Cheshire West & Chester Council

Statement of Accounts

2016-17

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Cheshire West and Chester

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Narrative Report

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

The narrative report is structured as follows:

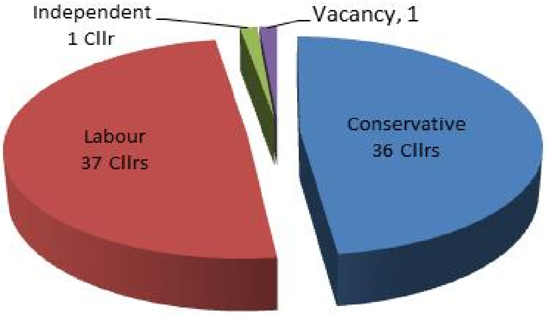
1. About Cheshire West and Chester
2. Strategic priorities
3. Key achievements
4. Summary of financial performance
5. Main issues from the 2016-17 accounts
6. Explanation of the financial statements

1. About Cheshire West and Chester

Cheshire West and Chester is a unitary authority with a population of 333,900 and covers 350 square miles. The borough is located in the North West of England and includes the historic city of Chester and the industrial and market towns of Ellesmere Port, Frodsham, Helsby, Malpas, Neston, Northwich and Winsford. About a third of the population lives in rural areas.

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

The Council is a politically-led organisation and has adopted a Leader and Cabinet model. It has 75 elected members representing 50 wards across the Borough. The current political make-up of the Council is shown below. The vacant Councillor position was filled in April through a local by-election and won by Labour.



2. Strategic Principles and Priorities

Cheshire West and Chester Council is an innovative organisation that seeks to pioneer new and improved ways of delivering services. As an ambitious Council we are determined to deliver the best possible services, improve the quality of life for all residents and help to tackle disadvantage.

Cheshire West and Chester Council has developed and launched a new plan for 2016-2020 called 'Helping the Borough Thrive'. The Council Plan sets out the Council's vision, what it wants to achieve, and the way its staff will work. The plan is structured through ten outcomes across the three key focus areas of Residents, Communities and Economy.

Thriving Residents

- All of our families, children and young people are supported to get the best start in life
- Vulnerable adults and children feel safe and are protected
- Older people and vulnerable adults are compassionately supported to lead fulfilled and independent lives

Thriving Communities

- Cleanest, safest and most sustainable neighbourhoods in the country
- Good quality and affordable housing that meets the needs of our diverse communities
- Vibrant and healthy communities with inclusive leisure, heritage and culture opportunities
- Our resources are well managed and reflect the priorities of our residents

Thriving Economy

- People are well educated, skilled and earn a decent living
- A great place to do business
- A well connected and accessible borough

The Council Plan is fully joined-up with other key plans and strategies across the borough. The plan has been developed alongside the four year budget plan to ensure that resources are in place to deliver the ten outcomes.

Financial Scenario

In common with all Local Authorities, Cheshire West and Chester needs to manage a situation where the costs and demands of services are growing but the amount of funding available is reducing. Since the Comprehensive Spending Review of 2010 Central Government funding to the Council has significantly reduced and it is expected that by 2020 all discretionary spend by the sector will be 100% reliant on locally generated income. Against this backdrop the Council needs to manage growing demand for services, inflationary pressures, a need to invest in the local economy to promote growth and a desire to continually improve services. The gap resulting from reduced government funding and increasing expenditure is expected to be around £42.6m for the period 2017 to 2020.

A three year plan to bridge the £42.6m funding gap has been produced but with careful consideration of the impact of any decisions on the ten priorities outlined in the Council Plan. The key areas that have been considered are:

- Reviewing future service provision within the context of the impact the service makes to the Council's stated outcomes and the optimum delivery mechanism to secure savings and continue to have a positive impact on the outcome;
- Opportunities for delivering savings by sharing with others and working across partner boundaries;
- Identifying the growth opportunities that exist within the Borough;
- Identifying the opportunities available to the Council owned Companies;
- Opportunity for reducing inequality across the Borough.

3. Key achievements

The following table highlights the key areas of Council performance:

Thriving Residents	
• All of our families, children and young people are supported to get the best start in life	• Continued take up of free early education for eligible 2 year olds in the top 30% of deprived areas has been averaging over 100% (taking population changes into account) in 2016-17 • 348 complex families achieved a significant and sustained positive outcome • Public Health services focused on prevention supporting residents to stop smoking, improved flu vaccination rates in high risk groups and helping children achieve a healthy weight • There has been a rise in the proportion of people engaged with weight management services achieving at least a 5% weight loss, up from 31% in 2015/16 to 56% in 2016-17 • The latest smoking data shows that 13.1% of adults are currently smoking, a drop of over 6 percentage points and over 5 percentage points below target.
• Vulnerable adults and children feel safe and are protected	• Looking after 484 children in care • The number of Care Leavers living in suitable accommodation reported at 97% against the target of 90% and against the latest national average of 81%.
• Older people and vulnerable adults are compassionately supported to lead fulfilled and independent lives	• The number of carers given information, advice or signposted to other universal services was 897 against a target of 730 • Proportion of adults with a learning difficulty who live in their own home or with their family has fallen slightly to 82.9% • There has been a reduction of almost 100 cases of long-term support needs being met by admission to residential/nursing care homes in 2016-17, with a full year total of 433
Thriving Communities	
• Cleanest, safest and most sustainable neighbourhoods in the country	• Neighbourhood plans to ensure local developments reflect local priorities – 10 plans have been introduced 8 this year for Helsby, Hartford, Tarporley, Neston, Kelsall, Norley, Broxton and Malpas and Overton along with the 2 from last year (Tattenhall Parish Council and Winsford Town Council) In May 2017 Whitegate & Marton was adopted and support has been given for a further 15+ communities • Levels of household waste per Kgs is projected to be 465kgs against a target of 435kgs • Exceeded targets within all four elements of 'cleaner streets' criteria – litter, fly tipping, graffiti and fly-posting.
• Good quality and affordable housing that meets the needs of our diverse communities	• Disposing or utilising surplus land and buildings and using the proceeds to invest in roads, leisure services, Housing and culture. • Our housing building programme has seen the start of construction at Woodford lodge for 130 homes of which 20 are shared ownership. 45 affordable homes in Ellesmere Port and a further 55 across various sites in the borough • 150 empty homes brought back into use

	• Preventing 2,258 cases of homelessness. This includes preventions through SAFE (adaptations for victims of domestic violence) and DHP (discretionary housing payments) • 457 affordable homes have been delivered in 2016/17 against a target of 400.
• Vibrant and healthy communities with inclusive leisure, heritage and culture opportunities	• Storyhouse Cultural Centre was handed over to the Council at the end of March 2017 and opened to the public in May. The £37m development will see the library relocating into the building and will hold a 100 seat cinema, 2 theatres, restaurant and bars where people can come together • Lion Salt Works received the 2016 National Lottery Award for Best Heritage Project • Almost 1.4 million people engaged with their local libraries across the year and this meant that the target set was achieved by over 50,000, with a 70,000 increase on 2015-16. Proportionately, there was an even greater increase in the numbers engaging with museums, increasing by almost 20% in 2016-17.
• Our resources are well managed and reflect the priorities of our residents	• The Council delivered an underspend of £1.5m • Capital expenditure of £97.1m • Providing services to 333,900 residents living in the borough • Handling 168,000 tonnes of waste • Maintaining 1,400 miles of roads.
Thriving Economy	
• People are well educated, skilled and earn a decent living	• Educating over 35,000 pupils in maintained schools • The number of carers in education, employment or training is slightly above the target set for 2016-17 at 58% • The percentage of working age population with NVQ level 3 or equivalent or above is 55.3% against at target of 59% and the direction of improvement continues • Continuing to support local people into local jobs and negotiating with new employers to guarantee a strong percentage of jobs for local people. This helped reduce our unemployment to below national level.
• A great place to do business	• The increase in jobs created and safeguarded in local businesses in the year was 3,478 • The number of unemployed is approximately 4%.
• A well connected and accessible borough	• Superfast broadband availability is currently running at 91.7% of premises able to access the facility • Fewer killed or seriously injured road traffic casualties – the overall figure of 128 is a significant improvement against the baseline of 182 • The condition of the road network indicator reports an improved picture this year, with a smaller percentage of the network requiring structural maintenance.

4. Summary of financial performance

Revenue Expenditure

The Statement of Accounts sets out the Council's spending and funding in line with accounting requirements. The Council measures financial performance against planned activity in the form of the Council's management accounts. In 2016-17 the Council reported an underspend of £1.5m against planned activity of £274.9m and achieved £14m of savings. The table below reflects the final budget for 2016-17 and actual income and expenditure against it.

2016-17 Revenue Budgets	Budget £m	Actual £m	Variance £m
Children's services	46.5	47.7	1.2
Adult social care and health	105.4	106.9	1.5
Places	59.3	58.8	-0.5
Corporate services	29.9	28.9	-1.0
Capital Financing	23.1	23.1	0.0
Other	10.7	8.0	-2.7
Total Net Spend	**274.9**	**273.4**	**-1.5**

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

The presentation above reflects how costs are categorised, monitored and managed within the Council. The Accounts report the same expenditure and income but in a different format to comply with statutory external reporting requirements. This incorporates additional costs such as depreciation or changes in the value of property which, under regulation, is not chargeable to usable reserves in the year. The impact of including such costs in the Accounts is set out in Note 2 to the accompanying statements.

Capital Expenditure

The capital programme supports the Council's wider objective to deliver services and support economic growth. In 2016-17 the Council invested £102.5m through its capital programme against a budget of £113.5m. The programme made good progress in year, achieving a delivery rate against plan of 90%.

In addition to the expenditure incurred in the Capital Programme there is also £2.4m of expenditure relating to finance leases, donated assets and PFI expenditure which can be treated as capital. In total £104.9m was spent, of which £97.1m was capitalised and added to the value of the assets on the Council's balance sheet. The remainder was charged to the Income and Expenditure Statement as it was either in support of assets that are not in direct Council ownership (£7.7m) or did not add value to the capital assets (£0.1m).

The table below analyses the expenditure that has been capitalised.

Capital Investments	**Capitalised £m**
Development of cultural assets	14.4
Highways and transport infrastructure	24.7
ICT Infrastructure	3.1
Improvements to Council Housing	10.2
Improvements to Housing	0.4
Investment in leisure facilities	1.0
Investment in school buildings	9.7
Property Management	5.3
Regeneration programmes	24.8
Others	3.5
Total Net Spend	**97.1**

The funding sources for the capitalised assets is summarised below:

Funding of capitalised costs	**2016-17 £m**	**2016-17 %**
Use of cash/borrowing	39.1	40.2
Government grants	29.4	30.3
Capital receipts	8.8	9.0
Major repairs reserve	9.1	9.4
External contributions	0.7	0.7
Revenue funding	4.4	4.5
Other reserves	3.6	3.7
Finance Lease/PFI	2.0	2.2
Total	**97.1**	**100.0**

Balance Sheet

The Council's balance sheet demonstrates a strong financial position at the end of 2016-17 with a net asset value of £684.6m, a £55.8m decrease from last year.

Long Term Assets

	2016-17 £m	2015-16 £m
Property, plant & equipment	1236.4	1096.4
Heritage Assets	28.9	72.7
Investment Properties	120.1	131.1
Intangible Assets	0.5	0.4
Investments	0.1	0.4
Debtors	7.9	2.9
	1393.9	**1303.9**
Overall change	**90.0**	

Changes to Long Term Assets	£m
Capital expenditure	97.1
Valuation changes	37.0
Loans/Shareholdings	4.7
Increases in value	**138.8**
Depreciation/amortisation	-40.0
Disposals	-7.8
Reclassification	-1.0
Reductions in value	**-48.8**
	90.0

The £90m increase in Non-Current Assets is primarily due to investment of £97.1m in new/enhanced assets and increases in asset valuations of £37m. These are offset by £47.8m of depreciation and disposals.

Current Assets / Liabilities

	2016-17 £m	2015-16 £m
Investments	30.0	45.0
Assets Held for Sale	2.5	1.9
Debtors	49.9	47.9
Cash balances	26.0	28.0
Other	0.3	0.1
Current Assets	**108.7**	**122.9**
Creditors	-104.4	-95.1
Borrowing	-13.3	-17.5
Provisions	-2.4	-1.3
Current Liabilities	**-120.1**	**-113.9**
	-11.4	**9.0**
Overall change	**-20.4**	

Changes to Current Assets and Current Liabilities	£m
Trf fixed term deposits	0.0
Other cash movements	-2.0
Cash management	**-2.0**
Trf of cash from fixed term deposits	-15.0
Tfr from Long Term Assets	2.3
Tfr from Long Term Liabilities	4.3
Reclassifications	**-8.4**
Increase in outstanding debt	2.0
Borrowing / Repaid	-0.1
Increase in amounts owing	-10.4
Disposal of assets held for sale	-0.2
Other movements	-1.3
Relations with third parties	**-10.0**
	-20.4

The most significant change in current assets and liabilities relates to the £10m increase in third party balances plus £15m of reduction in investments to fund capital expenditure. These increases are in line with expectations and a significant proportion of this reflects the planned use of cash balances to fund capital expenditure of £36m in year for Barons Quay and Storyhouse Cultural Centre developments.

Long Term Liabilities

	2016-17 £m	2015-16 £m
Long Term Borrowing	-288.4	-287.5
Net Pension Liability	-349.3	-226.9
PFI/finance leases	-30.9	-32.7
Long Term Creditors	-0.6	-0.8
Provisions	-13.5	-14.1
Capital Grant Receipts	-15.2	-10.4
	-697.9	**-572.4**
Overall Change	**-125.5**	

Changes to Long Term Liabilities	£m
Tfr to current liabilities	-3.8
Settlement of liabilities	13.9
Change in pension liability	-122.4
Reductions in liabilities	**-112.3**
New Loans	-0.8
New leases	-1.7
New provisions/creditors/RIA	-10.7
Pension Guarantee	0.0
Recognise new liabilities	**-13.2**
	-125.5

The only significant change in long term liabilities is an increase in the Council's net pension liability of £122.4m. This reflects a worsening in the actuary's expectations of the pension schemes regarding future asset returns. Further details of the pension schemes are provided in Note 43.

Reserves

The £56m decrease in the Council's net worth set out above results in a £5.4m increase in usable reserves and an £61.4m decrease in unusable balances. This reflects the fact that the majority of the loss is due to changes in pension and property revaluations and therefore impacts on the unusable reserves.

5. Main issues impacting on the 2016-17 accounts

There have been a number of developments in 2016-17 which have influenced the presentation of the 2016-17 Accounts and the reported financial position of the Council:

- Impact of major redevelopment projects
- Better Care Fund
- Changes in pension estimates
- Group accounts
- Government funding reductions

Impact of major redevelopment projects

The Council has made significant progress in relation to its regeneration projects. In particular the progress on Barons Quay in Northwich has resulted in capital expenditure of £22.3m in 2016-17. This is also reflected in the Council's cash balances where borrowing that had been undertaken in prior years to fund the Barons Quay development is now being utilised.

The Storyhouse Cultural Centre which opens in May 2017 was handed over to the Council in March; the capital expenditure in the year on this project amounted to £13.7m. Overall the Council has invested £37m on the development of the cultural centre.

Better Care Fund

The Better Care Fund creates a local single pooled budget (minimum pooling) to enable local authorities and the NHS to work more closely together around people, placing their wellbeing as the focus of health and care services, and shifting resources into social care and community services for the benefit of the people, communities and health and care systems. The Council received £11m from the pooled budget and this was used to fund a number of activities across 13 schemes. Further details are provided in Note 36.

Changes in pension estimates

Due to the scale of the pension assets (£1.3bn) and liabilities (£1.6bn) in the Accounts any changes in assumptions regarding their value can have a large impact on the reported position. In 2016-17 the net pension liability (deficit) reported in the Accounts has increased by £122.4m. The majority of this movement relates to:

- An decrease in the actuary's expectations over the long term rate of return on assets. This value (referred to as the discount rate) is tied to the returns generated on long term government bonds. As these returns have decreased during 2016-17, the actuary has increased the discounted value of the Council's pension liabilities by £259m off-set by a reduction in demographic assumptions of £5m and increase in other assumptions £8.2m.

- The in-year return on investments held by the pension fund has been positive, achieving an average return of 19.1% (2015-16 5.2%) over the 12 months. This exceeded the anticipated returns allowed for last year by £128.7m.

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Group Entities
In 2016-17 no new companies where launched keeping the total number at 12. The group accounts this year will see a full years trading of Edsential CIC. Further details about all companies consolidated into the group can be found in Note 47.

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

As of the 1st April 2016 CoSocius Ltd became dormant and the company staff were tuped to the Council and Cheshire East who are now providing the services previously under CoSocius.

Government Funding Reductions
Central government funding reduction continues to have a significant impact on the Council. In 2016-17 the Revenue Support Grant reduced by £14m. In order to set a balanced budget the Council identified net savings proposals of £7.3m in 2016-17.

These funding reductions will continue and as previously mentioned a funding gap of £42.6m is anticipated over the next three years. The Council has however developed a budget plan for this period and is well placed to bridge this gap.

6. Explanation of the financial statements

The Statement of Accounts sets out details of the Council's income and expenditure for the financial year 2016-17 and its Balance Sheet as at 31 March 2017. These statements cover the General Fund, the Collection Fund, Housing Revenue Account and the Pension Fund.

Core Financial Statements reflect Council activities including maintained schools:

- **Movement in Reserves Statement (MIRS)** shows the movement in year on reserves held by the Council, analysed into 'usable' reserves and 'unusable' reserves. The statement shows the true economic cost of providing the authority's services and how those costs are funded from the various reserves held.
- The **Comprehensive Income and Expenditure Statement (CIES)** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
- The **Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets are matched by reserves held by the authority.
- The **Cash Flow Statement** shows the changes in cash and cash equivalents of the Council during the reporting period.
- The **Notes** to the Core Financial Statements provide more details about the Councils accounting policies and items contained in the statements.

Supplementary Financial Statements:

- **The Statement of Responsibilities for the Statement of Accounts** explains the Council's responsibilities and the responsibilities of the S151 Officer.
- **The Annual Governance Statement** comprises the systems and processes that enable the authority to monitor the achievement of its strategic objectives. This includes the system of internal control used to manage risk. It sets out the main features of this system and its effectiveness.
- The **Housing Revenue Account** is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants.
- The **Collection Fund** is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.
- The **Group Accounts** provide details of the Council's overall financial interests including consideration of its interests in other companies and how their value has changed over the year.
- The **Pension Fund accounts** summarise the income and expenditure and the Balance Sheet position as at 31 March of the Cheshire Pension Fund, which is administered by Cheshire West and Chester Council.

Statement of Responsibilities for the Statement of Accounts

Our responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Corporate Services 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 06 September 2017.

Date: 06 September 2017

Signed by:
Councillor Stephen Burns
Chair of Audit and Governance Committee

The Chief Finance Officer's responsibilities

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

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

This Statement of Accounts presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2017.

Date: 06 September 2017

Signed by:
Mark Wynn
Director of Corporate Services

Cheshire West and Chester

Annual Governance Statement 2016-17

1. Scope of Responsibility

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

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

Cheshire West & Chester Council has during 2016-17 reviewed its Code of Corporate Governance, which is consistent with the latest principles of the CIPFA / SOLACE Framework "Delivering Good Governance in Local Government". This statement explains how Cheshire West & Chester Council has complied with the Code and also meets the requirements of regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 which requires all relevant bodies to prepare an annual governance statement. The revised Code is currently subject to review and sign off by senior management and Audit and Governance Committee before it is formally adopted.

2. The purpose of the governance framework

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

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

The governance framework has been in place at Cheshire West & Chester Council for the year ended 31 March 2017.

3. The governance framework

Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

- The Council has worked to identify the outcomes which citizens believe are most important through consultation. The outcomes derive from a widespread and thorough consultation programme with local residents and stakeholders undertaken in 2015-16 to identify their priority outcomes.

- These findings informed the shaping of the Council's four year budget, and feedback was provided on individual budget proposals.

- The findings also informed the development of a new Council Plan; this Plan was developed through the feedback from this consultation, the identified needs of our communities and our known areas of improvement. The new Council Plan for 2016-2020: *Helping the Borough Thrive* was approved at Full Council on 25 February 2016.

- To support the delivery of the ten outcomes contained in the Council Plan individual Outcome Plans have been created with more specific information on milestones, targets and performance reporting. These outcomes are refreshed on an annual basis to take into account latest local and national developments.

- The Health and Wellbeing Strategy for 2015-2020 was formally approved by Members of the Health and Wellbeing Board in August 2015. The Health and Wellbeing Board is a statutory committee created through the Health and Social Care Act 2012 to promote the economic, environmental and social well-being of the area and improve integrated working between all sectors, particularly public service agencies. This Strategy is a legal requirement of the Board and outlines the priorities that partner organisations are committed to in order to improve the physical and mental wellbeing of residents in the Borough.

- The Health and Wellbeing Strategy includes the following priorities: Starting Well, Living Well, Mental Health and Wellbeing, and Ageing Well and has a number of high-level outcomes identified under each. Appendix 2.0 of the Council Plan illustrates how these two documents have been aligned.

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

- Elected Members are collectively responsible for the governance of the Council.
- The Council Plan focusses on ten cross cutting outcomes set out in a series of Better Outcomes Plans, agreed with Members, and the delivery of which will be the responsibility of the senior leadership team in 2017-18.
- The Authority has reviewed its Code of Corporate Governance during 2016-17 to ensure it reflects the latest guidance and best practice led by the Director of Governance. It is subject to review and sign off by senior management and Audit and Governance Committee before it is formally adopted.
- Following the adoption of the Council Plan in February 2016 some changes to the committee structure were introduced in 2016-17 to ensure appropriate scrutiny is in place to support the governance arrangements and development of local responses on the Council's progress in delivering the Council Plan. As a result the Council now has three Overview and Scrutiny Committees and the terms of reference and work plans for the District Advisory Panels, introduced in 2015, were agreed in 2016-17 and became operational.

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

- For each of the ten objectives that are contained in the Council Plan 2016-20 an individual Outcome Plan has been developed by the appropriate Director as 'outcome owner'. These plans have been developed to provide further information and detail on the evidence base, milestones, timelines and targets in delivery for each of the priority outcomes.

- These plans were developed in early 2016 following engagement with Policy and Performance Panels. They are refreshed on an annual basis. These plans include annual targets for service improvement through to 2020.
- In November 2016 and March 2017 the Council undertook an exercise to measure its reputation with residents by conducting approximately 1,000 face to face street interviews in various locations across the borough. Results have been benchmarked against the Local Government Authority's national reputation tracker survey and will be used to provide insight to the leadership team for decision making and to set targets within Service outcome plans.
- A residents' survey, called 'Your Voice Matters' was developed in 2016-17 and conducted during February 2017. The survey aimed to gather residents' views across a range of issues to help the Council monitor its performance against key plans and strategies and to shape future services. Over 3,700 surveys were completed and the results are being analysed to provide a wealth of information regarding residents' perceptions of the Council and local issues. The results of the survey will be made public and shared with Councillors through the Performance Management Framework.
- Budgets and performance continue to be subject to critical business challenge sessions and are subject to regular monitoring and reporting. The Medium Term Financial Plan and Financial Strategy sets out the Council's approach in managing resources to meet Key Pledges and ensuring Value for Money.
- The Council values of THRIVE (Teamwork, Honesty, Respect, Innovation, Value for Money and Empowerment) are contained within the Council Plan, and are incorporated in Human Resource processes, including the recruitment of new staff and appraisals.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and Officer functions, with clear delegation arrangements and protocols for effective communication

- The Council has adopted a Constitution which sets out how the Council conducts its business and how decisions are made. The Council has adopted a Leader / Cabinet model with nine Members on the Cabinet, each responsible for a designated portfolio. Responsibilities of the Cabinet include the Council's budget, decisions on expenditure, the Council's financial affairs, and new policies.
- The Authority operates with three Overview and Scrutiny Committees, responsible for the review and scrutiny of the Council, the Cabinet and its Partners. The scrutiny committees' structure comprises the Cheshire West and Chester Overview and Scrutiny Committee, chaired by the Council's independent Member; a People Overview and Scrutiny Committee dealing with adults' and children's services and public health; and a Places Overview and Scrutiny Committee dealing with items relating to the delivery of place based services including environment, localities, regeneration and growth.
- In 2015-16 the Council trialled a wider membership of the statutory Health and Wellbeing Board than is required by statute, to build closer relationships with strategic providers of health services in the Borough such as the NHS Countess of Chester Foundation trust, NHS Mid-Cheshire Hospital Foundation Trust and NHS and Wirral Partnership Trust. This was formalised in 2016-17.
- The Constitution records the roles and responsibilities of the Chief Executive, the Section 151 Officer and the Monitoring Officer, together with a protocol for Officer / Member relations.

- Decision making arrangements delegated to Officers are recorded in the Scheme of Delegation, with evidence of appropriate authorisation being retained locally.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff

- The Codes of Conduct for Officers and for Members are recorded in the Constitution. The Codes are communicated through induction, briefings and training and are available on the intranet.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

- The Council has a Financial Code of Practice. Financial approval limits for Officers are recorded in the Schemes of Financial Delegation. These are prepared on a Directorate basis and have been updated during 2016-17.
- The Council's approved Risk Management Strategy seeks to embed the management of risk and opportunities in all Council business and activity. To this end Risk Registers are monitored through quarterly Holistic Reporting of performance.
- Revised Contract Procedure Rules were introduced in 2015-16 to take into account changes in legislation and reflect best practice. The Council's Cheshire West and Chester Overview and Scrutiny Committee will review the effectiveness of the changes in May 2017.
- The Council's Finance Procedure Rules were reviewed in 2016-17 to ensure they remain fit for purpose and enable effective and timely decision making. Changes were made to approval levels and limits and additional information was added to aid clarity and to reflect new operational practices; the changes will be rolled out in 2017-18.

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

- The Authority has an established Audit & Governance Committee. The Committee has responsibility for risk management and corporate governance; the Council's Constitution in respect of contract procedure rules; financial regulations and codes of conduct; the Authority's annual governance statement; the annual statement of accounts, and receipt of reports and information from Internal and External Audit.
- As part of the review of effectiveness, a self-assessment of the Audit & Governance Committee has been undertaken and used to inform the preparation of this statement.
- The Standards Complaints Panel reported to Audit and Governance Committee during 2016-17. The Annual Standards Report for 2014-16 was also presented to Audit and Governance Committee during 2016-17.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

- There is a Report Clearance Protocol that must be followed by Officers when reporting to Members, which ensures that reports are subject to legal and financial review.
- The Council's Internal Audit function is required to examine, evaluate and report on the adequacy and effectiveness of internal control, risk management and governance

arrangements operated throughout the Authority, in accordance with the Internal Audit Charter and Plan. All recommendations made are followed up to ensure they have been implemented.

- The Head of Internal Audit produces an annual report and provides an “Internal Audit Opinion” on the overall adequacy of the Authority’s framework of governance, risk management and control, in accordance with the Public Sector Internal Audit Standards.

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

- The Authority has in place an Anti-Fraud & Corruption Strategy, a Whistle-blowing Policy and an Anti-Money Laundering Policy.
- Complaints, compliments and suggestions can be made at Council offices and submitted online. The information is received by a dedicated Information Governance Team, to ensure that all complaints are appropriately logged, investigated and resolved.

Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training

- The Authority has in place a Member Development Strategy and a Policy Development Plan which informs Member training. The Strategy was formed using information obtained from Members during their Performance Development Plans that were undertaken in 2015, following the local elections, by North West Employers.
- All Members will be offered the opportunity to undertake a new Personal Development Plan in 2017, the interviews will be undertaken by North West Employers again and the new outcomes will form the basis for the 2017-18 Member Training Plan.
- The Authority currently has in development a bespoke online training programme for Members; the online training suite will be made available in 2017 and will be reviewed and developed in line with Members’ requirements. The opportunity to deliver online training will assist those Members who find it difficult to attend training sessions due to other commitments and will reduce the cost of hiring rooms, refreshments and external trainers.
- The Authority has in place a Core Competency Framework and appraisal process for Officers. This is linked to Contribution Related Reward and a moderation system is in place to ensure the process is fair and managed appropriately.

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

- The Authority has a communication strategy that is an audience-led and outcome-focused approach that supports the Council Plan.
- Channels of communication include the Council website, the Your West Cheshire website, social media channels and the Talking Together Magazine.
- Decisions taken by Members are minuted and are available for public inspection and meetings are open to the public and are regularly available via web broadcast.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission’s report on the governance of partnerships, and reflecting these in the authority’s overall governance arrangements

- Collaborative working arrangements are covered specifically within the Council's Constitution, including a requirement for arrangements to be recorded in writing.
- Any such arrangements involving participation in or creation of a separate legal entity or acting as accountable body require approval at director level, including Director of Corporate Services. The authorisation for collaboration arrangements depends on the Council's contribution and compliance with corporate objectives.
- Governance arrangements for Shared Services are monitored and managed by the Shared Service Joint Committee and the Joint Officer Board.
- During 2015-16 a review explored the duplication between the Health and Wellbeing Board, the West Cheshire Strategy Board, and the Public Service Reform Board. Following the recommendations of this review the membership of the Health and Wellbeing Board was extended to include representatives from the wider determinants of health, Cabinet members from broader portfolios, and representatives from providers of local healthcare services. Following the successful operation of a 'test period', the Board revised its terms of reference in 2016 to reflect the wider membership.

4. Review of effectiveness

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

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

Corporate / Management Assurance
The Senior Leadership Team has overall responsibility for the vision and culture of the organisation.

The Chief Executive, Deputy Chief Executives and statutory Officers meet on a weekly basis as part of the Corporate Leadership Team (CLT). One week out of four they review major projects, performance and delivery of financial plans. In addition, the whole Senior Leadership Team, which includes all Service Directors, meets on a weekly basis to provide further assurance.

A number of officer groups operate across the Council, responsible for the governance of specific areas of risk. These include the following:

- Information Governance Strategy Group
- Capital Strategic Board
- Joint Officer Board
- Strategic Assets Board
- Statutory Officers Group

The Director of Governance is responsible for overseeing changes to the Constitution.

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

The Internal Audit team distributed Statements of Assurance and attended Directorate / Service Management Team meetings, seeking confirmation that a robust system of internal control and governance had been in place and working effectively in Services during 2016-17. This work included the identification of significant governance issues and the follow up of issues raised in the previous Annual Governance Statement. Statements of Assurance have been completed and returned from each Service Director.

Committee Structure
A Cabinet committee structure was adopted following the May 2015 elections and the appointment of a new Administration. Some changes have been made during 2016-17 to reflect changing priorities. The Council introduced two further Overview and Scrutiny Committees in 2016 and the District Advisory Panels also became operational.

Council
The Council met on six occasions in 2016-17 and received / approved reports, including those relating to the Annual Budget, Financial Performance, Treasury Management Strategy & Annual Report, Housing Management Services Budget (including rent changes), debates on petitions and amendments to the Council's Committee Structures. Agendas and reports are accessible here:
Council meetings

Cabinet
The Cabinet met on ten occasions in 2016-17 and received a number of the reports mentioned above. Additionally they received reports on a range of matters including Community Infrastructure Levy, the development of a Regional Adoption Agency, Special Educational Needs and Disabilities (SEND) Strategy, Local Government Pensions Scheme (LGPS) Asset Pooling and progress updates on major projects. Agendas and reports are accessible here:
Cabinet meetings

Audit & Governance Committee
The Audit & Governance Committee met on five occasions during 2016-17 and received / approved reports including those related to the Internal Audit Plan, Internal Audit Plan Progress Reports and the Annual Report, Treasury Management updates, External Audit Plan and Progress Reports, Statement of Accounts and outside body appointments.

The Standards Dispensation Panel met once to consider dispensations for Members to debate even when they had potential conflicts of interest so they could contribute to the Budget setting in February 2017.

The Audit & Governance Committee completed the self-assessment against the CIPFA checklist on measuring the effectiveness of the Audit Committee as set out in the Practical Guidance for Local Authorities and Police published in December 2013. This self-assessment first took place in 2014/15 and identified four actions to improve the effectiveness of the Audit & Governance Committee. As a result the terms of reference of the Committee were updated and a report on the activity and effectiveness of the Committee is now produced on an annual basis. With facilitation from the Council's Organisational Development and Workforce Manager further work has been undertaken in 2016-17 to address the remaining two actions and it is anticipated that the results will be reported back to Audit & Governance Committee in 2017-18. The self-assessment has been re-performed for 2016-17 and no further actions have been identified. Agendas and reports are accessible here:
Audit & Governance Committee meetings

Overview & Scrutiny Committee
The Authority has three Overview and Scrutiny Committees – Cheshire West and Chester Overview and Scrutiny Committee; People Overview and Scrutiny Committee and Places Overview and Scrutiny Committee.

The Cheshire West and Chester Overview and Scrutiny Committee met on four occasions during 2016-17 and scrutinised items including the Council's Annual Budget; the Business Plans and Performance Reports for the Council Companies; the Review of Council's Financial Performance and Performance Management Reports relating to delivery of the Council's Outcome Plans. The Committee also undertook a statutory review of flooding and has undertaken several in-depth scrutiny reviews throughout the year including: review of the performance framework and review of the Council's Finance and Contract Procedure Rules. Agendas and reports are accessible here:
Cheshire West and Chester Overview and Scrutiny meetings

People Overview and Scrutiny Committee met on six occasions during 2016-17 and its work programme included scrutinising: Council Children and Adult safeguarding reports; Regulatory 41 Visit Reports; Health Partners over the services they provide; any significant changes to their services or contracts and their resources; education attainment and the re-commissioning of the Homelessness Contract. The Committee also undertook two in-depth scrutiny reviews and recommendations were presented to the Committee. Agendas and reports are accessible here:
People Overview and Scrutiny meetings

Places Overview and Scrutiny Committee met on five occasions and its work programme focused mainly on services that affect those who deliver all place based services including environment, localities, regeneration and growth. Their work programme include scrutinising the use of A-Boards in Chester City Centre; Energy and Carbon Reduction Strategy; Highways Term Service Contract; Neighbourhood Planning Process; Major Transport schemes; Managing the night time economy and the statutory scrutiny review of Community Safety Partnership. The Committee also received a report in relation to a Call In on the Redevelopment of Dee House. Agendas and reports are accessible here:
Places Overview and Scrutiny meetings

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

In order to ensure that the Fund utilises its governance budget effectively both the Full Pension Fund Committee and the Investment Sub-Committee have clearly defined terms of reference. The Local Pension Board has an important role in assisting the Administering Authority to ensure the effective and efficient governance and administration of the Local Government Pension Scheme.

The Board is comprised of two Employer representatives (including one Cheshire West & Chester nominated Councillor), two Member representatives and one independent chair (non-voting). The Board meets quarterly to review the Fund's compliance with regulations and the requirements of the Pensions Regulator. The Fund's training programme extends to the members of the Board.

In addition, there is a Pension Consultative Forum (PCF) comprising representatives of the Fund's many employers. The PCF meets four times per year to review performance against the Fund's Administration Strategy and Communications Policy and to assist the Fund in securing compliance with the requirements of the Pensions Regulator.

The Administering Authority's governance arrangements are fully compliant with the Public Service Pensions Act 2013.

Internal Audit

The team completed 86% of the Internal Audit Plan in 2016-17, which equated to 58 audits, 20 of which were issued as formal scored reports. This reflects the increased role played by Internal Audit in an Advisory and Consultancy capacity. The actions agreed in all reports are followed up by Internal Audit to ensure implementation and enhancement of the Council's internal control framework. Overall, 145 Internal Audit recommendations were implemented during the financial year.

The opinion in the Head of Internal Audit's Annual Report is that "the Council has in place a satisfactory framework of governance and internal control which provides reasonable assurance regarding the economic, efficient and effective achievement of its objectives".

External Audit / Other Inspections

The Audit Findings Report was presented to Audit & Governance Committee in September 2016. The external auditor reported an unqualified opinion on the Council's annual accounts for 2015-16, and concluded that the Council has adequate arrangements to secure value for money. The report noted that the Council has proper arrangements in all significant respects to ensure it delivers value for money in use of its resources. The Annual Audit Letter was presented to Audit & Governance Committee in December 2016.

During 2016-17 the Council has had a number of Local Government Association (LGA) peer reviews including dedicated reviews of communications and cultural services. The peer team found that the Council has a good understanding of its leadership role in promoting culture and incorporating it into the Council Plan: *Helping the Borough Thrive*. Cultural services enjoy continuing strong and enduring political cross party support and stakeholders and volunteers are knowledgeable about the cultural strategy and willing to work with the Council to achieve its objectives. The review also made a number of recommendations to support the development of the Services and the cultural strategy. These will be taken into account as the Services move forward.

More recently the LGA conducted a council-wide peer review. This took place in March 2017 and looked at the overall performance of the Council and evaluated its strengths and areas for improvement. The peer review team considered a range of evidence and carried out a four-day on-site evaluation meeting more than 120 staff, councillors and partner organisations. The review focused on three areas: *A council fit for the future*; *Making the most of sub-regional working and devolution*; and *Transforming health and social care*. Initial findings are that the Council has effective leadership, financial management, quality services, devolution deal and relationship with partners. However areas for improvement have been identified in relation to developing further political consensus on priority programmes, considering capacity implications to deliver the ambitious changes associated with integration and devolution, and undertaking further work to better understand the need, demand and outcomes that would be associated with fully integrating health and social care across the borough.

The Authority is subject to other inspection regimes from national regulators such as Ofsted and the Care Quality Commission. The outcome of inspections undertaken in 2016-17 has not identified any significant governance issues within the Council and has been used to inform the Council's quality assurance process. The Council will also be subject to an unannounced SEND inspection by CQC and Ofsted within the next three years following the introduction of a new inspection regime from 1 May 2016 and is subject to Joint Targeted Area Inspections to assess how agencies work together in an area to identify, support and protect vulnerable children and young people.

Significant governance issues

The following governance issues have been identified as 'significant'. Full details of the issues and of the proposed actions to address them are attached and will be addressed in 2017-18 through the action plan attached as Appendix A.

- Deprivation of Liberty Safeguards (DOLS)
- Information Governance
- Significant funding reductions
- Exposure to financial risk from major projects
- Delivery of IT through shared services arrangements

Management is aware of and is taking action to mitigate these significant governance issues.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework and we are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Cheshire West & Chester Council:

Samantha Dixon **Leader of the Council**	**Gerald Meehan** **Chief Executive**
Date 22 June 2017	**Date 22 June 2017**

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

Mark Wynn
Director of Corporate Services
Date 06 September 2017

Appendix A

Significant Governance Issues 2016-17

Issue	Action
1. Deprivation of Liberty Safeguards (DoLS) Under the Mental Capacity Act 2005, the Council has a statutory duty as a Supervisory Body to assess and authorise where a person in care is identified as potentially being deprived of their liberty under Article 5 of the European Convention on Human Rights. Deprivation of Liberty assessments are a statutory duty of the local authority. The Department of Health issued guidance on 28 March 2014 that broadly outlined the impact and stated that local authorities must "review their allocation of resources in light of the revised test given by the Supreme Court to ensure they meet their legal responsibilities." The impact of this has seen a huge increase in demand for the Council in terms of its statutory duty to assess and authorise such cases. Before the judgement the Council would expect approximately 100 of these assessments in a 12 month period, after the judgement this demand is now approximately 2,500 per year. Demand continues to meet that predicted following the 2014 Supreme Court judgement. The Council continues to apply the prioritised approach to meeting this demand set by CLT; which is in line with other local authorities, Association of Directors of Adults Social Services (ADASS) and Department Of Health guidance. In 2015 there was a further change in the law following a case hearing and this duty now also applies to children under the age of 16. Since February 2017 the Council has identified a number of cases involving children under 16 who may be deprived of their liberty. These cases have been identified by the local authority as part of a wider review it is undertaking in relation to all its looked after children with the intention of identifying those cases in which children may be being deprived of their liberty. To date three cases have already had authorisations made by the court and there are a further six cases which are to be issued. In relation to the cases already issued permission was granted under the inherent jurisdiction of the High Court to authorise the deprivation of the child's liberty with a direction for periodic review by the court of the arrangements	The Council has developed a 'triaging system' for dealing with the ongoing increase in DoLS assessments for 2017-18, which involves assessing the most urgent cases based on criteria. This ensures that resources are targeted at the service users most at risk and is in line with the person-centred approach advocated by the Department Of Health. The Council assessed all identified priority cases in 2014-15, 2015-16 and 2016-17. Alongside this the Council has identified cases, separate from DoLS, which require referral to the Court Of Protection i.e. service users who live in supported living projects and their own homes. As a result of this there has been an investment in additional legal and social work resource to meet the statutory requirements in this area. The Court Of Protection work is ongoing with re-assessments undertaken by the patch teams' Best Interests Assessors (BIA). A new priority system will be used, focusing on the 'red' category. DoLS applications to Court will be managed through the DOLS Panel. The arrangements for dealing with DoLS and Court Of Protection cases were audited in 2015-16. An action plan was agreed with Internal Audit and this has been completed other than some actions that are, by their nature, ongoing, such as developing and implementing an updated training plan across 2016-17. The prioritised approach to DoLS continues to be met and reviewed in the quarterly meetings on the Mental Capacity Act/BIA Practitioner Group meeting. This approach is in line with ADASS guidelines and approaches taken by other Local Authorities both regionally and nationally. This consolidates the Council's approach and position ahead of any new legislation in this area, which is now expected in 2019-20. The Council will respond to and make plans to implement new legislation as and when it is finalised.

<table>
<tr><th>Issue</th><th>Action</th></tr>
<tr><td>or were authorised as part of care proceedings.</td><td>A Council policy document in respect of DoLS for under 16’s is being developed by a Policy and Procedure Task & Finish Group which is made up of colleagues from Adults, Education & Children’s Services.

All looked after children within the Learning Disabilities team have been reviewed. The review will now be broadened to cover all looked after children in the Borough to ensure any further cases are identified.

Internal audit will be undertaking further work in this area in 2017-18.</td></tr>
<tr><td>2. <u>Information Governance</u>

Data Protection continues to be a high priority Governance issue in the Council, with work ongoing in 2016/17 on the ICO Audit action plan agreed in January 2015, particularly in relation to data protection governance, records management, awareness/training and data sharing to ensure the Council is better equipped to manage its data appropriately.

Of the 55 actions to take forward from the audit, 80% have been completed by March 2017. The remainder are in progress, and/or have evolved since the plan was agreed, and all remaining activity will now be captured under the work plan preparing the Council for the new General Data Protection Regulation (GDPR) which comes into force in May 2018, and will replace the current Data Protection Act legislation. An officer group has been formed, with additional support from Internal Audit, to take forward the GDPR work plan focussing on the following:
• Communications, briefings and training
• Information mapping & transparency
• Audit project reviewing main Council contracts
• Policy and process review
• Roles and responsibilities review
• Information compliance projects</td><td>The GDPR officer group will report progress to the Information Governance Strategy Group (as a standing agenda item) and the Corporate Leadership team as appropriate.

Work will continue in 2017/18 to increase awareness through training and guidance, strengthen the Information Asset Owners (IAO) network, develop the Information Asset Register and associated risk registers/assurance statements, and audit information flows in and out of Council systems.

The main challenge for 2017-18 will be to ensure that the Council has completed its risk-based preparations for GDPR, and ensured it has the appropriate resources in the right place to respond to the new regulations.

Internal audit will be undertaking further work in this area in 2017-18.</td></tr>
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Issue	Action
3. <u>Significant funding reductions</u> Over the next three years there will continue to be a significant shift in the way in which the Council is funded, resulting in reduced Government funding and an increased reliance on locally generated income in the form of business rates and council tax. The impact of the introduction of 100% Business Rates Retention is still unknown. Over the period 2017-18 to 2019-20 the Council faces a funding gap of £42.6m. This funding gap is being bridged by the generation of additional income of £20.2m and net policy proposals of £19.7m. There remains a shortfall of £2.7m over the period which is considered manageable over that timeframe. The gross savings proposals which need to be delivered over the period 2017-18 to 2019-20 are £32m. The Council has well established processes in place to monitor the delivery of these proposals but delivery of this level of savings will be challenging.	The Council's budget setting process is considered to be robust and all savings proposals are scrutinised prior to being included in the budget. The Council has quarterly budget sessions with Directors and the Cabinet to review the delivery of the proposals and identify any remedial measures which are necessary. The Council is actively monitoring the implications of the significant national funding changes and will ensure Members receive regular updates.
4. <u>Exposure to financial risk from major projects</u> Cheshire West & Chester Council is currently undertaking some significant capital projects as part of its capital programme. There has been a change in the Council's role in delivering these projects (Northgate / Barons Quay) by undertaking work in-house which increases exposure to a number of risks (planning, insurance, financial, balance sheet, governance). This has been recognised by the Council and monitoring arrangements have been established as follows: • Risks are considered for each major capital project. • A multi-disciplinary team of design and development consultants are in place to advise on delivery of major projects and specialist appointments of client side Project Managers are undertaken to ensure there is a clear governance structure in place. • Capital Strategic Board and Capital Advisory Panel meet every six	The significant capital projects highlighted continue to be managed in-house with monitoring arrangements in place by relevant Officer groups and reported to Members. During 2016/17 Internal Audit completed a review of the project governance and management arrangements for these projects following which management actions have been agreed and action plans are in place. Ongoing risk management support is also being provided for both projects and the Council will be seeking to apply lessons learnt to other projects going forwards.

Issue	Action
weeks. • CLT Delivery Board meets monthly which reviews the Council's major projects.	
5. Delivery of IT Services through shared services arrangement Following the transition of ICT Services to a shared service arrangement hosted by Cheshire East, work has been on-going to establish new contractual arrangements and improve overall delivery. IT is a key enabler for service transformation and Services are reliant on technology to support critical day to day business processes. The IT shared service has completed its transition phase and is now entering a transformation phase. This is happening in parallel with a number of the Council's Major Projects which underpin the Council's Better Outcomes plan. These Major Projects will also deliver policy options, fundamental to maintaining a viable financial position for the Council to 2020. In addition, the Kelly House data centre equipment (such as servers and other hardware) has been assessed as being largely in need of replacement. This introduces a business continuity risk given the degree of reliance on IT systems across the Council. The fact these major business initiatives and audit assessment of the IT estate are happening concurrently, increases the level of risk which the Council is operating within.	A number of actions are in place to mitigate the level of risk in this area: • The revised contract for IT services has been established with a supporting performance management framework and KPIs. Robust contract management will ensure IT services are delivered to target or escalated as required. • The transformation of IT services will be closely governed jointly by both Councils and the IT shared services management team. Also, an implementation partner will be engaged to deliver the transformation to mitigate risk around available skills and resources internally. • A Joint Design Authority has also been established to support wider collaboration and sharing between the two Councils. • A Joint IT Review has been initiated with the consultancy EY. The purpose of this is to assess areas of weakness in the provision and delivery of IT across the IT shared service and two Councils and make recommendations for improvement. The IT shared service has developed a business continuity plan to clarify its position around the effective management of key line of business systems and services.

Issues raised in the previous Annual Governance Statement (2015-16) that have been resolved
(Action has been taken and / or the issue is no longer significant)

Issue	Action
1. Better Care Fund (BCF) The 2013 Spending Review mandated the creation of pooled-budgets across each Health and Wellbeing Board in England through the Better Care Fund (BCF). Locally, the BCF is a joint-budget worth £24.3million, containing contributions from Cheshire West & Chester Council, West Cheshire Clinical Commissioning Group (CCG), and Vale Royal CCG. It should be noted that this budget consists of existing resources, and historically these funds would have been received through a Section 256 transfer. **The issues that arose from this change in practice included:** • Creating the appropriate partnership formats for discussion, development and oversight of BCF Plans. • Creating the appropriate financial mechanisms for resources to move across partner organisations, addressing the potential risks of overspend and underspends within the pooled-budget. • Appropriate monitoring and management of performance and finance information across partners. • In addition, approximately £1.8m of the local BCF for 2015-16 was linked to a nationally established Payment-By-Results mechanism, linked to the achievement of a 3.5% reduction in hospital admissions. **2016-17 Better Care Fund (BCF) plan:** • The payment for performance measure linked to reductions in non-elective admissions has been removed from the 2016-17 BCF nationally. • There is a requirement for revised plans for 2016-17 to include a jointly agreed action plan to address delayed transfers of care in the borough.	Progress was made in addressing these issues in 2016-17 including: • The Local Better Care Fund has continued to develop since its inception and it is therefore embedded within each organisation's own governance practice and process. There is an established Steering Group with an agreed Terms of Reference. It is chaired by the Director of Commissioning People from the Council but attended regularly by key members of each participating organisation. • Strong relationships have been built with partners on this group and a collective understanding of what the BCF is intended to achieve over the next two years is being developed. The Steering Group is supported by a Finance and Performance Sub Group (chaired by the BCF Manager) that coordinates the regularly required statutory reports to NHS England, as well as additional ad hoc requirements and updates for the Health and Wellbeing Board. • The plan for 2016/17 was approved by the Health and Wellbeing Board prior to being fully approved by NHS England through their national quality assurance process. • Following sign off, the section 75 agreement was jointly developed, refined and signed off by all parties in June 2016. In the lead up to sign off by the Health and Wellbeing Board each organisation followed their existing internal governance processes to achieve sign off before taking the plans forward. • Links with the A&E Delivery Boards (previously known as System Resilience Groups) remain as core members of the BCF Steering Group are also core members of the A&E Boards. A delayed transfer of care action plan was developed through the BCF steering group as a requirement of the 2016/17 plan. This was completed in line with identified actions and milestones set out from the A&E Boards with ownership of the action plan being held by the Chairs of each board after approval from NHS England.

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<tr><th>Issue</th><th>Action</th></tr>
<tr><td></td><td>Whilst the BCF is a cross partnership integration programme, the governance processes that have been set up are now sufficiently embedded into normal working practice for all key partners. As a partnership we are now required to develop a two year BCF and Integration plan. This will provide further stability and ensure that existing governance processes remain firmly rooted.

Issue resolved.</td></tr>
<tr><td>2. <u>Special Educational Needs (SEN) legislation</u>

The government introduced significant reforms to the arrangements for children with Special Educational Needs (SEN) from 1st September 2014. This included a new statutory ‘Code of Practice for Special Educational Needs and Disability: 0 to 25 years’. This introduced Education Health and Care Plans which replace Statements of SEN for children.

Local Authorities have three-and-a-half years to transfer all Statements of SEN into Education Health and Care Plans and prior to the implementation of these reforms the Council is required to create and publish its plan for this transition. During 2015-16 the Council continued to implement the SEN Reforms in line with the Children and Families Act 2014 and the new Code of Practice. This is in the transition phase for transferring Statements of SEN into Education Health and Care Plans.

Ongoing staffing issues mean that progress is behind the original schedule and the completion rate for statutory plans is much lower than it should be. This is also partly caused by an approach that includes greater personalisation and because the timeline for the completion of plans has reduced from 26 to 20 weeks.

A new inspection framework starts from 1 May 2016. The Council’s Education Service is planning to be as prepared as possible for an inspection (which can take place any time over the next 5 years) but this process is largely untested nationally. One of the greatest risks is the possibility that the Service may have shortcomings that would be reflected in an adverse judgement following an Ofsted Inspection.</td><td>Swift action was taken during 2016/17 to reduce the risks identified and the Council has increased staff capacity via SEN reform grant funding to support the transfer of Statements of SEN into Education Health and Care plans by the deadline of April 2018. This is now on track and progress is monitored and reported monthly as part of national monitoring by the Department for Education.

The additional staff capacity identified above and procedural changes to health authority agreements to plan contents together with a rigorous process for tracking every new statutory assessment has ensured that timescale compliance increased from 14% in 2015 to 75% in 2016. First quarter data for 2017 is 100%.

During 2016/17 the following actions have also been taken:
Established multi-agency SEND Practice Improvement Meetings
SEND Strategy 2016-2020 and action plan produced
Joint Strategic Needs Assessment for SEND developed
Self-evaluation developed and reviewed regularly
Issue resolved.</td></tr>
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<tr><th>Issue</th><th>Action</th></tr>
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3. <u>Closure of CoSocius Ltd and reversion to delivery through shared services arrangements</u>

During 2015-16 Cheshire West & Chester Council and Cheshire East Council took the decision to disaggregate the arms-length ICT and Transactional Services trading company CoSocius Ltd.

On 2 October 2015 a meeting of the Shared Services Joint Committee was held to discuss and review the current operating position of CoSocius and the future delivery model for the services delivered to Cheshire West & Chester Council and Cheshire East Council by CoSocius. The Committee concluded that many of the original objectives of creating the company were no longer relevant in the current financial and technical environments and set against a backdrop of continuing pressure on local government budgets, it was now appropriate to look again at the most efficient way to continue to deliver services to both Councils going forward.

The Committee approved a decision to begin a programme of work to determine a different delivery model for the services delivered by CoSocius. As a result with effect from 1 April 2016 the services previously provided by CoSocius Ltd have reverted to ICT and HR & Finance Shared Services being delivered in house through two shared service arrangements.

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ICT and HR & Finance shared services were successfully transferred back to the two Councils from CoSocius with no significant disruption to the service delivery on 1 April 2016.

During 2016/17 a Transactional Services Centre (TSC) transition board was established to provide overall governance for the delivery of the Business Plan and associated transformation activity. Significant risks and/or issues are reported up to the Joint Officer Board as part of regular progress reports.

Progress on the transfer of services in house during 2016-17 has included the following:

- A TSC business plan covering the 18 month period of October 2016 to March 2018 has now been put in place. This sets out the vision and goals of the service, a performance management framework, governance arrangements, risks and opportunities and financial information. The TSC Transition Board continues to meet to provide governance and monitor the delivery of the key outcomes.
- A management restructure has now been completed through the creation of four new management roles to replace the previous six roles. A wider restructure of the service is due to be carried out in 2017/18, which is intended to yield further savings
- The development of the wider TSC service, its resourcing and future structure is being undertaken with support from the Public Services Reform team through detailed activity analysis, process and procedural review, resource inputs and cost evaluation.

Internal Audit undertook a review in 2016/17 to provide assurance that progress is being reported accurately and that objectives remain on track for delivery; no issues were identified.

Issue resolved.

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

We have audited the financial statements of Cheshire West and Chester Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report, the Group Overview, and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority and Group as at 31 March 2017 and of the Authority's and Group's expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, the Group Overview, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Robin Baker

Robin Baker
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building
Liverpool
L3 1PS

7 September 2017

Comprehensive Income and Expenditure Statement for the

year ended 31 March 2017

This account shows the economic cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

	2016-17			Restated 2015-16
	Expenditure £000	**Income £000**	**Net £000**	**Net £000**
Adults Directorate	138,991	-30,751	108,240	102,619
Children's Directorate	290,823	-234,034	56,789	50,952
Places Directorate	111,211	-31,880	79,331	81,547
Corporate Services Directorate	122,936	-91,749	31,187	31,385
HRA	15,663	-22,906	-7,243	-8,953
Other	37,029	-24,630	12,399	-9,874
Capital Financing	367	-5	362	-1,826
Cost of Services	**717,020**	**-435,955**	**281,065**	**245,850**
Other Operating Income & Expenditure (Note 10)	6,675	-5,399	1,276	14,601
Financing & Investment Income and Expenditure (Note 11)	28,574	-13,859	14,715	17,680
Taxation & Non-Specific Grant Income & Expenditure (Note 12)	27,141	-334,147	-307,006	-296,808
Surplus on Provision of Services	**779,410**	**-789,360**	**-9,950**	**-18,677**
Surplus on Revaluation of Assets			-68,153	-45,431
Re-measurement Gain/-loss on pension assets/liabilities			133,659	-167,995
Surplus/Deficit on revaluation of available for sale assets			258	0
Other Comprehensive Income & Expenditure (Note 13)			**65,764**	**-213,426**
Total Comprehensive Income and Expenditure			**55,814**	**-232,103**

The full breakdown of the 2015-16 comparative expenditure and income is included in Note 49.

Movement in Reserves Statement for the year ended 31 March 2017

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services (SDPS) line shows the true economic cost of providing the Council's services, more details of which are shown in Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent purposes. The 'Net increase/decrease before transfers to Earmarked Reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

Cheshire West and Chester Council 2016-17	General Fund Balance £000	Sums held by Schools £000	Earmarked Reserves £000	Total General Fund £000	Housing Revenue Account £000	Capital Receipts Reserve £000	HRA Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016	**23,488**	**10,726**	**62,441**	**96,655**	**817**	**11,429**	**2,908**	**13,940**	**125,749**	**614,660**	**740,409**
Surplus or (deficit) on provision of services (accounting basis)	5,004			5,004	4,946				**9,950**		**9,950**
Other Comprehensive Expenditure and Income (Note 13)									**0**	-65,764	**-65,764**
Total Comprehensive Expenditure and Income	**5,004**	**0**	**0**	**5,004**	**4,946**	**0**	**0**	**0**	**9,950**	**-65,764**	**-55,814**
Adjustments between accounting basis & funding basis under regulations (Note 8)	-7,605			-7,605	-4,846	-1,868	660	9,163	**-4,496**	4,496	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**-2,601**	**0**	**0**	**-2,601**	**100**	**-1,868**	**660**	**9,163**	**5,454**	**-61,268**	**-55,814**
Transfers to / from Earmarked Reserves	4,140	-722	-3,349	69	-69				**0**	0	**0**
Increase / (Decrease) in Year	**1,539**	**-722**	**-3,349**	**-2,532**	**31**	**-1,868**	**660**	**9,163**	**5,454**	**-61,268**	**-55,814**
Balance at 31 March 2017	**25,027**	**10,004**	**59,092**	**94,123**	**848**	**9,561**	**3,568**	**23,103**	**131,203**	**553,392**	**684,595**

Cheshire West and Chester

2015-16 Comparative figures

Cheshire West and Chester Council 2015-16	General Fund Balance £000	Sums held by Schools £000	Earmarked Reserves £000	Total General Fund £000	Housing Revenue Account £000	Capital Receipts Reserve £000	HRA Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2015	**21,757**	**7,152**	**44,542**	**73,451**	**725**	**16,995**	**424**	**8,783**	**100,378**	**407,928**	**508,306**
Surplus or (deficit) on provision of services (accounting basis)	12,582	0	0	12,582	6,095	0	0	0	**18,677**	0	**18,677**
Other Comprehensive Expenditure and Income (Note 13)	0	0	0		0	0	0	0	**0**	213,426	**213,426**
Total Comprehensive Expenditure and Income	**12,582**	**0**	**0**	**12,582**	**6,095**	**0**	**0**	**0**	**18,677**	**213,426**	**232,103**
Adjustments between accounting basis & funding basis under regulations (Note 8)	10,834	0	0	10,834	-5,934	-5,847	2,484	5,157	**6,694**	-6,694	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**23,416**	**0**	**0**	**23,416**	**161**	**-5,847**	**2,484**	**5,157**	**25,371**	**206,732**	**232,103**
Transfers to / from Earmarked Reserves	-21,685	3,574	17,899	-212	-69	281	0	0	**0**	0	**0**
Increase / (Decrease) in Year	**1,731**	**3,574**	**17,899**	**23,204**	**92**	**-5,566**	**2,484**	**5,157**	**25,371**	**206,732**	**232,103**
Balance at 31 March 2016	**23,488**	**10,726**	**62,441**	**96,655**	**817**	**11,429**	**2,908**	**13,940**	**125,749**	**614,660**	**740,409**

Balance Sheet as at 31 March 2017

This statement shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the usable and unusable reserves held by the Council. Usable reserves are those the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable Reserves are not available to fund services and include reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

	Note	31 March 2017 £000	31 March 2016 £000
Non-Current Assets			
- Property, Plant and Equipment	14	1,236,443	1,096,353
- Heritage Assets	15	28,921	72,668
- Investment Properties	16	120,119	131,087
- Intangible Assets		505	421
Long Term Investments	18	92	350
Long Term Debtors	19	7,910	2,907
Long Term Assets		**1,393,990**	**1,303,786**
Short Term Investments	18	30,031	45,005
Assets held for Sale	17	2,455	1,902
Current Intangible Assets		99	51
Inventories		215	190
Short Term Debtors	19	49,869	47,853
Cash and Cash Equivalents	20	25,982	27,986
Current Assets		**108,651**	**122,987**
Short Term Borrowing	18	-13,291	-17,497
Short Term Creditors	21	-104,436	-95,146
Provisions < 1 yr	22	-2,363	-1,311
Current Liabilities		**-120,090**	**-113,954**
Provisions	22	-13,497	-14,123
Long Term Borrowing	18	-288,434	-287,513
Pension Fund Liability	43	-349,294	-226,881
Other Long Term Liabilities	18	-31,492	-33,505
Capital Grant Receipts in Advance	34	-15,239	-10,388
Long Term Liabilities		**-697,956**	**-572,410**
Net Assets		**684,595**	**740,409**
Usable Reserves	23	131,203	125,749
Unusable Reserves	24	553,392	614,660
Total Reserves		**684,595**	**740,409**

Cash Flow Statement

for the year ended 31 March 2017

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as: operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	31 March 2017 £000	31 March 2016 £000
Net surplus or deficit on the provision of services	-9,950	-18,677
Adjust net surplus or deficit on the provision of services for non cash movements	-75,592	-69,328
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	59,234	48,200
Net cash flows from Operating Activities	**-26,308**	**-39,805**
Investing Activities	26,734	67,738
Financing Activities	1,578	6,751
Net decrease in cash and cash equivalents	**2,004**	**34,684**
Cash and cash equivalents at the beginning of the reporting period	27,986	62,670
Cash and cash equivalents at the end of the reporting period	25,982	27,986
Net decrease in cash and cash equivalents	**2,004**	**34,684**

Further details are disclosed in Notes 25, 26 and 27 of the supporting information.

Cheshire West and Chester

1. Significant Accounting policies

General principles

The Statement of Accounts summarises the Council's transactions for the 2016-17 financial year and its position at the year end of 31 March 2017. It has been prepared in accordance with the 'The Code of Practice on Local Authority Accounting in the United Kingdom' (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and those International Financial Reporting Standards (IFRS) where CIPFA has provided guidance notes. The accounting convention adopted in the accounts is principally historical cost and fair value, modified by the revaluation of certain categories of non-current assets and financial instruments.

Changes to accounting policies, presentation, disclosure and comparative information

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

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

The key change to accounting policies in the Code of Practice for 2016-17 has been to change the way in which the Comprehensive Income and Expenditure Statement is reported. In previous years this has been reported in accordance with the costing principles in the CIPFA Service Reporting Code of Practice (SeRCOP). From 2016-17 onwards services are analysed in the Comprehensive Income and Expenditure statement in line with the organisational structure of the Council. The Code of Practice for 2016-17 has also introduced a new note to the accounts called the Expenditure and Funding Analysis which reconciles the net expenditure that is chargeable to taxation and rents to the Comprehensive Income and Expenditure Statement.

Accruals of income and expenditure

Income and expenditure is accounted for in the year the activity it relates takes place, not simply when cash is paid or received, i.e. on an accruals basis. This means income is recorded when it is earned not received and expenditure when it is incurred not when it is paid.

In particular:

- Sales, fees, charges and rent due from customers are accounted for as income at the date the Council supplies the relevant goods and services;
- Supplies are recorded as expenditure when they are consumed, where there is a gap between their purchase and consumption they are carried as inventory on the balance sheet;
- Interest payable on borrowing and receivable on investments is accounted for on the basis of effective interest rate for the relevant financial instrument rather than the cash flows determined by the contract.
- Where income or expenditure has been recognised in the Accounts but cash has not yet been paid a debtor or creditor for the relevant amount is included in the

Balance Sheet. Where settlement of outstanding debtors is doubtful, a debt provision is created and a charge is made to the income and expenditure account which equates to fair value.

- Where payment is made or income received in advance of a service being received or delivered then a prepayment or receipt in advance is recorded in the Balance Sheet.

Exceptions to these rules include:

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

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

Accounting for Council Tax

While the Council Tax income credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors. The amount credited to the General Fund under statute is a Council's precept or demand for the year plus or minus the Council's share of the surplus/deficit on the Collection Fund for the previous year as estimated in January of the financial accounting year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The cash collected by the Council from Council Tax payers belongs proportionately to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for Non Domestic Rates (NDR)

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

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

The calculation of the NDR position for 2016-17 includes an allowance for any costs that may be repayable to businesses who have appealed against their assessed rates payments for periods pre-dating April 2013. Before this date responsibility for Non Domestic Rates rested with central government but the Council is still responsible for funding its share of any costs that are paid.

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

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

Accounting for schools

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

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation

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

Agency income and expenditure

Under various statutory powers, a Council may agree with other local authorities, water companies and government departments to do work on their behalf. The body carrying out agency services is reimbursed by the responsible body to the extent of approved expenditure together with any agreed contribution toward administrative costs.

Cheshire West and Chester Council have acted as an agent on behalf of:

- Major preceptors – Cheshire Police and Cheshire Fire in the collection of Council Tax.
- Central Government and Cheshire Fire – In relation to the collection of Non Domestic Rates income.
- Business Improvement Districts – Collecting income in relation to BIDs in Northwich, Chester, and Winsford and paying the sums over to Groundwork or CH1 for the provision of security and environmental services.

Current and Non-Current Distinction

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

The following are generally classified as non-current:

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

Generally the following are classified as current assets or liabilities:

- cash and cash equivalents
- inventories
- assets held for sale
- short term investments
- short term borrowing
- other creditors

Events after the Balance Sheet date

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

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

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

Exceptional items

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

Cash and cash equivalents

Cash comprises cash in hand and recoverable on demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Employee benefits

Benefits payable during employment

The Council recognises the costs of benefits received by current employees (such as wages, salaries or long term benefits) as they are incurred. All such costs are charged to the Comprehensive Income and Expenditure Statement.

Payments for accumulating paid absences (e.g. annual/flexi leave entitlements) are accounted for as they are earned and not when they are taken. Where leave has been earned during the current year but not fully taken (and can be carried forward to the following year), the cost of the earned leave entitlement is recognised in the current year. An annual accrual is undertaken to reflect these untaken entitlements.

To prevent fluctuations from impacting on Council Tax, the year on year change in costs generated by this accrual is transferred to a specific reserve via the Movement in Reserves Statement.

Termination benefits

Termination benefits are usually payable following compulsory or voluntary redundancy decisions. These include lump-sum payments and enhancement of retirement benefits and salary beyond the period in which the employee provides economic benefit to the Council.

Redundancy and enhanced salary costs are recognised in the Comprehensive Income and Expenditure Statement as soon as the Council is demonstrably committed to incurring the costs. However, enhanced retirement benefits, paid via the Pension Fund, are charged to the General Fund in accordance with the pension regulations. The Council funds these actuarial early retirement costs through the payment of an additional 1% supplement on top of its agreed employer pension contribution rate.

Post-employment benefits (Pensions)

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

(i) Local Government Pension Scheme

All employees (other than teachers) subject to certain qualifying criteria are eligible to join the Local Government Pension Scheme. Councillors were also eligible to participate in the scheme up to the year ending March 2016. The scheme is known as the Cheshire Pension Fund and is administered by Cheshire West and Chester Council, in accordance with Pensions Regulations 2008 on behalf of all participating employers.

Under International Accounting Standard 19 (IAS 19) the Local Government Scheme is accounted for as a defined benefit scheme. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, which is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees. Those liabilities are discounted to their present day equivalent using the indicative rate of return on a high quality corporate bond.

The assets of the Fund attributable to the Council are included at their fair value as follows:

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

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

A) Current service cost – any increases due to service earned this year;
B) Past service cost and curtailments – changes arising from current year decisions which affect the value of service earned in earlier years. Curtailments are additional employer liabilities incurred when a member stops contributing to the scheme earlier than expected, e.g. following redundancy, but without a reduced pension;
C) Gains/Losses on settlements – the result of actions that change the scope of the Council's future pension liability, for example a group of staff transferring to a different employer;
D) Net Interest – difference between the increase in the present value of liabilities as they move a year closer to payment and the expected return on investments over the same period;
E) Remeasurements – the impact of changes to the assumptions underpinning the actuarial estimates of the value of assets and liabilities. These could be due to changes in assumed mortality rates, discount rates, inflation or because the actual level of investment returns is different from the long term averages assumed under D;
F) Contributions paid to the Fund – cash paid as employer contributions to the Pension Fund.

Components A-D are charged to the Comprehensive Income and Expenditure Statement in year (as detailed in Note 43) but, to avoid changes in pension liabilities from having a disproportionate impact on Council Tax, statutory provisions exist that restrict the amount charged against the General Fund to the amount payable by the Council to the Pension Fund (F). The difference between these two values is adjusted for in the Movement in Reserves Statement.

(ii) Teachers' Pension Scheme

This scheme is administered by the Teachers' Pensions Agency (TPA), on behalf of the Department for Education (DfE). Although the scheme is unfunded, the Government operates a notional fund as the basis for calculating employers' contributions.

This scheme is accounted for on a defined contribution basis – no liability for future payments is recognised in the Balance Sheet and the Children's Directorate line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable in the year.

In addition, the Council is responsible for any payments relating to early retirements outside of the standard scheme. This scheme holds no assets and is accounted for on a defined benefit basis using the same policies that are applied to the Local Government Pension Scheme.

Fair value measurement

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

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

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

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

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

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

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

Financial instruments

a) Financial liabilities

Carrying values - Financial liabilities are initially measured at fair value and carried at their current value which is amortised cost using the effective rate of interest. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest).

Interest charges - Annual interest charges to the Comprehensive Income and Expenditure Statement are based on the opening carrying amount of the liability, multiplied by the Effective rate of Interest for the instrument.

Discounts and premiums on repurchase of borrowing - Premiums and discounts arise when external loans are repaid prematurely at a time when the market interest rate differs from the effective rate of interest being paid on the borrowing. These premiums and discounts are charged / credited in full to the Comprehensive Income and Expenditure Statement in the year of the premature repayment.

Where the premature repayment takes place as part of a restructuring of the loan portfolio, regulations allow the impact to be spread over future years. The premium or discount is added to the carrying value of the replacement loan and the amount to be charged against the General Fund or Housing Revenue Account (HRA) over the life of the loan is calculated using an adjusted effective rate of interest.

The length of time over which gains or losses are charged to the General Fund or HRA Balance is determined as follows:

- Gains, giving rise to discounts, are credited over the remaining life of the loan being repaid or 10 years, whichever is the shorter.
- Losses giving rise to premiums are charged over the remaining life of the loan being repaid or the life of the new loan, whichever is the shorter.

The difference between the amount charged to the Comprehensive Income and Expenditure Statement and the net cost charged to the General Fund or HRA balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

b) Financial assets

A financial asset is initially recognised on the date the Council commits to purchase the asset at fair value plus transaction costs attributable to the acquisition. A financial asset is derecognised when the rights to receive cashflows from the investment have expired or transferred and when the Council has substantially transferred all risks and rewards.

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 method applicable to each asset. The amount shown in the Balance Sheet represents the outstanding principal receivable (plus accrued interest) and interest is credited to the Comprehensive Income and Expenditure Statement in line with the amount receivable in the year. Any impairments in the value of the asset or gains or losses on de-recognition are also charged in full to the Comprehensive Income and Expenditure Statement in the year in which they arise.

Estimation of Fair Value of Financial Assets and Liabilities

The methods and assumptions used by the Council in estimating fair value of financial assets and liabilities are:

- For ordinary shares fair values are based upon quoted market prices (where available).
- For cash, loans and receivables, other assets, liabilities and accruals, carrying amounts are deemed to approximate to fair values.
- For bonds, loans payable, fair values are determined by reference to quoted market prices or estimated using discounted cashflow calculations based upon prevailing market rates. For borrowings that carry a variable rate of interest (other than loan capital) carrying values approximate to fair values.

Grants and contributions

All Government grants and other contributions are accounted for on an accruals basis and recognised in the Comprehensive Income and Expenditure Statement as soon as there is reasonable assurance that the money will be received and all conditions attached to the funding will be met.

Income is not recognised until there is assurance that grant conditions will be met. Where funding has been received which still has outstanding conditions, the balance of cash received is recorded as a revenue or capital receipt in advance and included as a creditor on the Council's Balance Sheet.

When conditions have been met specific grants and contributions are recorded within the Cost of Services section of the Comprehensive Income and Expenditure Statement, in line with the service area to which they relate. Non Specific Grants such as the Revenue Support Grant, Local Services Support Grant, Council Tax Freeze Grant or PFI Grant are shown under Taxation and Non-Specific Grant Income (see Note 12).

No distinction is made between capital and revenue funding on initial recognition but as capital income should not be charged to the General Fund or HRA it is subsequently adjusted out through the Movement in Reserves Statement and credited to:

- The Capital Grants/Contributions Unapplied Account (until costs have been incurred), (in the case of the Backlog Funding Grant which is specific to the HRA the unspent grant is instead credited to the Major Repairs Reserve).
- The Capital Adjustment Account (after costs have been incurred).

Group Accounts

The Council has material interests in companies and other entities and therefore group accounts have been prepared. Consolidation of entities is dependent on the extent of the Council's interest and power to influence and control. An assessment of all the Councils interests has been carried out in accordance with the Code of Practice to determine the relationship and whether inclusion in the group accounts is required.

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

Leases and lease-type arrangements

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. This judgement is made at the inception of the lease using criteria set out in International Accounting Standard 17. Arrangements that are not legally leases but convey a right to use an asset in return for a payment are subject to the same accounting treatment as if they were in fact a lease.

(i) Finance leases

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

The annual lease payment is apportioned between;

• Acquisition costs	The cost of acquiring the original interest in the asset, charged against the liability in the Balance Sheet.
• Finance charge	Charged to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement.
• Contingent rent	Any difference between the rent paid in year and the original amount guaranteed under the lease is also charged to the Financing and Investment line of the Comprehensive Income and Expenditure Statement.

The asset created is treated as per any other Council asset of its type and is depreciated, impaired and revalued as appropriate. The only variation is that unlike owned assets, depreciation is charged in the year of acquisition not deferred until the first full operational year. The costs of finance leases are not directly payable from Council Tax but as they form part of the Capital Financing Requirement the Council is required to make prudent provision for the repayment of the perceived capital investment. Any differences between this provision and the actual depreciation, impairment or revaluation costs charged in the Comprehensive Income and Expenditure Statement are reimbursed from the Capital Adjustment Account in the Movement in Reserves Statement.

(ii) Operating leases

Leases that do not meet the definition of a finance lease are accounted for as operating leases. Where the Council acts as lessee all lease payments are expensed to the Comprehensive Income and Expenditure Statement as they become payable.

Where the Council is the lessor all income is credited to the Comprehensive Income and Expenditure Statement as it becomes due. The Council continues to hold the asset on its Balance Sheet and treats it in accordance with its non-current asset policies.

Non- current Assets

Expenditure on the acquisition, creation or enhancement of Non-current Assets is capitalised on an accruals basis, provided that it will yield benefits to the Council for more than one financial year. These include intangible assets, property, plant and equipment, heritage assets and investment properties. It would not typically include assets held for sale as they would normally be expected to be disposed of within twelve months.

The costs of these assets may include initial costs of acquisition and construction and subsequent costs to enhance or replace part of the asset. All other expenditure arising from day to day servicing of assets is recognised in the Comprehensive Income and Expenditure Statement as the costs are incurred. The Council does not utilise a de-minimis and capitalises any expenditure which has led to the creation or enhancement of a capital asset.

a. Investment assets

Investment assets are properties or land held solely to earn rental income or for capital appreciation. These include property interests held by the Council under finance leases and investment property let to lessees under operating leases. Where industrial estates are held partly for economic regeneration purposes they are classified as property, plant and equipment not investment properties.

Investment property is measured initially at cost and subsequently included in the statement of accounts at fair value. It is recognised as an asset when it is probable that the future economic benefits that are associated with the investment will flow to the Council and the cost or fair value can be measured reliably. Subsequent updated valuations based on market evidence will be undertaken to ensure that the value at which investment assets are held in the accounts is a reasonable estimate of their fair value. Valuations are carried out in accordance with Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

Any gain or loss experienced on revaluation and any profit or loss on disposal is charged to the 'Financing and Investment' line of the Comprehensive Income and Expenditure Statement. These charges are not proper charges to the General Fund and are subsequently transferred to the Capital Adjustment Account through the Movement in Reserves Statement.

b. Heritage assets

These are typically tangible assets which are held by the Council for the benefit of the residents of the Borough. Heritage assets are held for their contribution to knowledge and culture and will include assets such as historic buildings, monuments, cultural artefacts or artistic exhibits. Where an asset meets these criteria but is also used extensively to deliver a service then it will be classified as property, plant and equipment.

Heritage assets are initially measured at cost and subsequently at an approximation of fair value. Due to the historic or unique nature of heritage assets it is not always possible to determine a fair value based on a market valuation. A hierarchy of valuation methods is therefore utilised:

- Market Valuation
- Depreciated Replacement Cost Valuation
- Insurance Valuation
- Depreciated Historic Cost
- No Valuation

The Council's heritage assets include the following major categories:

- **Museum and art collections**
  The Council holds collections of exhibits which are considered to be significant in recording the social and natural history of the Borough and its residents. These exhibits are held for the purpose of promoting knowledge, understanding and appreciation of the Council's history and are primarily held in the Council's museums. The assets are recorded in the Balance Sheet at their Insurance Valuation which is updated annually.

  The Council also holds a number of items of fine art, largely paintings, sculpture and metalwork, which are held within its museums or civic buildings. These items are held on the Balance Sheet at insurance valuation as they have particular links to the local area and would not have a ready market value.

  There is a limited turnover on these artefacts, any acquisitions/donations or disposals are recorded as capital expenditure or receipt in the year incurred. The assets are considered to have an unlimited useful life and as a result no depreciation is charged.

- **Historic buildings/archaeological sites**
  The Council owns a number of historic buildings and sites which are held in trust for the residents of the Borough. These properties do not directly provide a service but do contribute to tourism around their locations. As these assets have no comparable market value, they are valued based on the historic costs of the works the Council has undertaken to maintain or improve their appearance and function.

  Due to their nature the properties/sites are not acquired or disposed of. Depreciation is charged to reflect the physical deterioration of the assets over time and expenditure to restore their condition is capitalised as it is incurred.

- **Historical documents**
  The Council holds an archive of historical documents relating to the Borough. These documents have been compiled from a range of sources and include loaned and donated items. The archive is a shared resource between Cheshire West and Chester and Cheshire East Borough Councils. Due to the nature of these assets there is no ready market valuation available. Insurance valuations are based on the costs the Council would consider incurring in making repairs to the items. The documents are by definition not replaceable but this gives an indication of the value the Council attaches to these assets.

  On occasion the Council acquires new documents for identifiable cash payments, in these cases the assets will be added to the Balance Sheet at historic cost. The costs of acquiring new valuations for the other documents held by the Council would be disproportionate to the benefit this would give the users of the accounts, these assets are therefore held at their insurance valuations. The assets recorded are not depreciated.

- **Statues, monuments and war memorials**
  The Council owns and maintains a wide range of physical structures which exist for historic, cultural or commemorative reasons. These properties do not have an alternate use and would not have a reliable market value of their own beyond the materials used to construct them. The costs of obtaining such a valuation would be disproportionate to the benefit provided so these assets are not included on the Balance Sheet. New expenditure incurred to restore these structures to a reasonable condition will be capitalised.

- **Historic archives**
  The Council's historic archives contain documents recording the written and printed history of the county of Cheshire. The collections are primarily held in Chester but relate to the whole of the former county, as such only part of the value of the collection is recorded in the Council's accounts. The archive comprises both printed records and online records.

- **Civic regalia**
  The civic regalia held by the Council are items such as chains of office, badges and ceremonial maces for the various historic or current roles discharged by Council Members. These include items related to the Mayor, Mayoress, Deputy Mayor and their predecessors. All items are valued at their insurance valuation.

Where there are no meaningful measures of the value of a heritage asset, or the cost of acquiring such a valuation would be disproportionate to the benefit of doing so, the existence of the asset will be disclosed in the supporting statements (Note 15).

Depreciation costs and any gain or loss on revaluation/disposal are accounted for in the same manner as for property, plant and equipment assets (see below).

c. Property, plant and equipment

These are tangible assets that have a physical substance and are held for operational reasons, i.e. in the production or supply of goods and services or for administrative purposes. This category excludes properties which are held solely for the purpose of generating a financial return (Investment properties, Assets held for Sale and Surplus assets) and those held primarily for their contribution to knowledge and culture (heritage assets).

Initial recognition and valuation

Assets are initially measured at the direct cost of bringing the asset into working condition for its intended use and subsequently using professionally undertaken valuations using bases recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

- Historic cost – Infrastructure, Community and Assets under construction
- Current value – All other property, plant and equipment assets

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

- Property/land (Specialised assets no market) - depreciated replacement cost
- Vehicles, plant and equipment - depreciated historical cost
- Council housing - existing use value for social housing

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

Subsequent changes in value

All assets held at current value with the exception of vehicles, plant and equipment are subject to revaluation. Assets are revalued when due under the five year cycle (the short period as defined by CIPFA) or earlier where there has been a change in circumstances either for the specific asset or the wider asset group, which may have a material impact on its value. Impairment Reviews are undertaken annually to identify any such changes. The Council's housing stock is valued under the beacon methodology, with each beacon property being re-valued annually by applying an appropriate housing price index to their value at the start of the financial year.

Gains recognised on revaluation are normally credited to the Revaluation Reserve to recognise an unrealised gain. If the asset had previously been impaired or suffered a revaluation decrease which was charged to the Comprehensive Income and Expenditure Statement then the gain is instead credited to the Comprehensive Income and Expenditure

Statement.

Where revaluation losses occur the decrease is recognised in the Revaluation Reserve to the extent the asset had previously been revalued upwards, and thereafter in the Comprehensive Income and Expenditure Statement.

Componentisation of valuations

Where beneficial to the accuracy of the accounts the Council may elect to recognise each of the component parts of a material asset in their own right, e.g. recognising a roof separately from the rest of a building. This may be necessary to reflect the fact that some components may have an appreciably shorter useful life than the wider asset and will therefore need replacing sooner. Where assets are recognised as their component parts then each element is considered independently for future valuations, depreciation, replacement and disposal accounting.

Assets with a valuation in excess of £2m have been considered for componentisation on their first valuation date after 1 April 2010. Where componentisation is appropriate this has been adopted from the valuation date onwards.

Depreciation of assets to reflect usage

Depreciation is charged to the Comprehensive Income and Expenditure Statement to reflect the usage of the asset over its estimated useful life. It is provided for on all property, plant and equipment with the exception of:

- Land or other assets without a determinable useful life; and
- Assets under construction as they are not being used yet.

Useful lives of assets are as follows:

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

Charges commence when the asset becomes available for use and cease on derecognition. Depreciation is calculated on a straight-line basis over the useful life of the assets, except in the case of council housing, which is depreciated by the notional Major Repairs Allowance (MRA) annually.

Depreciation charges are applied annually to the carrying balances and are reflected in the Cost of Services area of the Comprehensive Income and Expenditure Statement. The residual value, useful life and depreciation method are reviewed at least annually. If expectations differ from previous estimates the changes will be accounted for as a change in an accounting estimate. The useful lives used for depreciating capital assets are set out in this note to the accounts.

Depreciation is calculated based on the current value of the asset. Where this valuation is above the historic cost the difference between depreciation as calculated on current value and that calculated on historic cost is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Derecognition of assets

Assets are derecognised on disposal or when no future economic benefits are expected from their use. When property, plant and equipment is disposed of, the carrying value is written off to the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement. This cost is subsequently transferred to the Capital Adjustment Account in the Movement in Reserves Statement.

A similar approach is taken on the transfer of property to newly formed Academy Schools. Under legislation the Council is required to make available premises from which the new Academy can provide its services for nil consideration. As a result the existing school premises (if in Council ownership) are leased to the Academy for a peppercorn rent and the former value of the site is derecognised from the Council's Accounts as if it had been disposed of. As no compensation is received this is recorded as a loss on disposal in the Financing and Investment Income line of the CIES and subsequently transferred to the Capital Adjustment Account. The value of such disposals in any year is disclosed in Note 11.

Any receipts generated by the disposal are credited to the same line of the Comprehensive Income and Expenditure Statement to show the overall profit or loss on disposal. A proportion of the receipts from Housing disposals are set aside for repayment to Government and the remaining receipts are transferred to the Capital Receipts Reserve in the Movement in Reserves Statement.

Any outstanding balance on the revaluation reserve for derecognised assets is transferred to the Capital Adjustment Account through the Movement in Reserves Statement.

Charges to revenue for Non-current Assets

The Comprehensive Income and Expenditure Statement is charged with the following amounts to record the real cost of holding Non-current Assets during the year:

- Depreciation and amortisation of assets used by the service
- Revaluation and impairment losses on assets used by the service
- Profit or loss on disposal of assets

The Council is not required to raise council tax to cover these costs. However, it is required to set aside an annual contribution from revenue towards its overall borrowing requirement. These costs are therefore replaced by the Minimum Revenue Provision by way of an adjusting entry in the Movement in Reserves Statement.

Non-current assets held for sale

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

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

Overheads and support services

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

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

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

Private Finance Initiatives (PFI) and service concession arrangements

PFI contracts, and similar arrangements, contain agreements for the Council (grantor) to receive services under a contract where the contractor (operator) takes on responsibility for creating and maintaining the assets needed to deliver the service. All assets created under such contracts need to be considered to determine whether or not they should be reported on the Balance Sheet of the Council or of the contractor. The contracts are assessed against criteria set out under International Financial Reporting Standards (IFRIC 12), namely:

- Are the assets being used to deliver a public service;
- Does the Council significantly influence who can access the facilities; and
- Does ownership of the asset revert to the Council at the end of the PFI contract (or does the Council have an option to take back the assets).

The Council’s two PFI schemes meet all these conditions so the Council reflects the value of the properties used under the contracts on the Balance Sheet. On initial recognition, fair value is the estimated cost to purchase the asset. Subsequently, the asset is measured at current value, which will follow the appropriate class of property, plant and equipment.

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

As with Finance Leases the original recognition of the assets was balanced by the recognition of the liability for amounts payable to the scheme operator in return for use of the assets. The amounts payable to the PFI operators each year are analysed into five elements (shown in Note 39):

- **Services received** – debited to a service line in the Comprehensive Income and Expenditure Statement.
- **Finance cost** – interest charges on the outstanding liability are charged to Financing and Investment Income in the Comprehensive Income and Expenditure Statement.
- **Contingent rent** – inflationary increases in the amount to be paid for the property arising during the contract, charged to Financing and Investment Income in the Comprehensive Income and Expenditure Statement.

- **Payment towards liability** – writes down the Balance Sheet liability to the PFI operator.
- **Lifecycle replacement costs** – recognised as expenditure on non-current assets and added to the asset on the Balance Sheet.

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

Provisions, Contingent Assets and Contingent Liabilities

Provisions are shown where the Council has a present legal or constructive obligation as a result of a past event which has placed the Council in a position where it has an obligation that is likely to lead to it incurring a cost. The precise timing and value of the cost may be unknown but can be reliably estimated.

Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. Estimates are reviewed at the end of each financial year and any changes are reflected within relevant service revenue accounts. When payments related to the obligation are eventually made they are charged to the provision set up in the Balance Sheet.

Contingent Assets and Contingent Liabilities are obligations or assets arising from past events where:

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

Contingent Assets and Liabilities are not recognised in the Balance Sheet but are disclosed in Notes 44 and 45. The disclosure sets out the scale of potential costs and likelihood of these being realised.

Reserves

The Council maintains a range of reserves, reflecting both the extent to which its assets exceed its liabilities and any restrictions (statutory or voluntary) which are placed upon the usage of these balances. The main unrestricted reserve used to hold available Council funds is the General Fund.

The Council has discretion to set aside specific amounts as reserves where they wish to earmark available funds to support future policies, to cover contingencies or manage cash flows. These are summarised in Note 9.

Expenditure to be financed from an earmarked reserve is initially shown as a cost in the Comprehensive Income and Expenditure Statement. An offsetting transfer is then recorded in the Movement in Reserves Statement to ensure that there is no impact on General Fund or Council Tax.

A number of reserves exist to manage the accounting for Non-current Assets, financial instruments and employee benefits; these do not represent usable funds for the Council, these are explained in the relevant policies and notes.

Revenue Expenditure funded by Capital under Statute (REFCUS)

Revenue Expenditure funded by Capital under Statute represents expenditure incurred during the year that may be capitalised under statutory provisions but does not result in a Council asset being created. The expenditure may support a third party's asset (e.g. home improvement grants) or may be being capitalised based on a capitalisation order from Government.

This expenditure is initially charged to the relevant service within the Comprehensive Income and Expenditure Statement and then transferred by charging to the Capital Adjustment Account and crediting the General Fund Balance in the Movement in Reserves Statement. The purpose of this is to enable the expenditure to be funded from capital resources rather than charged to the General Fund and impact on the level of council tax. This expenditure does form part of the Council's Capital Financing Requirement.

Revenue recognition

Revenue is a sub-set of income and is defined as the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.

Revenue is measured at the fair value of the consideration received or receivable. In most cases, the consideration receivable is in the form of cash and cash equivalents and the amount of revenue is the amount of cash and cash equivalents receivable. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue. Revenue relating to the sale of goods is recognised when the amount of revenue can be measured reliably, it is probable the revenue will be received by the Council and the risks and rewards of ownership have passed to the purchaser. Revenue relating to the provision of services is recognised when the amount of revenue can be measured reliably, it is probable the revenue will be received by the Council and the stage of completion of the service can be measured.

Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

2. Expenditure and Funding Analysis

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

	2016-17			
	Outturn Reported to Management	Net Expenditure Chargeable to the General Fund and HRA Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000
Adults Directorate	106,921	106,908	1,332	108,240
Children's Directorate	47,658	46,727	10,062	56,789
Places Directorate	58,823	60,780	18,551	79,331
Corporate Services Directorate	28,815	25,630	5,557	31,187
HRA	0	-12,342	5,099	-7,243
Other	8,005	-5,604	18,003	12,399
Capital Financing	23,127	362	0	362
Net Cost of Services	**273,349**	**222,461**	**58,604**	**281,065**
Other Income and Expenditure	0	-219,960	-71,055	-291,015
Surplus on Provision of Services	**273,349**	**2,501**	**-12,451**	**-9,950**
Opening General Fund and HRA Balances at 31 March 2016		-97,472		
Less Deficit on General Fund and HRA Balance in Year		2,501		
Closing General Fund and HRA Balances at 31 March 2017		**94,971**		

2015-16 Comparative Figures

		2015-16		
	Outturn Reported to Management	Net Expenditure Changeable to the General Fund and HRA Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000
Adults Directorate	101,516	100,850	1,769	102,619
Children's Directorate	45,411	41,529	9,423	50,952
Places Directorate	59,418	63,373	18,174	81,547
Corporate Services Directorate	29,542	23,556	7,829	31,385
HRA	0	-13,185	4,232	-8,953
Other	13,020	-24,555	14,681	-9,874
Capital Financing	23,528	-1,826	0	-1,826
Net Cost of Services	**272,435**	**189,742**	**56,108**	**245,850**
Other Income and Expenditure	0	-213,319	-51,208	-264,527
Surplus on Provision of Services	**272,435**	**-23,577**	**4,900**	**-18,677**
Opening General Fund and HRA Balances at 31 March 2015		-74,176		
Plus Surplus on General Fund and HRA Balance in Year		-23,577		
Capital Receipt Reserve		281		
Closing General Fund and HRA Balances at 31 March 2016		**97,472**		

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Adjustments between Funding and accounting basis

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

	2016-17			
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
Adults Directorate	1,076	263	-7	1,332
Children's Directorate	9,875	-819	1,006	10,062
Places Directorate	18,077	485	-11	18,551
Corporate Services Directorate	5,327	232	-2	5,557
HRA	5,286	-187	0	5,099
Other	36,823	-18,820	0	18,003
Capital Financing	0	0	0	0
Cost of Services	**76,464**	**-18,846**	**986**	**58,604**
Other Income & Expenditure	-74,680	7,600	-3,975	-71,055
Difference between General Fund surplus and Comprehensive Income and Expenditure Statement Surplus or Deficit	**1,784**	**-11,246**	**-2,989**	**-12,451**

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

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

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

2015-16 Comparative Figures

	2015-16			
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
Adults Directorate	1,176	642	-49	1,769
Children's Directorate	8,910	766	-253	9,423
Places Directorate	17,071	1,193	-90	18,174
Corporate Services Directorate	7,663	169	-3	7,829
HRA	4,419	-187	0	4,232
Other	14,296	386	-1	14,681
Capital Financing	0	0	0	0
Cost of Services	**53,535**	**2,969**	**-396**	**56,108**
Other Income & Expenditure	-62,667	12,379	-920	-51,208
Difference between General Fund surplus and Comprehensive Income and Expenditure Statement Surplus or Deficit	**-9,132**	**15,348**	**-1,316**	**4,900**

Expenditure Funding Analysis - Expenditure and Income Analysed by Nature

This note explains the nature of the expenditure and income of the Council as shown in the Comprehensive Income and Expenditure Statement.

Expenditure and Income Analysis by Directorate 2016-17	Adults Directorate	Childrens Directorate	Places Directorate	Corporate Services Directorate	HRA	Central Services	Capital Financing	Total
Expenditure	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Employee benefits expenses	19,976	186,886	36,425	18,836	30	-250	0	261,903
Other services expenses	117,936	95,068	61,078	99,898	12,009	40,622	6,960	433,571
Support service recharges	0	0	0	0	0	0	0	0
Depreciation, amortisation, impairment	1,076	9,876	19,290	4,202	5,286	38,975	0	78,705
Interest payments	937	786	184	0	2,478	14	6,583	10,982
Precepts and levies	0	0	304	0	0	0	0	304
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	708	708
Gain on the disposal of assets	0	0	0	0	-220	0	-6,543	-6,763
Total expenditure	139,925	292,616	117,281	122,936	19,583	79,361	7,708	779,410
Income								
Fees, charges and other service income	-30,692	-15,736	-38,789	-3,434	-24,529	-1,287	-6,723	-121,190
Interest and investment income	-3	-24	-1	-5	0	0	-1,050	-1,083
Income from council tax, nondomestic rates, district rate income	0	0	0	0	0	-238,517	0	-238,517
Support service recharges	0	0	0	0	0	0	0	0
Government grants and contributions	-1,709	-218,298	-3,630	-88,315	0	-74,392	-42,226	-428,570
Total income	-32,404	-234,058	-42,420	-91,754	-24,529	-314,196	-49,999	-789,360
Surplus or Deficit on the Provision of Services	**107,521**	**58,558**	**74,861**	**31,182**	**-4,946**	**-234,835**	**-42,291**	**-9,950**

Expenditure Funding Analysis - Expenditure and Income Analysed by Nature
2015-16 Comparative Figures

Expenditure and Income Analysis by Directorate 2015-16	Adults Directorate	Childrens Directorate	Places Directorate	Corporate Services Directorate	HRA	Other	Capital Financing	Total
Expenditure	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Employee benefits expenses	20,133	187,764	34,173	19,842	30	6,116	0	268,058
Other services expenses	120,872	98,877	61,040	104,524	9,820	26,328	1,500	422,961
Support service recharges	0	0	0	0	0	0	0	0
Depreciation, amortisation, impairment	1,176	8,910	19,734	5,289	4,419	10,407	0	49,935
Interest payments	997	905	208	1	3,104	-2,834	10,872	13,253
Precepts and levies	0	0	299	0	0	2,613	0	2,912
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	628	628
Gain on the disposal of assets	0	0	0	0	1,155	19,874	0	21,029
Total expenditure	143,178	296,456	115,454	129,656	18,528	62,504	13,000	778,776
Income								
Fees, charges and other service income	-39,173	-26,910	-34,943	-5,353	-24,616	-379	-11,513	-142,887
Interest and investment income	-5	-24	-1	-5	-2	0	-1,214	-1,251
Income from council tax, nondomestic rates, district rate income	0	0	0	0	0	-224,322	0	-224,322
Support service recharges	0	0	0	0	0	0	0	0
Government grants and contributions	-2,036	-216,208	-3,991	-92,423	-5	-83,945	-30,385	-428,993
Total income	-41,214	-243,142	-38,935	-97,781	-24,623	-308,646	-43,112	-797,453
Surplus or Deficit on the Provision of Services	**101,964**	**53,314**	**76,519**	**31,875**	**-6,095**	**-246,142**	**-30,112**	**-18,677**

3. Accounting Standards issued, but not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2016-17 requires the Council to disclose information setting out the impact of accounting changes by a new accounting standard that has been issued but not yet adopted by the Code. The relevant changes relate to the following standards all of which will be amended for accounts produced for financial periods starting after 1st April 2017.

- IFRS 15 Revenue from Contracts with Customers 01/01/2018
- IFRS 16 Leases 01/01/2019
- IFRS 9 Financial Instruments 01/01/2018
- IAS 7 Statement of Cash Flows 01/01/2017
- IAS 40 Investment Property 01/01/2018
- Annual improvements to IFRS
    - IFRS 7 Financial Instrument Disclosures 01/01/2016
    - IFRS 12 Disclosure of Interest in Other Entities 01/01/2017

Some changes may need to be adopted retrospectively meaning that on adoption 2016-17 information included within these accounts could be restated in the 2017-18 accounts to reflect the new reporting requirements. This note sets out the impact that would have been seen if the new standards had already been in force.

IFRS 15 introduces a five step model when considering and reporting contracts with customers. This standard provides guidance on when revenue should be recognised and identifying performance obligations, contract modifications and reflecting time value for money.

IFRS 16 will bring most leases on balance sheet including operating leases thereby removing the distinction between finance and operating leases. IFRS 16 supersedes IAS 17 early adoption is permitted if IFRS 15 is also applied. This is applicable for when the authority is the lessee.

IFRS 9 introduces a single classification approach for financial assets with cash flow characteristics and how instruments are managed. A forward looking expected loss model for impairments rather than the current IAS 39 incurred loss approach.

IAS 7 Statement of Cash Flows amendments shall provide disclosures to enable users of financial statements to evaluate changes in liabilities arising from financial activities.

IAS 40 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of change of use. A change of use occurs only if property meets the definition of an investment property.

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

4. Critical Judgments in Applying Accounting Policies

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

- **PFI Schemes**

  The Council has two PFI contracts, one for provision of schools and one for extra care housing. It has determined that it substantially controls both the services provided from and the residual value of the assets used to deliver these contracts. Consequently, the assets relating to these contracts (£23m) have been recognised on the Balance Sheet as property, plant and equipment, in accordance with IFRIC 12. Details of the values of these assets are disclosed in Notes 14 (PPE) and 39 (PFI).

  In addition the Council needs to consider the treatment of the income generating potential of these assets. Where these assets generate income an assumption needs to be made as to whether the income primarily funds operational running costs, repayment of initial capital or a combination of the two. In the case of the Council's PFI schemes it is assumed that third party income is primarily to support operating costs with all capital expenditure being funded from the PFI unitary payment the Council makes to the contractor. The impacts of this assumption are outlined in Note 39.

- **Group Boundary**

  The Council has interests in a number of external companies either as a direct owner or in partnership with other organisations. The nature of these relationships has been assessed under IFRS 11, IAS 27 and IAS 28 (Accounting for Joint Arrangements, Subsidiaries and Associates) and it has been determined that three companies are considered to be subsidiaries of the Council while a further three meet the criteria to be recognised as a joint venture, two associates and one as a joint operation. These Accounts contain a set of group statements and supporting notes to reflect the nature and value of the Council's interests in entities where the accounts are deemed material. The approach taken by the Council in determining the group boundary and consolidating relevant entries into its group statements is set out in the accompanying notes to those statements.

- **Leased Assets**

  In 2012-13 the Council entered into new long term contractual arrangements for the provision of waste collection and highways maintenance within the borough. The contractors involved will utilise a range of vehicles and equipment to provide the services required. Following an assessment of the arrangements, the Council has determined that these contracts represent embedded leases. As a result the assets utilised have been recognised on the Balance Sheet (£3.9m) as Council assets and the future contractual payments linked to the assets as a liability (£3.9m). Further details are set out within Note 38 (Leases).

- **Treatment of Schools**

  The Council recognises land and building used by schools for educational purposes in line with the Code of Practice. The Code states local authority maintained schools should be recognised using the asset recognition tests whilst recognising the schools governing bodies are separate entities to the Council. The Council recognises the schools land and buildings on its Balance Sheet where it directly owns the assets however where the school or governing body own the assets or rights to use the assets these have been transferred and are not reported on the Council Balance Sheet.

Schools governing bodies are separate entities to the Council but (with the exception of academies and free schools) for the purpose of preparing financial statements they are within the group boundary and their activities must be reported. In recognition of the unique nature of the relationship Councils are required to report any material expenditure, income, assets and liabilities of these schools within its primary statements (not just its group statements). Specific consideration has to be given as to whether the assets from which these schools operate meet the necessary criteria (in terms of access to services and control) to be recognised as Council assets under IAS16. The Council has judged that faith schools (voluntary aided or controlled) which are not sited on council land, over which it has no long term guarantees of availability do not meet the criteria for recognition as an asset under IAS16.

The Council has entered into a Private Finance Initiative (PFI) for 5 schools in the Borough of which they are all within Council control. A number of schools (9 in total) have applied to become Academies of which 3 opened in April 2017 and 4 have been approved.

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

	Total Schools	Council Controlled			Outside Council Control	
		Owned by CWAC	Leased to Governors	Restrictive Covenant	Owned by Church	Leased to Academies
Community Schools	81	80		1		
Foundation Schools	5		5			
Voluntary Controlled	23			2	21	
Voluntary Aided	29			2	27	
Academies	20					20
	158	**80**	**5**	**5**	**48**	**20**
		90 Schools on Balance Sheet			**68 Schools off Balance Sheet**	

Income, Expenditure, Current Assets and Current Liabilities

The Council's accounts include all material items of income and expenditure in relation to maintained schools. The only items not included within the Council's Accounts are those balances held by schools as private funds. These funds reflect the proceeds of donations or fund raising activities undertaken independently by the schools and managed separately from their core funding. These funds are managed by a mix of governing bodies, parent/teacher bodies or other individuals associated with the school. The Council can only recognise those funds that are within the control of governing bodies and as this is not considered likely to be the case for all funds and the overall value of such funds is immaterial to the Accounts (£3.9m) they are omitted from the Council's Balance Sheet.

- **Treatment of Academies**

By 31 March 2017 twenty Academies had been created from schools which were formerly funded by Cheshire West and Chester Borough Council, there has been no new

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Academies in 2016-17. While the Council remains responsible for ensuring that the children attending these schools continue to receive a good quality education, it is no longer responsible for the operation of the Schools and does not provide direct funding.

All buildings that were formerly held by the Council have been leased over to the new Academies on long term leases for peppercorn rent; as such they have been removed from the Council's Non-Current Assets. The costs of this are shown as a loss on disposal in the CIES (Note 11). The transfer of assets to the Academy is recognised on the date that the Academy is formally created, not the date the school receives approval to become an academy. Until the later date the school continues to be run by the Council and could choose to retain its current status.

- **Categorisation of Assets**

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates take into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could materially differ from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Results Differ from Assumptions
Property Valuations	The Council revalues its assets on a five year rolling cycle, with one fifth of all assets being reviewed each year. It is possible that property values could fluctuate considerably within this five year timeframe. It bases its valuations on assumptions about asset conditions, useful lives, residual values and market conditions. These judgements are underpinned by the best available information and made by qualified valuers but are still based on estimates.	A 1% fluctuation in property values would amount to £10m being reduced from the Non-Current Assets value on the Balance Sheet. Should remaining asset lives fall by an average of 10%, then there would be a corresponding 10% increase in relevant annual depreciation charges, approx. £1.45m across operational and housing assets.

Item	Uncertainties	Effect if Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council is advised on the assumptions it makes by Hymans Robertson, a firm of professional actuaries. Assumptions are disclosed in Note 43 and reflect best advice on reasonable judgements at 31 March 2017.	The pensions' liability and reserve will vary significantly should any of the assumptions prove inaccurate. For instance, a 0.5% decrease in discount rate would increase the pension liability by £151m or a one year increase in pensioner lifespans £64m. Where assumptions change the impacts are reported as re-measurement gains and losses within Other Income and Expenditure. These changes only impact on the Pensions Liability and Reserve and not the General Fund.
Impairment of debtors	At 31 March 2017 the Council had a debtor's balance of £76m. A review of significant debtor balances has been undertaken and a debtors' impairment figure of £18.4m has been set aside in the accounts. This impairment allowance (debt provision) is based on patterns of collection in both the current Council and its predecessors.	Should economic factors mean the impairment allowance is insufficient then any excess debt that proves uncollectable will result in a charge to the Comprehensive Income and Expenditure Statement. This cost may ultimately fall to the General Fund, HRA Balance or the Collection Fund Adjustment Account depending on the nature of the debt. Should an additional 5% of debts prove to be uncollectable (above the amount set aside) there would be a cost of £3.8m to the Council.
Business Rate Appeals	The 2016-17 Accounts include estimates of the potential costs that may arise as a result of appeals lodged against non-domestic rate charges by local organisations. A provision of £6.4m has been set aside based on details of outstanding claims provided by the valuation office agency, analysis of historical trends in appeal outcomes and local knowledge.	Should the actual outcomes from these appeals result in higher or lower costs then there would be a corresponding increase in the collection fund deficit charged to the taxation and non-specific grant income line of the Comprehensive Income and Expenditure Statement. This deterioration would be recorded against the Collection Fund Adjustment Account for one year before being transferred to the General Fund the next. A 10% increase in costs from appeals would reduce net income by £0.6m.
Fair Value on PWLB loans	The fair value of the PWLB Loans is included in the disclosures of Note 18- Financial Instruments. The fair value disclosed is the price that would be paid to transfer it to another participant of equal credit standing.	Should the loan be cancelled or reissued at today's interest rates then the value would differ to the fair value disclosed in the accounts. This value with differ depending on rates prevailing at this point in time.

6. Material Items of Income and Expense

Exceptional items are ones that fall within the ordinary activities of the Council but are material in terms of the Council's overall expenditure and not expected to recur frequently or regularly. Exceptional items are included on the face of the Comprehensive Income and Expenditure Statement (CIES) where it is felt that the costs are so significant as to warrant a separate disclosure. The Council had no exceptional items in 2016-17.

7. Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Councils S151 officer on XX September 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Where events do not require an adjustment to the Accounts but do offer additional contextual information they are included in this note.

In April 2017, 3 schools moved to Academies. The buildings for these schools held on the balance sheet under Property, Plant and Equipment Note 14 have a Net Book Value of £9.9m.

8. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2016-17	Usable reserves					Movement in Unusable reserves
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	£000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs (transferred to/from the Pension Reserve)	11,098	148				-11,246
Council tax and NDR (transfers to/from the Collection Fund)	3,960					-3,960
Financial instruments (transferred to the Financial Instruments Adjustments Account)	14	2				-16
Holiday pay (transferred to the Accumulated Absences Account)	-986					986
Reversal of entries included in the surplus or Deficit on the provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):						
Depreciation of Non Current Assets	-34,237	-5,601				39,838
Impairment and Revaluation of Assets	-29,286	315				28,971
Amortisation of Intangible Assets	-217					217
Movements in the fair value of investment properties	-1,984					1,984
Revenue expenditure funded from capital under statute	-2,791					2,791
Net assets written off to the CIES upon disposal or sale	-6,469	-1,404				7,873
Total Adjustments to Revenue Resources	**-60,898**	**-6,540**	**0**	**0**	**0**	**67,438**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	6,013	1,623	-7,636			0
Non-current asset disposal costs funded from the CRR	-35		35			
Statutory provision for the repayment of debt	15,944					-15,944
Posting of HRA resources from Revenue to the Major Repairs Reserve		9,763		-9,763		0
Payments to the government housing receipts pool (funded by a transfer from CRR)	-708		708			0
Capital expenditure charged against general fund	4,389					-4,389
Capital grants and contributions unapplied credited to the CIES	12,767				-12,767	0
Capital Grants and Contributions through the CIES	30,133					-30,133
Total Adjustments between Revenue and Capital resources	**68,503**	**11,386**	**-6,893**	**-9,763**	**-12,767**	**-50,466**
Adjustments to Capital Resources						
Use of Capital Receipts Reserve to finance capital expenditure			8,763			-8,763
Use of Major Repairs Reserve to finance capital expenditure				9,103		-9,103
Cash payments in relation to deferred capital receipts			-2			2
Application of capital grants to finance capital expenditure					3,604	-3,604
Total Adjustments to Capital Resources	**0**	**0**	**8,761**	**9,103**	**3,604**	**-21,468**
Total Adjustments	**7,605**	**4,846**	**1,868**	**-660**	**-9,163**	**-4,496**

2015-16	Usable reserves					Movement in Unusable reserves
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	£000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirments:						
Pension costs (transferred to/from the Pension Reserve)	-15,472	120				15,352
Council tax and NDR (transfers to/from the Collection Fund)	905					-905
Financial instruments (transferred to the Financial Instruments Adjustments Account)	11	2				-13
Holiday pay (transferred to the Accumulated Absences Account)	399					-399
Reversal of entries included in the surplus or Deficit on the provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):						
Depreciation of Non Current Assets	-34,931	-5,564				40,495
Impairment and Revaluation of Assets	-7,336	1,145				6,191
Amortisation of Intangible Assets	-194					194
Movements in the fair value of investment properties	3,819					-3,819
Revenue expenditure funded from capital under statute	-2,752					2,752
Net assets written off to the CIES upon disposal or sale	-12,220	-1,155				13,375
Total Adjustments to Revenue Resources	**-67,771**	**-5,452**	**0**	**0**	**0**	**73,223**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	3,328	1,465	-4,793			0
Statutory provision for the repayment of debt	17,075					-17,075
Posting of HRA resources from Revenue to the Major Repairs Reserve		9,921		-9,921		0
Payments to the government housing receipts pool (funded by a transfer from CRR)	-628		628			0
Capital expenditure charged against general fund	1,961					-1,961
Capital grants and contributions unapplied credited to the CIES	6,807				-6,807	0
Capital Grants and Contributions through the CIES	28,394					-28,394
Total Adjustments between Revenue and Capital resources	**56,937**	**11,386**	**-4,165**	**-9,921**	**-6,807**	**-47,430**
Adjustments to Capital Resources						
Use of Capital Receipts Reserve to finance capital expenditure			10,015			-10,015
Use of Major Repairs Reserve to finance capital expenditure				7,437		-7,437
Cash payments in relation to deferred capital receipts			-3			3
Application of capital grants to finance capital expenditure					1,650	-1,650
Total Adjustments to Capital Resources	**0**	**0**	**10,012**	**7,437**	**1,650**	**-19,099**
Total Adjustments	**-10,834**	**5,934**	**5,847**	**-2,484**	**-5,157**	**6,694**

Cheshire West and Chester

9. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts transferred back from Earmarked Reserves to meet expenditure in 2016-17 and 2015-16.

	Balance at 31 March 2015	Transfers Out 2015-16	Transfers In 2015-2016	**Balance at 31 March 2016**	Transfers Out 2016-17	Transfers In 2016-17	**Balance at 31 March 2017**
Revenue Earmarked Reserves	£000	£000	£000	£000	£000	£000	£000
Insurance reserve	**2,402**	-2,413	5,199	**5,188**	-179	101	**5,110**
PFI Reserves	**5,254**		346	**5,600**		281	**5,881**
Revenue Grants	**11,374**	-4,579	1,099	**7,894**	-2,217	2,021	**7,698**
Developer Contributions Unapplied	**873**	-156		**717**	-135	111	**693**
Sums held by Resource Centre Manager	**2,046**	-2,046	3,703	**3,703**	-3,703	2,839	**2,839**
Childrens Services Improvements Reserve	**1,134**	-1,134		**0**			**0**
Looked After Children				**0**		2,327	**2,327**
Local Authority Elections Reserve	**436**	-357	121	**200**		208	**408**
Restructuring Reserve	**1,320**	-1,320		**0**			**0**
Northgate Development	**355**	-32		**323**	-59		**264**
Northgate Property Revenue costs	**3,518**	-577	168	**3,109**	-403	1,000	**3,706**
Joint Property Running costs	**1,000**	-1,000		**0**			**0**
Long Term Liabilities	**8,629**	-2,635	13,738	**19,732**	-25,435	16,938	**11,235**
Barons Quay	**794**			**794**	-141		**653**
Long Term Sickness	**239**	-27	128	**340**		120	**460**
Fluctuation in School Days	**260**			**260**			**260**
Service Review Reserve	**762**	-654		**108**			**108**
Care Act Reserve	**0**		987	**987**			**987**
Delivering Council Priority Outcomes	**0**		3,000	**3,000**	-39		**2,961**
Invest to Save	**0**		2,000	**2,000**			**2,000**
New Ways of Working	**0**		1,000	**1,000**			**1,000**
Collection Fund Deficit Reserve	**0**		1,725	**1,725**			**1,725**
Flexible and Mobile Working	**0**			**0**	-66	2,433	**2,367**
ERP Revenue Reserve	**0**			**0**		891	**891**
Community Benefits	**658**	-7	376	**1,027**	-101		**926**
Mersey Forest	**254**		34	**288**		7	**295**
HRA Pensions Reserve	**188**		69	**257**		69	**326**
Deprivation of Liberty Safeguarding	**406**		354	**760**	-175		**585**
Children on the Edge of Care	**500**	-173		**327**	-327		**0**
Energy Efficiencies	**500**	-145		**355**	-90	500	**765**
CoSocius Transition	**0**		150	**150**	-150		**0**
Other Reserves and Balances	**1,640**	-261	1,218	**2,597**	-949	974	**2,622**
Total	**44,542**	-17,516	35,415	**62,441**	-34,169	30,820	**59,092**

Significant movements include:

- Creation of a new Looked After Children reserve (£2.3m) to help mitigate fluctuations in demand on the service in future years.
- Creation of a new Flexible and Mobile Working reserve to support the delivery of the Council's strategy over the next few years.
- A net draw down of £8.5m from the Long Term Liabilities Reserve. This reflects the use of £25.4m to make the upfront Pension Deficit payment for the period 2017-18 to 2019-20 offset by £9.6m planned reimbursement following the utilisation of this reserve in 2014-15 to fund the previous upfront Pension Deficit payment, £4.7m relating to the Capital Financing underspend and £2.6m being planned reimbursement following the temporary use of the reserve to reflect the CoSocius Pension Deficit Guarantee.

10. Other operating income and expenditure

Other Operating Income and Expenditure comprises all other costs that do not form part of the costs of any one service. A breakdown of the amounts included within this line is as follows:

	2016-17 £000	**2015-16 £000**
Loss / (Gain) on disposal of Non-current assets	70	6,591
Parish Precepts	2,829	2,613
Levies	304	299
Contribution of Housing Capital Receipts to National Pool	708	628
Impairment of working capital loan for CoSocius Limited	0	1,575
Cheshire West and Chester Share of CoSocius Limited Pension Guarantee	-2,635	2,635
Other income and expenditure	0	260
	1,276	**14,601**

11. Financing and investment income and expenditure

This note contains details of any financial costs or returns the Council has incurred which are not directly associated with the delivery of services.

	2016-17 £000	2015-16 £000
Interest payable and similar charges	10,981	13,252
Net interest on pension assets and liabilities	7,587	12,148
Interest receivable and similar income	-1,083	-1,251
Loss on disposal of interest in Academy Schools	0	1,770
Income and expenditure in relation to investment Properties and changes in their fair value	-2,898	-8,512
Trading Accounts not related to Services	128	273
	14,715	**17,680**

12. Taxation and non-specific grant income and expenditure

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

	2016-17 £000	Restated 2015-16 £000
Income:		
Council Tax	-157,977	-149,083
Non Domestic Rates	-80,540	-75,238
Revenue Support Grant	-31,747	-44,213
Capital Grants and Contributions	-42,900	-35,201
PFI Grants	-3,039	-3,039
Local Services Support Grant	-296	-334
Council Tax Freeze Grant	0	-1,599
New Homes Bonus	-8,072	-5,425
S31 Business Rates Relief Grants	-2,635	-3,403
Education Services Grant	-3,666	-4,016
Other Grants	-3,275	-2,097
Expenditure:		
Non Domestic Rates - Tariff and Levy Payment	27,141	26,840
	-307,006	**-296,808**

The above note has been restated to reflect the transfer of Education Services Grant and Housing and Council Tax Benefit and Administration Subsidies from Net Cost of Services to Taxation and non-specific grant income.

13. Other Comprehensive Income and Expenditure (CIES)

The Other Comprehensive Income and Expenditure section of the CIES recognises increases and decreases to the value of assets and liabilities which have yet to be realised by the Council. As these gains and losses were unrealised at 31 March 2017 they are not reflected against the Council's usable reserves at this point and are held separately in unusable reserves as described in Note 24.

	2016-17 £000	2015-16 £000
Property Revaluation (Gains)	-68,153	-45,431
Pension Deficit Re-measurement Losses/(Gains)	133,659	-167,995
Surplus/Deficit on revaluation of available for sale assets	258	0
	65,764	**-213,426**

- Property revaluation gains reflect estimated increases in the value of Council owned assets. These will only be realised by the Council on sale or disposal or over time through usage. The balances created are held on the Revaluation Reserve until this time. Revaluation losses occur when the situation leading to an initial increase changes and the asset value is reduced towards its original cost.
- Pension deficit re-measurements reflect revised estimates as to the value of future pension liabilities or assets made by actuaries. The gain in 2016-17 reflects a decrease of the Financial Assumptions of the Actuary.
- The Council is a shareholder in the UK Municipal Bond Agency which reported losses in the year ending November 2016, as a result the Council's equity has been reduced by £258k.

14. Property, plant and equipment

Movements in 2016-17	Non-Current Assets							
	Council Houses £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Value as at 31 March 2016	152,300	602,498	87,161	365,452	18,917	6,000	67,634	1,299,962
Additions	7,556	22,377	10,227	17,461	259	158	37,556	95,594
Revaluation Gain/Loss to RR	22,134	19,402	0	0	0	-1,354	0	40,182
Reval/Impair Losses to SDPS	0	-40,461	0	0	0	0	0	-40,461
Reverse Reval/Impair to SDPS	315	10,729	0	0	0	0	0	11,044
Derecognition - Disposals	-1,406	-4,215	-4,823	0	-121	0	0	-10,565
Re-classification of assets	86	51,546	0	0	187	-4,536	-47,283	0
Reclass to/from Held for Sale	0	-1,418	0	0	0	0	564	-854
Reclass to/from Heritage	0	45,217	0	0	0	0	0	45,217
Reclass to/from Investment	0	4,697	0	0	1	390	2,072	7,160
Value as at 31 March 2017	**180,985**	**710,372**	**92,565**	**382,913**	**19,243**	**658**	**60,543**	**1,447,279**
Depreciation								
Accum Depn at 31 March 2016	-121	-16,147	-64,250	-123,018	-73	0	0	-203,609
Charges for the year	-5,601	-14,395	-8,437	-10,669	0	0	0	-39,102
Revaluation Gain/Loss to RR	5,722	23,121	0	0	0	0	0	28,843
Reval/Impair Loss to SDPS	0	3,099	0	0	0	0	0	3,099
Reverse Reval/Impair to SDPS	0	-2,803	0	0	0	0	0	-2,803
Derecognition - Disposals	3	460	4,658	0	0	0	0	5,121
Re-classification of assets	-3	220	0	0	-4	0	-213	0
Reclass to/from Held for Sale	0	0	0	0	0	0	25	25
Reclass to/from Heritage	0	-2,410	0	0	0	0	0	-2,410
Accum Depn at 31 March 2017	0	-8,855	-68,029	-133,687	-77	0	-188	-210,836
Net Book Value at 31 March 2017	**180,985**	**701,517**	**24,536**	**249,226**	**19,166**	**658**	**60,355**	**1,236,443**
Net Book Value at 31 March 2016	152,179	586,351	22,911	242,434	18,844	6,000	67,634	1,096,353
Nature of Asset Holding								
Owned	180,985	678,513	19,329	249,226	19,166	658	60,355	1,208,232
PFI		23,004						23,004
Leased			5,207					5,207
Total	**180,985**	**701,517**	**24,536**	**249,226**	**19,166**	**658**	**60,355**	**1,236,443**

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

The Net Book Values for 2016-17 include £1.3m of assets which are held in partnership with Cheshire East Borough Council. The Council will ultimately need to buy out the Cheshire East Borough Council interest in these assets so an offsetting long term liability of £0.8m is included in the Balance Sheet.

Movements in 2015-16	Non-Current Assets							
	Council Houses £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Valuation at 31 March 2015	147,644	529,657	84,773	347,233	18,391	5,150	57,101	1,189,949
Additions	10,206	21,136	3,743	18,219	526	144	46,346	100,320
Revaluation Gain/Loss to RR	0	40,424	0	0	0	706	0	41,130
Reval/Impair Losses to SDPS	0	-11,024	0	0	0	0	0	-11,024
Reverse Reval/Impair to SDPS	-4,395	2,257	0	0	0	0	0	-2,138
Derecognition - Disposals	-1,155	-11,511	-1,355	0	0	0	0	-14,021
Re-classification of assets	0	35,813	0	0	0	0	-35,813	0
Reclass to/from Held for Sale	0	-192	0	0	0	0	0	-192
Reclass to/from Heritage	0	0	0	0	0	0	0	0
Reclass to/from Investment	0	-4,062	0	0	0	0	0	-4,062
Value as at 31 March 2016	**152,300**	**602,498**	**87,161**	**365,452**	**18,917**	**6,000**	**67,634**	**1,299,962**
Depreciation								
At 31st March 2015	-97	-8,303	-55,097	-112,760	-73	0	0	-176,330
Charges for the year	-5,564	-13,817	-10,333	-10,258	0	0	0	-39,972
Revaluation Gain/Loss to RR	0	4,301	0	0	0	0	0	4,301
Reval/Impair Loss to SDPS	0	1,391	0	0	0	0	0	1,391
Reverse Reval/Impair to SDPS	5,540	37	0	0	0	0	0	5,577
Derecognition - Disposals	0	244	1,180	0	0	0	0	1,424
Accum Depn at 31 March 2016	-121	-16,147	-64,250	-123,018	-73	0	0	-203,609
Net Book Value at 31 March 2016	**152,179**	**586,351**	**22,911**	**242,434**	**18,844**	**6,000**	**67,634**	**1,096,353**
Net Book Value at 31 March 2015	147,547	521,354	29,676	234,473	18,318	5,150	57,101	1,013,619
Nature of Asset Holding								
Owned	152,179	563,641	16,903	242,434	18,844	6,000	67,634	1,067,635
PFI		22,710						22,710
Leased			6,008					6,008
Total	**152,179**	**586,351**	**22,911**	**242,434**	**18,844**	**6,000**	**67,634**	**1,096,353**

Depreciation

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

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

Bases of valuations

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

The Council's Property Services section value the freehold and leasehold properties which make up the Council's portfolio. They are valued in accordance with the Statements of Asset Valuation Practice and Guidance notes of the Royal Institution of Chartered Surveyors (The Red Book). Valuations are undertaken to reflect asset values as at 31 March 2017.

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

Council Houses are valued annually using a beacon value methodology. The recorded value is an Existing Use Value for Social Housing which is the value the properties would be exchanged at on the presumption that they must continue to be used for social housing purposes. The valuations are reduced to reflect the fact these houses are occupied by secure tenants.

Vehicles, Equipment, Community Assets, Infrastructure Assets and Assets under Construction are all held in the accounts at historic cost.

Non-specialised operational properties are valued by reference to the open market value of equivalent assets of a similar type and condition. This is evidenced by recent market transactions and done on the assumption that they would continue in their existing use. Non-operational properties are valued by reference to their open market value for an alternative use allowed by planning permissions.

Where assets are included in the Balance Sheet at current value, they are required to be re-valued at intervals no longer than five years. The Council has done this on the basis of a rolling programme. The following statement shows the age profile of existing asset values and compares these to their historic cost equivalents.

Effects of changes in methodologies and estimates

There have been no significant changes to the way in which the Council carries out valuations during 2016-17. New valuations are otherwise directly comparable to the approach taken in previous years and changes in those values reflect changes in the asset or the wider economic climate.

	Council Dwellings £000	Operational Land and Buildings £000	Surplus Assets £000	Total PPE Assets £000
Valued at Historic Cost	153,129	473,059	549	626,737
Value as at:				
31 March 2017	180,985	474,751	658	656,394
31 March 2016		64,653		64,653
31 March 2015		117,325		117,325
31 March 2014		25,298		25,298
31 March 2013		12,089		12,089
31 March 2012		7,401		7,401
Total	**180,985**	**701,517**	**658**	**883,160**

Significant commitments under capital contracts

The value of significant commitments under capital contracts, where amounts of £0.5m or more are contracted to be paid after 31 March 2017, totals £27m (£66.5m in March 2016). The decrease is due to the progression of a number of large projects such as Barons Quay, Highways improvement, Bus Interchange and HRA new builds. Also, the Chester Cultural Centre project was completed during the year. A summary of the contracts where significant amounts are contracted to be paid after 31 March 2017 is summarised as follows:

Capital Project	Contract Total £000	Amount Paid to Date £000	Outstanding Balance £000
Barons Quay	52,330	48,192	4,138
Bus Interchange	9,438	8,771	667
Northgate Development	1,492	192	1,300
Highways and Transport - Acton Swing Bridge	1,500	289	1,211
Maintenance of Public Highways	56,912	45,662	11,250
LED Lighting	2,500	930	1,570
HRA New Build - Stoak Lodge	789	133	656
HRA New Build - Malvern Road	582	79	503
HRA New Build - Sherbourne Road	1,605	76	1,529
HRA New Build - Greyhoud Stadium	3,675	376	3,299
Disabled Facilities Grant	964	0	964
Total	**131,787**	**104,700**	**27,087**

15. Heritage assets

Movements in 2016-17	Non-current Assets						
	Historic Buildings/ Memorials £000	Sites of Historic Interest £000	Museum Collections £000	Historic Archives £000	Fine Art/ Sculpture £000	Civic Regalia £000	Total £000
Certified Valuation at 31 March 2016	57,263	2,225	10,490	500	3,712	592	74,782
Additions	572	0	0	0	30	0	602
Revaluation Gains/Losses	-932	0	0	0	0	0	-932
Reclassification to/from PPE Assets	-45,217	0	0	0	0	0	-45,217
Value as at 31 March 2017	**11,686**	**2,225**	**10,490**	**500**	**3,742**	**592**	**29,235**
Depreciation							
At 31st March 2016	-2,109	-5	0	0	0	0	-2,114
Charges for the year	-736	0	0	0	0	0	-736
Revaluation Gains/Losses	126	0	0	0	0	0	126
Reclassification to/from PPE Assets	2,410	0	0	0	0	0	2,410
Accumulated Depn at 31 March 2017	**-309**	**-5**	**0**	**0**	**0**	**0**	**-314**
Net Book Value at 31 March 2017	**11,377**	**2,220**	**10,490**	**500**	**3,742**	**592**	**28,921**

Restated Movements in 2015-16	Non-current Assets						
	Historic Buildings/ Memorials £000	Sites of Historic Interest £000	Museum Collections £000	Historic Archives £000	Fine Art/ Sculpture £000	Civic Regalia £000	Total £000
Certified Valuation at 31 March 2015	56,849	1,951	10,470	500	3,668	592	74,030
Additions	414	274	20	0	44	0	752
Value as at 31 March 2016	**57,263**	**2,225**	**10,490**	**500**	**3,712**	**592**	**74,782**
Depreciation							
At 31st March 2015	-1,586	-5	0	0	0	0	-1,591
Charges for the year	-523						-523
Accumulated Depn at 31 March 2016	**-2,109**	**-5**	**0**	**0**	**0**	**0**	**-2,114**
Net Book Value at 31 March 2016	**55,154**	**2,220**	**10,490**	**500**	**3,712**	**592**	**72,668**

For Accounting policies, see Note 1 section non-current assets.

Historic buildings

The Council's historic buildings are currently held at Fair Value based on Depreciated Replacement Cost. These valuations are carried out in line with the processes set out for operational assets in Note 14. Following a review of these buildings it was concluded a number should be reclassified under Property, Plant and Equipment – Land and Buildings, this best reflects their purpose. The Council holds the following under historic buildings:

- Stretton Mill Museum
- Lion Salt Works

Public monuments/memorials

The Council also has responsibility for the management and maintenance of a significant number of public monuments and memorials. These assets take the form of statues, crosses, historic way markers and a significant number of war memorials. There are estimated to be over 100 individually recorded memorials within the borough and several hundred smaller marker posts. The majority of these assets record historically significant figures or events which affected the people of Cheshire West and Chester.

Sites of historic interest

The Council has two sites of historic interest, part of the Chester Walls and the St Johns Church ruins. These assets are held at depreciated historic cost as there is no mechanism for replacing these assets. The Council incurs maintenance work to reverse the impacts of wear and tear and deterioration.

Museum collections

These assets are valued based on their insurance value which is reviewed for currency annually. Additions to the collection are initially recorded at the costs paid and items which are donated are recorded based on professional judgements of their value.The valuation shown does not reflect items which are held in the museums but have only been loaned to the Council by a benefactor or are part of an exchange programme with other museums/collections as they are not in Council ownership.

Historic archives

The valuation of £0.5m is based on half of the insurance value held against the costs of repairing damage to the documents held. This is an approximation of the value the Council attaches to the archives as there was no acquisition cost for the majority of these assets and by definition they cannot be replaced. This valuation is not expected to change significantly over time.

16. Investment properties

The Council operates a portfolio of Investment Properties which it either leases out to local business for industrial or commercial usage or holds for capital appreciation. The Council operates its investment property portfolio as a trading account, recording both the income generated and costs incurred.

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

Investment Asset Expenditure and Income	2016-17 £000	2015-16 £000
Rental Income from Investment Property	-8,117	-7,277
Direct Expenditure Arising from Properties	3,953	2,275
Net Cost/(Income) in the Year	**-4,164**	**-5,002**

The movements in the value of investment properties during 2016-17 are analysed below.

Investment Assets - Movements in Year	2016-17 £000	2015-16 £000
Balance at Start of Year	131,087	124,982
Additions		
- Acquisitions	572	541
Disposals		
- Outright Disposals	-2,440	-806
Impairments	-5	-11
Fair Value Adjustments		
- Increases in Fair Value	3,007	11,348
- Decreases in Fair Value	-4,991	-7,529
Transfers to or from other asset categories	-7,111	2,562
Value as at 31 March	**120,119**	**131,087**

Cheshire West and Chester

Details of investment properties and information about the fair values hierarchy as at 31 March 2017 are as follows:-

2016-17	Quoted prices in active markets for identical assets	Other signicant observable inputs	Significant unobservable inputs	Fair Value as at 31 March 2017
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Recurring fair value measurement using:				
Residential properties	0	187	0	187
Commerical units	0	72,880	0	72,880
Industrial units	0	33,603	0	33,603
Land(incuding car parks)	0	12,639	0	12,639
Other	0	810	0	810
Total	**0**	**120,119**	**0**	**120,119**

The Council measures its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either: the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses qualified internal property valuers to provide a valuation of its assets in line with the highest and best use definition of its investment properties. In estimating the fair value of the Councils investment properties the highest and best use is their current use.

All the Council’s investment properties have been value assessed as Level 2 in the fair value hierarchy for valuation.

There have been no transfers between levels 1 and 2 during the year.

Valuation techniques

The fair value of investment properties has been measured using a market approach. This used quoted prices of similar assets, existing lease terms and rental market rentals and yields. The property valuers who manage the portfolio are qualified valuers with many years of experience and their knowledge of the market is reflected in these valuations. Market conditions of similar properties has also contributed to the valuation and level of hierarchy determined.

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

Investment property has been valued in line with the Council’s rolling five year programme as at 31st March 2017 by property services in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

17. Assets Held for Sale

The balance of Assets Held for Sale has increased by £553K during 2016-17. This is due to assets being reclassified from Property, Plant & Equipment and Assets under construction. The assets which have been reclassified are currently being marketed and expected to sell within the next 12 months.

	2016-17 £000	**2015-16 £000**
Balance as at 1st April	1,902	49
Assets Transferred into Assets Held for Sale:		
Property, Plant and Equipment	1,418	192
Investment Assets	0	1,500
Assets under construction	845	0
Additions	0	232
Valuation Changes:		
- Revaluation Gains/Losses	-66	0
Assets Transferred out of Assets Held for Sale		
Investment Assets	-49	0
Asset Under Construction	-1,434	0
Assets sold	-161	-71
Balance at end of the year	**2,455**	**1,902**

18. Financial instruments

Categories of financial instruments

The table below outlines the categories of financial instruments that are carried in the balance sheet. The presentation of this information has been expanded to facilitate a link to values identified in the balance sheet.

	Long Term		Current	
	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
Assets				
Available for sale financial asset	92	350		
Loans and receivables				
Investments identified on the balance sheet			30,031	45,005
Total Debtors	7,910	2,907	49,869	47,853
Less: classes of debtor not recognised as financial instruments			-13,450	-13,149
Plus: cash and cash equivalents identified on the balance sheet			25,982	27,986
Total Financial Assets	**8,002**	**3,257**	**92,432**	**107,695**
Liabilities				
Financial liabilities at amortised cost				
Borrowing identified on the balance sheet	-288,434	-287,513	-13,291	-17,497
Other long term liabilities identified on the balance sheet				
PFI Schemes	-27,521	-28,465		
Finance Leases	-3,350	-4,261		
Other	-621	-779		
	-31,492	-33,505	0	0
Short term liabilities held at amortised cost				
PFI Schemes			-944	-609
Finance Leases			-2,207	-1,997
	0	0	-3,151	-2,606
Total Financial Liabilities at Amortised Cost	**-319,926**	**-321,018**	**-16,442**	**-20,103**
Financial liabilities carried at contract amount				
Creditors identified on the balance sheet			-104,436	-95,146
Less: classes of creditor not recognised as financial instruments or held at amortised cost			30,159	29,458
Total Financial Liabilities Carried at Contract Amount			**-74,277**	**-65,688**

Borrowings include the loan principal and interest payments due in less than one year. The ‘Other long term liabilities’ section includes PFI, finance leases and amounts owed to Cheshire East Council in relation to shared properties.
Long term investments represent interest in minority interests. Short term investments represent fixed term deposits with banks and other local councils.

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

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

	2016-17		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	10,981		10,981
Total expense in SDPS	**10,981**	**0**	**10,981**
Interest income		-1,083	-1,083
Total income in SDPS	**0**	**-1,083**	**-1,083**
Net (gain)/loss for the year	**10,981**	**-1,083**	**9,898**

	2015-16		
Interest expense	13,252		13,252
Total expense in SDPS	**13,252**	**0**	**13,252**
Interest income		-1,251	-1,251
Total income in SDPS	**0**	**-1,251**	**-1,251**
Net (gain)/loss for the year	**13,252**	**-1,251**	**12,001**

References to SDPS above refer to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement.

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at their amortised cost. The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

- Estimated interest rates at 31 March 2017 of between 0.10% and 2.61% for prevailing market interest rates;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next twelve months, carrying amount is assumed to be approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- All loans issued are relatively short term (2-5 years) and are therefore fair value will not vary significantly from carrying value;
- The fair value of unquoted equity is calculated by reference to the amount of equity attributable to the owners of the company as shown in the company's most recent set of published accounts.

Fair value of assets held at amortised cost

	Carrying Value		Fair Value	
	2016-17 £000	2015-16 Restated £000	2016-17 £000	2015-16 Restated £000
Loans and receivables	100,342	110,602	100,342	110,602
Total	**100,342**	**110,602**	**100,342**	**110,602**

The financial assets held by the Council at the balance sheet date, and classified as loans and receivables in the balance sheet, comprised of short term fixed rate deposits with banks and UK local councils, instant access accounts with UK banks, notice accounts with UK banks and shares in a number of constant net asset value money market funds.

The longest period for which monies had been deposited at the balance sheet date was 91 days. All monies were, or would become, available to the Council within 1 month of the balance sheet date.

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

The fair value for financial assets and liabilities that are not measured at fair value (ie at amortised cost) and which are shown in the table above have been determined using level 2 inputs. These inputs comprise the rate of interest, available from counterparties of a similar credit quality to those with whom the deposits have been placed, for a period equal in length to the remaining term of the deposit period. These interest rates have then been used to discount the expected principal and interest due at the maturity date back to a fair (i.e. net present) value at the balance sheet date.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Fair values of financial assets held at fair value

Certain of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including valuation techniques used to measure them.

Recurring fair value measurement	Input level in fair value	Valuation technique used to measure fair value	As at 31 March 2017 £000	As at 31 March 2016 £000
350,000 1p Ordinary Shares in UKMBA	Level 3	Share of net assets	92	350
Total			**92**	**350**

The financial assets whose recurring fair value is determined using level 3 inputs comprise of a minority shareholding in the UK Municipal Bond Agency (UKMBA). The company has yet to start trading but has, as expected, incurred significant set up costs in getting itself into a position whereby it is in a position to be able to trade (which is expected to be some time in 2017-18).

The fair value of the Council's 5% shareholding in the company has been calculated as being equal to the Council's pro-rata share of the total equity attributable to the owners of UKMBA as shown in the financial statements for the year ended 30th November 2016.

The Council views the shareholding in UKMBA as being a long term strategic shareholding. Consequently the reduction in the fair value of the shareholding has been taken to the Available For Sale Reserve in accordance with the accounting treatment set out in IAS 39.

Reconciliation of fair value measurements (using significant unobservable inputs) categorised within level 3 of fair value hierarchy for financial assets

	2016-17			2015-16		
	Unquoted shares	Other	Total	Unquoted shares	Other	Total
	£000	£000	£000	£000	£000	£000
Opening balance	350	0	350	448	0	448
Additional shareholding in CoSocius Limited	0	0	0	125	0	125
Impairment of shareholding in CoSocius Limited	0	0	0	-223	0	-223
Adjustment to Fair Value at 31st March 2017	-258	0	-258	0	0	0
Closing balance	**92**	**0**	**92**	**350**	**0**	**350**

Fair value of liabilities held at amortised cost

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

- The level 2 input used is the market new borrowing rate. The market new borrowing rate has been used to discount the scheduled interest payments and principal repayments that the Council is committed to under its existing loan agreements back to a fair (net present) value at the balance sheet date.
- The fair value here (and which is shown below) represents the amount of loans that could be raised on the balance sheet date that would give rise to the same profile of interest payments and principal repayments as those the Council is committed to under its existing loan agreements were the loans to be raised at the prevailing market rates.

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

	Carrying Value		Fair Value	
	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000
Borrowing identified on the balance sheet	-301,725	-305,010	-384,037	-356,978
Financial liabilities held at amortised cost:				
PFI Schemes	-28,465	-29,074	-37,991	-36,550
Finance Leases	-5,557	-6,258	-5,557	-6,259
Other	-621	-779	-621	-779
Total	**-336,368**	**-341,121**	**-428,206**	**-400,566**

- Finance leases carrying value is representative of the fair value of the assets and are carried at level 3 inputs due to no observable inputs being available.

- PFI contracts fair value is derived using the yield available on AA rated corporate bonds at the balance sheet date. This rate is considered to be a fair reflection at which the Council could raise equivalent debt were it to refinance the existing debt.

The majority of the Councils long-term loans have a fair value well in excess of the carrying value. This is not unsurprising given that the rate of interest payable on the Council's existing fixed rate long term loans are significantly higher than the interest rates prevailing at the balance sheet date. This is a consequence of raising fixed rate loans when long term interest rates were higher than current long term interest rates.
One consequence of having a large number of fixed rate loans for relatively long periods is that the Council does not tend to benefit from any falls in long term interest rates. The converse is also true however, i.e. in periods when interest rates rise the Council is cushioned from the impact of such increases. Having a large number of long term loans at fixed rates of interest does provide the Council with a fair degree of certainty in the cost of interest payable.

The fair values of financial assets and financial liabilities that are not measured at fair value

Except for the financial assets carried at fair value (described in the table earlier), all other financial liabilities and assets held by the authority are classified as loans and receivables and long term debtors and creditors and are carried in the Balance Sheet at amortised cost.

Fair value hierarchy for financial assets and liabilities that are not measured at fair value

2016-17	Quoted prices in active markets for identical	Other significant observable inputs	Significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial liablities				
Financial liablities held at amortised cost				
Borrowing identified on the balance sheet		-384,037		-384,037
PFI Schemes			-37,991	-37,991
Finance Leases			-5,557	-5,557
Other			-621	-621
Short term creditors			-74,277	-74,277
	0	-384,037	-118,446	-502,483
Financial assets				
Loans and receivables		92,432		92,432
Long term debtors			7,910	7,910
	0	92,432	7,910	100,342
Total	**0**	**-291,605**	**-110,536**	**-402,141**

2015-16	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial liablities				
Financial liablities held at amortised cost				
Borrowing identified on the balance sheet		-356,978		-356,978
PFI Schemes			-36,550	-36,550
Finance Leases			-6,259	-6,259
Other			-779	-779
Long term creditors			-65,688	-65,688
	0	-356,978	-109,276	-466,254
Financial assets				
Loans and receivables		108,045		108,045
Long term debtors			2,907	2,907
	0	108,045	2,907	110,952
Total	**0**	**-248,933**	**-106,369**	**-355,302**

19. Debtors

The Council's debt position as at 31 March 2017 is analysed as follows:

Analysis of Debtors	31 March 2017 £000	31 March 2016 £000
Central government bodies	11,750	10,100
Other local authorities	5,360	3,483
NHS bodies	1,856	2,402
Other entities and individuals	30,903	31,868
Total	**49,869**	**47,853**

Analysis of Debtors by Type	31 March 2017 £000	31 March 2016 £000
Sundry Revenue and Capital Debtors	26,824	26,718
Prepayments	3,458	2,443
HM Revenue and Customs (VAT)	7,001	7,118
Housing Benefit Overpayments	5,893	6,120
Housing Revenue Account Tenant Arrears	2,022	2,175
Revenue and Capital Grant Debtors	9,340	6,795
Cheshire Pension Fund Debtor	1,451	1,296
CWAC Share of Council Taxpayers Arrears	9,937	9,612
CWAC Share of Non Domestic Rates Arrears	2,182	1,749
Deferred Debtor	212	0
Loans to Group Entities	0	1,523
Bad Debt Provision	-18,451	-17,696
Total	**49,869**	**47,853**

The majority of the Councils' debts are with individuals (rent arrears, social care debt or Council Tax) or is trade debt with other private sector organisations. The Council also holds significant debts with other Councils (joint working) and the Government (VAT and NI payments). Where the Council holds debt provisions these have been reflected against the appropriate category.

Analysis of Long-term Debtors	31 March 2017 £000	31 March 2016 £000
Loans to Group Entities	2,450	1,900
Deferred debtor	4,529	0
Returnable Deposits	216	42
Cheshire Pension Fund ICT System	169	252
Home-Buy Loans	307	385
Mack Leisure	176	213
Other entities	63	115
Total	**7,910**	**2,907**

The deferred debtor relates to rentals on Barons Quay regeneration project. These total £4.7m, of which £4.5m is shown in long-term debt and £0.2m is shown as a current debtor.

20. Cash and cash equivalents

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

Where payments have been initiated on 30 and 31 March the current account balance shows them as if they have already been made, even though they will not physically leave the account until 3 or 4 April. The net £738k credit shown against current accounts below reflects the fact that a significant volume of payments (£4.89m) were in process on 31 March, the Council transferred in deposits on 3 and 4 April to cover these costs so the current accounts were never actually in deficit.

	31 March 2017 £000	31 March 2016 £000
Bank Current Accounts	-738	-323
Short Term Deposits	26,720	28,309
Total	**25,982**	**27,986**

In addition to the Council balances above schools also hold private funds totalling approximately £3.9m. These amounts are made up of the proceeds of donations or fund raising activities undertaken independently by the schools and managed separately from their core funding. The funds are managed by a mix of governing bodies, parent teacher bodies or other individuals associated with the school. As the Council does not have full control over all of these funds it does not recognise them as part of the balance sheet.

21. Creditors

The Council's creditor position as at 31 March 2017 is analysed as follows:

Analysis of Creditors	31 March 2017 £000	31 March 2016 £000
Central government bodies	18,081	15,773
Other local authorities	13,510	6,210
NHS bodies	1,246	1,622
Public corporations and trading funds	0	12
Other entities and individuals	71,599	71,529
Total	**104,436**	**95,146**

Analysis of Creditors by Type	31 March 2017 £000	31 March 2016 £000 Restated
Creditors		
Sundry Revenue Creditors/Payments to Suppliers	45,000	40,872
Accumulated Absences	7,920	6,934
HM Revenue and Customs	4,632	4,049
Payroll Related	3,756	3,726
Capital Creditors	11,145	16,151
Central Government relating to Business Rates	12,219	7,783
Pension Guarantee	0	2,635
Other	5,913	883
	90,585	**83,033**
Receipts in Advance		
Council Tax Advance Payments	3,351	2,819
Business Rates Advance Payments	2,191	1,846
Revenue Grants	1,731	1,498
Other	6,578	5,950
	13,851	**12,113**
Total	**104,436**	**95,146**

The Sundry Revenue Creditors/Payments to Suppliers includes £0.9m relating to Council Tax Collection Fund Preceptors. The majority of the Councils creditors are individual companies with whom it trades but it does have some significant liabilities with other Councils (joint working) and the Government (Tax and NI payments).

Short Term Compensated Absence Account

The Short Term Compensated Absence Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

Accumulated Absences Accrual	31 March 2017 £000	31 March 2016 £000
Opening Balance at 1st April	**6,934**	**7,333**
Changes in Unused Leave Entitlement (School Based staff)	1,018	-169
Changes in Unused Leave Entitlement (non School Staff)	-32	-230
Closing Balance at 31st March	**7,920**	**6,934**

Cheshire West and Chester

22. Provisions

The Council will hold a provision when it has identified a liability that it is exposed to as a result of its past actions or decisions but where it cannot quantify the precise costs or timing of the probable payment. The provision ensures that the costs are recognised as close as possible to the time the liability was incurred, should the actual costs differ from those estimated the net difference will be charged to the Income and Expenditure Statement in the year any difference is identified.

	Short Term Provisions						
	Redundancy £000	Land Search Charges £000	Public Enquiry £000	Terms & Conditions £000	Contribution Related Reward £000	Other ST Provisions £000	**Total £000**
Balance at 31 March 2015	**1,723**	**650**	**0**	**577**	**316**	**0**	**3,266**
Amounts used in year	-1,668	-150	0	-577	-316	0	**-2,711**
Unused Amount Released	-53	-400	0	0	0	0	**-453**
Additional provisions made	213	0	400	0	519	77	**1,209**
Balance at 31 March 2016	**215**	**100**	**400**	**0**	**519**	**77**	**1,311**
Amounts used in year	-213	-74	-5	0	-444	-72	**-808**
Unused Amount Released	-2	0	0	0	-75	-5	**-82**
Additional provisions made	1,053	0	0	0	457	432	**1,942**
Balance at 31 March 2017	**1,053**	**26**	**395**	**0**	**457**	**432**	**2,363**

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

- **Redundancy** - Sums held to fund the costs of redundancy payments to individuals which have been agreed in advance of 31 March but will take place in the following financial year.
- **Public Enquiry Costs** – This provision is to fund any costs incurred by the Council in responding to legal challenges to the appropriateness of planning decisions made.
- **Contribution Related Reward** – Sums held to fund pay rewards based on individuals overall performance rating agreed in advance of 31 March but will be paid in June the following financial year.

	Long Term Provisions				
	Insurance Provision £000	Closed Landfill £000	Business Rates £000	Care Contingency £000	**Total Long Term £000**
Balance at 31 March 2015	**5,085**	**3,170**	**5,264**	**1,400**	**14,919**
Amounts used in year	-2,447	-81	-2,018	0	**-4,546**
Unused Amount Released	-702	0	0	0	**-702**
Additional provisions made	1,767	0	2,685	0	**4,452**
Balance at 31 March 2016	**3,703**	**3,089**	**5,931**	**1,400**	**14,123**
Amounts used in year	-2,272	-55	-2,399	0	**-4,726**
Unused Amount Released	-901	0	0	-900	**-1,801**
Additional provisions made	2,991	0	2,910	0	**5,901**
Balance at 31 March 2017	**3,521**	**3,034**	**6,442**	**500**	**13,497**

Long Term provisions include:

- **Insurances –** The Council holds insurance provisions against the costs of excesses it needs to pay under it insurance policies. The values of this provision reflect actuarial advice and experience of claims history. Actuarial reviews are now undertaken every 3 years and the next review is expected in 2017-18.
- **Closed Landfill Sites –** Representing the future costs of necessary remedial works to remove contamination and make safe former landfill sites across the borough.
- **Business Rates Appeals –** The Council's share of costs that would arise should the appeals lodged by a range of companies against their Non Domestic Rates charges be upheld by the Valuation Office Agency.
- **Care Contingency –** This provision covers a range of potential costs in ensuring that the Council and the agencies it commissions care through comply with all relevant legislation

23. Usable Reserves

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

The revenue reserves are split into three core funds for general activities (General Fund), budgets devolved to schools (School Reserves) and Housing (HRA Balance) and a number of specific earmarked reserves held for a particular purpose. Capital Reserves are similarly split between a pot for funding future capital expenditure (Capital Receipts Reserve) and earmarked balances. A breakdown of the earmarked reserves and their movement is contained in Note 9, other balances are explained below.

The overall movements show a net contribution to reserves of £5.5m during 2016-17. This largely reflects the increased Capital Grants Unapplied Reserve as a result of an additional School Basic Need grant allocation. Explanations for major variances follow the table.

	31 March 2017 £000	31 March 2016 £000
Held for Revenue Purposes		
General Fund	25,027	23,488
School Reserves	10,004	10,726
Housing Revenue Account	848	817
Earmarked General Fund Reserves	58,767	62,185
Earmarked HRA Reserves	325	256
	94,971	**97,472**
Held for Capital Purposes		
Capital Receipts Reserve	9,561	11,429
Capital Grants Unapplied Reserve	23,103	13,940
Major Repairs Reserve	3,568	2,908
	36,232	**28,277**
Total	**131,203**	**125,749**

Revenue Reserves

General Fund – The General Fund has increased in year as a result of the Council delivering an underspend against its 2016-17 budgets of £1.5m.

School Reserves – School Balances represent the unspent element of the Dedicated Schools Grant (DSG) which has been devolved to schools.

Housing Revenue Account Reserves – The Housing Revenue Account Balance represents the excess of rental income collected by the HRA over costs incurred and is statutorily ring-fenced to be retained for future usage on HRA services. There was a £0.03m increase in 2016-17 reflecting an underspend on the housing management contract project. Funding has been carried forward into 2017-18 to cover the lifetime of the project.

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

Capital Reserves

Capital Receipts Reserve – The Capital Receipts Reserve holds balances which have been generated from the sale of assets or funds the Council has chosen to set aside to fund future capital works. The balance is used each year to finance part of the Council's capital expenditure. In 2016-17 the reserve was topped up with £6.9m of receipt /income. This included general capital receipts (£4.0m), commercial property re-investment receipts (£1.4m), and Right to Buy receipts (£1.5m). £8.8m of the reserve was used to fund capital projects in 2016-17.

Capital Grant Unapplied – This reserve holds any capital funds that the Council has received where it has met all the relevant funding conditions, but has not yet used the balance to fund any specific capital expenditure. As such it is an available source of finance to fund future years' capital works. The £9.2m increase in the balance in 2016-17 is primarily due to an additional School Basic Need allocation received in year which will fund schemes scheduled for 2017-18.

Major Repairs Reserve – The Major Repair Reserve holds all the balances that the HRA has set aside to fund the future repayment of its debt or to invest in capital expenditure on the housing stock. The balance on this reserve is managed in line with the HRA Business Plan to ensure that decency standards are achieved and sustained across the housing portfolio. In 2016-17 the balance increased by £0.7m due to the additional revenue contribution from the HRA. Further details on the use of this reserve are contained in the HRA Accounts.

24. Unusable Reserves

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

- They represent assets or profits recognised in the Council's accounts but which aren't readily available to support current expenditure, e.g. the value is tied up in assets whose valuation exceeds their outstanding funding requirement or investments which have increased in value since purchased; or
- They represent future liabilities that will fall to the Council in later years but under statute are not chargeable against the General Fund until they become due, e.g. pensions deficits.

	31 March 2017 £000	31 March 2016 £000
Revaluation Reserve	256,436	193,057
Capital Adjustment Account	646,413	651,376
Financial Instruments Adjustments Account	-816	-832
Deferred Capital receipts Reserve	3	5
Pensions reserve	-349,294	-226,881
Collection Fund Adjustment Account	8,828	4,869
Accumulated Absences Account	-7,920	-6,934
Revaluation Available For Sale Investment Reserve	-258	0
Total	**553,392**	**614,660**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

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

Where the impairment value is greater than the revalue amount then the excess impairment is charged to the Comprehensive Income and Expenditure Statement.

Revaluation Reserve Movements	2016-17 £000	2015-16 £000
Balance at 1 April	**193,057**	**153,423**
Upwards Revaluation of assets	103,825	50,401
Downward revaluations and impairment losses	-35,672	-4,970
Surplus or deficit on revaluation of non-current assets	**68,153**	**45,431**
Difference between fair value and historic cost depreciation	-4,314	-3,402
Accumulated gains on assets sold or scrapped	-460	-2,395
Amount written off to the Capital Adjustment Account	**-4,774**	**-5,797**
Balance at 31 March	**256,436**	**193,057**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets.

The Account is

- debited with the cost of depreciation, impairment losses and amortisation;
- credited with Revaluation Reserve funds to convert fair value figures to a historical cost basis;
- credited with the amounts set aside by the Council as capital financing;
- allocated gains and losses on Investment Properties yet to be consumed by the Council.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. The movement on the reserve during the year is as follows.

Capital Adjustment Account	2016-17 £000	2015-16 £000
Balance at 1 April	**651,376**	**638,235**
Capital funded items charged to CIES		
Charges for depreciation	-39,838	-40,495
Amortisation of Intangible assets	-217	-194
Revaluation and impairment losses on non current assets	-29,127	-6,206
Revaluation/Impairment of capital creditors/debtors	156	15
Revenue expenditure funded from capital under statute	-2,791	-2,752
Assets written off to the CIES on disposal	-7,873	-13,375
Change in market value of invt properties charged to CIES	-1,984	3,819
	-81,674	**-59,188**
Values released from revaluation reserve		
Depreciation costs funded from revaluation reserve	4,314	3,402
Revalued assets disposed of in year	460	1,362
Reclassification adj Revaluation Reserve	0	1,033
	4,774	**5,797**
Net cost of non-current assets consumed in the year	**-76,900**	**-53,391**
Capital financing applied in the year		
Application of capital receipts	8,764	10,015
Transfer from Major Repairs Reserve	9,103	7,437
Application of capital grants and contributions from CIES	30,133	28,394
Funding applied from capital grants unapplied reserve	3,604	1,650
Statutory revenue provision for capital financing from CIES	15,944	17,075
Revenue contributions to capital costs from CIES	4,389	1,961
	71,937	**66,532**
Balance at 31 March	**646,413**	**651,376**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions .

This reserve is used to manage two specific items:

- Lender Option Borrower Option (LOBO) loans – these reflect the difference between recording LOBO loans using the effective interest rate as opposed to their normal value, i.e. the principal amount outstanding. These differences will be transferred to the General Fund through the Movement in Reserves Statement over the remaining lives of the loans (until 2054).

Financial Instrument Adjustment Account Movement	**2016-17 £000**	**2015-16 £000**
Balance at 1 April	**-832**	**-845**
LOBO interest debited/ (credited) to CIES	16	13
Difference between costs charged to CIES and costs chargeable under statutory requirements	**16**	**13**
Balance at 31 March	**-816**	**-832**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Deferred Capital Receipts Movement	**2016-17 £000**	**2015-16 £000**
Balance at 1 April	**5**	**8**
Cash received transfered to capital receipts reserve	-2	-3
Balance at 31 March	**3**	**5**

Pensions Reserve

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

The deficit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources the Council has, to date, set aside to meet them. An increase in the deficit of £122.4m to £349.3m has been reported in 2016-17 by the Actuaries of the fund net liability this is due to the worsening in the pension liabilities of £296.3m offset with an improvement in assets of £173.9m. Statutory arrangements ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve Movement	**2016-17 £000**	**2015-16 £000**
Balance at 1 April	**-226,881**	**-379,524**
Remeasurement of the net defined benefit liability	-133,659	167,995
Reversal of items Charged to CIES		
-Current Service Costs	-27,509	-30,063
- Past Service Costs, Settlements and Curtailments	-278	5,401
- Net Interest Costs	-7,587	-12,148
Actual Pension Contributions Charged to General Fund	46,620	21,458
Balance at 31 March	**-349,294**	**-226,881**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund from accruing for paid absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. The reserve represents accrued costs that have not been charged to the General Fund so it holds a deficit balance. The level of accrued leave has increased from 2015-16 in school based staff due in general to the Easter school term.

Accumulating Absences Adjustment Account	**2016-17 £000**	**2015-16 £000**
Leave Entitlement		
- School Based Staff	-6,180	-5,162
- Non School Staff	-1,740	-1,772
Balance at 31 March	**-7,920**	**-6,934**

Revaluation Reserve Available for Sale

The Revaluation Reserve Available for Sale Account comprises of changes in the fair value of investments held by the Council. UK Municipal Bond Agency in which the Council is a shareholder reported losses in the year ending November 2016; the equity in the balance fell to £1.9m and therefore the Council need to recognise the reduction in their investment of £258k.

Revaluation Available for Sale Investment	2016-17 £000	2015-16 £000
Balance at 1 April	**0**	**0**
Fair Value Adjustment Investment	-258	0
Balance at 31 March	**-258**	**0**

Collection Fund Adjustment Account

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

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

The movement on the reserve is as follows:

Collection Fund Movement Account	2016-17			2015-16		
	Council Tax	Non Domestic Rates	Total	Council Tax	Non Domestic Rates	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	4,785	83	4,868	4,299	-335	3,964
Share of Collection Fund Surplus /(Deficit)	224	3,736	3,960	486	418	904
Balance at 31 March	**5,009**	**3,819**	**8,828**	**4,785**	**83**	**4,868**
Billed Income for in year activities	-152,668	-76,804	-229,472	-143,934	-74,335	-218,269
Council Tax Collected for Parish Precepts	-2,829	0	-2,829	-2,613	0	-2,613
CWaC Contribution to (Surplus)/Deficit	-2,256	0	-2,256	-2,049	-485	-2,534
Actual Collection Fund (Surplus)/Deficit	-224	-3,736	-3,960	-487	-418	-905
Income in CIES	**-157,977**	**-80,540**	**-238,517**	**-149,083**	**-75,238**	**-224,321**
Less Actual Surplus/(Deficit)	224	3,736	3,960	487	418	905
Income Credited to General Fund	**-157,753**	**-76,804**	**-234,557**	**-148,596**	**-74,820**	**-223,416**

The reserve holds a surplus of £5.0m for Council Tax which will be available to support Council budgets from 2017-18 onwards. This is an increase of £0.2m and reflects the distribution of £2.3m of the brought forward balance to the Council and an in year surplus of £2.5m. The in-year surplus reflects a continued reduction in the cost of the Council Tax Reduction Scheme and a strong collection experience.

The reserve holds a surplus of £3.8m for Non-Domestic Rates which will be available to support Council budgets from 2017-18. This is an increase £3.7m which is largely the result of refunds being significantly lower than expected based on prior years' experience.

25. Cash Flow Statement – Operating Activities

The Cash Flow Statement sets out the cash flows of the Council over the financial year, splitting these into operational, investing and financing activities. The following notes show details of the transactions that are included in or adjusted out of the Cash Flow Statement
.
The following adjustments were removed from the net surplus or deficit on the provision of services (SDPS) as they relate to costs and income which does not reflect cash based transactions, they instead relate to notional costs or movements in working capital.

Adjustments to remove non cash items from the SDPS	2016-17 £000	2015-16 £000
Depreciation and amortisation of non current assets	-40,055	-40,689
Impairments and downward valuations	-29,127	-6,206
Revaluation Loss on Investment Assets	-1,984	3,819
Pension Fund Adjustments	11,246	-15,352
(Increase)/ Decrease in Provisions	-6,196	-5,068
Increase/(Decrease) in Inventories	25	-158
Increase/(Decrease) in Debtors	7,107	-2,492
(Increase)/Decrease in Creditors	-7,576	9,897
Carrying value of assets which have been sold	-8,045	-13,476
Other non cash movements	-987	397
Adjustments for Non Cash Items	**-75,592**	**-69,328**

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

	2016-17 £000	2015-16 £000
Proceeds from sale or disposal of non current assets	7,045	4,513
Capital grant income credited to SDPS	42,629	36,122
Income from Trading Operations	5,085	4,914
Other adjustments for financing activities	4,475	2,651
Net cash flows from investing/financing activities in SDPS	**59,234**	**48,200**

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

Interest and Investment Income in Operating Activites	2016-17 £000	2015-16 £000
Interest received	-1,083	-1,021
Interest paid	10,981	13,252

26. Cash Flow Statement – Investing Activities

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

Investing Activities	2016-17 £000	2015-16 £000
Purchase of property, plant and equipment, investment property and intangible assets	101,318	98,780
Purchase of short-term and long-term investments	234,525	319,907
Other payments for investing activities		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-7,045	-4,513
Proceeds from short-term and long-term investments	-249,499	-305,000
Capital grants received	-47,480	-36,522
Other receipts from investing activities	-5,085	-4,914
Net cash flows from investing activities	**26,734**	**67,738**

27. Cash Flow Statement – Financing Activities

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

Financing Activities	2016-17 £000	2015-16 £000
Cash receipts of short- and long-term borrowing	967	4,076
Other receipts from financing activities	-4,994	-379
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,324	3,238
Repayments of short- and long-term borrowing	2,281	2,467
Other payments for financing activities	0	-2,651
Net cash flows from financing activities	**1,578**	**6,751**

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28. Trading Operations

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

	Expenditure 2016-17 £000	Property Disposals / Valuations 2016-17 £000	Income 2016-17 £000	-Surplus/ Deficit 2016-17 £000	Expenditure 2015-16 £000	Property Disposals / Valuations 2015-16 £000	Income 2015-16 £000	-Surplus/ Deficit 2015-16 £000
Industrial & Commercial Properties	3,363	2,164	-8,581	-3,054	3,388	-3,599	-8,268	-8,479
Transport Management Organisation	2,140	0	-1,979	161	2,335	0	-2,176	159
Grounds Maintenance	256	0	-279	-23	250	0	-286	-36
CBS - Catering	0	0	0	0	5,886	0	-5,903	-17
CBS - Cleaning	0	0	0	0	1,781	0	-1,561	220
Outdoor Education	0	0	0	0	2,757	0	-2,924	-167
Other Trading Accounts	0	0	0	0	1,280	0	-1,065	215
Total	**5,759**	**2,164**	**-10,839**	**-2,916**	**17,677**	**-3,599**	**-22,183**	**-8,105**

- The Industrial and Commercial Properties trading account lets Council owned business premises to small and medium size enterprises across the Borough. Income and expenditure for the year has remained similar to previous years. In 2016-17 there has been a revaluation loss.
- 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. This small deficit is largely due to overheads, for which management reviews mitigate the impact.

The following trading operations transferred to an external organisation (Edsential) in December 2015 and no longer form part of the Council trading operations.

- CBS Catering & Cleaning
- Outdoor Education
- Other Trading Accounts (Music Services, School Governance and Professional centre operations).

29. Agency Services

Cheshire West and Chester Council undertakes some activities on behalf of other bodies. Only those costs and balances that relate to the Council's own share are reflected in the CIES and Balance Sheet. During 2016-17, the Council acted as an agent in respect of the following:

Non-Domestic Rates Collection Fund

The Council collects Business Rates on behalf of central government, itself and Cheshire Fire Authority. This is distributed based on the following shares – central government (50%), Cheshire West and Chester Council (49%) and Cheshire Fire Authority (1%). The table below shows the balances at 31 March 2017 relating to each of these bodies.

Non-Domestic Rates Collection Fund – Balances at 31 March	2016-17 Collection Fund £000	CWAC £000	Central Government £000	Cheshire Fire £000	2015-16 Collection Fund £000
Arrears	4,408	2,160	2,204	44	3,526
Bad Debt Provision	-2,954	-1,447	-1,477	-30	-2,745
Appeals Provision	-13,146	-6,442	-6,573	-131	-12,104
Receipts in Advance	-4,471	-2,191	-2,235	-45	-3,767
Surplus/Deficit	-7,795	-3,819	-3,898	-78	-170
Amount owing (to)/from other bodies	0	-12,219	11,979	240	0

The significant increase in the surplus on the collection fund is primarily due to refunds payable in 2016-17 being significantly lower than expected based on prior years' experience.

Council Tax Collection Fund

The Council collects Council Tax on behalf of itself, Cheshire Police Authority and Cheshire Fire Authority. This is distributed based on each body's share of the total Council Tax requirement, and in 2016-17 this was as follows – Cheshire West and Chester Council (85.05%), Cheshire Police Authority (10.34%), Cheshire Fire Authority (4.61%). The table below shows the balances at 31 March 2017 relating to each of these bodies.

Council Tax Collection Fund – Balances at 31 March	2016-17 Collection Fund £000	CWAC £000	Central Government £000	Cheshire Fire £000	2015-16 Collection Fund £000
Arrears	10,418	8,886	1,060	472	10,126
Bad Debt Provision	-6,823	-5,819	-694	-310	-6,353
Receipts in Advance	-3,929	-3,351	-400	-178	-3,314
Surplus/Deficit	-5,881	-5,009	-603	-269	-5,631
Amount owing (to)/from other bodies	0	-921	637	284	0

Business Improvement Districts

The Council also collects income from a Business Rates levy in relation to four Business Improvement Districts (BIDs). The table below shows the amount of levy billed for in 2016-17, the amount paid to the BID management company, other transactions (write-offs, receipts in advance, outstanding arrears, and any surplus or deficit brought forward from the previous year) and any cash balances yet to be paid to the management company.

Business Improvement District	2016-17 Net Debit £000	Amount Paid £000	Other Transactions £000	Cash Balance Awaiting Payment £000	2015-16 Net Debit £000
Winsford	104	-106	20	18	99
Gadbrook Park	197	-184	9	22	186
Northwich	182	-195	57	44	181
CH1	474	-444	73	103	460
Total	**957**	**-929**	**159**	**187**	**926**

30. Members' Allowances

In accordance with the Local Authorities (Member's Allowances) Regulations 2003, the total amount spent on member's allowances in 2016-17 was £1.14m. The current level of allowances was established following an independent review.

	2016-17 £000	2015-16 £000
Basic Allowance	867	868
Special Responsibility Allowance	201	204
Mayors and Deputies Allowances	14	13
Pension	0	19
Members NI's	62	65
Total Members' Allowances	**1,144**	**1,169**

31. Officers Remuneration

The table below shows the number of employees who were paid more than £50,000 but not more than £129,999 in 2016-17. Pay includes salary costs, taxable travel costs and any redundancy payments. It does not include employers' pension or national insurance contributions.

Employee Pay Band	2016-17	Restated 2015-16
£50,000- £54,999	138	101
£55,000- £59,999	70	72
£60,000- £64,999	46	55
£65,000 - £69,999	34	26
£70,000- £74,999	10	14
£75,000- £79,999	11	5
£80,000- £84,999	5	6
£85,000- £89,999	8	9
£90,000- £94,999	4	4
£95,000- £99,999	2	3
£100,000- £104,999	3	4
£105,000- £109,999	1	0
£110,000- £114,999	1	0
£115,000- £119,999	0	0
£120,000- £124,999	0	2
£125,000- £129,999	2	0
Total	**335**	**301**

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

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

The tables on the following pages show the remuneration for senior officers per annum in 2016-17 and 2015-16 as the comparative year. These individuals are already contained within the summary banded table for 2016-17.

Post holder information (Post title)	Salary, Fees & Allowances £	Pension Contributions £	Total Remuneration including Pension Contributions £
2016-17 Current structure:			
Mr G Meehan - Chief Executive - From 01/07/16	112,500	26,775	139,275
Mr S Robinson - Chief Executive - From 01/04/16 - 30/06/16	46,250	0	46,250
Deputy Chief Executive - People - From 16/02/17	21,252	5,058	26,310
Deputy Chief Executive - Places - From 01/09/16	73,656	17,530	91,186
Strategic Director (Places) - Post removed 30/08/16	52,612	12,522	65,134
Director of Professional Services	83,350	19,837	103,187
Director of Public Services Reform	89,023	21,187	110,210
Director of Governance - Job share	35,429	8,432	43,861
Director of Governance - Job share	52,224	12,724	64,948
Director of Corporate Services - From 01/09/16	61,355	14,707	76,062
Director of Finance - Post removed 30/08/16	43,825	10,505	54,330
Director of Places Strategy	104,612	24,898	129,510
Technical Director	54,134	12,884	67,018
Director of Places Operations	89,592	21,323	110,915
Director of Place Commissioning & Commercial Management - From 01/12/16	31,215	7,429	38,644
Director of Commercial Management - Post removed 15/06/16	19,699	4,646	24,345
Director of Children's Social Care	92,168	21,936	114,104
Director of Public Health	87,225	12,473	99,698
Director of Integrated Early Support	76,668	18,247	94,915
Director of Prevention and Wellbeing	91,159	0	91,159
Director of Commissioning People	89,776	21,367	111,143
Director of Education	94,105	22,397	116,502
Strategic Director Adults - Post removed 23/09/16	63,241	14,753	77,994
Total	**1,565,070**	**331,630**	**1,896,700**
Number of posts in management structure as at 31 March 2017 - **17**. Total contractual value of salary for the year - **£1.76m**			

The Chief Executive Mr S Robinson left the Council on 30/06/16 and was replaced by Mr G Meehan on 01/07/16. In addition to the costs shown in the table above, the Chief Executives have also received payments for undertaking the duties of returning officer for Police and Crime Commissioner and counting and deputy counting officer for the European Referendum. The payments relating to these roles were £18.6k; the level of payment is set in line with nationally agreed rates for elections and both costs are fully funded by the electoral commission.

Post holder information (Post title)	Salary, Fees & Allowances £	Pension Contributions £	Total Remuneration including Pension Contributions £
2015-16 structure:			
Mr S Robinson - Chief Executive	180,000	0	180,000
Strategic Director (Adults)	124,904	29,416	154,320
Director of Prevention and Wellbeing	85,571	0	85,571
Director of Commissioning People	85,571	19,938	105,509
Director of Public Health	90,537	0	90,537
Strategic Director (Places)	123,678	28,817	152,495
Director of Places Strategy	104,170	24,272	128,441
Director of Place Operations	85,061	19,819	104,880
Technical Director	72,649	16,927	89,576
Director of Finance	94,140	22,162	116,302
Director of Goverance (job share)	67,077	15,629	82,706
Director of Goverance (job share)	11,451	2,668	14,119
Director of Professional Services	80,374	18,724	99,098
Director of Public Services Reform	85,571	19,938	105,509
Director of Commercial Management	92,712	21,602	114,314
Director of Children's Social Care	85,764	19,983	105,747
Director of Integrated Early Support	74,905	17,453	92,358
Director of Education	92,344	21,516	113,860
Total	**1,636,479**	**298,864**	**1,935,343**
Number of posts in management structure as at 31 March 2016 **- 17.** Total contractual value of salary for the year **- £1.74m**			

Termination Costs

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

Exit package cost band	Number of compulsory		Number of other departures agreed		Total number of exit packages by cost		Total cost of exit packages in each	
	2016-17 People	2015-16 Restated People	2016-17 People	2015-16 Restated People	2016-17 People	2015-16 Restated People	2016-17 £000	2015-16 Restated £000
£0 - £20,000	9	22	74	108	83	130	775	965
£20,001 - £40,000	2	3	20	15	22	18	561	491
£40,001 - £60,000	0	2	3	4	3	6	150	307
£60,001 - £80,000	0	0	2	4	2	4	128	288
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £350,000	0	0	1	0	1	0	104	0
Total	**11**	**27**	**100**	**131**	**111**	**158**	**1,718**	**2,051**

32. Audit Costs

The Council will incur audit fees of £153k relating to external audit activities in addition to £33k for grant certification and other work for 2016-17; additional grant and other service costs of £22k relate to 2015-16. The Council's auditors are Grant Thornton and 2016-17 represents the fifth year of a five year appointment.

Fees Payable for Audit Work	2016-17 £000	2015-16 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	153	153
Fees payable to Grant Thornton in respect of certification of grant claims and other services	55	37
Total	**208**	**190**

33. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily from the Education Funding Agency in the form of a grant; the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in schools budgets as defined by the Schools Finance and Early Years (England) Regulations 2016. The schools budgets include elements for a wide range of education services provided on an authority - wide basis and for Individual School Budgets (IBS) which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for the year 2016-17 are as follows:

DSG for 2016-17	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2016-17 before Academy recoupment			244,758
Academy figure recouped for 2016-17			46,928
Total DSG (after Academy recoupment)			**197,830**
Balance brought forward from 2015-16			1,675
Carry forward to 2017-18 agreed in advance			0
Agreed initial budgeted distribution in 2016-17	**35,241**	**164,264**	**199,505**
In year adjustments	-2,555	-135	-2,690
Final budgeted distribution for 2016-17	**32,686**	**164,129**	**196,815**
Less: Actual Central Expenditure	31,956	0	31,956
Less: Actual ISB deployed to Schools	0	164,129	164,129
Carry Forward 2017-18	**-730**	**0**	**-730**
Total carry forward to 2017-18			**-730**

The total DSG after Academy recoupment is £197.8m, along with funding carried forward from the previous year of £1.6m, to fund services in 2016-17. This has been further adjusted for high needs block places and changes to early years funding based on participation to give a revised budget for 2016-17 of £196.8m.

Unspent central expenditure is carried forward by the Council as part of its Earmarked Reserves, this amount equated to £730k as at the end of 2016-17. Unspent ISB is retained by the individual schools and recorded on the Balance Sheet in the School Balances reserve (£10m at 31 March 2017).

DSG for 2015-16	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2015-16 before Academy recoupment			242,030
Academy figure recouped for 2015-16			47,450
Total DSG (after Academy recoupment)			**194,580**
Balance brought forward from 2014-15			4,113
Carry forward to 2016-17 agreed in advance			-1,100
Agreed initial budgeted distribution in 2015-16	**33,821**	**163,772**	**197,593**
In year adjustments	256	-51	205
Final budgeted distribution for 2015-16	**34,077**	**163,721**	**197,798**
Less: Actual Central Expenditure	33,502	0	33,502
Less: Actual ISB deployed to Schools	0	163,721	163,721
Carry Forward 2016-17	**-575**	**0**	**-575**
Total carry forward to 2016-17			**-1,675**

34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016-17.

	2016-17 £000	2015-16 Restated £000
Credited to Taxation and Non Specific Grant Income		
Used to Finance Council Activities in Year		
Council Tax	157,977	149,083
Non-Domestic Rate	80,540	75,238
S31 Non Domestic Rates Grant Funding	2,635	3,403
Revenue Support Grant	31,747	44,213
Local Services Support Grant	296	334
Council Tax Freeze Grant	0	1,599
New Homes Bonus	8,072	5,425
PFI Grant	3,039	3,039
Education Services Grant	3,666	4,016
Transition Grant	1,430	0
Housing and Council Tax Benefit Administration Subsidies	1,081	1,669
Other Core Revenue Grants	764	428
Used to Finance Capital Expenditure		
Capital Grants Utilised in Year	29,409	23,461
Capital Contributions Utilised in Year	724	4,933
Set Aside for Future Capital Financing		
Capital Grants Set Aside for Future Usage	12,767	6,807
Total	**334,147**	**323,648**
Credited to Services		
Dedicated Schools Grant (DSG)	194,856	192,183
Public Health Grant	17,105	15,006
Mandatory and HRA Rebates	10,560	11,285
Independent Living Fund	1,651	1,304
Sixth Forms Funding (Young Peoples Learning Agency)	6,931	7,301
Mandatory Rent Allowances: subsidy	76,726	79,599
Adult and Community Learning	856	1,209
Pupil Premium Grant	9,672	9,779
Care Project Grant	0	70
PE and Sports Grant	1,098	1,099
Sustainable Transport Fund	0	593
Devolved Formula Capital	39	0
Social Fund Grants	0	58
Disabled Facilities Grant	2,731	1,453
Universal Infant Free School Meals	3,422	3,492
Other Grants	8,019	11,327
Total	**333,666**	**335,758**

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In 2016-17 the Council received a Government Property Unit – Rationalisation grant from the Government Cabinet Office of £0.14m. This is to be used to deliver a new purpose build public services hub in the centre of Ellesmere Port which would bring together the services of up to seven public sector agencies under one roof and to produce a business model for the wider integration of public services which could be rolled out across the sub region. This supports the aims and objectives of Government's "One Public Estate" initiative.

A contribution was also received from the Big Lottery Fund of £0.02m to fund Social Impact Bond development costs. A Social Impact Bond is a commitment to pay for improved social outcomes that result in public sector savings. This will fund the delivery of specialist support to children and young people in residential care to reduce levels of need in a gradual and sustainable way.

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they still have conditions attached to them that, if they remain unmet, may require the monies or property to be returned to the giver. The balances at year-end are as follows:

	2016-17 £000	2015-16 £000
Capital Grants and Contributions Receipts in Advance		
Devolved Formula Capital	1,161	1,156
Other Grants	132	256
Early Years Grant	946	0
Schools Basic Need	3,473	0
Transport Funding	353	0
Local Growth Fund	0	3,391
Historic England	0	267
s106 and other Contributions	9,174	5,317
Total	**15,239**	**10,387**
	2016-17 £000	**2015-16 £000**
Revenue Grants Receipts in Advance		
Dept of Education - Various	285	120
Dept of Transport - Various	326	252
Government Property Rationalisation	140	250
Learning and Skills Council - Adult Education Funding	448	354
Dept of Health - Various	0	41
Other Govt Bodies	532	481
Total	**1,731**	**1,498**

35. Related Parties

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

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

Central Government

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

Details of material transactions with Central Government are shown throughout these notes and include those listed below (2015-16 comparators are shown in brackets).

• Funding from Gov't	Note 34	£429m (£433m)
• Non Domestic Rates Share Payable	Collection Fund	£78.4m (£75.9m)

In previous years, the non-domestic rates tariff and levy payments have been payable to Central Government. However, from 1 April 2016 the Council became a member of the Greater Manchester and Cheshire business rates pool. Consequently, the tariff and levy are now payable to Manchester City Council as the administrator of the pool. The main benefit to the Council of this arrangement is that the levy payable of £1.3m is half of what would otherwise have been payable to Central Government if the Council was not a member of the pool. The total payment made to Manchester City Council in 2016-17 in relation to the tariff and levy is £27.1m.

The Council undertakes significant transactions with Cheshire Police Authority and Cheshire Fire Authority. These relate to the payment of Council Tax income collected on behalf of both bodies and Non-Domestic Rates collected on behalf of Cheshire Fire Authority. These transactions are disclosed in the Collection Fund account and amount to payments of £18.8m (Police) and £8.4m (Fire) in respect of Council Tax precepts and shares of a prior year surplus and £1.6m (Fire) in respect of its share of Non-Domestic Rates income.

Other Public Bodies

The Pension Fund is administered and governed independently of the Council to avoid the potential for undue influence to be exerted. The Council undertakes transactions with the Pension Fund in the form of contributions to fund future pension payments for Council employees valued at £44.3m (2015-16 £18.9m). The 2016-17 figure was higher as this included a one off payment of £25.4m as the Council agreed a front loaded payment profile for its pension deficit contributions with the Pension Fund. The year-end debtors owed by the Fund for payments made on their behalf by the Council are reflected as a debt of £1.5m. The year-end amount owed to the Fund is £12.4m, primarily relating to early retirement costs which are repaid over more than one year and pension contributions payable in April 2017 but relating to March 17.

The Council holds stakes in a number of organisations who are funded to provide services. The Council has significant influence over all of these organisations as they receive funding from the Council, the Council has governance responsibilities and members or officers occupy seats on their boards. Further details on these relationships are disclosed in Note 47 and in the Group Accounts.

The Council works closely in partnership with local health care commissioners, principally through Clinical Commissioning Groups. These bodies fund a number of services provided by the Council on behalf of the Health sector where health, care and education needs coincide. In 2016-17 this figure was £16.2m (2015-16 £16.9m).

Entities controlled or significantly influenced by the Council

Alongside the individually significant relationships, the Council works with a wide range of charitable and voluntary bodies in areas complementary to the Council's objectives. The contributions can be either a direct financial payment or non-financial contribution to support the running of the body. The Council also commits staff time and support when working with its partners and, in certain cases, is represented at officer or member level in strategic decision making. On review of these payments the Council does not feel that any undue influence has been exerted to these organisations as a result of the contributions made. The total direct financial contributions to such organisations for 2016-17 amounted to £3.8m (2015-16 £4.1m). The Council also has a contract to provide funding to Storyhouse Production Company Limited who run theatre, film and music events in the Chester area. During 2016-17 the Council contributed £1.58m to the charitable organisation (2015-16 £919k).

Elected Members of the Council and Officers

Members of the Council have a direct control over the Councils financial and operating policies. The total of Members' Allowances paid in 2016-17 is shown in Note 30.

During 2016-17 works and services to the value of £915k (£771k in 2015-16) were commissioned to companies and £1.1m (£620k in 2015-16) was charged to companies in which members had an interest. The year-end creditors balance owed to these companies is £7.8k (£14k in 2015-16) and the debtors balance owed from the companies is £711k (£44k in 2015-16). Contracts were entered into in full compliance with the Council's standing orders and the Council does not feel that any undue influence has been exerted to these companies. The following members and officers of the Council held interests in these companies;

Organisation	Member/Officer
Chapter (West Cheshire) Ltd	Cllr Delaney
Cheshire & Warrington Local Enterprise Partnership	Cllr Dixon
Cheshire Community Development Trust	Cllr Beckett
	Cllr Sinar
Chester Aid to the Homeless	Cllr Bisset
	Cllr Rudd
Chester Mystery Plays Limited	Cllr Beacham
Storyhouse Production Company Limited	Cllr Beacham
Chester Race Company Ltd	Cllr Greenwood - Resigned on 19/07/16
	Cllr R Jones - Resigned on 19/07/2016
Entep Properties Limited	Cllr Sherlock
Fifield Glyn Limited	Cllr Fifield
Hoole Community Development Trust	Cllr Black
	Cllr Chidley
Lache Community Development Trust	Cllr Mercer
The Lion Salt Works Trust	Cllr Lawrenson
	Cllr Leather
Neston Community Youth Centre Limited	Cllr Gittins - Appointed on 26/01/2017
Panad Site Services Ltd	Cllr Mckie
Sanctuary Housing Trust (Chester Area)	Cllr Board
	Cllr Delaney
The Sandstone Ridge Trust	Cllr Oultram
Weaver Vale Housing Trust Limited	Cllr Beckett - Appointed on 12/09/2016
Winsford Youth Forum Limited	Cllr Booher

The following members and officers of the Council held interests in the following companies in which the Council has an interest. Further information on these companies is available in Note 47.

Organisation	Member/Officer
Avenue Services (NW) Limited	Cllr Board - Resigned on 14/07/2016 Cllr Deynem- Appointed 14/07/2016 Cllr Gahan Cllr R Jones - Resigned on 07/03/2017
Cheshire West & Chester Leisure CIC	Cllr Beacham Cllr S Parker
Chester Renaissance Limited	Officer: A Knight Officer: C Seward
Cosocius Limited	Offficer: S Brousas
CoWest Services Limited trading as Qwest	Officer: C Seward Officer: M Wynn
Edsential CIC	Cllr D Armstrong Officer: M Parkinson
HQ Management Company Limited	Officer: H De Lemos - Appointed on 13/02/2017 Officer: R Green - Appointed on 22/07/2016 Officer: A Knight - Resigned on 22/07/2016 Officer: M Wynn - Resigned on 22/07/2016

In accordance with Section 117 of the Local Government and Finance Act 1972, all senior officers of the Council have been asked to declare any interests in other bodies with whom the Council may have dealings. No significant “pecuniary interests” have been identified during 2016-17.

36. Better Care Fund

The Better Care Fund (BCF) is a national initiative led by NHS (England) which was launched on 1st April 2015. The BCF seeks to support both social care and health service integration, and deliver improved outcomes for patients, service users and carers. In 2016-17 the Cheshire West and Chester BCF combined the required minimum pooling of £24.882m of existing resources held by each Commissioning Partner namely; Cheshire West and Chester Council, West Cheshire Clinical Commissioning Group and Vale Royal Clinical Commissioning Group through a pooled budget.

Funding was utilised to deliver a number of schemes which aim to improve outcomes across a range of national conditions including targeted reductions in non-elective hospital admissions, admissions to long-term care and delayed transfers of care.

The local BCF pooled budget is underpinned by a Section 75 agreement. Each party to the fund is responsible for their own schemes, details of planned and actual expenditure for 2016-17 is shown below:

Minimum Pooling 2016-17	Cheshire West and Chester Council		West Cheshire Clinical Commissioning		Vale Royal Clinical Commissioning Group		Total	
	Plan £000	Actual £000	Plan £000	Actual £000	Plan £000	Actual £000	Plan £000	Actual £000
BCF Funding B/Fwd from 2015-16		-60						-60
Income	-11,007	-11,237	-10,027	-10,055	-3,848	-3,503	-24,882	-24,795
Expenditure	11,007	11,297	10,027	10,055	3,848	3,503	24,882	24,855
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
BCF Funding C/Fwd to 2017-18								

Minimum Pooling 2015-16	Cheshire West and Chester Council		West Cheshire Clinical Commissioning		Vale Royal Clinical Commissioning Group		Total	
	Plan £000	Actual £000	Plan £000	Actual £000	Plan £000	Actual £000	Plan £000	Actual £000
Income	-11,148	-10,615	-9,593	-8,893	-3,568	-3,188	-24,309	-22,696
Expenditure	11,148	10,555	9,593	8,893	3,568	3,188	24,309	22,636
Total	**0**	**-60**	**0**	**0**	**0**	**0**	**0**	**-60**
BCF Funding C/Fwd to 2016-17		-60						-60

The Council does not act as the lead commissioner for the BCF as a whole but is lead commissioner of its own element of the BCF which is reported in the Council statement of accounts. Further analysis of the Income and Expenditure relating to the schemes commissioned by Cheshire West and Chester Council is shown below:

2016-17	**Income from West Cheshire &Vale Royal CCG's £000**	**Disabled Facilities Grant & Personal Social Services Capital**	**Income from Cheshire West and Chester Council £000**	**Total £000**
BCF Funding B/Fwd from 2015-16	-60			-60
Income	-8,386	-2,527	-324	-11,237
Expenditure	8,446	2,527	324	11,297
Net Expenditure	**0**	**0**	**0**	**0**
Transfer of funding				0
Realigned Net Expenditure	**0**	**0**	**0**	**0**
BCF Funding C/Fwd to 2017-18				0

2015-16	**Income from West Cheshire &Vale Royal CCG's £000**	**Disabled Facilities Grant & Personal Social Services Capital £000**	**Income from Cheshire West and Chester Council £000**	**Total £000**
Income	-8,364	-2,202	-49	-10,615
Expenditure	8,059	2,496	0	10,555
Net Expenditure	**-305**	**294**	**-49**	**-60**
Transfer of funding	245	-294	49	0
Realigned Net Expenditure	**-60**	**0**	**0**	**-60**
BCF Funding C/Fwd to 2016-17				-60

In 2016-17 the Council received income of £8.386m from the CCG's to deliver the elements schemes it is responsible for. In addition the Council received a capital grant funded by the Disabled Facilities Grant of £2.527m which has been used to fund capital expenditure. All the expenditure incurred by the Council has been charged in accordance with each of the 13 schemes specifications.

In addition to the minimum pooling, partners agreed to additional pooling of £66.794m; made up of contributions of; £59.869m from Cheshire West and Chester Council, £0.589m from NHS Vale Royal CCG, and £6.336m from NHS West Cheshire CCG from existing budgets. Where over or underspends have been recorded they have been the responsibility of the Commissioning partner in relation to that specific scheme.

37. Capital Expenditure and Financing

The Council's Capital Financing Requirement has risen in year as capital costs of £99.8m have exceeded funding set aside of £72.2m. The overall Capital Financing Requirement will be funded from a combination of future revenue contributions, capital receipts and external funding.

	2016-17 £000	2015-16 £000
Opening Capital Financing Requirement	**458,407**	**420,454**
Capital Investment		
- Expenditure on capital assets		
- Property, plant and equipment	95,594	100,320
- Heritage assets	602	752
- Investment assets	572	541
- Intangible assets	302	81
- Assets Held for Sale	0	232
- REFCUS - expenditure of a capital nature	2,791	2,752
- Change in value of capital creditor	-156	-15
Total	**99,705**	**104,663**
Sources of Finance		
- Capital Receipts applied	-8,764	-10,015
- Govt grants and contributions applied	-30,133	-28,394
- Tfr from unapplied grants and contributions	-3,604	-1,650
- Revenue contributions	-4,389	-1,961
- Income from repayment of capital debtors	-104	-76
- Refund prior year costs of disposal	0	0
- Release of surplus capital creditors	-173	-102
- Use of other Capital Reserves	-9,103	-7,437
- Revenue provision for debt repayment	-15,944	-17,075
Total	**-72,214**	**-66,710**
Closing Capital Financing Requirement	**485,898**	**458,407**
Explanations of Movement in Year		
Increase in underlying need to borrow (unsupported)	25,489	37,306
Assets acquired under finance leases	1,644	409
Assets acquired under PFI/PPP contracts	358	239
Increase in Capital Financing Requirement	**27,491**	**37,954**

38. Leases

Authority as Lessee: Finance Leases

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

Movements in the values of Finance Lease Assets	Vehicles, Plant and Equipment 2016-17 £000	Vehicles, Plant and Equipment 2015-16 £000
Net Book Value at 1 April	6,008	7,928
New Leases	1,644	409
Depreciation	-2,312	-2,225
Disposals	-133	-104
Value at 31 March	**5,207**	**6,008**

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property or equipment acquired and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts.

Finance Lease Liabilities	2016-17 £000	2015-16 £000
Current (payable within 1 year)	2,207	1,998
Non Current	3,350	4,261
Finance costs payable in future years	290	309
Minimum lease payments	**5,847**	**6,568**

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

Age Profile of Finance Lease Payments	Minimum Lease Payment		Finance Lease	
	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000
No later than one year	2,364	2,144	2,207	1,998
Between one and five years	3,374	4,205	3,245	4,048
Later than five years	109	218	105	212
	5,847	**6,567**	**5,557**	**6,258**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016-17, no contingent rent payments were payable by the Council.

Authority as Lessee: Operating Leases

Commitments under Operating Leases

The Council was committed at 31 March 2017 to making payments of £9.7m under operating leases, comprising the following elements:

Land and Buildings - the Council leases various buildings on a long term basis, these are accounted for as operating leases. The lease payments for 2016-17 were £0.6m.

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 2016-17 was £0.7m.

The Council operates a salary sacrifice scheme whereby it leases cars on behalf of an employee who signs an agreement to agree to be liable for future payments. There are currently 97 employees who are part of this scheme with an annual cost of £0.4m. As the Council carries no risk associated with these arrangements and no Council funds are committed they are not included as Council leases.

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

Age Profile of Operating Lease Payments	2016-17 £000	2015-16 £000
No later than one year	1,254	1,185
Between one and five years	2,729	2,579
Later than five years	5,749	6,259
	9,732	**10,023**

The Council has sub leased out a small number of properties that it has leased under operating lease contracts. The expenditure and income have been charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement as it forms part of the commercial properties trading account. As at 31 March 2017 the outstanding income linked to future usage of these properties was as below.

Age Profile of Sublease payments receivable	2016-17 £000	2015-16 Restated £000
No later than one year	157	159
Between one and five years	216	243
Later than five years	136	170
	509	**572**

The lease payments payable and sublease income receivable in 2016-17 is:

Lease payments and Sublease receivable	2016-17 £000	2015-16 Restated £000
Minimum Lease payments	127	127
Sublease Payments Receivable	-157	-159
	-30	**-32**

Authority as Lessor

The Council leases out elements of its Property portfolio to various organisations as part of its dual aims of helping to generate economic activity in the area and in order to generate a return on assets held. These leases are all categorised as operating leases due to the fact the returns only reflect a small proportion of the asset's value or the nature of the lease agreements. The properties comprise a mix of commercial offices and outlets, industrial units and pieces of land for development or agricultural works. These leases vary in length from short term to over one hundred years with the longer leases largely only for peppercorn rental income.

All income generated from these leases is reflected in the Comprehensive Income and Expenditure Statement as it becomes due, primarily on the Financing and Investment Income line of the Statement.

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

Age Profile of Lease Income	2016-17 £000	2015-16 £000
No later than one year	9,002	8,026
Between one and five years	18,865	15,280
Later than five years	165,325	159,416
	193,192	**182,722**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016-17 £272,416 contingent rents were receivable by the authority (2015-16 £255,611).

39. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the assets needed to provide the services passes to the PFI contractor. Following a competitive procurement process, this contractor will design, build, finance and operate these assets in response to a specification set out by the Council. The assets are made available to the Council over a specified period (the service concession period) and in return the Council will make regular payments to the contractor over this period (the Unitary Payment). This charge covers the running costs of the facility and contributes to the capital financing costs the contractor incurred.

The Council has two operational PFI schemes:

- A scheme to provide school premises together with associated facilities management services (e.g. caretaking, cleaning and catering) in the Ellesmere Port area. There are five schools which were constructed under this agreement and additional facilities were developed at a sixth. The service commenced in September 2003 and will continue for 30 years until 2033. These facilities will revert to Council ownership at the end of the PFI contract.
- A contract for providing facilities and support for extra care housing at two sites in the Council, Winsford and Ellesmere Port. This scheme is managed in partnership with Cheshire East Borough Council where there are a further three sites. The scheme's first site became operational in January 2009 with others (including both the West sites) following in 2009-10, the contract runs until 2039. These facilities will not revert to the Council at the end of the contract although it will have the option to purchase them at that time.

School Premises

There are four PFI schools in 2016-17 that have applied to become Academies of which three have been confirmed. The primary schools which have applied are listed below and are not anticipated to convert until 2017-18.

- William Stockton
- Childer Thornton
- Parklands
- Wolverham

PFI Assets

Under the requirements of IFRIC 12 (Service Concession Arrangements) the assets which were constructed to deliver these schemes are recorded on the Balance Sheet of the Council along with a liability showing the Council's commitment to make Unitary Payments in future years. Upon initial recognition these two values would offset each other but over time the values will diverge.

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

Movement in PFI Asset Values	2016-17			2015-16		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Net Book Value	9,076	13,634	**22,710**	11,115	14,015	**25,130**
Additions	67	291	**358**	36	203	**239**
Revaluations	779	0	**779**	-1,812	0	**-1,812**
Depreciation	-250	-593	**-843**	-263	-584	**-847**
Closing Net Book Value	**9,672**	**13,332**	**23,004**	**9,076**	**13,634**	**22,710**

PFI Liabilities

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

- Service Costs — Reflecting the net cost of services delivered in 2016-17
- Financing Costs — Effective costs of borrowing and interest on outstanding balances.
- Contingent Rent — Inflationary costs
- Liability Repayment — Writing down the PFI liability
- Lifecycle Costs — Reflecting new capital expenditure on the asset

Allocation of Unitary Payment	2016-17			2015-16		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Service Costs	1,007	181	**1,188**	744	121	**865**
Financing Costs	704	924	**1,628**	731	948	**1,679**
Contingent Rents	54	13	**67**	131	49	**180**
Liability Repayment	162	449	**611**	344	532	**876**
Lifecycle Costs	67	291	**358**	36	203	**239**
Total	**1,994**	**1,858**	**3,852**	**1,986**	**1,853**	**3,839**

The spread of the Unitary Payment shown above (and the liability balances on the following page) reflect a presumption that the Council's Unitary Payments are the primary means by which the PFI operator is recovering the costs of constructing these assets and that any third party income generated through operating the sites is instead used to subsidise the schemes operational running costs (in effect reducing the service costs recorded above).

The amounts of payments made in 2016-17 and in future years are set out in the following tables. These payments reduce the liability over the life of the contracts to nil by the final year of the contracts.

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

To allow the reader to understand the consequences of the assumptions used, the impacts of adopting the alternate approach are set out here. Had the third party income for the extra care scheme (there is no significant income for the School scheme) been split between capital and revenue usage then the figures presented above would show a £0.5m higher cost. The outstanding PFI liability balance (see below £19.7m) would decrease by approximately £6m, but there would be a need to recognise a new deferred income creditor of the same value to reflect the fact that a proportion of the schemes income streams were committed to repaying capital costs. The overall levels of liabilities reported would therefore be unaffected.

Movement in Liability during the year	2016-17			2015-16		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Liability	-8,945	-20,131	**-29,076**	-9,289	-20,663	**-29,952**
Payments made in year	162	449	**611**	344	532	**876**
Closing Liability	**-8,783**	**-19,682**	**-28,465**	**-8,945**	**-20,131**	**-29,076**

Future Payments under the PFI Contracts	Service Costs £000	Principal Payments £000	Capital Costs £000	Interest £000	Total £000
Schools					
Obligations Payable in 2017-18	714	340	63	691	1,808
Due between 2018-19 and 2021-22	3,197	1,377	472	2,512	7,558
Due between 2022-23 and 2026-27	4,466	2,464	567	2,446	9,943
Due between 2027-28 and 2031-32	5,303	3,319	901	1,335	10,858
Due between 2032-33 and 2033-34	1,452	1,284	279	117	3,132
Total	**15,132**	**8,784**	**2,282**	**7,101**	**33,299**
Extra Care					
Obligations Payable in 2017-18	131	604	175	903	1,813
Due between 2018-19 and 2021-22	366	2,955	602	3,306	7,229
Due between 2022-23 and 2026-27	1,177	3,455	1,758	3,378	9,768
Due between 2027-28 and 2031-32	1,180	4,651	1,627	2,474	9,932
Due between 2032-33 and 2036-37	1,408	5,648	1,882	1,385	10,323
Due between 2037-38 and 2038-39	626	2,368	483	161	3,638
Total	**4,888**	**19,681**	**6,527**	**11,607**	**42,703**

PFI Funding

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

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

Movement in Equalisation Reserves during the year	2016-17			2015-16		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Balance	4,549	1,051	**5,600**	4,292	962	**5,254**
In Year Additions	205	76	**281**	257	89	**346**
Closing Balance	**4,754**	**1,127**	**5,881**	**4,549**	**1,051**	**5,600**

40. Impairment Losses

The Council has recognised £29.2m of net costs to the CIES in relation to impairment/revaluation losses on operational assets during 2016-17. This is made up of £37.4m off set by the reversal of previously recognised losses of £8.2m.

The most significant asset which forms part of the loss is the Storyhouse Cultural Centre in Chester which has been impaired by £10.5m following a revaluation on completion of the project. The revaluation of the building and land would not take into account the specific type of materials used but would be valued on replacing the building as a modern equivalent; due to type of structure and architecture the costs are higher than if we had completely demolished the site and built a new modern building. The Forum shopping centre in Chester has reduced in value by £8.4m as it will form part of the Northgate development project, which is planned to be demolished in 2019. A number of reclassifications from Heritage to Property, Plant and Equipment have resulted in a change in valuation method and a reduction in the carrying value of these assets of £7.3m. Other losses charged to the CIES in previous years of £6.8m, primarily for schools have been offset with gains as a result of an increase in build rates.

41. Capitalisation of Borrowing Costs

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

During 2016-17 these conditions were met in regard to expenditure on the development of Barons Quay, Northwich. During this period the gross interest capitalised was £1.9m.

Interest costs can only be capitalised to the extent that they are greater than investment returns the Council generates from the cash borrowed. During 2016-17 the Council earned £26k on the residual cash borrowed to finance Barons Quay, the net amount of borrowing costs capitalised for Barons Quay during 2016-17 were therefore £1.9m.

42. Pension Schemes accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement and the Council contributes towards the costs, making a payment based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a national fund as the basis for calculating the employer's contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2016-17, the Council paid £13.0m to Teachers' Pension in respect of teachers' retirement benefits, (2015-16 £12.0m) representing 16.48% of pensionable pay. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefits basis and are detailed in Note 43.

When Public Health transferred from Clinical Commissioning Groups in 2013-14, the Council inherited a small number of workers who are Members of the NHS Pension Scheme. This scheme is a defined benefit scheme but similarly to the Teachers' Pension Scheme must be treated as a defined contribution scheme. Contributions made in 2016-17 equated to £0.1m (2015-16 £0.1m) representing 14.3% of pensionable pay.

43. Defined Benefit Pension Scheme

Participation in Pension Scheme

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

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

Local Government Pension Scheme (LGPS)

The Cheshire Pension Fund is a statutory defined contributory benefit pension scheme and all employees of the Council (other than teachers) may participate in the fund. From April 2015, Councillors are no longer able to join the scheme. The Council and its employees pay contributions into the fund, calculated by the fund's independent actuary, at a level intended to balance the pension's liabilities with investment assets.

The Cheshire Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the Fund is the responsibility of the full Council within Cheshire West and Chester Council, supported by the Pension Fund Committee. The Fund's policies and investment strategy are set by the Committee and administered by the Director of Corporate Services from Cheshire West and Chester. The Local Pension Board assists the Administering Authority to ensure the effective and efficient governance and administration of the LGPS.

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

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

At 1 April 2016 the Pension Fund managed four investment strategies each defined by their respective allocation to growth assets and defensive assets:

Growth Strategy A	80% Growth / 20% Diversifying & Matching
Growth Strategy B	58% Growth / 42% Diversifying & Matching
Medium Growth Strategy	50% Growth / 50% Diversifying & Matching
Gilts Strategy	0% Growth / 100% Diversifying & Matching

The return on assets has increased significantly to £836m from the previous year (2015-16 £56.40m). A 19.2% return in the investment market has been achieved, against a benchmark of 15.8%, this is due to market returns higher in 2016-17 than in 2015-16.

Teachers Discretionary Payments

The Council also funds discretionary early retirement benefits for teachers and this scheme is unfunded. The Council paid £5.1m in 2016-17 (£5.4m in 2015-16) in relation to this scheme, of which £3.3m has been recovered from Cheshire East, Halton and Warrington Borough Councils.

Transactions Relating to Post-employment Benefits

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

	LGPS 2016-17 £000	Teachers Un-funded 2016-17 £000	Total 2016-17 £000	LGPS 2015-16 £000	Teachers Un-funded 2015-16 £000	Total 2015-16 £000
Comprehensive Income and Expenditure Statement						
Service cost comprising:						
Current service cost	27,509		27,509	30,063		30,063
Past service costs and curtailments	278		278	1,092		1,092
(Gain) from settlements	0		0	-6,493		-6,493
Financing and Investment Income and Expenditure						
Net Interest Cost	6,581	1,006	7,587	11,145	1,003	12,148
Total post-employment benefits charged to	34,368	1,006	35,374	35,807	1,003	36,810
Other post-employment benefits charged to the						
Remeasurement of the net defined benefit liability						
Return on plan assets (excluding the amount included in the net interest expense)	-128,687		-128,687	-22,109		-22,109
Actuarial Gains / Losses arising on changes in demographic assumptions	-4,435	-600	-5,035			0
Actuarial Gains / Losses arising on changes in financial assumptions	255,915	3,224	259,139	-124,906	-855	-125,761
Other experience	8,829	-587	8,242	-19,440	-685	-20,125
Total post-employment benefit charged to the	165,990	3,043	169,033	-130,648	-537	-131,185
Movement in Reserves Statement						
Reversal of net charges made to the SDPS for post-employment benefits	-34,368	-1,006	-35,374	-35,807	-1,003	-36,810
Actual amount charged against the General Fund						
Employers' contributions	44,280		44,280	18,921		18,921
Retirement Benefits Payable		2,340	2,340		2,537	2,537

The employer contributions figure paid by the Council in 2016-17 (£44.2m) was higher than would typically be the case as the Council has agreed an upfront payment for its pension deficit contributions with the Cheshire Pension Fund. Under this agreement the full value of the pension deficit payments for the current triennial valuation period (2017-18, 2018-19 and 2019-20) were paid in 2016-17 (£25m). The savings generated by the early payment mean that the deficit contributions across 2017-18 and 2018-19 will be nil.

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	LGPS 2016-17 £000	Teachers 2016-17 £000	Total 2016-17 £000	LGPS 2015-16 £000	Teachers 2015-16 £000	Total 2015-16 £000
Present value of obligations	-1,603,993	-31,260	-1,635,253	-1,308,374	-30,557	-1,338,931
Fair value of plan assets	1,285,959		1,285,959	1,112,050	0	1,112,050
Net Pension Liability	**-318,034**	**-31,260**	**-349,294**	**-196,324**	**-30,557**	**-226,881**

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilitites	**LGPS 2016-17 £000**	**Teachers 2016-17 £000**	**Total 2016-17 £000**	**LGPS 2015-16 £000**	**Teachers 2015-16 £000**	**Total 2015-16 £000**
Opening Balance	1,308,374	30,557	1,338,931	1,440,229	33,631	1,473,860
Current Service Costs	27,509		27,509	30,063		30,063
Interest Cost	45,583	1,006	46,589	45,471	1,003	46,474
Contribution by Scheme Members	6,957		6,957	6,907		6,907
Remeasurement gains and losses:						
Actuarial gains/losses arising from changes in demographic assumptions	-4,435	-600	-5,035			0
Actuarial gains/losses arising from changes in financial assumptions	255,915	3,224	259,139	-124,906	-855	-125,761
Other experience	8,829	-587	8,242	-19,440	-685	-20,125
Benefits Paid	-45,017	-2,340	-47,357	-43,168	-2,537	-45,705
Entity Combinations			0			0
Past Service Costs & Curtailments	278		278	1,092		1,092
Liabilities Extinguished on Settlement			0	-27,874		-27,874
Closing balance at 31 March	**1,603,993**	**31,260**	**1,635,253**	**1,308,374**	**30,557**	**1,338,931**

Movement in Fair Value of Assets	**LGPS 2016-17 £000**	**Teachers 2016-17 £000**	**Total 2016-17 £000**	**LGPS 2015-16 £000**	**Teachers 2015-16 £000**	**Total 2015-16 £000**
Opening Balance	**1,112,050**	**0**	**1,112,050**	**1,094,336**	**0**	**1,094,336**
Interest income	39,002		39,002	34,326		34,326
Remeasurement gains and (losses):						
Return on plan assets, excluding the amounts included in net interest	128,687		128,687	22,109		22,109
Employer Contributions	44,280		44,280	18,921		18,921
Contribution by scheme members	6,957		6,957	6,907		6,907
Contributions - unfunded benefits		2,340	2,340		2,537	2,537
Benefits paid	-45,017		-45,017	-43,168		-43,168
Unfunded benefits paid		-2,340	-2,340		-2,537	-2,537
Assets distributed on Settlement			0	-21,381		-21,381
Closing balance at 31 March	**1,285,959**	**0**	**1,285,959**	**1,112,050**	**0**	**1,112,050**

Local Government Pension Scheme Assets

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

	Quoted Prices in active markets 2016-17 £000	Quoted Prices not in active markets 2016-17 £000	Total 2016-17 £000	Share of Total Assets %	Quoted Prices in active markets 2015-16 £000	Quoted Prices not in active markets 2015-16 £000	Total 2015-16 £000	Share of Total Assets %
Cash & Cash Equivalents		**30,123**	**30,123**	**2.3%**		**23,901**	**23,901**	**2.1%**
Equity Securities:								
By industry type:								
Consumer	41,192		41,192	3.2%	33,978		33,978	3.1%
Manufacturing	30,763		30,763	2.4%	25,945		25,945	2.3%
Energy and Utilities	6,414		6,414	0.5%	6,700		6,700	0.6%
Financial Institutions	35,363		35,363	2.7%	33,451		33,451	3.0%
Health and Care	9,701		9,701	0.8%	9,017		9,017	0.8%
IT	112,090		112,090	8.7%	99,719		99,719	9.0%
Other	4,952		4,952	0.4%	4,558		4,558	0.4%
	240,475	**0**	**240,475**	**18.7%**	**213,368**	**0**	**213,368**	**19.2%**
Debt Securities								
By Sector:								
Other			0	0.0%			0	0.0%
	0	**0**	**0**	**0.0%**	**0**	**0**	**0**	**0.0%**
Private equity:		**56,650**	**56,650**	**4.4%**		**58,496**	**58,496**	**5.3%**
Real Estate:								
UK		84,783	84,783	6.6%		87,906	87,906	7.9%
Overseas		2,234	2,234	0.2%		1,930	1,930	0.2%
	0	**87,017**	**87,017**	**6.8%**	**0**	**89,836**	**89,836**	**8.1%**
Investment funds and unit								
Equities	188,015		188,015	14.6%	140,978		140,978	12.7%
Bonds	372,341	93,534	465,875	36.2%	301,717	77,739	379,456	34.1%
Hedge Funds		156,865	156,865	12.3%		146,930	146,930	13.2%
Other		60,939	60,939	4.7%		59,085	59,085	5.3%
	560,356	**311,338**	**871,694**	**67.8%**	**442,695**	**283,754**	**726,449**	**65.3%**
Total Assets	**800,831**	**485,128**	**1,285,959**	**100.0%**	**656,063**	**455,987**	**1,112,050**	**100.0%**

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

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, a method for estimating future pension payments dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the Unfunded Teachers Liability have been assessed by Hymans Robertson, an independent firm of actuaries. Demographic estimates for the Council Fund are based on the latest valuation of the scheme as at 31 March 2016. The principal assumptions used by the actuary have been:

	LGPS 2016-17	Teachers Unfunded Liabilities 2016-17	LGPS 2015-16	Teachers Unfunded Liabilities 2015-16
Financial Assumptions				
Rate of increase in salaries	2.7%	n/a	3.2%	n/a
Rate of increase in pensions	2.4%	2.4%	2.2%	2.1%
Discount rate used				
Rate used to Discount liabilities	2.6%	2.5%	3.5%	3.4%
Demographic Mortality Assumptions				
Longevity at 65 for current pensioners				
Men	22.3 years	22.3 years	22.3 years	22.3 years
Women	24.5 years	24.5 years	24.4 years	24.4 years
Longevity at 65 for future pensioners				
Men	23.9 years		24.1 years	
Women	26.5 years		26.7 years	

Commutation

An allowance is included for future retirements to elect to convert annual pension to maximum tax-free lump sums of 50% for pre-April 2008 service and 75% for post-April 2008 service.

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies of the scheme, on an actuarial basis using the projected unit credit method.

Sensitivity analysis - impact on the defined benefit obligation in the scheme	Increase in assumption		Decrease in assumption	
	LGPS £000	Teachers £000	LGPS £000	Teachers £000
Longevity (change by 1 year)	64,160	1,250	-64,160	-1,250
Salary inflation (change by 0.5%)	23,373		-23,373	
Pension inflation (change by 0.5%)	125,561	475	-125,561	-475
Discount rate (change by 0.5%)	-151,116	-477	151,116	477

Impact on the Council's Cash Flows

A key objective of the Pension Fund is to keep employers' contributions at a constant rate. The Council has agreed a strategy with the actuary that would achieve a funding level of 100% over the next 18 years. Funding levels are monitored on an annual basis to achieve this. The contribution rates are specifically reconsidered on a triennial basis with the latest assessment taking effect from 2015-16. The scheme offers protections whereby any increases in Council pension contributions are capped to 0.5% per year as long as this will still achieve the balanced fund in the planning period.

The estimated LGPS pension contributions to be made by Cheshire West and Chester in 2017-18 is £17.5m (16.2% cash equivalent).

The weighted average duration of the defined benefit obligation is 19 years. This reflects the fact that on average there is an expectation that each person in the fund will receive pension payments for an 19 year period once they become eligible. The average outstanding period is clearly lower for those who are already pensioners and higher for those who are yet to reach a pensionable age.

	Liability Split %	Average Duration (Years)
Active members	35.5%	24.4
Deferred members	18.9%	24.4
Pensioner members	45.6%	12.6
Weighted Average		**19.0**

44. Contingent Liabilities

At 31 March 2017, the Council had the following material contingent liabilities:

Chester and District Housing Trust (CDHT) /Sanctuary Housing Group

As part of the housing stock transfer, the former Chester City Council gave a warranty to indemnify the Chester and District Housing Trust against any future costs arising from contamination, for a range of warranty periods. Aggregate claims are limited to £20m. This responsibility has passed to Cheshire West and Chester Council. In March 2013 CDHT became a subsidiary of the Sanctuary Housing Group and the indemnity passed across to that organisation. It is considered that payments are unlikely to arise against this liability.

Conway Centre

The Council leases the Conway Centre and is responsible for managing property dilapidations over the life of the lease. The current lease runs until January 2036. Whilst it is anticipated that these costs will be managed down over the life of the contract through planned maintenance the Council will be responsible for any outstanding remedial work should the contract be terminated at any point. At the most recent review these costs were estimated at £3.5m. This liability is not reflected in the Council's accounts as the likelihood of early termination of the lease is considered low.

Waste Collection Contract

The Council is in discussion with its waste collection contractor regarding disputes over whether any adjustments (up to £1.2m) will be required to the contract payments the Council has made to date or those in the future. The discussions concern whether the contract price adequately reflects the costs of additional collections over and above those assumed when tendering for this work. These claims have been considered by the Council and it is not thought that any liability exists, as at 31st March 2017 the claims have yet to be withdrawn.

Pension Guarantees

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

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

The likelihood of this risk materialising will be dependent on the company's performance, future investment returns and the performance of the Pension Fund over an extended period.

45. Contingent Assets

A pension surplus of £6.8m has been identified following a triennial review of the Plus Dane Housing Pension position. This contract is due to cease in 2017-18 and £6.8m will be returned to Cheshire West and Chester Council's Pension Fund.

46. Risks Arising from Financial Instruments

The Council's treasury management activity is carried out in accordance with the Council's annual Treasury Management Strategy that is approved by full Council shortly before the start of the year. The Treasury Management Strategy for the year 2016-17 allowed the Council to deposit up to £10 million with a number of large banks and building societies that met a range of specified criteria the most objective of these being to have a long term credit rating equivalent to at least A-.

Treasury management activities by their nature expose the Council to a variety of risks and details of these risks along with how the Council seeks to manage them are as follows:

Credit and Counterparty Risk

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

During 2016-17 the Council chose to place deposits with a number of selected large banks, building societies and sterling money market funds. The Council does not expect any losses from non-performance by any of these counterparties except in the most exceptional of circumstances.

Form of Financial Asset Held	Credit rating at the time the monies were deposited	Credit rating at the balance sheet date	The earliest date on which the monies become available to the Council without penalty	Amount £000
Money Market Funds	AAAmmf	AAAmmf	1st April 2017	26,577
Call Accounts	A	A	1st April / 2nd May 2017	5,174
Fixed Term Deposits	AA-	AA-	Late May 2017	5,000
Fixed Term Deposits	A+	A+	Mid April 2017	10,000
Fixed Term Deposits	A	A	Early May 2017	5,000
Fixed Term Deposits	n/a (a UK council)	n/a (a UK council)	Mid April 2017	5,000

Risk Associated with each form of Financial Asset	Amount at 31 March 2017 £000	Historical experience of default at 31st March 2017 %	Estimated maximum exposure to default & uncollectability £000
Deposits with banks and building societies			
AAA Rating	0	0.00	0.00
AA- Rating	5,000	0.03	1.50
AA- Rating			
A+ Rating	10,000	0.04	4.00
A Rating	5,174	0.04	2.07
A Rating	5,000	0.04	2.00
n/a (a UK council)	5,000	0.00	0.00
Money Market Funds			
AAA Rated	26,577	0.00	0.00
Bank Current Accounts	-738	0.00	0.00
Loans to Group Entities	2,450	0.00	0.00
Trade and Customer Debt	36,419	6.1	2,235

The Trade and Customer Debt figure includes £31.2m of current debt, the remaining debt is already significantly overdue and thus a higher risk value has been attached to it. Sufficient funding has been set aside in the bad debt provision to reflect the risk associated with all trade debts.

Of the total debt outstanding in relation to the Housing Revenue Account, 68% is over 6 months old. The risk associated with this is reflected in the higher percentage used for the estimated maximum exposure to default and collectability.

The Trade and Customer Debt balance includes £11.6m of invoiced debt. The Authority generally allows its customers 28 days credit; £3.4m of this debt is past its due date for payment. This past due amount is analysed by age as follows:

Age Profile of Past Due Debt	Total Outstanding £000
Less than 3 months overdue	1,960
3 to 6 months overdue	290
6 months to 1 year overdue	354
More than one year overdue	836
Total	**3,440**

Cheshire West and Chester

Liquidity Risk

Liquidity risk is the risk that the Council will not have sufficient cash resources to meet its obligations to its creditors and employees as they fall due for payment. The Council will manage this risk by ensuring it has adequate, though not excessive, short term cash resources, borrowing arrangements, overdrafts or standby facilities in place. It will also make use of cash flow forecasting to give as accurate a picture as possible of daily cash balances.

There is a risk that when loans or other forms of borrowing fall due to be repaid the Council will be unable to refinance the borrowings on reasonable terms. To manage this risk down to an acceptable level, the Council endeavours to even out the maturity profile of its existing long term loans such that, where possible, no more than £10 million of loans will mature in any given financial year.

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

Profile of Borrowing in relation to General Fund activities	Public Works Loans Board £000	Salix Loans £000	Banks £000	Total 2016-17 £000
In the next financial year	1,677	145	276	2,098
In the following financial year		216		216
In 2 to 5 years		622		622
In 5 to 10 years	983	87		1,070
In 10 to 15 years	16,709			16,709
In 15 to 20 years	16,273			16,273
In 20 to 25 years	24,659			24,659
In 25 to 30 years	9,828		12,487	22,315
In 30 to 40 years	40,737		5,204	45,941
In 40 to 50 years	2,457			2,457
Total	**113,323**	**1,070**	**17,967**	**132,360**

Profile of Borrowing in relation to Housing Revenue Account activities	Public Works Loans Board £000	Salix Loans £000	Banks £000	Other Local Authorities £000	Total 2016-17 £000
In the next financial year	1,748		90	4,000	5,838
In the following financial year	1,779				1,779
In 2 to 5 years	23,805				23,805
In 5 to 10 years	10,764				10,764
In 10 to 15 years	12,603				12,603
In 15 to 20 years	14,757				14,757
In 20 to 25 years	17,279				17,279
In 25 to 30 years			5,107		5,107
In 30 to 40 years					0
In 40 to 50 years					0
Total	**82,735**	**0**	**5,197**	**4,000**	**91,932**

Profile of Borrowing in relation to Northgate and Barons Quay	Public Works Loans Board £000	Salix Loans £000	Banks £000	Other Local Authorities £000	Total 2016-17 £000
In the next financial year	5,353				5,353
In the following financial year	5,480			7,000	12,480
In 2 to 5 years	17,440				17,440
In 5 to 10 years	12,400				12,400
In 10 to 15 years	12,400				12,400
In 15 to 20 years	12,400				12,400
In 20 to 25 years	4,960				4,960
Total	**70,433**	**0**	**0**	**7,000**	**77,433**

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

Cheshire West and Chester Council is in a strong financial position and has a proven track record of using its financial standing to invest in the delivery of key regenerative projects. At the current time the regeneration schemes that carry the greatest risk to the Council are Barons Quay, Northwich and Northgate, Chester. The funding for these schemes is held separately from the funding allocated to the Council's core business and in recognition that these projects represent a significant proportion of the Council's total risk, this note provides a separate analysis of the borrowing profile for each.

Barons Quay is a retail and leisure development in the heart of Northwich in which the Council has taken the role of the traditional developer. Development schemes naturally carry risks and this innovative approach requires the Council to manage those risks closely. This scheme will be completed in 2017-18 and the residual risks therefore relate primarily to lettings. The Barons Quay scheme is underpinned by long term leases to key anchor tenants (Asda and Odeon), these operations are now open and trading and the core work over the next 12 months will be to secure further lettings. The Council has managed this lettings risk actively since the inception of the scheme including the decision to commence the build which was conditional on the exchange of leases with the key anchor tenants. The Council has a long term financial business case for the scheme and it is anticipated that rental income will cover the costs associated with financing the scheme.

Chester Northgate is a proposed redevelopment of a quarter of the roman city of Chester and will incorporate 750,000 sq. ft. of retail, leisure and residential. To date the Council has invested in land assembly, design and lettings and in 2016 achieved a number of significant milestones including a planning permission and the exchange of key lettings including a House of Fraser department store and Picturehouse cinema. To date the financial risk has been capped with the key risk being that future income streams do not materialise and the Council is therefore left with abortive costs. The Council is continuing to progress the scheme in prudent way, removing the final barriers to deliver whilst monitoring its exposure to abortive cost risk. The financial risk on Northgate will be managed in the same way as for Barons Quay – future income streams will fund the ongoing development expenditure, and the Council therefore will continue to actively manage the key risks to scheme progression.

Interest Rate Risk

Interest rate risk is the risk that unexpected changes in interest rates may expose the Council to greater costs or a lower level of investment income than has been budgeted for. At present the majority of the Council's long term loans are fixed rate loans. Loans at fixed rates of interest provide the Council with certainty of interest cost and also shield the Council from increases in long term interest rates.

Loans and other borrowings are recorded in the Council's Statement of Accounts on the amortised cost basis. The fair value of borrowings is shown as a note to the accounts for information only. Had short term and long term interest rates been 0.5% higher during 2016-17 but all other circumstances been the same, the financial effect would be:

Impact of a 0.5% increase in interest rates	**£000**
Increase in interest receivable on variable rate loans	-474
Increase in interest payable on variable rate loans	91
Impact on Income and Expenditure Statement	**-383**
Reduction in the fair value of fixed rate borrowing (notional impact only)	-114,145

Market Risk

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

Inflation Risk

Inflation risk is the risk that unexpected changes in the rate of inflation expose the Council to greater costs, or a lower level of investment income, than has been budgeted for. The key consideration for the Council is having satisfied itself over the amount of credit risk and liquidity risk a deposit exposes the Council to that the deposit earns the highest real rate of return commensurate with the amount of credit and liquidity risk being taken.
The effects of varying levels of inflation will be controlled by the Council as an integral part of its strategy for managing its overall exposure to inflation.

Legal and Regulatory Risk

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

Capital Instruments

During the year financial year 2016-17 the Council issued no capital instruments such as share capital, loan capital, debentures, bonds or other forms of debt instrument.

47. Interest in companies

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

Avenue Services (Blacon Asset Management Company)

The company has been operational since 1 April 2012 providing services and facilities for the benefit of residents of Blacon and the wider community. The company is jointly owned by the Council (49%) and CDHT (51%) (under the banner of Sanctuary Housing).

During the year a range of assets totalling £1.2m held by the Council were transferred to Avenue Services on a long term leasehold basis.

A summary Statement of Financial Position and the Summary Statement of Comprehensive Income for 2016-17 based on the companies draft accounts is shown in the table below.

Summary of Statement of Financial Position	**31 March 2017 £000**	**31 March 2016 Restated £000**
Total Assets	**1,091**	**674**
Other liabilities	-787	-374
Total Liabilities	**-787**	**-374**
Total Assets and Liabilities	**304**	**300**
Total Equity	**-304**	**-300**
Summary Statement of Comprehensive Income for the year	**2016-17 £000**	**2015-16 Restated £000**
Turnover	2,180	2,086
Operating Profit/(Loss)	4	1
Profit/(Loss) for the period after Tax	**4**	**4**
Total Profit/(Loss) for the year	**4**	**4**

Brio Leisure Community Interest Company

Brio Leisure is the trading name of the Cheshire West and Chester Leisure Community Interest Company (CIC) which was formally incorporated on 16 March 2011. The CIC is a wholly owned subsidiary of the Authority and has responsibility for managing a number of leisure and entertainment venues across the borough. As a not for profit social enterprise company, its purpose is to provide a range of leisure activities for the benefit of the community. The company has a contract to provide services to the Council until March 2030.

A summary of the draft Statement of Financial Position and the Summary Statement of Comprehensive Income for the year is included in the table below. The CIC has a £1.6m pension liability and the Council is guarantor for this should the company cease trading. During the year the Council had expenditure with Brio totalling £1.6m and income totalling £1m. At the year end included in the Council's debtors is a £0.25m working capital loan advanced to Brio and £0.3m of trade debtors.

Summary of Statement of Financial Position	31 March 2017 £000	31 March 2016 Restated £000
Total Assets	**2,622**	**2,407**
Net Pensions liability	-1,559	-1,123
Other liabilities	-2,223	-2,055
Total Liabilities	**-3,782**	**-3,178**
Total Assets and Liabilities	**-1,160**	**-771**
Total Equity	**-1,160**	**-771**
Summary Statement of Comprehensive Income for the year	**2016-17 £000**	**2015-16 Restated £000**
Turnover	12,501	10,544
Operating Profit/(Loss)	-38	107
Profit/(Loss) for the period after Tax	**-115**	**59**
Actuarial gains/(losses)	-274	1,850
Total Profit/(Loss) for the year	**-389**	**1,909**

CoWest Services Limited (Qwest)

In June 2015 the Council launched QWest, in partnership with Engie (previously known as Cofely), to deliver its Customer Services, Business Operations and Building Maintenance/Cleaning Services. The council owns 49% ordinary B shares in the company. These shares entitle the council to an annual dividend of between 2% and 6% of the company's turnover to customers external to the council.

A summary of the draft Statement of Financial Position and the Summary Statement of Comprehensive Income for the year to 31 December is included in the table. A net pension liability of £2.7m exists and the Council is guarantor for this cost should the company cease trading.

During the year to 31st March the Council had expenditure with Qwest totalling £7.3m and income from Qwest totalling £0.5m. At the 31st March the Council's accounts included a creditor in relation to Qwest of £2.2m and a debtor of £0.4m. For the year to 31 December 2016 no dividend has been declared from Qwest to the Council.

The company has not been included in the group consolidation, the Council has reviewed the nature of its agreement with Qwest and judged that it is most resembles a joint operation. Joint operations are not consolidated as per the CIPFA Code of Practice guidance.

Summary of Statement of Financial Position	**31 Dec 2016 £000**	**31 Dec 2015 Restated £000**
Total Assets	**5,870**	**5,458**
Net Pensions liability	-2,727	-908
Other liabilities	-5,404	-5,258
Total Liabilities	**-8,131**	**-6,166**
Total Assets and Liabilities	**-2,261**	**-708**
Total Equity	**-2,261**	**-708**
Summary Statement of Comprehensive Income for the year	**2016 £000**	**2015 Restated £000**
Turnover	12,449	7,765
Operating Profit/(Loss)	264	198
Profit/(Loss) for the period after Tax	**229**	**102**
Pension liability transferred in		-2,140
Actuarial gains/(losses)	-1,782	1,330
Total Profit/(Loss) for the year	**-1,553**	**-708**

Cheshire Provider Services/ Vivo Care Choices

These organisations have been in operation since December 2013 delivering the Council's non-residential adult social care services. The Council owns a 100% stake in a management company (Cheshire Provider Services Trading Company) which in turn owns 100% of Vivo Care Choices, the ultimate care provider. The company is contracted to provide services until December 2018.

A summary of the draft Statement of Financial Position and the Summary Statement of Comprehensive Income for the year is included in the table below. The accounts include a £6m pension liability and the Council is guarantor for this should the company cease trading. During the year the Council had expenditure with Vivo and CPS totalling £11.4m and income totalling £0.65m. At the year end included in the Council's debtors is a £1.1m working loan advanced to Vivo and £0.16m of trade debtors, included in the Council's creditors is £1m of trade creditors.

Summary of Statement of Financial Position	**31 March 2017 £000**	**31 March 2016 Restated £000**
Total Assets	**2,630**	**2,704**
Net Pensions liability	-5,984	-3,432
Other liabilities	-2,146	-2,312
Total Liabilities	**-8,130**	**-5,744**
Total Assets and Liabilities	**-5,500**	**-3,040**
Total Equity	**-5,500**	**-3,040**
Summary Statement of Comprehensive Income for the year	**2016-17 £000**	**2015-16 Restated £000**
Turnover	12,639	12,979
Operating Profit/(Loss)	-261	-470
Profit/(Loss) for the period after Tax	**-358**	**-599**
Actuarial gains/(losses)	-2,102	2,400
Total Profit/(Loss) for the year	**-2,460**	**1,801**

Edsential CIC

Edsential CIC is a Community Interest Company jointly owned with Wirral Borough Council, both councils have a 50% share. The company has been set up to provide a 'one stop shop' approach for schools to buy services such as music services, outdoor education, governor services, catering, cleaning, school development and learning outside the classroom.

A summary of the draft Statement of Financial Position and the Summary Statement of Comprehensive Income for the year are included in the table below. The CIC has a £6m pension liability, £3.3m of this is in relation to Cheshire Pensions and the Council is guarantor for this element should the company cease trading. During the year the Council had expenditure with Edsential totalling £11.6m and income totalling £0.9m. At the year end included in the Council's debtors is a £1.1m loan advanced to Edsential and £0.7m of trade debtors, included within the Council's creditors is £2.2m of trade creditors.

Summary of Statement of Financial Position	**31 March 2017 £000**	**31 March 2016 £000**
Total Assets	**5,904**	**6,349**
Net Pensions liability	-5,975	-3,451
Other liabilities	-6,803	-7,247
Total Liabilities	**-12,778**	**-10,698**
Total Assets and Liabilities	**-6,874**	**-4,349**
Total Equity	**-6,874**	**-4,349**
Summary Statement of Comprehensive Income for the year	**2016-17 £000**	**2015-16 £000**
Turnover	21,429	7,565
Operating Profit/(Loss)	-225	-972
Profit/(Loss) for the period after Tax	**-345**	**-1,017**
Actuarial gains/(losses)	-2,180	-3,332
Total Profit/(Loss) for the year	**-2,525**	**-4,349**

Local Capital Finance Company

The Council is a shareholder in the United Kingdom Municipal Bond Agency (UKMBA), a publicly listed company, which has been formed to raise capital through the sale of bonds. The money raised from issuing bonds to investors will be lent onwards to councils to either invest in capital projects or to refinance existing loans. This provides diversity of funding sources for local authorities and will potentially allow councils to borrow at a lower cost than is currently the case.

The Council subscribed for £350,000 worth of ordinary shares in UKMBA in 2014-15, the total investment from all Council's totalled £6million. To date the UKMBA has not traded and has incurred costs of approximately £4million to help the company come to a position where it could trade. The net assets in the latest accounts of the UKMBA were approximately £2m as a result the Council has made a fair value adjustment in this years accounts of £258k to reflect the loss.

Northwest Evergreen Fund Partnership

Fifteen local authorities in the North West of England are limited partners in the fund known as North West Evergreen Fund Partnership. This fund was set up to make loans to commercial property ventures in the Northwest to aid regeneration in the region.

The Council is one of six Councils that form the County Area Partners who together have 50% of the voting rights on the board. As a limited partner, the council provides a capital contribution of £1 to the Fund but in order to enjoy limited liability as a limited partner, the Authority cannot participate in the management of the Fund's business.

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

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

In joining the partnership as a County Area Limited Partner the Authority is expected to advance annually to the Fund (as a loan) an index-linked amount equal to £250k divided by the number of County Area Limited Partners, to meet the ongoing expenses of the Fund. For 2016-17 the Partnership reviewed the payment and notified the Council that no payment was required for 2016-17. As a minority General Partner, CW&C is not required to include the financial activities of Evergreen in its group accounts.

Chester Renaissance Ltd

Cheshire West and Chester Council have an ongoing interest in Chester Renaissance Ltd. This organisation exists to promote the city of Chester and to help drive economic growth. Although CW&C is the parent company thus identifying Chester Renaissance as a subsidiary, their current level of financial activity is not sufficient to have a material impact on the Council's 2016-17 group accounts. Thus Chester Renaissance will not be consolidated into the Council's group accounts at this time.

PSP Cheshire West and Chester LLP

A joint venture with PSP Facilitating Limited has been created to assist the Council to access wider funding sources and take advantage of ad-hoc development opportunities. Whilst the Council has equal control of PSP Cheshire West and Chester LLP the current level of financial activity is not sufficient to have a material impact on the Council's 2016-17 group accounts. Thus PSP Cheshire West and Chester LLP will not be consolidated into the Council's group accounts at this time.

CoSocius Limited

The company provided a range of transactional back office services and ICT corporate business services to both councils and other customers, primarily in the public sector. CoSocius Ltd ceased trading on 1st April 2016 and the staffs were Tupe transferred back to the Council and Cheshire East who are now providing the services previously supplied by CoSocius. The level of financial activity is not sufficient to have a material impact on the Council's 2016-17 group accounts. Thus CoSocius will not be consolidated into the Council's group accounts.

HQ Management Company Limited

Cheshire West and Chester Council hold an interest in HQ Management Company Limited. The company manages the common areas around the HQ building in Chester. The current level of financial activity is not sufficient to have a material impact on the Council's 2016-17 group accounts. Thus HQ Management Company Limited will not be consolidated into the Council's group accounts at this time.

48. Trust Funds

During 2016-17 Cheshire West and Chester Council acted as sole trustee for nine 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.

	2016-17				
	Income £	Expenditure £	Assets £	Liabilities £	Reserves £
Continuing Trust Funds:					
The Lord Mayors Charity Fund	-5,312	12,498	4,920	0	-4,920
Held to support a range of charities supported by the serving Lord Mayor of Chester					
Fred Venables Higher Education Trust	-2	4,800	6,494	0	-6,494
Set up in 2007 to give grants to 6th form students resident in Ellesmere Port and Neston for their higher education studies					
Chairman's Trust	-2,493	6,300	21,452	0	-21,452
Established in 2014 to support the advancement of education through short term residential learning outside the classroom for school age children residing in the Borough of Cheshire West and Chester or being educated within the Borough who are financially disadvantaged					
Castle Park Trust Fund	-108,129	67,427	709,334	-1,711	-707,623
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	-722	1,000	1,829	0	-1,829
Held for the general benefit of the residents of Willaston					
Little Sutton Reading and Recreation Rooms	0	0	2,479	0	-2,479
Held for the general benefit of the residents of Little Sutton					
Fred Venables Literary Trust	0	0	12,099	0	-12,099
Established in 1998 to provide annual book prizes to young people attending secondary schools					
Reg Chrimes Trust for the Arts	0	0	13,427	0	-13,427
Established in 1999 for the promotion and development of the arts in the borough of Ellesmere Port and Neston					
Charter Trustees for Ellesmere Port	-40,860	45,907	23,164	0	-23,164
Established to continue the Mayoral Function in the borough of Ellesmere Port					

49. Comparative Information

The comparative 2015-16 information shown on the face of the Comprehensive Income and Expenditure Statement is only shown as net expenditure to avoid overcrowding the statement. The full breakdown showing gross expenditure and income is shown below.

	Restated 2015-16		
	Expenditure	Income	Net
Adults Directorate	142,177	-39,558	102,619
Children's Directorate	286,594	-235,642	50,952
Places Directorate	110,052	-28,505	81,547
Corporate Services	129,134	-97,749	31,385
HRA	14,203	-23,156	-8,953
Other	12,052	-21,926	-9,874
Capital Financing	1,520	-3,346	-1,826
Cost of Services	**695,732**	**-449,882**	**245,850**
Other Operating Income & Expenditure (Note 10)	18,810	-4,209	14,601
Financing & Investment Income and Expenditure (Note 11)	37,394	-19,714	17,680
Taxation & Non-Specific Grant Income & Expenditure (Note 12)	26,840	-323,648	-296,808
Surplus on Provision of Services	**778,776**	**-797,453**	**-18,677**
Surplus on Revaluation of Assets			-45,431
Re-measurement Gain/-loss on pension assets/liabilities			-167,995
Surplus/Deficit on revaluation of available for sale assets			0
Other Comprehensive Income & Expenditure (Note 13)			**-213,426**
Total Comprehensive Income and Expenditure			**-232,103**

The 2015-16 statement has been restated to reflect:

- Changes in the presentation of the Comprehensive Income and Expenditure Statement to report the cost of continuing operations analysed by the organisation structure of the Services that the Council operate under.
- The Cost of Services have increased by £5.685m and the Taxation & Non-Specific Grant Income and Expenditure (Note 12) has the opposite effect to reflect the transfer of Education Services Grant and Housing and Council Tax Benefit and Administration Subsidies from Net Cost of Services to Taxation and non-specific grant income.
- There is no change to the Surplus on Provision of Services or Total Comprehensive Income and Expenditure.

Supplementary Financial Statements – Housing Revenue Account

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

Housing Revenue Account Income and Expenditure Statement

	2016-17 £000	2015-16 £000
Expenditure		
Repairs and Maintenance	5,413	5,382
Supervision & Management	3,410	3,299
Special Services	1,003	997
Depreciation & impairment of non-current assets	5,286	4,419
Debt Management costs	0	4
Movement in the allowance for bad debts	489	40
Total Expenditure	**15,601**	**14,141**
Income		
Dwelling Rents	-22,201	-22,392
Non-dwelling rents	-466	-438
Charges for services and facilities	-134	-175
Contributions towards expenditure	-105	-152
Total Income	**-22,906**	**-23,157**
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	**-7,305**	**-9,016**
HRA services' share of Corporate and Democratic Core	62	62
Net Income/Expenditure for HRA Services	**-7,243**	**-8,954**
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(Gain) or Loss on sale of HRA non-current assets	-220	-310
Interest payable and similar charges	2,478	3,104
Interest and Investment Income	0	-2
Pensions interest cost and expected return on pension assets	39	67
(Surplus) or deficit for the year on HRA Services	**-4,946**	**-6,095**

Movement on the Housing Revenue Account Statement 2016-17

	2016-17 £000	2015-16 £000
Balance of HRA at the end of the previous year	-817	-725
(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	-4,946	-6,095
Adjustments between accounting basis and funding under statute	4,846	5,934
Net (increase) or decrease before transfers to reserves	**-100**	**-161**
Transfer to (from) reserves	69	69
(Increase) or decrease on the HRA	-31	-92
Balance on the HRA at the end of the year	**-848**	**-817**

Adjustments between accounting basis and funding under statute

	2016-17 £000	2015-16 £000
Difference between interest payable and similar charges including amortisation of premiums and discounts	2	2
Differences relating to other items of income and expenditure		
HRA share of contributions to or from the Pension Reserve	148	120
(Gain) or loss on the sale on non current HRA assets		
- Sale proceeds	1,623	1,465
- Carrying amount of assets	-1,404	-1,155
Removal of accumulated benefit accrual		
Transfer to HRA Pension Reserve		
Differences relating to changes in property values		
- Reversal of revaluation (losses)/gains on HRA Properties	315	1,145
- Funding of depreciation from Capital Adjustment Account	-5,601	-5,564
Transfers to the Major Repairs Reserve		
- Funding set aside for capital expenditure	7,275	7,605
- Funding for future debt repayment /MRA equivalent sum	2,488	2,316
Total Adjustments	**4,846**	**5,934**

Notes to the Housing Revenue Account

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

Description	2016-17 No.	2015-16 Restated
Houses	2,996	3,031
Flats	1,742	1,746
Bungalows	635	636
Maisonettes	84	84
Total Dwellings	**5,457**	**5,497**
Garages	**1,515**	**1,549**
Assets Held for Sale - Houses	**5**	**0**

2. Housing stock valuations at 31 March

Description	2016-17 £000	2015-16 £000
Property Plant and Equipment		
- Dwellings	176,190	151,084
- Garages	4,795	1,096
Assets Held for Sale	845	0
Total	**181,830**	**152,180**

3. Vacant possession value of dwellings at 31 March

Description	2016-17 £000	2015-16 £000
Market value - Vacant possession	440,475	431,668
Existing use value for social housing	176,190	151,083
Difference	**264,285**	**280,585**

The difference between market value and the Balance Sheet value for dwellings represents the economic cost to the Government of providing council housing at less than open market rents. The vacant property adjustment factor for NW England is 40% for 2016-17 (2015-16- 35%).

4. Housing repairs expenditure for the year ending 31 March

Description	2016-17 £000	2015-16 £000
Housing repairs	5,413	5,382
Total	**5,413**	**5,382**

5. Capital expenditure in the year ending 31 March

Description	2016-17 £000	2015-16 £000
- Existing Dwellings	7,557	10,206
- New Build Programme	2,627	468
Total	**10,184**	**10,674**
Funded by:		
Borrowing	-3,569	-5,553
Major Repairs Reserve	-6,615	-5,121
Total Funding	**-10,184**	**-10,674**

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

Description	2016-17 £000	2015-16 £000
Disposal of dwellings	1,623	1,465
Total from disposals	**1,623**	**1,465**

7. Depreciation in the year ending 31 March

Description	2016-17 £000	2015-16 £000
Property Plant and Equipment	5,601	5,564
Total	**5,601**	**5,564**

The depreciation charge for dwellings is equal to the notional Major Repairs Allowance (£5.576m). This is equal to the assumption made about the need to spend on major repairs in the self-financing valuation for 2016-17. In addition, £0.024m depreciation has been charged on non-dwelling assets.

8. Pension Contributions

The costs of post-employment benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are paid, in accordance with IAS 19. However, the charge to be made to the HRA is based on the employer contributions payable in the year, so the IAS 19 adjustments to the accounts have been reversed in the Movement on the HRA Statement.

Cheshire West and Chester

9. Rent Arrears at 31 March

Description	2016-17 £000	2015-16 £000
Current tenants	1,052	860
Former tenants	1,174	1,117
Total arrears	**2,226**	**1,977**
Deduct - Provision for bad debts	-1,480	-1,333
Net arrears	**746**	**644**

Supplementary Financial Statements - Collection Fund

The collection fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and local businesses; and the distribution to local authorities and central government of council tax and non-domestic rates.

Collection fund for the year ended 31 March 2017

Collection Fund Statement							
	2016-17				2015-16		
	Non Domestic Rates £000	Council Tax £000	Total £000		Non Domestic Rates £000	Council Tax £000	Total £000
Income							
Council Tax Receivable	0	186,228	186,228		0	176,072	176,072
Non Domestic Rates Receivable	167,309	0	167,309		156,756	0	156,756
Transitional Relief	-397	-2	-399		-202	-4	-206
	166,912	**186,226**	**353,138**		**156,554**	**176,068**	**332,622**
Prior Year Surplus/(Deficit)							
Central Government	0	0	0		495	0	495
Cheshire West and Chester	0	2,256	2,256		486	2,049	2,535
Police Authority	0	276	276		0	246	246
Fire Authority	0	125	125		10	111	121
	0	**2,657**	**2,657**		**991**	**2,406**	**3,397**
Precepts Demands and Shares							
Central Government	78,372	0	78,372		75,852	0	75,852
Cheshire West and Chester	76,804	152,668	229,472		74,335	143,934	218,269
Police Authority	0	18,562	18,562		0	17,634	17,634
Fire Authority	1,567	8,273	9,840		1,517	7,953	9,470
Town and Parish Councils	0	2,829	2,829		0	2,613	2,613
	156,743	**182,332**	**339,075**		**151,704**	**172,134**	**323,838**
Charges to Collection Fund							
Write offs of uncollectible amounts	795	517	1,312		1,069	567	1,636
Increase in Bad Debt Provision	209	470	679		74	393	467
Increase in Appeals Provision	1,042	0	1,042		1,362	0	1,362
Cost of Collection	498	0	498		500	0	500
	2,544	**987**	**3,531**		**3,005**	**960**	**3,965**
In Year Movement on Fund Balance	**7,625**	**250**	**7,875**		**854**	**568**	**1,422**
Opening Fund Balance	170	5,631	5,801		-684	5,063	4,379
Closing Fund Balance	**7,795**	**5,881**	**13,676**		**170**	**5,631**	**5,801**

Non-domestic rates

The Council is responsible for collecting non-domestic rates from businesses located within the area on behalf of itself, central government and Cheshire Fire Authority. The total rateable value of all business properties within the Council's area as at 31 March 2017 is £394.5m. The business rates paid by a business for a property within the Council area equate to the rateable value multiplied by a rate set by central government (the multiplier). The multiplier charged is based on the rateable value of the property as follows:

Rateable Value	16-17 Multiplier (£)
Up to £18,000	0.484
Over £18,000	0.497

The following table shows how the surplus on the non-domestic rates collection fund at 31 March 2017 is due to be distributed in future years.

NNDR	Central Govt £000	CWAC £000	Cheshire Fire £000	Total £000
Surplus/(Deficit) at 31 March 2017	3,898	3,819	78	**7,795**
Remaining Surplus/(Deficit)	3,898	3,819	78	**7,795**

The remaining surplus of £7.795m will be considered for distribution in 2018-19. The amount distributed will depend on the forecast performance of the collection fund during 2017-18.

Council Tax

The Council is responsible for collecting council tax from its residents on behalf of itself, Cheshire Police Authority and Cheshire Fire Authority. At the time of setting council tax for 2016-17, the tax base was estimated as 115,125 band D equivalent properties. The table below shows the number of band D equivalent properties in each valuation band.

Band	Number of Properties (after discounts)	Band Ratio	Band D Equivalent	Band D Equivalent 2015-16
Disabled A	73	5/9	41	43
A	25,081	6/9	16,720	16,446
B	28,226	7/9	21,953	21,551
C	24,140	8/9	21,458	21,008
D	16,761	9/9	16,761	16,371
E	12,826	11/9	15,676	15,416
F	7,782	13/9	11,240	10,969
G	6,226	15/9	10,377	10,197
H	449	18/9	899	868
	121,564		**115,125**	**112,869**

The following table shows how the surplus on the council tax collection fund at 31 March 2017 is due to be distributed in future years.

Council Tax	CWAC £000	Cheshire Police £000	Cheshire Fire £000	Total £000
Surplus/(Deficit) at 31 March 2017	5,009	603	269	**5,881**
To be distributed 2017-18	2,530	307	137	**2,974**
Remaining Surplus/(Deficit)	2,479	296	132	**2,907**

The remaining surplus of £2.907m will be considered for distribution in 2018-19. The amount distributed will depend on the forecast performance of the collection fund during 2017-18.

Cheshire Pension Fund

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHESHIRE WEST AND CHESTER COUNCIL - CHESHIRE PENSION FUND

We have audited the pension fund financial statements of Cheshire West and Chester Council ("the Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Director of Corporate Services and auditor

As explained more fully in the Statement of Responsibilities, the Director of Corporate Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Corporate Services; and the overall presentation of the pension fund financial statements.

In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion:

the pension fund financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities; and

the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

John Farrar

John Farrar
Associate Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

11 September 2017

Cheshire Pension Fund - Fund Account for the year ended 31 March 2017			
	Notes	**2016-17** £000	**2015-16** £000
Contributions and Benefits			
Contributions Receivable			
From Employers		151,192	126,784
From Employees		35,239	35,214
Total Contributions Receivable	6/6a	**186,431**	**161,998**
Transfers in from Other Schemes	7	10,589	10,433
Benefits Payable			
Pensions		-136,865	-133,156
Lump Sums		-25,980	-25,647
Death Benefits		-3,679	-3,534
Total Benefits Payable	8	**-166,524**	**-162,337**
Payments to and on account of Leavers			
Refund of Contributions		-670	-631
Transfers to Other Schemes		-13,112	-5,881
	9	**-13,782**	**-6,512**
Net Additions / (withdrawals) from dealing with members		**16,714**	**3,582**
Management Expenses	10/10a	-28,336	-26,317
Returns on Investments			
Investment Income	11	34,307	36,520
Taxes on Income	12	-998	-700
Profits and losses on disposal of investments and changes in the market value of investments	13f	814,300	33,375
Net Returns On Investments		847,609	69,195
Net Increase/ (Decrease) in the Fund During the Year		835,987	46,460
Opening Net Assets of the Scheme		4,161,128	4,114,668
Closing Net Assets of the Scheme		**4,997,115**	**4,161,128**

Cheshire Pension Fund - Net Assets Statement as at 31 March 2017			
	Notes	**2016-17 £000**	**2015-16 £000**
Investment Assets			
Pooled Investment Vehicles	13/f, 18/19	2,592,362	2,101,221
Equities	13/f, 18/19	1,001,050	904,461
Absolute Return Funds	13b/f, 18/19	724,581	529,042
Investment Properties	16	293,350	317,285
Private Equity	13c/f 18/19	201,246	191,882
Loans	13d/f, 18/19	18,379	50,810
Derivative Contracts	14, 18/19	0	1,675
		4,830,968	**4,096,376**
Cash	13e/f, 18/19	144,096	43,186
Other Investment Balances		5,387	4,866
	13f, 18/19	**4,980,451**	**4,144,428**
Investment Liabilities			
Derivative Contracts	14, 18/19	-139	-350
Total Net Investments	17	**4,980,312**	**4,144,078**
Long Term Assets	22	9,758	11,167
Current Assets	23		
Cash at Bank		3,673	-2,339
Debtors		14,588	17,244
Payments in Advance		7	21
Current Liabilities	24		
Creditors		-7,622	-8,235
Receipts In Advance		-3601	-808
Net Current Assets		7,045	5,883
Total Net Assets		**4,997,115**	**4,161,128**

Note 1 – Description of the Fund

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

The following description is a summary only. For more detail, reference should be made to the Cheshire Pension Fund Annual Report and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

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

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2016

The LGPS is a statutory, funded pension scheme. The LGPS is administered by the Council to provide pensions and other benefits for pensionable employees of Cheshire West and Chester, Cheshire East, Halton and Warrington Borough Councils and a range of other scheduled and admitted bodies within the County area. The Fund excludes provision for teachers, fire fighters and police officers as they come within other national pension schemes. A full list of the employers with active members participating in the Fund is shown at the end of the Fund's Statement of Accounts.

Responsibility for managing the Fund lies with the full Council of Cheshire West and Chester Council with lead officer responsibility delegated to the Section 151 Officer (Director of Corporate Services), who undertakes the day to day management of the Fund. The Director of Corporate Services is advised, with regard to investment matters, by the Pension Fund Committee with external advice from Mercer. The Fund also receives actuarial advice from Hymans Robertson. The Pension Fund Committee reports directly to the Cheshire West and Chester Audit and Governance Committee.

The Local Pension Board was established under the Council's constitution with effect from the 1 April 2015. The role of the Board, as defined in regulations, is to assist the Administering Authority to ensure the effective and efficient governance and administration of the LGPS. The Board is comprised of two Employer (including one Cheshire West and Chester nominated Councillor) and two Member representatives, and one independent chair (non-voting).

The Cheshire Pension Fund operates four investment strategies each with different allocations to growth assets and diversifying and matching assets. At 1 April 2016 the four strategies were as follows:

Growth Strategy A	80% Growth / 20% Diversifying and Matching
Growth Strategy B	58% Growth / 42% Diversifying and Matching
Medium Growth Strategy	50% Growth / 50% Diversifying and Matching
Gilts Strategy	0% Growth / 100% Diversifying and Matching

During the 2016-17 financial year, the Pension Fund did not make any changes to the strategic asset allocation for any of its underlying portfolios. The Fund did however make some changes to the managers responsible for implementing the strategy:

- In May 2016 the Fund redeemed its £200m investment in the Permal Absolute Return Fund. The proceeds of the redemption were invested in the Blackstone Partners Fund.
- In February 2017 the Fund redeemed the full amount of its investment in the Och Ziff Overseas Fund II. The Fund received £38m in cash during the year and this represents the first of several tranches of redemption proceeds. The remaining proceeds will be released by the manager over the next 15 months (in line with the liquidity terms of the original investment). The proceeds of the redemption will be reinvested across the Fund's existing managers.

To manage the Fund's assets in accordance with its investment strategy, the Council has 14 appointed external investment managers who each have specific responsibility for part of the Fund's investment portfolio. The Council uses the services of BNY Mellon Asset Servicing to independently monitor the performance of the investment strategy and the contributions of individual managers. Performance is monitored against the Fund's tailored asset allocation benchmark rather than to a peer group benchmark.

BNY Mellon Asset Servicing reported that for the year ending 31 March 2017 the Fund achieved a return from its investments of +19.2% (+1.5% in 2015-16) compared with the Fund's tailored benchmark return of +15.8% (+1.2% in 2015-16). For the three years ending 31 March 2017 the Fund achieved an annualised return of +12.7% per annum against the Fund's benchmark return of +9.8% per annum.

Membership
In accordance with the Governments Automatic Enrolment Legislation, eligible employees are automatically enrolled into the LGPS from their first day of employment, however membership of the LGPS is voluntary and employees are able to choose to remain in the scheme, opt out of the Scheme, re-join at a later date or to make their own personal arrangements outside of the scheme.

Organisations participating in the fund include:

- Scheduled bodies (scheme employers), which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund; and
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking public sector authority functions following outsourcing to the private sector.

There are 252 employer organisations with active members who were contributing into the fund as at 31 March 2017, including the Administering Authority itself, as detailed below:

Cheshire Pension Fund	**31-Mar-17**	**31-Mar-16**
Number of employers with active members	**252**	**226**
Number of employees in the scheme		
Cheshire West and Chester Council	7,794	6,658
Other employers	29,842	28,190
Total	**37,636**	**34,848**
Number of pensioners		
Cheshire West and Chester Council	2,106	1,903
Other employers	24,535	23,896
Total	**26,641**	**25,799**
Number of Deferred pensioners		
Cheshire West and Chester Council	3,717	3,176
Other employers	23,444	21,531
Total	**27,161**	**24,707**
Undecided Leavers	2,002	1,047
Total Membership	**93,440**	**86,401**

Funding
Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2017. In addition to employee contributions, employers pay contributions into the Fund which are set based on triennial actuarial valuations. The last such valuation was at 31 March 2016 which set employer contribution rates for the 3 year period ending 31st March 2020.

Benefits
From 1 April 2014, the LGPS became a career average revalued earnings scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th.

Accrued pension is inflated annually in line with the Consumer Prices Index.

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

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

	Service pre 1 April 2008	**Service post 31 March 2008**
Pension	Each year worked is worth 1/80 final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Note 2 – Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2016-17 financial year and its position as at year end 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector on an ongoing basis.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is appended to the statement of accounts. Further information is included within Note 21 of these accounts.

The accounts contain a number of restatements to the 2015-16 figures as set out below.

The employer's deficit funding figure for 2015-16 (Note 6) has been restated by £6.7m from £36.033m to £29.297m. In the 2015-16 accounts the deficit figure was estimated at a notional £36.033m. The estimation was derived from the common contribution rate which was calculated by the actuary at the 2013 triennial valuation. The common contribution rate was 27.5% of which 8.2% targeted recovering the funding deficit with 19.3% towards future service costs.

This estimated figure has now been replaced with the actual amount received from employers.

The table in Note 18c has also been restated from the audited 2015-16 accounts to include investments in directly held property as a result of changes to the Code.

The previous financial instrument disclosures which were included in Note 18 have been replaced with Fair Value disclosures in order to comply with new reporting requirements as set out in the CIPFA Code of Practice on Local Authority Accounting 2016-17 (the Code).
The table in Note 18a has been restated by £1.331bn between Level 1 and Level 2 following the reclassification of assets held by Legal and General. Legal and General pooled funds are structured as unit-linked life assurance vehicles which are not exchange listed. Therefore prices are not quoted in an active market at the reporting date and so they cannot be classed as level 1.

Note 3 – Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

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

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

Employer's augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme regulations (see notes 7 and 9).

Individual transfers in/out are accounted for when they are received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 7).

Bulk (group) transfers are accounted for on a cash basis once terms have been agreed and payment made to/from the respective fund.

c) Investment income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

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

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Foreign income has been translated into sterling at the date of the transaction. Income from overseas investments is recorded net of any withholding tax where this cannot be recovered.

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1 (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Management Expenses

The Code does not require any breakdown of pension fund administration expenses. However in the interest of greater transparency the Pension fund management expenses are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016).

Investment Management Expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are contractually agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition the fund has negotiated with the following managers that an element of their fee be performance related:

- Baillie Gifford
- M and G Investments
- Arrowgrass Capital Partners
- Winton Capital
- Och Ziff Capital Management
- Darwin

Performance related fees amounted to £6.7m in 2016-17 (£6.6m in 2015-16) for managers who outperformed the benchmark.

Where an investment manager’s fee invoice has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. The total of fees based on estimates in 2016-17 was £1.068m relating to fees due for the quarter ending 31 March 2017 (£867k in 2015-16).

Administration expenses

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

Oversight and governance costs

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

Net Assets Statement

g) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised by the fund.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 18). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in the Practical Guidance on Investments Disclosures (PRAG/Investment Association 2016).

h) Stock Lending (Securities Lending)

In accordance with the LGPS (Management and Investment of Funds) Regulations 2016 the Fund allows its' stock to be lent provided that the total value of the securities loaned out does not exceed 25% of the total Fund value. The Fund has entered into a stock lending programme managed by its custodian the Bank of New York Mellon.

In accordance with the securities lending agreement the collateral parameters are restricted to non-cash collateral securities, This being Fixed income securities issued or guaranteed by a set of 21 OECD countries which have to have a minimum rating of AA by S&P or Aa2 by Moody's rating agency as well as Supranational securities rated AAA/ Aaa from 6 issuers.

The Market value of the securities at year end is taken from prices from a number of reputable vendors in accordance to the BNY Mellon pricing policy.

i) Freehold and leasehold properties

The Scheme's freehold and leasehold investment properties were valued by an external valuer, Colliers International. The valuations were in accordance with the requirements of the RICS Valuation-Professional Standards. The valuation of each property was on the basis of Fair Value, subject to the following assumptions:
(i) For investment property: that the property would be sold subject to any existing leases.
(ii) For property held for development: that the property would be sold with vacant possession in its existing condition.
The valuers opinion of Fair Value was primarily derived using comparable recent market transactions on arm's length terms.

j) Derivatives

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

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in the change in market value (note 13f).

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

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

k) Cash and cash equivalents

Cash comprises cash in hand and on demand deposits, and includes amounts held by the fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Financial liabilities

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

m) Actuarial present value of promised retirement benefits

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

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

n) Additional voluntary contributions

The Fund provides an Additional Voluntary Contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Clerical Medical, Standard Life and Equitable Life as its AVC providers.

With effect from the 1 April 2017 the Fund switched all AVC funds held by Clerical Medical to Scottish Widows. Both companies are owned by the Lloyds Banking Group. The members who have been moved between Clerical Medical and Scottish Widows have done so on the existing terms.

Individual members AVC contributions are paid directly to the AVC provider by their respective employers and are specifically for providing additional benefits for individual contributors. Each

AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVC's are not included in the accounts in accordance with section 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2009/3093) but are disclosed as a note only (Note 25).

o) Contingent assets and contingent liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of the future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

Note 4 – Critical judgements and key sources of estimation uncertainty

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

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

Note 4.1 – Critical Judgements in applying accounting policies

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

Note 4.2 – Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains some estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors, however, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the net assets statement at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity	It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Private equity investments are valued at fair value in accordance with International Private Equity and British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £201m (£192m 2015-16). There is a risk that this investment may be under or overstated in the accounts.
Absolute Return funds	Absolute Return funds are valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the funds directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of absolute return funds in the financial statements is £725m (£529m in 2015-16). There is a risk that this investment may be under or overstated in the accounts.
Pension fund liability	The pension fund liability is calculated every three years by the Funds actuary, Hymans Robertson, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with financial standards. Assumptions underpinning the valuations are agreed with the actuary and are disclosed in the actuarial calculation which is included within the Annual Report. This estimate is subject to significant variances based on changes to the underlying assumptions.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would reduce the value of the liabilities by approximately £400m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £380m.

Note 5 – Events after the Balance Sheet date

In February 2017 the Fund took the decision to redeem the full amount of its investment in the Och Ziff Overseas Fund II. The Fund received £38m in cash during the year and this represents the first of several tranches of redemption proceeds. The remaining proceeds of c£77m will be released by the manager over the next 15 months (in line with the liquidity terms of the original investment). The proceeds of the redemption will be reinvested across the Fund's existing managers.

With effect from the 1 April 2017 the Fund switched all AVC funds held by Clerical Medical to Scottish Widows. Both companies are owned by the Lloyds Banking Group. The members who have been moved between Clerical Medical and Scottish Widows have done so on the existing terms.

As part of the ongoing move to create asset pools, Cheshire, along with its partner authorities Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire have created LGPS Central Pool (the Pool). The Pool was incorporated on the 13 October 2016 and will operate under legal agreements with its partner Funds, in line with the strategies and policies agreed by the relevant Administering Authorities. Work is currently ongoing to achieve the target operational deadline of April 2018, and the Pool's application for FCA registration was submitted for approval July 2017.

Note 6 – Contributions Receivable	**2016-17** **£000**	**2015-16 Restated** **£000**
Employees Normal Contributions	35,239	35,214
Employers Normal Contributions	93,841	91,545
Employers Deficit Funding*	54,044	29,297
Employers Cost of Early Retirements (pension strain)	3,307	5,942
Total Employers Contributions	**151,192**	**126,784**
Total Contibutions	**186,431**	**161,998**

The 2016-17 deficit funding figure of £54m includes a payment of £25m from Cheshire West and Chester Council who elected to pay their full 3 year deficit contribution, relating to the period 2017-2020, as a lump sum in March 2017.

*The employer's deficit funding figure for 2015-16 has been restated by £6.7m from £36.033m to £29.297m.In the 2015-16 accounts the deficit figure was estimated at a notional £36.033m. The estimation was derived from the common contribution rate which was calculated by the actuary at the 2013 triennial valuation. The common contribution rate was 27.5% of which 8.2% targeted recovering the funding deficit with 19.3% towards future service costs

This estimated figure has now been replaced with the actual amount received from employers. The cost of early retirements represents the contributions relating to Employers meeting the capitalised costs of discretionary early retirements. The Fund recharges the Employers for such costs and the income received is made up of both one-off lump sum payments and instalments.
The accounts recognise the full cost due from early retirement contributions from scheme employers who have the option of paying over more than one year.

Note 6a – Analysis of Contributions Receivable	**2016-17**		**2015-16**	
	Employers	**Employees**	**Employers**	**Employees**
	£000	**£000**	**£000**	**£000**
Scheme Employers	91,790	24,215	91,892	23,627
Cheshire West & Chester Council	43,355	6,956	18,415	7,170
Community Admission Body	12,589	3,058	12,757	3,221
Transferee Admission Body	3,458	1,010	3,720	1,196
Total	**151,192**	**35,239**	**126,784**	**35,214**

Note 7 – Transfers in from other Pension Funds	2016-17 £000	2015-16 £000
Transfers from other Local Authorities	8,537	7,336
Transfers from other pension funds	2,052	3,097
Total	**10,589**	**10,433**

Note 8 – Benefits payable	2016-17 £000	2015-16 £000
Scheme Employers	102,818	100,059
Cheshire West & Chester Council	46,254	46,815
Community Admission Body	12,319	10,801
Transferee Admission Body	5,133	4,662
Total	**166,524**	**162,337**

Note 9 – Payment to and on account of leavers	2016-17 £000	2015-16 £000
Group Transfers	0	779
Individual Transfers	13,112	5,102
Refunds to Members leaving service	670	631
Total	**13,782**	**6,512**

The 2015-16 group transfer figure of £779k relates to the transfer of assets to the London Pension Fund Authority who were appointed to administer the LGPS in respect of the Valuation Tribunal Service from 1 July 2015. The assets were transferred in February 2016. The large increase in transfers between 2015-16 and 2016-17 is due to a combination of the impact of freedom and choice, which allows members to transfer to an external pension and access their benefits and the impact of a change in regulations with the introduction of CARE in 2014 which resulted in delays to interfund (transfers between LGPS funds) being processed whilst the changes were implemented.

The refunds to members leaving the service relates to members who opted out of the scheme within two years of joining. The individual transfer figure represents the cash payments from the Fund in relation to individual scheme members' who have left the scheme and transferred their benefits to another pension provider.

Note 10 – Management Expenses	2016-17 £000	2015-16 £000
Investment management expenses	25,564	23,985
Administration costs	1,771	1,633
Oversight and governance costs	1,001	699
Total	**28,336**	**26,317**

No costs have been included for carried interest.

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

Cheshire West and Chester

Note 10a – Investment Management Expenses	2016-17 £000	2015-16 £000
Management fees and expenses	18,538	17,065
Performance related fees	6,729	6,558
Custody fees	117	127
Transaction costs	180	235
Total	**25,564**	**23,985**

Note 11 – Investment Income	2016-17 £000	2015-16 £000
Dividends from Equities	8,655	12,779
Net Rents from Properties	14,745	15,414
Income from Fixed Interest Securities	8,642	6,316
Income from Pooled Investment Vehicles:		
Property	480	1,268
Stock Lending	1,175	350
Interest from Cash Deposits	164	277
Other	446	116
Total	**34,307**	**36,520**

During 2016-17 the Fund received a dividend from the North West Regional Fund (NWRF). The NWRF was a legacy pension fund investment and during 2016-17 the last remaining investment was realised and the remaining funds were distributed to the shareholders. The Fund held 150,000 shares in the NWRF which equated to a dividend of c£185k.

Note 12a – Taxes on income	2016-17 £000	2015-16 £000
Withholding tax - Equities	408	381
Withholding tax – Private Equity	590	319
Withholding tax - Other	0	0
Total	**998**	**700**

The Fund is exempt from UK income tax on interest and from capital gains tax on the profits resulting from the sale of investments. The Fund is exempt from United States withholding tax on dividends and can recover all or part of the withholding tax deducted in some other countries. The amount of withholding tax deducted from overseas dividends which the Fund is unable to reclaim in 2016-17 amounts to £998k and is shown as a tax charge, compared to £700k in 2015-16.

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

Note 12b – External Audit Costs	2016-17 £000	2015-16 £000
Payable in respect of external audit	29	29
Payable in respect of other services	2	2
Total	**31**	**31**

Note 13 – Investments **Investment Assets**	**2016-17 £000**	**2015-16 £000**
Equities		
Overseas Quoted	977,049	868,179
UK Quoted	24,001	36,282
Pooled Investments		
UK Government Index Linked Gilts	866,728	710,311
Fixed Income – Multi Strategy	652,680	570,509
UK Equity Listed	813,025	620,362
Secured Loans	225,026	168,712
UK Property	26,665	23,721
Overseas Unit Trusts – Property	8,238	7,578
UK Equity Unlisted	0	28
Absolute Return Funds	724,581	529,042
Investment Properties	293,350	317,285
Private Equity	201,246	191,882
Cash Deposits	144,096	43,186
Loans	18,379	50,810
Derivative Contracts:		
Forward currency contracts	0	1,675
Other investment balances:		
Outstanding dividends entitlements and withholding tax claims	5,387	4,866
Total	**4,980,451**	**4,144,428**
Investment Liabilities		
Derivative Contracts:		
Forward currency contracts	-139	-350
Total	**4,980,312**	**4,144,078**

The Fund disinvested £108m from Baillie Gifford as part of standard rebalancing with a corresponding investment of £43m in Bluebay and £65m in Arrowgrass.

These changes have impacted upon the year on year comparison figures for UK listed and overseas listed equities, and absolute return funds.

Note 13a – Fixed Income Multi Strategy

The Fund has invested in two pooled fixed income investment vehicles managed separately by Henderson and BlueBay. The market value invested with each manager as at the 31 March 2017 was £293m (£278m in 2015-16) and £360m (£293m in 2015-16) respectively. The underlying assets of these pooled vehicles are invested by the managers in diversified portfolios of a wide range of fixed income assets including Government Bonds (UK and Overseas), Corporate Bonds, High Yield Bonds, Emerging Market Bonds, Asset and Mortgage Backed Securities, Secured Loans and currency. Within these mandates managers may use derivative instruments to manage its exposure to specific risks arising from its investment activities.

Note 13b – Absolute Return Funds	Strategy	2016-17 £000	2015-16 £000
Blackstone	Hedge Fund of Funds	282,445	0
Permal	Hedge Fund of Funds	0	198,284
Arrowgrass Capital Partners	Multi Strategy Hedge Fund	205,139	135,072
Winton Capital	Commodity Trading Advisor	159,658	104,194
Och Ziff Capital Management	Multi Strategy Hedge Fund	77,339	91,492
Total		**724,581**	**529,042**

Note 13c – Private Equity	Number of Funds	2016-17 £000	2015-16 £000
Adam Street Partners	16	95,181	101,475
Pantheon Ventures	10	102,787	86,646
Lexington	1	3,278	3,761
Total	**27**	**201,246**	**191,882**

Note 13d – Loans

The Fund has committed £50m to the M and G UK Financing Fund which is a limited partnership whose investment objective was to take advantage of difficulties in the UK banking sector and lend monies to UK FTSE350 companies through senior debt and equity linked instruments. As at the 31st March 2017 £39m of this commitment had been drawn down and the Fund had received £31m in distributions. The market value as at 31 March 2017 was £8.193m.

The Fund has also committed £30m to the M and G Debt Opportunities Fund which aims to take advantage of discrete market opportunities that arise over time. As at the 31st March 2017 the full £30m of the commitment had been drawn down. The market value as at 31 March 2017 was £10.2m. The reduction in the value of this investment reflects that the Fund has received distributions of paid in capital and profit.

The combined market value of loans as at 31 March 2017 was £18.4m.

Note 13e – Cash	2016-17 £000	2015-16 £000
Cash Deposits	22,071	18,030
Cash Instruments	122,025	25,156
Total	**144,096**	**43,186**

Note 13f – Reconciliation of movements in Investments and Derivatives

	Fair Value at 31 March 2016	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair value	**Fair Value at 31 March 2017**
	£000	£000	£000	£000	**£000**
Pooled Investment Vehicles	**2,101,221**	96,630	-25,580	420,091	**2,592,362**
Equities	**904,461**	119,539	-324,436	301,486	**1,001,050**
Absolute Return Funds	**529,042**	685,965	-542,236	51,810	**724,581**
Investment Properties	**317,285**	49,689	-26,680	-46,944	**293,350**
Private Equity	**191,882**	21,905	-52,056	39,515	**201,246**
Loans	**50,810**	0	-41,159	8,728	**18,379**
	4,094,701	973,728	-1,012,147	774,686	**4,830,968**
Derivative Contracts:					
Forward currency contracts	**1675**	23699	-2951	-22423	**0**
	4,096,376	997,427	-1,015,098	752,263	**4,830,968**
Cash and Cash Equivalents	**43,186**	38,873	0	62,037	**144,096**
	4,139,562	1,036,300	-1,015,098	814,300	**4,975,064**
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	**4,866**				**5,387**
	4,144,428				**4,980,451**
Investment Liabilities Derivative Contracts:					
Forward currency contracts	**-350**				**-139**
Net Investments	**4,144,078**				**4,980,312**

	Fair Value at 31 March 2015	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair value	Fair Value at 31 March 2016
	£000	£000	£000	£000	**£000**
Pooled Investment Vehicles	**1,886,609**	1,084,344	-888,953	19,221	**2,101,221**
Equities	**1,000,624**	198,695	-299,264	4,406	**904,461**
Absolute Return Funds	**551,756**	1,494	-8,335	-15,873	**529,042**
Investment Properties	**311,510**	17,606	-37,180	25,349	**317,285**
Private Equity	**214,969**	18,402	-57,675	16,187	**191,882**
Loans	**54,534**	0	-6,357	2,633	**50,810**
	4,020,002	1,320,541	-1,297,764	51,923	**4,094,701**
Derivative Contracts:					
Forward currency contracts	**855**	21,199	-9,781	-10,598	**1,675**
	4,020,857	1,341,740	-1,307,545	41,325	**4,096,376**
Cash and Cash Equivalents	**72,066**		-20,930	-7,950	**43,186**
	4,092,923	1,341,740	-1,328,475	33,375	**4,139,562**
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	**4,288**				**4,866**
	4,097,211				**4,144,428**
Investment Liabilities					
Derivative Contracts:					
Forward currency contracts	**0**				**-350**
Net Investments	**4,097,211**				**4,144,078**

Note 14 – Analysis of Derivatives	**Asset 2016-17 £000**	**Liability 2016-17 £000**	**Asset 2015-16 £000**	**Liability 2015-16 £000**
Forward Foreign Exchange Contracts	-	139	1,675	350
Total	**-**	**139**	**1675**	**350**

2016-17 Forward Foreign Exchange Contracts

Contract	**Settlement Date**	**Currency Bought**	**Currency Sold**	**Asset**	**Liability**
		£000	**£000**	**£000**	**£000**
Forward OTC	3 months	74,633 GBP	93,500 USD	-	-0.139
Total Derivatives				-	-0.139

2015-16 Forward Foreign Exchange Contracts

Contract	Settlement Date	Currency Bought	Currency Sold	Asset	Liability
		£000	£000	£000	£000
Forward OTC	3 months	96,960 GBP	137,000 USD	-	-0.35
Forward OTC	3 months	83,910 GBP	106,000 EUR	1,675	0
Total Derivatives				1,675	-0.35

The Fund maintains a US Dollar currency hedge at 100% of the value of its investment in the Och Ziff Overseas Fund II. This investment is denominated in USD and the hedge ensures that the Fund is only exposed to the performance of the manager. At the year end the net balance was -£139k (£1.325m in 2015-16).

Note 15 – Stock Lending

In accordance with the LGPS (Management and Investment of Funds) Regulations 2016 the Fund allows its' stock to be lent provided that the total value of the securities loaned out does not exceed 25% of the total Fund value. The Fund has entered into a stock lending programme managed by its custodian the Bank of New York Mellon and only accepts government and quasi government bonds as collateral against loaned stock to safeguard the Fund's assets. During the year ended 31 March 2017 the Fund earned £1.175m (£350k 2015-16) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £104.5m (£69.1m 2015-16) and the value of collateral held was £112.2m (£83.18m 2015-16).

Note 16a – Property Income	**2016-17 £000**	**2015-16 £000**
Rental Income	18,834	18,301
Rental Income Accruals	-664	-
Rental Adjustment on Sale	-1,002	-
Interest/Misc Income	-	1
Direct Operating Expenses	-2,423	-2,756
Net Rental Income	**14,745**	**15,546**

Note 16b – Fair Value of Investment Properties	**2016-17 £000**	**2015-16 £000**
Balance at the start of the year	317,285	311,510
Additions	0	17,606
Disposals	-26,680	-37,180
Net gain/loss on fair value	2,745	25,349
Balance at the end of the year	**293,350**	**317,285**

At the year-end there were no amounts of restrictions on the realisability of investment property or the remittance of income on proceeds of disposals.

Contractual obligations for development, repairs and maintenance amounted to £3m (£1m in 2015-16). There were no obligations to purchase new properties.

Note 16c – Operating Leases

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

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

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

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

Age profile of lease income	2016-17 £000	2015-16 £000
No later than one year	2,729	1,458
Between one and five years	6,180	7,303
Later than five years	11,176	11,391
Total	**20,085**	**20,152**

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

Note 17 – Investment by Fund Manager	2016-17 £000	2016-17 %	2015-16 £000	2015-16 %
Legal & General	1,679,653	33.7	1,330,673	32.1
Baillie Gifford	1,018,494	20.5	922,082	22.3
Rockspring Property Investment Managers	303,018	6.1	326,041	7.9
BlueBay	360,049	7.2	292,913	7.0
Henderson	292,632	5.9	277,596	6.7
Blackstone	282,445	5.7		
M&G Investments	245,417	4.9	221,267	5.3
Permal	0	0.0	198,284	4.8
Arrowgrass Capital Partners	205,139	4.1	135,072	3.3
Winton Capital	159,658	3.2	104,194	2.5
Adams Street Partners	95,181	1.9	101,475	2.4
Och Ziff Capital Management	79,370	1.6	91,492	2.2
Pantheon	102,787	2.1	86,646	2.1
Darwin	26,665	0.5	23,721	0.6
Bank of New York Mellon	19,752	0.4	17,366	0.4
Deutsche Bank (Money Market)	54,566	1.1	6,667	0.2
Fidelity (Money Market)	51,801	1.0	4,379	0.1
Lexington Capital Partners	3,278	0.1	3,761	0.1
GMO	407	0.0	421	0.0
HG Capital	0	0.0	28	0.0
Total	**4,980,312**	**100.0**	**4,144,078**	**100.0**

During 2016-17 the fund redeemed £108m from Baillie Gifford as part of standard rebalancing with a corresponding investment of £43m in Bluebay and £65m in Arrowgrass.

The Fund redeemed its full investment of £198m from Permal, following an announcement that members of the senior investment team would depart the organisation at the end of March 2016, with the proceeds being invested in Blackstone.

An additional £70m was also invested with Blackstone during the year.

The Fund redeemed its full investment In Och Ziff Capital Management. The Fund received £38m in February 2017, which represents the first of several tranches of redemption proceeds which will be released by the manager over the next 15 months (in line with the liquidity terms of the original investment).

As part of a rebalancing exercise £43m was invested in Winton Capital.

Pantheon has drawn down c£20m of new commitments during the year.

Note 17a – Concentrations of Investments

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

Security Description	Market Value 31-Mar-17 £000	% of Total Fund	Market Value 31-Mar-15 £000	% of Total Fund
Legal & General - Over 5 Yr Index Linked Gilts	866,728	17.40%	710,311	17.14%
Legal & General - World Equity Index	414,350	8.32%	311,629	7.52%
Legal & General - FTSE RAFI AW 3000 Equity Index	398,676	8.01%	308,733	7.45%
Bluebay - Total Return Diversified Fund	360,049	7.23%	292,913	7.07%
Henderson - Horizon Total Return Bond	292,632	5.88%	277,596	6.70%

Investments which fall into the second category are as follows:

	Market Value 31 March 2017 £000	% of Asset Type	Market Value 31 March 2016 £000	% of Asset Type
FIXED INCOME				
Bluebay Total Return Diversified Fund	360,049	55.16%	292,913	51.34%
Henderson Horizon Total Return Bond	292,362	44.84%	277,596	48.66%
ABSOLUTE RETURN				
Blackstone Partners Offshore Class A1*	282,445	38.98%	0	0.00%
Jubilee Absolute Return Fund*	0	0.00%	198,284	37.49%
Arrowgrass International Fund	205,139	28.31%	135,072	25.53%
Winton Futures GBP Fund	159,658	22.03%	104,194	19.69%
Och Ziff Overseas Fund II	77,339	10.67%	91,492	17.29%
UK LISTED EQUITIES				
L&G World Equity Index	414,350	45.71%	311,629	47.46%
L&G FTSE Rafi	398,676	43.98%	308,733	47.02%
UK GOVERNMENT INDEX LINKED GILTS				
Over 5 Year Index Linked Gilts	866,728	100.00%	710,311	100.00%
SECURED LOANS				
M&G European Loan Fund	255,026	96.49%	168,712	89.83%
M&G UK Companies Financing Fund	8,193	3.51%	19,093	10.17%
LOANS				
M&G Debt Opportunities Fund	10,186	100.00%	31,717	100.00%
PROPERTY				
Southampton City Gateway, Southampton	27,475	8.06%	27,200	7.98%
Darwin	26,665	7.82%	23,721	6.96%
Tottenham Court Road, London	23,000	6.74%	23,000	6.74%
Tweedbank Retail Park, Berwick On Tweed	19,900	5.84%	21,500	6.30%
Maybrook Retail Park, Canterbury	19,300	5.66%	19,925	5.84%
1, 3, 5 & 7 Haymarket and 2-4 Humberstone Gate, Leicester	18,300	5.37%	18,275	5.36%
Bristol, Ashton Vale	18,100	5.31%	17,340	5.08%
London, Cornhill	0	0.00%	18,150	5.32%
PROPERTY - UNIT TRUSTS				
German Retail Box Fund	8,221	99.80%	7,453	98.35%
PRIVATE EQUITY				
Pantheon 2008 Europe VI	22,326	11.09%	21,274	11.10%
Pantheon 2007 USA Fund VIII	17,463	8.68%	15,253	7.90%
Pantheon 2015 Global Secondary Fund V*	14,261	7.09%	0	0.00%
Adam Street Partners 2007 US	14,167	7.04%	13,157	6.90%
Pantheon 2007 Asia Fund V	12,038	5.98%	11,509	6.00%
Pantheon 2004 USA Fund VI	11,805	5.87%	12,322	6.40%
Adam Street Partners 2005 US Fund	10,715	5.32%	11,636	6.40%
Adam Street Partners 2009 US*	10,118	5.03%	0	0.00%
Adam Street Partners 2006 US	9,449	4.70%	9,728	5.10%
Adam Street Partners 2007 Direct Co-Investment Fund II	8,306	4.13%	10,853	5.70%
CASH AND CASH INSTRUMENTS				
Bank of New York Mellon Sterling Liquidity	15,665	12.76%	14,114	54.42%
Fidelity Institutional Liquidity Fund	51,801	42.21%	4,379	16.89%
Deutsche Bank Global Liquidity Managed Fund	54,557	44.46%	6,663	25.69%
UK EQUITY UNLISTED				
Mercury Unquoted 2nd Fund*	0	0.00%	21	75.64%
Mercury Unquoted 1st Fund*	0	0.00%	7	24.36%

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

Note 18 – Fair Value – Basis of Valuation

The basis of the valuation of each asset class of investment asset is set out below. There have been no changes in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of Assets	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted Bonds	Level 1	Fixed interest securities are valued at market value based on current yields	Not required	Not required
Unquoted Bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments - overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV based pricing set on a forward pricing basis	Not required
Pooled investments - absolute return funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV based pricing set on a forward pricing basis	Valuations could be affected by material events occuring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end using the investment method of valuation by Colliers International in accordance with the RICS valuation professional standards	Existing lease terms and rentals Indepdendent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occuring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of Assets Valued at Level 3

The table below sets out the assets which have been categorised at level 3. The figures have been derived using the valuation methods adopted by each of the relevant investment managers and are assumed to be accurate. The table also sets out the consequent potential impact on the closing value of investments if these valuations were inaccurate, based on an indicative movement of 5% on the value of investments held at 31 March 2017.

	Assessed Valuation Range (+ / -)	Value at 31 March 2017 £000	Value of Increase £000		Value of Decrease £000
Freehold and leasehold property	5%	293,350	14,668	-	14,668
Private equity	5%	196,500	9,825	-	9,825
Pooled investments - absolute return funds	5%	78,925	3,946	-	3,946

Note 18a – Fair Value Hierarchy

The valuation of investment assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Fair value measurement defines an active market as a market in which transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis, as well as the reporting date. Products classified as level 1 comprise listed equities, exchange traded futures, options and an element of absolute return funds.

Level 2

Assets and liabiities at level 2 are those whose values are based on quoted market prices that are not as active as level 1 markets or based on models whose inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Products classified as level 2 comprise bonds and loans, less liquid and restricted equity securities, absolute return funds and over the counter derivatives.

Level 3

Assets and Liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would primarily include private equity investments and also some elements of the absolute return fund investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in absolute return funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent external audit of the individual funds.

The following table provides an analysis of the assets and liabilities of the Fund grouped into levels 1 to 3, based on the level at which the fair value is observable. The table does not reconcile back to the net assets figure as it excludes items which are valued at amortised cost (i.e. loans and receivables). The 2015-16 figures have been restated to include Direct Property.

Note 18a – Assets carried at fair value

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2017	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial and Non-financial Assets				
Fair value through profit and loss	1,526,273	2,731,960	572,735	4,830,968
Total Assets	**1,526,273**	**2,731,960**	**572,735**	**4,830,968**
Financial Liabilities				
Financial Liabilities at fair value		-139	0	-139
Total Financial Liabilities	**0**	**-139**	**0**	**-139**
Net Assets	**1,526,273**	**2,731,821**	**572,735**	**4,830,829**

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2016	**Level 1 Restated £000**	**Level 2 Restated £000**	**Level 3 Restated £000**	**Total £000**
Financial and Non-financial Assets				
Fair value through profit and loss	1,656,132	1,913,613	526,631	4,096,376
Total Assets	**1,656,132**	**1,913,613**	**526,631**	**4,096,376**
Financial Liabilities				
Financial Liabilities at fair value		-350	0	-350
Total Financial Liabilities	**0**	**-350**	**0**	**-350**
Net Assets	**1,656,132**	**1,913,263**	**526,631**	**4,096,026**

The table for the values to 31 March 2016 has been restated from the audited 2015-16 accounts to include investments in directly held property as a result of changes to the Code.

The table has also been restated by £1.331bn between Level 1 and Level 2 following the reclassification of assets held by Legal and General (see Note 2).

The opening position has also been restated from the audited 15-16 accounts as a result of the above.

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 1 April 2015	**Level 1 Restated £000**	**Level 2 Restated £000**	**Level 3 Restated £000**	**Total £000**
Financial and Non-financial Assets				
Fair value through profit and loss	2,187,947	1,290,359	541,696	4,020,002
Total Assets	**2,187,947**	**1,290,359**	**541,696**	**4,020,002**
Financial Liabilities				
Financial Liabilities at fair value through profit and loss			0	0
Total Financial Liabilities	**0**	**0**	**0**	**0**
Net Assets	**2,187,947**	**1,290,359**	**541,696**	**4,020,002**

Note 18b – Transfers between levels 1 and 2

£1.331bn of assets transferred between level 1 and level 2 following a reclassification of assets of assets held by Legal and General (see Note 2).

Note 18c – Reconciliation of fair value measurements within level 3

	Market Value 1 April 2016 £000	**Transfers into Level 3 £000**	**Transfers out of Level 3 £000**	**Purchases £000**	**Sales £000**	**Unrealised Gains / Losses £000**	**Realised Gains / Losses £000**	**Market Value 31 March 2017 £000**
Fixed income	-	3,960						3,960
Secured Loans	10,334		- 10,334					-
Absolute return funds	13,660	65,265						78,925
Private equity	185,352					11,148		196,500
Property	-	264,690		49,688	-26,680		5,652	293,350
	209,346	**333,915**	**- 10,334**	**49,688**	**-26,680**	**11,148**	**5,652**	**572,735**

Note 18d – Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the market value of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

Note 18d - Classification of Financial Instruments	Fair value through profit and loss	Loans and receivables at amortised cost	Financial liabilities at amortised cost	Fair value through profit and loss	Loans and receivables at amortised cost	Financial liabilities at amortised cost
	31 March 2017			31 March 2016		
	£000	£000	£000	£000	£000	£000
Financial Assets						
Pooled Investments	2,592,362			2,101,221		
Equities	1,001,050			904,461		
Absolute Return Funds	724,581			529,042		
Private Equity	201,246			191,882		
Loans	18,379			50,810		
Derivative contracts	0			1,675		
Cash		143,400			42,409	
Other Investment		5,073			4,847	
Debtors		28,277			28,411	
	4,537,618	**176,750**		**3,779,091**	**75,667**	
Financial Liabilities						
Derivative contracts	-139			-350		
Other Investment	0			0		
Creditors			-7,622			-8,235
TOTAL	**4,537,479**	**176,750**	**-7,622**	**3,778,741**	**75,667**	**-8,235**

Note 18e – Net Gains and Losses on Financial Instruments

	2016-17 £000	2015-16 £000
Financial Assets		
Fair value through profit and loss	813,629	39,814
Loans and receivables	70,603	2,942
Financial Liabilities		
Fair value through profit and loss	-22,423	-26,471
Loans and receivables	0	-7,950
Total	**861,809**	**8,335**

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

Note 19 – Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce risk exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the fund's forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

Risk management policies were established to identify and analyse the risks faced by the Council's pension operations. Policies are reviewed regularly to reflect changes in activity and in market changes.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk). Whether those changes were caused by factors specific to the individual instrument or its issuer, or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Funds investment strategy.

Other price risk - sensitivity analysis

In consultation with the Fund's investment advisers and, following analysis of historical data and expected investment return movement during the financial year, the administering authority has determined that the following movements in market price risk are reasonably possible for the 2016-17 reporting period:

Asset Type	Potential market movements
	% (+ / -)
Private Equity	25.1
Global Equities - Emerging	29.2
Global Equities - Developed	17.1
UK Equities	17.1
Property Unit Trusts	14.6
High Yield	10.1
Absolute Return Funds	4.8
Corporate Bonds	3.4
Government Bonds	8.6
Cash	4.5

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment adviser's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. The tables do not reconcile back to the net assets figure as they exclude direct property.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows:

Note 19 – Nature and extent of risks arising from financial instruments

Asset Type	Value at 31 March 2017	Percentage Change	Change in Value on increase	Change in Value on decrease
	£000	%	£000	£000
Global Equities - Developed	1,584,660	17.1	270,977	-270,977
Government Bonds	1,226,776	8.6	105,503	-105,503
Absolute Return Funds	724,581	4.8	34,780	-34,780
UK Equities	85,393	17.1	14,602	-14,602
Corporate Bonds	319,296	3.4	10,856	-10,856
High Yield	243,405	10.1	24,584	-24,584
Private Equity	201,246	25.1	50,513	-50,513
Global Equities - Emerging	132,194	29.2	38,601	-38,601
Cash	155,229	4.5	6,985	-6,985
Property Unit Trusts	8,238	14.6	1,203	-1,203
Investment Income Due	5,073	0.0	0	0
Net Derivative Assets	-139	0.0	0	0
Total assets available to pay benefits	**4,685,952**		**558,604**	**-558,604**

Interest rate risk

The Fund invests in a number of interest bearing instruments such as Government bonds, corporate bonds and secured loans for the primary purpose of obtaining a return on those investments. These investments were subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Council and its investment advisers in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2017 and 31 March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial asset at fair value:

Note 19 – Nature and extent of risks arising from financial instruments

Asset Type	2016-17	2015-16
	£000	£000
Corporate and Government Bonds	1,519,408	1,280,820
Cash and cash equivalents	35,708	32,144
Cash balances	106,358	11,042
Total	**1,661,474**	**1,324,006**

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

The £1,519.40m fair value of the bond mandates managed by Henderson, BlueBay and Legal and General are particularly sensitive to movements in interest rates. This sensitivity is measured by their duration of 4.33, 0.6 and 24.9 years respectively.

A 1% increase in the prevailing level of interest would decrease the aggregate fair value of these mandates by £210.2m (£188.5m in 2015-16). Likewise a 1% decrease in the level of interest would be expected to increase the fair value of these mandates by a similar amount.

The secured loans invested in by M and G and Henderson, and the UK Financing Fund loans and Debt Opportunities Fund managed by M and G, are typically structured with a floating rate payment structure, whereby a fixed basis point spread is paid over the prevailing reference rate, typically 3 month LIBOR or EURIBOR. As a result, there is negligible interest rate risk involved in these investments. However, the total interest earned on investments will vary from time to time with changes in the underlying reference rate.

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

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

Asset Type	Duration	Carrying amount at 31 March 2017	Effect of Asset Values	
			+100 BPS	-100 BPS
Cash and Cash Equivalents		35,708		
Cash Balances		106,357		
Fixed Income - Henderson	4.338	292,632	1	- 1
Fixed Income - BlueBay	0.6	360,049	2,160	- 2,160
Fixed Income - Legal and General	24.85	866,728	208,015	- 208,015
Total change in assets available		**1,661,474**	**210,176**	**- 210,176**

Asset Type	Duration	Carrying amount at 31 March 2016	Effect of Asset Values	
			+100 BPS	-100 BPS
Cash and Cash Equivalents		32,144		
Cash Balances		11,042		
Fixed Income - Henderson	3.122	277,596	8,667	- 8,667
Fixed Income - BlueBay	3.2	292,913	9,373	- 9,373
Fixed Income - Legal and General	24	710,311	170,475	- 170,475
Total change in assets available		**1,324,006**	**188,515**	**- 188,515**

Income Source	Duration	Carrying amount at 31 March 2017	Effect of Asset Values	
			+100 BPS	-100 BPS
Cash deposit / cash and cash equivalents	0.25	164	0	0
Fixed Income Securities		8,642		
Total change in assets available		**8,806**	**0**	**0**

Income Source	Duration	Carrying amount at 31 March 2016	Effect of Asset Values	
			+100 BPS	-100 BPS
Cash deposit / cash and cash equivalents	1.4	277	4	-4
Fixed Income Securities		6,316		
Total change in assets available		**6,593**	**4**	**-4**

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

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund’s liabilities are denominated in sterling but as part of its investment strategy the Fund invests in assets denominated in foreign currencies, which exposes the Fund to the risk of movement in exchange rates. The Fund’s investment managers may at their own discretion hedge part or all of the foreign exchange risk inherent in their portfolio.

The Fund maintains a US Dollar currency hedge at 100% of the value of its investment in the Och Ziff Overseas Fund II. This investment is denominated in USD and the hedge ensures that the Fund is only exposed to the performance of the manager.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisers in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following tables summarise the Fund's net currency exposure, after hedging, as at 31 March 2017 and 31 March 2016:

Note 19 – Nature and extent of risks arising from financial instruments

Currency Exposure - Asset Type	Gross Exposure	Hedging Exposure	Net Exposure
2016-17	**£000**	**£000**	**£000**
Overseas Listed Equities	982,819		982,819
Overseas Unquoted Securities	201,246		201,246
Absolute Return Funds Overseas Fixed Interest	79,370	-74,773	4,597
Overseas Unit Trusts	8,397		8,397
Total	**1,271,832**	**-74,773**	**1,197,059**

Currency Exposure - Asset Type	Gross Exposure	Hedging Exposure	Net Exposure
2015-16	**£000**	**£000**	**£000**
Overseas Listed Equities	872,107	-84,041	788,066
Overseas Unquoted Securities	200,837		200,837
Absolute Return Funds Overseas Fixed Interest	91,492	-95,318	-3,826
Overseas Unit Trusts	7,590		7,590
Total	**1,172,026**	**-179,359**	**992,667**

Currency risk - sensitivity analysis

Following analysis of historical data in consultation with the fund investment advisers, the Council considers the likely volatility associated with foreign exchange rate movements to be 13% (as measured by one standard deviation).

A 13% fluctuation in the currency is considered reasonable based on the fund's adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 13% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Cheshire West and Chester

Note 19 – Nature and extent of risks arising from financial instruments

Net Currency Exposure - Asset Type	Asset Values	Change to net Assets available to pay benefits	
	2016-17	+13%	-13%
	£000	£000	£000
Overseas Listed Equities:	**982,820**	**127,767**	**-127,767**
Of which from USD	688,564	89,513	-89,513
Of which from JPY	32,667	4,247	-4,247
Of which from HKD	61,453	7,989	-7,989
Of which from SEK	20,253	2,633	-2,633
Of which from CHF	15,131	1,967	-1,967
Of which from DKK	8,630	1,122	-1,122
Of which from ZAR	18,094	2,352	-2,352
Of which from other currencies	138,028	17,944	-17,944
Overseas Unquoted Securities:	**201,246**	**26,162**	**-26,162**
Of which from USD	173,319	22,531	-22,531
Of which from EUR	27,927	3,631	-3,631
Absolute Return Funds Overseas:			
Of which from USD*	4,596	597	-597
Overseas Unit Trusts:			
Of which from EUR	8,397	1,092	-1,092

Net Currency Exposure - Asset Type	Asset Values	Change to net Assets available to pay benefits	
	2015-16	+13%	-13%
	£000	£000	£000
Overseas Listed Equities:	**788,066**	**102,449**	**-102,449**
Of which from USD	598,601	77,818	-77,818
Of which from JPY	28,968	3,766	-3,766
Of which from HKD	49,889	6,486	-6,486
Of which from SEK	20,493	2,664	-2,664
Of which from CHF	12,073	1,569	-1,569
Of which from DKK	18,092	2,352	-2,352
Of which from ZAR	15,956	2,074	-2,074
Of which from other currencies	43,994	5,719	-5,719
Overseas Unquoted Securities:	**200,837**	**26,109**	**-26,109**
Of which from USD	166,175	21,603	-21,603
Of which from EUR	34,662	4,506	-4,506
Absolute Return Funds Overseas:			
Of which from USD*	-3,826	-497	497
Overseas Unit Trusts:			
Of which from EUR	7,835	1,019	-1,019
Total	**992,912**	**129,079**	**-129,079**

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

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the market value of the fund's financial assets and liabilities.

In essence the Fund's investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The primary credit risk to the Fund is through its fixed interest instruments managed by Legal and General, Henderson and BlueBay and secured loans managed by M and G. However, the majority of the Funds fixed income assets are investment grade quality (above BBB rated) sovereign or corporate bonds rated.

Multi Asset

The Fund's aggregate exposure to credit risk through these three mandates as measured by the credit rating of external agencies is summarised in the table below:

S&P Quality Rating	Fair Value 2016-17	% of Fair Value of Fixed Income Assets
	£000	£000
AAA	85,156	6.0
AA	889,553	59.0
A	49,988	3.0
BBB	91,286	6.0
Below BBB	295,243	19.0
Cash	52,659	3.0
NR	55,522	4.0
Derivatives	0	0.0
Total	**1,519,407**	**100.0**

S&P Quality Rating	Fair Value 2015-16	% of Fair Value of Fixed Income Assets
	£000	£000
AAA	746,954	58.0
AA	19,987	2.0
A	47,680	4.0
BBB	129,283	10.0
Below BBB	272,926	21.0
Cash	45,736	4.0
NR	18,254	1.0
Derivatives	0	0.0
Total	**1,280,820**	**100.0**

Secured Loans

The Fund also invests in secured loans through dedicated mandates managed by M and G, whilst the Henderson and BlueBay Fixed Income mandate also has discretion to invest a proportion of their fund tactically in the same asset class. Secured loans are below investment grade, which as a result carry greater credit risk than investment grade sovereign or corporate bonds or loans. The increased credit risk associated with this asset class is mitigated by the managers through detailed credit research analysis and through constructing a diversified portfolio of secured loans across individual counterparties, ratings, industry sector and geography. Credit risk is further reduced by the senior position in the capital structure that is inherent in this asset class which is secured against the counterparty's assets.

The Fund's aggregate exposure to credit risk through these secured loan mandates as measured by the credit rating is summarised in the table below:

2016-17 Rating	Fair Value £000	% of Fair Value of Assets
BBB	2,250	1.0
BBB-	2,250	1.0
BB+	13,502	6.0
BB	20,252	9.0
BB-	49,506	22.0
B+	49,506	22.0
B	72,008	32.0
B-	13,502	6.0
CCC+	2,250	1.0
CCC and below	0	0.0
Total	**225,026**	**100.0**

2015-16 Rating	Fair Value £000	% of Fair Value of Assets
BBB	169	0.1
BBB-	2,193	1.3
BB+	4,893	2.9
BB	10,629	6.3
BB-	59,893	35.5
B+	33,236	19.7
B	40,491	24.0
B-	12,147	7.2
CCC+	1,012	0.6
CCC and below	4,049	2.4
Total	**168,712**	**100.0**

Deposits were not made with banks and financial institutions unless they were rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, the council invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all have AA ratings from a leading ratings agency.

The Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits in the Fund’s history. The Fund's cash holding under its treasury management arrangements as at 31 March 2017 was £106.4m (31 March 2016 £11.0m) and was held in the Deutsche Bank and Fidelity money market accounts. The remainder of the cash was held by the fund’s custodian, Bank of New York Mellon with a small amount of cash in transit which was held by the fund’s property investment manager.

2016-17 Counterparty	Moodys Rating	£000	% of cash balances
Bank of New York Mellon (Money Market Cash / Cash Accounts)	AAAm	35,010	24.6
Fidelity Worldwide Investment (Money Market)	Aaa-mf	51,801	36.5
Deutsche Bank Advisors (Money Market)	Baa2	54,557	38.4
Cash in Transit	NR	697	0.5
Total		**142,065**	**100.0**

2015-16 Counterparty	Moodys Rating	£000	% of cash balances
Bank of New York Mellon (Money Market Cash / Cash Accounts)	Aa2	31,366	72.7
Fidelity Worldwide Investment (Money Market)	Aaa-mf	4,379	10.1
Deutsche Bank Advisors (Money Market)	AAAmmf	6,663	15.4
Cash in Transit	NR	778	1.8
Total		**43,186**	**100.0**

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments.

The Council has immediate access to its Pension Fund cash holdings.

The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. Illiquid assets can include assets where a) there are no highly liquid active markets, such as investment properties and private equity or b) individual fund structures, where the Fund's investment is locked in for a specific period or where the investment manager may have the ability to 'gate' or limit investors withdrawal from the fund. As at 31 March 2017 the value of illiquid assets was £287m, which represented 5.76% of the total fund assets (31 March 2016 £291m which represented 7.01% of the total fund assets).

In terms of liquidity risk, the Fund had £144.1m (2015-16 £43.1m) of cash balances as at 31 March 2017 and net current assets of £7.1m (£5.9m in 2015-16). The Funds net cashflow, before taking account of investments and excluding management expenses, as at 31 March 2017 was +£16.7m (+£3.6m in 2015-16). There is no significant risk that it will be unable to meet its current commitments.

All current liabilities are due to be paid in less than one year.

Financial mismatch – 1. The risk that Fund assets fail to grow in line with the developing cost of meeting Fund liabilities. 2. The risk that unexpected inflation increases the pension and benefit payments and the Fund assets do not grow fast enough to meet the increased cost.
Changing demographics –The risk that longevity improves and other demographic factors change increasing the cost of Fund benefits.

Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting Fund liabilities.

The Council measures and manages financial mismatch in two ways. As indicated above, it has set a strategic asset allocation benchmark for the Fund. It assesses risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. It also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Fund prepares periodic cash flow forecasts to understand and manage the timing of cash flows. The appropriate strategic level of cash balances to be held is a central consideration in preparing the Fund's annual investment strategy.

The Council keeps under review mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions were considered formally at the triennial valuation.

The Council seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Stock Lending

The Fund has entered into a stock lending programme managed by its custodian the Bank of New York Mellon and only accepts government and quasi government bonds as collateral against loaned stock to safeguard the Fund's assets. The credit rating of the collateral accepted is summarised below.

Note 19 – Nature and extent of risks arising from financial instruments

	Fair Value of collateral 31 March 2017	% of Fair Value of collateral 31 March 2017	Fair Value of collateral 31 March 2016	% of Fair Value of collateral 31 March 2016
Moody's rating	**£000**	**%**	**£000**	**%**
Aaa	22,479	20	68,414	82
Aa1	78,462	70	4,818	6
Aa2	11,209	10	9,947	12
Grand Total	**112,150**	**100**	**83,179**	**100**
Value of Stock on Loan	**104,541**		**69,066**	

During the year ended 31 March 2017 the Fund earned £1.175m (£350k 2015-16) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £104.5m (£69m 2015-16) and the value of collateral held was £112.2m (£83.18m 2015-16).

Note 20 – Funding Arrangements

In line with the LGPS Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016. The next valuation will take place as at March 2019.

The key elements of the funding policy are:

- To ensure long-term solvency of the fund and of the share of the Fund attributable to individual employers;
- To ensure that sufficient funds are available to meet all members/dependants' benefits as they fall due for payment;
- To ensure that employer contribution rates are reasonably stable where appropriate;
- To minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return;
- To reflect the different characteristics of different employers in determining contributions rates;

- To have a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- To use reasonable measures to reduce risk to other employers including tax raising employers from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

At the 2016 valuation, the fund was assessed as 90% funded (82% at the March 2013 valuation). This corresponded to a deficit of £467m (2013 valuation: £723m) at that time.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the Funding Strategy Statement. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in the Funding Strategy Statement.

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership. A market related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The principal assumptions were:

Financial assumptions	**Real**
Discount rate	3.80%
Salary increase assumption	2.40%
Benefit Increase assumption (CPI)	2.10%

Longevity assumptions

	Current Pensioners	
Assumed life expectancy at age 65	**Male**	**Female**
Current Pensioners	22.3 Years	24.5 Years
Future Pensioners*	23.9 Years	26.5 Years

*Aged 45 at the 2016 Valuation

Note 21 – Actuarial value of promised retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2016-17 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 Accounting and Reporting by Retirement Benefit Plans refers to as the actuarial present value of promised retirement benefits. There are three options for disclosure.

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

Note 22– Long Term Assets

	2016-17 £000	2015-16 £000
Long Term Debtors:		
Contributions due - Employers	9,053	10,227
Sundry Debtors	705	940
Total	**9,758**	**11,167**

	2016-17 £000	2015-16 £000
Analysis of Long Term Debtors:		
Due from Cheshire West and Chester Council	8,954	9,712
Due from Bodies External to Central Government	798	1,036
Due from Other Local Authorities	6	419
Total	**9,758**	**11,167**

The Fund has long term debtors for early retirement contributions from scheme employers who have the option of paying over five years and the settlement from Magistrates Courts of £2.351m which is being paid in equal instalments over 10 years (the first payment of £277k was received in 2010-11), discounted at 3.76%. Both have been included at present value.

Note 23 – Current Assets	2016-17 £000	2015-16 £000
Current Debtors and cash:		
Contributions due - Employers	11,513	13,941
Contributions Due - Employees	2,848	3,131
Sundry Debtors	251	250
Payments in Advance	7	21
Provision for Doubtful Debt	-24	-78
Cash balances	3,673	-2,339
Total	**18,268**	**14,926**

Analysis of current assets	2016-17 £000	2015-16 £000
Current Debtors and cash:		
Due from Other Local Authorities	7,695	9,361
Due from Bodies External to General Government	3,468	4,351
Due from Cheshire West and Chester Council	3,423	3,608
Other Debtors	25	20
Central Government Bodies	1	3
Less Provision for Doubtful Debt	-24	-78
Total	**14,588**	**17,265**

The current debtors figures includes contributions which were due in March but not received until after the year end and, outstanding dividend entitlements and recoverable withholding tax claims relating to investments.

The payments in advance figure of £7k relates to supplier payments which have been paid in 2016-17 but relate to 2017-18.

Note 24 – Current Liabilities	2016-17 £000	2015-16 £000
Sundry Creditors	4,275	7,834
Benefits Payable	3,347	401
Receipts in Advance	3,601	808
Total	**11,223**	**9,043**

Analysis of creditors	2016-17 £000	2015-16 £000
Due to Bodies External to General Government	4,195	4,967
Other Creditors	1,688	1,786
Due to Cheshire West and Chester	1,451	1,296
Central Government Bodies	15	0
Due to Other Local Authorities	273	186
Total	**7,622**	**8,235**

Note 25 – Additional Voluntary Contributions (AVCs)

The AVC providers to the members of the Fund are Clerical Medical, Standard Life and Equitable Life.

The AVCs are invested separately from the Fund's main assets and used to acquire additional pension benefits and therefore are not included in the Fund’s accounts in accordance with regulation 4 (1) (a) of the LGPS (Management and Investment of Funds) Regulations 2016. Members participating in these AVC arrangements each receive an annual statement confirming the amounts held in their account and the movements during the year.

A summary of the information provided by Clerical Medical, Standard Life and Equitable Life for the year to 31 March 2017 is shown below, along with a prior year comparator.

	Clerical Medical £000	Standard Life £000	Equitable Life £000	Total £000
Contributions received in year 2017	352	278	2	**632**
Contributions received in year 2016	233	202	2	**437**
Fair value at 31 Mar 2017	3,159	2,745	529	**6,433**
Fair value at 31 Mar 2016	2,659	2,528	607	**5,794**

With effect from the 1 April 2017 the Fund switched all AVC funds held by Clerical Medical to Scottish Widows. Both companies are owned by the Lloyds Banking Group. The members who have been moved between Clerical Medical and Scottish Widows have done so on the existing terms.

Note 26 – Related Party Transactions

The Fund is administered by Cheshire West and Chester Council. Consequently there is a strong relationship between the Council and the Fund. The majority of the Fund’s cash is invested with the Fund’s investment managers or directly with external financial institutions. The Fund has its own specific bank account however some of the Fund’s transactions

(Accounts Payable and Income) are processed through corporate systems and are paid in the first instance through the Council's corporate bank accounts. The Fund repays cash due to the Council for such transactions plus any interest charges on a monthly basis. In 2016-17 the Fund paid £1.8k to the Council for interest accrued on these balances.

The Council is one of the largest employers and contributed £44.3m into the Fund in 2016-17 (2015-16 £18.9m). Of the £44.3m figure in 2016-17, £25m relates to the payment of the 3 year deficit, covering the period 2017-2020, which the Council elected to pay as a lump sum in March 2017. At the year end, a balance of £12.377m (2015-16 £13.320m) was due to the Fund from the Council, primarily relating to early retirement costs which will be repaid over more than one year and also contributions which were paid in April but became due in March. A balance of £1.5m (2015-16 £1.3m) was owing to the Council for Fund transactions processed through the Administering Authority's accounts payable and receivable systems.

The Administering Authority incurred costs of £1.771m to administer the Fund in 2016-17 (2015-16 £1.633m) as well as £1.001m for oversight and governance costs (2015-16 £699k) and these costs were recharged to the Pension Fund. Note 10 provides an analysis of these costs. These are related party transactions as Cheshire West and Chester is also a member body of the Pension Fund

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

Specific declarations have been received from Pension Fund Committee and Local Pension Board Members regarding membership of and transactions with any parties related to the Pension Fund.

A number of Members act as Councillors or Board Members of particular employers who maintain a conventional employer relationship with the Fund. Employer representatives for the Local Pension Board will also act as Trustees for employers of the Fund.

The value of transactions with each of these related parties, namely routine monthly payments to the Fund of employer's and employee's contributions is determined by the Local Government Pension Scheme Regulations, and as such no related party transactions have been declared.

A register of outside bodies that Members are appointed to, along with a register of interests is available on the Internet for Cheshire West and Chester, Cheshire East, Warrington and Halton Councils.

Details of the membership of the Local Pension Board are available on the Fund's website.

Governance

Responsibility for managing the Fund lies with the full Council of Cheshire West and Chester Council with lead officer responsibility delegated to the Director of Corporate Services, who undertakes the day to day management of the Fund. The Director of Corporate Services is advised, with regard to investment matters, by the Pension Fund Committee and external advice from Mercer. The fund also receives actuarial advice from Hymans Robertson. The Pension Fund Committee reports directly to the Cheshire West and Chester Audit and Governance Committee.

The Local Pension Board was established under the Council's constitution with effect from the 1 April 2015. The role of the Board, as defined in regulations, is to assist the Administering Authority to ensure the effective and efficient governance and administration of the LGPS.

Since January 2004 elected members who are offered membership of the Scheme under their respective Council's scheme of allowances have been eligible to join the Scheme. From the introduction of the new scheme Councillors in England could only continue to accrue rights until the end of the term of office which they were serving on 1st April 2014. As a consequence all councillors paying into the scheme were removed from the 12th May 2015 including those members of the Pension Fund Committee who were members of the Scheme.

There are seven members of the Committee who are in receipt of pension benefits from the Fund (Councillor M. Hogg, Councillor C. Gahan, Councillor B. Crowe, Councillor D. Beckett, Councillor D. Newton, Councillor P. Findlow and Councillor M. Wharton). In addition, Committee member P. Matthews was an active member of the Fund as at 31 March 2017.

There are two members of the Local Pension Board who were active members of the Fund as at 31 March 2017; G. Wright and N. Harvey. P. Raynes also has a deferred pension with the Fund.

Each member of the Committee and Board is required to declare their interests at each meeting and sign an annual declaration form which is published on the fund's website.

As the Fund forms part of the LGPS it does not strictly have trustees. The members of the Committee do not receive any fees in relation to their specific responsibilities as members of the Committee, although they may be reimbursed for any out of pocket expenses incurred whilst discharging their Committee role.

Similarly the members of the Board do not receive any fees in relation to their specific responsibilities as members of the Board, although they may be reimbursed for any out of pocket expenses incurred whilst discharging their role.

Key Management Personnel

The key management personnel of the Fund are the Director of Corporate Services and the Pension Fund Manager.

Prior to 2014-15 the posts of Director of Resources and Head of Finance (now Director of Corporate Services) were deemed to be key management personnel with regards to the pension fund. Following an organisational restructure the post of Director of Resources was removed from the Councils structure during 2014-15 and all responsibilities for the management of the Pension Fund transferred to the Director of Corporate Services. The pension liability for the Director of Resources remain with the Fund.

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

	31-Mar-17 £000	31-Mar-16 £000
Short term benefits	107	74
Long term/post-retirement benefits	3,071	2,605
Total	**3,178**	**2,679**

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

Note 27 – Contingent Liabilities and Contractual Commitments

The Fund has contractual commitments to the value of £518m (2015-16 £402m) in private equity funds.

During 2016-17 the Fund made new commitments to two private equity funds. $53m was committed to the 2016 Pantheon Global Select Fund, this Fund of Fund investment will provide global exposure across Private Equity Primaries and Secondaries. The Fund also added to its existing commitment to the Pantheon Global Secondary Fund V. this additional investment totalled $21.4m and will target secondary Private Equity investments and provide exposure to 2010-2015 vintage funds, further diversifying the portfolio.

As at 31 March 2017 the Fund had actually invested £373m (2015-16 £325m) and therefore had an outstanding commitment of £145m (2015-16 £77m). As these funds are denominated in US Dollars and Euros the commitment in Sterling is subject to changes due to currency fluctuations.

Note 28 – Contingent Assets

There are 26 admitted bodies in the Cheshire Pension Fund who hold insurance bonds to guard against the possibility of being unable to meet their pension obligations, along with an additional 3 employers with Parent Company Guarantees. The bonds are drawn in favour of the Council as administering authority for the Fund and payment will only be triggered in the event of employer default.

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

Note 29 – Impairment for Bad and Doubtful Debts

During 2016-17 the fund has recognised doubtful debts of £24k (£46k in 2015-16) for possible non-recovery of rental income on its investment properties of £20k (£39k in 2015-16) and non-recovery of pensioner death overpayments totalling £2k (£4k in 2015-16) and £2k for other debtors.

Note 30 – Investment Strategy Statement

The Investment Strategy Statement sets out the current investment strategy of the Fund, provides transparency in relation to how the Fund's investments are managed, acts as a high level risk register, and has been designed to be informative for all stakeholders. The Investment Strategy Statement replaces the Fund's Statement of Investment Principles.

A full copy of the ISS can be obtained from the Pensions Section, Cheshire West and Chester Council, HQ, Nicholas Street, Chester, CH1 2NP or from the Fund's website at: www.cheshirepensionfund.org

Note 31 – Funding Strategy Statement

Under the LGPS Regulations 2013 (as amended) administering authorities are required to prepare a Funding Strategy Statement (FSS).

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 and Chester Council, HQ, Nicholas Street, Chester, CH1 2NP or from the Fund's website at: www.cheshirepensionfund.org

Employers with active members participating in the Cheshire Pension Fund and their applicable Investment Strategy for the financial year ending 31 March 2017.

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

Admitted Bodies	Strategy
Adoption Matters North West	B
ANSA Environmental Services Ltd	A
Aspens-Services	B
Belong Limited	C
Bishops Blue Coat COE HS	B
Bridgewater High Trading*	B
Bulloughs - Brine Leas	B
Bulloughs - Collegiate	B
Bulloughs - Lymm	B
Bulloughs Cleaning Ltd	B
Canal and River Trust (Waterways Tru	C
Care Quality Commission	C
Catalyst Choices CIC	B
Cheshire and Warrington E C	C
Cheshire and Warrington Sports PT Lt	B
Cheshire Community Action	C
Cheshire Peaks and Plains Housing T	B
Cheshire Sports Club	C
Churchill Services Ltd*	B
Compass - Chartwells Ltd	B
Dataspire	B
David Lewis Centre	C
Deafness Support Network	C
Dolce (Moulton)*	B
Dolce (Rossmore)*	B
Eric Wright - EP Schools	B
Golden Gates Housing Trust	C
Hall Cleaning Services	B
Halton Housing Trust	B
Hochtief	B
HQ Theatres Limited	B
I S S Facility Services Ltd	B
Innovate Tytherington Ltd	B

Admitted Bodies - Continued	Strategy
Livewire	B
Making Space	C
Marketing Cheshire	B
May Gurney	B
Mears Care Limited	B
Middlewich Cemetery Committee	B
Norton Priory Museum Trust	B
Orbitas Bereavement Svcs Ltd	A
PAM East*	A
PAM West*	B
Plus Dane Housing Association	B
Plus Dane Housing Association Ltd	B
R M Estates Ltd	B
Ringway Infrastructure Services Ltd	B
Ringway Jacobs	B
Sanctuary Housing Association	C
School Food Company Ltd	B
Silk Heritage Trust	A
Sir John Deanes College	B
Skills and Growth Company*	A
Sport Cheshire	B
Super Clean Services Ltd - Alsager	A
Super Clean Services Ltd - Ashdene	A
Super Clean Services Ltd - Holmes Ch	A
Super Clean Services Ltd - Offley Prim	A
Super Clean - Park Lane*	A
Taylor Shaw - Bridgemere	A
Taylor Shaw - Elworth	A
Taylor Shaw - Leighton*	A
Taylor Shaw - Weston	A
The Kings School Chester	B
Tommy Thumbs	C
Turning Point Services Ltd	B
University Of Chester	B
Warrington Community Living	B
Warrington Cultural Trust	B
Warrington Housing Association	B
Warrington Voluntary Action	B
Weaver Vale Housing Trust	B
Wulvern Housing Trust	B

Other Employers	Strategy
Alderley Edge Parish Council	B
Alsager Town Council	B
Appleton Parish Council	B
Avenue Services (NW) Limited*	B
Birchwood Town Council	B
Bollington Town Council	B
Brio Leisure	B
Catering Academy - UCEA	B
Catering Academy - UPAW	B
Catering Academy - UPW	B
Civicance Ltd	A
Congleton Town Council	B
Cosocius	B
Crewe Engineering UTC*	A
Crewe Town Council	B
Delamere and Oakmere PC	B
Disley Parish Council	B
Edsential	B
Elite Cleaning and Environmental Serv	B
Everybody Sport and Recreation	A
Frodsham Town Council	B
Grappenhall Thelwell Parish Council	B
Halton Transport	B
Handforth Parish Council	B
Hartford Parish Council*	B
Holmes Chapel Parish Council	B
Knutsford Town Council	B
Liverpool Mutual Homes	B
Lymm Parish Council	B
Macclesfield College	B
Macclesfield Town Council	B
Mack Trading (Heaton Park) Limited	B
Mersey Gateway Crossing Board	B
Mid Cheshire College	B
Middlewich Town Council	B
Nantwich Town Council	B
Neston Town Council	B
Nether Alderley Parish Council	B
Northwich Town Council	B
NW Fire Control Ltd	B
Odd Rode Parish Council	B
Penketh Parish Council	B
Poulton Fearnhead Parish Council	B
Poynton Town Council	B
Prestbury Parish Council	B
Priestley Sixth Form College	B
QWest Services Limited	B
Reaseheath College	B

Other Employers - Continued	Strategy
Riverside College	B
Riverside Truck Rental Ltd	B
Sandbach Town Council	B
South Cheshire College	B
Stockton Heath Parish Council	B
Transport Services Solutions Limited	A
UOC Academies Trust	B
UOC Academy Northwich	B
UP Academy Weaverham	B
UTC - Warrington*	B
Vision Support	C
Vivo Care Choices Ltd	B
Wade Deacon High School	B
Warrington College Education Trust	B
Warrington Collegiate	B
Warrington Transport	B
West Cheshire College	B
Wilmslow Town Council	B
Winsford Town Council	B
Wistaston Parish Council	B
Your Housing Group*	B
Youth Federation	C

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

Academies	Strategy
Acton CE Primary Academy*	A
Adelaide School	A
Adlington Primary Academy*	A
All Hallows Catholic College	A
Alsager School	A
Ash Grove Academy	A
Beamont Collegiate Academy	B
Birchwood Community Academy	B
Black Firs Primary School	A
Boughton Heath Academy	B
Bridgewater High School	B
Bridgewater Park Primary	B
Brine Leas School	A
Broken Cross Prim Academy & Nurse	A
Bruche Primary*	B
Calveley Primary Academy*	A
Cavendish High Academy	B
Christleton High School	B
Cloughwood Academy	B
Congleton High School	A
County High School Leftwich	B
Cranberry Academy	A
Daresbury Primary School*	B
Delamere CofE Primary Academy*	B
Eaton Bank Academy	A
Evelyn Street Primary*	B
Fallibroome Academy	A
Gorseybank Primary School*	A
Great Sankey High School	B
Highfields Comm Primary*	B
Holmes Chapel Comprehensive	A
Holmes Chapel Primary School	A
Hungerford Primary Academy	A
Ivy Bank Primary School	A
Kelsall Primary School	B
King's Leadership Academy	B
Kingsley & District Nursery	B
Knutsford Academy	A
Lacey Green Primary	A
Leighton Academy	A
Lymm High School	B
Macclesfield Academy	A
Marlborough Primary School*	A
Marlfields Primary Academy	A
Mill View Primary School	B
Monks Coppenhall Academy*	A

Academies - Continued	Strategy
Mossley CE Primary School	A
Mottram St Andrew Primary	A
Nantwich Academy	A
Neston High School	B
Nether Alderley Primary School	A
Ormiston Bolingbroke Academy	B
Ormiston Chadwick Academy	B
Over Hall Community School	B
Palacefields Academy	B
~~Parkroyal Comm School~~	~~A~~
Parkroyal Community School*	A
Pear Tree School	A
Penketh High School	B
Penketh Primary*	B
Peover Superior Endowed Primary Sc	A
Rudheath Community Primary School	B
Sandbach High School Sixth Form	A
Sandbach Primary Academy	A
Shavington Academy	A
Shavington Primary School	A
Sir William Stanier Community	A
Smallwood C of E Primary Academy	A
St Alban's Catholic Primary School	A
St Augustines Catholic Primary Schoo	B
St Bernard's RC Primary School	B
St Johns Wood Comm School*	A
St Marys Catholic Primary School	A
St Michaels Community Academy	A
St Paul's Catholic Primary School	A
St Thomas More Catholic High	A
Stapeley Broad Lane	A
Tarporley High School Sixth Form Coll	B
The Berkeley Academy	A
The Catholic High School	B
The Fermaine Academy	B
The Heath School	B
The Hermitage Trust	A
The Oak View Primary Academy	B
The Oaks Academy	A
The Quinta Primary School	A
The Russett School	B
Tytherington School	A
Underwood West Academy*	A
University Academy Warrington	B
University C O E Academy	B
Upton Priory School	A

Academies - Continued	Strategy
Wheelock Primary School*	A
Whirley Primary School	A
Widnes Academy	B
Willaston Primary Academy	A
Wilmslow Academy*	A
Winsford E-ACT Academy	B
Wistaston Academy*	A
Wistaston Church Lane Academy	A
Worth Primary School	A

*Employers who joined the Fund during 2016/17

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2016/17 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Cheshire Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2017	31 March 2016
Active members (£m)	2,890	2,600
Deferred members (£m)	1,132	790
Pensioners (£m)	2,449	1,839
Total (£m)	**6,471**	**5,228**

The promised retirement benefits at 31 March 2017 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2017 and 31 March 2016. I estimate that the impact of the change in financial assumptions to 31 March 2017 is to increase the actuarial present value by £1,103m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £19m.

Financial assumptions

Year ended (% p.a.)	31 March 2017	31 March 2016
Pension Increase Rate	2.4%	2.2%
Salary Increase Rate	2.7%	3.2%
Discount Rate	2.6%	3.5%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.3 years	24.5 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	23.9 years	26.5 years

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

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2017	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	502
0.5% p.a. increase in the Salary Increase Rate	3%	203
0.5% p.a. decrease in the Real Discount Rate	11%	719

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled ‘Actuarial Valuation as at 31 March 2017 for accounting purposes’. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Robert Bilton FFA

24 April 2017

For and on behalf of Hymans Robertson LLP

Cheshire West and Chester Council Group Accounts

Overview

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

The group

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

- Subsidiaries - where the Council either wholly or by majority controls an entity. Subsidiaries of the Council included in the 2016-17 group accounts are Cheshire Provider Services Trading Limited (Vivo) and Cheshire West and Chester Leisure CIC (Brio Leisure).
- Joint Ventures – where the Council and another party exercise joint control over an entity. CoSocius Ltd and Edsential CIC are Joint Ventures, CoSocius ceased to trade on 1 April 2016 therefore only Edsential has been included in the group financial statements.
- Joint Operations – A joint operation is where the Council and another party have joint control of an arrangement and has rights to the assets and obligations for the liabilities relating to the arrangement; these operation are not included in the group accounts. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. CoWest Ltd trading as QWest are treated as a joint operation, this company is jointly controlled with Engie Plc.
- Associates – where the Council exercises a significant influence and has a participating interest. Avenue Services is the only Associate company included in the 2016-17 group accounts.

The Council has business interests in twelve organisations and these all have been reviewed in accordance with the Code of Practice for consolidation purposes, of which only those reported above have been consolidated. Further information on all the organisations is given in the Interests in Companies note to the Councils single entity accounts (Note 47).

Group accounts

The group accounts contain core financial statements similar to those included in the Council's single entity statements but which represent the consolidated position of the group. Notes to the Group accounts have been included where the relevant values and/or the impact on the group statements are material.

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

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

Group Movement in Reserves Statement for the year ended 31 March 2017

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

Cheshire West and Chester Council Consolidated 2016-17	General Fund Balance £000	Sums held by Schools £000	Earmarked Reserves £000	Total General Fund £000	Housing Revenue Account £000	Capital Receipts Reserve £000	HRA Major Repairs £000	Capital grants Unapplied £000	Council's Usable Reserves £000	Council's share of Group £000	Total Usable Reserves £000	Council's Unusable Reserves £000	Council's share of Group £000	Total Unusable Reserves £000	Total Reserves of the £000
Balance at 31 March 2016 (Restated)	**23,488**	**10,726**	**62,441**	**96,655**	**817**	**11,429**	**2,908**	**13,940**	**125,749**	**558**	**126,307**	**614,660**	**-6,398**	**608,262**	**734,569**
Surplus or (deficit) on provision of services (accounting basis)	16,309	0	0	16,309	4,946	0	0	0	21,255	-11,948	**9,307**	0	0	0	**9,307**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	0	150	**150**	-65,764	-3,390	-69,154	**-69,004**
Total Comprehensive Expenditure and Income	**16,309**	**0**	**0**	**16,309**	**4,946**	**0**	**0**	**0**	**21,255**	**-11,798**	**9,457**	**-65,764**	**-3,390**	**-69,154**	**-59,696**
* Adjustments between group accounts and the Council's accounts	-11,305			-11,305					-11,305	11,305	**0**	**0**	**0**	**0**	**0**
**Adjustments between accounting basis & funding basis under regulations	-7,605	0	0	-7,605	-4,846	-1,868	660	9,163	-4,496	884	**-3,612**	4,496	-884	3,612	**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**-2,601**	**0**	**0**	**-2,601**	**100**	**-1,868**	**660**	**9,163**	**5,454**	**391**	**5,845**	**-61,268**	**-4,274**	**-65,542**	**-59,696**
Transfers to/from Earmarked Reserves	**4,140**	**-722**	**-3,349**	**69**	**-69**	**0**			0		**0**				**0**
Increase/(Decrease) in Year	**1,539**	**-722**	**-3,349**	**-2,532**	**31**	**-1,868**	**660**	**9,163**	**5,454**	**391**	**5,845**	**-61,268**	**-4,274**	**-65,542**	**-59,696**
Balance at 31 March 2017	**25,027**	**10,004**	**59,092**	**94,123**	**848**	**9,561**	**3,568**	**23,103**	**131,203**	**949**	**132,152**	**553,392**	**-10,672**	**542,720**	**674,872**

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

**The adjustments between accounting basis and funding basis under regulations for the Council are shown in Note 8 of the Council's single entity accounts. Additional movements in the group accounts relate to movements in subsidiary and joint ventures pension reserves.

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

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

	2016-17			Restated 2015-16
	Expenditure £000	Income £000	Net £000	£000
Adults Directorate	139,939	-31,437	108,502	103,099
Children's Directorate	290,823	-234,034	56,789	50,952
Places Directorate	121,075	-41,706	79,369	81,440
Corporate Services Directorate	122,936	-91,749	31,187	31,385
HRA	15,663	-22,906	-7,243	-8,953
Other	37,029	-24,630	12,399	-9,874
Capital Financing	367	-5	362	-1,826
Cost of Services	**727,832**	**-446,467**	**281,365**	**246,223**
Other Operating Income & Expenditure	6,675	-5,399	1,276	14,601
Financing & Investment Income and Expenditure	28,748	-13,797	14,951	18,048
Taxation & Non-Specific Grant Income & Expenditure	27,141	-334,147	-307,006	-296,808
Surplus/Deficit on Provision of Services	**790,396**	**-799,810**	**-9,414**	**-17,936**
Share of the SDPS by Joint Ventures and Associates (-Profit/Loss)			171	508
Tax expenses of Joint Ventures and Associates			0	0
Tax expenses of Subsidiaries			-64	-200
Group (Surplus)/Deficit			**-9,307**	**-17,628**
Surplus on Revaluation of Assets			-68,153	-45,431
Re-measurement (gain)/loss on pension assets/liabilities			136,560	-173,703
(Surplus)/deficit on revaluation of available for sale assets			258	0
Others				
Deferred tax on actuarial gains			-525	1,458
Share of Other Comprehensive Income & Expenditure of Associates			-226	0
Share of the re-measurement loss on pensions of Joint Ventures			1,090	1,666
Other Comprehensive Income & Expenditure			**69,004**	**-216,010**
Total Comprehensive Income and Expenditure			**59,696**	**-233,638**

Group Balance Sheet as at 31 March 2017

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

	31 March 2017 £000	31 March 2016 Restated £000
Non-Current Assets		
- Property, Plant and Equipment	1,236,711	1,096,723
- Heritage Assets	28,921	72,668
- Investment Properties	120,119	131,087
- Intangible Assets	505	421
Long Term Investments	92	350
Investments in Associates	375	147
Deferred Taxation Asset	0	22
Long Term Debtors	6,477	1,225
Long Term Assets	**1,393,200**	**1,302,643**
Short Term Investments	30,031	45,005
Assets held for Sale	2,455	1,902
Current Intangible Assets	99	51
Inventories	262	241
Short Term Debtors	49,803	47,795
Cash and Cash Equivalents	29,470	31,233
Current Assets	**112,120**	**126,227**
Short Term Borrowing	-13,291	-17,497
Short Term Creditors	-105,938	-93,965
Provisions < 1 yr	-2,363	-1,396
Current Liabilities	**-121,592**	**-112,858**
Provisions	-13,497	-14,123
Long Term Borrowing	-288,434	-287,513
Pension Fund Liability	-360,192	-235,914
Other Long Term Liabilities	-31,494	-33,505
Capital Grant Receipts in Advance	-15,239	-10,388
Long Term Liabilities	**-708,856**	**-581,443**
Net Assets	**674,872**	**734,569**
Usable Reserves	132,152	126,307
Unusable Reserves	542,720	608,262
Total Reserves	**674,872**	**734,569**

The group companies for year ending 31 March 2016 have been restated to recognise the audited accounts for those entities. There was no material restatement required.
Group Balance Sheet for the year ended 31 March 2017.

Cheshire West and Chester

Group Cash Flow Statement for the year ended 31 March 2017

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

	31 March 2017 £000	31 March 2016 Restated £000
Net surplus or deficit on the provision of services	-9,414	-17,937
Adjust net surplus or deficit on the provision of services for non cash movements	-76,406	-71,192
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	59,184	48,099
Net cash flows from Operating Activities	**-26,636**	**-41,030**
Investing Activities	26,821	68,060
Financing Activities	1,578	6,751
Net decrease in cash and cash equivalents	**1,763**	**33,781**
Cash and cash equivalents at the beginning of the reporting period	31,233	65,014
Cash and cash equivalents at the end of the reporting period	29,470	31,233
Net decrease in cash and cash equivalents	**1,763**	**33,781**

The group companies for year ending 31 March 2016 have been restated to recognise the audited accounts for those entities. There was no material restatement required.
Group Cash Flow Statement for the year ended 31 March 2017.

Notes to the group core financial statements

1. Accounting policies

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

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

Consolidation of Subsidiaries

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

Consolidation of Joint Venture and Associate

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

Alignment of accounting framework and policies

Where the accounting framework used by group companies differs from that of the Council (FRS102 rather than IFRS) including the accounting policies and the impact of such differences would have a material impact on the group financial statements then the relevant balances from the group companies will be adjusted to bring the accounting treatment into line with that applied by the Council.

Unrealised profits from intra-group transactions

Any unrealised profit reflected in the carrying amount of property, plant and equipment and inventory arising from trading between the Council and its group companies will be eliminated to avoid the double counting of gains.

Company losses Accounting Treatment

Edsential CIC that has been included in the consolidation has reported losses in the year. The losses have been reported in accordance with IAS 28 to the extent that all the losses have been recognised in the group accounts. These annual losses are reflected in the Group Comprehensive Income and Expenditure Account.

Pensions deficits is the main contributor to the loss and this is included in the group accounts. The approach to recording the losses has been to eliminate the reported investment in the companies to zero, impair a long term debtor and report an increased pension liability and pension reserve. Pension guarantees have been offered by the Council to some of its group companies that means it would, under specified circumstances, fund the pension obligations. Further information about the pension guarantees is given in the Contingent Liabilities note in the single entity accounts (Note 44).

2. Reconciliation of Single Entity statements to Group statements

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

Movement in Reserves Statement as at 31 March 2017

Cheshire West and Chester Council Group 2016-17	Usable Reserves						Unusable Reserves				Total Group Reserves
	Council Single Entity £000	Intra-group transactions £000	Council Group £000	Subsidiaries £000	Joint Venture/ Associate £000	Group Total £000	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Group Total £000	£000
Balance at 31 March 2016 Restated	**125,749**	**0**	**125,749**	**742**	**(185)**	**126,307**	**614,660**	**(4,555)**	**(1,843)**	**608,262**	**734,569**
Surplus or (deficit) on provision of services (accounting basis)	9,950	11,305	21,255	(11,777)	(171)	9,307	0	0	0	0	**9,307**
Other Comprehensive Expenditure and Income	0			(113)	263	150	(65,764)	(2,263)	(1,127)	(69,154)	**(69,004)**
Total Comprehensive Expenditure and Income	**9,950**	**11,305**	**21,255**	**(11,890)**	**92**	**9,457**	**(65,764)**	**(2,263)**	**(1,127)**	**(69,154)**	**(59,696)**
Adjustments between group accounts and Council's accounts		(11,305)	**(11,305)**	11,305		0		0	0	0	**0**
Adjustments between accounting basis & funding basis under regulations	(4,496)		(4,496)	726	158	(3,612)	4,496	(726)	(158)	3,612	**0**
Increase / (Decrease) in Year	**5,454**	**0**	**5,454**	**141**	**250**	**5,845**	**(61,268)**	**(2,989)**	**(1,285)**	**(65,542)**	**(59,696)**
Balance at 31 March 2017	**131,203**	**0**	**131,203**	**883**	**66**	**132,152**	**553,392**	**(7,544)**	**(3,128)**	**542,720**	**674,872**

Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Intra-group transactions £000	Group Results £000
Adults Directorate	108,240	262			108,502
Children's Directorate	56,789				56,789
Places Directorate	79,331	38			79,369
Corporate Services Directorate	31,187				31,187
HRA	-7,243				-7,243
Other	12,399				12,399
Capital Financing	362				362
Cost of Services	**281,065**	**300**	**0**	**0**	**281,365**
Other Operating Income & Expenditure	1,276				1,276
Financing & Investment Income and Expenditure	14,715	236			14,951
Taxation & Non-Specific Grant Income & Expenditure	-307,006				-307,006
Surplus/Deficit on Provision of Services	**-9,950**	**536**	**0**	**0**	**-9,414**
Share of the SDPS by Joint Ventures and Associates (-Profit/Loss)			171		171
Tax expenses of Subsidiaries		-64			-64
Group (Surplus)/Deficit	**-9,950**	**472**	**171**	**0**	**-9,307**
Surplus on Revaluation of Assets	-68,153				-68,153
Re-measurement Gain/-loss on pension assets/liabilities	133,659	2,901			136,560
Surplus / Deficit on revaluation of available for sale assets	258				258
Other					
Deferred tax on actuarial gains		-525			-525
Share of Other Comprehensive Income & Expenditure of Associates					-226
Share of the CIES of Joint Ventures			1,090		1,090
Other Comprehensive Income & Expenditure	**65,764**	**2,376**	**1,090**	**0**	**69,004**
Total Comprehensive Income and Expenditure	**55,814**	**2,848**	**1,261**	**0**	**59,696**

Cheshire West and Chester

Balance Sheet as at 31 March 2017

	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Intra-group transactions £000	Group Results £000
Non-Current Assets	1,385,483	268	0	0	1,385,751
Intangible Assets	505	0	0	0	505
Long Term Investments	92	0	0	0	92
Investments in Associates	0	0	375	0	375
Long Term Debtors	7,910	0	-83	-1,350	6,477
Long Term Assets	**1,393,990**	**268**	**292**	**-1,350**	**1,393,200**
Short Term Investments	30,031	0	0	0	30,031
Assets held for Sale	2,455	0	0	0	2,455
Current Intangible Assets	99	0	0	0	99
Inventories	215	47	0	0	262
Short Term Debtors	49,869	1,449	0	-1,515	49,803
Cash and Cash Equivalents	25,982	3,488	0	0	29,470
Current Assets	**108,651**	**4,984**	**0**	**-1,515**	**112,120**
Short Term Borrowing	-13,291	0	0	0	-13,291
Short Term Creditors	-104,436	-3,267	0	1,765	-105,938
Provisions < 1 yr	-2,363	0	0	0	-2,363
Current Liabilities	**-120,090**	**-3,267**	**0**	**1,765**	**-121,592**
Provisions	-13,497	0	0	0	-13,497
Long Term Borrowing	-288,434	0	0	0	-288,434
Pension Fund Liability	-349,294	-7,544	-3,354	0	-360,192
Other Long Term Liabilities	-31,492	-1,102	0	1,100	-31,494
Capital Grant Receipts in Advance	-15,239	0	0	0	-15,239
Long Term Liabilities	**-697,956**	**-8,646**	**-3,354**	**1,100**	**-708,856**
Net Assets	**684,595**	**-6,661**	**-3,062**	**0**	**674,872**
Usable Reserves	131,203	883	66	0	132,152
Unusable Reserves	553,392	-7,544	-3,128	0	542,720
Total Reserves	**684,595**	**-6,661**	**-3,062**	**0**	**674,872**

Cash Flow Statement for the year ended 31 March 2017

	Council Single Entity £000	Subsidiaries £000	Intra-group transactions £000	Group Results £000
Net cash flows from Operating Activities	-26,308	-333	5	-26,636
Investing Activities	26,734	92	-5	26,821
Financing Activities	1,578	0	0	1,578
Net decrease in cash and cash equivalents	**2,004**	**-241**	**0**	**1,763**
Cash and cash equivalents at the beginning of the reporting period	27,986	3,247	0	31,233
Cash and cash equivalents at the end of the reporting period	25,982	3,488	0	29,470
Net decrease in cash and cash equivalents	**2,004**	**-241**	**0**	**1,763**

3. Defined benefit pension schemes

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

Reconciliation of present value of the scheme liabilitites	<------------------------------ LGPS			--------------------------->		Teachers	Total
	CW&C	Vivo	Brio Leisure	Edsential	Group	2016-17	2016-17
	£000	£000	£000	£000	£000	£000	£000
Opening Balance	1,308,374	23,327	10,059	11,598	1,353,358	30,557	1,383,915
Current Service Costs	27,509	1,569	782	1,304	31,164		31,164
Interest Cost	45,583	871	377	430	47,261	1,006	48,267
Contribution by Scheme Members	6,957	354	203	286	7,800		7,800
Remeasurement (gains) and losses:							
Actuarial (gains)/losses arising from changes in demographic assumptions	-4,435	297	155	217	-3,766	-600	-4,366
Actuarial (gains)/losses arising from changes in financial assumptions	255,915	6,475	2,554	3,014	267,958	3,224	271,182
Other experience	8,829	-1,953	-953	-618	5,305	-587	4,718
Benefits Paid	-45,017	-265	-109	-207	-45,598	-2,340	-47,938
Past Service Costs & curtailments	278	130		29	437		437
Closing balance at 31 March 2017	**1,603,993**	**30,805**	**13,068**	**16,053**	**1,663,919**	**31,260**	**1,695,179**

Movement in Fair Value of Assets	<------------------------------ LGPS			--------------------------->		Teachers	Total
	CW&C	Vivo	Brio Leisure	Edsential	Group	2016-17	2016-17
	£000	£000	£000	£000	£000	£000	£000
Opening Balance *	**1,112,050**	**19,895**	**8,935**	**9,755**	**1,150,635**	**0**	**1,150,635**
Interest income	39,002	740	335	364	40,441		40,441
Remeasurement (gains) and losses:							
Return on plan assets, excluding the amounts included in net interest	128,687	2,192	1,482	1,260	133,621		133,621
Employer Contributions	44,280	1,267	662	1,241	47,450		47,450
Contribution by scheme members	6,957	354	203	286	7,800		7,800
Contributions - unfunded benefits						2,340	2,340
Benefits paid	-45,017	-265	-109	-207	-45,598		-45,598
Unfunded benefits paid						-2,340	-2,340
Closing balance at 31 March 2017	**1,285,959**	**24,183**	**11,508**	**12,699**	**1,334,349**	**0**	**1,334,349**

Total Surplus/Deficit	**-318,034**	**-6,622**	**-1,560**	**-3,354**	**-329,570**	**-31,260**	**-360,830**
Deferred Taxation on losses	**0**	**638**	**0**	**0**	**638**	**0**	**638**
Net liability at 31 March 2017	**-318,034**	**-5,984**	**-1,560**	**-3,354**	**-328,932**	**-31,260**	**-360,192**

4. Comparative Information

The comparative information shown on the face of the Comprehensive Income and Expenditure Statement is only shown as net expenditure to avoid overcrowding the statement. The full breakdown showing gross expenditure and income is shown below.

	2015-16 Restated		
	Expenditure £000	**Income £000**	**Net £000**
Adults Directorate	143,497	-40,398	103,099
Children's Directorate	286,594	-235,642	50,952
Places Directorate	118,270	-36,830	81,440
Corporate Services Directorate	129,134	-97,749	31,385
HRA	14,203	-23,156	-8,953
Other	12,052	-21,926	-9,874
Capital Financing	1,520	-3,346	-1,826
Cost of Services	**705,270**	**-459,047**	**246,223**
Other Operating Income & Expenditure	18,810	-4,209	14,601
Financing & Investment Income and Expenditure	37,745	-19,697	18,048
Taxation & Non-Specific Grant Income & Expenditure	26,840	-323,648	-296,808
Surplus/Deficit on Provision of Services	**788,665**	**-806,601**	**-17,936**
Share of the SDPS by Joint Ventures and Associates (-Profit/Loss)			508
Tax expenses of Joint Ventures and Associates			0
Tax expenses of Subsidiaries			-200
Group (Surplus)/Deficit			**-17,628**
Surplus on Revaluation of Assets			-45,431
Re-measurement Gain/-loss on pension assets/liabilities			-173,703
Other			0
Deferred tax on actuarial gains			1,458
			0
Share of the re-measurement loss on pensions of Joint Ventures			1,666
Other Comprehensive Income & Expenditure			**-216,010**
Total Comprehensive Income and Expenditure			**-233,638**

The group companies for year ending 31 March 2016 have been restated to recognise the audited accounts for those entities. There was no material restatement required.
Group CIES Statement for the year ended 31 March 2017.

Glossary of terms

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

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

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

Amortisation
The process of charging capital expenditure, usually on intangible non-current assets, to the accounts over a suitable period of time.

Amortised cost
Amortised cost is the real amount at which the financial instrument is measured rather than the payments made under a contract.

Appropriations
Amounts transferred between the Comprehensive Income and Expenditure Statement and revenue or capital reserves.

Assets held for sale
Property (land or a building, or part of a building) which is expected to be sold within the next 12 months and is therefore held primarily as a means of generating a capital receipt.

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

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

Better Care Fund (BCF)
The BCF is a pooled budget between the Council and the Clinical Commissioning Group (CCG).

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

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

Capital Assets
See Non-current Assets.

Capital expenditure
Expenditure on the acquisition of a Non-current asset or expenditure that extends the useful life or operational capability of an existing asset.

Capital financing
The means by which capital expenditure incurred by the Council is funded. Usually such funding comprises grants, contributions from third parties, receipts from the sale of assets, contributions from Council reserves and borrowing.

Capitalisation
The classification of expenditure as capital rather than revenue, subject to the condition that the expenditure yields a benefit to the Council for a period of more than one year.

Capital receipts
Proceeds received from the sale of capital assets. The proceeds are set aside in the Capital Receipts Reserve in order to repay the Council's borrowings or to finance new capital expenditure.

Capital Receipts Reserve
A reserve held to provide an alternative source for financing future capital expenditure, and to ensure some stability in the level of capital programmes that can be financed.

Cash Flow Statement
Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes. It provides a link between the Balance Sheet at the beginning of the year, the Comprehensive Income and Expenditure Statement for the year and the Balance Sheet at the end of the year.

CIPFA
The Chartered Institute of Public Finance and Accountancy is the accountancy body which recommends accounting practice for the preparation of local authority accounts.

Collection Fund
This is a statutory fund kept separate from the main accounts of the Council. It records all income due from the Council Tax, Business Rates and remaining Community Charge and shows the precept payments due to Cheshire West and Chester Council, Cheshire Police Authority and Cheshire Fire Authority.

Community assets
Assets that the local authority intends to hold forever, that have no determinable useful life and that may have restrictions on their disposal. (e.g. parks).

Comprehensive Income and Expenditure Statement (CIES)
This statement consolidates all the gains and losses experienced by the Council during the financial year. The statement has two sections:

- Surplus or Deficit on the Provision of Services (SDPS) – the increase or decrease in net worth as a result of incurring expenditure and generating income.
- Other Comprehensive Income and Expenditure – any changes in net worth not reflected in the surplus or deficit on the provision of services.

This statement shows the accounting cost in year of providing services in accordance with accounting practice rather than the amount to be funded from taxation.

Consistency
The principle that the same accounting treatments are used from year to year so that useful comparisons can be made. Any significant change in policies must be declared in the accounting statements.

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

Corporate and Democratic Core
Corporate and Democratic Core represents costs associated with democratic representation and management and corporate management. Democratic representation and management 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 2017.

Current Assets and Liabilities
Current assets are cash and items that can be readily converted into cash. Current liabilities are items that are due for payment immediately or in the short term. By convention these items are ordered by reference to the ease that the asset can be converted into cash, and the timescale in which the liability falls due.

Current Service Cost (IAS 19 term)
Employer pension contributions charged during the year have been removed from the Comprehensive Income and Expenditure Statement and replaced with an amount (i.e. current service cost) which reflects the increase in the scheme liabilities expected to arise from employee membership of the Scheme in the year of account.

Current Value
The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

Debtors
Amounts owed to the Council at 31 March 2017, where services have been delivered but payment has not been received.

Deferred capital receipts
Amounts derived from asset sales, which will be received in instalments over a period of years. (e.g. mortgages on the sale of council houses).

Deferred liabilities
An amount already received by the Council that is being credited to the Comprehensive Income and Expenditure Statement over a number of years.

Defined Benefits Pension Scheme
A pension scheme which is constructed to provide pre-determined pension benefits for retired members, with employers' and employees' contribution rates being calculated based on actuarial assumptions.

Delegated budgets
Budgets for which schools and other services have complete autonomy in spending decisions.

Depreciation
The measure of the wearing out, consumption, or other reduction in the useful economic life of a Non-current asset, whether arising from use, age or obsolescence through technological or other changes. There are different ways to attribute the cost of the asset over its economic life, of which the most common are the straight line method and the reducing balance method.

- Straight line depreciation method – the useful life of the asset is estimated, for instance at 3 years for IT equipment or 5 years for a vehicle, and the cost of the asset is divided equally over that number of financial years.
- Reducing balance method – the value of the asset is reduced by a Non-current percentage each year, reflecting a greater loss of value in earlier years.

Depreciated historic cost
The value of an asset shown in the Balance Sheet calculated from the original cost less depreciation to date.

Derecognition
The removal of an asset of liability from the Balance Sheet as it has been extinguished, for example, the settling of a liability by paying the creditor.

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

Donated assets
Assets transferred at nil value or acquired at less than fair value.

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

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

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

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

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

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

Expected return on assets (IAS 19 term)
The average rate of return expected on the actual assets held by the scheme.

Expenditure and Funding Analysis (EFA)
The Expenditure and Funding Analysis links the Comprehensive Income and Expenditure Statement by demonstrating how available funding has been used to provide services. Whilst still reported in accordance with accounting practice, the analysis shows how the expenditure has been allocated by directorates for decision making purposes rather than legislative purposes.

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

Finance lease
An arrangement whereby the owner of an asset (the lessor) accepts a rental in return for allowing another party (the lessee) use of an asset for a specified period, such that substantially all of the risks and rewards associated with ownership are transferred to the lessee.

Financial Instrument
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities and includes trade debtors, investments, trade creditors and borrowings.

General reserves
These are amounts set aside for use in future years, not earmarked for any specific purpose.

Government grants
Amounts received from central Government towards funding the Council's activities. Revenue grants and contributions are credited to the appropriate service revenue account. Capital grants and contributions are recognised in the Comprehensive Income and Expenditure Statement, unless there are conditions attached which have not been satisfied. Capital grants and contributions recognised in year are not a credit against the General Fund balance and are reversed out via the Movement in Reserves Statement.

Government grants and contributions unapplied
Capital grants and contributions that have been recognised in the Comprehensive Income and Expenditure Statement but which have not yet been applied to finance capital expenditure.

Heritage Assets
Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art.

Housing Revenue Account (HRA)
Local authorities are required to maintain a separate account. This sets out expenditure and income arising from the provision of Council housing.

Impairment
A reduction in the value of a Non-current asset arising from physical damage to the asset, dilapidation or obsolescence.

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

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

Infrastructure assets
Non-current assets that are held by the Council in perpetuity and cannot be given or taken away. Spending on these assets is recoverable only by continued use of the asset created (e.g. highways and footpaths).

Intangible Non-current Assets
Expenditure incurred on those non-current assets that do not have physical substance but which are separately identifiable and provide the Council with a right of use for a period in excess of one year.

Interest Cost (IAS 19 term)
A financing charge reflecting the increases in the present value of scheme liabilities.

International Financial Reporting Standards (IFRS)
International Financial Reporting Standards form a principles based set of standards that establish broad rules and dictate specific accounting treatments. The Code of Practice on Local Authority Accounting in the UK (the Code), interprets IFRS accounting principles for local government and recognises the following hierarchy of standards on which accounting treatment and disclosures should be based:

- International Financial Reporting Standards (IFRS)
- International Public Sector Accounting Standards (IPSAS)
- UK Generally Accepted Accounting Practice (UK GAAP)

Inventories
Raw materials and consumable goods bought but not yet used at the end of the accounting period.

Investments
Short term investments comprise deposits of temporary surplus funds with banks or similar institutions. Long term investments comprise similar funds held for a period of more than one year.

Investment properties
Assets that are available for immediate sale, where there is a committed plan to sell the asset, an active marketing programme and where the sale is highly probable within 12 months.

Joint Control
Where decisions about the relevant activities of an arrangement require the unanimous consent of all the parties sharing control.

Joint Operation
Where the Council and another party have joint control of an arrangement and have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators.

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

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

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

Market value
The monetary value of an asset determined by current market conditions at the Balance Sheet date.

Materiality
The concept that any omission from or inaccuracy in the Statement of Accounts should not be so large as to affect the understanding of those statements by a reader.

Minimum Revenue Provision (MRP)
The minimum amount (as laid down in statute) that the Council must charge to the accounts each year in order to meet the costs of repaying amounts borrowed.

Movement in Reserves Statement
This statement shows the movement in the year on the different reserves held by the Council, analysed into usable and unusable reserves. The statement reconciles the surplus or deficit on the provision of services, in the Comprehensive Income and Expenditure Statement, to the movement in the General Fund balance for the year.

Non-Domestic Rate (NDR)
The government levies a standard rate on all properties used for commercial purposes and cannot increase it by any more than the Retail Price Index. The rates are collected by Councils, and are then shared between Central Government, the Billing Authority (Council) and other bodies in proportion to prescribed shares.

Net book value
The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net current replacement cost
The estimated cost of replacing or recreating an asset in its existing condition and existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the condition of the existing asset.

Net debt
This comprises short term investments plus cash in hand less cash overdrawn and long term borrowing.

Net realisable value
The expected proceeds from the sale of an asset when sold on the open market between a willing buyer and a willing seller less all the expenses incurred in selling the asset.

Non-current Asset
An asset which is intended to be in use for several years such as a building or a vehicle. These may be tangible or intangible.

Non Distributed Costs
Costs which cannot be specifically applied to a service or services and are held centrally, comprising certain pension costs and the costs of unused shares of IT facilities and other assets.

Operating lease
An arrangement similar to a finance lease but where the risks and rewards associated with ownership remains with the lessor.

Operational assets
Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Cost (IAS 19 term)
The increase in the scheme liabilities arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept
Amounts the Council is required to raise from Council Tax on behalf of other authorities.

Prepayments
Amounts paid by the Council in 2016-17 in relation to goods and services not received until 2016-18.

Prior year adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors. They do not include minor corrections or adjustments of accounting estimates made in prior years.

Private Finance Initiative (PFI)
A means of securing new assets and associated services in partnership with the private sector.

Projected Unit Method (IAS 19 term)
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

Provisions
Amounts set aside to meet costs that are likely or certain to be incurred but where the amount of cost or timing of payment is uncertain.

Receipts in advance
Amounts received by the Council during 2016-17 relating to goods or services delivered in 2017-18.

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

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

Reserves
Specific amounts set aside for future policy purposes or to cover contingencies. There are two types of reserve: usable reserves which are available to meet current expenditure, and unusable reserves which are not. Most revenue reserves are capable of being used, but the Revaluation Reserve, Capital Adjustment Account, and the Financial Instruments Adjustment Account cannot be used to meet current expenditure.

Retirement benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revaluation Reserve
Revaluation Reserve is intended to hold surpluses or deficits arising from the regular revaluation of non-current assets.

Revenue expenditure
Revenue expenditure is spending on the day to day running costs of the Council. It includes expenditure on employees, premises, transport and supplies and services.

Revenue Expenditure Funded from Capital under Statute (REFCUS)
Certain expenditure can be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a Non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax.

Revenue Support Grant (RSG)
Central Government grant support towards local government expenditure.

Scheme liabilities
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

Section 151 Officer
The Officer designated to assume overall responsibility for the administration of the financial affairs of the Council and for the preparation of the Council's Statement of Accounts.

Service concession
An arrangement under which the Council passes to a third party an obligation to deliver a service to the public on its behalf. Organisations delivering services under a service concession arrangement are effectively doing so as an extension of the Council so any assets employed by them to deliver the contracted services are reported on as if they were the Council's own. This is commonly the case for Private Finance Initiative contracts.

Settlements and Curtailments (IAS 19 term)
Settlements are liabilities settled at a cost materially different to the IAS 19 reserve during the year. Curtailments represent the cost arising from early payment of accrued pensions in respect of any redundancies during the year.

Short period
In terms of non-current assets this is interpreted to mean that assets are normally revalued once every five years for each class of assets, provided that carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.

Short Term Accumulating Paid Absences
These are benefits that employees receive as part of their contract of employment, the entitlement to which is built up as they provide services to the Council, e.g. annual leave, flexi leave.

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

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

Tangible Non-current Assets
Non-current assets which have physical substance and which yield benefits to the Council for a period of more than one year.

Useful life
The period over which the local authority will derive benefits from the use of a non-current asset.

Vested rights
In relation to a defined benefit scheme, these are:
a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme
b) for deferred pensioners, their preserved benefits
c) for pensioners, pensions to which they are entitled
They include where appropriate the related benefits for spouses or other dependants.