership reviewed the payment and notified the Council that no payment was required for the year (£nil in 2019-20). As a minority General Partner, Cheshire West and Chester Council is not required to include the financial activities of Evergreen in its group accounts.

Chester Renaissance Limited

Cheshire West and Chester Council have an ongoing interest in Chester Renaissance Limited. The Council is the parent company thus identifying Chester Renaissance as a subsidiary. This organisation is no longer active except for the purpose of distributing funds held in the bank account.

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 2020-21 group accounts, (turnover of £2m (Including £1.7m of grant) and net assets of £2.4m) (£3.5m turnover and £3m assets 2019-20). During the year Council had income of £0.3m from PSP Cheshire West, included in Council's debtors is £0.01m of trade debtors.

HQ Management Company Limited

The Council holds a 50% interest in HQ Management Company Limited. The company manages the common areas around the HQ building in Chester. The current level of financial activity is insufficient to have a material impact on the Council's 2020-21 group accounts. During the year Council had income of £0.01m from the HQ Management Company, there was no amount due within trade debtors.

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. They closed their latest year (to Sept 20) with properties valued at £0.5m and net current assets (£1.0m) which is largely cash. During the year Council had income of £0.02m from ENTEP Properties, there was no amount due within trade debtors.

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. Cheshire West and Chester Council is the administering authority of the fund and therefore hold a shareholding in the company. 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. During the year Council had expenditure of £1.4m with LGPS Central, there was no amount owed within trade creditors.

38. Better Care Fund

The Better Care Fund (BCF) is a national initiative led by NHS (England) which was launched on 1 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 2020-21 the Cheshire West and Chester BCF combined the required minimum pooling of £29.4m of existing resources held by each Commissioning Partner, namely; Cheshire West and Chester Council, and the now combined Cheshire Clinical Commissioning Group, through a pooled budget.

Funding of £720k brought forward from the previous year was also available, and of this a total of £169k was used. Additional underspends of £1.28m throughout 2020-21 have resulted in £1.83m being made available in future years (of which £1.24m is part of the ringfenced Disabled Facilities Grant).

Funding was utilised to deliver several schemes which aim to improve outcomes across a range of national conditions including managing transfers of care, reducing non-elective hospital admissions, admissions to long term care and improving the effectiveness of reablement.

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 2020-21 is shown below:

Minimum Pooling 2020-21	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 2019/20	0	-698	0	-21	0	-719
Income	-12,742	-13,317	-16,662	-18,383	-29,404	-31,700
Expenditure	12,742	12,317	16,662	18,270	29,404	30,587
Total	0	-1,698	0	-134	0	-1,832
BCF Funding C/Fwd to 2020/21	0	-1,698	0	-134	0	-1,832

Minimum Pooling 2019-20	Cheshire West and Chester Council		West Cheshire Clinical Commissioning Group		Vale Royal Clinical Commissioning Group		Total	
	Plan £000	Actual £000	Plan £000	Actual £000	Plan £000	Actual £000	Plan £000	Actual £000
BCF Funding B/Fwd from 2018-19	0	-933	0	0	0	0	0	-933
Income	-11,908	-12,133	-11,411	-11,438	-4,396	-4,807	-27,715	-28,378
Expenditure	11,908	12,368	11,411	11,438	4,396	4,786	27,715	28,592
Total	0	-698	0	0	0	-21	0	-719
BCF Funding C/Fwd to 2019-20	0	-698	0	0	0	-21	0	-719

The Council does not act as the lead commissioner for the BCF as a whole but is lead commissioner of its own element of the BCF (and the Community Equipment Scheme on behalf of the Local Authority and Cheshire CCG) which is reported in the Council statement of accounts.

In 2020-21 the Council received income of £9.05m from the CCG to deliver the elements of schemes for which it is responsible for. In addition, the Council received capital grant funding from the Disabled Facilities Grant of £3.69m which has been capitalised. There has been slippage in certain schemes resulting in the need to carry forward an element of this funding which has been committed in 2020-21. All the expenditure incurred by the Council has been charged in accordance with individual scheme specifications.

Additionally, in 2020-21 the Local Authority received the Improved Better Care Fund grant. The value of the grant was £9.040m with expenditure of £9.046m. This was pooled within the BCF.

The Local Authority also received the Winter Funding grant to aid service delivery over the winter period. The value of this grant was £1.467m with expenditure of £1.467m. This was also pooled within the BCF.

39. Capital Expenditure and Financing

The Council's Capital Financing Requirement has risen in year as capital costs of £93.01m were greater than funding set aside of £77.3m. The overall Capital Financing Requirement will be funded from a combination of future revenue contributions, capital receipts and external funding.

	2020-21 £000	2019-20 £000
Opening Capital Financing Requirement	506,321	520,133
Capital Investment		
- Expenditure on capital assets		
- Property, plant and equipment	80,698	50,395
- Heritage assets	141	302
- Investment assets	366	1,700
- Intangible assets	4,319	3,760
- Assets Held for Sale	0	37
Loans transferred to Long Term Debtors	0	71
- REFCUS - expenditure of a capital nature	7,492	6,583
- Change in value of capital creditor	-2	-2
Total	93,014	62,846
Sources of Finance		
- Capital Receipts applied	-2,359	-14,127
- Govt grants and contributions applied	-45,173	-23,410
- Tfr from unapplied grants and contributions	-376	-1,144
- Revenue contributions	-4,235	-2,586
- Income from repayment of capital debtors	-74	-151
- Release of surplus capital creditors	-30	-331
- Use of other Capital Reserves	-10,244	-7,708
- Revenue provision for debt repayment	-14,816	-22,059
Total	-77,307	-71,516
REFCUS income	-4,620	-5,142
Closing Capital Financing Requirement	517,408	506,321
Explanations of Movement in Year		
Increase in underlying need to borrow (unsupported)	9,969	-14,773
Assets acquired under finance leases	884	788
Assets acquired / Disposed under PFI/PPP contracts	234	173
Increase in Capital Financing Requirement	11,087	-13,812

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 2020-21 £000	Vehicles, Plant and Equipment 2019-20 £000
Net Book Value at 1 April	1,453	2,271
New Leases	884	788
Depreciation	-668	-785
Disposals	-12	-821
Value at 31 March	1,657	1,453

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	2020-21 £000	2019-20 £000
Current (payable within 1 year)	716	577
Non Current	1,170	1,197
Finance costs payable in future years	119	206
Minimum lease payments	2,005	1,980

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

Age Profile of Finance Lease Payments	Minimum Lease Payment		Finance Lease Liabilities	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
No later than one year	765	679	716	577
Between one and five years	1,234	1,269	1,164	1,165
Later than five years	6	32	6	32
	2,005	1,980	1,886	1,774

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 2020-21, 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 maintenance within the borough. The contractors involved will utilise a range of vehicles and equipment to provide the services required. Following an assessment of the arrangements, the Council has determined that these contracts represent embedded leases as the assets are for the sole use of the authority.

Authority as Lessee: Operating Leases**Commitments under Operating Leases**

The Council was committed at 31 March 2021 to making payments of £8.8m 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 2020-21 were £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 2020-21 was £0.5m.

The Council operates a salary sacrifice scheme whereby it leases cars on behalf of an employee who signs an agreement to agree to be liable for future payments. There are currently 62 employees who are part of this scheme with an annual cost of £0.3m. As the Council carries no risk associated with these arrangements and no Council funds are committed, they are not included as Council leases.

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

Age Profile of Operating Lease Payments	2020-21 £000	2019-20 £000
No later than one year	1,178	995
Between one and five years	2,840	2,778
Later than five years	4,769	4,546
	8,787	8,319

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 2021 the outstanding income linked to future usage of these properties was as below:

Age Profile of Sub-lease payments receivable	2020-21	2019-20
No later than one year	119	153
Between one and five years	5	146
Later than five years	0	34
	124	333

The lease payments payable and sublease income receivable in 2020-21 is:

Lease payments and Sub-lease receivable	2020-21	2019-20
Minimum Lease payments	137	127
Sublease Payments Receivable	-119	-153
	18	-26

During December 2020, the Council terminated the lease of Hoole Community Centre and the associated onward sub-lease which has reduced the subleases received from £333k in

2019-20 to £124k in 2020-21. The result of this is that the Council therefore made a marginal shortfall between lease payments and sub-leases receivable.

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:

Age Profile of Lease Income	2020-21 £000	2019-20 £000
No later than one year	15,415	15,895
Between one and five years	32,272	33,755
Later than five years	164,399	170,087
	212,086	219,737

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 2020-21 no contingent rents were received by the authority (in 2019-20 the authority received £266K).

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 PFIs and similar arrangements has been applied to these assets. Consequently, the assets relating to these contracts (£22.5m) 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 primarily 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.

The table below has been re-stated in line with the PPA requirements in Note 49 of the accounts.

Movement in PFI Asset Values	2020-21			Restated 2019-20		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Net Book Value	8,432	19,650	28,082	7,610	12,448	20,058
Additions/Disposal	70	164	234	21	152	173
Revaluations	528	-5,362	-4,834	953	7,669	8,622
Depreciation	-168	-818	-986	-152	-619	-771
Closing Net Book Value	8,862	13,634	22,496	8,432	19,650	28,082

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 2020-21.
- Financing Cost: 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	2020-21			2019-20		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Service Costs	1,024	164	1,188	1,013	69	1,082
Financing Costs	615	810	1,425	644	845	1,489
Contingent Rents	103	107	210	139	118	257
Liability Repayment	322	741	1,063	371	756	1,127
Lifecycle Costs	176	164	340	53	152	205
Total	2,240	1,986	4,226	2,220	1,940	4,160

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 2020-21 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	2020-21			2019-20		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Liability	-7,810	-17,651	-25,461	-8,181	-18,407	-26,588
Payments made in year	322	741	1,063	371	756	1,127
Closing Liability	-7,488	-16,910	-24,398	-7,810	-17,651	-25,461

Future Payments under the PFI Contracts	Service Costs £000	Principal Payments £000	Capital Costs £000	Interest £000	Total £000
Schools					
Obligations Payable in 2021-22	830	422	24	589	1,865
Due between 2022-23 and 2025-26	3,528	1,845	213	2,035	7,621
Due between 2026-27 and 2030-31	5,128	3,094	364	1,578	10,164
Due between 2031-32 and 2033-34	2,526	2,128	121	284	5,059
Total	12,012	7,489	722	4,486	24,709
Extra Care					
Obligations Payable in 2021-22	101	786	159	776	1,822
Due between 2022-23 and 2025-26	880	2,776	1,317	2,766	7,739
Due between 2026-27 and 2030-31	1,122	4,461	1,561	2,679	9,823
Due between 2031-32 and 2035-36	1,571	5,153	2,154	1,621	10,499
Due between 2036-37 and 2038-39	818	3,735	718	332	5,603
Total	4,492	16,911	5,909	8,174	35,486

PFI Funding

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

The nature of the Government funding is such that the Council receives a fixed grant payment each year. These payments are not index linked and will not alter throughout the contract period. The Unitary Payment is index linked and will vary with inflation over the thirty years of the scheme. 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 below.

Movement in Equalisation Reserves during the year	2020-21			2019-20		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Balance	5,368	1,331	6,699	5,138	1,268	6,406
In Year Additions	97	140	237	230	63	293
Closing Balance	5,465	1,471	6,936	5,368	1,331	6,699

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.

During 2020-21 no interest costs were capitalised.

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 2020-21, the Council paid £18.8m (2019-20, £16.2m) to Teachers' Pension in respect of teachers' retirement benefits, representing 23.65% (2019-20, 20.7%) 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 2020-21 equated to £27k (2019-20 £26k) representing 14.3% 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 2020 the four strategies were as follows:

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

The net return on investments for the Fund for the 2020-21 year was a gain of £1,055m (2019-20 loss of £34m). The fund achieved a return on its investments of 17.1% (2019-20 - 1.3%), against a tailored benchmark of 10% (2019-20 - 0.8%). For the three years ending 31 March 2021 (2020) the Fund achieved an annualised return of 7.2% (3.4%) per annum against the Fund's benchmark return of 4.8% (2.2%) per annum.

Teachers Discretionary Payments

The Council also funds discretionary early retirement benefits for teachers and this scheme is unfunded. The Council paid £4.5m in 2020-21 (£4.7m in 2019-20) in relation to this scheme, of which £2.9m (£3.0m in 2019-20) 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 2020-21 £000	Teachers Unfunded Scheme 2020-21 £000	LGPS Unfunded Scheme 2020-21 £000	Total 2020-21 £000	LGPS 2019-20 £000	Teachers Unfunded Scheme 2019-20 £000	LGPS Unfunded Scheme 2019-20 £000	Total 2019-20 £000
Comprehensive Income and Expenditure Statement (CIES)								
Service cost comprising:								
Current service cost	41,087	0	0	41,087	52,520	0	0	52,520
Past service costs and curtailments	115	0	0	115	775	0	0	775
(Gain) from settlements	-291	0	0	-291	-1,128	0	0	-1,128
Financing and Investment Income and Expenditure								
Net Interest Cost (Note 12)	5,621	427	26	6,074	9,925	531	33	10,489
Total post-employment benefits charged to SDPS	46,532	427	26	46,985	62,092	531	33	62,656
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)	-206,536	0	0	-206,536	19,589	0	0	19,589
Actuarial Gains / Losses arising on changes in demographic assumptions	28,882	1,924	15	30,821	-73,153	-1,497	-116	-74,766
Actuarial Gains / Losses arising on changes in financial assumptions	428,093	211	85	428,389	-140,231	-801	-36	-141,068
Other experience	-18,443	-366	2	-18,807	755	-86	40	709
Total post-employment benefit charged to the CIES	278,528	2,196	128	280,852	-130,948	-1,853	-79	-132,880
Movement in Reserves Statement								
Reversal of net charges made to the SDPS for post-employment benefits	-46,532	-427	-26	-46,985	-62,092	-531	-33	-62,656
Actual charged to the General Fund								
Employers' contributions	35,093	0	0	35,093	28,086	0	0	28,086
Retirement Benefits Payable	0	1,665	139	1,804	0	1,735	148	1,883

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 2020-21 £000	Teachers Unfunded 2020-21 £000	LGPS Unfunded 2020-21 £000	Total 2020-21 £000	LGPS 2019-20 £000	Teachers Unfunded 2019-20 £000	LGPS Unfunded 2019-20 £000	Total 2019-20 £000
Present value of obligations	-2,114,897	-19,935	-1,188	-2,136,020	-1,641,417	-19,404	-1,199	-1,662,020
Fair value of plan assets	1,629,761	0	0	1,629,761	1,399,716	0	0	1,399,716
Net Pension Liability	-485,136	-19,935	-1,188	-506,259	-241,701	-19,404	-1,199	-262,304

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities	LGPS 2020-21 £000	Teachers Unfunded 2020-21 £000	LGPS Unfunded 2020-21 £000	Total 2020-21 £000	LGPS 2019-20 £000	Teachers Unfunded 2019-20 £000	LGPS Unfunded 2019-20 £000	Total 2019-20 £000
Opening Balance 2019-20 Accounts	1,641,417	19,404	1,199	1,662,020	1,801,957	28,234	0	1,830,191
Adjustments (Note 1)		0	0	0		-5,242	1,426	-3,816
Revised Opening balance	1,641,417	19,404	1,199	1,662,020	1,801,957	22,992	1,426	1,826,375
Current Service Costs	41,087	0	0	41,087	52,520	0	0	52,520
Interest Cost	37,697	427	26	38,150	43,440	531	33	44,004
Contribution by Scheme Members	7,750	0	0	7,750	7,513	0	0	7,513
Remeasurement gains and losses:								
Actuarial gains/losses arising from changes in demographic assumptions	28,882	1,924	15	30,821	-73,153	-1,497	-116	-74,766
Actuarial gains/losses arising from changes in financial assumptions	428,093	211	85	428,389	-140,231	-801	-36	-141,068
Other experience	-18,443	-366	2	-18,807	755	-86	40	709
Benefits Paid	-49,873	-1,665	-139	-51,677	-49,859	-1,735	-148	-51,742
Past Service Costs & Curtailments	115	0	0	115	775	0	0	775
Liabilities Extinguished on Settlement	-1,828	0	0	-1,828	-2,300	0	0	-2,300
Closing balance at 31 March	2,114,897	19,935	1,188	2,136,020	1,641,417	19,404	1,199	1,662,020

Movement in Fair Value of Assets	LGPS 2020-21 £000	Teachers 2020-21 £000	LGPS 2020-21 £000	Total 2020-21 £000	LGPS 2019-20 £000	Teachers 2019-20 £000	LGPS 2019-20 £000	Total 2019-20 £000
Opening Balance	1,399,716	0	0	1,399,716	1,401,222	0	0	1,401,222
Interest income	32,076	0	0	32,076	33,515	0	0	33,515
Remeasurement gains and (losses):								
Return on plan assets, excluding the amounts included in net interest	206,536	0	0	206,536	-19,589	0	0	-19,589
Employer Contributions	35,093	0	0	35,093	28,086	0	0	28,086
Contribution by scheme members	7,750	0	0	7,750	7,513	0	0	7,513
Contributions - unfunded benefits	0	1,665	139	1,804		1,735	148	1,735
Benefits paid	-49,873	0	0	-49,873	-49,859	0	0	-49,859
Unfunded benefits paid	0	-1,665	-139	-1,804	0	-1,735	-148	-1,735
Assets distributed on Settlement	-1,537	0	0	-1,537	-1,172	0	0	-1,172
Closing balance at 31 March	1,629,761	0	0	1,629,761	1,399,716	0	0	1,399,716

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	Quoted Prices not in active markets	Total	Share of Total Assets	Quoted Prices in active markets	Quoted Prices not in active markets	Total	Share of Total Assets
	2020-21 £000	2020-21 £000	2020-21 £000	%	2019-20 £000	2019-20 £000	2019-20 £000	%
Cash & Cash Equivalents	0	72,469	72,469	4%	0	40,953	40,953	3%
Equity Securities:								
By industry type:								
Consumer	26,395	0	26,395	2%	17,704	0	17,704	1%
Manufacturing	31,622	0	31,622	2%	14,212	0	14,212	1%
Energy and Utilities	1,352	0	1,352	0%	2,065	0	2,065	0%
Financial Institutions	16,514	0	16,514	1%	19,687	0	19,687	1%
Health and Care	11,740	0	11,740	1%	8,574	0	8,574	1%
IT	119,259	0	119,259	7%	70,290	0	70,290	5%
Other	10,897	0	10,897	1%	5,071	0	5,071	0%
	217,779	0	217,779	14%	137,603	0	137,603	10%
Private equity:	0	62,992	62,992	4%	0	52,694	52,694	4%
Real Estate:								
UK	0	115,505	115,505	7%	0	112,118	112,118	8%
Overseas		2,060	2,060	0%	0	1,954	1,954	0%
	0	117,565	117,565	7%	0	114,072	114,072	8%
Investment funds and unit trusts:								
Equities	309,242	0	309,242	19%	214,644	0	214,644	15%
Bonds	571,710	113,000	684,710	42%	518,926	103,193	622,119	45%
Hedge Funds	0	99,976	99,976	6%	0	159,839	159,839	11%
Other	0	65,028	65,028	4%	0	57,792	57,792	4%
	880,952	278,003	1,158,955	71%	733,570	320,824	1,054,394	75%
Total Assets	1,098,731	531,030	1,629,761	100%	871,173	528,543	1,399,716	100%

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, a method for estimating future pension payments dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the Unfunded Teachers Liability have been assessed by Hymans Robertson, an independent firm of actuaries. Demographic estimates for the Council Fund are based on the latest valuation of the scheme as at 31 March 2019.

This report and note do not address any risks to the Fund itself e.g. due to the Coronavirus pandemic. 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 2020-21	Teachers Unfunded Liabilities 2020-21	LGPS Unfunded Liabilities 2020-21	LGPS 2019-20	Teachers Unfunded Liabilities 2019-20	LGPS Unfunded Liabilities 2019-20
Financial Assumptions						
Rate of increase in salaries	3.6%	n/a	n/a	2.6%	n/a	n/a
Rate of increase in pensions	2.9%	2.9%	2.9%	1.9%	1.9%	1.9%
Discount rate used						
Rate used to Discount liabilities	2.0%	2.0%	2.0%	2.3%	2.3%	2.3%
Demographic Mortality Assumptions						
Longevity at 65 for current pensioners						
Men	21.4 years	21.4 years	21.4 years	21.2 years	22.2 years	22.3 years
Women	24.0 years	24.0 years	24.0 years	23.6 years	23.6 years	24.5 years
Longevity at 65 for future pensioners						
Men	22.4 years	n/a	n/a	21.9 years		n/a
Women	25.7 years	n/a	n/a	25.0 years		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 analysis below has been determined based on reasonable and possible changes of the assumptions occurring at the end of the reporting period. This assumes for each change that the assumption analysed moves 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 Unfunded £000	LGPS Unfunded £000	LGPS £000	Teachers Unfunded £000	LGPS Unfunded £000
Longevity (change by 1 year)	84,596	797	47	-84,596	-797	-47
Salary inflation (change by 0.1%)	3,965	0	0	-3,965	0	0
Pension inflation (change by 0.1%)	35,865	2,345	106	-35,865	-2,345	-106
Discount rate (change by 0.1%)	-40,287	-2,345	-106	40,287	2,345	106

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 valuation was 31 March 2019 and applies for the period from 1 April 2020 to 31 March 2023.

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 2021-22 is £29.7m.

45. Contingent Liabilities

At 31 March 2021, 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. It is anticipated that works will continue over the next 2-3 years. At the most recent review these costs were estimated at £3m. 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. 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 2021, 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 2017.

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 2020-21 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 2020-21 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 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.

Loss allowances on treasury investments have been provided for in the Council's account using publicly available historic default data. The amount provided at 31 March 2021 was £5,000 (31 March 2020 £1,000).

Form of Financial Asset Held	Credit rating	31 March 2021		31 March 2020	
		Long Term £000	Short Term £000	Long Term £000	Short Term £000
Fixed Term Deposits	A+			0	
Call Accounts	A+		9,962	0	866
Fixed Term Deposits	A			0	
Call Accounts	A			0	94
Fixed Term Deposits	Unrated local councils		51,000	0	5,000
Sub-total		0	60,962	0	5,960
UKMBA Shareholding	n/a			0	0
Pooled Equity and Property Funds	n/a	8,224		7,554	0
Money Market Funds	n/a		76,048	0	61,639
		8,224	137,010	7,554	67,599

The Council has provided working capital loans to four Council owned companies during the year 2020-21. The maximum amount available to the four companies totals £6.5 million. At the balance sheet date just two of the companies were making use of the facility. The amount of this facility in use was £1.975 million gross, £0.764 million net of expected credit losses of £1.211 million.

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	31 March 2021		31 March 2020	
		Balance Sheet £000	Risk Exposure £000	Balance Sheet £000	Risk Exposure £000
Council owned company	Interest free rates	0	2,500	750	2,000
Council owned company	Market rates	764	4,000	1,664	4,000
Total		764	6,500	2,414	6,000

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 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 2021 £000
Current	9.7%	39,667	-3,850	35,817
Past due < 3 Months	2.3%	2,899	-68	2,831
Past due 3-6 Months	6.3%	1,797	-112	1,685
Past due 6-12 Months	89.5%	2,124	-1,901	223
Past due 12+ Months	82.2%	2,772	-2,278	494
Deferred Debt	13.2%	1,813	-240	1,573
Total		51,072	-8,449	42,623

Period	Impairment allowance rate %	Trade Receivables £000	Impairment Loss £000	31 March 2020 £000
Current	21.4%	46,444	-5,072	41,372
Past due < 3 Months	1.5%	3,392	-60	3,332
Past due 3-6 Months	9.2%	1,163	-120	1,043
Past due 6-12 Months	78.6%	848	-626	222
Past due 12+ Months	72.9%	1,816	-1,373	443
Deferred Debt	13.6%	2,216	-240	1,976
Total		55,879	-7,491	48,388

Housing Revenue Account

Period	Impairment allowance rate %	HRA Tenant Arrears £000	Impairment Loss £000	31 March 2021 £000
Up to 28 days	3.0%	118	-4	114
29 - 60 days	4.0%	195	-8	187
61 - 90 days	10.0%	158	-16	142
91 - 120 days	70.0%	119	-83	36
121 - 150 days	70.0%	97	-68	29
151 - 180 days	70.0%	79	-56	23
181 - 365 days	73.5%	195	-143	52
Debt over 365 days	87.4%	1,624	-1,419	205
Total		2,585	-1,797	788

Period	Impairment allowance rate %	HRA Tenant Arrears £000	Impairment Loss £000	31 March 2020 £000
Current	3.0%	0	0	0
Up to 28 days	4.0%	138	-4	134
29 - 60 days	10.0%	191	-7	184
61 - 90 days	70.0%	163	-16	147
91 - 120 days	70.0%	122	-85	37
121 - 150 days	70.0%	101	-71	30
151 - 180 days	70.0%	62	-43	19
181 - 365 days	70.0%	150	-108	42
Debt over 365 days	90.0%	1,652	-1,385	267
Total		2,579	-1,719	860

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 2 working days. In addition, the Council can also borrow at higher rates 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 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 2020-21 £000
In the next financial year	1,670	648	7,537	5,000	14,855
In the following financial year		528		0	528
In 2 to 5 years		416			416
In 5 to 10 years	12,794	2			12,796
In 10 to 15 years	18,729				18,729
In 15 to 20 years	22,035				22,035
In 20 to 25 years	7,088		5,184		12,272
In 25 to 30 years	19,656				19,656
In 30 to 40 years	30,520		5,194		35,714
Total	112,492	1,594	17,915	5,000	137,001

Profile of Borrowing in relation to HRA activities	Public Works Loans Board £000	Salix Loans £000	Banks £000	Other Local Authorities £000	Total 2020-21 £000
In the next financial year	20,095		90	4,000	24,185
In the following financial year	2,018				2,018
In 2 to 5 years	6,454				6,454
In 5 to 10 years	12,212				12,212
In 10 to 15 years	14,299				14,299
In 15 to 20 years	16,742				16,742
In 20 to 25 years	3,677		5,098		8,775
Total	75,497	0	5,188	4,000	84,685

Profile of Borrowing in relation to Northgate and Barons Quay	Public Works Loans Board	Salix Loans	Banks	Other Local Authorities	Total 2020-21
	£000	£000	£000	£000	£000
In the next financial year	3,076			15,000	18,076
In the following financial year	2,480			7,000	9,480
In 2 to 5 years	7,440				7,440
In 5 to 10 years	12,400				12,400
In 10 to 15 years	12,400				12,400
In 15 to 20 years	7,440				7,440
Total	45,236	0	0	22,000	67,236

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 'live' 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 is on site and is scheduled for completion in Summer 2022.

The Council is beginning the redevelopment of Winsford Cross Shopping 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 will match the external funding with its own capital investment and the scheme is scheduled to commence during 2021-22.

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 2020-21 but all other circumstances been the same, the financial effect would be:

Impact of a 1.0% increase in interest rates	£000
Increase in interest receivable on variable rate investments	-1,340
Increase in interest payable on variable rate loans	91
Impact on Income and Expenditure Statement	-1,249
Reduction in the fair value of fixed rate borrowing (notional impact only)	-36,516
Reduction in the fair value of fixed rate investments (notional impact only)	n/a
Impact of a 5.0% fall in equity prices	£000
Reduction in the fair value of pooled fund investments	184
Impact of a 5.0% fall in commercial property prices	£000
Reduction in the fair value of pooled fund investments	218

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 2021 would result in a £218,000 (31 March 2020: £219,000) 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 2021 would result in a £184,000 (2020: £145,000) 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 2020-21, 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	2020-21				
	Income £	Expenditure £	Assets £	Liabilities £	Reserves £
Castle Park Trust The building and park land were given to the former Runcorn Rural District Council in 1933 to hold on trust for the public benefit of the area	-106,624	117,392	689,446	-3,905	-685,541
The Grosvenor Park A park for the enjoyment and recreation of the inhabitants of the city	-8,000	8,000	3,172,260	0	-3,172,260
Johnston Recreation Ground Held for the general benefit of the residents of Willaston	-588	0	2,502	0	-2,502
Little Sutton Reading and Recreation Rooms Held for the general benefit of the residents of Little Sutton	0	0	2,479	0	-2,479
Fred Venables Literary Trust Established in 1998 to provide annual book prizes to young people attending secondary schools	0	0	12,099	0	-12,099
Reg Chrimes Trust for the Arts 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

2019-20 Comparative Figures

Trust Funds	2019-20				
	Income £	Expenditure £	Assets £	Liabilities £	Reserves £
Castle Park Trust	-98,152	107,106	699,514	-888	-698,626
The Grosvenor Park	-52,776	52,776	3,172,260	0	-3,172,260
Johnston Recreation Ground	-525	1,000	1,914	0	-1,914
Little Sutton Reading and Recreation Rooms	0	0	2,479	0	-2,479
Fred Venables Literary Trust	0	0	12,099	0	-12,099
Reg Chrimes Trust for the Arts	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

49. Prior Period Adjustment to Single Entity Accounts

Context

In arriving at these amendments, it should be noted that this note to the accounts relates to the single entity values only. Any impact on the Group Accounts is directly relating to the adjustments made at the single entity level and are reflected accordingly.

Any adjustments made are as a direct result of the materiality of their impact on the Accounts for 2020-21.

Background

A number of matters influenced the audit of the accounts relating to the Financial Year 2020-21 and in summary these are listed below;

- Following the Redmond report commissioned by The Department for Levelling Up, Housing and Communities amendments were made to the regulation governing the External Audit process.
- Completion of a technical audit review of the Accounts and supporting working papers.
- An increased focus on Non-Current Assets and Information Technology systems.

This resulted in an increased workload for both the External Auditors and the Finance Team involved in the provision of data and responses to audit query.

As a result of this a number of areas within the draft Accounts published on the Council website were amended and this note articulates these in the following narrative.

Property, Plant and Equipment

The 2020-21 opening balance for property, plant and equipment has been adjusted downward by £85.9million. The adjustment relates to valuations of a number of non-current assets as follows:

- School Valuations
 - A duplication in the calculations included in valuations templates resulted in a double count of the DfE guidance in relation to uplifting pupil-facing internal areas of a property to the complete area of a property (i.e. communal or staff areas)
 - The historic treatment of obsolescence (weighted) may have resulted in a number of duplications in valuation assessments
- External Works - considerations in Depreciated Replacement Cost Assets
 - Consequential consideration of advice received from an External Valuer review of these assets resulted in adjustments to the valuation templates for prior periods in line with RICS guidance

Overall Effect of the Prior Period Adjustment

As a matter of course, when working through the amended non-current asset values for the prior periods, there has been an impact across several areas within the account's schedules. Therefore, individual summaries of the impacts have been recorded in the tables below. The main elements of impact include;

- The value of assets recorded on the Balance Sheet
- Levels of Reserves carried in each year (Movements in Reserves)

- Depreciation values carried in the CIES and Balance Sheet
- Impact on the Cash Flow

Balance Sheet

	Opening Balances as at 1 April 2019 £000's	Restated at 1 April 2019 £000's	Restatement £000's
Property, Plant and Equipment	1,342,855	1,284,002 -	58,853
Heritage Assets	29,374	29,374	-
Investment Properties	137,922	137,922	-
Intangible Assets	2,087	2,087	-
			-
Long Term Investments	9,242	9,242	-
Long Term Debtors	11,828	11,828	-
Long Term Assets	1,533,308	1,474,455 -	58,853
Short Term Investments	9,999	9,999	-
Assets held for Sale	10,900	10,900	-
Current Intangible Assets	-	-	-
Inventories	128	128	-
Short Term Debtors	52,088	52,088	-
Cash and Cash Equivalents	35,330	35,330	-
Landfill Allowance Trading Scheme	-	-	-
Current Assets	108,445	108,445	-
Cash and Cash Equivalents	-	-	-
Short Term Borrowing	- 21,748 -	21,748	-
Short Term Creditors	- 111,325 -	111,325	-
Provisions < 1 yr	- 2,072 -	2,072	-
Current Liabilities	- 135,145 -	135,145	-
Provisions	- 23,302 -	23,302	-
Long Term Borrowing	- 266,967 -	266,967	-
Pension Fund Liability	- 428,969 -	428,969	-
Other Long Term Liabilities	- 27,545 -	27,545	-
Capital Grant Receipts in Advance	- 17,743 -	17,743	-
Long Term Liabilities	- 764,526 -	764,526	-
Net Assets	742,082	683,229 -	58,853
Usable Reserves	169,321	169,321	-
Unusable Reserves	572,761	513,908 -	58,853
Total Reserves	742,082	683,229 -	58,853

The table above shows a £58.853m reduction in the value of non-current assets as at 31 March 2019 which, as a consequence, reflects the opening balances at 1 April 2019. This is also reflected in the Unusable Reserves being; the increase in Depreciation charged to the Capital Adjustment Account and; the reduction in the Revaluation reserve.

	Opening Balances as at 1st April 2019 £000's	Restated at 1st April 2019 £000's	Restatement £000's
Property, Plant and Equipment	1,426,368	1,339,099 -	87,269
Heritage Assets	29,465	29,465	-
Investment Properties	129,964	131,238	1,274
Intangible Assets	4,932	4,932	-
			-
Long Term Investments	7,554	7,554	-
Long Term Debtors	28,191	28,191	-
Long Term Assets	1,626,474	1,540,479 -	85,995
Short Term Investments	5,100	5,100	-
Assets held for Sale	5,750	5,750	-
Current Intangible Assets	-	-	-
Inventories	138	138	-
Short Term Debtors	68,586	68,586	-
Cash and Cash Equivalents	62,426	62,426	-
Landfill Allowance Trading Scheme			-
Current Assets	142,000	142,000	-
Cash and Cash Equivalents			
Short Term Borrowing	- 19,739 -	19,739	-
Short Term Creditors	- 122,483 -	122,483	-
Provisions < 1 yr	- 1,934 -	1,934	-
Current Liabilities	- 144,156 -	144,156	-
Provisions	- 25,132 -	25,132	-
Long Term Borrowing	- 264,028 -	264,028	-
Pension Fund Liability	- 262,304 -	262,304	-
Other Long Term Liabilities	- 26,195 -	26,195	-
Capital Grant Receipts in Advance	- 17,522 -	17,522	-
Long Term Liabilities	- 595,181 -	595,181	-
Net Assets	1,029,137	943,142 -	85,995
Usable Reserves	202,043	202,043	-
Unusable Reserves	827,094	741,099 -	85,995
Total Reserves	1,029,137	943,142 -	85,995

The table above shows a £85.995m reduction is the value of non-current assets as at 1 April 2020 from that published in the Final Accounts for the year. It should be noted that the published accounts for 2019-20 did not include the values given in the previous table and therefore, the incremental reduction for the year is £27.142m. This is due to the fluctuation in relevant assets and any revaluations already undertaken in 2019-20. The relevant reflection in the Unusable Reserves being; the increase in Depreciation charged to the Capital Adjustment Account and Unusable Reserves and; the reduction in the Revaluation reserve.

Comprehensive Income and Expenditure Statement (CIES)

	31 March 2019			Restated 31 March 2019			
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Restatement £000
Adults Directorate	150,926 -	30,878	120,048	150,926 -	30,878	120,048	-
Children's Directorate	313,176 -	244,266	68,910	313,176 -	244,266	68,910	-
Places Directorate	120,607 -	35,136	85,471	120,607 -	35,136	85,471	-
Corporate Services	111,885 -	79,944	31,941	111,885 -	79,944	31,941	-
HRA	15,410 -	22,189 -	6,779	15,410 -	22,189 -	6,779	-
Other	23,969 -	33,910 -	9,941	16,474 -	33,910 -	17,436 -	7,495
Capital Financing	251 -	8	243	251 -	8	243	-
Cost of Services	736,224 -	446,331	289,893	728,729 -	446,331	282,398 -	7,495
Other Operating Income & Expenditure (Note 11)	23,705 -	14,765	8,940	23,705 -	14,765	8,940	-
Financing & Investment Income and Expenditure (Note 12)	30,593 -	13,193	17,400	30,593 -	13,193	17,400	-
Taxation & Non-Specific Grant Income and Expenditure (Note 13)	17,700 -	302,463 -	284,763	17,700 -	302,463 -	284,763	-
(Surplus)/Deficit on Provision of Services	808,222 -	776,752	31,470	800,727 -	776,752	23,975 -	7,495
Surplus on Revaluation of Assets		-	74,653		-	8,305	66,348
Re-measurement Gain/-loss on pension assets/liabilities			93,980			93,980	-
Other Comprehensive Income & Expenditure (Note 14)			19,327			85,675	66,348
Total Comprehensive Income and Expenditure			50,797			109,650	58,853

The table above articulates the resultant movements in the CIES as at 31 March 2019 being; a net increase in the charging of depreciation to services (£7.495m) and a movement (£58.853m) in the surplus recorded on revaluation of assets.

The net movement can be seen in the movement of Usable Reserves on the restated Balance Sheet for the year.

	31 March 2020			Restated 31 March 2020			
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Restatement £000
Adults Directorate	160,645 -	32,060	128,585	160,615 -	32,060	128,555 -	30
Children's Directorate	325,622 -	249,876	75,746	324,930 -	249,876	75,054 -	692
Places Directorate	126,887 -	35,114	91,773	126,871 -	35,114	91,757 -	16
Corporate Services	109,002 -	73,460	35,542	109,002 -	73,460	35,542	-
HRA	16,913 -	22,882 -	5,969	16,913 -	22,882 -	5,969	-
Other	21,534 -	67,680 -	46,146	6,621 -	67,680 -	61,059 -	14,913
Capital Financing	295 -	8	287	295 -	8	287	-
Cost of Services	760,898 -	481,080	279,818	745,247 -	481,080	264,167 -	15,651
Other Operating Income & Expenditure (Note 11)	16,527 -	14,606	1,921	16,527 -	14,606	1,921	-
Financing & Investment Income and Expenditure (Note 12)	53,491 -	16,176	37,315	52,217 -	16,176	36,041 -	1,274
Taxation & Non-Specific Grant Income and Expenditure (Note 13)	18,816 -	315,871 -	297,055	18,816 -	315,871 -	297,055	-
(Surplus)/Deficit on Provision of Services	849,732 -	827,733	21,999	832,807 -	827,733	5,074 -	16,925
Surplus on Revaluation of Assets		-	113,518		-	69,451	44,067
Re-measurement Gain/-loss on pension assets/liabilities			195,536			195,536	-
Other Comprehensive Income & Expenditure (Note 14)			309,054			264,987	44,067
Total Comprehensive Income and Expenditure			287,055			259,913	27,142

The table above articulates the resultant movements in the CIES at 31 March 2020 being; a net decrease in the charging of depreciation to services (£15.651m) and a positive movement (£44.067m) in the surplus recorded on revaluation of assets.

The net movement can be seen in the movement of Useable Reserves on the restated Balance Sheet for the year.

Movement in Reserves Statement

As a consequence of the movements recorded above in Reserves, the following tables illustrate the impact for each year.

Original 2018-19	General Fund Balance	Sums held by Schools	Earmarked Reserves	Total General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	HRA Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance at 1 April 2018	25,212	10,351	78,308	113,871	660	8,867	9,583	22,985	155,966	636,913	792,879
Surplus or (deficit) on provision of services (accounting basis)	- 37,061			- 37,061	5,591			-	31,470	-	31,470
Other Comprehensive Expenditure and Income (Note 14)									- -	19,327 -	19,327
Total Comprehensive Expenditure and Income	- 37,061	-	- -	37,061	5,591	-	-	- -	31,470 -	19,327 -	50,797
Adjustments between accounting basis & funding basis under regulations (Note 8)	54,498			54,498 -	5,527 -	875	3,674 -	6,945	44,825 -	44,825	-
Net Increase / Decrease before Transfers to Earmarked Reserves	17,437	-	-	17,437	64 -	875	3,674 -	6,945	13,355 -	64,152 -	50,797
Transfers to / from Earmarked Reserves	- 17,923	- 1,391	19,384	70 -	69		-	1	-	-	-
Increase / (Decrease) in Year	- 486	- 1,391	19,384	17,507 -	5 -	875	3,674 -	6,946	13,355 -	64,152 -	50,797
Balance at 31 March 2019	24,726	8,960	97,692	131,378	655	7,992	13,257	16,039	169,321	572,761	742,082

2020-21 Statement of Accounts

Revised 2018-19	General Fund Balance	Sums held by Schools	Earmarked Reserves	Total General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	HRA Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance at 1 April 2018	25,212	10,351	78,308	113,871	660	8,867	9,583	22,985	155,966	636,913	792,879
Surplus or (deficit) on provision of services (accounting basis)	- 29,566			- 29,566	5,591			-	23,975	-	23,975
Other Comprehensive Expenditure and Income (Note 14)									- -	85,675	- 85,675
Total Comprehensive Expenditure and Income	- 29,566	-	-	- 29,566	5,591	-	-	- -	23,975 -	85,675 -	109,650
Adjustments between accounting basis & funding basis under regulations (Note 8)	47,003			47,003	- 5,527	875	3,674	- 6,945	37,330 -	37,330	-
Net Increase / Decrease before Transfers to Earmarked Reserves	17,437	-	-	17,437	64	875	3,674	- 6,945	13,355 -	123,005 -	109,650
Transfers to / from Earmarked Reserves	- 17,923	- 1,391	19,384	70 -	69		-	1	-	-	-
Increase / (Decrease) in Year	- 486	- 1,391	19,384	17,507 -	5 -	875	3,674 -	6,946	13,355 -	123,005 -	109,650
Balance at 31 March 2019	24,726	8,960	97,692	131,378	655	7,992	13,257	16,039	169,321	513,908	683,229

Restatement 2018-19	General Fund Balance	Sums held by Schools	Earmarked Reserves	Total General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	HRA Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance at 1 April 2018	-	-	-	-	-	-	-	-	-	-	-
Surplus or (deficit) on provision of services (accounting basis)	- 7,495	-	-	- 7,495	-	-	-	- -	7,495	- -	7,495
Other Comprehensive Expenditure and Income (Note 14)	-	-	-	-	-	-	-	-	-	66,348	66,348
Total Comprehensive Expenditure and Income	- 7,495	-	-	- 7,495	-	-	-	- -	7,495	66,348	58,853
Adjustments between accounting basis & funding basis under regulations (Note 8)	7,495	-	-	7,495	-	-	-	-	7,495 -	7,495	-
Net Increase / Decrease before Transfers to Earmarked Reserves	-	-	-	-	-	-	-	-	-	58,853	58,853
Transfers to / from Earmarked Reserves	-	-	-	-	-	-	-	-	-	-	-
Increase / (Decrease) in Year	-	-	-	-	-	-	-	-	-	58,853	58,853
Balance at 31 March 2019	-	-	-	-	-	-	-	-	-	58,853	58,853

2020-21 Statement of Accounts

Original 2019-20	General Fund Balance	Sums held by Schools	Earmarked Reserves	Total General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	HRA Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance at 1 April 2019	24,726	8,960	97,692	131,378	655	7,992	13,257	16,039	169,321	572,761	742,082
Surplus or (deficit) on provision of services	- 25,683			- 25,683	3,684			-	21,999	-	21,999
Other Comprehensive Income and Expenditure (Note 14)									-	309,054	309,054
Total Comprehensive Income and Expenditure	- 25,683	-	-	- 25,683	3,684	-	-	-	21,999	309,054	287,055
Adjustments between accounting basis & funding basis under regulations (Note 8)	51,567			51,567	- 3,619	2,931	3,135	707	54,721	- 54,721	-
Net Increase / Decrease before Transfers to Earmarked Reserves	25,884	-	-	25,884	65	2,931	3,135	707	32,722	254,333	287,055
Transfers to / from Earmarked Reserves	- 25,884	- 665	26,618	69	- 69				-	-	-
Increase / (Decrease) in Year	-	- 665	26,618	25,953	- 4	2,931	3,135	707	32,722	254,333	287,055
Balance at 31 March 2020	24,726	8,295	124,310	157,331	651	10,923	16,392	16,746	202,043	827,094	1,029,137
									0	0	
Revised 2019-20	General Fund Balance	Sums held by Schools	Earmarked Reserves	Total General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	HRA Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance at 1 April 2019	24,726	8,960	97,692	131,378	655	7,992	13,257	16,039	169,321	513,908	683,229
Surplus or (deficit) on provision of services	- 8,758			- 8,758	3,684			-	5,074	-	5,074
Other Comprehensive Income and Expenditure (Note 14)									-	264,987	264,987
Total Comprehensive Income and Expenditure	- 8,758	-	-	- 8,758	3,684	-	-	-	5,074	264,987	259,913
Adjustments between accounting basis & funding basis under regulations (Note 8)	34,642			34,642	- 3,619	2,931	3,135	707	37,796	- 37,796	-
Net Increase / Decrease before Transfers to Earmarked Reserves	25,884	-	-	25,884	65	2,931	3,135	707	32,722	227,191	259,913
Transfers to / from Earmarked Reserves	- 25,884	- 665	26,618	69	- 69				-	-	-
Increase / (Decrease) in Year	-	- 665	26,618	25,953	- 4	2,931	3,135	707	32,722	227,191	259,913
Balance at 31 March 2020	24,726	8,295	124,310	157,331	651	10,923	16,392	16,746	202,043	741,099	943,142

Restatement 2019-20	General Fund Balance	Sums held by Schools	Earmarked Reserves	Total General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	HRA Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance at 1 April 2019	-	-	-	-	-	-	-	-	-	58,853	58,853
Surplus or (deficit) on provision of services	16,925	-	-	16,925	-	-	-	-	16,925	-	16,925
Other Comprehensive Income and Expenditure (Note 14)	-	-	-	-	-	-	-	-	-	44,067	44,067
Total Comprehensive Income and Expenditure	16,925	-	-	16,925	-	-	-	-	16,925	44,067	27,142
Adjustments between accounting basis & funding basis under regulations (Note 8)	-	-	-	-	-	-	-	-	-	16,925	-
Net Increase / Decrease before Transfers to Earmarked Reserves	-	-	-	-	-	-	-	-	0	27,142	27,142
Transfers to / from Earmarked Reserves	-	-	-	-	-	-	-	-	-	-	-
Increase / (Decrease) in Year	-	-	-	-	-	-	-	-	-	27,142	27,142
Balance at 31 March 2020	-	-	-	-	-	-	-	-	-	85,995	85,995

Cashflow Statement	2019/20 £000	Re-statement of 2019/20 figures £000	Net position	2018/19 £000	Re-statement of 2018/19 figures £000	Net Position
Net (surplus) or deficit on the provision of services	21,999	5,074 -	16,925	31,470	23,975 -	7,495
Adjust net surplus or deficit on the provision of services for non cash movements	- 106,747 -	89,822	16,925 -	103,340 -	95,845	7,495
Adjust for items included in the SDPS that are investing and financing activities	49,155	49,155	-	41,004	41,004	-
Net cash flows from Operating Activities	- 35,593 -	35,593	- -	30,866 -	30,866	-
			-			-
Investing Activities	7,090	7,090	-	14,370	14,370	-
Financing Activities	1,407	1,407	-	8,696	8,696	-
			-			-
Net increase in cash and cash equivalents	- 27,096 -	27,096	- -	7,800 -	7,800	-
			-			-
Cash and cash equivalents at the beginning of the reporting period	35,330	35,330	-	27,530	27,530	-
Cash and cash equivalents at the end of the reporting period	62,426	62,426	-	35,330	35,330	-
Net increase in cash and cash equivalents	- 27,096 -	27,096	- -	7,800 -	7,800	-

Cheshire West and Chester Council
Additional Financial Statement
Housing Revenue Account

Additional 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.

Housing Revenue Account (HRA) Income and Expenditure Statement	2020-21	2019-20
	£000	£000
Expenditure		
Repairs and Maintenance	5,074	5,016
Supervision & Management	4,333	4,145
Special Services	97	96
Depreciation & impairment of non-current assets	4,038	7,591
Total Expenditure	13,542	16,848
Income		
Dwelling Rents	-22,131	-22,249
Non-dwelling rents	-459	-458
Charges for services and facilities	-14	-25
Contributions towards expenditure	-116	-147
Total Income	-22,720	-22,879
Net cost of HRA Services as included in the CIES	-9,178	-6,031
HRA services' share of Corporate and Democratic Core	4	62
Net Income/Expenditure for HRA Services	-9,174	-5,969
HRA share of the operating income and expenditure included in the CIES		
(Gain) or Loss on sale of HRA non-current assets	60	-365
Interest payable and similar charges	2,225	2,367
Interest and Investment Income	-6	-38
Movement in the allowance for bad debts	333	321
(Surplus) or deficit for the year on HRA Services	-6,562	-3,684

Movement on the Housing Revenue Account Statement 2020-21

Movement on the HRA	2020-21	2019-20
	£000	£000
Balance of HRA at the end of the previous year	-651	-655
(Surplus) for the year on the HRA Income and Expenditure Account	-6,562	-3,684
Adjustments between accounting basis and funding under statute	6,483	3,619
Net (increase) or decrease before transfers to reserves	-79	-65
Transfer to (from) reserves	67	69
(Increase) or decrease on the HRA	-12	4
Balance on the HRA at the end of the year	-663	-651

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

Adjustments between accounting basis and funding under statute	2020-21 £000	2019-20 £000
Difference between interest payable and similar charges including amortisation of premiums and discounts	3	2
Differences relating to other items of income and expenditure: (Gain) or loss on the sale on non current HRA assets		
- Sale proceeds	1,450	2,224
- Carrying amount of assets	-1,510	-1,859
Removal of accumulated benefit accrual		
Transfer to HRA Pension Reserve		
Differences relating to changes in property values:		
- Reversal of revaluation (losses)/gains on HRA Properties	-42	-3,674
- Funding of depreciation from Capital Adjustment Account	-3,997	-3,917
Transfers to the Major Repairs Reserve		
- Funding set aside for capital expenditure	4,006	7,670
- Funding for future debt repayment /MRA equivalent sum	6,573	3,173
Total Adjustments	6,483	3,619

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

Housing Stock	2020-21 No.	2019-20 No.
Houses	2,988	3,011
Flats	1,765	1,758
Bungalows	626	626
Maisonettes	83	83
Total Dwellings	5,462	5,478
Garages	1,328	1,427
Assets Held for Sale - Houses	0	0

2. Housing stock valuations at 31 March

Housing Stock Valuations	2020-21 £000	2019-20 £000
Property Plant and Equipment		
- Dwellings	206,669	193,038
- Garages	3,864	4,242
Total	210,533	197,280

3. Vacant possession value of dwellings at 31 March

Dwellings Value	2020-21 £000	2019-20 £000
Market value - Vacant possession	511,890	478,052
Existing use value for social housing	204,752	191,221
Shared Ownership	1,917	1,817
Total	718,559	671,090

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 2020-21.

4. Major Repairs Reserve for the year ending 31 March

Major Repairs Reserve	2020-21 £000	2019-20 £000
Balance brought forward	-16,392	-13,257
Debt repayment	6,099	2,713
Set aside voluntary debt repayment	474	459
Transfer of MRA equivalent sum	-3,997	-3,827
Revenue contribution to capital	-6,582	-7,016
Less capital expenditure financed from Reserve	3,671	4,536
Balance Carried Forward	-16,727	-16,392

5. Housing repairs expenditure for the year ending 31 March

Housing repairs	2020-21 £000	2019-20 £000
Housing repairs	5,074	5,016
Total	5,074	5,016

6. Capital expenditure in the year ending 31 March

Capital work	2020-21 £000	2019-20 £000
Existing Dwellings	3,580	3,252
Assets under construction	364	1,702
Total	3,944	4,954
Funded by:		
Borrowing	0	0
Usable capital receipts, grants & contributions	-272	-418
Major Repairs Reserve	-3,672	-4,536
Total Funding	-3,944	-4,954

7. Capital receipts from disposal of assets in the year ending 31 March

Capital receipts	2020-21 £000	2019-20 £000
Disposal of dwellings	1,450	2,224
Total from disposals	1,450	2,224

8. Depreciation in the year ending 31 March

Depreciation	2020-21 £000	2019-20 £000
Property, Plant and Equipment	3,997	3,917
Total	3,997	3,917

9. Rent Arrears at 31 March

Rent Arrears	2020-21 £000	2019-20 £000
Current tenants	1,225	1,005
Former tenants	1,360	1,366
Total arrears	2,585	2,371
Deduct - impairment allowance	-1,797	-1,728
Net arrears	788	643

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 2021

Collection Fund Statement	2020-21			2019-20		
	Non Domestic Rates £000	Council Tax £000	Total £000	Non Domestic Rates £000	Council Tax £000	Total £000
Income						
Council Tax Receivable	0	-234,983	-234,983	0	-226,494	-226,494
Non Domestic Rates Receivable	-80,038	0	-80,038	-162,035	0	-162,035
Transitional Relief	7,121	8	7,129	7,137	-1	7,136
	-72,917	-234,975	-307,892	-154,898	-226,495	-381,393
Prior Year Surplus/(Deficit)						
Central Government	0	0	0	-665	0	-665
Cheshire West and Chester	0	3,331	3,331	-652	3,753	3,101
Police Authority	0	439	439	0	457	457
Fire Authority	0	170	170	-13	196	183
	0	3,940	3,940	-1,330	4,406	3,076
Precepts Demands and Shares						
Central Government	70,717	0	70,717	70,808	0	70,808
Cheshire West and Chester	69,549	195,557	265,106	69,607	185,081	254,688
Police Authority	0	26,034	26,034	0	24,405	24,405
Fire Authority	1,419	9,809	11,228	1,421	9,465	10,886
Town and Parish Councils	0	3,955	3,955	0	3,767	3,767
	141,685	235,355	377,040	141,836	222,718	364,554
Charges to Collection Fund						
Write offs	-69	426	357	2,456	509	2,965
More/(less) Bad Debt Provision	2,983	3,105	6,088	-484	860	376
Increase in Appeals Provision	10,762	0	10,762	4,009	0	4,009
Disregarded amounts	1,601	-1,783	-182	617	-181	436
Cost of Collection	495	0	495	471	0	471
	15,772	1,748	17,520	7,069	1,188	8,257
In Year Movement on Fund Balance	84,540	6,068	90,608	-7,323	1,817	-5,506
Opening Fund Balance	-5,985	-4,048	-10,033	1,338	-5,865	-4,527
Closing Fund Balance (surplus) / deficit	78,555	2,020	80,575	-5,985	-4,048	-10,033

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 as at 31 March 2021 is £385.5m. 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	2020-21 multiplier
Up to £51,000	0.499
Over £51,000	0.512

The following table shows how the deficit on the Non-Domestic rates collection fund at 31 March 2021 is due to be reimbursed by partners in 2021-22. Due to the impact of Covid-19 central government has initiated a 3-year spread of the deficit not related to expanded reliefs.

NNDR	Central Govt £000	CWAC £000	Cheshire Fire £000	Total £000
Surplus/(Deficit) at 31 March 2021	-39,278	-38,492	-785	-78,555
To be distributed 2021-22 (from prior year)	-2,992	-2,933	-60	-5,985
To be funded 2021-22 (re expanded relief)	39,730	38,935	795	79,460
To be funded 2021-22 (3 year spread)	995	975	20	1,990
Remaining Surplus/(Deficit)	-1,545	-1,515	-30	-3,090

The remaining deficit of £3.090m will be fully funded from the amounts determined by the 3-year spread calculation in the January 2021 NNDR1 return. Any further amounts to be funded or distributed in 2022-23 will depend on the forecast performance of the collection fund during 2021-22.

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 2020-21, the tax base was estimated as 123,713.3 band D equivalent properties. The table below shows the number of band D equivalent properties in each valuation band.

Band	Number of Properties (after discounts)	Band Ratio	Band D Equivalent 2020-21	Band D Equivalent 2019-20
Disabled A	84	5/9	47	47
A	26,072	6/9	17,382	17,310
B	35,979	7/9	27,984	27,395
C	30,031	8/9	26,694	26,175
D	19,275	9/9	19,275	18,975
E	12,349	11/9	15,094	14,872
F	6,502	13/9	9,392	9,209
G	4,388	15/9	7,313	7,249
H	267	18/9	534	526
	134,947		123,713	121,758

The following table shows how the deficit on the council tax collection fund at 31 March 2021 is due to be reimbursed by partners in 2021-22. Due to the impact of Covid-19 central government has initiated a 3-year spread of the deficit as estimated in January 2021.

Council Tax	CWAC £000	Cheshire Police £000	Cheshire Fire £000	Total £000
Surplus/(Deficit) at 31 March 2021	-1,713	-223	-84	-2,020
To be distributed 2021-22 (from prior year)	-91	-12	-4	-107
To be funded 2021-22 (3 year spread)	602	79	29	710
Remaining Surplus/(Deficit)	-1,202	-156	-59	-1,417

The remaining deficit of £1.417m will be fully funded from the amounts determined by the 3-year spread calculation. Any further amounts to be funded or distributed in 2022-23 will depend on the forecast performance of the collection fund during 2021-22.

Cheshire Pension Fund - Fund Account for the year ended 31 March 2021

	Notes	2020-21 £000	2019-20 £000
Contributions and Benefits			
Contributions Receivable			
From Employers		160,387	129,193
From Employees		39,862	38,300
Total Contributions Receivable	6/6a	200,249	167,493
Transfers in from Other Schemes	7	12,244	12,411
Benefits Payable			
Pensions		-161,135	-155,723
Lump Sums		-24,692	-30,230
Death Benefits		-5,092	-5,323
Total Benefits Payable	8	-190,919	-191,276
Payments to and on account of Leavers			
Refund of Contributions		-466	-618
Transfers to Other Schemes		-14,075	-17,394
	9	-14,541	-18,012
Net Additions / (withdrawals) from dealing with members		7,033	-29,384
Management Expenses	10/10a	-26,788	-26,110
Returns on Investments			
Investment Income	11	30,128	40,327
Taxes on Income	12	-115	-271
Profits and losses on disposal of investments and changes in the market value of investments	13f	1,024,651	-74,043
Net Returns On Investments		1,054,664	-33,987
Net Increase/ (Decrease) in the Fund During the Year		1,034,909	-89,481
Opening Net Assets of the Scheme		5,514,329	5,603,810
Closing Net Assets of the Scheme		6,549,238	5,514,329

Cheshire Pension Fund - Net Assets Statement as at 31 March 2021

	Notes	2020-21 £000	2019-20 Restated £000
Investments Assets	13/f, 17/18/19	6,539,874	5,501,723
Long Term Debtors	22	617	457
Current Assets	23	20,492	22,684
Current Liabilities	24	-11,745	-10,535
Total Net Assets		6,549,238	5,514,329

Note 1 – Description of the Fund

The Cheshire Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Cheshire West 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 2020 the four strategies were as follows:

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

To manage the Fund's assets in accordance with its investment strategy, the Council had twelve appointed external investment managers as at 31 March 2021 who each have specific responsibility for part of the Fund's investment portfolio.

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 2021 LGPS Central Ltd managed £1,101m of the Fund's assets.

The Council uses the services of Bank of New York 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 Asset Servicing reported that for the year ending 31 March 2021 the Fund achieved a return from its investments of 18.2% (-1.3% in 2019-20) compared with the Fund's tailored benchmark return of 10.0% (-0.8% in 2019-20). For the three years ending 31 March 2021 the Fund achieved an annualised return of 7.2% per annum against the Fund's benchmark return of 4.8% 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 2021 a total of 308 employer organisations including the Administering Authority itself, contributed into the Fund.

Cheshire Pension Fund	31-Mar-21	31-Mar-20
Number of employers making contributions into the fund	308	305
Number of employees in the scheme		
Cheshire West and Chester Council	8,032	8,436
Other employers	33,035	33,703
Total	41,067	42,139
Number of pensioners		
Cheshire West and Chester Council	3,077	2,819
Other employers	28,007	27,225
Total	31,084	30,044
Number of Deferred pensioners		
Cheshire West and Chester Council	4,968	4,348
Other employers	26,430	24,412
Total	31,398	28,760
Undecided Leavers	2,145	2,543
Total Membership	105,694	103,486

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 2021.

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 2019 which set employer contribution rates for the 3 year period commencing 1 April 2020 and ending 31 March 2023, 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 1/49th. 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

Prior to 1 April 2014, LGPS pension benefits were based on final pensionable pay and length of pensionable service, summarised below:

Service pre 1 April 2008	Service post 31 March 2008 to 31 March 2014
Pension	Pension
Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Lump Sum
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 2020-21 financial year and its position as at year ending 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector on an ongoing 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 2022. 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.

The accounts have been prepared on a going concern basis.

The accounts contain a number of restatements to the 2019-20 figures as set out below.

- The investment assets have been restated in Note 13, Note 13f and Note 18d from the audited 2019-20 accounts as a result of the revised analysis requirement for pooled investment holdings required by the Code.
- The restated investment assets separately identify pooled property investments and include absolute return funds within pooled investments.
- The assets carried at Fair Value Note 18a has been restated to include the more detailed disclosure requirement required by the Code. There is no impact on the Net Assets Statement as overall investment assets are shown.
- Following a review of the level classification of the Funds investment assets the following investments totalling £1,042m have been reclassified from Level 1 to Level 2:
 - LGPS Central Global Active Equity Fund
 - LGPS Central Climate Factor Fund
 - Janus Henderson
- Investments in Arrowgrass totalling £48.4m have been reclassified from level 2 to 3
- Investments in Blackstone, Bluebay and Private Equity Funds were previously split over Levels 1, 2 and 3 and have now been reclassified to be fully accounted for in Level 3. The financial effect of this was to move £4.5m from Level 1, £580m from Level 2 to increase the value in Level 3 by £584.5m
- In addition, the split of equities between UK/overseas and quoted/unquoted is no longer required by the code. This analysis is no longer shown in Note 13.
- The investment manager expenses in Note 10a have been restated to comply with the more detailed disclosure requirements required by the Code.

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
- Arrowgrass Capital Partners
- Pantheon
- Darwin Property Investment

Performance related fees amounted to £4.4m in 2020-21 (£2.5m in 2019-20) 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 2020-21 was £5m relating to fees due for the quarter ending 31 March 2021 (£2.2m in 2019-20).

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 2021 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 to 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) Derivatives

The Fund may use derivative financial instruments, predominantly to manage its exposure to specific risks arising from its investment activities.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in the change in market value (Note 13f shows a zero balance at 31st March 2021).

The values of futures contracts are determined using the exchange price for closing out the option at the reporting date. The value of over-the-counter contract options is based on quotations from an independent broker. Where this is not available, the value is provided by the investment manager.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

k) Cash and cash equivalents

Cash comprises cash in hand and on demand deposits, 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.

l) 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.

m) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date, excluding creditors which are measured at amortised cost. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 Employee Benefits and relevant actuarial standards.

As permitted under 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.

o) Additional voluntary contributions

The Fund provides an Additional Voluntary Contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund.

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).

p) 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 2020-21.

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 2021 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
Pension fund liability	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"> • A 0.5% increase in the discount rate assumption would reduce the value of the liabilities by approximately £918m. • A 0.5% increase in pensions increase rate would increase the value of the liabilities by approximately £807m. • A 0.5% increase in the salaries increase rate would increase the value of the liabilities by approximately £91m

The items in the net assets statement at 31 March 2021 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
Private equity	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 £296m (£225m 2019-20). 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 £29.6 m increase or decrease to the market value of these investments.
Absolute Return funds	Absolute Return funds are valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the funds' directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of absolute return funds in the financial statements is £417m (£374m in 2019-20). 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 £41.7m increase or decrease to the market value of these investments.

Item	Uncertainties	Effect if actual results differ from assumptions
Property valuations	The Scheme's freehold and leasehold investment properties are valued by an external valuer, Savills, who operate entirely independently from the Fund's appoint 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 £392m (£398m in 2019-20). 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 £39.2m increase or decrease to the market value of these investments.

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:

- Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and
- 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 the Fund has continued with investing activities in line with the Fund's investment strategy and the government initiative for asset pooling. The Fund's investment assets continued to increase in the year to 31 March 2022 to £7bn, however in the period following 31 March 2022 the global financial markets experienced a high amount of volatility, and as a result of this the value of the Funds investment assets have decreased in the year to 31 March 2023 to £6.25bn (Note: the March 2023 value has not yet been audited). The Fund has a well diversified portfolio and many of its investments are held for the medium to long term. Further information on the Fund's investment holdings and values can be found on its website at www.cheshirepensionfund.org

Note 6 – Contributions Receivable	2020-21 £000	2019-20 £000
Employees Normal Contributions	39,862	38,300
Employers Normal Contributions	129,010	114,600
Employers Deficit Funding	28,634	10,619
Employers Cost of Early Retirements (pension strain)	2,743	3,974
Total Employers Contributions	160,387	129,193
Total Employees and Employers Contributions	200,249	167,493

The increase in employer normal contributions in 2020-21 is due to the new rates being applied in 2020-21 following the 2019 triennial valuation which came into effect from April 2020.

The deficit funding increase is due to Halton Borough Council and Warrington Borough Council paying their year deficit contributions in one lump sum in 2020-21 rather than over the three-year post valuation period.

The deficit funding for 2020-21 also includes the first instalment of the three-year deficit funding contribution from Cheshire East Council and Cheshire West and Chester Council.

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.

Note 6a – Analysis of Contributions Receivable	2020-21		2019-20	
	Employers	Employees	Employers	Employees
	£000	£000	£000	£000
Scheme Employers	114,865	28,033	89,795	26,676
Cheshire West & Chester Council	29,443	7,782	23,296	7,512
Community Admission Bodies	13,116	3,345	13,076	3,301
Transferee Admission Bodies	2,963	702	3,026	811
Total	160,387	39,862	129,193	38,300

Note 7 – Transfers in from other Pension Funds	2020-21 £000	2019-20 £000
Transfers from other Local Authorities	10,251	9,892
Transfers from other pension funds	1,993	2,519
Total	12,244	12,411

Note 8 – Benefits payable	2020-21 £000	2019-20 £000
Scheme Employers	119,852	119,380
Cheshire West & Chester Council	51,725	52,399
Community Admission Bodies	14,440	14,279
Transferee Admission Bodies	4,902	5,218
Total	190,919	191,276

Note 9 – Payment to and on account of leavers	2020-21 £000	2019-20 £000
Individual transfers out	14,075	17,394
Refunds to Members leaving service	466	618
Total	14,541	18,012

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.

Note 10 – Management Expenses	2020-21 £000	2019-20 £000
Investment management expenses	22,532	21,978
Administration costs	2,226	2,151
Oversight and governance costs	2,030	1,981
Total	26,788	26,110

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

2020-21	Total £000	Management Fees £000	Performance related fees £000
Equities	7,247	3,864	3,383
Pooled Investments	8,116	7,933	183
Pooled Property	697	444	253
Private Equity	5,205	4,673	532
Property	1,122	1,122	0
Derivatives	0	0	0
Cash and FX Contracts	0	0	0
Total	22,387	18,036	4,351
Custody fees	145		
Total	22,532		

2019-20 Restated	Total £000	Management Fees £000	Performance related fees £000	Transaction Costs £000
Equities	4,928	2,850	2,006	72
Pooled Investments	10,727	10,727	0	
Pooled Property	953	427	526	
Private Equity	4,078	4,078	0	
Property	1,167	1,167	0	
Derivatives	0	0	0	
Cash and FX Contracts	0	0	0	
Total	21,853	19,249	2,532	72
Custody fees	125			
Total	21,978			

The investment manager expenses above have been restated to comply with the more detailed disclosure requirements required by the Code.

Note 10b – External Audit Costs	2020-21 £000	2019-20 £000
Payable in respect of external audit	39	27
Payable in respect of other services	7	8
Total	46	35

Fees in respect of other services relates to work completed in respect of the IAS19 process which is an audit related non-audit service.

Note 11 – Investment Income	2020-21 £000	2019-20 £000
Dividends from Equities	3,597	11,421
Net Rents from Properties	17,495	20,677
Income from Fixed Interest Securities	6,882	5,982
Income from Pooled Property	1,508	422
Stock Lending	73	516
Interest from Cash Deposits	444	983
Other	129	326
Total	30,128	40,327

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.

Note 12 – Taxes on income	2020-21 £000	2019-20 £000
Withholding tax - Equities	115	271
Total	115	271

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 2020-21 amounts to £115k and is shown as a tax charge, compared to £271k in 2019-20.

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

Note 13 – Investments	2020-21	2019-20
Investment Assets	£000	Restated £000
Equities	855,025	587,450
Pooled Investments		
UK Government Index Linked Gilts	1,774,514	1,642,936
Fixed Income - Multi Strategy	1,117,406	963,750
UK Equity Listed	1,305,225	812,987
Absolute Return Funds	416,773	373,906
	4,613,918	3,793,579
Other Investments		
Pooled Property Investments	81,378	78,916
Directly Managed Property	391,850	397,950
Private Equity	296,417	225,375
	769,645	702,241
Cash Deposits	297,131	413,485
Loans	686	686
Other investment balances:		
Outstanding dividends entitlements and withholding tax claims	3,469	4,282
Total	6,539,874	5,501,723

Proceeds from winding up of Arrowgrass and redemptions from Winton (both Absolute Return managers) in 2019-20 led to an increase in cash balances held in the Fund's Money Market accounts (Fidelity and Deutsche Bank) at 31 March 2020. In June 2020 the Fund invested £150m of these cash balances with Legal and General into their FTSE Developed Core Infrastructure Index Fund in line with the Fund's Investment Strategy.

During 2020-21, as part of the government's asset pooling initiative, the Fund disinvested £150m from Janus Henderson and transferred it to the LGPS Central Global Active Emerging Market Debt Fund.

Note 13a – Fixed Income Multi Strategy

The Fund has invested in four 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 2021 was:

- £245m in Janus Henderson Investors (£362m in 2019-20),
- £462m (£375m in 2019-20) in BlueBay and,
- £265m in M&G Alpha Opportunities Fund (£227m in 2019-20).
- £145m in LGPS Central Emerging Market Debt Fund (£0m in 2019-20)

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.

Note 13b – Absolute Return Funds	Strategy	2020-21 £000	2019-20 £000
Blackstone	Hedge Fund of Funds	379,498	325,503
Arrowgrass Capital Partners	Multi Strategy Hedge Fund	37,275	48,403
Total		416,773	373,906

Note 13c – Private Equity	Number of Funds	2020-21 £000	2019-20 £000
Adam Street Partners	19	129,782	98,492
Pantheon Ventures	13	157,013	122,666
LGPS Central Limited	2	8,978	3,208
Lexington	1	644	1,009
Total	35	296,417	225,375

Note 13d – Loans

The Fund has a £685,000 loan advanced to LGPS Central Ltd in January 2018. The interest accrued on the loan for the year is £32,000. The loan is held at amortised cost in the statement of accounts at a value of £717,000 at 31 March 2021 (31 March 2020 £721,000).

Note 13e – Cash	2020-21 £000	2019-20 £000
Cash Deposits	23,987	20,768
Cash Instruments	273,144	392,717
Total	297,131	413,485

Note 13f – Reconciliation of movements in Investments

	Fair Value at 31 March 2020	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair value	Fair Value at 31 March 2021
	£000	£000	£000	£000	£000
Equities	587,450	189,495	-340,065	418,145	855,025
Pooled Investments	3,793,579	769,556	-493,198	543,981	4,613,918
Pooled Property Investments	78,916	0	-708	3,170	81,378
Directly Managed Property	397,950	1,335	0	-7,435	391,850
Private Equity	225,375	48,503	-41,367	63,906	296,417
Loans	686			0	686
	5,083,956	1,008,889	-875,338	1,021,767	6,239,274
Derivatives	0	2	0	-2	0
Cash and Cash Equivalents	413,485	0	-119,240	2,886	297,131
	5,497,441	1,008,891	-994,578	1,024,651	6,536,405
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	4,282				3,469
Net Investments	5,501,723	1,008,891	-994,578	1,024,651	6,539,874

Restated	Fair Value at 31 March 2019	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair value	Fair Value at 31 March 2020
	£000	£000	£000	£000	£000
Equities	541,774	78,532	-64,828	31,972	587,450
Pooled Investments	4,262,607	1,222,422	-1,574,376	-117,074	3,793,579
Pooled Property Investments	74,416	0	-953	5,453	78,916
Directly Managed Property	396,370	48,859	-22,632	-24,647	397,950
Private Equity	194,995	56,694	-42,086	15,772	225,375
Loans	2,375	0	-1,739	50	686
	5,472,537	1,406,507	-1,706,614	-88,474	5,083,956
Cash and Cash Equivalents	112,070	286,984		14,431	413,485
	5,584,607	1,693,491	-1,706,614	-74,043	5,497,441
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	4,504				4,282
Net Investments	5,589,111	1,693,491	-1,706,614	-74,043	5,501,723

The investment assets above have been restated to separately identify pooled property investments and include absolute return funds within pooled investments.

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 2021 the Fund earned £73,000 (£516,000 2019-20) of income from its stock lending activities.

At the balance sheet date, the value of aggregate stock on loan was £34m (£39.5m 2019-20) and the value of collateral held was £35.9m (£43m 2019-20).

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:

Note 15a – Property Income	2020-21 £000	2019-20 Restated £000
Rental Income	19,931	24,129
Rental Adjustment on Sale	0	-523
Direct Operating Expenses	-2,436	-2,929
Balance at the end of the year	17,495	20,677

Note 15b – Fair Value of Investment Properties	2020-21 £000	Restated 2019-20 £000
Balance at the start of the year	397,950	396,370
Purchases	0	39,689
Disposals	0	-22,632
Capital Expenditure	1,334	9,171
Net gain/loss on fair value	-7,434	-24,648
Balance at the end of the year	391,850	397,950

The 2019-20 property values have been restated to show capital expenditure separately and disposals at book cost.

During the year the Fund did not purchase or dispose of any investment properties.

Investment properties were independently valued by Savills as at 31 March 2021.

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 amounted to £1.5m (£3.5m in 2020).

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:

Age profile of lease income	2020-21 £000	2019-20 £000
No later than one year	19,974	13,927
Between one and five years	74,612	60,820
Later than five years	123,245	100,547
Total	217,831	175,294

The above disclosure for 2020-21 has been reduced by a credit loss allowance of 10% 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	2020-21 £000	2020-21 %	2019-20 £000	2019-20 %
Investments managed by LGPS Central Limited Asset Pool:				
All World Equity Climate Multi Factor Fund	610,251	9.3	452,892	8.2
Emerging Market Debt Fund	144,990	2.2	0	0.0
Global Equity Active Multi Manager Fund				
- Schroders	127,486	2.0	74,565	1.4
- Union	111,759	1.7	78,954	1.4
- Harris	95,364	1.5	72,710	1.3
Private Equity Funds	8,978	0.1	3,208	0.1
LGPS Central Limited Asset Pool	2,032	0.0	2,036	0.0
Total	1,100,860	16.8	684,365	12.4
Investments managed outside of LGPS Central Limited Asset Pool:				
Legal & General	2,134,880	32.6	1,776,802	32.3
Baillie Gifford & Co	868,679	13.3	592,730	10.9
Bluebay	461,527	7.1	375,008	6.8
Patrizia	401,784	6.1	407,797	7.4
Blackstone	379,497	5.8	325,503	5.9
M&G Investments	267,146	4.1	227,339	4.1
Janus Henderson	245,356	3.8	362,923	6.6
Deutsche Bank (Money Market)	203,555	3.1	192,615	3.5
Pantheon Ventures	157,013	2.4	122,666	2.2
Adams Street Partners	129,782	2.0	98,492	1.8
Darwin	73,472	1.1	70,954	1.3
Fidelity (Money Market)	49,666	0.8	191,558	3.5
Arrowgrass Capital Partners	37,275	0.6	48,403	0.9
Bank of New York Mellon	28,719	0.4	23,510	0.4
Lexington Capital Partners	644	0.0	1,009	0.0
GMO	19	0.0	49	0.0
Total	5,439,014	83.2	4,817,358	87.6
Total	6,539,874	100.0	5,501,723	100.0

In June 2020 the Fund invested £150m of cash balances with Legal and General into their FTSE Developed Core Infrastructure Index Fund.

During 2020-21, as part of the government's asset pooling initiative, the Fund disinvested £150m from Janus Henderson and transferred it to the LGPS Central Global Active Emerging Market Debt Fund.

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. Five investments fall into this category as follows:

Security Description	Market Value 31-Mar-21 £000	% of Total Fund	Market Value 31-Mar-20 £000	% of Total Fund
Legal & General - Over 5 Yr Index Linked Gilts	1,774,514	27.13%	1,325,516	24.09%
LGPS Central Limited - All World Equity Climate Multi Factor Fund	610,251	9.33%	452,892	8.23%
Bluebay - Total Return Diversified Fund	461,527	7.06%	375,008	6.82%
Blackstone Partners - Class A1 Initial Series	379,497	5.80%	325,503	5.92%
LGPS Central Limited - Global Active Equity Multi Manager Fund	334,609	5.12%	226,228	4.11%

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
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments - overseas unit trusts and property funds	Level 2	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

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 2021. 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, absolute return funds and over the counter derivatives.

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 investments and some elements of the absolute return fund investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. 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 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets at fair value through profit and loss				
Equities	853,710			853,710
Pooled investments		3,735,617	878,301	4,613,918
Pooled property investments		7,907	73,471	81,378
Private Equity			296,417	296,417
Loans		685	1	686
Cash deposits	297,131			297,131
Accrued Investment Income	3,469			3,469
Net investment assets	1,154,310	3,744,209	1,248,190	6,146,709
Non-financial assets at fair value through profit and loss				
Property	0	0	391,850	391,850
Total	1,154,310	3,744,209	1,640,040	6,538,559

Assets carried at cost:

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investments in LGPS Central Ltd			1,315	1,315
Investments held at cost	0	0	1,315	1,315

Assets carried at Fair Value:

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2020	Level 1 Restated £000	Level 2 Restated £000	Level 3 Restated £000	Total £000
Financial and Non-financial Assets				
Equities	586,135			586,135
Pooled investments		3,044,663	748,916	3,793,579
Pooled property investments		7,962	70,954	78,916
Private Equity			225,375	225,375
Loans		685	1	686
Cash deposits	413,485		0	413,485
Accrued Investment Income	4,282		0	4,282
Total Assets	1,003,902	3,053,310	1,045,246	5,102,458
Non-financial assets at fair value through profit and loss				
Property	0	0	397,950	397,950
Net Assets	1,003,902	3,053,310	1,443,196	5,500,408

The values at 31 March 2020 have been restated due to reclassification of assets between levels, further details of the restatement are in Note 2.

Assets carried at cost:

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investments in LGPS Central Ltd	0	0	1,315	1,315
Investments held at cost	0	0	1,315	1,315

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 2020 Restated	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised Gains /(Losses)	Realised Gains /(Losses)	Market Value 31 March 2021
	£000	£000	£000	£000	£000	£000	£000	£000
Fixed income	375,010			3,015	- 2,102	83,503	2,102	461,528
Secured Loans	1							1
Absolute return funds	373,906			33,688	- 54,176	47,166	16,189	416,773
Private equity	225,375			48,503	- 41,367	56,556	7,350	296,417
Pooled Investment Property	70,954				- 696	2,517	696	73,471
Direct Property	397,950			1,334		- 7,434		391,850
	1,443,196	-	-	86,540	- 98,341	182,308	26,337	1,640,040

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 2021			31 March 2020 Restated		
	£000	£000	£000	£000	£000	£000
Financial Assets						
Equities	855,025			587,450		
Pooled Investments	4,613,918			3,793,579		
Pooled Property	81,378			78,916		
Private Equity	296,417			225,375		
Loans	1	717		1	721	
Cash		295,263			412,135	
Other Investment balances		3,256			3,932	
Debtors		21,109			23,141	
	5,846,739	320,345		4,685,321	439,929	
Financial Liabilities						
Creditors			-10,031			-8,980
TOTAL	5,846,739	320,345	-10,031	4,685,321	439,929	-8,980

Note 18e – Net Gains and Losses on Financial Instruments

	2020-21 £000	2019-20 £000
Financial Assets		
Fair value through profit and loss	1,029,202	-63,877
Amortised cost- unrealised gains	2,886	14,481
Financial Liabilities		
Fair value through profit and loss	0	0
Amortised cost- unrealised losses	0	0
Total	1,032,088	-49,396

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 2020-21 reporting period:

Asset Type	Potential market movements
	% (+ / -)
Private Equity	24.1
Global Equities - Emerging	28.3
Global Equities - Developed	17.2
UK Equities	17.2
Property Unit Trusts	14.9
High Yield	9.9
Absolute Return Funds	8.1
Corporate Bonds	3.7
Government Bonds	7.8
Cash	4.9

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 2021	Percentage Change	Change in Value on increase	Change in Value on decrease
	£000	%	£000	£000
Government Bonds	1,919,504	7.8	149,721	-149,721
Global Equities - Developed	1,768,297	17.2	304,147	-304,147
Absolute Return Funds	416,773	8.1	33,759	-33,759
Corporate Bonds	584,360	3.7	21,621	-21,621
Global Equities - Emerging	305,550	28.3	86,471	-86,471
High Yield	461,528	9.9	45,691	-45,691
Private Equity	296,417	24.1	71,436	-71,436
Cash	314,764	4.9	15,423	-15,423
UK Equities	65,587	17.2	11,281	-11,281
Property Unit Trusts	7,907	14.9	1,178	-1,178
Investment Income Due	3,256	0.0	0	0
Equities - LGPS Central Ltd	1,315	0.0	0	0
Loans - LGPS Central Ltd	717	0.0	0	0
Total assets available to pay benefits	6,145,975		740,728	-740,728

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 2021 and 31 March 2020 are set out below. These disclosures present interest rate risk based on the underlying financial asset at fair value:

Asset Type	2020-21 £000	2019-20 £000
Corporate and Government Bonds	2,746,928	2,606,685
Cash and cash equivalents	43,912	29,402
Cash balances	253,220	384,083
Total	3,044,060	3,020,170

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 £2,747m fair value of the bond mandates managed by M&G Alpha Opportunities Fund, Janus Henderson Investors, BlueBay and Legal and General are particularly sensitive to movements in interest rates. This sensitivity is measured by their duration of 3.2, 5.58, 3.26 and 23.9 years respectively.

A 100BPS increase in the prevailing level of interest rates would decrease the aggregate fair value of these mandates by £461.3m (£442.0m in 2019-20). 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 2021	Effect of Asset Values	
			+100 BPS	-100 BPS
		£000		
Cash and Cash Equivalents		43,912		
Cash Balances		253,220		
Fixed Income - M&G	3.2	265,530	8,497	- 8,497
Fixed Income - Janus Henderson	5.58	245,357	13,691	- 13,691
Fixed Income - BlueBay	3.26	461,527	15,046	- 15,046
Fixed Income - Legal and General	23.9	1,774,514	424,109	- 424,109
Total change in assets available		3,044,060	461,343	- 461,343

Asset Type	Duration	Carrying amount at 31 March 2020	Effect of Asset Values	
			+100 BPS	-100 BPS
		£000		
Cash and Cash Equivalents		29,402		
Cash Balances		384,083		
Fixed Income - M&G	5.31	225,818	11,991	- 11,991
Fixed Income - Janus Henderson	3.76	362,923	13,646	- 13,646
Fixed Income - BlueBay	4.14	375,009	15,525	- 15,525
Fixed Income - Legal and General	24.4	1,642,935	400,876	- 400,876
Total change in assets available		3,020,170	442,038	- 442,038

The tables below illustrate the impact of a change in the interest rate of 1%.

Income Source	Duration	Carrying amount at 31 March 2021	Effect of Asset Values	
			+100 BPS	-100 BPS
		£000		
Cash deposit / cash and cash equivalents	0.25	444	1	-1
Fixed Income Securities		6,882		
Total change in assets available		7,326	1	-1

Income Source	Duration	Carrying amount at 31 March 2020	Effect of Asset Values	
			+100 BPS	-100 BPS
		£000		
Cash deposit / cash and cash equivalents	0.25	983	2	-2
Fixed Income Securities		5,291		
Total change in assets available		6,274	2	-2

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 2021 and 31 March 2020:

Currency Exposure - Asset Type	Gross Exposure	Hedging Exposure	Net Exposure
2020-21	£000	£000	£000
Overseas Listed Equities	838,934		838,934
Overseas Unquoted Securities	287,439		287,439
Absolute Return Funds Overseas Fixed Interest	0		
Overseas Unit Trusts	8,082		8,082
Total	1,134,455	0	1,134,455

Currency Exposure - Asset Type	Gross Exposure Restated	Hedging Exposure	Net Exposure
2019-20	£000	£000	£000
Overseas Listed Equities	582,747		582,747
Overseas Unquoted Securities	222,167		222,167
Absolute Return Funds Overseas Fixed Interest	0	-9	-9
Overseas Unit Trusts	8,127		8,127
Total	813,041	-9	813,032

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	
		+13%	-13%
	2020-21 £000	£000	£000
Overseas Listed Equities:	838,935	109,062	-109,062
Of which from United States Dollar	590,267	76,735	-76,735
Of which from Japanese Yen	26,236	3,411	-3,411
Of which from Hong Kong Dollar	75,604	9,829	-9,829
Of which from Swedish Krona	7,042	915	-915
Of which from Swiss Franc	2,660	346	-346
Of which from Danish Krone	2,033	264	-264
Of which from South African Rand	13,614	1,770	-1,770
Of which from other currencies	121,479	15,792	-15,792
Overseas Unquoted Securities:	287,438	37,367	-37,367
Of which from United States Dollar	274,713	35,713	-35,713
Of which from Euro	12,725	1,654	-1,654
Absolute Return Funds Overseas:			
Of which from United States Dollar*	0	0	0
Overseas Unit Trusts:			
Of which from Euro	8,082	1,051	-1,051
Total	1,134,455	147,480	-147,480

Net Currency Exposure - Asset Type	Asset Values	Change to net Assets available to pay benefits	
		+13%	-13%
	2019-20 £000	£000	£000
Overseas Listed Equities:	582,747	75,757	-75,757
Of which from United States Dollar	389,494	50,634	-50,634
Of which from Japanese Yen	27,381	3,560	-3,560
Of which from Hong Kong Dollar	55,079	7,160	-7,160
Of which from Swedish Krona	4,357	566	-566
Of which from Swiss Franc	4,424	575	-575
Of which from Danish Krone	1,443	188	-188
Of which from South African Rand	8,508	1,106	-1,106
Of which from other currencies	92,061	11,968	-11,968
Overseas Unquoted Securities:	222,167	28,881	-28,881
Of which from United States Dollar	209,288	27,207	-27,207
Of which from Euro	12,879	1,674	-1,674
Absolute Return Funds Overseas:			
Of which from United States Dollar*	-9	0	0
Overseas Unit Trusts:			
Of which from Euro	8,127	1,056	-1,056
Total	813,032	105,694	-105,694

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 Legal and General, Janus Henderson Investors, BlueBay and the M & G Alpha Opportunities Fund. 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 four mandates as measured by the credit rating of external agencies is summarised in the table below:

S&P Quality Rating	Fair Value 2020-21	Value of Fixed Income Assets
	£000	%
AAA	36,460	1.0
AA	1,795,323	65.0
A	36,960	1.0
BBB+	0	0.0
BBB	388,142	14.0
Below BBB	400,997	15.0
Cash	72,608	3.0
NR	16,439	1.0
Loans	0	0.0
Total	2,746,929	100.0

S&P Quality Rating	Fair Value 2019-20	Value of Fixed Income Assets
	£000	%
AAA	143,827	6.0
AA	1,669,106	64.0
A	79,930	3.0
BBB+	225,818	9.0
BBB	126,831	5.0
Below BBB	239,451	9.0
Cash	89,191	3.0
NR	19,612	1.0
Loans	12,920	0.0
Total	2,606,686	100.0

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 AA ratings from a leading ratings agency.

The Fund believes it has managed its exposure to credit risk and has had no experience of default or uncollectable deposits to date. The Fund's cash holding under its treasury management arrangements as at 31 March 2021 was £253.2m (31 March 2020 £384.1m) 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.

2020-21 Counterparty	Moodys Rating	£000	% of cash balances
Bank of New York Mellon (Money Market Cash / Cash Accounts)	P-1	42,044	14.2
Fidelity Worldwide Investment (Money Market)	Aaa-mf	49,666	16.7
Deutsche Bank Advisors (Money Market)	A3	203,554	68.5
Cash in Transit	NR	1,868	0.6
Total		297,132	100.0

2019-20 Counterparty	Moodys Rating	£000	% of cash balances
Bank of New York Mellon (Money Market Cash / Cash Accounts)	P-1	28,051	6.8
Fidelity Worldwide Investment (Money Market)	Aaa-mf	191,558	46.3
Deutsche Bank Advisors (Money Market)	A3	192,526	46.6
Cash in Transit	NR	1,350	0.3
Total		413,485	100.0

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:

- a) there are no highly liquid active markets, such as investment properties and private equity or,
- b) individual fund structures, where the Fund's investment is locked in for a specific period or where the investment manager may have the ability to 'gate' or limit investors withdrawal from the fund.

As at 31 March 2021 the value of illiquid assets was £296m, which represented 4.52% of the total fund assets (31 March 2020 £230m which represented 4.19% of the total fund assets).

In terms of liquidity risk, the Fund had £297.1m (2019-20 £413.5m) of cash balances as at 31 March 2021 and net current assets of £8.8m (£12.1m in 2019-20). The Fund's net cash flow, before taking account of investments and excluding management expenses, as at 31 March 2021 was +£7.0m (-£29.4m in 2019-20). 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 31 March 2021	% of Fair Value of collateral 31 March 2021	Fair Value of collateral 31 March 2020	% of Fair Value of collateral 31 March 2020
Moody's rating	£000	%	£000	%
Aaa	16,990	47.3	8,851	21
Aa1	160	0.5	2,263	5
Aa2	18,741	52.2	32,055	74
Grand Total	35,891	100	43,169	100
Value of Stock on Loan	34,009		39,532	

During the year ended 31 March 2021 the Fund earned £73k (£516k 2019-20) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £34m (£39.5m 2019-20) and the value of collateral held was £35.9m (£43m 2019-20).

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 2019. The next valuation will take place as at 31 March 2022.

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 2019 valuation, the fund was assessed as 97% funded (90% at the March 2016 valuation). This corresponded to a deficit of £156m (2016 valuation: £467m) 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 2020 to 31 March 2023 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:

Financial assumptions	Real
Discount rate	3.20%
Salary increase assumption	3.00%
Benefit Increase assumption (CPI)	2.30%

Longevity assumptions

Assumed life expectancy at age 65	Current Pensioners	
	Male	Female
Current Pensioners	21.2 Years	23.6 Years
Future Pensioners*	21.9 Years	25 Years

*Aged 45 at the valuation date

Note 21 – Actuarial value of promised retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2020-21 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 Accounting and Reporting by Retirement Benefit Plans refers to as the actuarial present value of promised retirement benefits. There are three options for disclosure.

The Fund has opted not to disclose the actuarial present value of promised retirements in the net assets statement, instead providing the information by reference to an accompanying actuarial report. A copy of the full actuarial calculation is appended to the Statement of Accounts.

Note 22– Long Term Assets

	2020-21 £000	2019-20 £000
Long Term Debtors:		
Reimbursement of lifetime tax allowances	617	457
Total	617	457

Note 23 – Current Assets	2020-21 £000	2019-20 £000
Current Debtors and cash:		
Contributions due - Employers	15,343	18,484
Contributions Due - Employees	3,332	3,122
Sundry Debtors	3,735	1,622
Provision for Doubtful Debt	-2,009	-635
Cash balances	91	91
Total	20,492	22,684

Note 24 – Current Liabilities	2020-21 £000	2019-20 £000
Sundry Creditors	6,826	6,247
Benefits Payable	3,205	2,733
Receipts in Advance	1,714	1,555
Total	11,745	10,535

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 2021 is shown below, along with a prior year comparator.

	Scottish Widows £000	Standard Life £000	Utmost £000	Total £000
Contributions received in year 2021	204	442	1	647
Contributions received in year 2020	189	929	2	1,120
Fair value at 31 Mar 2021	2,645	3,730	492	6,867
Fair value at 31 Mar 2020	2,146	3,406	507	6,059

Note 26 – Related Party Transactions

Cheshire West & Chester Council

The Fund is administered by Cheshire West and Chester Council. The majority of the Fund's cash is invested with the Fund's investment managers or directly with external financial institutions. The Fund has its own specific bank account however some of the Fund's transactions (Accounts Payable and Income) are processed through corporate Council systems and are paid in the first instance through the Council's corporate bank accounts. The Fund repays cash due to the Council for such transactions plus any interest charges on a monthly basis. In 2020-21 the Fund paid £805 to the Council for interest accrued on these balances.

The Council is one of the largest participating employers and contributed £35.1m into the Fund in 2020-21 (2019-20 £28.1m). At the year end, a balance of £2.767m (2019-20 £8.276m) 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 £258.6k was owed to the Pension Fund (2019-20 £1.6m owed to the Council) for Fund transactions processed through the Council's accounts payable and receivable systems.

The Council as Administering Authority incurred costs of £2.23m to administer the Fund in 2020-21 (2019-20 £2.151) as well as £2.03m for oversight and governance costs (2019-20 £1.981m) and these costs were recharged to the Pension Fund. Note 10 provides an analysis of these costs. These are related party transactions as Cheshire West and Chester Council is also a participating employer in 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 Internet for 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 2020-21 interest of £31,784 (2019-20 £36,023) accrued on the loan balance to give a balance at the end of the year of £0.717m (2019-20 £0.721m), 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 2021 are disclosed in Note 17 to the accounts.

During the year the Fund incurred charges for the running costs of LGPS Central Ltd totalling £1.164m (2019-20: £0.927m) and joint pool governance costs of £18,187 (2019-20: £15,833).

The Fund has made a £22m commitment to the LGPS Central Private Equity Funds, during the year the Fund paid £4.2m calls to these funds and received £0.295m in distributions. (£3.9m calls were made and £0.189m distributions were received in 2019-20). The market value of the private equity funds is shown in Note 17 to the accounts.

Investment management fees of £2.4m (2019-20 £1m) 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 Councillor M. Wharton). In addition, Committee member Councillor Corcoran has a deferred pension and Committee member P. Matthews was an active member of the Fund as at 31 March 2021.

There are three members of the Local Pension Board who were active members of the Fund as at 31 March 2021; 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 and sign an annual declaration form which is published on the fund's website.

As the Fund forms part of the LGPS it does not 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.

Key Management Personnel

The key management personnel of the Fund are the Chief Operating Officer, Director of Finance and the Head of Pension Fund.

The combined financial value of their relationship with the fund (in accordance with IAS24 Related Party Disclosures) is set out below:

	31-Mar-21 £000	31-Mar-20 £000
Short term benefits	110	94
Long term/post-retirement benefits	1,251	902
Total	1,361	996

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 £733m (2019-20 £764m) in private equity funds.

During 2020-21 the Fund made new commitments to private equity funds of \$55.5m. The commitment of \$55.5m was into the Pantheon Access (Luxembourg), SLP SICAV SIF – Cheshire III Series. 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 2021 the Fund had actually invested £544.5m (2019-20 £496m). 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.

There are 33 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 15 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 2020-21 the Fund has recognised expected credit losses of £2m (£0.635m in 2019-20) 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

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

Employers that have contributed into The Cheshire Pension Fund and their applicable Investment Strategy for the financial year ending 31 March 2021.

*Employers who joined the fund during 2020-21

Major Scheme Employers	Strategy	Admitted Bodies	Strategy
Cheshire East Council	Open	Deafness Support Network	Closing
Cheshire Fire Authority	Open	ForHousing	Open
Cheshire West & Chester Council	Open	Hall Cleaning Services	Open
Halton Borough Council	Open	Halton Housing Trust	Open
Police & Crime Commissioner	Open	Hochtief	Open
Warrington Borough Council	Open	HQ Theatres Limited	Open
		Innovate Ltd Tytherington	Open
Admitted Bodies		ISS Facility Services Ltd	Open
Active Cheshire	Open	Keys Care Limited	Open
Adoption Matters	Open	Kings School Chester	Closing
AM Services	Open	Livewire	Open
ANSA Environmental Services	Open	Mellors - Bishop Wilson*	Open
Aramark - St Thomas Moore*	Open	Mellors - St Basils*	Open
Aspens - Upton by Chester	Open	Mellors - St Winefride's	Open
Aspens Svcs Ltd - BrLeas	Open	Midshire Catering Ltd	Open
Belong Limited	Closing	Midshire Catering Services Ltd - Hartford High School*	Open
Bridgewater High School Trading	Open	Norton Priory Museum Trust	Open
Bulloughs - Lymm	Open	Orbitas Bereavement Service	Open
	Open	Plus Dane (Cheshire) Housing Association	Open
Bulloughs Collegiate		Reed Wellbeing Limited*	Open
Canal & River Trust	Closing	Ringway Infrastructure	Open
Care Quality Commission	Closing	Ringway Jacobs	Open
Catalyst Choices	Open	RM Estates Ltd	Open
Caterlink (Ruskin)	Open	Sanctuary Housing Association	Closing
Caterlink (Sandbach)	Open	School Food Company	Open
Caterlink (Witton)	Open	SMC Premier Cleaning Ltd*	Open
CG Cleaning - Great Sankey	Open	Starcare	Open
Chartwell - Elworth	Open	Tarmac Trading Limited	Open
Cheshire Community Action	Closing	The Guinness Partnership	Open
Cheshire Peaks and Plains Housing Trust	Open	Torus 62	Open
Cheshire West Recycle Ltd*	Open	Torus 62 Foundation	Open
Churchill Services Ltd	Open	University Of Chester	Open
Compass (Chartwells Ltd)	Open	Verve People	Open
Crossroads Together*	Open	Warrington Housing Association	Open
Culture Warrington	Open	Warrington Voluntary Action	Closing
CWP NHS Trust	Open	Weaver Vale Housing Trust	Open
Dataspire	Open	Westminster Drug Project*	Open
David Lewis Centre	Closing		

Other Employers	Strategy	Other Employers	Strategy
Alderley Edge Parish Council	Open	NW Fire Control Limited	Open
Alsager Town Council	Open	Odd Rode Parish Council	Open
Appleton Parish Council	Open	Penketh Parish Council	Open
Avenue Services (NW) Ltd	Open	Poulton with Fearnhead Parish Council	Open
Barnton Parish Council	Open	Poynton with Worth Parish Council	Open
Birchwood Town Council	Open	QWest Services Ltd	Open
Bollington Town Council	Open	Reaseheath College	Open
Brereton Parish Council*	Open	Riverside College	Open
Brio Leisure (CWaC CIC)	Open	Sandbach Town Council	Open
Catering Academy - COE Academy	Open	Stockton Heath Parish Council	Open
Catering Academy - Warrington	Open	Torus 62 (LMH)	Open
Cheshire College South & West	Open	Transport Services Solutions Limited	Open
Cheshire Magistrates Courts	Closed	Vivo Care Choices Ltd	Open
Congleton Town Council	Open	Warrington & Vale Royal College	Open
Crewe Town Council	Open	Warrington Transport	Open
Delamere and Oakmere Parish Council	Open	West Cheshire College	Open
Disley Parish Council	Open	West Cheshire Facilities Management	Open
Edsential	Open	Wilmslow Town Council	Open
ENGIE	Open	Winsford Town Council	Open
Everybody Sport + Recreation	Open	Winwick Parish Council	Open
Frodsham Town Council	Open	Wistaston Parish Council	Open
Grappenhall and Thelwell Parish Council	Open	Your Housing Group	Open
Handforth Parish Council	Open	Youth Federation	Closing
Hartford Parish Council	Open		
Holmes Chapel Parish Council	Open		
Kingsley Parish Council	Open	Free Schools	
Kingsmead Parish Council	Open	Grosvenor Park CoE Academy	ACADS
Knutsford Town Council	Open	Sandbach School	ACADS
Lymm Parish Council	Open	Sandymoor School	ACADS
Macclesfield College	Open	St Martins Academy	ACADS
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		

Academies	Strategy	Academies	Strategy
Acresfield Primary School	ACADS	Daresbury Primary School	ACADS
Acton CE Primary Academy	ACADS	Daven Primary School	ACADS
Adelaide School	ACADS	Delamere Primary School	ACADS
Adlington Primary Academy	ACADS	Disley Primary School*	ACADS
Alderman Bolton Comm PS	ACADS	Ditton Primary School	ACADS
All Hallows Catholic College	ACADS	Eaton Bank School	ACADS
Alsager Highfield Comm Primary School*	ACADS	Eaton Primary School*	ACADS
Alsager School	ACADS	Egerton Primary School	ACADS
Ash Grove Academy	ACADS	Evelyn Street Primary School	ACADS
Astbury St Mary's CoE Primary School	ACADS	Excalibur Primary School	ACADS
Axis School*	ACADS	Gawsworth Primary School	ACADS
Barnton Primary School	ACADS	Glazebury Primary School	ACADS
Beamont Primary School	ACADS	Gorse Covert Primary School	ACADS
Beaumont Collegiate Academy	ACADS	Gorseybank Primary School	ACADS
Bexton Primary School	ACADS	Grange Community & Primary School	ACADS
Birchwood High School	ACADS	Great Sankey High School	ACADS
Bishops Blue Coat CofE High School	ACADS	Great Sankey Primary School	ACADS
Black Firs Primary School	ACADS	Handforth Grange Community Primary School	ACADS
Boughton Heath Academy	ACADS	Highfields Community Primary School	ACADS
Brereton CoE Primary School	ACADS	Hollinhey School	ACADS
Bridgewater High School	ACADS	Hollins Green St Helens CoE Primary School	ACADS
Bridgewater Park Primary School	ACADS	Holmes Chapel Comprehensive School	ACADS
Brine Leas School	ACADS	Holmes Chapel Primary School	ACADS
Broken Cross Primary Academy	ACADS	Hungerford Primary	ACADS
Brookfields School	ACADS	Kelsall Primary School	ACADS
Broomfields Junior School	ACADS	Kings Leadership Academy	ACADS
Bruche Primary School	ACADS	Knutsford Academy	ACADS
Bunbury Aldersey CofE Primary School	ACADS	Lacey Green Primary Academy	ACADS
Burtonwood Comm Primary School	ACADS	Leighton Academy	ACADS
Calveley Primary Academy	ACADS	Little Bollington PS*	ACADS
Cavendish High Academy	ACADS	Little Leigh Primary	ACADS
Chapelford Village Primary School	ACADS	Little Sutton CoE Primary School	ACADS
Childer Thornton Primary School	ACADS	Lostock Hall Primary	ACADS
Christleton High School	ACADS	Lymm High School	ACADS
Cloughwood School	ACADS	Ivy Bank Primary School	ACADS
Clutton CoE Primary School	ACADS	Macclesfield Academy	ACADS
Comberbach Primary School*	ACADS	Manor Park School*	ACADS
Congleton High School	ACADS	Marlborough Primary School	ACADS
County High School Leftwich	ACADS	Marlfields Primary Academy	ACADS
Cranberry Academy	ACADS	Meadowside Comm Primary School	ACADS
Crewe Engineering UTC	ACADS	Mill View Primary School	ACADS
Croft Primary School	ACADS	Monks Coppenhall Academy	ACADS
Cuddington Primary School	ACADS	Mossley CE Primary School	ACADS
Mottram St Andrew Primary Academy	ACADS	St Mic with St Thomas Primary School	ACADS

Academies	Strategy		Academies	Strategy
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
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
Over Hall Community School	ACADS		The Ellesmere Port C of E College	ACADS
Padgate Academy	ACADS		The Fallibroome Academy	ACADS
Palacefields Academy	ACADS		The Fermaine Academy	ACADS
Park Road Primary School	ACADS		The Grange School	ACADS
Parklands Community Primary School	ACADS		The Heath Academy	ACADS
Parkroyal Community School	ACADS		The Hermitage Trust	ACADS
Pear Tree School	ACADS		The Oaks Academy	ACADS
Penketh High School	ACADS		The Quinta Primary School	ACADS
Penketh Primary School	ACADS		The Russett School	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 Paul's CE Primary School*	ACADS
Queens Park High School	ACADS		Victoria Road Primary School	ACADS
Rudheath Primary School	ACADS		Wade Deacon High School	ACADS
Rudheath Senior Academy	ACADS		Warrington CoE Primary School	ACADS
Sandbach High School & 6th Form	ACADS		Weaverham Primary Academy	ACADS
Sandbach Primary Academy School	ACADS		Westbrook Old Hall School	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		Widnes Academy	ACADS
Sir John Deanes College	ACADS		Willaston Primary Academy	ACADS
Sir Thomas Boteler High School	ACADS		Wilmslow Academy	ACADS
Sir William Stanier Community School	ACADS		Winsford Academy	ACADS
Smallwood CofE Primary Academy	ACADS		Wistaston Academy	ACADS
St Albans Catholic Primary School	ACADS		Wistaston Church Lane Academy	ACADS
St Augustines Catholic Primary School	ACADS		Wolverham Primary and Nursery School	ACADS
St Bernards RC Primary School	ACADS		Woolston Comm Primary School	ACADS
St Johns Wood Community School	ACADS		Worth Primary School	ACADS
St Marys Catholic Primary School	ACADS		Wybunbury Delves Primary School	ACADS

Independent auditor's report to the members of Cheshire West and Chester Council on the pension fund financial statements of Cheshire Pension Fund

Opinion

We have audited the financial statements of Cheshire Pension Fund (the 'Pension Fund') administered by Cheshire West and Chester Council (the 'Authority') for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Operating Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Chief Operating Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Operating Officer's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Chief Operating Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Operating Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chief Operating Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's and Group's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority, the Chief Operating Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority 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. The Chief Operating Officer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with

proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Operating Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Chief Operating Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit & Governance Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Pension Fund Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Pension Fund Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- journals - in particular with regard to manual journals, posted after the year end date which have an impact on the Fund's financial position, as well as any journals made by senior management personnel or with a blank description; and
- the appropriateness of assumptions applied by management in determining significant accounting estimates, such as the valuation of level 2 and 3 investments as well as the valuation of directly held investment properties.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Chief Operating Officer has in place to prevent and detect fraud;
 - journal entry testing, with a focus on manually posted journals such as accruals, journals posted which have a significant impact on the financial position, journals posted after the year-end, journals which are individually material, and any journals posted by senior financial reporting personnel;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 and 3 investments and directly held investment property; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of level 2 and 3 investments and directly held investment property.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the local government pensions sector;
 - understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent

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

John Farrar

John Farrar, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Liverpool

5 June 2023

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 2021.

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 2021, 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 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 2020-21 in relation to goods and services not received until 2021-22.

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 2020-21 relating to goods or services delivered in 2021-22.

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 employees receive as part of their contract of employment, the entitlement to which is built up as they provide services to the Council, e.g. annual leave, flexi leave.

Slippage

This is when delays occur in capital works and therefore payments are not made in the financial year originally anticipated.

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.