

Cheshire West & Chester Council

Statement **of Accounts**

2009/10



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EXPLANATORY FOREWORD

The following pages include the Statement of Accounts for Cheshire West & Chester Council for the year ended 31 March 2010.

The Council must prepare and publish annually a Statement of Accounts. The purpose of the Statement of Accounts is to give electors, local taxpayers, Members of the Council, employees and other interested parties clear information about the Council's finances.

The aim is to provide information on:

- The cost of the services provided in 2009-10.
- Where the money came from.
- What we own and what we owed at the end of the financial year.

The purpose of this foreword is to provide an explanation of the Council's financial position, including the main influences affecting the accounts, and to assist in the interpretation of the accounting statements.

Statement of Accounts

The Council's accounts are made up of:

- **The Statement of Accounting Policies** summarises the accounting rules and conventions adopted in preparing the accounts.
- **The Statement of Responsibilities for the Statement of Accounts** explains the authority's responsibilities and the responsibilities of the Director for Resources.
- **The Annual Governance Statement** comprises the systems and processes that enable the authority to monitor the achievement of its strategic objectives. This includes the system of internal control used to manage risk. It sets out the main features of this system and its effectiveness.
- **The Income and Expenditure Account** summarises the Council's income and expenditure in the year.
- **The Statement of the Movement on the General Fund Balance** reconciles the difference between the surplus or deficit for the year on the Income and Expenditure Account to the movement on the General Fund and Schools' balances.
- **The Statement of the Total Recognised Gains and Losses (STRGL)** demonstrates how the movement in the net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.
- **The Balance Sheet** sets out the end of year financial position as at 31 March 2010.
- **The Cash Flow Statement** shows the cash income and spending for the year.
- **The Housing Revenue Account** is a record of revenue expenditure and income relating to an authority'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** shows the income from Business Rates, Council Tax and Community Charge and how this income has been distributed.
- The **Pension Fund Accounts** summarise the income and expenditure and the balance sheet position as at 31 March 2010 of the Cheshire Pension Fund, which is administered by Cheshire West & Chester Council.

Local Government Reorganisation

In December 2007, the Government announced its decision to create two unitary councils in Cheshire to replace the two tier system which previously existed consisting of the County Council and six District Councils.

On 1 April 2009, the new unitary authority of Cheshire West & Chester Council replaced the former District authorities of Chester City Council, Vale Royal Borough Council, Ellesmere Port & Neston Borough Council and half of Cheshire County Council. On the same date, Cheshire East Borough Council replaced the former District authorities of Macclesfield Borough Council, Crewe & Nantwich Borough Council, Congleton Borough Council and half of Cheshire County Council.

In order to arrive at the opening balance sheet for the new authority the principles of merger accounting have been applied and the assets of the former district authorities have been transferred at their carrying amounts as at 31 March 2009. The assets of the former Cheshire County Council have been disaggregated between the councils of Cheshire West & Chester Council and Cheshire East. Note 1a to the accounts contains further details of how the opening balance sheet has been calculated.

As this is the first year of operation as Cheshire West & Chester Council the Income & Expenditure Account shows all income and expenditure as 'acquired services/operations' and therefore there will be no prior year comparatives available.

Main Influences on the 2009-10 Accounts

The main influences on the 2009-10 accounts have been the voluntary redundancy and transformation programme, the impact of Local Government Reorganisation, the current economic climate and the development of the Shared Service Agreements with Cheshire East Council.

In September 2009 the Council approved a voluntary redundancy programme. This programme was a key component in the organisation's strategy to reduce legacy staffing levels to the levels the authority required to deliver services in a modern unitary model and to transform the services delivered by Cheshire West & Chester Council. This programme incurred significant one off costs but left the organisation in a more sustainable financial situation going forward. A total of 470 staff left the Council as a result of this programme in 2009-10 at a total cost of £18.5m.

This consisted of £8.6m of severance costs paid in 2009-10 and £9.9m of actuarial costs which will be paid to the Pension Fund over a five year period, £2.1m has been paid in

2009-10. Due to the requirements of FRS 17 the Council's income and expenditure account does not record the actual payments made to the Pension Fund but instead shows the impacts of events and decisions made in the financial year on the Council's Pensions Liability (see Note 9). This means the expenditure recorded in the income and expenditure account reflects the assessed actuarial impact of the voluntary redundancy programme (£8.6m) rather than the costs paid out (£2.1m).

In December 2009 the Council submitted an application to the Department of Communities and Local Government to capitalise the statutory redundancy costs and pension costs arising from the service redesign and transformation process. This application was approved and the Council has capitalised £6.5m of these costs in 2009-10, this means the costs have been funded from capital receipts rather than using general reserves.

Prior to Local Government Reorganisation the predecessor Councils undertook a voluntary redundancy programme and released staff prior to 31 March 2009. Cheshire West & Chester Council made its first payment (£1.6m) to the Pension Fund for the costs of the early release of these staff in 2009-10. However, as described above under FRS 17 pension costs are reported in the income and expenditure account in the year that action is taken, not the year that cash is transferred. These costs were therefore reflected in the 2008-09 accounts and do not feature in the Income and Expenditure account for 2009-10. They are however a charge to the Council's General Fund for 2009-10.

The costs incurred in 2009-10 have been partially offset by releasing provisions set aside to cover them. This has reduced the costs charged to exceptional items by £1.8m.

The Council has also incurred expenditure relating to the set up of the new organisation. This has been treated as 'transitional' and includes costs of harmonising IT systems, development of HR policies, branding etc. During 2009-10 £1.7m has been charged to the Income and Expenditure Account as an exceptional item. In addition, consultancy costs have also been incurred relating to the development of the shared service agreements, the ICT Shared Service and the Transformation Programme. In 2009-10 these costs amount to £2.1m. These costs are explained in the Note 2 to the accounts.

During 2009-10 a fundamental review of the earmarked reserves which were inherited from the legacy authorities was completed. As a result of this review £1.7m was released from earmarked reserves and appropriated to the General Fund.

The current economic climate has also had a significant impact on the accounts, particularly the Pensions Liability. The most significant change on the face of the balance sheet relates to the Pensions deficit and this has increased from £300m to £604m, an increase of £304m. This is principally due to the fact that the financial assumptions at 31 March 2010 are less favourable than they were at 31 March 2009, and estimates of life expectancy have been increased. These factors serve to increase the value of liabilities and thus have a negative impact on the FRS 17 position. However, it is important to note that this does not represent an immediate call on the Council's reserves. Rather, it is a notional amount which show how much the Council's pension liabilities exceed its share of the Fund's assets. The Council's actual liability is reviewed every three years as part of the triennial valuation of the Pension Fund and an investment strategy is determined which aims to recover the deficit over a stated period (currently 20 years).

The prevailing economic conditions have also influenced the Council's approach to its Treasury Management activities. Interest rates throughout the year were at unprecedented low levels, meaning the return on Investments that could be expected would be greatly reduced. Consequently the Council chose to use its existing cash balances as opposed to raising new long term loans to fund its capital expenditure.

As part of the LGR transition, the Council has entered into an agreement with Cheshire East Council to deliver 30+ services via a shared services arrangement. The sharing of selected services is a major component in the planning of Cheshire West & Chester Council and Cheshire East Council. It is a shared ambition of both councils to retain the benefits of scale of a range of frontline specialist operations, such as Emergency Planning and Archives, and also to support all of our front line services with an efficient shared back office for transactional HR, Finance and ICT operations in line with best industry practice and the Government's strategy for enhanced efficiency within the public sector.

Services which could be operated as part of a shared services arrangement have been determined and assessed using the criteria of maintaining operational efficiency and identifying those services that utilised a single infrastructure that could not be disaggregated economically or in the short term. Further details on the Shared Service Agreements are included in the accounting policies and notes to the financial statements.

Each Shared Services Arrangement is being accounted for as a Joint Arrangement that is Not an Entity (JANE) in accordance with the 2009 SORP. A full explanation of the accounting policy that is being followed by Cheshire West & Chester Council is contained in Policy Note 20 to the accounts. In accordance with the accounting rules for JANEs, only the costs attributable to Cheshire West & Chester Council are included within its accounts. A note setting out the full costs of the shared services arrangement is set out in Note 46 to the accounts.

Changes in Accounting Policies in 2009-10

The Statement of Accounts in 2009-10 is prepared in accordance with proper practices and incorporates the additional reporting requirements as a result of the move towards the adoption of International Financial Reporting Standards. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2009 (the SORP)*, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

- **Private Finance Initiative (PFI) and Service Concessions**

Cheshire West & Chester Council is responsible for two PFI contracts entered into by the former Cheshire County Council. In 2009-10 the requirements of the SORP have changed to more closely align with International Financial Reporting Standards (IFRS) in this area. The impact of this change has been to bring the assets constructed under these contracts onto the balance sheet of the Council as property assets and to reflect the amounts owed to the PFI Contractors as long term liabilities. The overall impact of the change is neutral to the Council's net assets and reserves. This is explained in further detail in note 19 to the accounts.

- **Accounting for council tax and non-domestic rates**

The 2009-10 SORP requires local authorities to recognise the requirements of agency accounting principles and not include within their Accounts amounts they have merely

collected on behalf of their principals. This means that the Council's accounts only include its own share of Collection Fund balances, not those that will ultimately fall to other major precepting bodies or central government.

The necessary changes to the opening balances inherited from the legacy authorities are set out as prior year adjustments in Note 7 to the Accounts.

Summary of the 2009-10 Year

The Council spends money in two ways; revenue and capital. Revenue spending is on items whose benefit is delivered within a year and is paid for from Council Tax, government grants, rents and other income. Capital spending relates to items which give benefits for a period of more than one year. The financing of capital expenditure is mainly from capital receipts, capital grants, contributions or borrowing.

Summary of Revenue Expenditure

The Income and Expenditure Account and the Statement of the Movement on the General Fund Balance show our financial performance and the net expenditure to be charged against General Reserves and Council Tax. The Income and Expenditure Account reports on the areas where the Council has spent its money and shows how it has funded these activities. That statement includes a number of notional charges such as impairments and FRS 17 pensions costs which aren't ultimately funded from General Reserves, these entries are removed in the Statement of Movement on the General Fund Balance to arrive at the amount to be funded from Council Tax or General Reserves.

A net expenditure budget of £242m for 2009-10 was agreed by the Council in February 2009. These budgets were reviewed during the year and the table below brings together the final budget for 2009-10 and our actual income and expenditure.

| | Budget £m | Actual £m | Variance £m |
|--|--------------|--------------|----------------|
| Service Expenditure | 209.3 | 212.9 | 3.6 |
| Carry Forward requests | 0.0 | 2.1 | 2.1 |
| Contingencies | 4.7 | 1.0 | -3.7 |
| Transitional costs & Voluntary Redundancies | 20.2 | 17.2 | -3.0 |
| Capital Financing | 16.5 | 14.0 | -2.5 |
| Other | -0.3 | 0.2 | 0.5 |
| Appropriation from earmarked reserves | 0.0 | -1.7 | -1.7 |
| Appropriation to earmarked reserves | 0.0 | 1.6 | 1.6 |
| Total Net Spend | 250.4 | 247.3 | -3.1 |
| Capitalisation of Voluntary Redundancy Costs | 0.0 | -6.5 | -6.5 |
| Total Spend | 250.4 | 240.8 | -9.6 |
| Financed by: | | | |
| Council Tax & Government Grants | 239.4 | 239.4 | 0.0 |
| Use of Carry Forwards | 0.6 | 0.6 | 0.0 |
| Use of Earmarked Reserves | 0.2 | 0.2 | 0.0 |
| Use of General Reserves | 10.2 | 0.6 | -9.6 |
| Total | 250.4 | 240.8 | -9.6 |

The 2009-10 budget included the delivery of very challenging savings in comparison to the costs of the legacy authorities it replaced, with £29m savings in the 2009-10 base budget and a further £3.8m of savings identified during summer challenge sessions.

In the budget report it was clearly identified that individual services would probably overspend (against their base budget allocation) in the current year as they needed to effectively downsize and remove legacy costs from their services. Provisions were set aside to meet these transitional and voluntary redundancy costs.

As shown in the table above, the final outturn for the Authority is an underspend of £3.1m. This comprised overspends by Directorates of £3.6m and requested to carry forward budgets of £2.1m into 2010-11 but these were offset by underspends totalling £8.8m on contingencies and other corporate budgets.

That position is before the capitalisation of £6.5m of statutory redundancy and actuarial strain costs, resulting in a final underspend for 2009-10 of £9.6m against the budgeted level of £250.4m. This meant that instead of the planned usage of reserves of £10.2m it was only necessary to use £0.6m. This is extremely positive news given that this is the Authority's first year of business and reflects the positive manner that has been taken to financial management.

Services Provided

The table below shows how the gross revenue expenditure reported in the Income and Expenditure Account was distributed across services in 2009-10 in accordance with the Best Value service expenditure analysis:

| 2009-10 | | |
|---|----------------|------------|
| Service | £000 | % |
| Central Services | 27,632 | 3 |
| Children's and Education Services | 348,011 | 41 |
| Adult Social Care | 108,310 | 13 |
| Cultural, Environmental & Planning Services | 101,882 | 12 |
| Highways, Roads & Transport Services | 74,237 | 9 |
| Council Housing (HRA) | 15,655 | 2 |
| Housing Services | 95,999 | 11 |
| Courts Services | 437 | 0 |
| Corporate & Democratic Core | 24,705 | 3 |
| Non-distributed Costs | 1,659 | 1 |
| Exceptional Items | 19,561 | 2 |
| Net Cost of Services | 818,088 | 97 |
| Other Operating Costs | 27,776 | 3 |
| Total Operating Expenditure | 845,864 | 100 |

Where the Money Comes from

In 2009-10 the Council received revenue funding and income of £813m. The table below shows where the Council's funding came from:

| Source of Funding | £000 | % |
|---|----------------|------------|
| Fees and Charges | 197,437 | 24 |
| Specific Government Grants | 355,683 | 44 |
| Council Tax | 150,100 | 19 |
| Revenue Support Grant (RSG) | 17,177 | 2 |
| National Non-Domestic Rate (NNDR) | 74,419 | 9 |
| Local Authority Business Growth Incentive | 316 | - |
| General Govt Grants (ABG and PFI) | 18,149 | 2 |
| Total | 813,281 | 100 |

Schools-related expenditure is paid directly to local authorities via the Dedicated Schools Grant (DSG) and this has been included within specific government grants in the table above. Specific grants represent 44% of our funding. 19% of the Council's funding comes from Council Tax, with a further 11% from Revenue Support Grant and National Non Domestic Rates. Fees and charges generated by service activities represent 24% of the total income of the Council. Services are encouraged to continuously review charging policies to ensure that the optimum amount of income can be generated in specific areas to assist the Council in operating within financial constraints. The Council also receives income in the form of interest through the management of its reserves.

What the Money was Spent on

As noted above, the gross cost of services in 2009-10 was £846m. After taking account of other operating income and expenditure, specific grants and fees and charges, the net operating cost totals £293m. The table below provides an analysis of what the money was spent on:

| Category | % |
|-----------------------|------------|
| Employees | 44 |
| Premises | 4 |
| Transport | 8 |
| Supplies and Services | 41 |
| Capital Charges | 3 |
| Total | 100 |

Summary of Capital Expenditure

The approved capital budget for 2009-10 was £122.8m, actual expenditure on capital projects was £98.3m. This is shown by Directorate below:

| Directorate | 2009-10 £000 | 2009-10 % |
|--------------------------------|-----------------|---------------|
| Children and Young People | 20,347 | 20.7% |
| Adult Social Care & Health | 783 | 0.8% |
| Environment | 18,199 | 18.6% |
| Regeneration and Culture | 15,458 | 15.7% |
| Area and Community | 10,938 | 11.1% |
| Resources and Chief Executives | 26,085 | 26.5% |
| Corporate | 6,492 | 6.6% |
| Total | 98,302 | 100.0% |

The sources of income which financed this expenditure are:

| Source | £000 | % |
|---|---------------|--------------|
| Supported Borrowing | 9,686 | 9.9 |
| Ringfenced Borrowing | 3,062 | 3.1 |
| Prudential (Unsupported) Borrowing | 26,742 | 27.2 |
| Government Grants | 25,405 | 25.8 |
| Other Grants | 823 | 0.8 |
| Internal/External Contributions (inc S106 & S278) | 8,249 | 8.4 |
| Other Revenue Contributions | 3,594 | 3.7 |
| Capital Receipts Reserve | 20,741 | 21.1 |
| | 98,302 | 100.0 |

In 2009-10, due to the low level of interest on deposits, borrowing has been financed from using cash and investments (internal borrowing) rather than taking out external loans. The level of external borrowing the Council owes has marginally reduced to £142m.

The outcomes from the expenditure include the following schemes which have either been completed or significantly progressed in the year, further details of our capital spending and financing is shown in notes to the accounts.

| | £000 |
|--|---------------|
| Purchase of Site for Ellesmere Port Academy | 1,413 |
| Enlargement of Newton Primary School | 2,515 |
| Redevelopment of Victoria Workplace Nursery | 1,443 |
| Carriageway Repairs and Improvements | 3,972 |
| Adaptations through Disabled Facilities Grant | 1,792 |
| New Leisure Facility at Winsford Lifestyle Centre | 10,589 |
| Reroofing and Re-fenestration to various buildings | 1,700 |
| Purchase of new Corporate Headquarters | 20,523 |
| Total | 43,947 |

Balance Sheet

The Council's Balance Sheet demonstrates a strong financial position for the Council at the end of its first year of operation, despite a reduction in net assets of £288m.

Fixed Assets have increased by £91m. This increase is largely a result of:

- £61m Expenditure on new assets
- £25m Recognition of partially completed assets
- £24m Newly recognised PFI assets
- £36m Increases in the value of existing properties
- (£17m) Reduction (impairment) in value of existing properties
- (£16m) Disposal of assets
- (£22m) Depreciation of assets for the year

Long term investments have increased by £1m. Long term investments comprise the estimated amounts due to be received from the administrators of Heritable Bank in the years 2011-12 and beyond. At 31 March 2009 all of the amounts due from the administrators of Heritable Bank had been shown as current investments (i.e. due in less than 1 year) due to uncertainty over the dates any amounts would be received.

The value of long term debt owed to the Authority has increased during the year from £7.2m to £7.7m. This balance consists of £4.6m owed by Cheshire East Council pending disposal of surplus assets, £1.4m owed by Sir John Deanes VI Form College and Cheshire Lifestyle Services and £1.3m of debt relating to Home Buy Loans in order to ensure the delivery of affordable housing in the borough. The increase relates to housing loans.

Working capital (i.e. current assets less current liabilities) has decreased by £42m. This is primarily the result of a £102m increase in creditors and short term borrowing offset by a £64m increase in debtors and a net £4m increase in Cash and Investments. The large increase in debtors and creditors is due to the fact many of the equivalent balances were settled by the Council's predecessors before responsibility was passed to Cheshire West and Chester.

The closing short term debt figure of £94m includes £34m of invoiced debt, of which £3.3m is over six months old. It also includes £7.4m of Council Tax arrears, £1.7m of rent arrears and £3.4m of Housing Benefit overpayments. Given the nature of these debts a debt provisions of £9.9m has been created against the potential for non collection. The remaining element is largely with other public bodies and represents a smaller risk.

Short term investments total £12m at 31 March 2010 compared to £46.5m at 31 March 2009. This decrease is due to the Council using its available cash balances in order to fund capital expenditure as opposed to raising new long term loans.

Creditors, Receipts In Advance and Short Term Borrowing totaled £148.4m as at 31 March 2010. These largely relate to short term arrangements where payment is made within a month. In the main the balance comprises:

- £69.5m Sundry revenue and capital creditors;
- £13.9m Short term money market borrowing from other authorities;
- £22.8m Cheshire East's share of the LGR cash disaggregation;
- £29.8m Receipts in advance (primarily grant funding);
- £3.2m Council Tax receipts in advance;
- £3.0m Pension Fund and other payroll related bodies;
- £6.2m HMRC creditor

Long term liabilities have increased by £339m but this is almost entirely related to the change in the Pensions Liability and the newly recognised commitment under the Councils PFI schemes.

The Net Pensions Liability has increased by £304m in 2009-10 as a result of changes to the financial assumptions underpinning the valuation. The mechanism by which future payments are discounted back to a current value are less favourable than they were at 31 March 2009, and the value of those future payments themselves have risen as life expectancy increases have been factored in. These materially increase the size of the unfunded liability or deficit on the fund.

The Council's Extra Care Housing PFI scheme became operational in 2009-10 and following changes to the accounting regulations the future payments to be made under this 30 year contract are now reported as a liability. This has added £23m to the long term liability balance.

Other changes include:

- £17.1m Increase in capital grants and contributions deferred. These represent funding received by the Council towards the cost of new assets. The balance is released to the Capital Adjustment Account over the life of the asset.
- £1.9m Increase in unapplied S106 Developer Contributions
- £1.5m Creation of an Insurance provision for CW&C claims;
- (£3.5m) Reduced liability to Cheshire East from asset disposals. This is as a result of reducing the debt to reflect the sale of County Hall (£2.5m) and depreciation of remaining joint assets (£1m).
- (£2.2m) Usage of early retirement and redundancy provisions
- (£2.1m) Reduction in Long Term Borrowing

Status of Reserves

Reserves are an important way of providing working capital to finance spending whilst awaiting income and providing flexibility in the event of unforeseen circumstances. Based on historical experience and professional guidance, the minimum level of general reserves considered adequate to meet normal operational circumstances is broadly assumed to be around 3-5% of net operating expenditure (excluding schools). However, this figure needs to be modified by judgements regarding level of financial risk and uncertainty. The current level of the General Fund (£19.5m) represents 8% of the net expenditure budget for 2009-10.

In February 2010, the Executive approved the Council's Reserve Strategy. This strategy showed that a risk adjusted assessment of the required level for the general fund of £15m-£17m would be prudent. As can be seen above, the balance at 31 March 2010 is above this figure. This higher level is considered to be justified given that Directorate budgets overspent by £3.6m in 2009-10 prior to carry forwards and while action plans are in place to address this overspend it will take time to implement them. In addition there is an expectation that Public Sector spending will reduce going forward and flexibility in reserves will assist if the pace of reduction is faster than currently anticipated in our financial planning. An increased level of general reserves is considered to be prudent at this point in time, but will of course be continually reviewed by the Director of Resources.

The Council sets aside some balances as earmarked reserves to provide for specific future spending requirements. Managers are able to carry forward planned under spending into the following year giving them increased flexibility within a framework of clear accountabilities. Resource Centre Manager carry forwards amounted to £2.1m in 2009-10. There is also a carry forward facility for schools where their ring fenced budgets are underspent; this carried forward £4.8m into 2010-11, a decrease of £0.25m on the previous year's position. The Council has a number of other earmarked reserves which are set out in Note 29 to the Financial Statements.

The Capital Receipts Reserve has decreased by £10.3m during the financial year, resulting in a balance of £19.1m at the year end. The reserve is considered sufficient to meet known commitments.

The Council's share of the overall Collection Fund deficit (£1.6m) is £1.4m. The Council has budgeted for £1.1m of this deficit in its 2010-11 budgets and the remainder will be built into the 2011-12 financial scenario.

The Housing Revenue Account balance has reduced from £1.6m to £1.3m in 2009-10. The deficit for the year of £0.27m compares to a budgeted deficit of £0.981m. The HRA incurred costs in implementing the improvement plan and funding interim management arrangements. The reduced deficit is a result of planned increases to capital expenditure not taking place in 2009-10.

Future Developments

The Council anticipates that the coming year 2010-11 will be every bit as challenging as 2009-10, with continued pressures on all our main services, particularly Adult Social Care and services for Children, Young People and Families. In setting the 2010-11 budget (£247m), it was recognised that there are likely to be significant funding reductions in future years and it is clear that there will be insufficient resources available to meet all service delivery ambitions and priorities without the generation of significant efficiency savings. As a result of this, the Council has commenced a Transformation Programme, designed to be an enabler for the Council to deliver its vision of putting the customer first, delivering value for money and implementing best practice across the organisation.

The 2010-11 Accounts will be the first set prepared under International Financial Reporting Standards (IFRS). This represents a series of major changes in the production of public sector accounts, the accounting treatment within the accounts and the reporting regime. The introduction of IFRS to the public sector is designed to bring benefits of improved and more consistent management information reporting and to follow private sector best practice.

During 2010-11 the Council will embark upon a period of consultation with stakeholders with regard to future long term capital schemes and programmes that will be undertaken. The authority has ambitious plans for capital investment within the Council boundaries and this consultation process will provide a valuable input and direction into the development of an affordable programme that supports the aims and objectives of the Council and the priorities of its citizens.

Conclusion and Further Information

Overall the 2009-10 Statement of Accounts shows the Council has a healthy financial position at the end of its first year of operation.

A copy of the Audit Report and a Summarised Statement of Accounts is available on our website at: www.cheshirewestandchester.gov.uk or contact our Information Line on 0300 123 8123. If you have any comments about the presentation, format and content of the Statement of Accounts please complete the attached feedback form.

Mark Wynn
Head of Finance
Cheshire West & Chester Council

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Our Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources who is named as the Chief Finance Officer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

The Statement of Accounts was approved by the Audit and Governance Committee on 27 September 2010

Date: 28/09/10 Signed by:

Councillor Keith Musgrave
Chair of Audit and Governance Committee

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code of Practice").

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 31st March 2010.

Date: 28/09/10 Signed by:

Julie Gill
Director for Resources

Annual Governance Statement 2009-10

1.0 Scope of responsibility

- 1.1 Cheshire West & Chester Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Cheshire West & Chester Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Cheshire West & Chester Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 Cheshire West & Chester Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework "Delivering Good Governance in Local Government". A copy of the code is on our website at [CWaC Code of Corporate Governance March 2010](#) or can be obtained from the Council's Monitoring Officer. This statement explains how Cheshire West & Chester Council has complied with the code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2.0 The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of [the authority'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.
- 2.3 The governance framework has been in place at Cheshire West & Chester Council for the year ended 31 March 2010 and up to the date of approval of the accounts.

3.0 The governance framework

- 3.1 The key elements of the systems and processes that comprise the authority's governance arrangements are set out in our Code of Corporate Governance. The following Core Principles and paragraph numbers within the Code set out the Council's arrangements for:

| Governance arrangements | Code of Corporate Governance refs | |
|---|-----------------------------------|------------|
| | Core Principle | Para(s) |
| Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users | 1 | 1 |
| | 2 | 10 |
| Reviewing the authority's vision and its implications for the authority's governance arrangements | 1 | 2 |
| Measuring the quality of services for users, for ensuring that they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources | 1 | 5, 7 |
| Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication | 2 | 1-7, 11 |
| | 5 | 1,3,4,5,7 |
| Developing, communication and embedding codes of conduct, defining the standards of behaviour for members and staff | 1 | 6 |
| | 2 | 1,4,6,7 |
| | 3 | 1-6 |
| Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks | 2 | 5 |
| Ensuring the authority's financial management arrangements conform with the governance requirements of CIPFA's "Statement on the Role of the Chief Financial Officer in Local Government (2010)" * | 2 | 5 |
| Undertaking the core functions of an audit committee, as identified in CIPFA's "Audit Committee – Practical Guidance for Local Authorities" | 4 | 4 |
| Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful | 2 | 2, 5, 6 |
| | 3 | 1, 3, 5, 6 |
| | 4 | 1-12 |
| | 5 | 3, 4 |
| Whistle blowing and for receiving and investigating complaints from the public | 2 | 5, 9 |
| | 3 | 1, 2 |
| | 4 | 5, 9 |
| Identifying the development needs of Members and Senior Officers in relation to their strategic roles, supported by appropriate training | 5 | 1-5, 7 |
| Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation | 1 | 4 |
| | 2 | 10-13 |
| | 3 | 2, 4 |
| | 4 | 5 |
| | 5 | 6 |
| | 6 | 1-9 |
| Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements | 1 | 3 |
| | 2 | 10-13 |
| | 3 | 3, 4, 7, 8 |
| | 4 | 1-12 |
| | 6 | 1, 3, 5, 8 |

* The authority's financial management arrangements have been reviewed against the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010), and have been assessed as compliant.

4.0 Review of effectiveness

- 4.1 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 effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The Council's governance framework has been developed and reviewed throughout the year by a dedicated Corporate Governance officer group, chaired by the Monitoring Officer and comprising a broad range of senior officers with responsibility for aspects of internal control and governance.
- 4.3 In accordance with the Council's Governance Framework, the Corporate Governance group has gathered statements and assurances from a number of officers across the Council, seeking confirmation that a robust system of internal control and governance has been in place and working effectively for the period covered by this Annual Governance Statement, or to highlight any significant areas of weakness and mitigating action being taken to address any identified weaknesses. Statements have been sought and received from:
- Director of Resources – Council's Chief Financial Officer and Section 151 Officer
 - Director of Adult Social Care and Health
 - Director of Children's and Young People's Services
 - Director of Community and Environment
 - Director of Regeneration and Culture
 - Head of Legal & Democratic Services – Council's Monitoring Officer
 - Head of Finance
 - Head of Human Resources
 - Head of ICT
 - Head of Policy, Performance, Partnerships and Transformation
 - Executive Support Manager
- 4.4 The Council's Executive has responsibility for the Council's budget, decisions on expenditure, the Council's financial affairs, human resources policies, and advising the Council on corporate governance. The Executive has received and approved reports during 2009-10 on subjects such as the Council's budget, the Council's capital and reserves strategies, Medium Term Financial Strategy, treasury management policies, human resources policies, mid year and three quarter year reviews of performance and finances, the Council's corporate risk register, the Sustainable Community Strategy, and the Local Area Agreement.
- 4.5 The Council's Audit & Governance Committee has responsibility for risk management and corporate governance, the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct; the authority's Annual Governance Statement, the annual statement of accounts, and receipt of reports and information from Internal and External Audit. The Audit & Governance Committee has received and approved reports during 2009-10 on subjects such as the Internal Audit Charter, Strategy and Plan, Finance and Contract Procedure
-

Rules, Statements of Accounts and Annual Governance Statements for CWaC's predecessor authorities, the Risk Management Policy & Strategy and Corporate Risk Register, reviews of a number of aspects of the Constitution, reports of the work of Internal Audit, and the Council's Code of Corporate Governance.

- 4.6 The Council's Overview & Scrutiny Committee has responsibility for the review and scrutiny of the performance of the Council, the Executive and its Partners in relation to its policy objectives, performance targets. The Overview & Scrutiny Committee has received and approved reports during 2009-10 on subjects including the Council's budget, use of the Council's powers of surveillance, and arrangements with town and parish Councils.
- 4.7 The Council's Standards Committee has responsibility for promoting high standards of ethical behaviour, codes of conduct and local protocols and policies for Members of the Council, making recommendation in respect of codes of conduct for employees; ethics in the Council's operations, advising other persons / bodies on probity and ethics; and supporting the Council's statutory officers in the performance of their duties. The Standards Committee has received and approved reports during 2009-10 on subjects including sanctions for failure to comply with the Code of Conduct, approving an annual return to the Standards Board for England, approving proposals to publish Members' declared interests and gifts / hospitality on the Council's internet, the Employee Code of Conduct, Ethical Governance, and feedback from the external auditors on the work of the Committee.
- 4.8 The Council's Chief Financial Officer, as Section 151 Officer, has responsibility for the system of internal control within the Council. Supported by the Resources Directorate Management Team, the CFO has sponsored a range of improvements to governance and control arrangements during the financial year, including ongoing review of the Council's Constitution (including the Contract Procedure Rules and Finance Procedure Rules), establishment of a Code of Corporate Governance, leading the Council's Business Challenge process which included a fundamental review of Service budgets, establishing regular financial and performance reporting to senior officers and Members, and leading the Council's response to the Audit Commission's Use of Resources assessment prior to its recent abolishment.
- 4.9 The Council's Internal Audit function, delivered through the Finance Service, is required to examine, evaluate and report upon the adequacy of internal controls operated throughout the Authority. The Head of Internal Audit is responsible for producing and executing a plan of internal audit that takes appropriate account of the risks associated with each area of the Council's activity. The Accounts and Audit Regulations 2003 require that the Head of Internal Audit should issue an "internal audit opinion". This opinion forms part of the Annual Report of the Head of Internal Audit, which supports this Annual Governance Statement.
- 4.10 The Internal Audit work programme for 2009-10 initially focussed on a range of risks associated with the handover of the internal control environment from our predecessor authorities to the new Council. This review provided assurance that no significant control or governance issues were introduced as a consequence of Local Government Reorganisation and the formation of the new authority. Since

then, Internal Audit has delivered a broad range of assurance, advice and consultancy support to the new Council; this work has continued to provide assurance that the Council's challenging change agenda is being delivered without leading to significant internal control issues. The Annual Report of the Head of Internal Audit has identified a number of control weaknesses which have been identified during the course of delivery Internal Audit's work programme, and sets out the actions being taken to address those weaknesses. Delivery of those actions will be reviewed as part of ongoing Internal Audit reporting processes. None of the issues raised in the Annual Report of the Head of Internal Audit are considered significant governance issues for inclusion in the Annual Governance Statement.

- 4.11 Internal Audit have reviewed the processes followed by the Council to ensure recommendations from OFSTED and CQC inspections and reviews are reviewed and appropriate action taken by the Council to mitigate identified control and governance issues. These processes appear to operate satisfactorily.
- 4.12 We have been advised on the implications of the result of the review of the effectiveness of the governance framework as described above, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5.0 Significant governance issues

- 5.1 Significant governance issues highlighted through the process of review described in section 4 and assessed as potentially having a high impact on the organisation's internal control environment are set out in the table below. Mitigating actions to address each reported issue are identified. In some cases, mitigating actions have already been delivered.
- 5.2 In reporting these governance issues, it is worth reflecting on the context against which these issues have arisen and been identified. The Council was formed from the complex disaggregation of a large County Council and integration of three District Councils with half of the former County Council. Since 1 April 2009, Cheshire West & Chester Council has delivered a challenging initial change programme, including a fundamental review of structures and budgets; a significant reduction in the Council's permanent cost base in anticipation of reductions in central government funding and delivery of a complex voluntary redundancy programme; and the launch of a major transformation programme designed to ensure the Council meets the pledges set out in its Corporate Plan.

| Source | Issue | Action |
|--|--|--|
| Director of Resources assurance statement Head of Finance assurance statement | Areas of concern have been flagged by some areas of the business in relation to underlying base budget problems, mainly in the Adult Social Care & Health Directorate. | Ongoing review of delivery of policy options to achieve budget savings. Business challenge sessions are being carried out to review cost base / service delivery options. Initial business challenge sessions in 2009-10 were successful and ensured delivery of a £3.1m underspend across the Council. |
| Head of Finance assurance statement | In relation to financial management within the Shared Services, although 2009-10's arrangements were sufficient, improvements can be made in relation to processes which jointly involve Cheshire East Council, for example, ICT. | Shared services financial management arrangements to be kept under review during 2010-11 as part of a review of the optimum delivery model for shared services. Governance arrangements are in place and will be reviewed as the shared services move from transitional to permanent arrangements. |
| Head of ICT & Customer Services assurance statement | Information was provided via email from Children's Services to other local authorities pertaining to a 'missing child'. This was reported to the ICO by another Authority as being insecure media considering the nature of the material. | The Authority immediately put processes in place to distribute such information via email using the Government Connect secure mail system. |
| Head of ICT & Customer Services assurance statement | A major non-conformity was raised at the October 2009 external ICT audit relating to the control of hardware requiring data cleansing. | The disposal process was reviewed and staff informed of the changes. A follow-up visit in November 2009 checked and signed off the non-conformity. No major non-conformities were raised in the February 2010 visit. |
| Head of HR assurance statement | During the year 1 st April 2009 – 31 st March 2010 the Council received 2 Improvement Notices from the Health and Safety Executive in relation to the management of violence and aggression to staff in a children's residential centre in Blacon, Chester. Unfortunately the breaches of the Health and Safety at Work Act were committed prior to LGR, however the liability carried forward to Cheshire West & Chester Council. | Improvements were made to the training and management systems and the HSE subsequently confirmed that the Notices had been complied with. |
| Head of Policy, Performance, Partnerships and Transformation assurance statement | A register of significant partnerships is under development, in support of the Council's Partnership Policy and Toolkit. However, governance arrangements for some of the identified partnerships are not documented to the necessary standard to ensure that they are understood and that delivery of those arrangements can be monitored. Many such partnership arrangements rely heavily on central government funding. | As part of the roll-out of the Partnership Toolkit and the production of the register of significant partnerships, governance arrangements will be clarified and reporting / monitoring regimes will be brought up to the necessary standard. This requirement is due to be reviewed by Internal Audit during the coming year. The impact of forthcoming changes to central government funding will result in further review of and changes to partnership arrangements. |

| Source | Issue | Action |
|--|---|--|
| Director of Adult Social Care & Health assurance statement | The Directorate inherited a significant overspend which has been brought forward to the current financial year. | Although strenuous efforts are being made to minimise any financial over run, it is anticipated that it will not be possible to completely close that gap. |
| Director of Children and Young People's Services assurance statement | Not all staff were fully conversant with financial approval limits throughout the year. A number of procurement transactions should have been subject to additional approval prior to release. | Approval limits and procedures were reviewed in-year to ensure requirements were understood across the Directorate. |
| Director of Children and Young People's Services assurance statement | A very small number of staff did not fully comply with the registration requirements of the General Social Care Council. | This issue was immediately rectified once identified. |
| Director of Resources Assurance Statement/ Head of Finance assurance statement | The Internal Audit function had been assessed as adequate. However some concerns exist , at year end, about the timeliness of delivering the planned Audit programme and in particular the work on adequacy of financial systems. Engagement with members of the Audit and Governance committee on findings from Audit reports also needs to increase as delivery of the Audit plan develops. | Interim Head of Audit has revisited the Audit Plan and 2009/10 programme has been delivered. The 2010/11 has been updated and is on track for delivery. An independent Audit Working Group has been set up and is discussing the findings of audit reports and following up recommended actions. |

- 5.3 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Cheshire West & Chester Council:

Mike Jones
Leader of the Council

Steve Robinson
Chief Executive

Review of Annual Governance Statement

I have reviewed the Annual Governance Statement as approved by Cheshire West and Chester Council and certify that no issues arose during the preparation of the Statement of Accounts and that is therefore not necessary to make supplementary or supporting statement.

Julie Gill, Director of Resources

Dated: 28 September 2010

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

Opinion on the Authority accounting statements

I have audited the accounting statements and related notes of Cheshire West and Chester Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Cheshire West and Chester Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Director of Resources and auditor

The Director of Resources responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Cheshire West and Chester Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Director of Resources and auditor

The Director of Resources responsibilities for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the

Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I read other information published with the pension fund accounting statements and related notes and consider whether it is consistent with the audited pension fund accounting statements. This other information comprises the Introduction. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the pension fund accounting statements and related notes.

Opinion

In my opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to the criteria for principal local authorities specified by the Audit Commission and published in

May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Cheshire West and Chester Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Jackie Bellard
Officer of the Audit Commission

28 September 2010

Audit Commission, 1st Floor, Block 4, The Heath Business and technical Park, The Heath, Runcorn, Cheshire, WA74QF

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2009-10 financial year and its position at the year end of 31 March 2010. It has been prepared in accordance with the 'The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2009' (the SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and those Financial Reporting Standards (FRS) where CIPFA has provided guidance notes. The Code is recognised as representing proper accounting practices.

2. Going Concern

This concept assumes that an enterprise will continue its activities for the foreseeable future. Following local government reorganisation in Cheshire, the Council inherited the assets and liabilities of the district councils of Chester City, Vale Royal and Ellesmere Port & Neston Borough Council and a proportion of the assets and liabilities of Cheshire County Council. The Council is also providing the same services as the demised councils and therefore the going concern principle still applies. The valuation of assets and liabilities on the 1 April 2009, the date the Council came into being, is based on the carrying value of those assets at that date.

3. Local Government Reorganisation

Cheshire West & Chester Council was created on 1 April 2009 replacing the former District authorities of Chester City Council, Vale Royal Borough Council, Ellesmere Port & Neston Borough Council and half of Cheshire County Council.

The reorganisation has been accounted for using the principles of merger accounting and is recognised as taking place at the start of the financial year. Note 1a to the core financial statements explains how the authority's opening balance sheet has been arrived at.

Due to the continuing need to discharge responsibilities arising from the activities of the former County Council and to realise the value of former 'countywide' assets there are a number of on-going arrangements between Cheshire West & Chester Council and Cheshire East Borough Council. These arrangements have the following impact on the statement of accounts:-

Joint Interest in Assets

- Where the County Council owned fixed assets which served the whole of the County, for example administrative buildings, both new Councils are entitled to benefit from them. All such assets have been disaggregated to a single Council where the asset is geographically located but the interest of the non-host in the asset is reflected as a long term liability on the balance sheet of the host and an asset on the balance sheet of the non-host. The liability represents the requirement to compensate the non-host for the loss of the asset and becomes payable on disposal of the asset or on an agreed settlement date not sooner than 2014. As the County Council's administrative centre was in Chester the majority of Joint Assets are held by Cheshire West & Chester Council. As at 31st March 2010 Cheshire West hold £24.7m of fixed assets offset by a liability valued at £12.5m, and a long term debtor valued at £4.6m representing its share of £10.0m of assets held by Cheshire East.

Debt Administration

- Cheshire West & Chester Council have taken responsibility for the collection of the former Cheshire County Council's outstanding debt. The debt is shown in full on the balance sheet, along with the former County Council bad debt provision. The value of the debt and debt provision will be highlighted in the notes to the accounts. Any surplus/deficit on the bad debt provision will be shared with Cheshire East Council pro rata to tax base.

Joint Reserves

- Cheshire West & Chester Council has taken responsibility for discharging all liabilities in respect of the 3C Waste and Early Retirements and has inherited funding to settle these costs. The 3C Waste Reserve is money set aside to fund any outstanding liabilities relating to remedial works at the Witton landfill site. The early retirement provision is money set aside to meet the actuarial cost of former Cheshire County Council early retirements which were payable after 31 March 2009. Any surplus/deficit on these will be shared between the two Councils pro rata to tax base. The balances on these reserves are disclosed in the Notes to the Accounts.
- Cheshire East Borough Council has taken responsibility for discharging the former County Council's insurance liabilities and therefore inherited the Insurance Reserve and Provision. The Insurance Reserve represents a sum of money to cover potential future Insurance claims, the Provision covers the costs of known claims which are yet to be settled. These balances are reported on Cheshire East Council's balance sheet. A note will be included in the Statement of Accounts to record this agreement, with details of the current balances. Any surplus/deficit on the reserve will be shared between the two Councils pro rata to tax base.
- A new reserve has been set up in relation to staff relocation costs. Cheshire East Council has taken responsibility for this reserve and this will be contained in the Cheshire East balance sheet. Any surplus/deficit will be shared between the two Councils pro rata to tax base. The balance on this reserve will be highlighted in the Earmarked Reserve Note to the Accounts.

4. Accruals of Income and Expenditure

Income and expenditure is accounted for in the year that it takes place, not simply when cash is paid or received. In particular;

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Rents for council houses become due in full on the date the weekly debit is raised. The accounts are not adjusted should any part of the weekly debit raised in the last week of March in a financial year relate to a period after 31 March.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and the date of their consumption, they are carried as stock in the Balance Sheet.

- Works are charged as expenditure as they are completed, before which they are treated as work in progress in the Balance Sheet.
- Interest payable and receivable is accounted for in the year to which it relates using the respective effective interest rates for the particular loan or investment rather than the cash flows fixed or determined by the contract.
- The Council is a billing authority and collects National Non-Domestic Rates (NNDR) under what is in substance an agency agreement with the Government for the collection of business rates and for Cheshire Police and Cheshire Fire Authority in respect of council tax collected on their behalf. NNDR income and Council Tax collected on behalf of Government, Cheshire Police and Cheshire Fire Authority is not the income of the billing authority and is not included in the Income and Expenditure Account.
- Where income and expenditure has been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where income has been received in the year in relation to activities to be carried out in the following financial year, a receipt in advance is recorded in the Balance Sheet.
- Where expenditure has been paid in relation to activities to be carried out in the following financial year, a payment in advance is recorded in the Balance Sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

5. Provisions

Provisions are required for any obligations of uncertain timing or amount in circumstances where:

- The Council has a present or legal or constructive obligation as a result of a past event,
- It is probable that a transfer of economic benefits will be required to settle the obligation, and
- A reliable estimate of the amount of the obligation can be made taking into account the risks and uncertainties surrounding the obligation.

Provisions are charged to the appropriate revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. Estimated settlements are reviewed at the end of each financial year to determine if the level of the provision is adequate and changes to the level of the provisions are reflected within relevant service revenue accounts. When payments related to the obligation are eventually made they will be charged to the provision set up in the balance sheet.

6. Reserves

The Council sets aside specific amounts as reserves for future policy purposes, to cover contingencies and for cashflow management. Revenue reserves result from events that have allowed monies to be set aside, surpluses generated on revenue budgets or decisions causing anticipated expenditure to have been postponed or cancelled and can be spent or earmarked at the discretion of the authority. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Net Cost of Services in the Income & Expenditure Account. The reserve is then appropriated back into the Statement of Movement on the General Fund Balance so that there is no net charge against council tax for the expenditure. The level of reserves is reviewed annually to ensure they are appropriate.

Capital reserves are not available for revenue purposes and certain of them such as the Capital Receipts Reserve can only be used for specific statutory purposes. The Revaluation Reserve and Capital Adjustment Account are reserves kept to manage the capital accounting processes and cannot be used to meet expenditure. The Pensions Reserve manages retirement benefits and does not represent usable resources for the Council. The Major Repairs reserve records the unspent balance of HRA subsidy paid to housing authorities in the form of the Major Repairs Allowance. Further explanation of these reserves is given in the relevant notes to the accounts.

7. Grants and Contributions

Whether paid on account, by instalments or in arrears, Government grants and other contributions are accounted for on an accruals basis and recognised as income when the Council has met the conditions of entitlement to the grant or contribution and there is reasonable assurance that the grant or contribution will be received.

Revenue grants and contributions are matched in the Income and Expenditure Account with the service expenditure to which they relate.

Grants to cover general expenditure such as the Revenue Support Grant and Area Based Grant are included in General Government Grants in the Income and Expenditure Account.

Capital grants and contributions received are credited initially to the Government Grants Deferred Account and then released to the Income and Expenditure Account over the useful life of the asset(s) which used the grant as part of its financing arrangements.

8. Retirement Benefits

Most employees of the Council participate in one of two pension schemes to meet the needs of employees in particular services. Both schemes provide final salary defined benefits in the form of lump sums and pensions based on scheme membership earned during the time that the employee worked for the Council.

(a) Local Government Pension Scheme

All employees (other than teachers) and councillors, subject to certain qualifying criteria are eligible to join the Local Government Pension Scheme. The scheme is known as the Cheshire Pension Fund and is administered by Cheshire West & Chester Council, in accordance with Pensions Regulations 2008 on behalf of all participating employers.

Local authorities have been required to implement Financial Reporting Standard 17 (FRS 17), as amended, in full. The accounts have therefore been prepared in accordance with CIPFA guidance on Accounting for Retirement Benefits. This 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, based on actuarial assumptions.

Those liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high quality corporate bond each year-end as prescribed by FRS 17.

- The assets of the Fund attributable to the Council are included at their fair value on the following basis:
 - Quoted securities – current bid price.
 - Unquoted securities – market value.
 - Unitised securities – current bid price.
 - Property – professional estimate.
- The change in the net pensions liability is analysed into seven components
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated to the revenue accounts of services for which the employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services as part of Non-distributed costs.
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure.
 - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure.
 - Gains and losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to Net Cost of Services as part of Non-distributed costs.

- Actuarial gains and losses – changes in net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – not charged to revenue.
- Contributions paid to the Fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. This means that within the Statement of Movement on the General Fund Balance the notional debits and credits for retirement benefits are removed and replaced with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

(b) Teachers' Pension Scheme

This scheme is administered by the Teachers' Pensions Agency (TPA), on behalf of the Department for Children, Schools and Families (DCSF). Although the scheme is unfunded, the Government has set up a notional fund as the basis for calculating employers' contributions. The Council contributes at rates determined by the DCSF.

This scheme is accounted for on a defined contribution basis – no liability for future payments of benefits is recognised in the Balance Sheet and Children's and Education services within the Income and Expenditure Account is charged with the employer's contributions to Teachers' Pensions in the year.

In addition, the Council is responsible for any payments relating to early retirements outside of the standard scheme. This scheme is unfunded and is accounted for on a defined benefit basis using the same policies that are applied to the Local Government Pension Scheme.

(c) Early Retirements and Severance Costs

The Council has restricted powers to make discretionary awards of retirement benefits outside the standard terms of the scheme(s) in the event of early retirements. Severance costs are recognised in the year staff are released but the actuarial costs incurred (paid over to the Pension Fund) as a result of releasing staff are charged to the general fund over a five year period.

The statutory severance and actuarial costs arising from the service redesign and transformation programme have been capitalised. This capitalisation was approved by the Department of Communities and Local Government. All severance and actuarial costs relating to LGR and the Council's transformation programme have been deemed to be exceptional items and are shown as such on the face of the Income and Expenditure Account.

9. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The full cost of overheads and support services is shared between users in proportion to the benefits received with the exception of:

- Corporate and democratic core – costs relating to the Council's status as a multi-functional democratic organisation.
- Non-distributed costs – the cost of discretionary benefits awarded to employees retiring early.

These two categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account as part of Net Cost of Services.

10. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and are controlled by the Council (e.g. software licences) is capitalised where it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. Expenditure on intangible assets transferred from the former district councils of Chester City, Ellesmere Port & Neston Borough Council and Vale Royal has been capitalised in full, whereas expenditure on intangible assets transferred from Cheshire County Council has only been capitalised if the value was £10,000 or more. For 2009-10 any expenditure creating or enhancing intangible assets will be capitalised.

Recognition: purchased intangible assets are capitalised on an accruals basis.

Measurement: assets are initially measured at cost and amortised to the Income and Expenditure Account on a straight-line basis over their economic lives to reflect the pattern of consumption of economic benefits, subject to a maximum of 5 years. Software development costs that are directly attributable to bringing a computer system or other computer operated machinery into use are treated as being part of the cost of the related hardware, rather than as a separate intangible asset.

Impairment: the values of the intangible fixed assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review, or as a result of the valuation exercise, this is accounted for:

- Where attributable to the clear consumption of economic benefits, the loss is charged to the relevant service revenue account.
- Otherwise it is written-off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.
- Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of, or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

11. Tangible Fixed Assets

Tangible fixed assets are assets that have a physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it will yield benefits to the Council for more than one financial year. This will include costs and fees incurred on capital projects, which are under construction at the year-end, where it can be shown that either a new capital asset will be created or an existing asset enhanced or replaced. All other expenditure on assets is charged to the Income and Expenditure as it is incurred.

Tangible fixed assets also include assets held under finance leases or utilised to deliver service concessions, which have been capitalised and included in the Balance Sheet at a value reflecting the Council's obligation to meet future rental payments.

The Council is not utilising a de-minimis asset value for recognising expenditure on tangible fixed assets and has capitalised any expenditure which has led to the creation or enhancement of a capital asset.

Assets transferred from the demised authorities that now form Cheshire West & Chester Council are recognised in the accounts at their carrying value as at 31 March 2009.

Measurement: Assets are initially measured at cost, which includes all expenditure directly attributable to bringing an asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Investment properties and Surplus Assets – market value.
- Operational Land and Buildings – the lower of net current replacement cost or net realisable value in existing use.
- Infrastructure and Vehicles, Plant and Equipment – depreciated historic cost.
- Community Assets - valued at historic cost.
- Council Housing - existing use value for social housing.
- Assets Under Construction – valued at cost.

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value.
- Specialised operational properties – depreciated replacement cost.

Assets included in the Balance Sheet at net current replacement cost or market value, are re-valued where there have been material changes in their value, and as a minimum every 5 years.

The Council's housing stock is re-valued annually by applying an appropriate housing price index to their value at the start of the financial year.

Increases in asset values are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review, or as a result of the valuation exercise, this is accounted for as follows:

- Where attributable to the clear consumption of economic benefits, the loss is charged to the service section of the income and expenditure account.
- Otherwise it is written-off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service income and expenditure account line.
- Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Impairment movements do not affect the level of Council Tax charged by the Council nor the Housing Revenue Account balance. The balance in the Income and Expenditure Account resulting from an impairment movement is appropriated to the Capital Adjustment Account from either the Statement of Movement on the General Fund Balance or the Statement of Movement on the Housing Revenue Account Balance, depending on the ownership of the asset affected by the impairment.

Expenditure: all new capital expenditure, unless on an intangible fixed asset is classified as a tangible fixed asset.

Disposals: when an asset is disposed of, or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received from disposals are categorised as capital receipts. The only exception is in respect of council house mortgages where the cumulative repayment is payable into a Government pool at 75%. Capital receipts from the sale of council houses are also subject to pooling arrangements whereby 75% of all capital receipts net of allowable deductions is paid over to the Government for redistribution through Housing Subsidy regulations. The balance of receipts are required to be credited to the Usable Capital Receipts Reserve, which can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are initially recognised in the Income and Expenditure Account and are

appropriated to the Usable Capital Receipts Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Depreciation: Depreciation is provided for on all fixed assets that have a finite useful life, with the charges commencing in the year following acquisition. Depreciation is calculated on a straight-line basis over the useful life of the assets, except in the case of council housing, which is depreciated by the Major Repairs Allowance (MRA) annually.

Depreciation charges are applied annually to the opening balances and are reflected within the Income and Expenditure Account through service accounts in respect of operational assets and through non-distributed costs in respect of non-operational assets

Depreciation on assets transferred from the demised authorities now forming Cheshire West & Chester Council will continue to be calculated on the same basis as previously used, until the assets are either written off, disposed of or re-valued - at which point the useful lives for capital expenditure occurring after 1 April 2009 will be used to calculate future depreciation charges.

The following useful lives have been used by the former authorities (pre 1 April 2009) to depreciate non-housing assets:

| | |
|-----------------------|----------------|
| Operational buildings | 25 - 200 years |
| Infrastructure | 25 - 50 years |
| Vehicles | 3 – 25 years |
| Plant & equipment | 3 – 15 years |

The following asset lives apply to capital spending occurring after 1 April 2009

| | |
|-----------------------|----------------|
| Operational buildings | 50 - 200 years |
| Infrastructure | 25 - 50 years |
| Vehicles | 3 – 25 years |
| Plant & equipment | 3 – 15 years |

Depreciation also has to be calculated on revaluation gains and is represented by the difference between depreciation calculated on current value and depreciation calculated on historic cost. Depreciation charges made against revaluation gains commence the year after the new value is recognised. The difference between the two values is transferred from the Revaluation Reserve to the Capital Adjustment Account.

12. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Impairment losses attributable to the clear consumption of economic benefits on

tangible fixed assets used by the service.

- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to cover these costs but it is required to make an annual provision (Minimum Revenue Provision (MRP)) from revenue to contribute towards its overall borrowing requirement. This provision is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

An adjustment is made in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

13. Developer Contributions

Section 106 of the Town & Country Planning Act 1990 permits local planning authorities to enter into enforceable 'planning obligations' with landowners and/or developers which restrict the development or use of the land and can require a sum or sums to be paid to the local planning authority on a specified date or periodically. These sums are restricted to being spent only in accordance with the agreement concluded with the developer.

S278 agreements are entered into to allow a developer to finance the improvement of the existing highway network, which is required as a result of the developer's planning permission. The agreement provides clear terms for the Highways Authority to recover all its costs.

14. Revenue Expenditure funded by Capital under Statute

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 the expenditure being carried on the balance sheet as a fixed asset (e.g. home improvement grants). This expenditure is charged to the relevant service within the Income and Expenditure Account during the year. An appropriation through the Statement of Movement on the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged to the Income and Expenditure Account so that there is no impact on the level of council tax.

15. Leases

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to leased property transfer to the Council. Rentals payable are apportioned between;

- A charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent is paid; and
- A finance charge (debited to Net Operating Expenditure in the Income and

Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to tangible fixed assets, subject to depreciation being charged over the lease term if this is shorter than the estimated useful life of the asset.

Operating Leases

Leases that do not meet the definition of a finance lease are accounted for as operating leases. Lease rentals are charged to the relevant service revenue account within the Income and Expenditure Account on a straight-line basis over the terms of the lease, generally meaning that rentals are charged when they become payable.

In some cases, the Council also acts in the capacity as lessor for the lease of land and property it owns. Rents due under operating leases are accounted for on a straight-line basis over the term of the lease, generally meaning they are charged when they become available. Land and property leased under operating leases are held as fixed assets within the Balance Sheet and valued in accordance with appropriate valuation practices. As these are non-operational assets, they are not subject to depreciation.

16. Stocks and Work in Progress

Stocks and stores are valued at the lower of cost and net realisable value and work in progress is valued at cost within the balance sheet.

17. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the Effective Interest Rate for the instrument. 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 Income and Expenditure Account is the amount payable for the year in the loan agreement.

(a) Repurchase of borrowing

Premiums and discounts arise when external loans are repaid prematurely.

- Premiums arise when the rate of interest paid on the loan repaid early is in excess of current long term interest rates.
- Discounts arise when the rate of interest paid on the loan repaid early is below the current long term interest rates

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan. The write down to the Income and Expenditure Account is spread over the life of the loan by adjusting the Effective Interest Rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund balance to be spread over future years.

The Council's policy over the treatment of gains and losses is as follows:

- Gains, giving rise to discounts are credited to the General Fund or the Housing Revenue Account over the remaining life of the loan repaid at the time of repayment or 10 years, whichever is the shorter.
- Losses giving rise to premiums are charged to the General Fund over the remaining life of the loan that was repaid or the life of the new loan, whichever is the shorter.
- A deferred premium transferred from the demised authority of Ellesmere Port & Neston Borough Council Borough Council and arising from a debt-restructuring exercise in 2003-04 is being written off to the Housing Revenue Account over the life of the new loan.

The alignment of amounts charged through the Income and Expenditure Account with the required charge to the General Fund or Housing Revenue Account balance is managed through the Financial Instruments Adjustment Account. Transfers to this account are made via the Statements of Movement on General Fund or Housing Revenue Account Balance as appropriate.

18. Financial Assets

The Council holds two types of financial assets - loans and receivables and available for sale assets.

(a) Loans and Receivables

Loans and receivables are financial assets that have fixed or determinable payments but are not quoted or traded in an active market. Examples include money market deposits, instant access accounts and call accounts.

They are shown in the Balance Sheet at amortised cost, using the effective interest rate applicable to the individual loans that comprise the total of the loans and receivables held by the Council. Loans and receivables are either long-term assets, if repayable after 12 months or longer, or current assets, if repayable within 12 months. The amount shown in the Balance Sheet represents the outstanding principal receivable (plus accrued interest) and the interest that is credited to the Income and Expenditure Account is the amount receivable in the year under the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses arising on derecognition of assets are credited/debited to the Income and Expenditure Account.

(b) Available for Sale Assets

Available for Sale assets are initially measured and carried at fair value based on the following principles;

- Assets with quoted market prices – the bid or market value,
- Assets with fixed and determinable payments – discounted cash flow analysis,
- Equity shares with no quoted market prices - independent appraisal of company valuations.

Interest received from investments in available for sale assets is recognised within the Income and Expenditure Account on the amortised cost basis using the relevant effective interest rate for the particular asset(s). Other income received on available for sale assets where there are no fixed or determinable payments e.g. a dividends is recognised in the Income and Expenditure Account when it becomes due.

Changes in fair value are balanced by entries to the Available for Sale Reserve and any gains or losses recognised in the Statement of Total Recognised Gains and Losses (STRGL), except where impairment losses have been incurred. In this case the losses are charged to the Income and Expenditure Account along with any net gain or loss for the asset accumulated within the Available for Sale Reserve.

Where an available for sale asset is sold or matures, any change between the sale proceeds and the fair value at the previous Balance Sheet date is credited or charged to the Income and Expenditure Account in the year of the sale or maturity. At the same time any amounts remaining in the Available for Sale Reserve in respect of the asset are transferred through the Statement of Movement on the General Fund Balance to the General Fund.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Income and Expenditure Account.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

19. Private Finance Initiatives (PFI) and Similar Arrangements

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. All assets created under PFI contracts need to be considered to determine whether or not the assets are reported on the balance sheet of the Council or of the PFI contractor.

The schemes 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
- 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)

For the Council's two PFI schemes all these conditions are met and the Council carries the fixed assets used under the contracts on the Balance Sheet. These assets are

revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts payable to the scheme operator to use of the assets.

The amounts payable to the PFI operators each year are analysed into five elements (and are shown in Note 19 to the accounts):

- Fair value of the services received during each year – debited to the relevant service in the Income and Expenditure Account.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- Contingent rent – inflationary increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.
- Lifecycle replacement costs – recognised as fixed assets on the Balance Sheet.

The Council has also assessed whether it has any other (non PFI) arrangements whereby assets which are legally held by a third party meet the criteria set out above from IFRIC 12. At present the Council does not have access to any assets which would meet the requirements in terms of control, access and ownership required to be reported under this policy. Such arrangements are also assessed under the Policy for recognising assets made available under leases.

20. Cheshire Shared Services – Shared Services agreement with Cheshire East Council

The Council has entered into an agreement with Cheshire East Council to deliver 30+ services via a shared services agreement. Services which could be operated as part of a shared services arrangement have been determined and assessed using the criteria of maintaining operational efficiency and identifying those services that utilised a single infrastructure that could not be disaggregated economically or in the short term.

The structure of the Shared Services Arrangement is that of a joint arrangement that is not an entity (JANE) in accordance with Financial Reporting Standard 9 (FRS 9) and is used only as a means for each participant to carry on its own business. This is a contractual arrangement under which the participants engage in joint activities that do not create an entity because it would not be delivering a service or carrying on a trade or business of its own and follows the policies of the participants. Each authority accounts directly for its part of the assets, liabilities, income, expenditure and cash flows held within or arising from the structure.

Services hosted by Cheshire West & Chester Council

The following services form part of the core shared services and are hosted by Cheshire West & Chester Council and are recharged to Cheshire East Council on the percentage bases shown below:

| Service | East Recharge % | West Recharge % |
|-------------------------------------|-----------------|-----------------|
| HR & Finance Back Office | 50% | 50% |
| ICT | 50% | 50% |
| Civil Protection | 50% | 50% |
| Occupational Health | 50% | 50% |
| Archives | 50% | 50% |
| Libraries | 50% | 50% |
| Emergency Duty Team | 52% | 48% |
| Rural Touring Newtwork | 50% | 50% |
| Approved Mental Health Professional | 50% | 50% |
| Inclusion & Education | 47% | 53% |
| Autism Support | 47% | 53% |
| Sensory Impaired Services | 52% | 48% |
| Urban Traffic Control | 44% | 56% |
| Highways & Geotechnical Lab | 65% | 35% |
| Intergrated Transport Services | 49% | 51% |
| Early Years Reform Programme | 50% | 50% |
| Children's Centres Development | 50% | 50% |
| Schools Admissions | 50% | 50% |
| Student Finance | 50% | 50% |
| Archaeological Service | 40% | 60% |
| CBS Supplies | 50% | 50% |

Services hosted by Cheshire East Council

The following services form part of the core shared services and are hosted by Cheshire East Council and are recharged to Cheshire West & Cheshire Council on the percentage bases shown below:

| Service | East Recharge % | West Recharge % |
|---|-----------------|-----------------|
| Farms Estates | 48% | 52% |
| International Unit | 50% | 50% |
| Drug and Alcohol Team | 50% | 50% |
| Highway Maintenance Contract Management | 54% | 46% |
| Commissioned Community Equipment | 52% | 48% |
| Domestic Abuse Partnership | 52% | 48% |
| Visual Impairment Services | 52% | 48% |
| NVQ Assessment Centre | 50% | 50% |
| Youth Offending Team | 47% | 53% |

21. Landfill Allowance Trading Scheme (LATS)

The LATS scheme operates for 15 annual compliance periods between 1 April 2005 and 31 March 2020. The scheme allocates tradable landfill allowances to each waste disposal authority in England. The Council can either buy, sell or carry forward landfill allowance depending on usage requirements above or below the annual capped allowance limit to or from another waste disposal authority. Allowances allocated by the Department for Environment, Food and Rural Affairs (DEFRA) or purchased from another authority are classified as current assets, measured at the weighted average value at which 2009-10 allowances are traded. 2009-10 is a target year for LATS trading, meaning that surplus allowances from 2008-09 cannot be brought forward into 2009-10. The Council is responsible for the LATS scheme across the whole of the Cheshire area, although the waste disposal function has been split into two following local government reorganisation. The relevant allowances have been transferred to Cheshire East Council to reflect their proportion of the scheme as the waste disposal authority for their area.

22. Pooled Budgets

Cheshire County Council registered a partnership arrangement under section 31 of the Health Act 1999 to commission services to adults with learning disabilities within Cheshire. Following local government reorganisation the funding stream have been disaggregated into the following proportions:

| | |
|---------------------------------|-------|
| Cheshire West & Chester Council | 23.5% |
| Cheshire East Council | 26.5% |
| Central & Eastern Cheshire PCT | 34.1% |
| Western Cheshire PCT | 15.9% |

This agreement runs until 31 March 2010 at which point the partnership will be terminated in favour of more local working with health partners. The Council only reports on its own share of any balances relating to the Pooled Budget

23. Interest in Companies and Other Entities

The Council has interests in two companies;

- Chester Renaissance Ltd, a company set up by the former Chester City Council to achieve or further the economic growth and development of the City of Chester. The Council exercises 100% control over its activities.
- Cheshire Connexions, a company set up by Cheshire County Council to promote employment and learning opportunities for young people across Cheshire. The ownership ratio is equal thirds for Warrington Borough Council, Cheshire West & Chester Council and Cheshire East Council.

The results of both companies indicate that there were no material transactions to report for 2009-10 and that there is no requirement to produce group accounts for the year.

24. Contingent Assets and liabilities

Contingent assets and liabilities are obligations or assets arising from past events, the existence or value of which will only be confirmed by future events.

Where the Council has identified the potential for future costs arising out of past actions or contractual arrangements, it will disclose these as contingent liabilities in the Notes supporting these statements. The disclosures will set out both the scale of potential costs and the likelihood of these being realised.

Contingent assets and liabilities are not included in the Income and Expenditure Account or Balance Sheet but are disclosed in note 41 to the accounts. The status of these contingent balances is regularly reviewed.

25. 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.

26. Insurance

Cheshire West & Chester Council is required to meet a proportion of the cost arising from claims, which is not covered by insurance in respect of fire and consequential loss, public and employers' liability, and vehicles. An Insurance Fund has been established to meet these potential costs, with annual contributions being charged to the Income and Expenditure account.

In accordance with latest accounting practice, the Fund as at 31 March 2010 has been analysed into a provision (amounts required for reported claims) and a reserve (estimates for future claims not yet reported). An independent actuarial review is carried out every three years to review the level of the amounts set aside in both the provision and reserve.

27. Collection Fund

As a billing authority Cheshire West & Chester Council acts as an agent and collects and distributes Council Tax income and National Non-Domestic Rates (NNDR) on behalf of the major preceptors (Cheshire Police and Cheshire Fire Service and itself) and the Government. While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors (and in turn credited to their General Funds). The amount credited to the General Fund under statute is an authority's precept or demand for the year plus or minus the authority's share of the surplus/deficit on the Collection Fund for the previous year.

Accounting for Council Tax in the core financial statements

Up to 2008-09 the SORP required the Council Tax income included in the Income and Expenditure Account to be the amount that under regulation was required to be transferred from the Collection Fund to the General Fund of the billing authority, or, in the case of major preceptors, the amount that under regulation was paid from the Collection

Fund to the major preceptor. In practice this was the amount the Council had budgeted for.

From the year commencing 1 April 2009, for both billing authorities and major preceptors, the Council Tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund is to be taken to the newly created Collection Fund Adjustment Account in the Balance Sheet and included as a reconciling item in the Statement of Movement on the General Fund Balance.

The cash collected by the authority from Council Tax debtors belongs proportionately to itself as a billing authority and the major preceptors (Cheshire Police and Cheshire Fire). Cheshire West & Chester Council makes regular payments to its major preceptors comprising Council Tax to be collected in year (based upon an estimate determined prior to the commencement of the financial year) and any surplus or deficit outstanding from the previous year. A debtor/creditor position between Cheshire West & Chester Council and each major preceptor must be recognised at year end since the cash paid to each major preceptor in the year will not reflect its share of the cash actually collected from Council Taxpayers.

Accounting for (NNDR) in the core financial statements

Up to 2008-09 billing authorities included in their balance sheet:

- NNDR taxpayers' debtor and creditor balances and an impairment allowance for doubtful debts.
- A creditor or debtor with the Government for the under or over payment into the national pool for the year based on the NNDR3 return, representing the difference between accrued NNDR income (net of the cost of collection allowance) and the NNDR cash paid to the Government.

Under the 2009 SORP the NNDR taxpayers' debtor and creditor balances, the impairment allowance for doubtful debts and the balance due to or from the Government based on the actual or estimated NNDR 3 return are not reported as Balance Sheet items of the billing authority. This is because it acts solely as an agent of the Government when collecting NNDR. From the 1 April 2009 Cheshire West & Chester Council's balance sheet will only recognise as a debtor or creditor, the amount of cash collected from NNDR taxpayers that has not yet been paid to the Government or has been overpaid to the government at the balance sheet date.

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

Cheshire West & Chester Council will continue to maintain balances for NNDR arrears, impairment allowances, prepayments and overpayments in its underlying accounting records, however for final accounts the balances have been consolidated into a single agency account, with the figures netting down to the debtor/creditor to the national pool.

Prior period adjustments in the 2009-10 Statement of Accounts relating to Council Tax and NNDR accounting changes

The change of accounting policy for Council Tax and residual community charge and NNDR will normally require prior year adjustment to the 2008-09 corresponding amounts. As, following Local Government Reorganisation, this is the first year of operation of Cheshire West & Chester Council all of the service/operations will be classified as acquired operations and there will be no prior year comparatives available. The prior year adjustments to debtor and creditor balances for the former legacy authorities have been calculated and the re-stated balances for debtors and creditors and the Collection Fund Adjustment Account are shown in the comparative year balances in the Opening Balance Sheet of the authority in Note 1a to the accounts. The restated balances have been used as the Opening balances in the preparation of the 2009-10 accounts. The Authority's Agency Income and Expenditure Policy is set out in Policy Note 28 to the accounts. The Collection Fund and supporting notes are included within the Accounts.

28. Agency Income and Expenditure

Under various statutory powers, an authority 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 & Chester Council has acted as an agent on behalf of:

- Central Government in collecting National Non-Domestic Rates and paid the sums collected over to Central Government less the amount retained in respect of the cost of collection allowance.
- Major preceptors – Cheshire Police and Cheshire Fire Services in the collection of Council tax.

Expenditure and Income relating to agency services has been excluded from Cheshire West and Chester's Accounts since these are not revenue activities of the authority. The authority has applied the same accounting principles to agency income and expenditure as are applied elsewhere in the accounts.

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, transactions measuring the value of assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

| Acquired Services/ Operations | 2009-10 | | | |
|---|----------------|------------------------|---------------------|---------------------|
| | Expenditure | Income | Income | Net |
| | £000 | Fees & Charges £000 | Govt Grants £000 | Expenditure £000 |
| Central Services to the Public | 27,632 | -2,235 | -23,166 | 2,231 |
| Childrens & Education Services | 348,011 | -62,073 | -233,600 | 52,338 |
| Adult Social Care | 108,310 | -18,234 | -4,642 | 85,434 |
| Cultural, Environmental & Planning | 101,882 | -33,178 | -4,256 | 64,448 |
| Highways, Roads and Transport | 74,237 | -39,763 | -1,702 | 32,772 |
| Council Housing (HRA) | 15,655 | -16,940 | - | -1,285 |
| Housing Services | 95,999 | -4,069 | -87,756 | 4,174 |
| Courts Services | 437 | - | - | 437 |
| Corporate and Democratic Core | 24,705 | -20,289 | -20 | 4,396 |
| Non-distributed Costs | 1,659 | -126 | -541 | 992 |
| Exceptional Items (Note 2) | 19,561 | -530 | - | 19,031 |
| Net Cost of Services | 818,088 | -197,437 | -355,683 | 264,968 |
| Loss on Disposal of Fixed Assets | | | | 1,260 |
| Preserved Right to Buy Receipts | | | | -443 |
| Precepts Paid to Parish Councils | | | | 2,295 |
| Housing Pooled Capital Receipts | | | | 179 |
| Other Operating Income & Expenditure (Note 3) | | | | 24,485 |
| Net Operating Expenditure | | | | 292,744 |
| Financed by | | | | |
| Demand on the Collection Fund | | | | -150,100 |
| General Government Grants (Note 5) | | | | -110,061 |
| Net Deficit for year | | | | 32,583 |

Preserved Right to Buy receipts are from the sale of former Council Houses transferred to Chester & District Housing Trust or Weaver Vale Housing Trust.

As this is the first year of operation as Cheshire West & Chester Council, all income and expenditure is shown as acquired services/operations, and as a new council there are no comparative balances for 2008-09.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, not when assets are consumed.
- The payment of a share of housing capital receipts to the government pool is shown as a loss in the Income and Expenditure Account, and is met from usable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance. The General Fund Balance is made up of the General Fund and School Reserves. In the Balance Sheet the School Reserves are reported as part of Earmarked Reserves (reflecting the fact they are ringfenced for use by Schools) and these are analysed in Note 29g.

| | 2009-10 £000 |
|--|-----------------|
| Deficit for the year on the Income & Expenditure Account | 32,583 |
| Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balances for the year | -31,754 |
| Decrease in General Fund Balances for the Year | 829 |
| General Fund Balance brought forward | -25,063 |
| General Fund Balance carried forward | -24,234 |
| General Fund Balances held by schools under local management schemes | |
| Balance at beginning of year | -5,019 |
| Deficit for year | 250 |
| Balance at end of year | -4,769 |
| General Fund Balances (non Schools) | |
| Balance at beginning of year | -20,044 |
| Deficit for year | 579 |
| Balance at end of year | -19,465 |
| General Fund Balances available for new expenditure | -24,234 |

Note of Reconciling Items for the Statement of Movement on the General Fund Balance

| | 2009-10 £000 |
|---|-----------------|
| Amounts in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year | |
| Depreciation, Impairment of long term assets | -33,227 |
| Government grants deferred amortisation & Developer Contributions applied | 7,890 |
| Revenue expenditure funded from capital under statute | -8,372 |
| Net profit/ (loss) on sale of fixed assets | -829 |
| Net charges made for retirement benefit in accordance with FRS17 | -48,810 |
| Transfer to Collection Fund Adjustment Account | 4 |
| | -83,344 |
| Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year | |
| Statutory Provision for the Repayment of Debt | 7,396 |
| Capital expenditure charged in year to the General Fund balance | 3,594 |
| Capital Receipts transfer to meet payment to Housing Capital Receipts Pool | -179 |
| Employer's contribution to the Cheshire Pension Fund (Note 9) | 36,307 |
| Charge to General Fund for Premiums/ Discounts & LOBO Loans | 258 |
| | 47,376 |
| Transfers to the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year | |
| Housing Revenue Account Balance | -270 |
| Net Transfer to earmarked reserves | 4,500 |
| Voluntary Revenue Provision for repayment of debt | -16 |
| | 4,214 |
| Net additional amount to be credited to the General Fund Balance for the year | -31,754 |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

| | 2009-10 £000 |
|---|-------------------------|
| Deficit for the year on the Income & Expenditure Account | 32,583 |
| Surplus arising on the revaluation of fixed assets | -36,241 |
| Actuarial (gains)/ losses on pension fund assets and liabilities | |
| - Cheshire West and Chester Council Local Government Workers | 284,609 |
| - Cheshire West and Chester Teachers | 6,889 |
| Available-for-sale reserve | 153 |
| Total recognised (gains)/ losses for the year | 287,993 |
| Opening Balance of Funding | 501,673 |
| Closing Balance of Funding | 213,680 |
| | -287,993 |

BALANCE SHEET AS AT 31 MARCH 2010

This statement shows the end of year financial position of the Council as a whole. Assets and liabilities are consolidated and items which reflect internal transactions have been removed.

| | Note | 31st March 2010 £000 | 1st April 2009 £000 |
|--|-------|----------------------------|---------------------------|
| Fixed Assets | | | |
| Intangible Fixed Assets | 6 | 316 | 644 |
| Tangible Fixed Assets | 14-17 | | |
| <u>Operational Assets:</u> | | | |
| - Council Dwellings | | 191,556 | 187,544 |
| - Other Land & Buildings | | 530,553 | 486,128 |
| - Vehicles, Plant, Furniture and Equipment | | 25,300 | 17,543 |
| - Infrastructure Assets | | 177,399 | 170,028 |
| - Community Assets | | 10,263 | 6,811 |
| <u>Non-Operational Assets:</u> | | | |
| - Investment Properties | | 111,191 | 102,028 |
| - Assets Under Construction | | 27,501 | 11,941 |
| - Surplus Assets | | 13,517 | 13,522 |
| Total Fixed Assets | | 1,087,596 | 996,189 |
| Long Term Investments | 44 | 1,049 | 4 |
| Long Term Debtors | 20 | 7,686 | 7,202 |
| Total Long Term Assets | | 1,096,331 | 1,003,395 |
| Current Assets | | | |
| - Stocks and Work In Progress | 21 | 1,479 | 1,432 |
| - Debtors and Prepayments | 22 | 94,416 | 29,892 |
| - Short Term Deposits | | 12,015 | 46,508 |
| - Cash and Bank | | 98,319 | 37,462 |
| - Landfill Allowances Trading Scheme | 27 | 1,291 | - |
| Total Assets | | 1,303,851 | 1,118,689 |

BALANCE SHEET AS AT 31 MARCH 2010 (cont)

| | Note | 31st March 2010 £000 | 1st April 2009 £000 |
|--|------|----------------------------|---------------------------|
| Total Assets Brought Forward | | 1,303,851 | 1,118,689 |
| Current Liabilities | | | |
| - Creditors (including Receipts in Advance) | 23 | 134,432 | 46,067 |
| - Short Term Borrowing | | 13,920 | - |
| - Bank Overdraft | | 31,758 | 990 |
| - Landfill Allowances Trading Scheme | 27 | 1,076 | - |
| Total Assets less Current Liabilities | | 1,122,665 | 1,071,632 |
| Long Term Liabilities | | | |
| - Long Term Borrowing | 25 | 142,309 | 144,464 |
| - Mines Stabilisation Long Term Creditor | 24 | 5,245 | 5,361 |
| - Capital Grants and Contributions Deferred | 32 | 97,719 | 80,583 |
| - Developer Contributions Unapplied | 26 | 11,290 | 9,354 |
| - East Interest in Fixed Assets | 24 | 12,485 | 16,019 |
| - Deferred Liabilities - PFI | 19 | 33,653 | 10,880 |
| - Deferred Liabilities - Finance Leases | 28 | 702 | 1,024 |
| - Insurance Provisions | 13 | 1,476 | - |
| - Other Provisions | 12 | 140 | 2,309 |
| - Net Pensions Liability | 9 | 603,966 | 299,965 |
| Total Assets less Liabilities | | 213,680 | 501,673 |
| Financed by: | | | |
| - Capital Adjustment Account | 29a | 706,238 | 718,782 |
| - Revaluation Reserve | 29b | 54,176 | 17,997 |
| - Financial Instruments Adjustment Account | 29c | - 1,282 | - 1,540 |
| - Available for Sale Financial Instruments Reserve | 29d | - 21 | 132 |
| - Usable Capital Receipts Reserve | 29e | 19,072 | 29,341 |
| - Deferred Capital Receipts | 29f | 71 | 109 |
| - Insurance Reserve | 13 | 1,554 | 396 |
| - PFI Reserves | 19 | 3,369 | 2,900 |
| - Major Repairs Reserve | | - | 837 |
| - Other Reserves | 29g | 15,097 | 12,466 |
| - General Fund | | 19,465 | 20,044 |
| - Housing Revenue Account | | 1,318 | 1,589 |
| - Collection Fund Adjustment Account | | - 1,411 | - 1,415 |
| - Pension Reserve | 9 | - 603,966 | - 299,965 |
| Total Net Worth | | 213,680 | 501,673 |

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

This statement provides a link between the opening Balance Sheet, the Income and Expenditure Account for the year and the Balance Sheet at the end of the year. It looks at where the money came from and how it was spent for both revenue and capital activities and therefore reflects the changes in the financial structure of Cheshire West and Chester Council during the year.

| | 31st March 2010 £000 |
|---|-------------------------------------|
| <u>Revenue Activities</u> | |
| <i>Cash Outflows</i> | |
| Cash paid to and on behalf of employees | 338,944 |
| Other operating cash payments | 405,231 |
| Housing benefit paid out | 67,821 |
| Pooling of housing capital receipts | 179 |
| Precepts paid to Parish Councils | 2,295 |
| | 814,470 |
| <i>Cash Inflows</i> | |
| Rents (after rebates) | -13,866 |
| Council Tax receipts | -150,305 |
| Revenue Support Grant | -17,177 |
| National Non Domestic Rates | -74,419 |
| Dept Work & Pensions Grants for Benefits | -96,460 |
| Other Government grants | -298,950 |
| Cash received for goods and services | -202,092 |
| | -853,269 |
| Net cash (in)/ outflow from revenue activities | -38,799 |
| <u>Returns on Investments and Servicing of Finance</u> | |
| <i>Cash Outflows</i> | |
| Interest paid | 8,340 |
| <i>Cash Inflows</i> | |
| Interest received | -995 |
| Net cash (in)/outflow from servicing of finance | 7,345 |

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010 (cont)

| | 31st March 2010 £000 |
|--|----------------------------|
| <u>Capital Activities</u> | |
| <i>Cash Outflows</i> | |
| Purchase of fixed assets | 79,087 |
| <i>Cash Inflows</i> | |
| Sale of fixed assets | - 7,083 |
| Capital grants received | - 22,162 |
| Other Capital Income | - 8,248 |
| Net cash outflow from capital activities | 41,594 |
| <u>Management of Liquid Resources</u> | |
| Net inflow from decrease in short term deposits | - 33,393 |
| Other Liquid Resources | - 362 |
| Net cash inflow from Management of Liquid Resources | - 33,755 |
| <u>Financing</u> | |
| <i>Cash Outflows</i> | |
| Repayments of amounts borrowed | 6,579 |
| PFI Finance Repayment | 554 |
| Finance Lease Repayment | 313 |
| <i>Cash Inflows</i> | |
| New Short Term Loans Raised | - 13,920 |
| Net cash inflow from financing | - 6,474 |
| (Increase)/ decrease in cash | - 30,089 |

Further information is provided in Note 31.

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Acquired Operations as a result of Local Government Reorganisation

As mentioned in the Explanatory Foreword to the Statement of Accounts, as a result of Local Government Reorganisation (LGR) the new Unitary Council of Cheshire West & Chester was created on 1 April 2009.

1a. Opening Balance Sheet of Cheshire West & Chester Council

In order to arrive at the opening balance sheet for the new authority the principles of merger accounting have been applied and the assets of the former district authorities have been transferred at their carrying amounts as at 31 March 2009. The assets of the former Cheshire County Council (CCC) have been disaggregated between Cheshire West & Chester Council (CWAC) and Cheshire East Council (CE).

Upon the demise of the County Council there was a requirement to discharge a large number of short term liabilities which did not relate to either of the new Councils. To avoid the need to arbitrarily split these balances across Cheshire West & Chester Council and Cheshire East Council a caretaker authority was established to discharge short term assets and liabilities e.g. to pay creditors/debtors.

Cheshire West & Chester Council were responsible for administering this caretaker body. Any assets/liabilities not discharged by the caretaker body have been disaggregated between Cheshire West & Chester Council and Cheshire East Council.

The principles underpinning this disaggregation were agreed by both Officers and Members of the two Councils. The table below shows the closing balance sheet for the County Council, the transactions which have been discharged by the caretaker authority and an analysis of the balances disaggregated to Cheshire West & Chester Council and Cheshire East Council.

| Balance Sheet headings | 2008-09 CCC Balance Sheet | Transactions discharged by caretaker authority | Balances disaggregated to CWAC | Balances disaggregated to CE |
|------------------------------------|------------------------------|---|--------------------------------------|------------------------------------|
| | £000 | £000 | £000 | £000 |
| Fixed Assets | 1,077,174 | - | 526,899 | 550,275 |
| Long Term Debtors | 3,791 | - | 1,478 | 2,313 |
| Total Long Term Assets | 1,080,965 | - | 528,377 | 552,588 |
| Stock and Work in Progress | 1,402 | - | 1,049 | 353 |
| Debtors and Prepayments | 54,439 | 32,585 | 11,970 | 9,884 |
| Investments | 47,490 | 17,085 | 13,904 | 16,501 |
| Cash | 156,923 | 106,369 | 25,163 | 25,391 |
| Total Current Assets | 260,254 | 156,039 | 52,086 | 52,129 |
| Creditors | -156,788 | -104,380 | -29,556 | -22,852 |
| Bank Overdraft | -51,325 | -51,325 | - | - |
| Total Current Liabilities | -208,113 | -155,705 | -29,556 | -22,852 |
| Long Term Borrowing | -272,266 | - | -134,853 | -137,413 |
| Deferred Capital Grants | -145,929 | - | -66,348 | -79,581 |
| Pensions Liability | -432,889 | - | -209,617 | -223,272 |
| Other LT Liabilities | -10,523 | - | -2,323 | -8,200 |
| Total Long Term Liabilities | -861,607 | - | -413,141 | -448,466 |
| Net Assets | 271,499 | 334 | 137,766 | 133,399 |
| Funded By | | | | |
| Notional Capital Reserves | -643,304 | - | -317,842 | -325,462 |
| Financial Instruments | 1,237 | - | 625 | 612 |
| Earmarked Reserves | -26,325 | -334 | -13,790 | -12,201 |
| General Reserves | -35,996 | - | -16,376 | -19,620 |
| Pensions Reserve | 432,889 | - | 209,617 | 223,272 |
| Total Equity | -271,499 | -334 | -137,766 | -133,399 |

The Cheshire West & Chester Council share of the former County Council balance sheet was then combined with the balance sheets of Vale Royal Borough Council, Ellesmere Port & Neston Borough Council and Chester City Council. The resulting balances were realigned for consistency of reporting and restated to comply with changes to the reporting requirements for local authorities in 2009-10.

| Balance Sheet headings | Balances transferred from | | | | Realign | Restate | Opening Balances |
|------------------------------------|---------------------------|-----------------|----------------|----------------|----------------|----------------|------------------|
| | Cheshire | EP&N | Chester | Vale Royal | | | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Fixed Assets | 526,899 | 257,458 | 128,509 | 65,415 | 11,380 | 6,528 | 996,189 |
| Long Term Debtors | 1,478 | 162 | 886 | 41 | 4,639 | - | 7,206 |
| Total Long Term Assets | 528,377 | 257,620 | 129,395 | 65,456 | 16,019 | 6,528 | 1,003,395 |
| Stock and Work in Progress | 1,049 | 144 | 121 | 118 | - | - | 1,432 |
| Debtors and Prepayments | 11,970 | 8,439 | 7,741 | 7,653 | -3,959 | -1,952 | 29,892 |
| Investments | 13,904 | 24,837 | 3,000 | 4,767 | - | - | 46,508 |
| Cash | 25,163 | 4,368 | 25 | 7,064 | 842 | - | 37,462 |
| Total Current Assets | 52,086 | 37,788 | 10,887 | 19,602 | -3,117 | -1,952 | 115,294 |
| Creditors | -29,556 | -10,953 | -6,353 | -6,135 | 4,743 | 2,187 | -46,067 |
| Bank Overdraft | - | - | -990 | - | - | - | -990 |
| Total Current Liabilities | -29,556 | -10,953 | -7,343 | -6,135 | 4,743 | 2,187 | -47,057 |
| Long Term Borrowing | -134,853 | -5,632 | -3,979 | - | - | - | -144,464 |
| Deferred Capital Grants | -66,348 | -7,943 | -5,835 | -457 | - | - | -80,583 |
| Pensions Liability | -209,617 | -26,884 | -32,306 | -31,158 | - | - | -299,965 |
| Other LT Liabilities | -2,323 | -5,774 | -1,910 | -5,361 | -18,698 | -10,881 | -44,947 |
| Total Long Term Liabilities | -413,141 | -46,233 | -44,030 | -36,976 | -18,698 | -10,881 | -569,959 |
| Net Assets | 137,766 | 238,222 | 88,909 | 41,947 | -1,053 | -4,118 | 501,673 |
| Funded By | | | | | | | |
| Notional Capital Reserves | -317,842 | -241,085 | -117,167 | -64,958 | -80 | 4,353 | -736,779 |
| Financial Instruments | 625 | 783 | - | - | - | - | 1,408 |
| Earmarked Reserves | -13,790 | -22,335 | -3,604 | -6,400 | 80 | - | -46,049 |
| Collection Fund | - | 129 | 385 | 239 | 897 | -1,650 | - |
| Coll Fund Adjustment Acnt | - | - | - | - | - | 1,415 | 1,415 |
| General Reserves | -16,376 | -1,009 | -829 | -1,986 | 156 | - | -20,044 |
| Housing Revenue Reserve | - | -1,589 | - | - | - | - | -1,589 |
| Pensions Reserve | 209,617 | 26,884 | 32,306 | 31,158 | - | - | 299,965 |
| Total Equity | -137,766 | -238,222 | -88,909 | -41,947 | 1,053 | 4,118 | -501,673 |

In the table above changes necessitated by the creation of Cheshire West & Chester Council are shown in the 'Realignment' column with those driven by changes to national accounting guidelines in the 'Restatement' column.

Realignment changes include:

- The need to record assets held by Cheshire West & Chester Council on behalf of Cheshire East Council as set out in Accounting Policy 3 – Local Government Reorganisation. This leads to recognition of £11.4m of fixed assets offset by a long term liability of £16.0m and a long term debtor of £4.6m as at 1 April 2009.
- The need to remove any balances that reflect transactions between the Councils which now comprise Cheshire West & Chester Council. This required the Council to derecognise £1.7m of offsetting assets and liabilities.
- The need to ensure consistency of reporting so that opening balances are based on a single set of reporting conventions. This required amendment to the treatment

of S106 deposits and the collection fund (to consistently report the full collection fund balance not just the district's share).

Restatement changes relate to revisions introduced in the 2009-10 Statement of Recommended Practice, under which these accounts are prepared. As these are not LGR related they are detailed in Note 7, Prior Period Adjustments.

Outstanding Transfer issues

The two successor Councils have failed to reach agreement on the future ownership of Tatton Park, the Conway Centre and four other Outdoor Education Centres. Tatton Park and the Conway Centre are leased properties and are not shown on the balance sheet of either Council.

The Burwardsley, Beeston, Delamere and Tattenhall Outdoor Education Centres are freehold properties lying within the geographical boundary of Cheshire West & Chester Council. They are currently included in the opening balance sheet of Cheshire West & Chester Council as both a fixed asset with a value of £2.6m and a long term liability of £1.3m to reflect the Cheshire East interest in the assets. An independent arbitrator could potentially be appointed to resolve these outstanding property transfer issues.

Separately, at the point of producing these Accounts discussions are ongoing about the long term apportionment of accrued LGPS Pension Liabilities between the two Councils. These accounts adopt a position whereby Cheshire West and Chester inherited a net liability of £177m from the County Council and Cheshire East £185m. An alternative option for splitting the liability purely on taxbase is being considered, should this subsequently be agreed within the Finance Agreement then both Councils will reflect the revised outcome in their 2010-11 Accounts, disclosing the impacts of the change.

1b. Local Government Reorganisation - 2009-10 Revenue Account

Prior to inception on 1 April 2009, the two new authorities worked together to determine their revenue budget affordability. This centred on the following areas:-

- The Department of Communities & Local Government (DCLG) provided each authority with a revenue support grant allocation for the years 2009-10 and 2010-11. These allocations ensured that appropriate financial certainty was obtained with regard to central government funding and brought the new authorities into line with the latest comprehensive spending review;
- The two authorities worked together with the relevant government departments and other funding agencies to agree a split of the specific and non-specific grants that were previously received by Cheshire County Council; and
- The two authorities identified their respective tax bases which highlighted what funding could be raised locally.

The completion of these 3 exercises therefore enabled each authority to determine their affordable revenue budget for 2009-10.

1c. Impact of LGR and Transformation Programme

Cheshire West & Chester Council has incurred additional expenditure after 1 April 2009 relating to Local Government Reorganisation and the Transformation Programme. These

costs are deemed to be exceptional and are shown as a separate item on the face of the Income and Expenditure Account.

This expenditure falls into two main categories:-

- LGR Transitional costs such as harmonizing IT systems, branding, uniforms and harmonisation of policies.
- Voluntary Redundancy costs incurred in respect to staff released by Cheshire West & Chester Council prior to 31 March 2010.
- Consultancy costs incurred relating to the development of the Shared Service Agreements, the ICT Shared Services and the Transformation Business Case.

The costs incurred and the accounting treatment are explained in more detail in the exceptional items note (see note 2 below).

Further transitional costs will be incurred in 2010-11 and beyond as certain costs are spread over a number of years (e.g. actuarial cost payments to the Cheshire Pension Fund) or alternatively incurred over a number of years in line with national terms and conditions of service (e.g. staff relocation costs).

2. Exceptional Items

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

This year, two specific items in respect to Local Government Reorganisation and the Transformation Programme have been treated as exceptional items.

Transformation Programme – £19.3m expenditure

Following its inception as a new authority in April 2009 the Members and officers of Cheshire West & Chester Council have undertaken a fundamental review of the staffing levels, services and infrastructure it inherited from its predecessor Councils to address emerging budget pressures, the anticipated financial scenario and the need to drive forward its transformation agenda.

As part of this review the authority took the opportunity to develop a Transformation Programme that covered Customer Access, Shared Services, Procurement and Flexible and Mobile Working as well as ensuring services are provided in the most efficient manner possible. This allowed the Council to plan for the forthcoming difficult financial scenario but also to take the one-off opportunity afforded to us to design services from scratch and implement lean but fit for purpose structures which could reduce costs but maintain and improve services to customers. The Council subsequently undertook a voluntary redundancy exercise inviting expressions of interest from employees with a view to reducing its workforce by approximately 400 full time equivalent posts. Undertaking the Efficiency and Transformation Programme was the only practical way of addressing the underlying budget pressures inherited by the Council and was crucial to the long term health of the organisation.

During 2009-10 this voluntary redundancy programme has incurred £8.6m of severance costs in the form of redundancy payments.

Releasing these staff also incurred an additional actuarial pensions cost which will be phased over a five year period and paid over to the Cheshire Pension Fund at £2.1m per annum. Due to the requirements of FRS 17 the Council's income and expenditure account does not record the actual payments made in relation to Pensions but instead shows the impacts of events and decisions made in the financial year on the Council's Pensions Liabilities (see Note 9). This means the expenditure recorded in the income and expenditure account reflects the full impact of the voluntary redundancy programme (£8.6m) rather than the costs paid out.

In addition, consultancy costs have been incurred relating to the development of the shared service agreements, the ICT Shared Service and the Transformation Programme. In 2009-10 these costs amount to £2.1m.

Local Government Reorganisation - £0.3m income

As a result of local government reorganisation the predecessor Councils undertook a voluntary redundancy programme during 2008-09 and released staff prior to 31 March 2009. Cheshire West & Chester Council made its first payment to the Pension Fund for the costs of the early release of these staff in 2009-10 (£1.6m). However, as described above under FRS 17 the full pension costs of such decisions are reported in the income and expenditure account in the year that action is taken, not the year that cash is transferred. These costs were therefore reflected in the 2008-09 accounts and do not feature in the Income and Expenditure account for 2009-10. They are however a charge on the Council's General Fund for 2009-10.

The costs incurred in 2009-10 have been partially offset by releasing provisions set aside to cover them. This has reduced the costs charged to exceptional items by £1.8m.

The Authority has also incurred expenditure relating to the set up of the new organisation. This has been treated as 'transitional' and includes costs such as harmonising IT systems, development of HR policies, branding. During 2009-10 the Council has incurred £1.8m of transitional costs. It has been possible to absorb some costs within operational budgets so only £1.49m of these costs have been treated as exceptional items.

| LGR Transitional Costs - BVACOP Analysis | 2009-10 £000 |
|---|-------------------------|
| Central services to the public | - |
| Children's and Education Services | - |
| Adult Social Care | - |
| Cultural, Environmental and Planning Services | 262 |
| Highways, Roads and Transport Services | - |
| Council Housing (HRA) | - |
| Housing Services | - |
| Exceptional Items | 1,494 |
| Total | 1,756 |

3. 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. Included here is the net surplus or deficit on Trading Operations, interest and investment income, backdated costs relating to the activities of the former Councils and costs associated with the FRS 17 adjustments. A breakdown of the amounts included within this line is as follows:

| | Expenditure | Income | Net |
|--|--------------------|----------------|----------------|
| | 2009-10 | 2009-10 | 2009-10 |
| | £000 | £000 | £000 |
| (Surplus)/ Deficit on Trading Operations | 21,940 | -26,500 | -4,560 |
| Interest and Investment Income | - | -1,355 | -1,355 |
| External Interest Payable | 8,585 | - | 8,585 |
| Recovered VAT Overpayment | | -1,369 | -1,369 |
| Costs relating to Predecessor Councils | 517 | -392 | 125 |
| Pensions Interest Cost and Expected | 55,805 | -32,393 | 23,412 |
| Other Income & Expenditure | 1,513 | -1,866 | -353 |
| Total | 88,360 | -63,875 | 24,485 |

4. 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. The Council has set a de-minimis level of £1.0m turnover in establishing new trading accounts. 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:

| | Expenditure | Income | (Surplus)/ |
|--------------------------------------|--------------------|----------------|-------------------|
| | 2009-10 | 2009-10 | Deficit |
| | £000 | £000 | 2009-10 |
| | | | £000 |
| Industrial and Commercial Properties | 2,400 | 7,217 | -4,817 |
| Transport Management Organisation | 2,152 | 2,418 | -266 |
| CBS - Catering | 5,765 | 5,706 | 59 |
| CBS - Cleaning | 3,339 | 3,339 | - |
| CBS - Supplies | 4,605 | 4,633 | -28 |
| Outdoor Education | 3,679 | 3,187 | 492 |
| Total | 21,940 | 26,500 | -4,560 |

- The Industrial and Commercial Properties trading account lets Council owned business premises to small and medium size enterprises across the Borough.
- The Transport Management Organisation (TMO) operates as a trading account for the provision of cars and commercial vehicles to meet the Council's transport requirements.

- CBS Catering operates as a trading account for school meals and staff catering.
- CBS Cleaning operates as a trading account for the provision of caretaking and cleaning services to schools, offices and other organisations.
- CBS Supplies operates as a trading account for the provision of a cost effective source of education and office supplies.
- The Outdoor Education trading account relates to outdoor residential centres operated by Cheshire West & Chester Council.

5. General Government Grants

The Council received the following government grants, which are not related to specific services:

| General Government Grant | 2009-10 £000 |
|--|-----------------|
| Revenue Support Grant | 17,177 |
| National Non-Distributed Rates | 74,419 |
| Local Authority Business Growth Incentive Scheme | 316 |
| Area Based Grants | 15,109 |
| PFI Grants | 3,040 |
| Total | 110,061 |

6. Intangible Assets – Software Licences

Intangible assets are software licences which have been capitalised on the Balance Sheet and written off to revenue over their useful economic life (5 years). The movement in 2009-10 relates to the depreciation of assets, no new additions were made.

| | 2009-10 £000 |
|---|-----------------|
| Original Cost | 2,171 |
| Accumulated amortisation as at 1st April 2009 | -1,527 |
| Net Book Value of Assets as at 1st April 2009 | 644 |
| Depreciation charged in 2009-10 | -328 |
| Balance as at 31st March 2010 | 316 |

7. Prior Period Adjustments

While these accounts do not include prior period comparators the following details set out the impact that changes to the national accounting framework have had on the opening position of the Council.

The 2009 Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (SORP) introduced a number of changes to the way Councils are required to prepare their accounts. These changes need to be reflected in the Councils 2009-10 accounts on a consistent basis so it is necessary to restate the

opening balances of the Council as well as adopting the new approach for year end reporting. The impacts of implementing these changes are outlined below.

Council Tax and Residual Community Charge

Under the 2009 SORP Councils should only report balances in their accounts reflecting their own share of any surplus or deficit on the Collection Fund and any linked debtor and creditor balances. This contrasts with previous practice where billing Councils often reported the full Collection Fund balance even if the Council was not solely responsible for resolving this balance.

This change does not impact on how the Council budgets for Collection Fund surpluses/deficits. The Council will still only recognise any surplus/deficit on its share of the Collection Fund when setting its budgets for the following financial year. The change means that any surplus or deficit on the fund is charged to the newly created Collection Fund Adjustment Account.

The table below shows the adjustments which have been made to the opening balance sheet:-

| | Opening Balance Adjustment £000 | Balance Sheet Heading |
|---|---------------------------------------|-----------------------------|
| Balances now reported by Cheshire Fire and Cheshire Police | | |
| Remove non CWAC share of Arrears | -1,081 | Debtors |
| Remove non CWAC share of Debt Provision | 451 | Debtors |
| Remove non CWAC share of Receipts in Advance | 204 | Creditors |
| Remove non CWAC share of Collection Fund Deficit | -236 | Reserves |
| | -662 | |
| Balances Introduced to reflect monies owed by Preceptors | | |
| Balances due from Preceptors | 662 | Debtors |
| Recognition of new Notional Reserve | | |
| Removal of CWAC share of Collection Fund Deficit | -1,415 | Reserves |
| Creation of Collection Fund Adjustment Account | 1,415 | Reserves |

National Non Domestic Rates

The 2009 SORP introduces the requirement for Councils to treat the collection of Business Rates as an activity it undertakes solely as an agent of central government. This means that where the Council previously accounted for debtors (where ratepayers had not paid) and receipts in advance (where income had been received before it was due) it will no longer need to do so. The only relationship which is reportable for the Council is where it has under or overpaid central government compared to the actual cash collected.

The table below shows the adjustments made to the opening balance sheet:

| | Opening Balance Adjustment £000 | Balance Sheet Heading |
|---|--|-----------------------------|
| Balances no longer reported by Councils | | |
| Remove NNDR Arrears | -3,201 | Debtors |
| Remove NNDR Debt Provision | 563 | Debtors |
| Remove NNDR Receipts in Advance | 408 | Creditors |
| Remove Accrual Based Creditor to Govt | 1,576 | Creditors |
| | -654 | |
| Balances Introduced to reflect monies owed by Govt | | |
| Introduce Cash based Debtor to Govt | 654 | Debtors |

Private Finance Initiative (PFI) and Service Concessions

In preparation for the implementation of International Financial Reporting Standards for Local Government in 2010-11, the 2009 SORP requires Councils to adopt the requirements of IFRIC12. This International Accounting Standard requires the Council to assess its existing contracts to determine whether or not they give them effective control over assets which they do not legally own. Where it effectively controls the current and future usage of an asset the Council must report the value of that asset as if it was owned by the Council. The main area where this will lead to a change in treatment is for assets created under the Private Finance Initiative.

Cheshire West and Chester has two operational PFI schemes which have led to the creation of the following assets, five schools in Ellesmere Port and two extra care developments in Ellesmere Port and Winsford. All of these assets have been brought onto the balance sheet of the Council under the new accounting policy. As the Extra Care Homes did not open until 2009-10 no restatement is required for those assets.

In recognition of the fact that the Council will be making payments to the PFI contractors over the next 25-30 years to reimburse them for the costs of developing these assets the accounts will also recognise a long term liability. On initial recognition, the value of this creditor would exactly match the value of the assets recognised, but over time these values will diverge as the assets are depreciated, impaired or revalued. The balances that have been added to the Councils opening balance sheet are set out below, further details on the 2009-10 transactions are shown in Note 16.

| Opening Balance Sheet Amendments | Schools £000 | Extra Care £000 | Total £000 |
|-------------------------------------|-----------------|--------------------|---------------|
| Fixed Assets | 6,528 | 0 | 6,528 |
| PFI Liability | -10,881 | 0 | -10,881 |
| Net Assets and Liabilities | -4,353 | 0 | -4,353 |
| Capital Adjustment Account | 4,353 | 0 | 4,353 |
| Funding | 4,353 | 0 | 4,353 |

8. Agency

As part of their operations Councils undertake a number of activities, not in their own right, but on behalf of another body, typically a central government department. The costs of delivering this service are reimbursed by the other body. As the associated costs and income are not part of the Council's normal responsibilities they are not included in the reported accounts.

For 2009-10 Cheshire West & Chester Council undertook the role of collecting National Non Domestic Rates in its area on behalf of the Department of Communities and Local Government (DCLG). Under this arrangement the Council collected and paid over £135m of income and received £0.5m towards the costs of undertaking this process. Further details about the transactions undertaken on behalf of DCLG are disclosed in the Collection Fund and its accompanying notes.

The Council also undertook an agency role in the collection of Council Tax on behalf of its major precepting bodies, Cheshire Police Authority and Cheshire Fire and Rescue Service. Under this arrangement the Council as a billing authority billed for £24.8m of Council Tax income on behalf of the two major preceptors. This income is not included in the Income and Expenditure Account. At the year end the Council held a number of balance sheet items relating to the collection of Council Tax, these items have been apportioned across the precepting bodies in line with their precepts.

| Removal of Agency Balances | 2009-10 Adjustment £000 | Balance Sheet Heading |
|---|--|--------------------------------------|
| Balances now reported by Cheshire Fire and Cheshire Police | | |
| Remove non CWAC share of Arrears | -1,130 | Debtors |
| Remove non CWAC share of Debt Provision | 473 | Debtors |
| Remove non CWAC share of Receipts in Advance | 530 | Creditors |
| Remove non CWAC share of Collection Fund Deficit | -237 | Reserves |
| | -364 | |
| Balances Introduced to reflect monies owed by Preceptors | | |
| Balances due from Preceptors | 364 | Debtors |

9. Local Government Pension Scheme – Retirement Benefits

Participation in Pension Scheme

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The Council participates in two pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS).

Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme, meaning that the scheme's liabilities are backed by investment assets. It is a statutory defined benefit final salary scheme and all employees of Cheshire West & Chester Council (other than teachers) may participate in the fund. The Authority and its employees pay contributions into the fund, calculated by the fund's

independent actuary, at a level intended to balance the pensions liabilities with investment assets.

In 2009-10 the Authority paid employer contributions of £33.8m into the Cheshire Pension Fund (the Fund). This represented 20.8% of employees (other than teachers) pensionable pay. The rate of employer contributions due to the fund is determined every three years and is based on a valuation by the Fund's actuary. The valuation effective for the 2009-10 financial year was undertaken as at 31 March 2007.

Accounting Treatment: This scheme is accounted for as a defined benefit scheme in accordance with Financial Reporting Standard 17 (FRS 17).

The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis, using the projected unit method and the assets of the fund are included at their fair value.

Teachers' Pension Scheme

Teachers employed by Cheshire West & Chester Council may participate in the Teachers' Pension Scheme (TPS), administered by the Department for Children, Schools and Families (DCSF). The scheme is a defined benefit scheme and although the scheme is unfunded, TPS use a notional fund as the basis for calculating the employer's contribution rate paid by local education authorities and participating employees also pay contributions into the scheme. However, it is not possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees.

Accounting Treatment: This scheme is accounted for as if it were a defined contribution scheme – no liability for future benefits is recognised in the Balance Sheet and the Children's Services Income and Expenditure account is charged with the employer's contributions payable to teachers' pensions in the year which were £2.5m in 2009-10 representing 14.1% of pensionable pay.

Teachers Discretionary Payments

The Council has also awarded discretionary early retirement benefits for teachers and this scheme is unfunded. The Council paid £5.5m in 2009-10 in relation to this scheme, of which £3.0m has been recovered from Cheshire East, Halton and Warrington Borough Councils.

Accounting Treatment: This scheme is accounted for as a defined benefit scheme in accordance with Financial Reporting Standard 17 (FRS 17). The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method.

9a. Summary of Pension Accounts for 2009-10

| | LGPS £000 | Teachers £000 | Total £000 |
|--|-----------------|------------------|-----------------|
| Pension Reserve as at 1st April 2009 | 267,502 | 32,462 | 299,964 |
| Additional charge to I&E account - FRS 17 | 12,869 | -366 | 12,503 |
| Actuarial (gains)/ losses | 284,610 | 6,889 | 291,499 |
| Pension Reserve as at 31st March 2010 | 564,981 | 38,985 | 603,966 |
| Net Pension Liability as at 31st March 2010 | -564,981 | -38,985 | -603,966 |

9b. Revenue charges relating to Retirement Benefits

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by the employees, rather than when the benefits are eventually paid as pensions. However, the Council is required to raise Council tax on a different accounting basis (i.e. the basis of the cash payable in the year), so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

| | LGPS £000 | Teachers Unfunded £000 | Total £000 |
|---|----------------------|---------------------------------------|-----------------------|
| Income and Expenditure Account | | | |
| Net Cost of Services: | | | |
| Current service cost | 16,308 | - | 16,308 |
| <u>Curtailments and settlements</u> | | | |
| Non Distributed Costs | 350 | - | 350 |
| Exceptional Items - Local Government Reorganisation | 8,616 | - | 8,616 |
| Past service costs | 124 | - | 124 |
| | 25,398 | - | 25,398 |
| Net Operating Expenditure: | | | |
| Interest on pension scheme liabilities | 53,651 | 2,154 | 55,805 |
| Expected return on scheme assets | -32,393 | - | -32,393 |
| | 21,258 | 2,154 | 23,412 |
| Net Charge to the I&E Account | 46,656 | 2,154 | 48,810 |
| Statement of Movement in the General Fund Balance | | | |
| Reversal of net charges for retirement benefits in accordance with FRS 17 | -46,656 | -2,154 | -48,810 |
| Actual amount charged against the General Fund in year | | | |
| Employer contributions payable to the scheme | 33,787 | 2,520 | 36,307 |
| Net Charge to the SMGFB | -12,869 | 366 | -12,503 |

9c. Scheme assets

The pension scheme assets are held by the Cheshire Pension Fund which is administered by Cheshire West & Chester Council. The Cheshire Pension Fund Accounts can be found in the Cheshire Pension Fund section of the Statement of Accounts.

The bid value of the fund's assets as at 31 March 2010 is £2,564m and Cheshire West & Chester Councils' share (£707m) of the fund is detailed below.

| | Local Government Pension Scheme £000 2009-10 | Teachers Unfunded Liabilities £000 2009-10 | Total £000 2009-10 |
|--------------------------------------|---|---|--------------------------|
| Net Book Value as at 1 April | 507,733 | - | 507,733 |
| Expected return on assets | 32,393 | - | 32,393 |
| Contributions by the employer | 33,787 | - | 33,787 |
| Contribution by scheme participants | 9,262 | - | 9,262 |
| Contributions - unfunded benefits | - | 2,520 | 2,520 |
| Actuarial gains / (losses) | 153,836 | - | 153,836 |
| Benefits paid | -29,964 | - | -29,964 |
| Unfunded benefits paid | - | -2,520 | -2,520 |
| Net Book Value as at 31 March | 707,047 | - | 707,047 |

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

| Assets | Fund Value at 31st March 2010 £000 | Proportion of the Fund % | Expected Return % | Weighted Return % |
|--------------|--|--------------------------------|-------------------------|-------------------------|
| Equities | 516,144 | 73% | 7.80% | 5.69% |
| Bonds | 98,987 | 14% | 5.00% | 0.70% |
| Property | 35,352 | 5% | 5.80% | 0.29% |
| Cash | 56,564 | 8% | 4.80% | 0.38% |
| Total | 707,047 | 100% | | 7.06% |

The overall expected long-term rate of return on assets is based on the weighted average for each category of asset as at 31 March 2010, at the respective rates of return, as given in the actuarial assumptions, to give an overall rate of return of 7.1%. The actual return on scheme assets in 2009-10 was £186.2m. The Teacher's Unfunded Liabilities Scheme has no assets to cover its liabilities.

9d. Scheme Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Cheshire West & Chester Council Fund and the Teacher's Unfunded Liabilities Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries.

| | LGPS 2009-10 £000s | Teachers Unfunded 2009-10 £000 | Total Liabilities 2009-10 £000s |
|---|-----------------------------------|---|--|
| Net Book Value as at 1st April 2009 | 775,235 | 32,462 | 807,697 |
| Current service costs | 16,308 | - | 16,308 |
| Interest cost | 53,651 | 2,154 | 55,805 |
| Contribution by scheme participants | 9,262 | - | 9,262 |
| Actuarial (gains)/ losses | 438,446 | 6,889 | 445,335 |
| Benefits paid | -29,964 | -2,520 | -32,484 |
| Past service costs | 124 | - | 124 |
| Curtailments & Settlements | 8,966 | - | 8,966 |
| Net Book Value as at 31st March 2010 | 1,272,028 | 38,985 | 1,311,013 |

9e. Scheme Surplus/Deficit

| | 2009-10 £000 |
|--|-------------------------|
| Local Government Pension Scheme | |
| Fair Value of Assets | 707,047 |
| Present Value of Liabilities | -1,272,028 |
| Deficit in the Scheme | -564,981 |
| Teachers' Unfunded Liabilities | |
| Present Value of Liabilities/ Scheme Deficit | -38,985 |
| Total Deficit in the Schemes | -603,966 |

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £604m has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy, as the deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

9f. Actuarial Gains and Losses

These are analysed into:

- Experience gains and losses relating to assets – the difference between the actual and expected return on pension scheme assets (see note 9g)
- Experience gains and losses relating to liabilities – the difference between the actual and expected costs on pension scheme obligations (see note 9g)
- Changes in assumptions underlying the present value of the scheme liabilities – these include financial, mortality and commutation assumptions (see note 9i)

9g. History of experience gains and losses

| | 2009-10 £000 |
|---|-----------------|
| Local Government Pension Scheme | |
| Fair value of assets | 707,047 |
| Experience Gains / (Losses) on Assets | 153,836 |
| Expressed as a % of Scheme Assets | 21.80% |
| Present value of liabilities | -1,272,028 |
| Experience Gains / (Losses) on Liabilities | - |
| Expressed as a % of Scheme Liabilities | 0.0% |
| Teachers' Unfunded Liabilities | |
| Present value of liabilities / Scheme Deficit | -38,985 |
| Experience Gains/ (Losses) on Liabilities | 894 |
| Expressed as a % of Scheme Liabilities | -2.3% |

9h. Employer's Contributions for 2010-11

The Actuary has estimated that the total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2011 is £29.4m.

9i. Actuarial Assumptions

| | Local Government Pension Scheme 31 Mar 2010 | Teachers Unfunded Liabilities 31 Mar 2010 |
|--|---|---|
| Long-term expected rate of return on assets | | |
| Equity investments | 7.8% | - |
| Bonds | 5.0% | - |
| Property | 5.8% | - |
| Cash | 4.8% | - |
| Weighted expected return | 7.1% | - |
| Financial Assumptions | | |
| Rate of inflation | 3.8% | 3.8% |
| Rate of increase in salaries | 5.3% | n/a |
| Rate of increase in pensions | 3.8% | 3.8% |
| Rate for discounting liabilities | 5.5% | 5.5% |
| Take-up of option to convert annual pension into retirement lump sum 50% take up for pre April 2008 service and 75% take up for post April 2008 service | | |
| Mortality Assumptions | | |
| Longevity at 65 for current pensioners | | |
| Men | 20.8 years | 20.8 years |
| Women | 24.1 years | 24.1 years |
| Longevity at 65 for future pensioners | | |
| Men | 22.3 years | 22.3 years |
| Women | 25.7 years | 25.7 years |

10. Dedicated Schools Grant

The funding of schools is provided via the Dedicated Schools Grant (£188m in 2009-10). This is a ring-fenced grant and can only be applied to meet expenditure properly included in the Schools Budget. The grant is, therefore, credited against Children's and Education Services in the Income and Expenditure Account. The Schools Budget includes elements for a restricted range of services provided on an authority-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 2009-10 are as follows:

Schools Budget Funded by Dedicated Schools Grant

| | Central Expenditure £000 | Individual Schools Budget £000 | Total £000 |
|--|--------------------------------|---|---------------|
| Final DSG for 2009-10 | 21,856 | 164,277 | 186,133 |
| Brought forward from 2008-09 | 2,294 | - | 2,294 |
| Carry forward to 2010-11 agreed in advance | - | - | - |
| Agreed budgeted distribution in 2009-10 | 24,150 | 164,277 | 188,427 |
| Actual Central Expenditure | 21,946 | - | 21,946 |
| Actual ISB deployed to Schools | - | 164,277 | 164,277 |
| Local authority contribution 2009-10 | - | - | - |
| Carry Forward 2010-11 | -2,204 | - | -2,204 |

11. Health Act 1999 Pooled Budgets

Under Section 31 of the above Act, the former County Council registered its partnership arrangement with two Primary Care Trusts to commission services for Adults with Learning Difficulties within Cheshire.

The Pooled Budget for Learning Disabilities was formed in April 2002. This enabled the County Council and the two local Primary Care Trusts to combine their budgets under one lead partner and act as a single body when commissioning services. This agreement does not however set the Pool up as a separate legal entity.

In 2009-10 the Pooled Budget for Learning Disabilities has continued as a single joint arrangement hosted within Cheshire East Borough Council but operating across the boundaries of both Cheshire West & Chester Council and Cheshire East Council. Each partner to the Pool will report its own share of the Pooled Budget transactions within its accounts and report the Memorandum Account as a note to their accounts.

The Pooled Budget has been disbanded for 2010-11 in favour of more localised partnership working within each Council; this means that there are no ongoing obligations to report.

CHESHIRE WEST & CHESTER COUNCIL**Adults with Learning Difficulties Pooled Budget**

Memorandum Account for the period 1 April 2009 to 31 March 2010

| Funding | 2009-10 | | | |
|--|---------------|--------------|------------|---------------|
| | Cash | Overheads | Grants | Total |
| | £000 | £000 | £000 | £000 |
| Cheshire West and Cheshire East Council | 33,723 | 1,143 | - | 34,866 |
| Specific Grants | | | | |
| Specific Grants | - | - | 232 | 232 |
| Carers Grant | - | - | 124 | 124 |
| | | | | 35,222 |
| Western Cheshire PCT | 10,246 | - | - | 10,246 |
| Central & Eastern Cheshire PCT | 21,873 | - | - | 21,873 |
| LDDF Capital Funding | - | - | 379 | 379 |
| Total Funding | 65,842 | 1,143 | 735 | 67,720 |
| Expenditure | 2009-10 | | | |
| | Cash | Overheads | Grants | Total |
| | £000 | £000 | £000 | £000 |
| Care Packages | 36,687 | - | 125 | 36,812 |
| Domiciliary | 20,929 | - | - | 20,929 |
| Transport | 1,797 | - | - | 1,797 |
| Partnership Trust | 6,720 | - | - | 6,720 |
| Secure Commissioning | 2,019 | - | - | 2,019 |
| Care Assessment | 1,478 | - | - | 1,478 |
| Direct Payments | 2,147 | - | - | 2,147 |
| Other | 182 | - | 290 | 472 |
| LDDF Capital Expenditure | 340 | - | - | 340 |
| Overheads | - | 1,328 | - | 1,328 |
| Management | 598 | - | 75 | 673 |
| Total Expenditure | 72,897 | 1,328 | 490 | 74,715 |
| Net Overspend Charged to Partner Agencies | | | | 6,995 |

This overspend compares to the planned 2009-10 funding levels. In accordance with the partnership agreement this overspend has been met by additional contributions from all partners of the Pool. These contributions have been based on where the unfunded costs were incurred. A total of £5.0m was funded by Cheshire West & Chester Council.

12. Provisions

The following table gives details of all provisions which have been set aside by Cheshire West & Chester Council. A provision is created when a past event is likely to give rise to a future costs but the precise cost or timing cannot be determined. The balance on provision is set aside to fund that future cost.

| Provisions | Balance 01/04/09 £000 | Net Mvt In Year £000 | Balance 31/03/10 £000 | Purpose of Reserve |
|--|-----------------------------|----------------------------|-----------------------------|--|
| Domestic Violence Family Support Unit | -15 | - | -15 | This provision is a contingency against future exit costs resulting under TUPE. |
| S117 Payments | -71 | 61 | -10 | To meet known liabilities for individuals discharged from hospital under Section 117 of the Mental Health Act. |
| Home Office Asset Recovery Scheme | -7 | - | -7 | Funding received from the Home Office under the Asset Recovery Scheme. Proceeds of crime are redistributed back to front-line agencies for fraud prevention. |
| Highway Schemes Provision | -108 | - | -108 | To meet potential costs in relation to noise, disturbance and claims in respect of major highways schemes. |
| Early Retirement Provision | -1,295 | 1,295 | - | To meet the actuarial costs of early retirements. |
| Local Government Review Deferred Redundancy Provision | -813 | 813 | - | To meet the costs of redundancies approved by former Councils as part of the LGR process but deferred for payment until 2009-10. |
| Total | -2,309 | 2,169 | -140 | |

13. Insurance Provision and Reserve

Cheshire West & Chester Council has large excess levels on its external insurance policies and is therefore required to meet the cost below the excess arising from claims in respect of fire and consequential loss, public and employers' liability, and vehicles. An Insurance Fund has been established to meet these potential costs, with annual contributions being charged to the revenue account.

In accordance with latest accounting practice, the Fund has been analysed into a provision (amounts required for reported claims) and a reserve (estimates for future claims not yet reported). The amounts set aside are based on estimates from the actuary and an independent actuarial review will be carried out every three years to review the level of the amounts set aside in both the provision and reserve. The Council maintains

separate Funds for liabilities incurred since its inception on 1 April 2009 and those incurred by its predecessors.

Cheshire West and Chester 2009-10 Insurance Balances

The figures below relate to the balances created to fund claims arising out of the Council's 2009-10 activities. The provision covers the estimated settlement costs of claims received at the balance sheet date and the reserve represents the sum held to cover potential further claims relating to the 09-10 policy year coming to light in future years. This is known as an earmarked reserve.

The provision of £1,473k includes claims that will be successfully defended, the cost of which can then be moved from the provision back to the reserve. The balances are monitored to ensure they are sufficient.

| Insurance Funds for new activities | Provision £000 | Reserve £000 |
|--|-------------------|-----------------|
| Opening Balance | - | - |
| Less claims paid during the year: | | |
| Property | -41 | - |
| Public Liability | -23 | - |
| Employer's Liability | -2 | - |
| Motor | -144 | - |
| Additional Contribution from Revenue | 2,172 | - |
| Transfer from/(to) Insurance Reserve | -489 | 489 |
| Balance Carried Forward | 1,473 | 489 |

Cheshire West and Chester – Pre LGR Insurance Balances

The Council holds provisions and reserves to cover the costs of any claims arising from the former Chester City, Ellesmere Port & Neston and Vale Royal Borough Councils. It has been necessary to increase these balances in year to ensure they are sufficient to fund potential claims.

The provision figures below relate to the estimated settlement costs of claims for the former district authorities received at the balance sheet date. The reserve represents the sum held to cover potential further claims in respect of the former district authorities relating to the policy years up to and including 08-09 coming to light in future years.

| Former District Councils Insurance Balances | Provision £000 | Reserve £000 |
|---|-------------------|-----------------|
| Opening Balance | - | 347 |
| Less claims paid during the year: | | |
| Property | -16 | - |
| Public Liability | -30 | - |
| Employer's Liability | -110 | - |
| Motor | 3 | - |
| Additional Contribution from Revenue | 860 | - |
| Transfer from/(to) Insurance Reserve | -704 | 704 |
| Balance Carried Forward | 3 | 1,051 |

Schools Insurance Balances

The reserve below represents the sums held to cover differences in amounts recovered from schools via the School Business Agreement (SBSA) mechanism in respect of insurance. There will always be variances due to the timing differences between the insurance policy year and the academic year.

| SBSA Insurance Reserve Balance | 2009-10 £000 |
|---|-------------------------|
| Opening Balance | 49 |
| Transfer from/(to) Revenue | -35 |
| Balance of Reserve carried forward | 14 |

The liabilities relating to the former County Council's activities are being managed by Cheshire East Council who will run off claims on behalf of both new Councils. These balances are not shown in Cheshire West and Chester's Accounts as at 31 March 2010 but summary details of the balances on that fund are shown below. At the time that any surpluses or deficits become apparent on these balances they will be shared by both Councils.

| Former Cheshire County Council Insurance Fund | Provision £000 | Reserve £000 |
|---|---------------------------|-------------------------|
| Opening Balance (held by Cheshire East) | 7,565 | 803 |
| Less claims paid during the year: | | |
| Property | -117 | - |
| Public Liability | -1,369 | - |
| Employer's Liability | -610 | - |
| Motor | -70 | - |
| Transfer from Risk management Reserve re SBSA | - | -51 |
| Transfer from Insurance Reserves re DSG | - | -52 |
| Transfer from/(to) Insurance Reserve | -531 | 531 |
| Balance of Provision & Reserve carried forward | 4,868 | 1,231 |

14. Movement of Fixed Assets 2009-10

| | Operational Assets | | | | | Total |
|--|------------------------|----------------------------|---------------------------------------|-------------------------------|--------------------------|----------------|
| | Council Houses £000 | Land and Buildings £000 | Vehicles, Plant and Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | |
| Certified Valuation at 01/04/2009 | 187,544 | 511,548 | 40,862 | 230,883 | 6,924 | 977,761 |
| Additions | 5,665 | 24,810 | 12,110 | 14,689 | 3,456 | 60,730 |
| Disposals | - 112 | - 14,512 | - 310 | - | - | - 14,934 |
| Impairment | - | - 15,544 | - | - | - | - 15,544 |
| Re-classification of assets | - | 9,622 | 161 | - | - | 9,783 |
| Revaluations | 1,972 | 17,195 | - | - | - | 19,167 |
| Other Movements | - | 24,378 | - | - | - | 24,378 |
| Value as at 31st March 2010 | 195,069 | 557,497 | 52,823 | 245,572 | 10,380 | 1,061,341 |
| Depreciation | | | | | | |
| At 1st April 2009 | - | - 25,420 | - 23,319 | - 60,855 | - 113 | - 109,707 |
| Charges for the year | - 3,513 | - 6,792 | - 4,405 | - 7,318 | - 4 | - 22,032 |
| Disposals | - | 1,114 | 201 | - | - | 1,315 |
| Re-classification of assets | - | - | - | - | - | - |
| Revaluations | - | 2,640 | - | - | - | 2,640 |
| Impairments | - | 1,514 | - | - | - | 1,514 |
| Accumulated Depn at 31/03/2010 | - 3,513 | - 26,944 | - 27,523 | - 68,173 | - 117 | - 126,270 |
| Net Book Value at 31/03/2010 | 191,556 | 530,553 | 25,300 | 177,399 | 10,263 | 935,071 |
| Net Book Value at 01/04/2009 | 187,544 | 486,128 | 17,543 | 170,028 | 6,811 | 868,054 |
| Nature of Asset Holding | | | | | | |
| Owned | 191,556 | 499,047 | 24,290 | 177,399 | 10,263 | 902,555 |
| Held under PFI | - | 31,506 | - | - | - | 31,506 |
| Leased | - | - | 1,010 | - | - | 1,010 |
| Total | 191,556 | 530,553 | 25,300 | 177,399 | 10,263 | 935,071 |

The figures shown as "Other Movements" are primarily related to the recognition of PFI assets which have been constructed by a third party but are recorded as Council assets in line with SORP guidance.

The Net Book value balances above include £12.5m of assets which are held in partnership with Cheshire East Borough Council. The Council will ultimately need to buy out the Cheshire East impact in these assets so an offsetting long term liability is included in the balance sheet.

| | Non Operational Assets | | | Total |
|--|------------------------|-----------------------------------|-------------------------------|----------------|
| | Surplus Assets £000 | Assets Under Construction £000 | Investment Properties £000 | |
| Certified Valuation at 1st April 2009 | 13,822 | 11,941 | 102,028 | 127,791 |
| Additions | 0 | 25,343 | 17 | 25,360 |
| Disposals | -939 | 0 | -1,298 | -2,237 |
| Impairment | -26 | 0 | -2,982 | -3,008 |
| Re-classification of assets | 0 | -9,784 | 0 | -9,784 |
| Revaluations | 1,016 | 0 | 13,506 | 14,522 |
| Other Movements | 0 | 0 | 0 | 0 |
| Value as at 31st March 2010 | 13,873 | 27,500 | 111,271 | 152,644 |
| Depreciation | | | | |
| At 1st April 2009 | -300 | 0 | 0 | -300 |
| Charges for the year | -56 | 0 | -80 | -136 |
| Disposals | 0 | 0 | 0 | 0 |
| Re-classification of assets | 0 | 0 | 0 | 0 |
| Revaluations | 0 | 0 | 0 | 0 |
| Impairments | 0 | 1 | 0 | 1 |
| Other Movements | 0 | 0 | 0 | 0 |
| Accumulated Depn at 31st March 2010 | -356 | 1 | -80 | -435 |
| Net Book Value at 31st March 2010 | 13,517 | 27,501 | 111,191 | 152,209 |
| Net Book Value at 1st April 2009 | 13,522 | 11,941 | 102,028 | 127,491 |
| Nature of Asset Holding | | | | |
| Owned | 13,517 | 27,501 | 111,191 | 152,209 |
| Held under PFI | 0 | 0 | 0 | 0 |
| Leased | 0 | 0 | 0 | 0 |
| Total | 13,517 | 27,501 | 111,191 | 152,209 |

15. Information on Assets Held

Major fixed assets held at 31 March 2010 are as follows:

| | Number as at 31st March 2010 |
|--------------------------------------|---------------------------------|
| <u>Operational Properties</u> | |
| Allotment Sites | 36 |
| Bus depots | 3 |
| Car Parks - Non Operational | 6 |
| Car Parks - Public | 83 |
| Children's Centres | 19 |
| Cemeteries / Crematoria | 7 |
| Cheshire Farms | 13 |
| Civic Buildings | 7 |
| Community Facilities | 35 |
| Communications Facilities | 6 |
| Commercial | 65 |
| Depot | 20 |
| Education Other | 27 |
| Family Centres | 3 |
| Garage Sites | 4 |
| Historic Monuments | 3 |
| Industrial | 415 |
| Leisure Facilities | 24 |
| Museum | 4 |
| Library | 21 |
| Market | 5 |
| Offices | 107 |
| Residential | 37 |
| Retail | 174 |
| Schools | 172 |
| School Playing Fields | 41 |
| Social Care | 42 |
| Council Dwellings | 5,645 |
| Garages | 1,640 |
| <u>Roads</u> | |
| Council owned roads (km) | 2,106 |
| of which is dual carriageway | 24 |
| Council Bridges (over 1.5m span) | 339 |

16. Assets recognised under a PFI arrangement

Following changes to the accounting treatment of assets procured through the Private Finance Initiative (PFI) or other similar routes additional assets have been brought onto the balance sheet of Cheshire West & Chester Council. For details of the impact of this change on the Councils Accounts see Note 7 – Prior Period Adjustments.

The assets recognised by the Council following this change are revalued and depreciated in the same way as any other Operational Land and Buildings owned by the Council and have been included in Notes 14 and 15.

The Council has two PFI schemes which have led to creating fixed assets in the Council's Accounts; a scheme to deliver five new schools and improve facilities at a sixth in Ellesmere Port and a scheme to build two Extra Care Housing developments in Winsford and Ellesmere Port. The assets values held under these schemes are as below.

The large movement for Extra Care Housing scheme reflected the fact that these sites did not become operational until 2009-10. The assets were therefore only recognised for the first time during the year.

| | Asset Value at 1st April 2009 £000 | Movement in Year £000 | Net Book Value 31st March 2010 £000 |
|--------------------|--|-----------------------------|---|
| Schools | 7,702 | -50 | 7,652 |
| Extra Care Housing | 0 | 23,854 | 23,854 |
| | 7,702 | 23,804 | 31,506 |

17. Fixed Asset Valuation

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).

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 using 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.

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 value of properties that were re-valued in 2009-10. For completeness, the additions to the Council's Fixed Assets in 2009-10 are shown in order to confirm the total asset value in each category as it appears in the Balance Sheet. The basis for valuation is set out in the statement of accounting policies.

Valuations of Fixed Assets Carried at Current Value

| | Council Dwellings £000 | Operational Other Land and Buildings £000 | Non- Operational Investment Properties £000 | Historic Cost Assets £000 | Total £000 |
|-----------------------------|---------------------------------------|--|--|--|-----------------------|
| Additions in 2009-10 | 5,665 | 24,810 | 25,360 | 30,255 | 86,090 |
| Valued at Historic Cost | | | | 319,893 | 319,893 |
| Valued at Current Value in: | | | | | |
| - 2009-10 | 189,404 | 93,162 | 17,541 | | 300,107 |
| - 2008-09 | | 44,752 | 9,859 | | 54,611 |
| - 2007-08 | | 17,699 | 19,341 | | 37,040 |
| - 2006-07 | | 33,962 | 21,545 | | 55,507 |
| - 2005-06 | | 343,112 | 17,625 | | 360,737 |
| Total | 195,069 | 557,497 | 111,271 | 350,148 | 1,213,985 |

In addition to the fixed assets reported in the table, the Council also provided services through use of Church Aided schools and Foundation schools.

Church Aided schools are those where most of the capital investment in the school has been provided by the diocesan body. Should the property at the school be sold then the proceeds of sale would also be due to the diocesan body and not to Cheshire West & Chester Council. As at 31 March 2010 there were 31 Church Aided schools in use with a value of £54.131m.

Foundation schools are those where ownership of the school has been transferred from the Council to the School's Board of Governors/Trustees. As at 31 March 2010 there were 4 such schools with a value of £36.614m.

18. Profit/Loss on Disposal of Fixed Assets

During 2009-10 the Council has disposed of a number of properties, sites, vehicles and other fixed assets for a financial consideration, generating £10.2m of capital receipts in the process. In doing so the Council has released assets with a net book value of £4.9m, generating a profit on disposal of £5.3m. This is primarily due to the disposal of the majority of the assets comprising Cheshire County Council's former administrative headquarters at County Hall for £2.6m above their book value and leasing out a car park in Neston for £1.4m above the value it was held at.

In contrast on occasion the Council is required to dispose of an asset for nil consideration. Where a school opts to become a Church Aided or a Foundation School during a financial year for accounting purposes such schools are treated as having been disposed of for nil sale proceeds.

During 2009-10 one school, Christleton High School, obtained Foundation School status. The net book value of this on disposal was £8.5m and this amount has been charged in full to the Income and Expenditure Account as a loss on disposal of fixed assets. No proceeds were received or became receivable to the Council when the school obtained its new Foundation status. However, unamortized government grant balance of £1.9m relating to this School has also been released to the Income and Expenditure reflecting the fact the Council no longer holds the asset it relates to, reducing the net loss to £6.6m.

In total this means that the reported loss on disposal of fixed assets in 2009-10 was £1.3m. This balance is charged to the Income and Expenditure Account as Loss on Disposal of Fixed Assets.

Proceeds from the disposal of Council Houses under Right to Buy legislation in the former Ellesmere Port and Neston Borough Council area are included in the above totals. In the remainder of the Council the housing stock is now managed by Housing Trusts, any Preserved Right to Buy income resulting from former Council House sales in these areas is separately disclosed on the Income and Expenditure as Preserved Right to Buy Receipts (£0.4m in 2009-10).

19. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed 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 will be made available to the Council over a specified period (the service concession period) and in return the Council will make regular payments to the contractor over this period (the Unitary Payment). This charge covers the running costs of the facility and contributes to the capital financing costs the contractor incurred.

The Council has two operational PFI schemes:

- A scheme to provide school premises together with associated facilities management services (e.g. caretaking, cleaning and catering) in the Ellesmere Port area. There are 6 school sites where services are provided under a PFI agreement. The service commenced in September 2003 and will continue for 30 years until 2033.
- A contract for providing facilities and support for extra care housing at two sites in the Council, Winsford and Ellesmere Port. This scheme is managed in partnership with Cheshire East Council where there are a further three sites. The scheme's first site became operational in January 2009 with others (including both the West sites, following in 2009-10, the contract runs until 2039.

Under changes to the reporting requirements applying to Councils in 2009-10 the assets which were constructed to deliver these schemes are now recorded on the balance sheet of the Council along with a liability showing the Council's commitment to make Unitary Payments in future years. Upon initial recognition these two values would offset each other but over time the values will diverge.

The fixed assets recognised under these schemes are held under operational land and buildings in the Council's Balance Sheet, they are treated in exactly the same way as any other Council asset, are subject to 5 yearly valuations and charged with annual depreciation.

| | Original Asset Value £000 | Additions £000 | Impairment £000 | Depreciation £000 | Value 31st March 2010 |
|------------------|--|---------------------------|----------------------------|------------------------------|--------------------------------------|
| Schools | 13,188 | 262 | -4,519 | -1,279 | 7,652 |
| Extra Care Housi | 24,256 | 0 | 0 | -402 | 23,854 |
| | 37,444 | 262 | -4,519 | -1,681 | 31,506 |

The liabilities are written down each year as Unitary Payments are made to the contractor. Only part of each Unitary Payment can be applied to writing down the liability as it funds a mix of current services, financing costs and repayment of principal. The annual Unitary Payment has to be broken down into five separate components reflecting what is being funded.

- Service Costs Reflecting new services delivered in 2010-11
- Financing Costs Effective costs of borrowing, interest
- Contingent Rent Inflationary costs
- Liability Repayment Writing down the PFI liability
- Lifecycle Costs Reflecting new capital expenditure on the asset

| 2009-10 Unitary Payment Breakdown | Schools £000 | Extra Care £000 | Total £000 |
|--|-------------------------|----------------------------|-----------------------|
| Service Costs | 550 | 193 | 743 |
| Financing Costs | 856 | 922 | 1,778 |
| Contingent Rents | 68 | -22 | 46 |
| Liability Repayment | 205 | 349 | 554 |
| Lifecycle Costs | 120 | - | 120 |
| | 1,799 | 1,442 | 3,241 |
| Outstanding Liability at 31 March 2010 | 10,675 | 23,907 | 34,582 |
| Obligations Payable in 2010-11 | 320 | 609 | 929 |
| Payable between 2011-12 and 2014-15 | 1,068 | 2,635 | 3,703 |
| Payable between 2015-16 and 2019-20 | 1,477 | 3,013 | 4,490 |
| Payable between 2020-21 and 2024-25 | 2,009 | 3,620 | 5,629 |
| Payable between 2025-26 and 2029-30 | 3,035 | 4,208 | 7,243 |
| Payable between 2029-30 and 2034-35 | 2,766 | 4,838 | 7,604 |
| Payable between 2035-36 and 2039-40 | - | 4,984 | 4,984 |
| | 10,675 | 23,907 | 34,582 |

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

The nature of the central government funding is such that the Council receives a fixed grant payment each year, these payments are not index linked and will not alter throughout the contract period. The Unitary Payment is index linked and will vary with inflation over the thirty years of the scheme. This leads to an imbalance between the timing of the schemes main sources of income and the payments it needs to make with the scheme operating at a surplus in early years and a deficit in later years. To prevent this imbalance from impacting upon Council Tax requirements the Council operates two PFI equalisation reserves to retain the surpluses generated in the early years of the schemes. The balances on these reserves are disclosed below.

| | Opening Balance £000 | Movement £000 | 31st March 2010 £000 |
|--------------------|----------------------------|------------------|----------------------------|
| Schools | 2,557 | 139 | 2,696 |
| Extra Care Housing | 343 | 330 | 673 |
| | 2,900 | 469 | 3,369 |

20. Analysis of Long Term Debtors

| | At 31st March 2010 £000 |
|---|-------------------------------|
| Interest in Assets held by Cheshire East | 4,618 |
| Cheshire Lifestyle Services (CLS) | 1,260 |
| Sir John Deane's 6th Form College | 177 |
| Small Dwelling Acquisitions Act/ Housing Act Advances | 8 |
| Returnable Deposits | 118 |
| Dodleston Parish Council | 135 |
| Council Mortgages | 36 |
| Home-Buy Loans | 1,334 |
| Total | 7,686 |

The main item held within Long Term Debtors is a balance of £4.6m representing the value of the Council's interest in property assets owned by Cheshire East Borough Council. On disposal of five properties or on a settlement date to be agreed Cheshire West is entitled to a share of the capital receipt generated or an estimate of the value of these properties. The Debtor is restated each year to reflect current valuations.

21. Analysis of Stock

| At 31st March 2010 £000 | |
|-----------------------------|--------------|
| Concessionary Travel | 68 |
| Stores Stocks | 982 |
| Catering Supplies | 178 |
| Museum and Gallery Services | 107 |
| Other Stocks | 144 |
| Total | 1,479 |

22. Analysis of Debtors

| At 31st March 2010 £000 | |
|---|---------------|
| Sundry Revenue & Capital Debtors | 62,954 |
| Prepayments | 4,130 |
| HM Revenue & Customs (VAT) | 3,363 |
| Housing Benefits Overpayments | 3,232 |
| Benefits Subsidy | 3,801 |
| Housing Revenue Account | 1,685 |
| Revenue & Capital Grant Debtors | 6,433 |
| Cheshire Pension Fund Debtor | 9,192 |
| CWAC share of Council Taxpayers Arrears | 7,439 |
| Central Government relating to Business Rates | 2,128 |
| Bad Debt Provision | -9,941 |
| Total | 94,416 |

Included within the sundry revenue debtors figure above is £1.0m of former Cheshire County Council debt, along with £1.0m of bad debt provision relating to this debt. Cheshire West & Chester Council has taken responsibility for the collection of this debt. Any surplus on the bad debt provision will be shared with Cheshire East pro rata to tax base.

23. Analysis of Creditors

| At 31st March 2010 £000 | |
|--|----------------|
| Creditors | |
| Sundry Revenue Creditors/Payments to Suppliers | 57,545 |
| HM Revenue & Customs | 6,246 |
| Pension Fund & Other Payroll Related | 3,022 |
| Capital Creditors | 6,791 |
| Interest Payable on Long Term Borrowing | 2,294 |
| Other | 2,901 |
| Cheshire East Share of Former CCC Cash | 22,755 |
| | 101,554 |
| Receipts in Advance | |
| Council Tax Advance Payments | 3,157 |
| Revenue Grants | 15,181 |
| Capital Grants | 12,590 |
| Other | 1,950 |
| | 32,878 |
| Total | 134,432 |

24. Long Term Liabilities

| At 31st March 2010 £000 | |
|-------------------------------|---------------|
| Northwich Mines Stabilisation | 5,245 |
| East Interest in Fixed Assets | 12,485 |
| Total | 17,730 |

The Council has a long term liability in relation to the Northwich Mines Stabilisation project which has been inherited from the demised Vale Royal Borough Council. The funding received for this project was subject in part to a clawback by the funder (English Partnerships) to be repaid before March 2012.

The Council is in discussions with English Partnerships to pay back this balance in 2010-11 as the liability is index linked and current returns on balances do not support the retention of this sum, the creditor continues to be reported as a long term liability pending the outcome of these discussions as there is no obligation to make a repayment in 2010-11. As at 31 March 2010 this liability had appreciated to £5.245m, full provision for repaying this amount has been made in the accounts.

The liability shown above for Cheshire East interest in Cheshire West assets reflects the fact that the Council's Fixed Assets include 19 properties and a range of ICT equipment which were previously used to deliver services across Cheshire. These assets are owned by Cheshire West but there will ultimately be a need to compensate Cheshire East for that loss, this settlement has been deferred to give the Council the opportunity to release value from the asset. The eventual payment will be either a proportionate share of a capital receipt on disposal or if the assets are retained an agreed settlement based on value. The liability reflects the East proportion of the current valuations of these assets.

25. Analysis of Long Term Borrowing

The following table gives an analysis of long term borrowing by lender and debt maturity at 31 March 2010:

| | Public Works Loans Board £000 | Banks £000 | Amount at 31st March 2010 £000 |
|----------------------|-------------------------------------|---------------|--------------------------------------|
| Debt Maturity | | | |
| 1-2 years | 500 | - | 500 |
| 2-5 years | 4,914 | - | 4,914 |
| 5-10 years | 2,457 | - | 2,457 |
| 10-15 years | 0 | - | 0 |
| 15-20 years | 8,359 | - | 8,359 |
| 20-25 years | 23,141 | - | 23,141 |
| 25-30 years | 17,199 | - | 17,199 |
| More than 30 years | 62,947 | 22,792 | 85,739 |
| Total | 119,517 | 22,792 | 142,309 |

The analysis above is based on the maturity date of the borrowing undertaken and excludes interest of £2.3m which is included within creditors as it is payable in 2010-11.

26. Developers Contributions

Section 106 monies are paid to the council by developers as a result of granting planning permission where works are required to be carried out or new facilities provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer.

Section 278 agreements are entered into to allow a developer to finance the improvement of the existing highway network, which is required as a result of the developer's planning permission. The agreement provides clear terms for the Highway Authority to recover all its costs.

These balances are reported within the long term liabilities section of the Balance Sheet. The major balances of section 106 and section 278 receipts held by the Council during the year are as follows:

| | Opening Balance £000 | Income £000 | Expenditure £000 | Closing Balance £000 |
|--------------------------------------|----------------------------|----------------|---------------------|----------------------------|
| Section 106 Open Spaces | 4,237 | 1,563 | 381 | 5,419 |
| Section 106 Affordable Housing | 1,252 | 83 | - | 1,335 |
| Section 106 Regeneration | - | 466 | - | 466 |
| Section 106 Transport | 2,634 | 148 | - | 2,782 |
| Section 278 Miscellaneous | 1,232 | 201 | 145 | 1,288 |
| Total Developer Contributions | 9,355 | 2,461 | 526 | 11,290 |

27. Landfill Allowance Trading Scheme (LATS)

The Waste and Emissions Trading Act 2003 placed a duty on waste disposal authorities (WDAs) in the United Kingdom to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. It provides the legal framework for the Landfill Allowances Trading Scheme, which commenced operation on 1 April 2005.

The Landfill Allowance Trading Scheme, which has operated in England since 1 April 2005 is a 'cap and trade' scheme, which allocates tradable landfill allowances to each WDA in England up to the value of the WDA's 'cap'. Allowances are either allocated by Department for Environment, Food & Rural Affairs (DEFRA) or purchased from another WDA and are recognised and classified as current assets. They are initially measured at their fair value.

Allowances allocated by DEFRA or purchased from another authority are classified as current assets and any penalty payment due to DEFRA in respect of landfill usage is shown as a liability.

There are three target years within the 15 year compliance period, 2009-10, 2012-13 and 2019-20. Regulations restrict borrowing to supplement allowances in either the target year or the year preceding it. There were no trades of allowances carried out by Cheshire West & Chester Council during 2009-10. The actual landfill usage during 2009-10 is less than the allowances allocated from DEFRA.

The authority has received allowances for the year 2009-10 for 77,922 tonnes. The estimated BMW landfill usage is 64,908 tonnes. The authority has not bought or sold any allowances in the year and DEFRA has advised that the average traded value for 2009-10 was £16.57. The following amounts are included in the Statement of Accounts:

| | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
|---|------------------------------|-----------------------------|--------------------------------|
| Income & Expenditure Account | | | |
| - Cultural, Environmental and Planning Services | 1,075 | -1,291 | -216 |
| Balance Sheet | | Upon Recognition | As at 31 March 2010 |
| Current Assets | | | |
| - Landfill Usage Allowances for 2009-10 | | 1,291 | 1,291 |
| Current Liabilities | | | |
| Deferred Income for 2009-10 | | -1,291 | - |
| Liability to DEFRA for 2009-10 Landfill Usage | | - | -1,075 |
| Reserves | | | |
| Earmarked Reserves | | - | -216 |

28. Finance and Operating Leases

Finance Leases – Vehicles, Plant and Equipment

The rentals payable in 2009-10 for assets held on finance leases were £0.408m, charged to the Income and Expenditure Account as £0.101m finance costs and £0.307m relating to the write-down of obligations to the lessor.

The following values of assets are held under finance leases by the Council, accounted for as part of Tangible Fixed Assets:

| | Vehicles, Plant & Equipment 2009-10 £000 |
|----------------------------------|--|
| Net Book Value at 1st April 2009 | 1,426 |
| Additions | 0 |
| Depreciation | -313 |
| Disposals | -103 |
| Value at 31st March | 1,010 |

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31st March 2010. Obligations payable in 2010-11 are accounted for as part of creditors and obligations payable between 2011-2015 are accounted for as long-term liabilities:

| | Vehicles, Plant & Equipment £000 |
|---|-------------------------------------|
| Obligations payable in 2010-11 | 308 |
| Obligations payable between 2011-12 and 2014-15 | 702 |
| Obligations payable after 2014-15 | - |
| Total liabilities at 31st March 2010 | 1,010 |

Operating Leases

Commitments under Operating Leases – the Council was committed at 31st March 2010 to making payments of £2.6m under operating leases, comprising the following elements:

- **Land and Buildings** – the Council leases various buildings on a long-term leases; these have been accounted for as operating leases. The lease payments for 2009-10 were £0.7m.
- **Vehicles, Plant and Equipment** – the Council uses cars, vans, pest control vehicles, recycling vehicles, street cleansing vehicles, photocopiers and printers financed under terms of an operating lease. The amount paid under these arrangements in 2009-10 was £1.9m. The Council also maintains a number of operational car leases costing £0.8m.

The lease payments made during 2009-10 and the outstanding liability at 31 March 2010 is as follows:

| | Land and Buildings £000 | Vehicles, Plant and Equipment £000 | Lease Cars £000 |
|---|-------------------------------|---|--------------------|
| Leases paid within the financial year | 726 | 1,908 | 753 |
| Anticipated annual payments for Leases Expiring | | | |
| - in 2010-11 (less than 1 year) | 122 | 710 | 88 |
| - between 2011-12 and 2014-15 (1-5 years) | 210 | 1,843 | 384 |
| - after 2014-15 (5 years or more) | 397 | - | - |

Council as Lessor – the Council owns a variety of office buildings, houses, flats, agricultural land, industrial buildings, shops, a race course and commercial buildings which it has granted leases for. These arrangements are accounted for as operating leases. The amount of rentals received in 2009-10 totals £7.2m.

29. Detail of Movements on Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

| Reserve | Balance 01/04/09 £000 | Net Change in Year £000 | Balance 31/03/10 £000 | Purpose of Reserve | Further Detail of Movement |
|---------------------------------|-----------------------------|----------------------------------|-----------------------------|---|----------------------------------|
| Capital Adjustment Account | 718,782 | -12,544 | 706,238 | Balances set aside to fund spending on fixed assets, repaying external loans and other capital financing transactions | Note 29 (a) |
| Revaluation Reserve | 17,997 | 36,179 | 54,176 | Holds surpluses or deficits arising from the regular revaluation of fixed assets | Note 29 (b) |
| Financial Instrument Adjustment | -1,540 | 258 | -1,282 | Unamortised' premiums and discounts on LOBO loans and other financial instruments | Note 29 (c) |
| Available for Sales Reserve | 132 | -153 | -21 | Holds all unrealised gains and losses incurred with regards to Available for Sale Assets | Note 29 (d) |
| Capital Receipts Reserve | 29,341 | -10,269 | 19,072 | Proceeds of fixed asset sales available to meet future capital | Note 29 (e) |
| Deferred Capital Receipts | 109 | -38 | 71 | Amounts from sale of council houses received in installments over the period of the mortgage | Note 29 (f) |
| Other Earmarked Reserves | 12,466 | 2,631 | 15,097 | Balances set aside for specific purposes, held against future costs or held in partnership | Note 29 (g) |
| Insurance Reserve | 396 | 1,158 | 1,554 | Balances held to fund excesses on future insurance claims | Note 13 |
| PFI Equalisation Reserve | 2,900 | 469 | 3,369 | Balances held to smooth the timings of funding and expenditure streams for PFI schemes | Note 19 |
| Major Repairs Allowance | 837 | -837 | 0 | Balances set aside to fund repairs and maintenance of the HRA | Note 4 to the HRA |
| Collection Fund Adjustment Acnt | -1,415 | 4 | -1,411 | Represents the surplus or deficit on Council Tax collection to be funded in future budgets | Note 5 to the Collection Fund |
| General Fund | 20,044 | -579 | 19,465 | Resources available to meet future running costs of Council services | |
| Housing Revenue Account Balance | 1,589 | -271 | 1,318 | Accumulated surplus or deficit on the operation of HRA Council Housing | Notes to the HRA |
| Pension Reserve | -299,965 | -304,001 | -603,966 | Balance representing funding deficit on Council's Pension Fund | Note 9 |
| Total | 501,673 | -287,993 | 213,680 | | |

29a. Capital Adjustment Account

The capital adjustment account is charged with the historic cost of acquiring, creating or enhancing fixed assets (including and impairment), over the life of those assets. The account is credited with the resources set aside to finance capital expenditure (capital receipts, grants, revenue contributions, minimum revenue provision etc.) The movement on the Capital Adjustment Account during 2009-10 was as follows

| | 2009-10 £000 |
|---|-----------------|
| Opening Balance | 718,782 |
| Capital Financing | |
| Capital receipts applied | 20,741 |
| Capital Grants applied | 8,736 |
| Insurance and other proceeds applied | 810 |
| Developer contributions to fund capital expenditure | 244 |
| HRA Funding | 836 |
| Revenue contributions to capital | 3,594 |
| Release of government grants and contributions | 3,210 |
| Revenue Expenditure funded from Capital Under Statute | -11,582 |
| Provision for debt repayment | 7,396 |
| Amortisation of intangible assets | -328 |
| Depreciation | -17,649 |
| Impairment | -15,250 |
| Book value of assets disposed of | -13,349 |
| Transfer from Revaluation Reserve | 63 |
| Write down CLS debt | -16 |
| Capital Adjustment Account Closing Balance | 706,238 |

29b Revaluation Reserve

The revaluation reserve shows revaluation gains for assets, offset by any subsequent losses arising on previously revalued assets. In general any downward valuation (impairment) can be charged to the revaluation reserve as long as there is sufficient gain held on the reserve for that asset. Any excess impairment over the revalued amount is chargeable to the Income and Expenditure Account. The movement on the Reserve during 2009-10 was as follows:

| | 2009-10 £000 |
|--|-----------------|
| Opening Balance | 17,997 |
| Revaluations in the year | 36,330 |
| Impairments of previously revalued assets charged to the reserve | -88 |
| Disposals in Year | -3 |
| Transferred to Capital Adjustment Account | -60 |
| Balance carried forward | 54,176 |

29c. Financial Instruments Adjustment Account

The balance on the account represents by two specific items:

- Unamortised Premiums and Discounts – these arise from the early repayment of long term loans that were held on the balance sheet at 31 March 2007 and which could not be attached to existing (replacement) long term loans. The amounts are charged / credited to General Fund through the Statement of Movement on the General Fund Balance over periods of between 1 and 4 years
- Lender Option Borrower Option (LOBO) loans – these balances reflect the difference between recording LOBO loans using the effective interest rate as opposed to their normal value, i.e. the principal amount outstanding. The amounts will be credited to General Fund through the Statement of Movement on the General Fund Balance over the remaining lives of the loans.

| | 2009-10 £000 |
|---|-----------------|
| Opening Balance | -1,540 |
| Transfers from / (to) the General Fund: | |
| Unamortised premiums and discounts | 276 |
| LOBO loans | -18 |
| Balance carried forward | -1,282 |

29d. Available for Sale Reserve

The Available for Sale Reserve holds all unrealised gains and losses incurred with regard to available for sale assets. These gains or losses will be credited or charged to the Income and Expenditure Account at the date of sale.

| | 2009-10 £000 |
|---|-----------------|
| Opening Balance | 132 |
| Capital gains realised in the year | -98 |
| Unrealised capital gains arising between date of purchase and 31 March 2010 | 4 |
| Increase in unrealised capital loss on instruments held throughout the year | -59 |
| Balance carried forward | -21 |

29e. Capital Receipts Reserve

The Capital Reserve exists to finance capital projects and is maintained by receipts from the sale of land and buildings and by contributions from revenue. The movement on the Capital Receipts Reserve during 2009-10 was as follows:

| | 2009-10 £000 |
|---|-------------------------|
| Opening Balance | 29,341 |
| Usable capital receipts | 10,669 |
| | 40,010 |
| Amount used to finance capital spending | -20,741 |
| Appropriations from / (to): | |
| - Income & Expenditure Account | -197 |
| | 19,072 |

29f. Deferred Capital Receipts

The movement on Deferred Capital Receipts during 2009-10 was:-

| | 2009-10 £000 |
|--------------------------------|-------------------------|
| Balance brought forward | 109 |
| Opening balance adjustment | -3 |
| Repaid in Year | -35 |
| Balance carried forward | 71 |

29g. Other Earmarked Reserves

The following table gives details of significant other earmarked reserves.

| Earmarked Reserves | Balance at 01-Apr-09 £000 | Net Mvt In Year £000 | Balance at 31-Mar-10 £000 | Purpose of Reserve |
|--|--------------------------------------|---------------------------------|--------------------------------------|--|
| Reserves and Balances held by schools | 5,019 | -250 | 4,769 | Unspent budgets that have been delegated remain at the disposal of the school, even though they are still reserves held by the Authority. |
| Sums held by Resource Centre Manager | 616 | 1,532 | 2,148 | Services may be permitted to carry forward planned under spend against their budgets into the following year. In some cases overspends may be carried forward as a first call on the following year's budget, creating a negative reserve. |
| Learning Resource Network | - | 2,136 | 2,136 | This balance represents unspent funds provided by partner agencies towards the costs of Adult Social Care training. |
| Pay Protection | - | 820 | 820 | To fund pay protections, arising out of the 2009-10 structural review. |
| 3C Waste Reserve | 1,350 | -41 | 1,309 | To fund outstanding liabilities relating to remedial works at the Witton Landfill site. |
| LGR Reserve | - | 700 | 700 | Held to offset any costs which arise out of the local government reorganisation. |
| Section 117 | 118 | -118 | - | Held to offset any payments that the Council may have to make in respect of individuals discharged from hospital under Section 117 of the Mental Health Act. |
| Actuarial Reserves | 100 | -100 | - | To fund any increases in employers contributions following March 2007 Actuarial Review. |
| General Revenue Reserve - City Council | 350 | -350 | - | This reserve comprises contributions from the General Fund used to finance capital expenditure or revenue expenditure This reserve has now been closed. |
| Superannuation Reserve | 113 | -113 | - | This reserve exists to meet additional contributions to the Cheshire Pension Fund needed to meet the cost of early retirements. This reserve is now closed. |
| Early Retirement Reserve | - | 106 | 106 | Funding set aside by schools to fund actuarial strain costs, payable to the pension fund. |
| LABGI Reserve | 177 | -44 | 133 | This is for Business Development and site investigation work at Barron's Quay. |

| Earmarked Reserves | Balance at 1 April 09 £000 | Net Mvt In Year £000 | Balance at 31 March 10 £000 | Purpose of Reserve |
|---------------------------------|---|-------------------------------------|--|---|
| Economic Development | 150 | - | 150 | This reserve exists to fund the implementation of the new Economic Development Strategy. |
| LPSA Reserve | 2,175 | -1,939 | 236 | Set aside to continue the delivery of performance improvements through partnership working beyond the period of the original agreement. |
| Open Spaces Maintenance Reserve | 285 | 47 | 332 | Sums from Open Spaces Developer Contributions for maintenance of completed open space schemes. |
| Open Spaces Fees Reserve | 182 | - | 182 | Contains sums from Open Spaces Developer Contributions to fund staff fees. |
| Education All Risks Schemes | 306 | 144 | 450 | Funds insurance claims by schools outside the main insurance reserve/provision. |
| Long Term Sickness | 118 | 175 | 293 | To fund long term sickness costs in Children's Services. |
| Fluctuation in School Days | - | 214 | 214 | Provides for changes to the number of school days due to the movement of Easter. |
| Northwich Vision | 276 | - | 276 | To contribute towards Northwich Vision including Cultural Centre design and Skills Academy. |
| Other Reserves and Balances | 1,131 | -288 | 843 | Various - Balances of Reserves less than £100K. |
| Total Earmarked | 12,466 | 2,631 | 15,097 | |

The 3C Waste Reserve above is a shared reserve with Cheshire East Council. Cheshire West & Chester Council has taken responsibility for discharging all liabilities in respect of 3C Waste, in the first instance from this reserve. Any surplus/deficit will be shared between the two Councils pro rata to tax base.

In addition to the reserves above, Cheshire East has taken responsibility for the Staff Relocation reserve. The balance on this reserve, held on the Cheshire East balance sheet, as at 31 March 2010 was £2.8m. Should any surplus arise it will be split between the two Councils pro rata to tax base.

30. Analysis of Net Assets Employed

The net assets represent the total of reserves (both capital and revenue) attributable to the General Fund, Trading Operations and Housing Revenue Account. This is the total equity of the Council:

| | At 31st March 2010 £000 |
|-------------------------|-------------------------------|
| General Fund | 212,362 |
| Housing Revenue Account | 1,318 |
| Total | 213,680 |

31. Notes to the Cash Flow Statement

31a) Reconciliation of the net deficit on the Income and Expenditure Account to the revenue activities net cash flow

| | 2009-10 £000 | 2009-10 £000 |
|--|-------------------|-----------------|
| (Surplus)/ Deficit per Income & Expenditure Account | | 32,583 |
| Non-cash transactions | | |
| - Depreciation and Impairments | -36,739 | |
| - Release of Deferred Govt Grants | 7,890 | |
| - Gain/Loss on Available for Sale Financial Instruments | 55 | |
| - Loss on sale of fixed assets | -1,260 | |
| - Net charges made for retirement benefits | -12,503 | |
| - Add other non cash transactions | 197 | |
| | <u> </u> | -42,360 |
| Items on an accruals basis | | |
| - (Increase)/ Decrease in creditors | -86,145 | |
| - Increase/ (Decrease) in debtors | 63,463 | |
| - Increase/ (Decrease) in LATs | 215 | |
| - (Increase)/ Decrease in revenue provisions | 693 | |
| - Movement in Reserves | 50 | |
| - Increase/ (Decrease) in revenue stocks | 47 | |
| | <u> </u> | -21,677 |
| Items shown elsewhere in the cash flow statement | | |
| - Add interest paid | -8,340 | |
| - Less interest received | 995 | |
| | | -7,345 |
| Net cash inflow from revenue activities | | -38,799 |

This reconciliation identifies items included within the revenue accounts which do not result in cash flows under the revenue activities in the statement.

31b) Reconciliation of the net cash flow to the movement in net Debt:

| | Balance at 1st April 2009 £000 | Cash Movement £000 | Non Cash Movement £000 | Fair Value Movement £000 | Balance at 31st March 2010 £000 |
|----------------------------------|--------------------------------------|--------------------------|------------------------------|--------------------------------|--|
| Cash in hand and at bank | 37,462 | 60,857 | 0 | 0 | 98,319 |
| Cash overdrawn | -990 | -30,768 | 0 | 0 | -31,758 |
| Investments | 46,512 | -33,393 | 0 | -55 | 13,064 |
| Short Term Borrowing | 0 | -13,920 | 0 | 0 | -13,920 |
| PFI Finance Repayment | -10,880 | 554 | -24,256 | 0 | -34,582 |
| Capital Element of Finance Lease | -1,323 | 313 | 0 | 0 | -1,010 |
| NNDR | 654 | -64 | 1,496 | 0 | 2,086 |
| Council Tax | 662 | -298 | 0 | 0 | 364 |
| Long Term Borrowing | -144,464 | 6,579 | -4,424 | 0 | -142,309 |
| Total Net Funds | -72,367 | -10,140 | -27,184 | -55 | -109,746 |

31c) Reconciliation of the movement in cash to movement in net debt

| | Balance at 31st March 2010 £000 |
|---|---------------------------------------|
| Increase in Cash in the period | 30,089 |
| Cash Inflow from increase in debt from Short Term Borrowing | -13,920 |
| Cash Outflow Repayment of Borrowing | 6,579 |
| Cash Outflow from discharge from PFI/Finance Lease | 867 |
| Cash Inflow of NNDR & Council Tax | -362 |
| Cash Inflow from decrease in liquid resourcesincrease in debt | -33,393 |
| Non Cash Movement | -27,184 |
| Fair Value Movement | -55 |
| Movement in Net Debt for the period | -37,379 |
| Net Funds 1st April 2009 | -72,367 |
| Total Net Funds | -109,746 |

31d) Management of liquid resources

Liquid resources are current asset investments held as readily disposable stores of value. The Council places surplus funds on short-term deposit with banks and building societies as part of our Treasury Management Policy.

31d) Analysis of Government Grants

| General Fund | 2009-10 £000 |
|-----------------------------------|-------------------------|
| Childrens' Services Grants | 250,663 |
| Adult Social Care & Health Grants | 10,147 |
| Area & Community Grants | 452 |
| Regeneration & Culture Grants | 15,868 |
| Environment Grants | 1,963 |
| Resources Grants | 4,432 |
| Capital Grants | 26,495 |
| Housing Benefit Grant | 96,460 |
| Total | 406,480 |

These grants represent the cash received by the Council and may differ from the amounts included in the Income and Expenditure Account which are based on accruals.

32. Capital Grants and Contributions Deferred Accounts

Where the acquisition of a fixed asset is financed wholly or in part by a government grant or other contribution, the amount of the grant or contribution is initially included in the Capital Grants and Contributions Deferred Account. Amounts are then charged to services on the appropriate line of the income and expenditure account over the useful life of the asset to which it relates.

| | 2009-10 £000 |
|--------------------------|-------------------------|
| Opening Balance | 80,583 |
| Amounts Received in Year | |
| - Govt Grants | 21,588 |
| - Non Govt Grants | 576 |
| - Other Contributions | 3,708 |
| Amounts Released | -8,736 |
| Total | 97,719 |

33. Members' Allowances

In accordance with the Local Authorities (Member's Allowances) Regulations 2003, the total amount spent on member's allowances in 2009-10 was £1.3m. The payments include basic allowance, special responsibility allowance and members pension costs. It does not include the direct reimbursement of costs incurred. The current level of allowances was established following an independent review.

| | 2009-10 £000 |
|----------------------------------|-----------------|
| Basic Allowance | 826 |
| Special Responsibility Allowance | 293 |
| Mayors and Deputies Allowances | 17 |
| Pension | 128 |
| Members NI's | 69 |
| Expenses paid on Members behalf | 1 |
| Total Members' Allowances | 1,334 |

34. Officers Emoluments

The table below shows the number of employees who were paid more than £50,000 but not more than £150,000 in 2009-10. Pay includes salary, travel and subsistence costs, redundancy, and leased car subsidy (where appropriate). It does not include employers' pension or national insurance contributions.

As a result of the voluntary redundancy programme approved in September 2009, a number of employees have been paid severance costs in 2009-10 which has led to an increase in the number of employees who are paid within this pay bracket.

| Employee Pay Band | 2009-10 |
|---------------------|------------|
| £50,000 - £54,999 | 126 |
| £55,000 - £59,999 | 86 |
| £60,000 - £64,999 | 67 |
| £65,000 - £69,999 | 25 |
| £70,000 - £74,999 | 14 |
| £75,000 - £79,999 | 12 |
| £80,000 - £84,999 | 15 |
| £85,000 - £89,999 | 11 |
| £90,000 - £94,999 | 5 |
| £95,000 - £99,999 | 3 |
| £100,000 - £104,999 | 3 |
| £105,000 - £109,999 | 2 |
| £110,000 - £114,999 | 3 |
| £115,000 - £119,999 | - |
| £120,000 - £124,999 | - |
| £125,000 - £129,999 | 3 |
| £130,000 - £134,999 | 1 |
| £135,000 - £139,999 | - |
| £140,000 - £144,999 | - |
| £145,000 - £149,999 | - |
| Total | 376 |

The following table shows the remuneration of senior officers who earn more than £150,000 per annum in 2009-10. Such officers are required to be individually listed by name and their remuneration shown in the following categories in accordance with the Accounts and Audit Regulations 2009.

Senior Officers earning in excess of £150,000

| Name | Salary | Benefits in Kind | Total Remuneration excluding pension | Employers Pension Contributions | Total Remuneration including pension |
|---------------------------------|--------|------------------|--------------------------------------|---------------------------------|--------------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Mr S Robinson - Chief Executive | 180 | 1 | 181 | 37 | 218 |

The following table shows the remuneration for senior officers whose salary is between £50,000 and £150,000 per annum in 2009-10. These individuals are contained within the summary banded table above but, in line with the Accounts and Audit Regulations 2009, such officers are required to be listed individually.

| Post holder information (Post title) | Salary | Benefits in Kind (e.g. Car Allowance) | Compensation for loss of office | Pension Contributions | Total Remuneration including pension contributions 2009-10 |
|--|---------|---------------------------------------|---------------------------------|-----------------------|--|
| Director Adult Social Care and Health | 125,000 | 1,325 | - | 26,000 | 152,325 |
| Director Area and Community (ended 31-07-09) | 70,769 | 390 | 30,000 | 7,511 | 108,670 |
| Director Childrens and Young People Service | 125,000 | 1,436 | - | 26,000 | 152,436 |
| Director of Environment Service | 110,273 | 1,043 | - | 22,937 | 134,253 |
| Director of Regeneration and Culture | 110,367 | 1,170 | - | 22,956 | 134,493 |
| Director of Resources | 125,000 | 258 | - | 26,000 | 151,258 |
| Head of Achievement & Wellbeing (commenced 01/05/09) | 74,250 | 1,136 | - | 15,444 | 90,830 |
| Head of Culture and Recreation | 76,771 | 1,359 | - | 15,968 | 94,098 |
| Head of Democratic Services (ended 03-09-09) | 36,899 | - | 30,000 | 7,269 | 74,168 |
| Head of Facilities and Asset Management | 86,466 | - | - | 17,985 | 104,451 |
| Head of Finance | 68,084 | 1,174 | - | 14,616 | 83,874 |
| Head of Highways and Transportation (ended 31-12-09) | 62,363 | - | - | 11,934 | 74,297 |
| Head of Housing (Landlord/ Private) (ended 30-09-09) | 41,041 | 68 | 30,000 | 2,537 | 73,646 |
| Head of Human Resources & Organisational Development | 75,350 | 1,194 | - | 15,928 | 92,472 |

Continued...

| Post holder information (Post title) | Salary | Benefits in Kind (e.g. Car Allowance) | Compensation for loss of office | Pension Contribution | Total Remuneration including pension contributions |
|---|------------------|--|------------------------------------|-------------------------|--|
| Head of ICT & Customer Services | 81,411 | 1,170 | - | 16,934 | 99,515 |
| Head of Individual Commissioning and Prevention (ended 31-12-09) | 74,271 | 1,003 | 30,000 | 12,622 | 117,896 |
| Head of Integrated Strategic Commissioning (commenced 15-06- | 63,356 | 930 | - | 13,178 | 77,464 |
| Head of Legal and Democratic (commenced 14-04-09) | 78,075 | 1,179 | - | 16,240 | 95,494 |
| Head of Marketing and Communications | 61,438 | - | - | 12,779 | 74,217 |
| Head of Neighbourhood Renewal (commenced 09-11-09) | 24,562 | 694 | - | - | 25,256 |
| Head of Neighbourhoods and Customer Services (ended 30-09-09) | 57,356 | 585 | 30,000 | 7,280 | 95,221 |
| Head of Operations | 80,761 | 1,170 | - | 16,642 | 98,573 |
| Head of Organisational Development and Transformation (ended 30-09-09) | 35,000 | 585 | 29,534 | 7,280 | 72,399 |
| Head of Planning and Transport (commenced 01-01-10) | 78,847 | 1,287 | - | 16,400 | 96,534 |
| Head of Policy, Performance, Partnerships & Transformation | 70,271 | 1,135 | - | 14,616 | 86,022 |
| Head of Procurement | 85,728 | 1,223 | - | 17,831 | 104,782 |
| Head of Regeneration | 70,542 | 1,385 | - | 14,673 | 86,600 |
| Head of Regulatory Services | 83,446 | 1,176 | - | 17,357 | 101,979 |
| Head of Safeguarding (commenced 07-06-09) | 69,825 | 1,012 | - | 14,524 | 85,361 |
| Head of Strategic Housing and Spatial Planning | 83,000 | 1,384 | - | 17,264 | 101,648 |
| Head of Strategic Support (commenced 04-05-09) | 63,602 | 1,089 | - | 13,229 | 77,920 |
| Head of Waste Management and Street Scene | 84,250 | - | - | 17,985 | 102,235 |
| Total | 2,433,372 | 27,559 | 179,534 | 479,919 | 3,120,385 |

In addition, the Director of Area & Community, who left the authority on the 31 July, was replaced by temporary agency personnel.

35. Related Party Transactions

The Accounting Code of Practice requires the Authority to include in its Statement of Accounts material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. This disclosure allows readers to assess how much the Council might have been restricted in its ability to operate independently. It also allows them to assess how much the Council might have become able to limit another party's ability to bargain freely with the Authority. Where it is identified that external bodies, organisations or individuals (either within or outside the Authority) have the potential to control or influence the Authority or be controlled or influenced by the Authority, a disclosure may be necessary. All elected Members, Chief Officers and Senior Managers are also required to complete a declaration regarding whether they or members of their close family or same household are involved in any such activity where there could be deemed to be an element of control or influence.

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework which the Council operates in. It prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). It also provides the majority of the Council's funding in the form of grants. Details of revenue transactions with government departments are set out in a note to the Cash Flow Statement and include items such as receipt of £380m of grant funding.

Transactions with the Police Authority and Fire and Rescue Service are disclosed in the Collection Fund Account and amount to collection and payment over of £17m and £8m respectively. Transactions with the Pension Fund (payments of £34m) are disclosed in Note 9. The Council also carries out a significant element of its services in partnership with Cheshire East Council. In 2009-10 the Council itself spent £48m delivering services jointly with Cheshire East, £20m of these costs were subsequently recharged to Cheshire East; these transactions are disclosed in Note 46.

The Council works with a range of charitable and voluntary bodies (other than those mentioned above) where it makes a direct financial or non financial contribution to that bodies costs. The total direct financial contributions to such organisations for 2009-10 amount to £7.945m (this includes a payment of £4.9m to Connexions for targeted youth support for young people aged 13-19). The authority also commits to staff time and support when working with its partners and, in certain cases, is represented at Officer or Member level in strategic decision making.

Members of the Council have direct control over the Council's financial and operating policies. To safeguard against the misuse of this influence Members are required to declare the existence and nature of any personal interests in any matter on a Committee/Executive agenda and, if the interest is prejudicial, to remove themselves from the meeting. In 2009-10 Members held interests in the following organisations with whom the Council carried out business. Of these only Muir Housing carried out a significant level of business with the Council, as a major supplier of social housing in the borough this level of activity is not unusual.

| Payments to Organisations where Members or their close relatives hold a personal interest | 2009-10 £000 |
|--|-------------------------|
| ARCH Initiatives | 150 |
| Booher Construction Services Limited | 14 |
| Muir Housing Association Limited | 1,184 |
| Chester Mobility Limited | 2 |
| ASC Developments | 57 |

In addition various Members of the Council fulfil roles on other bodies as part of their Council duties. They are on these bodies as representatives of the Council rather than in a personal capacity but as they are in position to influence those bodies any non typical business is highlighted in this note. In 2009-10 the only qualifying transaction relates to the University of Chester where this Council holds a seat on the University's Council, during 2009-10 the University purchased the former County Hall from the Council for future usage as educational premises. The Council did not seek to exert any undue influence over the University in the negotiations surrounding this sale.

Officers – No Officers of the Council have declared any significant “pecuniary interests”, in accordance with Section 117 of the Local Government and Finance Act 1972, during 2009-10.

36. Audit Costs

In 2009-10 Cheshire West & Chester Council incurred the following fees relating to external audit and inspection:

| Fees Payable to the Audit Commission | 2009-10 £000 |
|--|-------------------------|
| External audit services carried out by the appointed auditor | 404 |
| Statutory inspection | 16 |
| Certification of grant claims and returns | 276 |
| Total | 696 |

The fees shown for the certification of grant claims largely relate to grants claimed by legacy Councils before Cheshire West and Chester came into existence.

37. Capital Expenditure and Financing

| | | 2009-10 £000 |
|--|---------|-------------------------|
| Opening Capital Financing Requirement | | 163,051 |
| - Additional PFI Assets & adjustments on consolidation | | 29,203 |
| Capital Investment | | |
| - Expenditure on Operational Assets | 86,091 | |
| - REFCUS - expenditure of a capital nature | 11,582 | |
| - Loans of a capital nature | 630 | |
| Total | | 98,303 |
| Sources of Finance | | |
| - Capital Receipts | -20,741 | |
| - Government Grants and Other Contributions | -29,890 | |
| - Revenue Contributions | -3,594 | |
| - Capital and Other Reserves | -4,349 | |
| - Developer contributions to fund capital | -244 | |
| - Revenue Provision | -7,396 | |
| Total | | -66,214 |
| Closing Capital Financing Requirement | | 224,343 |

38. Significant Commitments under Capital Contracts

The value of significant commitments under capital contracts, where amounts of greater than £0.5m are contracted to be paid after 31 March 2010, totals £15.7m. These contracts are all fully funded and are summarised as follows:

| Capital Project | Contract Total £000 | Amount Paid Up To 31 March 10 | Balance £000 |
|-----------------------------|------------------------------------|--|-------------------------|
| Schools Projects | 2,522 | 1,855 | 667 |
| HQ | 2,896 | 1,147 | 1,749 |
| Transformation - ICT Strand | 600 | - | 600 |
| Term Maintenance Contract | 16,779 | 5,610 | 11,169 |
| Access Weaver | 1,000 | - | 1,000 |
| Castle Park | 1,798 | 1,237 | 561 |
| Total | 25,595 | 9,849 | 15,746 |

39. Minimum Revenue Provision (MRP)

The Council has implemented the Minimum Revenue Provision (MRP) guidance and assessed its MRP for 2009-10 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

This guidance requires local authorities to make a prudent provision for the repayment of debt in the year 2009-10 and following years. The term 'prudent' is interpreted as meaning that the repayment of debt should be made over a period bearing some relation to the period over which the expenditure that gave rise to the borrowing provides benefits to the Authority. The major proportion of the MRP for 2009-10 relates to the more historic debt liability incurred by the demised authorities.

For capital expenditure incurred after 1 April 2009 that falls outside its Capital Expenditure for Revenue Support Grant purposes, MRP is calculated under option 3 – the asset life method, which is charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, (currently 10 to 25 years) using the equal annual instalment method.

From 1 April 2009 the Council has applied Option 1 in respect of borrowing for supported capital expenditure and Option 3 in respect of borrowing for unsupported capital expenditure and has commenced charging MRP in the year following that in which the capital expenditure is incurred.

Cheshire West & Chester Council's policy on providing for the repayment of debt for the year 2009-10 was approved by Full Council on 26 February 2009. This policy sets down that the amount provided in respect of the repayment of debt is to be calculated as follows:

| Borrowing Requirement | MRP Provision |
|--|--|
| Supported borrowing and unsupported borrowing incurred prior to 31 March 2009 | MRP is charged at the rate of 4%, in accordance with option 1 of the guidance. |
| For capital expenditure incurred after 1 April 2009 that falls outside its Capital Expenditure for Revenue Support Grant purposes, | MRP is calculated under option 3 – the asset life method, which is charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, (currently 10 to 25 years) using the equal annual instalment method. |
| Assets acquired under finance leases or PFI assets | A charge equal to the amount of principal repaid to the lessor during the year. |

For the year 2009-10 the provision for the repayment of debt totalled £7.4m, comprised as follows:

| | 2009-10 £000 |
|---|-----------------|
| Amount provided in respect of supported and unsupported borrowing incurred prior to 31 March 2009 | 6,414 |
| Amount provided in respect of assets held under PFI schemes | 674 |
| Amount provided in respect of assets acquired under finance leases | 308 |
| Total | 7,396 |

The minimum revenue provision is calculated by reference to the capital financing requirement at the start of the year (i.e. £163m)

40. Interests in Companies

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

- the materiality of the in year transactions and year end balances that were processed by the companies
- the degree of control or influence the Council exerted or could have exerted over their activities
- the level of risk that interest in these companies exposes the Council to
- whether exclusion of these balances impacts on the messages contained within the Council's accounts

Summary information about each organisation has been included below.

Connexions

In October 2007, as part of a national agenda to bring together services delivered to young people through Connexions and those provided by local authorities, into one Integrated Youth Support Service, the former Cheshire County Council transferred the Youth Service to Connexions Cheshire and Warrington Limited. Cheshire West & Chester Council contracts with the Company for the provision of youth related services. The contract expires in March 2011.

The Company is Limited by Guarantee to the value of £1. The company has a FRS 17 pensions deficit of £13.1m for 2009-10, which the Company accounts for under UK GAAP. Should the company cease trading then Cheshire West & Chester Council, in conjunction with Cheshire East Borough Council, would be required to meet the on-going pension liabilities under an agreement with the Pension Fund entered into by the previous Authority. Consequently, a contingent liability note has been included in the Statement of Accounts. All details relating to the company's 2009-10 financial statements are draft figures and are subject to audit.

The gross turnover of the company in 2009-10 was £14.6m. Of this, £5.2m relates to Cheshire West & Chester Council (£2.7m Connexions Grant, £1.5m Youth Service and £1.0m other income). The balance of £9.4m funding comes from other company owners, other government grants and trading activities.

The ownership ratio changed to equal thirds for Warrington Borough Council, Cheshire West & Chester Council and Cheshire East Council This basis of ownership is applicable for a period of up to eighteen months commencing 1 April 2009, after which it will revert back to 25% for WBC, with the remaining 75% to be split between Cheshire West & Chester Council and Cheshire East Council to be determined. The make up of the Board had been changed to reflect the change in ownership.

Chester Renaissance Ltd

Cheshire West & Chester Council has an interest in Chester Renaissance Ltd. The transactions of this company are not deemed to be material in 2009-10.

Cheshire West & Chester Council has not produced group accounts as both the monetary amounts involved and the Council's exposure to risk are not considered to be material.

41. Contingent Liabilities and Assets

Chester and District Housing Trust (CDHT)

As part of the housing stock transfer, the former Chester City Council gave a warranty to indemnify the Chester & District Housing Trust against any future costs arising from contamination, for a range of warranty periods. Aggregate claims are limited to £20m. This responsibility has passed to Cheshire West & Chester Council.

First Potteries Limited

On 2 July 2007 the former Chester City Council sold its shares in Chester City Transport Limited (CCT) to First Potteries Limited. As part of the disposal agreement warranties have been given by the Council to First Potteries Limited relating to operational matters of CCT. These warranties included an indemnity relating to the termination of staff employed by CCT, which expired on 2 July 2009. The Council also gave share and tax warranties, which expire on 2 July 2009 and 2 September 2014, respectively. The aggregate liability of each warranty shall not exceed £500,000 save in respect of any claim of tax relating to the property distribution for which there is no cap. No liability has so far arisen under these warranties and the risk that one will arise is considered to be low.

Conway Centre

From 1 April 2009, Cheshire West & Chester and Cheshire East Council have jointly leased the Conway Centre and been responsible for managing property dilapidations (currently estimated at £2.5m) over the life of the lease. The current lease runs until January 2036, with a break clause in 2015. Whilst it is anticipated that these costs will be managed down over the life of the contract through planned maintenance, until asset ownership is finalised both Councils will be responsible for any outstanding remedial work should the contract be terminated at any point.

Connexions

As described in Note 40 the Council's Youth Service is provided by Connexions. On its creation the former County Council agreed to act as guarantor for any pension liability of the company meaning that should the company fail, the Council or its successor bodies would be liable to make up any pensions shortfall, either by making agreed payments to the Pension Fund, or by in-sourcing the service and taking on the responsibility for the employees' pension contributions. Cheshire West and Chester Council have inherited a share of this responsibility. As at 31st March 2010 the company had an FRS17 pensions deficit of £13.1m, which the company has accounted for under UK GAAP. The comparative figure for 2008-09 was a pension deficit of £2.9m.

42. Events after the Balance Sheet Date

Between the Council preparing its Accounts for 2009-10 and those accounts being published it is possible for events to occur or issues to arise that had they occurred earlier would have altered the contents of the Accounts. These could either be classified as adjusting events if they are significant and certain enough to warrant changing the accounts or non-adjusting if they just provide additional contextual information. Following a review it has been determined that there are no adjusting events but there are three non adjusting events.

Pensions Liability

The Chancellor of the Exchequer announced in his Emergency Budget on 22nd June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. Should this become legislation it will reduce the future costs the Pension Fund pays out and therefore reduce the cost to the Council. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%, in the case of Cheshire West and Chester this would equate to £42-56m.

CADSART

The management of the Council's leisure facilities in Chester and Ellesmere Port is currently undertaken by CADSART - a charitable trust, however this arrangement is due to end on 1st October 2010, at which time the management will be brought back in house. This will be a short term arrangement with the management of leisure facilities transferring to a Community Interest Company in late 2010/ early 2011. The impact on the Council's financial position will therefore be minimal.

Winsford Academy

Following the necessary statutory processes the Local Authority made the decision to close the Verdin High School and Woodford Lodge High School in Winsford on the 31st August 2010. These schools have been replaced by an academy from the 1st September 2010 on the basis that this option offers the best hope for transformational change and that E-ACT is a proven provider of Academies. Subject to government funding the intention is to operate the academy from the existing school sites until a new building is constructed.

As at 31st March 2010 the value of the existing assets in our accounts was £10.9m for the buildings and £4.4m for the land across these two sites. On handover to the Academy these assets will cease to be recognised by the Council.

43. Trust Funds

Trust Funds

During 2009-10 Cheshire West & Chester Council acted as sole trustee for eight Trust Funds. These Funds, some of which date back many years, were established for specific purposes, such as giving grants for education and training or providing community benefits, e.g. library books. The Funds, included below, do not represent assets of the Council and so have not been included in the Council's Balance Sheet. Assets are stated at market value.

| | Income £ | Expenditure £ | Assets £ | Liabilities £ |
|--|---------------|------------------|----------------|------------------|
| <u>Continuing Trust Funds:</u> | | | | |
| The Lord Mayors Charity Fund | 2,659 | 6,225 | 9,081 | - |
| The Lady Mayoress Holiday Fund for Children | 2,965 | 5,444 | 78,191 | - |
| Castle Park Trust Fund | 81,165 | 75,709 | 578,896 | 776 |
| The building and park land were given to the former Runcorn Rural District Council in 1933 to hold on trust for the public benefit of the area | | | | |
| Johnston recreation ground | - | - | 986 | - |
| Held for the general benefit of the residents of Willaston | | | | |
| Little Sutton Reading and Recreation Rooms | | | 2,479 | - |
| Held for the general benefit of the residents of Little Sutton | | | | |
| Fred Venables Literary Trust | - | - | 12,099 | - |
| Established in 1998 to provide annual book prizes to young people attending secondary schools | | | | |
| Reg Chrimes trust for the Arts | - | - | 13,425 | - |
| Established in 1999 for the promotion and development of the arts in the borough | | | | |
| Ellesmere Port Charter Trust | 80,193 | 31,944 | 48,249 | - |
| Established following the creation of Cheshire West & Chester Council to ensure the continuation of the Mayoral Function in the borough of Ellesmere Port & Neston | | | | |

44. Disclosures for Financial Instruments

Financial Instruments are any contracts that give rise to one party having a financial liability with another. They include balances reflecting specific financing arrangements (borrowing/lending) the Council has entered into but also shorter term contractual arrangements where the Council owes or is owed money over 31st March 2010 and arrangements where the Council has deposited its cash or assets with a third party. These assets and liabilities are analysed into the following categories.

| | Long Term 31st March 2010 £000 | Current 31st March 2010 £000 |
|---|--------------------------------------|------------------------------------|
| Financial Liabilities at amortised cost | 189,469 | 141,276 |
| Total Liabilities | 189,469 | 141,276 |
| Loans and Receivables | 8,731 | 181,643 |
| Available-for-sale financial assets | 4 | 9,520 |
| Total Assets | 8,735 | 191,163 |

Financial Liabilities held at Amortised Cost

These are set out in the table below. The principal element of borrowing is shown as long term with interest due within the next 12 months shown as short term, temporary borrowing is shown as short term. Deferred Liabilities relate to the contractual commitments arising from the Council's PFI schemes. Operational creditors include trade, sundry and capital creditors, payments due to the Cheshire Pension Fund and salary related creditor payments at year end. The balances arising to Cheshire East arise from the Local Govt Reorganisation outcome, long term balances relate to the value of assets held by the Council which will ultimately be paid over to Cheshire East, the current liability relates to cash balances held on Cheshire East's behalf.

| Financial Liabilities held at amortised cost | Long Term 31st March 2010 £000 | Current 31st March 2010 £000 |
|---|---|---|
| Borrowing - PWLB Loans | 119,517 | 1,939 |
| Borrowing - Bank LOBO Loans | 22,792 | 355 |
| Borrowing - Short Term | - | 13,920 |
| Deferred Liabilities | 34,675 | 917 |
| Operational Creditors | - | 69,632 |
| Balances owed to Cheshire East | 12,485 | 22,755 |
| Bank Overdraft | - | 31,758 |
| Total Borrowings | 189,469 | 141,276 |

Financial Assets held at amortised cost

These are set out in the table below. Investments reflect anticipated income from Heritable Bank's administrators and cash balances held by investment fund managers at 31st March 2010. The long term debtor represents assets held by Cheshire East where this Council has a right to a share of future capital receipts. A range of items are shown where the Council has issued loans or mortgages to homeowners, employees or partner organisations. Operational debtors include revenue and capital debtors and debt owed by the Cheshire Pension Fund.

| Loans and Receivables held at amortised cost | Long Term 31st March 2010 £000 | Current 31st March 2010 £000 |
|---|---|---|
| Imprest & Cash | - | 98,319 |
| Investments | 1,045 | 2,494 |
| Long Term Debtor with Cheshire East | 4,618 | - |
| Operational Debtors | - | 80,747 |
| Loans to Parish Council | 135 | - |
| Mortgages | 36 | 35 |
| Housing Act Advances | 8 | 1 |
| Homebuy Loans | 1,334 | - |
| Car Loans | - | 6 |
| Cheshire Lifestyle Services debt | 1,260 | 16 |
| Sir John Deanes College | 177 | 25 |
| Returnable Deposits | 118 | - |
| Total Loans and Receivables | 8,731 | 181,643 |

Financial Assets held at Fair Value

Certain assets are recognised at Fair Value in the balance sheet. This is necessary where the assets are held in a form which is readily tradable by the Council and the Market Value is different from the nominal value. The assets held at Fair/ Market Value by the Council at 31st March 2010 are set out below.

| Available for Sale Assets held at Fair Value | Long Term | Current |
|--|----------------------|----------------------|
| | 31 March 2010 | 31 March 2010 |
| | £000 | £000 |
| European Investment Bank Bonds | - | 550 |
| War Loan Stock | 4 | - |
| Certificates of Deposits with banks/building societies | - | 8,970 |
| Total | 4 | 9,520 |

Fair Value of Assets held at Amortised Cost

All financial liabilities and those financial assets represented by loans and receivables are carried in the Balance Sheet at their amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

The fair value of these financial assets held was the same as their carrying value at the Balance Sheet date. All of the financial assets held at amortised cost were held in the form of accounts and / or deposits that offered instant access to the monies deposited. The fair value of financial assets offering instant access is always equal to their carrying value.

The carrying value of the 'frozen' deposits held with the administrators of Heritable Bank has been recalculated to their market value at 31 March 2010 when preparing the 2009-10 statement of accounts.

The carrying values and fair values for loans and receivables are shown below

| Loans and Receivables | 31st March 2010 | |
|-------------------------------------|------------------------|-------------------|
| | Carrying Value | Fair Value |
| | £000 | £000 |
| Imprest & Cash | 98,319 | 98,319 |
| Investments | 3,539 | 3,539 |
| Long Term Debtor with Cheshire East | 4,618 | 4,618 |
| Operational Debtors | 80,747 | 80,747 |
| Loans to Parish Council | 135 | 135 |
| Mortgages | 71 | 71 |
| Housing Act Advances | 9 | 9 |
| Homebuy Loans | 1,334 | 1,334 |
| Car Loans | 6 | 6 |
| CLS | 1,276 | 1,276 |
| Sir John Deanes College | 202 | 202 |
| Returnable Deposits | 118 | 118 |
| Loans & Receivables | 190,374 | 190,374 |

Fair Value of Liabilities held at Amortised Costs

There are two options available to calculate the fair value of long term loans:

- Using the new borrowing rate. The fair value here represents the amount of loans that could be raised on the balance sheet date that would give rise to the same profile of interest payments and principal repayments as those the Council is committed to under its existing loan agreements.
- Using the early repayment rate. This amount represents the amount that would need to be paid to the Council's existing lenders on 31 March 2010 to repay in full all of the outstanding long term loans existing at that date.

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

Financial Liabilities with their Fair Value calculated using the new borrowing rate (including short term interest payable):

| | 31st March 2010 | |
|------------------------------|------------------------|--------------------|
| | Carrying Value £000 | Fair Value £000 |
| Borrowing - PWLB Loans | 121,456 | 117,110 |
| Borrowing - Bank LOBO Loans | 23,147 | 22,325 |
| Borrowing - Short Term | 13,920 | 13,920 |
| Deferred Liabilities | 35,592 | 35,592 |
| Financial Liabilities | 194,115 | 188,947 |

The new loans rate fair value of long term borrowings was below the carrying value as at 31 March 2010. This is a result of the Council having a number of loans within its portfolio where the rate of interest payable is lower than the interest rates prevailing at 31 March 2010 and where this rate of interest is fixed for the whole of the loan period which is generally long term.

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

Financial Liabilities with their Fair Value calculated using the early repayment interest rate (including short term interest payable);

| | 31st March 2010 | |
|------------------------------|------------------------|--------------------|
| | Carrying Value £000 | Fair Value £000 |
| Borrowing - PWLB Loans | 121,456 | 123,400 |
| Borrowing - Bank LOBO Loans | 23,147 | 23,671 |
| Borrowing - Short Term | 13,920 | 13,920 |
| Deferred Liabilities | 35,592 | 35,592 |
| Financial Liabilities | 194,115 | 196,583 |

The early repayment rate fair value of long term borrowings was above the carrying value as at 31 March 2010. This indicates that were the Council to repay all of its long term loans on its balance sheet date the amount it would need to pay to extinguish those liabilities would be in excess of the amounts the liabilities are shown at in the balance sheet.

Gains or Losses on Financial Instruments

The Gains or Losses on Financial Instruments recognised in the Income and Expenditure Account in 2009-10 are made up as follows:

| | Financial Liabilities (measured at cost) £000 | Financial Assets (Loans and Receivables) £000 | Financial Assets (Available- for-sale) £000 | Total £000 |
|---|---|---|---|---------------|
| Interest Expense | -9,104 | - | - | -9,104 |
| loss on derecognition | - | - | - | - |
| Impairment Losses | - | 244 | - | 244 |
| Interest Payable & similar charges | -9,104 | 244 | - | -8,860 |
| Interest Income | - | 1,279 | - | 1,279 |
| Gain on derecognition | - | - | 98 | 98 |
| Interest & Investment Income | - | 1,279 | 98 | 1,377 |
| Gain on revaluation of financial assets | - | - | 59 | 59 |
| Loss on revaluation of financial assets | - | - | -4 | -4 |
| Gain on disposal recycled to I&E account | - | - | 0 | 0 |
| Surplus/(deficit) on revaluation | - | - | 55 | 55 |
| Net Gain/(Loss) for the year | -9,104 | 1,523 | 153 | -7,428 |

45. Risks arising from Financial Instruments

The Council's treasury management activities expose it to a variety of risks that include

- Liquidity risk
- Credit risk
- Interest rate risk
- Inflation risk
- Refinancing risk
- Legal and regulatory risk

The nature of these risks and how the Council seeks to manage these risks are detailed in the following paragraphs.

The identification, understanding and management of risk are, by necessity, a major part of the Council's treasury management activities. To avoid the Council suffering loss as a result of its treasury management activities, a number of risk management procedures have been put in place. The purpose of these procedures is to manage the risks arising from the use of financial instruments down to acceptable and agreed levels.

These procedures are based on the concept that, firstly, security of principal is paramount, secondly that there is a need to maintain liquidity and finally, earning a rate of return commensurate with the first two concepts.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The management of the risks associated with the use of financial instruments is undertaken by the treasury management team. This team works within an annual Treasury Management Strategy that is approved by Full Council prior to the start of the financial year.

The treasury management strategy provides written principles for both overall risk management and for the specific risks listed above.

Liquidity Risk

Liquidity risk is the risk that the Council will not have sufficient cash resources to meet its obligations to its creditors and employees as they fall due for payment. The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available which are necessary for the achievement of its business / service objectives. It will also ensure that its cash flow forecasting gives as accurate a picture as possible of income and expenditure and the resulting residual daily cash balances.

There is a risk that the Council may be in a position where it may need to raise replacement long term loans at a time of unfavourable interest rates. This potentially exposes the Council to the risk that it may suffer a fall in the amount of cash balances held at a time when securing replacement funding may be difficult and /or costly. To manage this risk down to an acceptable level, the Council tries to ensure that no more than £10m of long term loans will mature in any one financial year.

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

| | Public Works Loans Board £000 | Banks £000 | Total 2009-10 £000 |
|---------------------------------|-------------------------------------|---------------|--------------------------|
| In the next financial year | - | - | - |
| In the following financial year | 508 | - | 508 |
| In 2 to 5 years | 5,069 | - | 5,069 |
| In 5 to 10 years | 2,536 | - | 2,536 |
| In 10 to 15 years | - | - | - |
| In 15 to 20 years | 8,499 | - | 8,499 |
| In 20 to 25 years | 23,536 | - | 23,536 |
| In 25 to 30 years | 17,460 | - | 17,460 |
| In 30 to 40 years | 27,522 | 17,951 | 45,473 |
| In 40 to 50 years | 36,326 | 5,196 | 41,522 |
| | 121,456 | 23,147 | 144,603 |

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

Credit and Counterparty Risk Management

Credit and counter-party risk is the risk that failure by a third party to meet its contractual obligations under an investment, loan or other commitment, whether this be a payment of interest or a repayment of principal amount, will have an unexpected adverse impact on the Council's financial position.

During the year 2009-10 the Council chose only to place deposits with banks that were able to take advantage of the UK Government credit guarantee scheme (UKCGS) or with money market funds that have the highest possible credit rating (being AAA rated). The Council therefore does not expect any losses from non-performance by any of its counterparties.

| | Amount at 31st March 2010 £000 | Historical experience of default % | Historical experience adjusted for market conditions at 31 March 2009 % | Estimated maximum exposure to default & uncollectability £000 |
|---|--------------------------------------|---|---|--|
| Deposits with banks & building societies | | | | |
| AAA Rating | 19,114 | - | - | - |
| AA- Rating | 5,950 | - | - | - |
| A+ Rating | 1,950 | - | - | - |
| Money Market Funds | | | | |
| AAA Rated | 25,190 | - | - | - |
| Available for Sale Assets held in banks and building societies | | | | |
| AAA Rating | 554 | - | - | - |
| AA Rating | 10,715 | 0.012 | 0.012 | 1.29 |
| A Rating | 0 | 0.146 | 0.146 | 0.00 |
| Trade and Customer Debt | 90,310 | 0.58 | 0.58 | 523.80 |

The Trade and Customer Debt balance includes sundry debt of £63m and debt with other public bodies of £27m. Of the £63m sundry debtors, £34m is invoiced debt and the

Authority generally allows its customers 28 days credit, £8.7m is past its due date for payment. This past due amount is analysed by age as follows:

| | Total Outstanding £000 |
|----------------------------|-----------------------------------|
| Less than 3 months overdue | 4,514 |
| 3 to 6 months overdue | 842 |
| 6 months to 1 year overdue | 1,034 |
| More than one year overdue | 2,303 |
| Total | 8,693 |

Interest Rate Risk

Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a lower level of investment income than has been budgeted for. The Council will seek to manage its exposure to fluctuations in interest rates with the aim of minimising the net cost of interest charged to the Income and Expenditure Account over the medium to long term. This will be achieved through the considered use of carefully selected approved financing and investment instruments, methods and techniques.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be identified and reported.

Loans and other borrowings are recorded in the Council's Statement of Accounts on the amortised cost basis. The fair value of borrowings is shown only as a note to the accounts. Any increases or falls in the value of fixed rate borrowings as a result of changes in interest rates will therefore be nominal and will have no impact on either the Income and Expenditure Account or the Statement of Total Recognised Gains and Losses.

Changes in the amount of interest payable on variable rate borrowings and the amount of interest receivable on variable rate investments will be charged / credited to the Income and Expenditure Account. Such changes will therefore impact on the Council Fund balance 'pound for pound'.

Movements in the fair value of available for sale assets will be reflected in the Statement of Total Recognised Gains and Losses and recorded in the Available for Sale Reserve until such time as the asset is sold. At that time any gains / losses held in the Available for Sale Reserve in respect of that asset will be transferred to the Income and Expenditure Account and to the General Fund.

At 31 March 2010, had short term and long term interest rates been 1% higher than they actually were and all other circumstances been the same, then the financial effect would have been:

| | £000 |
|--|-------------|
| Increase in interest payable on variable rate borrowings | - |
| Increase in interest receivable on variable rate loans and receivables | 638 |
| Impact on Income and Expenditure account | 638 |
| Reduction in the fair value of available for sale assets | -59 |
| Impact on Statement of Total Recognised Gains & Losses | -59 |
| Reduction in the fair value of fixed rate borrowing (notional impact only) | 19,028 |

Inflation Risk

Inflation risk is the risk that unexpected changes in inflation expose the Council to greater costs, or a lower level of investment income, than has been budgeted for. The key consideration is that investments reap the highest real rate of return subject to the necessary credit risk criteria being satisfied. The effects of varying levels of inflation will be controlled by the Council as an integral part of its strategy for managing its overall exposure to inflation. It will achieve these objectives by the use of carefully selected approved financing and investment instruments, methods and techniques that aim to create stability and certainty of costs and revenues. At the same time the Council will also seek to retain a sufficient degree of flexibility that allows for it to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates, exchange rates or inflation.

Refinancing Risk

Refinancing risk is the risk that when loans or other forms of capital financing mature they cannot be refinanced on reasonable terms that reflect the assumptions made in formulating revenue and capital budgets.

Exposure to this risk will be managed through careful monitoring of the maturity profile of the Council's portfolio of long term loans. The aim will be to avoid, where possible, too large a proportion of the loans maturing in any single financial year. The Council will seek to make use of a wide variety of instruments in order to be over-reliant on a single source / type of funding.

Legal and Regulatory Risk

Legal and regulatory risk is the risk that either the Council or a third party, which it is dealing with in its treasury management activities, acts outside of its legal powers or regulatory requirements and as a result the Council incurs a loss. This Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements as set out in the Local Government Act 2003.

Capital Instruments

During the year 2009-10, the Council has not issued any finance through the issuance of capital instruments such as share capital, loan capital, debentures, bonds or other forms of debt instrument.

Bank Deposits made with Heritable Bank

During the early days of October 2008 the 3 major Icelandic banks, Glitnir, Landsbanki and Kaupthing collapsed. Following this collapse the Financial Services Authority (FSA) in the UK sought to have the UK subsidiaries of Landsbanki (being Heritable Bank) and Kaupthing (being Kaupthing Singer and Friedlander) placed into administration.

Heritable Bank was placed into administration on 7 October 2008. On this date the former Cheshire County Council had 3 amounts, details of which are given below, deposited with the bank.

| Amount of Deposit | Rate of interest to be earned | Date on which the deposit was due to be repaid to the Council |
|--------------------------|--------------------------------------|--|
| £1 million | 5.75% | 9 October 2008 |
| £2.5 million | 5.75% | 10 October 2008 |
| £5 million | 6.15% | 2 January 2009 |

The council had no amounts deposited with Glitnir, Landsbanki, Kaupthing or Kaupthing, Singer and Friedlander.

Cheshire West & Chester Council has inherited a 45.73% share of these deposits.

The monies deposited with Heritable Bank are currently frozen and are subject to the process of administration. The administration process is being conducted by Ernst Young LLP.

During the year 2009-10 the administrators of Heritable Bank have paid 3 dividends to the ordinary creditors of Heritable Bank. These dividends were paid in July 2009, December 2009 and March 2010 and represented 34.98% of the amount due on 7 October 2008. The 3 dividends received by Cheshire West & Chester Council totalling £1.36m.

When the accounts of the former County Council for the year 2008-09 were prepared, the County Council made provision in full for all of the losses that were expected to arise from the deposits held with Heritable Bank. This provision was in the form of a charge for impairment of financial assets and totalled £2.68m.

During the year 2009-10 the administration process has progressed slightly better than initially expected. This has resulted in the administrator being able to pay dividends more quickly than expected and at a higher rate than expected.

The latest information available to the Council indicates that in addition to the 3 dividends already received the Council can reasonably expect to receive around a further 10 dividends, each equal to around 5% of the amount owed at 7 October 2008, between June 2010 and September 2012. Should all of these amounts be paid then the total amount repaid will amount to just under 85% of the amount due on 7 October 2008.

As a consequence the estimated losses from the deposits placed with Heritable Bank are now lower than those estimated when the former County Council prepared its accounts for the year 2008-09.

When preparing its accounts for the year 2009-10 Cheshire West & Chester Council has been able to recognise its share of the over-provision, being £0.24m, as a one-off benefit in the income and expenditure account.

The 'special' accounting rules that apply in respect of impaired financial assets also mean that Cheshire West & Chester Council can take credit for £0.134m of interest earned on such deposits in its income and expenditure account for the year 2009-10.

46. Pan Cheshire Shared Services

The Council operates a significant number of services in Partnership with Cheshire East Borough Council. The table below sets out the total costs processed by each Council in providing these services and the degree to which those costs fell to each Council after they were re-apportioned in line with each Councils usage of the services:

| Service | 2009-10 Actual Outturn | | Total £000 | Share of Total Cost | |
|--------------------------------|------------------------|---------------|---------------|---------------------|---------------|
| | East £000 | West £000 | | East £000 | West £000 |
| Hosted West | | | | | |
| Employee Service Centre | 1,347 | 2,118 | 3,465 | 1,732 | 1,733 |
| ICT | 680 | 12,044 | 12,724 | 6,362 | 6,362 |
| Civil Protection | 139 | 222 | 361 | 181 | 180 |
| Occupational Health | 45 | 85 | 130 | 65 | 65 |
| Archives | 213 | 382 | 595 | 297 | 298 |
| Libraries | 254 | 736 | 990 | 495 | 495 |
| Emergency Duty Team | 447 | 374 | 821 | 427 | 394 |
| Rural Touring Network | - | 21 | 21 | 11 | 10 |
| Professional | 23 | -18 | 5 | 2 | 3 |
| Inclusion & Education | 661 | 781 | 1,442 | 678 | 764 |
| Autism Support | 130 | 200 | 330 | 155 | 175 |
| Sensory Impaired Services | 681 | 732 | 1,413 | 735 | 678 |
| Urban Traffic Control | 315 | 418 | 733 | 323 | 410 |
| Highways & Geotechnical Lab | 158 | -21 | 137 | 89 | 48 |
| Integrated Transport Services | 1,778 | 29,025 | 30,803 | 15,011 | 15,792 |
| Early Years Reform Programme | 11 | 42 | 53 | 26 | 27 |
| Children's Centres Development | 25 | 38 | 63 | 32 | 31 |
| Schools Admissions | 138 | 96 | 234 | 117 | 117 |
| Student Finance | 147 | 154 | 301 | 151 | 150 |
| Archaeological Service | 96 | 131 | 227 | 91 | 136 |
| CBS Supplies | 487 | -632 | -145 | -73 | -72 |
| Hosted East | | | | | |
| Farms Estates | -651 | 110 | -541 | -261 | -280 |
| International Unit | 106 | - | 106 | 53 | 53 |
| Highway Maintenance Contract | 129 | 54 | 183 | 99 | 84 |
| Community Equipment | 795 | 62 | 857 | 447 | 410 |
| Domestic Abuse Partnership | 48 | 15 | 63 | 33 | 30 |
| Visual Impairment Services | 144 | 203 | 347 | 180 | 167 |
| NVQ Assessment Centre | -23 | 32 | 9 | 4 | 5 |
| Youth Offending Team | 90 | 1,003 | 1,093 | 514 | 579 |
| Drug & Alcohol Action Team | -11 | -52 | -63 | -31 | -32 |
| Total Costs | 8,402 | 48,355 | 56,757 | 27,945 | 28,812 |

The costs of Pan Cheshire Shared Services relating to Cheshire West & Chester Council are contained in the Income and Expenditure Account. The costs shown below are analysed by BVACOP:

| Cheshire Shared Services Costs – BVACOP analysis | 2009-10 £'000 |
|---|--------------------------|
| Children's and Education Services | 4,032 |
| Adult Social Care & Health | 765 |
| Central services to the public | 42 |
| Cultural, Environmental & Planning Services | 1,373 |
| Highways, Roads & Transport Services | 22,600 |
| Council Housing (HRA) | - |
| Housing services | - |
| Total | 28,812 |

The activities are overseen by a Joint Committee which ensures effective delivery of such services and provides strategic direction. The Joint Operating Board supports the Joint Committee and is responsible for the governance and decision making of Cheshire Shared Services, is jointly chaired by Julie Gill, Director of Resources, Cheshire West & Chester Council and Lisa Quinn, Borough Treasurer and Head of Assets, Cheshire East Council.

Business Plans and Service Delivery Statements have been developed for each Shared Service. The documents vary depending on the complexity of the service to be provided and on the length of the arrangement. Currently, eleven of the Shared Services are envisaged to continue to operate for the longer term, while the remaining services are transitional, with differing planned end dates according to the operational needs and strategic objectives of both Councils. The Service Delivery Statements are legal documents and detail the services to be hosted by Cheshire East Council and Cheshire West & Chester Council, the scope, agreed objectives and expected outcomes of the shared service arrangements. The roles and responsibilities of staff seconded to the host authority are contained within these statements.

Service Level Agreements' (SLAs) have been prepared for all services and form part of the legal agreement between Cheshire West & Chester Council and Cheshire East Council. These set out the basis for services to be provided, identify which council is hosting the service, the percentage of costs to be borne by each council and the general reporting and performance management requirements.

47. Authorisation of Statement of Accounts for Issue

The Statement of Accounts was authorised for issue on 27 September 2010 by Julie Gill, Director for Resources, Cheshire West & Chester Council.

Supplementary Financial Statements – Housing Revenue Account

| | 2009-10 | 2009-10 |
|--|---------|----------------|
| | £000 | £000 |
| Income | | |
| Dwelling rents | -15,974 | |
| Non-dwelling rents | -433 | |
| Charges for services and facilities | -245 | |
| Supplementary contributions towards expenditure | -288 | |
| Total income | | -16,940 |
| Expenditure | | |
| Contribution to Repairs Account | 4,353 | |
| Supervision and management | 2,893 | |
| Special Services | 647 | |
| Rents taxes and other charges | 64 | |
| Transfer of HRA Subsidy Surplus to CLG | 3,775 | |
| Depreciation and impairment of fixed assets | 3,806 | |
| Increased provision for bad debts | 117 | |
| Total expenditure | | 15,655 |
| Net cost of HRA services | | -1,285 |
| HRA share of Corporate Democratic Core | 61 | |
| Net operating cost of HRA services | | -1,224 |
| Gain on sale of HRA assets | | -99 |
| Interest payable and similar charges | | 275 |
| Interest received | | -22 |
| Pensions interest cost & return on pensions assets | | 551 |
| Surplus on HRA services | | -519 |

Note:

- (i) Housing Subsidy - The Local Government Act 2003 made a requirement for authorities with an overall negative subsidy entitlement to pay the amount of negative subsidy to the government. Negative subsidy occurs when income exceeds expenditure in the notional HRA.

Statement of Movement on Housing Revenue Account Balance

| | 2009-10 £000 |
|--|-----------------|
| Surplus on HRA services | -519 |
| Additional items required by stature and non-statutory proper practices to be taken into account in determining the movement in the Housing Revenue Account balance | |
| Gain / (Loss) on sale of HRA assets | 99 |
| HRA share of pensions contributions | -210 |
| Charge to HRA for premiums/discounts on Financial Instruments | 205 |
| Capital expenditure funded by revenue | 695 |
| Movement on HRA balance in year | 270 |
| Housing Revenue Account balance brought forward | -1,589 |
| Housing Revenue Account balance carried forward | -1,319 |

Notes to the Housing Revenue Account

1. The number and types of dwellings and garages in the Housing Stock at 31 March 2010

| Description | 2009-10 No. |
|------------------------|----------------|
| Houses | 3,149 |
| Flats | 1,760 |
| Bungalows | 641 |
| Maisonettes | 95 |
| Total Dwellings | 5,645 |
| Garages | 1,640 |

2. Housing Stock Valuations at 31 March

| Description | 2009-10 £000 |
|-------------------------|-----------------|
| Operational assets | |
| - Dwellings and garages | 191,556 |
| - Equipment | 1,016 |
| Non-operational assets | 1,947 |
| Total | 194,519 |

3. Vacant Possession Value of Dwellings at 31 March

| Description | 2009-10 £000 |
|---------------------------------------|-----------------|
| Market value - Vacant possession | 396,743 |
| Existing use value for social housing | 190,436 |
| Difference | 206,307 |

The 'difference' between market value and the Balance Sheet value for dwellings represents the economic cost to the Govt of providing council housing at less than open market rents. The vacant property adjustment factor for NW England is 48% for 2009-10.

4. Major Repairs Reserve for the year ending 31 March

| Description | 2009-10 £000 |
|--|-----------------|
| Balance brought forward | -837 |
| Transfer to Reserve | -3,513 |
| Less capital expenditure financed from Reserve | 4,350 |
| Balance Carried Forward | - |

5. Housing Repairs Account for the year ending 31 March

| Description | 2009-10 £000 |
|------------------------------|-----------------|
| Housing repairs | 3,656 |
| Administration | 697 |
| Contribution from HRA | 4,353 |

6. Capital Expenditure in the year ending 31 March

| Description | 2009-10 £000 |
|---|-----------------|
| Operational assets | |
| - Dwellings | 5,665 |
| - Other land and buildings | - |
| Total | 5,665 |
| Funded by: | |
| Supported capital expenditure | -275 |
| Usable capital receipts, grants & contributions | -345 |
| Contributions from Revenue | -695 |
| Major Repairs Reserve | -4,350 |
| Total Funding | -5,665 |

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

| Description | 2009-10 £000 |
|--------------------------------------|-------------------------|
| Disposal of dwellings | 257 |
| Disposal of other land and buildings | - |
| Disposal of non-operational assets | - |
| Total from Disposals | 257 |

8. Depreciation in the year ending 31 March

| Description | 2009-10 £000 |
|-------------------------|-------------------------|
| Operational assets | |
| - Dwellings and garages | 3,513 |
| - Equipment | 293 |
| Total | 3,806 |

The Major Repairs Allowance, which is funded through Housing Subsidy, is accepted to be a reasonable estimate of depreciation for council dwellings within the Housing Revenue Account.

9. Housing Subsidy for the year ending 31 March

| Description | 2009-10 £000 |
|-----------------------------|-------------------------|
| Expenditure | |
| Management allowance | 2,841 |
| Maintenance allowance | 5,507 |
| Major repairs allowance | 3,513 |
| Charges for capital | 1,006 |
| Rental constraint allowance | |
| Total Expenditure | 12,867 |
| Less Income | |
| Rent income | -16,630 |
| Interest on receipts | -3 |
| Total Income | -16,633 |
| Net Subsidy | -3,766 |

The difference between the net subsidy above and that shown in the Revenue Account represents the balance of income due relating to the previous year.

10. Pension Reserve Contribution

During 2009-10, there was a contribution to the HRA from the pensions reserve of £210k (in 2008-09 there was a contribution to the reserve of £32k).

11. Rent Arrears at 31 March

| Description | 2009-10 £000 |
|----------------------------------|-----------------|
| Current tenants | 605 |
| Former tenants | 906 |
| Total rent arrears | 1,511 |
| Benefit overpayments | - |
| Total arrears | 1,511 |
| Deduct - Provision for bad debts | -1,118 |
| Net arrears | 393 |

Supplementary Financial Statements - Collection Fund

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

COLLECTION FUND FOR THE YEAR ENDED 31st MARCH 2010

| | 2009-10 £000 | 2009-10 £000 |
|---|-----------------|-----------------|
| Income | | |
| Council Tax | 154,522 | |
| Transfers from General Fund | | |
| - Council Tax Benefits | 20,909 | |
| - Transitional relief | -4 | |
| Total Income from Council Tax | | 175,427 |
| Business Ratepayers | | 135,271 |
| Contributions | | |
| - Towards previous year's Collection Fund deficit | | 350 |
| Total Income | | 311,048 |
| Expenditure | | |
| Precepts and Demands from CWAC, Police and Fire (Collection Fund Note 4) | | 175,228 |
| Business Rate | | |
| - Payment to National Pool (Collection Fund Note 2) | 134,758 | |
| - Cost of Collection | 513 | |
| | | 135,271 |
| Provision for Bad Debts/Appeals | | |
| - Write offs | 362 | |
| - Provisions | 185 | |
| | | 547 |
| Total Expenditure | | 311,046 |
| Surplus/(Deficit) for year | | 2 |
| Balance on Fund Brought Forward | | -1,650 |
| Balance on Fund Carried Forward | | -1,648 |

1. General

These accounts represent the transactions of the Collection Fund. This is a statutory fund consolidated with the other accounts of the authority in the Statement of Accounts. The accounts have been prepared on an accruals basis. This means that spending and income have been included when they were incurred rather than when they were paid.

2. Non-Domestic Rates

Non-domestic rates are organised on a national basis. The Government specifies a multiplier, which was 48.5p in the pound for 2009-10 (2008-09 46.2p). Local businesses pay rates calculated by multiplying their rateable value by that amount. There is also a small business multiplier, which was 48.1p in the pound for 2009-10 (2008-09 45.8p).

The Council are responsible for collecting rates within our area. However, the Council pays the proceeds into the non-domestic rates pool. This pool is administered by the Government. Sums paid into the pool are redistributed amongst local authorities as a fixed amount per head of population. Our entitlement from the pool is paid direct into the General Fund.

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

| | 2009-10 £000 |
|--|-----------------|
| NDR Bills Issued (Less Voids, Transitional Relief and Interest on Refunds) | 137,461 |
| Discretionary Relief and Remissions | -961 |
| Debts written off or provided for (net) | -1,779 |
| General Fund contribution to Reliefs and Remissions | 550 |
| Net NDR Income | 135,271 |
| Cost of Collection Allowance payable to General Fund | 513 |
| Payable to NDR Pool | 134,758 |

The total non-domestic rateable value at 31st March 2010 was £326,214,152

3. Council Tax

The gross Council Tax base was 120,994 Band D Equivalent properties at the time of setting the tax for 2009-10. This was made up as follows:

| Band | Number | Band D Equivalent | Income in a full year £000 |
|--------------------------------|---------|-------------------|-------------------------------|
| A | 31,682 | 17,576 | 25,454 |
| B | 34,288 | 22,927 | 33,204 |
| C | 28,781 | 22,478 | 32,554 |
| D | 19,498 | 17,452 | 25,274 |
| E | 14,938 | 16,657 | 24,123 |
| F | 8,771 | 11,810 | 17,104 |
| G | 7,141 | 11,074 | 16,038 |
| H | 532 | 908 | 1,315 |
| | 145,631 | 120,882 | 175,066 |
| Ministry Of Defence Properties | | 112 | 162 |
| | | 120,994 | 175,228 |

4. Precepts and Demands

| | 2009-10 £000 |
|---------------------------------|-----------------|
| Cheshire West & Chester Council | 148,101 |
| Cheshire Police Authority | 17,024 |
| Cheshire Fire Authority | 7,808 |
| Town & Parish Councils | 2,295 |
| Total Precept and Demand | 175,228 |

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

The deficit of £1.6m on the Collection Fund relates to Council Tax. The deficit will be distributed between Cheshire West & Chester Council, Cheshire Police Authority and Cheshire Fire & Rescue Service. The amounts attributable to each Authority are shown in the table below and will be in proportion to their respective precepts.

| | CWAC £000 | Police £000 | Fire £000 | Total £000 |
|-------------|--------------|----------------|--------------|---------------|
| Council Tax | 1,411 | 162 | 75 | 1,648 |

Cheshire Pension Fund

Introduction

Following Local Government Reorganisation, from 1 April 2009 Cheshire West & Chester Council (The Council) succeeded the legacy Cheshire County Council as the statutory Administering Authority for the Cheshire Pension Fund (the Fund).

The Council administers the Fund for its own employees, for Cheshire East, Warrington and Halton Borough Unitary Authorities and 90 other approved bodies who had active members as at 31 March 2010. The Fund excludes provision for teachers, fire fighters and police officers for whom separate arrangements exist. A full list of the employers with active members participating in the Fund is shown at the end of the Fund's Statement of Accounts.

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

Matters relating to benefit administration are largely governed by the Local Government Pension Scheme regulations. In relation to investments the Council sets the overall investment strategy for the Fund which takes into account the Fund's pension liabilities and the prospects for future investment returns. To manage the Fund's assets in accordance with the agreed investment strategy, the Council has appointed thirteen external investment managers who each have specific responsibility for part of the Fund's investment portfolio.

The Council uses the services of BNY Mellon Asset Servicing to independently monitor the performance of the investment strategy and the contributions of individual managers. Performance is monitored against the Fund's tailored asset allocation benchmark rather than to a peer group benchmark.

BNY Mellon Asset Servicing's report for the year ended 31 March 2010 shows that the Fund achieved a return from its investments of +36.8% (-21.5% in 2008-09) compared with the Fund's tailored benchmark return of +30.9% (-16.8% in 2008-09). The Fund's target return is to outperform its benchmark by +0.75% over a rolling three year period. For the three years ended 31 March 2010 the Fund achieved a return of +1.2% per annum (-6.7% 2008-09) against the Fund's benchmark return of +1.8% per annum (-4.8% 2008-09)

Membership of the Fund at 31 March 2010 is summarised below:

| | March 2010 | March 2009 |
|--------------|-------------------|-------------------|
| Contributors | 31,687 | 32,499 |
| Pensioners | 20,642 | 19,009 |
| Deferred | 18,566 | 16,329 |
| | 70,895 | 67,837 |

The Administering Authority also produces a separate Annual Report for the Cheshire Pension Fund giving more detailed information on the management of the Fund's business, including its accounts for the year to March 2010. A copy of this report can be obtained from the Pensions Section, Cheshire West & Chester Council, HQ, 58 Nicholas Street, Chester, CH1 2NP or from the Fund's website at www.cheshirepensionfund.org

Cheshire Pension Fund - Fund Account

for the year ended 31 March 2010

| | Notes | 2009-10 £000 | 2008-09 Restated £000 |
|--|-------|------------------|-----------------------------|
| <u>Contributions and Benefits</u> | | | |
| Contributions Receivable | | | |
| From Employers | 1 | 158,103 | 110,918 |
| From Employees | | 36,478 | 36,369 |
| Total Contributions Receivable | 2 | 194,581 | 147,287 |
| Transfers in from Other Schemes | | 18,031 | 9,489 |
| Benefits Payable | | | |
| Pensions | | -96,175 | -84,865 |
| Lump Sums | | -56,000 | -18,518 |
| Death Benefits | | -2,554 | -2,406 |
| Total Benefits Payable | 3 | -154,729 | -105,789 |
| Payments to and on account of Leavers | | | |
| Refund of Contributions | | -19 | -41 |
| Transfers to Other Schemes | 4 | -15,825 | -10,082 |
| | | -15,844 | -10,123 |
| Administration Expenses | 5 | -1,893 | -1,835 |
| Net Additions | | 40,146 | 39,029 |
| <u>Returns on Investments</u> | | | |
| Investment Income | 6 | 50,746 | 49,708 |
| Change in Market Value | 7 | 639,016 | -555,636 |
| Taxation | 8 | -663 | -609 |
| Investment Management Expenses | 9 | -6,044 | -5,553 |
| Net Returns On Investments | | 683,055 | -512,090 |
| Net Additions from Dealings with Members | | 40,146 | 39,029 |
| Net Increase/ (Decrease) in the Fund During the Year | | 723,201 | -473,061 |
| Opening Net Assets of the Scheme | | 1,855,270 | 2,328,331 |
| Closing Net Assets of the Scheme | | 2,578,471 | 1,855,270 |

Cheshire Pension Fund - Net Assets Statement

as at 31 March 2010

| | Notes | 2009-10 £000 | 2008-09 £000 |
|---|-------|------------------|------------------|
| Investment Assets | | | |
| Fixed Interest Securities | | 0 | 689 |
| Equities | 10 | 1,100,185 | 729,281 |
| Pooled Investment Vehicles | 11 | 918,437 | 696,989 |
| Derivative Contracts | 13 | 1,611 | 1,903 |
| Direct Property | 14 | 105,355 | 123,160 |
| Private Equity | 15 | 143,359 | 122,634 |
| Global Tactical Asset Allocation | 16 | 54,021 | 39,936 |
| Secured Loans | 17 | 151,424 | 110,352 |
| | | <u>2,474,392</u> | <u>1,824,944</u> |
| Cash | 18 | 56,001 | 18,626 |
| | | <u>2,530,393</u> | <u>1,843,570</u> |
| Outstanding dividend entitlements and recoverable withholding tax | | 4,756 | 4,359 |
| | 19 | <u>2,535,149</u> | <u>1,847,929</u> |
| Investment Liabilities | | | |
| Derivative Contracts | 13 | -234 | -2,033 |
| Total Net Investments | | 2,534,915 | 1,845,896 |
| Current Assets | | | |
| Cash at Bank | | 4,753 | 3,730 |
| Debtors | 20 | 57,556 | 11,979 |
| Payments In Advance | | 492 | - |
| Current Liabilities | | | |
| Creditors | 21 | -17,893 | -4,576 |
| Receipts In Advance | | -1,352 | -1,759 |
| Net Current Assets | | 43,556 | 9,374 |
| Add Total Net Investments | | 2,534,915 | 1,845,896 |
| Total Net Assets | | 2,578,471 | 1,855,270 |

Cheshire Pension Fund - Statement of Accounting Policies

The financial statements have been prepared in accordance with the accounting recommendations of the Pension Research Accountants Group (PRAG) 'Financial Reports of Pension Schemes – a Statement of Recommended Practice May 2007'. However disclosures have been limited to those required by the Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice.

The financial statements summarise the transactions of the Scheme and deal with net assets at the disposal of the Fund. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the statement in Note 34 below and these financial statements should be read in conjunction with that note.

Basis of Preparation

Except where otherwise stated, the accounts have been prepared on an accruals basis, that is, income and expenditure is recognised as it is earned or incurred not as it is received or paid.

Investments

Investments are shown in the accounts at market value, which has been determined as follows: -

- (i) Listed securities are shown by reference to bid market prices at close of business on 31 March 2010.
- (ii) Pooled investment vehicles are stated at the bid point of the latest prices quoted by their respective managers or Fund administrators at 31 March 2010. Where a bid price is not available the assets are priced at the Net Asset Value or single price provided.
- (iii) Investments held in foreign currencies are shown at local market value translated into the equivalent sterling rate prevailing at close of business on 31 March 2010.
- (iv) Properties are included on the basis of their open market value. The property portfolio was independently valued by Colliers CRE, Chartered Surveyors at 31 March 2010 in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards.
- (v) Indirect private equity investments are interests in limited partnerships which are valued based on the Fund's share of the net assets of the limited partnership according to the latest financial statements published by the respective managers in accordance with FAS 157: Fair Value Measurements. Where these valuations are not the Fund's balance sheet date, the valuations have been adjusted having due regard to latest dealings, asset values and other appropriate financial information at the time of preparing these statements, in order to reflect our balance sheet date.
- (vi) Future contracts have been valued at the exchange price for closing out the contract at the year end date and this represents the unrealised profit or loss of the contract. Amounts due from the broker represent the amounts outstanding in respect of the initial margin and any variation margin which is due to or from the broker.
- (vii) Forward foreign exchange contracts are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at year end with an equal and opposite contract.

- (viii) The Fund's investments in Global Tactical Allocation and Secured Loans are valued at their Net Asset Value by the respective managers' administrators as at 31 March 2010.

Contributions

Contributions represent amounts receivable from employers in respect of their own and their pensionable employees' contributions. Employer contributions are determined by the Scheme Actuary at each triennial valuation of the Fund's assets and liabilities. Employee contribution rates are set in the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007. Contributions are recorded on an accruals basis in relation to when they were deducted from earnings.

Benefits and Refunds of Contribution

Benefits payable, lump sums and refunds of contributions have been brought into the accounts on an accruals basis with reference to the date payment is due as governed by the Local Government Pension Scheme (Administration) Regulations 2008.

Transfer Values

Transfer values are sums paid between pension schemes and relate to the value of previous pension scheme membership. Transfers into and out of the fund are recognised on a cash received or paid basis.

Investment Income

Income from fixed interest and index linked securities and other interest receivable is accounted for on an accruals basis. Income from all equities is accounted for when the stocks are quoted ex-dividend. Rental income is accounted for on an accruals basis with reference to the periods to which the rent relates.

Foreign Investment Income

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.

Investment Management Expenses

Each individual manager receives a fee based on the market value of the assets they manage. Certain managers also receive a performance related fee (over and above a base fee) for achieving agreed levels of out performance. Where the Fund pays the manager fees directly from the Fund's own resources such fees are shown as Investment Management Expenses in the fund account and are accounted for on an accruals basis.

Where, as part of the Investment Management Agreement the manager deducts their fee directly from funds under management by netting off their fee from the Gross Asset Value, such fees are accounted for on an accruals basis in the revenue account as Investment Management Expenses and are reflected in the balance sheet by reduced closing Net Asset Value.

Cheshire Pension Fund - Notes to the Accounts

1. Employer Contributions Receivable

| | 2009-10 | 2008-09 |
|----------------------------|----------------|----------------|
| | £000 | £000 |
| Normal Contributions | 83,593 | 81,707 |
| *Deficit Funding | 25,078 | 24,512 |
| Augmentation Contributions | 49,432 | 4,699 |
| Total | 158,103 | 110,918 |

* Employer Normal Contributions may include an element towards reducing any deficit in the scheme's funding position. At the latest triennial valuation (31 March 2007) the Actuary calculated a common employer contribution rate of 19.5%, of which 4.5% targeted recovering the funding deficit with 15% towards future service costs. It is estimated that employers contributed a notional £25.1m in 2009-10 towards deficit funding.

Augmentation Contributions include those payable by Employers to provide new benefits or to augment benefits for specific members. They also include contributions relating to Employers meeting the capitalised costs of discretionary early retirements. The Fund recharges the Employers for such costs and the income received is made up of both one-off lump sum payments and instalments. In previous years the income was recognised at the time of receipt. The recognition and measurement principals of Local Authority Statement of Recommended Practice (LA SORP) apply and therefore under the accruals principal, the full amount has been recognised in 2009-10 (and a debtor created for the amount due but unpaid). If the 2008-09 income were accounted under the accrual principal an additional £6.68m of income would be recorded with an additional debtor for the same amount. The 2008-09 accounts have not been restated to reflect this change in accounting policy.

2. Analysis of Contributions Receivable

| | 2009-10 | | 2008-09 Restated | |
|----------------------------------|-------------------|-------------------|---------------------|-------------------|
| | Employers £000 | Employees £000 | Employers £000 | Employees £000 |
| Cheshire West & Chester Council* | 48,997 | 9,143 | 43,678 | 14,545 |
| Scheme Employers | 99,480 | 24,324 | 58,235 | 18,911 |
| Other Admitted Bodies | 9,626 | 3,011 | 9,005 | 2,913 |
| Total | 158,103 | 36,478 | 110,918 | 36,369 |

*For comparative purposes only the 2008/09 figures represent those due from the former administering authority, Cheshire County Council

3. Benefits Payable

| | 2009-10 | 2008-09 Restated |
|----------------------------------|----------------|---------------------|
| | £000 | £000 |
| Cheshire West & Chester Council* | 52,550 | 38,211 |
| Scheme Employers | 91,673 | 57,926 |
| Other Admitted Bodies | 10,506 | 9,652 |
| Total | 154,729 | 105,789 |

*For comparative purposes only the 2008/09 figures represent those due from the former administering authority, Cheshire County Council

4. Transfers to Other Schemes

The Transfers to Other Schemes figure represents the cash payments from the Fund in relation to individual scheme members' transfers of benefits in line with the Fund's accounting policy.

5. Administration Expenses

The costs incurred by the Council in administering the Fund, as declared annually to Communities and Local Government totalled £1.893m for the year ended 31 March 2010. A breakdown of the significant items is shown below.

| | 2009-10 | 2008-09 |
|-----------------------------|--------------|--------------|
| | £000 | £000 |
| Direct Staffing | 1,126 | 1,114 |
| IT | 140 | 175 |
| Senior Management Support | 107 | 103 |
| Legal Fees | 26 | 44 |
| External Audit Fees | 71 | 55 |
| Actuarial Fees | 123 | 75 |
| Printing & Postage | 33 | 49 |
| Other Supplies and Services | 272 | 221 |
| Income | -5 | -1 |
| Total | 1,893 | 1,835 |

6. Investment Income

| | 2009-10 | 2008-09 Restated |
|---|---------------|---------------------|
| | £000 | £000 |
| Income from Fixed Interest Securities | 13,796 | 5,772 |
| Dividends from Equities | 25,935 | 30,785 |
| Income from Index Linked Securities | | 153 |
| Income from Pooled Investment Vehicles: | | |
| Property | 758 | 543 |
| Other | 917 | 92 |
| Net Rents from Properties | 9,135 | 10,427 |
| Stock Lending | 49 | 0 |
| Interest from Cash Deposits | 19 | 1,280 |
| Other | 137 | 656 |
| | 50,746 | 49,708 |

7. Change In Market Value

| | Value at 31.03.2009 £000 | Purchases at cost and derivative payments £000 | Sales proceeds and derivative receipts £000 | Change in Market Value £000 | Value at 31.03.2010 £000 |
|--|---|---|--|--|---|
| Fixed Interest Securities | 689 | | 815 | 126 | 0 |
| Equities | 729,281 | 344,786 | 317,579 | 343,697 | 1,100,185 |
| Pooled Investment Vehicles | 696,989 | 61,946 | 75,388 | 234,890 | 918,437 |
| Derivative Contracts | 1,903 | 11,435 | 14,896 | 3,169 | 1,611 |
| Direct Property | 123,160 | 1,433 | 20,475 | 1,237 | 105,355 |
| Private Equity | 122,634 | 18,177 | 843 | 3,391 | 143,359 |
| Global Tactical Asset Allocation | 39,936 | - | - | 14,085 | 54,021 |
| Secured Loans | 110,352 | 4,216 | - | 36,856 | 151,424 |
| | <u>1,824,944</u> | <u>441,993</u> | <u>429,996</u> | <u>637,451</u> | <u>2,474,392</u> |
| Cash | 18,626 | 35,810 | | 1,565 | 56,001 |
| | <u>1,843,570</u> | <u>477,803</u> | <u>429,996</u> | <u>639,016</u> | <u>2,530,393</u> |
| Outstanding dividend entitlements, accrued interest and recoverable withholding tax | 4,359 | - | - | - | 4,756 |
| | <u>1,847,929</u> | | | | <u>2,535,149</u> |

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees and amounted to £986K for the year. In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme. It is not practical to obtain or estimate the transaction costs incurred in 2009-10.

8. Taxation

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 amounts to £663K and is shown as a tax charge.

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

9. Investment Management Expenses

The Fund has changed its accounting policy for investment management expenses fees in year. Where the manager deducts their fee directly from funds under management by netting off their fee from the Gross Asset Value, such fees are now accounted for on an accruals basis in the revenue account as Investment Management Expenses and are reflected in the balance sheet by the reduced closing Net Asset Value. The 2008-09 investment management fees have not been amended on the face of the accounts but the comparable figure for 2008-09 would have been an increase in fees from £5.553m to £7.011m.

10. Equities

| | 2009-10 £000 | 2008-09 £000 |
|-----------------|------------------|-----------------|
| UK Quoted | 462,885 | 290,420 |
| Overseas Quoted | 637,300 | 438,861 |
| Total | 1,100,185 | 729,281 |

11. Managed Funds, Open Ended Investment Companies & Unit Trusts

| | 2009-10 £000 | 2008-09 £000 |
|-------------------------------|-----------------|-----------------|
| UK Equity Listed | 208,253 | 147,828 |
| UK Equity Unlisted | 60 | 61 |
| UK Property | 3,158 | 3,555 |
| Fixed Income – Multi Strategy | 379,824 | 318,026 |
| Overseas Equity Listed | 311,455 | 207,998 |
| Overseas Property | 15,687 | 19,521 |
| Total | 918,437 | 696,989 |

12. Fixed Income Multi Strategy

The Fund has invested in three pooled fixed income investment vehicles managed separately by Goldman Sachs, Henderson and Baillie Gifford. 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. The managers may use derivative instruments to manage risk and to express their investment convictions.

13. Derivative Contracts

| | Asset 2009-10 £000 | Liability 2009-10 £000 | Asset 2008-09 £000 | Liability 2008-09 £000 |
|------------------------------------|--------------------------|------------------------------|--------------------------|------------------------------|
| Equity Futures Contracts | 334 | 144 | 538 | 327 |
| Forward Foreign Exchange Contracts | 1,277 | 90 | 1,365 | 1,706 |
| | 1,611 | 234 | 1,903 | 2,033 |

Equity Futures Contracts:

| Country | Exchange | Expiration | Economic Exposure Value £'000 | Asset £'000 | Liability £'000 |
|----------------|-----------------------|-------------------|--|------------------------|----------------------------|
| Austria | Austrian Index Future | Less than 1 Year | 896 | 7 | |
| Germany | DAX | Less than 1 Year | 3,013 | 100 | |
| Italy | FTSE/MIB | Less than 1 Year | 8,488 | 11 | |
| Spain | IBEX 35 | Less than 1 Year | -484 | 12 | |
| Switzerland | SWISS | Less than 1 Year | -2,678 | 15 | |
| USA | S&P 500 | Less than 1 Year | -4,916 | | 124 |
| Canada | S&P/TSE 60 | Less than 1 Year | -2,743 | 4 | |
| Japan | TOPIX | Less than 1 Year | 3,034 | 185 | |
| Singapore | MSCI Singapore | Less than 1 Year | 1,539 | | 9 |
| Australia | SPI 200 | Less than 1 Year | -3,321 | | 11 |
| | | | 2,828 | 334 | 144 |

Forward Foreign Exchange Contracts:

| Number of Contracts | Trade Type | Expiration | Asset £'000 | Liability £'000 |
|----------------------------|-------------------|-------------------|------------------------|----------------------------|
| 18 | Over the counter | Less than 1 year | 1,277 | 90 |
| | | | | |
| Total Derivatives | | | 1,611 | 234 |

The Fund uses exchange traded index futures contracts for hedging purposes, direct investing as a means of creating equity exposure and for managing risk by implementing shifts in investment exposure. Forward currency contracts are used to hedge the risks associated with the foreign currencies represented by the securities held, or to adjust the foreign currency exposure of the Fund.

14. Property

| | 2009-10 £000 | 2008-09 £000 |
|--------------|-------------------------|-------------------------|
| Freehold | 84,510 | 101,430 |
| Heritable | 12,535 | 12,745 |
| Leasehold | 8,310 | 8,985 |
| Total | 105,355 | 123,160 |

15. Private Equity

| | Number of Funds | 2009-10 £000 | 2008-09 £000 |
|----------------------|------------------------|-------------------------|-------------------------|
| Adam Street Partners | 16 | 75,745 | 63,721 |
| Pantheon Ventures | 7 | 60,939 | 52,951 |
| Lexington | 1 | 6,675 | 5,962 |
| Total | | 143,359 | 122,634 |

16. Global Tactical Asset Allocation

The Fund has invested in a Global Tactical Asset Allocation vehicle managed by BNY Mellon Asset Management. This strategy attempts to add value through asset allocation between local equity and bond markets, country selection across individual national equity and bond markets and also through active currency management. The strategies are implemented through the use of derivatives, such as (but not restricted to) equity and bond futures, options and currency forward contracts.

17. Secured Loans

The Fund has invested in two Secured Loan vehicles managed by European Credit Management and M&G. Secured loans are senior loans, typically raised to finance internal growth, acquisitions, mergers and leveraged buy-outs. They are senior loans in that they have a priority claim over specific assets of the company if it fails to meet its debt obligations.

| 18. Cash | 2009-10 | 2008-09 |
|----------------------|----------------|----------------|
| | £000 | £000 |
| Cash Deposits | 16,851 | 12,594 |
| Cash Instruments | 41,978 | 8,027 |
| Cash Backing Futures | -2,828 | -1,995 |
| | 56,001 | 18,626 |

19. Investment by Fund Manager

| | 2009-10 | 2008-09 |
|----------------------------------|------------------|--------------------------|
| | £000 | Restated £000 |
| Baillie Gifford & Co | 795,936 | 532,468 |
| Legal & General | 439,495 | 304,619 |
| GMO | 314,577 | 226,026 |
| Standard Life | 173,897 | 102,177 |
| Goldman Sachs | 154,402 | 129,199 |
| Henderson | 152,793 | 132,631 |
| Rockspring | 124,726 | 147,364 |
| European Credit Management (ECM) | 77,225 | 53,084 |
| Adams Street Partners | 75,745 | 63,721 |
| M&G | 75,114 | 57,693 |
| Pantheon Ventures | 60,939 | 52,951 |
| BNY Mellon Asset Management | 54,021 | 39,936 |
| Standard Life (Money Market) | 23,498 | 4 |
| Fidelity (Money Market) | 6,001 | 0 |
| HG Capital | 60 | 61 |
| Other | 45 | 1 |
| Lexington Capital Partners | 6,675 | 5,994 |
| Total | 2,535,149 | 1,847,929 |

| 20. Debtors | 2009-10 | 2008-09 |
|---|----------------|----------------|
| | £000 | £000 |
| Rental Income | 392 | 862 |
| Due from Cheshire West & Chester Council* | 18,244 | 5,215 |
| Due from Employers | 36,025 | 6,041 |
| Other Debtors | 2,952 | 46 |
| Less Provision for Doubtful Debt | -57 | -185 |
| | 57,556 | 11,979 |

*For comparative purposes only the 2008/09 figures represent those due from the former administering authority, Cheshire County Council

| 21. Creditors | 2009-10 | 2008-09 |
|---|----------------|----------------|
| | £000 | £000 |
| Investment Manager Expenses | 1,186 | 944 |
| Pension Benefits Payable | 5,904 | 494 |
| Due to Cheshire West & Chester Council* | 9,192 | 1,778 |
| Other Creditors | 1,611 | 1,360 |
| | 17,893 | 4,576 |

*For comparative purposes only the 2008/09 figures represent those due to the former administering authority, Cheshire County Council

22. Statement of Investment Principles

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

23. Funding Strategy Statement

Under the LGPS (Administration) Regulations 2008 administering authorities are required to prepare a Funding Strategy Statement (FSS). The key requirements relating to the FSS in the regulations are that;

- After consultation with all relevant interested parties involved with the Fund, the administering authority will prepare and publish their funding strategy.
- In preparing the FSS, the administering authority must have regard to:
 - FSS guidance produced by CIPFA
 - its Statement of Investment Principles published under Regulation 9A of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended).
- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.
- The Fund's actuary must have regard to the FSS as part of the fund valuation process.

Fund members' accrued benefits are guaranteed by statute. Members' contributions are fixed in the Regulations at a level which covers only part of the cost of accruing benefits. Employers pay the balance of the cost of delivering the benefits to members (net of returns from the Fund's investments). The FSS focuses on the pace at which these liabilities are

funded and, insofar as is practical, the measures to ensure that employers pay for their own liabilities.

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

24. Trustee Fees

As the Cheshire Pension Fund forms part of the LGPS it does not strictly have trustees. The members of the Pension Fund Committee do not receive any fees in relation to their specific responsibilities as members of the Committee

Since January 2004 elected members who are offered membership of the Scheme under their council's scheme of allowances have been eligible to join the Scheme. As at 31 March 2010, eight members of the Pension Fund Committee had taken this option and were members of the Scheme.

25. Related Party Transactions

The relationship between the Administering Authority and the Fund is by its very nature a close one. The majority of the Fund's cash is invested with the Fund's investment managers or directly with external financial institutions. The Fund has its own specific bank account however some of the Fund's transactions (Accounts Payable and Income) are processed through corporate systems and are paid in the first instance through the Council's corporate bank accounts. The Fund repays cash due to the Council for such transactions plus any interest charges. In 2009-10 the Pension Fund paid the Council £8K for interest accrued on these balances.

At the year end, a balance of £3.155m was due to the Fund from Cheshire West & Chester Council, primarily relating to contributions which were paid in April but became due in March and a balance of £9.192m was owing to Cheshire West & Chester Council for Fund transactions processed through the Administering Authority's accounts payable and receivable systems. The Administering Authority incurred costs of £1.843m to administer the Fund in 2009-10 and this was recharged to the Pension Fund. Note 5 provides more analysis of these costs.

The Fund has not made any employer related investment at any time during the period.

26. Stock Lending

The Local Government Pension Scheme (Management & Investment of Funds) Regulations 1998 allow the Fund to lend stock provided that the total value of the securities loaned out does not exceed 25% of the total fund value. The Cheshire Pension Fund changed its policy to stock lending in the year and in accordance with the regulations, entered into a stock lending programme managed by its custodian the Bank of New York Mellon. The stock lending programme became active in January 2010 and the Fund earned income from premiums paid by third parties who borrowed stock held by this Fund of £53k for the three months to 31 March 2010. The Fund only accepts government and quasi government bonds as collateral against loaned stock to safeguard the Fund's assets. At the balance sheet date the value of aggregate stock on loan was £20.906m and the value of collateral held was £22.872m

27. Leverage

Some of the Fund's investments, including Private Equity and GTAA use leverage as a tool to achieve higher returns. Leverage can be described as exposure to changes in asset values at a ratio of greater than 1:1 in reference to the amount invested. Leverage magnifies both favourable and unfavourable movements in asset values.

28. Illiquidity of Assets

Some of the Fund's assets can be relatively illiquid. Illiquidity in this context means the Fund may not always be able to sell these assets quickly and at the desired price; either because there is no secondary market for them or a lack of investors wishing to purchase them. As an investor with a long investment horizon the Fund can invest in such assets with the expectation of being rewarded with excess returns (a liquidity premium).

29. Contingent Liabilities and Contractual Commitments

The Fund has contractual commitments to the value of £319m in private equity funds. At 31 March the Fund had actually invested £169m and therefore had an outstanding commitment of £150m. As these funds are denominated in US Dollars and Euros the commitment in Sterling is subject to change due to currency fluctuations.

The Fund also has contractual commitments to the value of £50m to the UK Companies Financing Fund managed by Prudential M&G. None of this commitment had been drawn down as at the balance sheet date.

With effect from 1 April 2005 the Magistrates Courts service became part of the Civil Service. Terms have still to be agreed for the transfer of liabilities from all of the Local Government Pension Schemes (LGPS) to the Principal Civil Service Pension Scheme (PCSPS). Each LGPS Fund's actuary will determine the value of pensioner and deferred liabilities remaining with the LGPS and will retain enough assets to meet these liabilities. The remaining (if any) share of Fund assets relating to Magistrates Courts will then be transferred over to the PCSPS.

30. Additional Voluntary Contributions (AVCs)

The AVC providers to the members of the Fund are Clerical Medical, Standard Life and Equitable Life. The AVCs are invested separately from the Fund's main assets and used to acquire additional pension benefits and therefore are not included in the Pension Fund's accounts. Members participating in these AVC arrangements each receive an annual statement confirming the amounts held in their account and the movements during the year.

A summary of the information provided by Clerical Medical, Standard Life and Equitable Life for the year to 31 March 2010 is shown below. (This summary has not been subject to audit and the Fund relies on the individual contributors to check deductions made on their behalf are accurately reflected in the statements provided by the AVC providers).

| | Clerical Medical £000 | Standard Life £000 | Equitable Life £000 | Total £000 |
|--------------------------------|--------------------------------------|-----------------------------------|------------------------------------|-----------------------|
| Contributions received in year | 343 | 145 | 9 | 497 |
| Market Value at 31 Mar 2009 | 1,434 | 1,660 | 943 | 4,037 |
| Market Value at 31 Mar 2010 | 1,891 | 1,706 | 974 | 4,571 |

31. Discretionary Compensatory Added Years

Some employing authorities have awarded Compensatory Added Years to members by way of a credited period in respect of a former employment under earlier Discretionary Compensation Regulations. The costs of these Compensatory Added Years payments is recovered from the employer by being factored into the employers' specific contribution rate by the actuary as part of the most recent valuation. The annual cost of these added years, recovered through the employer's contribution rate is £5.5m a year. The accounts have not been adjusted to reflect these payments and corresponding recovery from employers. The administering authority is writing to all employers who have awarded such payments to formerly pass a resolution to convert such credits into LGPS membership under Regulation 12B of the Local Government Pension Scheme (Miscellaneous) Regulations 2009.

32. Post Balance Sheet Events

A review has been undertaken to identify any material post balance sheet events which would either require restatement of the 2009-10 accounts or a note to the accounts to highlight any non adjusting events.

33. Restatement

A small number of organisations have been re-categorised as either a scheme employer or an admitted body to more closely reflect the categorisations laid out in the Local Government Pension Scheme (Administration) Regulations 2008. To aid comparison between years, the contributions receivable and pension benefits payable by employer type has been restated for 2008-09.

Analysis of Contributions Receivable

| | 2008-09 Restated | | 2008-09 | |
|---------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | Employers £000 | Employees £000 | Employers £000 | Employees £000 |
| Cheshire West & Chester Council | 43,678 | 14,545 | 43,678 | 14,545 |
| Scheme Employers | 58,235 | 18,911 | 55,773 | 17,875 |
| Other Admitted Bodies | 9,005 | 2,913 | 11,467 | 3,949 |
| Total | 110,918 | 36,369 | 110,918 | 36,369 |

Benefits Payable

| | 2008-09 | 2008-09 |
|---------------------------------|-----------------|----------------|
| | Restated | |
| | £000 | £000 |
| Cheshire West & Chester Council | 38,211 | 38,211 |
| Scheme Employers | 57,926 | 58,016 |
| Other Admitted Bodies | 9,652 | 9,562 |
| Total | 105,789 | 105,789 |

34. Actuarial Valuation

The accounts summarise the transactions and net assets of the Fund; they do not take account of future liabilities to pay pensions and other benefits.

The Actuary carries out an actuarial valuation of the Fund's assets and liabilities every three years. The rate of employers' contributions payable in the year to March 2009 was determined at the 2007 valuation of the Fund. The Actuary set the common rate of employers' contribution phased from 1 April 2008 to 31 March 2011 at 19.5% of pensionable pay. This was expected to be the rate sufficient over a period of 20 years to meet 100% of existing and prospective liabilities, including pension increases. At the valuation date the valuation showed that the value of the Fund's assets represented 85% of the Fund's accrued liabilities.

Fund assets were valued under the projected unit method and the Actuary made the following assumptions:

- nominal investment returns on assets of 6.1% per annum
- nominal rate of future earnings increases of 4.7% (with assumptions about pay awards and promotions but excluding increments); and
- nominal rate of pension increases at 3.2% per annum

At the time of the actuarial valuation the Fund's assets were valued at £2,385m.

The latest triennial valuation will be undertaken as at 31 March 2010 and this will set employers contribution for the three year period starting 1 April 2011.

Employers with active members participating in the Cheshire Pension Fund as at 31 March 2010

Major Scheme Employers

Cheshire West & Chester Council
Cheshire East Council
Cheshire Police Authority
Cheshire Probation Committee
Cheshire Fire & Rescue service
Halton Borough Council
Warrington Borough Council

Other Scheme Employers

Alderley Edge Parish Council
Birchwood Town Council
Bollington Parish Council
Valuation Tribunal Service
Congleton Town Council
Disley Parish Council
Frodsham Town Council
Grappenhall and Thelwall Parish Council
Knutsford Town Council
Macclesfield College
Mid Cheshire College
Middlewich Town Council
Nantwich Town Council
Neston Town Council
Nether Alderley Parish Council
Northwest Fire Control
Northwich Town Council
Odd Rode Parish Council
Penketh Parish Council
Poulton with Fearnhead Parish Council
Poynton-with-Worth Parish Council
Prestbury Parish Council
Priestley Sixth Form College
Reaseheath College of Agriculture
Riverside College
Sandbach Town Council
Sir John Deane's College
South Cheshire College
South Cheshire Enterprises
University of Chester
University COE Academy
Warrington Collegiate Institute
West Cheshire College
Winsford Town Council
Wybunbury Parish Council

Other Admitted Bodies

Adoption Matters North West
Age Concern (Mersey)
BAM Construct UK Ltd
Berkeley Care Management
CADSART
Catering for Education
Cheshire & Warrington Economic Alliance
Cheshire & Warrington Tourism Board
Cheshire Community Action
Cheshire County Sports Club
Cheshire Peaks and Plains Housing Trust
Cheshire & Warrington Sports Partnership
Chester District Housing Trust
Care Quality Commission
Cleaning Force
CLS Care Services
Connexions - Cheshire & Warrington
Creative Support
Dane Housing (Congleton) Ltd
David Lewis Centre
DC Leisure Management Ltd
Deafness Support Network
First Bus (Chester)
Food for Thought
FOCSA
Golden Gates Housing
Groundwork Mersey Valley
Halton Housing Trust
Halton Transport
Hope Inclusion Time & Success
Innovate Ltd
King's School
Macclesfield Museum Trust
Making Space
Middlewich Joint Cemetery Committee
Norton Priory Museum Trust
Regent Office Care
Sandbach School
Strata
Superclean-Fire
The Dinner Ladies
The Waterways Trust
Vale Contract Services
Volunteer Centre Warrington
Warrington Community Living
Warrington Council for Voluntary Services
Warrington Housing Association
Warrington Transport
Weaver Vale Housing Trust
Wulvern Housing Trust

Glossary of Terms

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- b) the actuarial assumptions have changed

Actuary

An actuary is an expert on pension scheme assets and liabilities. The Local Government Pension Scheme Actuary reassesses the rate of employer contributions to the Pension Fund every three years.

Agency Services

These are services the Council provides for other organisations, or services other organisations provide for the Council.

Amortisation

The process of charging capital expenditure, usually on intangible fixed 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 Income and Expenditure account and revenue or capital reserves.

Area Based Grants

A non-ringfenced general grant with no conditions on use imposed as part of the grant determination ensuring full control over how the funding can be used.

Available-for-Sale assets

Assets that have a quoted market price and/or do not have fixed or determinable payments, or equity shares with no quoted market prices

Average cost

Where goods such as stocks may be purchased at different times and at different prices, an average cost is calculated to give a value to goods held at the balance sheet date.

Balance Sheet

The balance sheet is a summary of an authority's financial position at the year end. It shows the balances and reserves at an authority's disposal and its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on fixed assets held.

Budget

A statement of the Council's expected level of service and spending over a set period, usually one year.

Capital Adjustment Account

The Capital Adjustment Account is made up of amounts set aside from revenue resources or capital receipts to pay for spending on fixed assets or for repaying external loans and certain other capital financing transactions.

Capital Assets

See Fixed Assets.

Capital charge

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

Expenditure on the acquisition of a fixed 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 Authority 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 Income and Expenditure Account 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 & 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 and historic buildings).

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.

Constitution

The fundamental principles by which the Council operates and is governed.

Contingencies

Sums set aside to meet either the potential costs of activities expected to occur during the year, over and above those costs included in the services budgets (pay and price), or items which are difficult to predict in terms of financial impact or timing (uncertain items).

Corporate and Democratic Core

Corporate and Democratic Core represents costs associated with democratic representation and management and corporate management. Democratic representation and management includes all aspects of Members' activities. Corporate management concerns the cost of the infrastructure that allows services to be provided and the cost of providing information that is required for public accountability. Such costs form part of total service expenditure, but are excluded from the costs of any particular service.

Corporate Governance

The authoritative rules and controls in place within an organisation required to promote openness, inclusivity, integrity and accountability.

Council Tax

The means of raising money locally to pay for local authority services. This is a property based tax where the amount levied depends on the valuation of each dwelling.

Council Fund / General Fund

The Council's main revenue fund to which all revenue receipts are credited, and from which revenue liabilities are discharged. The movement on the fund in year represents the excess of income over expenditure once notional charges and credits have been replaced by the amounts required to be funded from Council Tax.

Creditors

Amounts owed by the Council for goods or services that it has received but for which payment had not been made by 31 March 2010.

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 (FRS 17 term)

Employer pension contributions charged during the year have been removed from the Income and Expenditure Account and replaced with an amount (i.e. current service cost) which reflects the increase in the scheme liabilities expected to arise from employee membership of the Scheme in the year of account.

Debtors

Amounts owed to the Council at 31 March 2010, 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 Income and Expenditure Account 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 fixed asset, whether arising from use, age or obsolescence through technological or other changes. There are different ways to attribute the cost of the asset over its economic life, of which the most common are the straight line method and the reducing balance method.

- Straight line depreciation method – the useful life of the asset is estimated, for instance at 3 years for IT equipment or 5 years for a vehicle, and the cost of the asset is divided equally over that number of financial years.
- Reducing balance method – the value of the asset is reduced by a fixed 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.

Discretionary Benefits

Retirement Benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers.

Earmarked Reserves

These reserves represent monies set aside that can only be used for a specific usage or purpose.

Effective Interest Rate

The rate of interest that would discount expected cash flows throughout the life of the financial instrument down to the fair value of the asset calculated at initial measurement.

Emoluments

All sums paid to or receivable by an employee and sums due by way of taxable expense allowances.

Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional Items

Items that derive from the ordinary activities of the authority and are material in terms of the authority's overall expenditure but not expected to recur frequently or regularly.

Expected Return on Assets (FRS 17 term)

The average rate of return expected on the actual assets held by the scheme.

Extraordinary Items

Material items possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction between unrelated parties.

Finance Lease

An arrangement whereby the owner of an asset (the lessor) accepts a rental in return for allowing another party (the lessee) use of an asset for a specified period, such that the 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.

Fixed 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.

General Fund

The total amount held in Council Fund and Schools' balances.

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 credited to the Capital Grants and Contributions Deferred Account.

Government Grants Deferred

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution should be credited to the government grants-deferred account and written off in the service revenue account over the useful life of the asset to match the depreciation of the asset to which it relates.

Impairment

A reduction in the value of a fixed asset arising from physical damage to the asset, dilapidation or obsolescence.

Income

Amounts which the Council receives, or expects to receive, from any source. Income includes fees, charges, sales, capital receipts, government grants, the precept on Council Tax collection funds, Revenue Support Grant and National Non-Domestic Rates.

Income and Expenditure Account

This Account sets out the income and expenditure for all the Council's functions for the financial year, according to the Best Value Accounting service expenditure analysis.

Infrastructure

The Council's network of roads, pavements and bridges.

Infrastructure assets

Fixed assets that 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 Fixed Assets

Expenditure incurred on those fixed 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 (FRS 17 term)

A financing charge reflecting the increases in the present value of scheme liabilities.

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.

Landfill Allowance Trading Scheme (LATS)

The scheme allocates tradable landfill allowances to each waste disposal authority in England and authorities can buy, sell or carry forward landfill allowances depending on usage requirements.

Loans and receivables

Assets that have fixed or determinable payments but are not quoted in an active market.

Local Authority Business Growth Incentive Scheme (LABGI)

The Local Authority Business Growth Incentives Scheme (LABGI) provides an incentive for local authorities to promote economic growth in the area by allowing them to retain a proportion of any increase in business rates revenues.

Local Public Service Agreement (LPSA)

Government initiative whereby demanding performance targets are set to deliver improvements for local people through partnerships with District Councils and other organisations.

Long Term Borrowing

The main element of long term borrowing comprises loans that have been raised to finance capital expenditure projects.

Market Value

The monetary value of an asset as 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.

National Non-Domestic Rate (NNDR)

The replacement for non-domestic rates, which were previously set by individual local authorities. The government now levies a standard rate on all properties used for commercial purposes and cannot increase it by any more than the Retail Price Index. The rates are collected on behalf of the government by Councils, and are then redistributed nationally on the basis of resident population.

Net Book Value

The amount at which fixed 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 the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current 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 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.

Non Operational Assets

Fixed assets held by the Council which are not currently used in the provision of Council services.

Operating Lease

An arrangement similar to a finance lease but where the risks and rewards associated with ownership remain with the lessor.

Operational Assets

Fixed assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Cost (FRS 17 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 2009-10 that related to goods and services not received until 2010-11.

Prior Year Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental 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 (FRS 17 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 2009-10 relating to goods or services delivered in 2010-11.

Related Party

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

Reserves

Specific amounts set aside for future policy purposes or to cover contingencies. There are two types of reserve: those available to meet current expenditure, and those 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 fixed 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 & services.

Revenue Expenditure Funded from Capital under Statute

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 fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax.

Revenue Support Grant (RSG)

Central Government grant support towards local government expenditure.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Section 151 Officer

The Officer designated to assume overall responsibility for the administration of the financial affairs of the Council and for the preparation of the Council's Statement of Accounts.

Service Concession

An arrangement under which the Council passes to a third party an obligation to deliver a service to the public on its behalf. Organisations delivering services under a service concession arrangement are effectively doing so as an extension of the Council so any assets employed by them to deliver the contracted services are reported on as if they were the Council's own. This is commonly the case for Private Finance Initiative contracts.

Settlements and Curtailments (FRS 17 term)

Settlements are liabilities settled at a cost materially different to the FRS 17 reserve during the year. Curtailments represent the cost arising from early payment of accrued pensions in respect of any redundancies during the year.

Slippage

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

Statement of Movement on the General Fund Balance

This statement reconciles the outturn on the Income and Expenditure Account to the General Fund balance.

Statement of Total Recognised Gains and Losses (STRGL)

This statement summarises all the gains and losses incurred in the financial year 2009-10 and measures the movement in the balance sheet net worth.

Stock

Raw materials and consumable goods bought but not yet used at the end of the accounting period.

Surplus

The remainder after taking away all expenditure from income.

Tangible Fixed Assets

Fixed assets which have physical substance and which yield benefits to the Council for a period of more than one year.

Unapportionable Central Overheads

These are overheads for which no user now benefits and should not be apportioned to services.

Useful life

The period over which the local authority will derive benefits from the use of a fixed 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.