Cheshire West & Chester Council

Statement of Accounts

2015-16

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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:

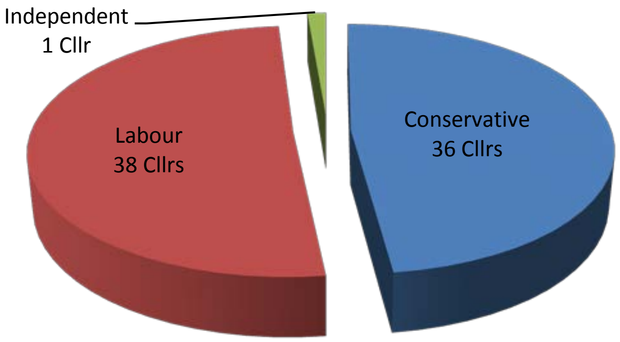
1. About Cheshire West and Chester
2. Strategic Priorities
3. Key achievements
4. Summary of financial performance
5. Main issues from the 2015-16 accounts
6. Explanation of the financial statements

1. About Cheshire West and Chester

Cheshire West and Chester is a unitary authority with a population of 332,200 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.



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. Over the last five years 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 £57m.

A four year plan to bridge the £57m 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 when developing the four year budget package 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 Council has been named winner of the 'Best Achieving Council' category at the 2015 annual Municipal Journal Awards. The esteemed award highlighted the Council's work to regenerate deprived communities, create new models of delivery, focus on prevention and create cultural change.

The following table highlights the key areas of Council performance:

Residents	
Better outcomes for residents by investing in prevention, supporting economic growth and enabling local communities to solve local problems.	Work Zones helping people into work with approximately 50 percent of jobs going to the long term unemployed.
	Disposing of surplus land and buildings and using the proceeds to invest in roads, leisure services and culture.
	Challenge what we do to ensure it is efficient and delivers our ambitious objectives around prevention, economic growth and community empowerment. This has seen yearly savings of £133m. Annual investment of almost £49m into priority services to protect vulnerable elderly residents and young people subjected to abuse and neglect.
	Chester new culture centre and Theatre is going under the brand name of the Storyhouse and is one of the country's largest regional arts project. The theatre is a multi-purpose venue and will provide residents and vistors with a excellent experience.
Investing in prevention	
Our ambitious Integrated Early Support Services (launched October 2013) provides effective services to support children and families with multiple needs, domestic abuse victims and perpetrators, as well as supporting troubled families.	A genuine 'Team around the Family' provides a streamlined approach and reduces demand on acute and reactive services.
	• Over 6,000 people supported by IES so far
	• 726 'troubled families' engaged with over 90 percent of those already seeing positive outcomes, including 86 people exhibiting a 60 per cent reduction in anti-social behaviour and 242 children reducing offending behaviour.
	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.
	OFSTED inspected the Council's in 2015-16 for children in need of help and protection; children looked after and care leavers and the review of the local safeguarding children's board. The Council was rated as 'Good overall' with outstanding features for Management, Leadership and Governance and Adoption Performance. Five recommendations were made to improve services further and actions plans have been prepared.
Economic growth	
Improving the local economy for residents and businesses	We've used our assets, private capital, and borrowing power to unlock investment. Our determined agenda for growth sets out to create 5,000 new jobs, 1,100 new homes per annum and a minimum of £500m of investment in the borough.
	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.
Empowering communities	
We created a dedicated service for communities to have more influence and responsibility over neighbourhoods.	Introducing neighbourhood plans to ensure local developments reflect local priorities - Tattenhall Parish Council and Winsford Town Council were supported to develop strong plans alongside residents and a further 30+ communities are currently developing their neighbourhood plans -Winsford Neighbourhood Plan is the largest undertaken in the UK
	Supporting the local voluntary sector in the development of Skill Share - an innovative local approach to supporting and building capacity involuntary and community groups by matching them with appropriate business expertise.
Better for less	
We relentlessly focus on efficiency. Every service is challenged through 'make or buy' where key outcomes are specified and a process identifies the most appropriate model to secure those outcomes.	Children and Young People's Services delivered through an award-winning partnership with Halton Council, giving annual savings of £180k.
	Launch of a Joint Venture Company to run customer services and integrated workplace management through a ten-year deal with private partner Engie Plc.
Delivering services	
The Council continues to deliver core services to a high standard	Educating over 35,000 pupils in maintained schools
	Looking after 475 children in care
	The Council's adoption service is the highest North West performer, measured by time taken to find homes for children
	Preventing 1,300 cases of homelessness
	Handling 160,00 tonnes of waste
	Maintaining 1,400 miles of roads

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 2015-16 the Council reported an underspend of £0.9m against planned activity of £273.3m and achieved £15.5m of savings. The table below reflects the final budget for 2015-16 and actual income and expenditure against it.

2015-16 Revenue Budgets	Budget £m	Actual £m	Variance £m
Children's services	44.3	45.5	1.2
Adult social care and health	100.9	101.5	0.6
Places	60.2	59.4	-0.8
Corporate services	30.1	29.5	-0.6
Capital Financing	23.5	23.5	0.0
Other	14.3	13.0	-1.3
Total Net Spend	**273.3**	**272.4**	**-0.9**

The impact of the underspend means that the Council added £1.7m to the General Fund compared to a budgeted contribution of £0.8m. This improvement in the Council's Reserves can be seen in the Movement in Reserves Statement in the following Accounts.

The presentation above reflects how costs are categorised, monitored and managed within the Council. The following Accounts report the same expenditure and income but in a different format to comply with statutory external reporting requirements. This incorporates additional costs such as depreciation or changes in the value of property which, under regulation, is not chargeable to usable reserves in the year. The impact of including such costs in the Accounts is set out in Note 27 to the accompanying statements.

Capital Expenditure

The capital programme supports the Council's wider objective to deliver services and to support economic growth. In 2015-16 the Council invested £109.2m through its capital programme against a budget of £127.0m. The programme made good progress in year, achieving a delivery rate against plan of 86 %.

From this total spend of £109.2m, £101.7m was capitalised and added to the value of assets in 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 (£7.0m) or did not add value to the capital assets (£1.2m).

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

Capital investments	2015-16 £m
Investing in regeneration programmes	32.7
Investment in highways and transport infrastructure	17.9
Development of cultural assets	13.6
Investing in school buildings	11.6
Improvements to Council Housing	10.7
Property management	5.1
Leisure facilitates in Ellesmere Port and Northwich	4.0
ICT Infrastructure	1.9
Improvements to Housing	0.5
Others	3.7
Total	**101.7**

The funding sources for the capitalised assets is summarised below:

Funding of capitalised costs	2015-16 £m
Use of cash/borrowing	51.5
Government grants	23.5
Capital receipts	10.0
Major repairs reserve	7.4
External contributions	4.9
Revenue funding	2.0
Other reserves	1.7
Finance Lease/PFI	0.7
Total	**101.7**

Balance Sheet

The Council's balance sheet demonstrates a strong financial position at the end of 2015-16 with a net asset value of £740.4m, a £232.1m increase from last year.

Long Term Assets

	2015-16 £m	2014-15 £m
Property, plant & equip.	1,096.4	1,013.6
Heritage Assets	72.7	72.4
Investment Properties	131.1	125.0
Intangible Assets	0.4	0.5
Investments	0.3	0.5
Debtors	2.9	4.9
	1,303.8	**1,216.9**
Overall change	**86.9**	

Changes to Long Term Assets	£m
Capital expenditure	101.7
Valuation changes	43.2
Loans/Shareholdings	-2.2
Increases in value	**142.7**
Depreciation/amortisation	-40.8
Disposals/reclassification	-15.0
Reductions in value	**-55.8**
	86.9

The £86.9m increase in Non-Current Assets is due to investment of £101.7 in new/enhanced assets and increases in asset valuations of £43.2m. These are offset by £55.8m of depreciation and disposals.

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Current Assets / Liabilities

	2015-16 £m	2014-15 £m
Investments	45.0	30.0
Assets Held for Sale	1.9	0.1
Debtors	47.9	51.0
Cash balances	28.0	62.7
Other	0.1	0.3
Current Assets	**122.9**	**144.1**
Creditors	-95.1	-97.5
Borrowing	-17.5	-13.7
Provisions	-1.3	-3.3
Current Liabilities	**-113.9**	**-114.5**
	9.0	**29.6**
Overall change	**-20.6**	

Changes to Current Assets and Current Liabilities	£m
Tfr of cash to fixed term deposits	-15.0
Funding of Capital Expenditure	-19.0
Other cash movements	-0.7
Cash management	**-34.7**
Tfr of cash to fixed term deposits	15.0
Tfr to Long Term Assets	1.7
Tfr from Long Term Liabilities	-10.3
Reclassifications	**6.4**
Reductions in outstanding debt	-3.1
Borrowing Repaid	6.3
Increases in amounts owing	7.0
Disposal of assets held for sale	-0.1
Other movements	-2.4
Relations with third parties	**7.7**
	-20.6

The most significant change in current assets and liabilities relates to the £34.7m reduction in cash balances. This reduction is in line with expectations and a significant proportion of this reflects the planned use of cash balances to fund capital expenditure relating to the Barons Quay development. In addition, £15m of short term cash balances has been transferred to longer term investments. Other changes are largely neutral and reflect timing differences and the fact that £10.3m of borrowing repayments come closer to being due.

Long Term Liabilities

	2015-16 £m	2014-15 £m
Long Term Borrowing	-287.5	-298.0
Net Pension Liability	-226.9	-379.5
PFI/finance leases	-32.7	-34.9
Long Term Creditors	-0.8	-0.9
Provisions	-14.1	-14.9
Capital Grant Receipts	-10.4	-10.0
	-572.4	**-738.2**
Overall Change	**165.8**	

Changes to Long Term Liabilities	£m
Tfr to current liabilities	12.9
Settlement of liabilities	14.5
Change in pension liability	152.6
Reductions in liabilities	**180.0**
New leases	-0.4
New provisions/creditors/RIA	-13.8
Recognise new liabilities	**-14.2**
	165.8

The only significant change in long term liabilities is a reduction in the Council's net pension liability of £152.6m. This reflects an increase in the actuary's expectations of the pension schemes regarding future asset returns. Further details of the pension schemes are provided in Note 43.

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Reserves
The £232.1m increase in the Council's net worth set out above results in a £25.3m increase in usable reserves and an £206.8m increase in unusable balances. This reflects the fact that the majority of the gains are due to changes in pension and property revaluations and therefore aren't available to the Council to spend on services at this point.

5. Main issues impacting on the 2015-16 accounts

There have been a number of developments in 2015-16 which have influenced the presentation of the 2015-16 Accounts and the reported financial position of the Council:

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

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 £27.5m in 2015-16. 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.

Better Care Fund
The Better Care Fund creates a local single pooled budget 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 £10.6m 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 (£1.1bn) and liabilities (£1.3bn) in the Accounts any changes in assumptions regarding their value can have a large impact on the reported position. In 2015-16 the net pension liability (deficit) reported in the Accounts has reduced by £152.6m. This change is largely due to 2 factors

- An increase 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 increased during 2015-16 the actuary has reduced the discounted value of the Council's pension liabilities by £124.9m.

- The in-year return on investments held by the pension fund has been positive, achieving an average return of 5.2% over the 12 months. This exceeded the anticipated returns allowed for last year by £22.1m.

Group Entities

In 2015-16 two new companies launched (CoWest Services Ltd and Edsential CIC) thus increasing the volume of arms-length bodies in whom the Council holds a shareholding. CoWest Services Ltd delivers business support functions across the Council whilst Edsential CIC provides traded services to schools. Further details about this transfer, governance arrangements and the financial status of the new company are included 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 on page 222.

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 2015-16 the revenue support grant reduced by £13.4m. In order to set a balanced budget the Council identified savings proposals of £13.1m in 2015-16.

These funding reductions will continue and as previously mentioned a funding gap of £57m is anticipated over the next four years. The Council has however developed a four budget 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 2015-16 and its Balance Sheet as at 31 March 2016. 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 Finance who is named as the Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts

The Statement of Accounts was approved by the Audit and Governance Committee on 13 September 2016.

Date: 13 September 2016

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

The Chief Finance Officer's responsibilities

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

In preparing this Statement of Accounts, the Chief Finance Officer has:
- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Chief Finance Officer has also:
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

This Statement of Accounts presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2016.

Date: 13 September 2016

Signed by:
Mark Wynn
Director of Finance

Annual Governance Statement 2015-16

1. Scope of Responsibility

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

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

Cheshire West & Chester Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework "Delivering Good Governance in Local Government". A copy of the code is on our website at Code of Corporate Governance or can be obtained from the Council's Monitoring Officer. This statement explains how Cheshire West & Chester Council has complied with the code and also meets the requirements of regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

2. The purpose of the governance framework

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

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

The governance framework has been in place at Cheshire West & Chester Council for the year ended 31 March 2016.

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. From October 2015 to January 2016 Cheshire West & Chester Council conducted a widespread and thorough consultation programme with local residents and stakeholders to identify their priority outcomes. This 12 week consultation engaged with over 1,800 people, capturing their opinions on the issues which they believe should be

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priorities for the Local Authority. This consultation operated through a variety of methods and processes, including:
  - Consultation booklet and questionnaire (625 participants).
  - Summary consultation booklet and questionnaire (390 participants).
  - Online budget simulator (366 participants).
  - Social media and email submissions (98 participants).
  - Online webchat with Leader of the Council (93 viewers / 461 replays).
  - Partner event (73 attendees).
  - Focus Groups (106 attendees).

- These findings informed the shaping of the Council's four year budget, and feedback was provided on individual budget proposals. This analysis was presented to Full Council on 25 February 2016 alongside the 2016-17 Budget Report.

- These 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 also 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.

- 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.
- During 2015-16 there was a change of political control and the development and approval of a new Council Plan and four year Budget. The 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 2016-17.
- The Authority has adopted a Code of Corporate Governance which has been in place all year. In light of the organisational restructure and updated guidance issued by CIPFA in 2016, this document now needs a refresh and this will be led by the Director of Governance.
- Some changes to the committee structure were introduced in 2015-16 to reflect the need to develop the new policies of the Administration including Policy Performance Panels which facilitated cross party discussion on the development of new policies.

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 new 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 have been developed in early 2016 and are currently in the process of being shared with Members through Policy Performance Panels. These plans include four year targets for service improvement, and Directors are currently in the process of disaggregating this long-term ambition into annual targets.
- Key pledges and Service priorities are monitored and managed through a Performance Management Framework and The Annual Report.
- Budgets continue to be subject to critical business challenge sessions and are subject to regular monitoring and reporting. The Medium Term Financial Plan and Financial Strategy sets out the Council's approach in managing resources to meet Key Pledges and ensuring Value for Money.
- The Council values of THRIVE (Teamwork, Honesty, Respect, Innovation, Value for Money and Empowerment) are contained within the new Council Plan, and are incorporated in our Human Resource processes, including the recruitment of new staff and appraisals.
- The Council's Local Account, 'Shaping Services Together', reports on what has been happening in relation to adult social care services in Cheshire West & Chester Council. It feeds back on what people have told us about adult social care; outcomes from Ofsted inspections and what actions have been taken as a result of listening to their views and experiences.

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

- The Council has adopted a Constitution which sets out how the Council conducts its business and how decisions are made. The Council has adopted a Leader / Cabinet model with 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 an Overview and Scrutiny Committee, responsible for the review and scrutiny of the Council, the Cabinet and its Partners. The scrutiny committee structure comprises Overview and Scrutiny Committee, chaired by the Council's independent Member. There is also a Health & Wellbeing Scrutiny Committee and Call-In Sub-Committee.
- The Council has for the last 12 months 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 will be 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 communication.
- Decision making arrangements delegated to Officers are recorded in the Scheme of Delegation, with evidence of appropriate authorisation being retained locally.

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

- The Codes of Conduct for Officers and for Members are recorded in the Constitution. The Codes are communicated through induction, briefings and training and are available on the intranet.
- The Member Code of Conduct was reviewed and updated to reinstate provisions relating to respect in 2015-16.
- The Complaints Process for the Member Code of Conduct was reviewed by Audit & Governance Committee during 2015-16 and accepted as fit for purpose. Related to this exercise, a protocol was developed setting out the level of support Members may reasonably expect from Officers in relation to the roles they perform.

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 will be further updated in 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.

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; quarterly financial reports; 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 and Standards Dispensation Panel reported to Audit and Governance Committee during 2015-16.

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

- There is a protocol that must be followed by Officers when reporting to Members, which ensures that reports are subject to legal and financial review.

- The Council's Internal Audit function is required to examine, evaluate and report on the adequacy of internal controls operated throughout the Authority, in accordance with the Internal Audit Charter and Plan. All recommendations made are followed up to ensure they have been implemented.
- The Head of Internal Audit produces an annual report and provides an "Internal Audit Opinion" in accordance with the Public Sector Internal Audit Standards as issued by the Relevant Internal Audit Standard Setters, including CIPFA, in 2013.

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

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

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

- The Authority has in place a Member Development Strategy and a Policy Development Plan which informs Member training. The Strategy was recently updated and focused on Member induction during 2015-16 in light of the 2015 local elections.
- In 2012 the Council achieved Level 2 of the North West Employers Member Development Charter, and received an Exemplar Award for high achievement in Member Development.
- All new and returning Members in May 2015 were offered a full induction programme during 2015-16. All Members were also offered the chance to undertake a Personal Development Plan Interview between December 2015 and January 2016 and around 45 took part. The outcomes of the interviews will be fed into the Member Training Plan for 2016-17.
- 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 Finance. 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.
- In the summer of 2015 a review of partnership forums was conducted on behalf of the Health and Wellbeing Board. This 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 this 'test period', a recommendation has been made by the Board to formally revise its terms of reference 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 – Audit and Compliance.

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

Corporate / Management Assurance

The Senior Leadership Team has overall responsibility for the vision and culture of the organisation.

The Chief Executive, Strategic Directors and statutory Officers meet on a weekly basis as part of the Corporate Leadership Team (CLT) to provide assurance.

Council operates a number of Officer groups 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

The statutory Officers meet to receive these updates.

The Senior Manager – Audit and Compliance is responsible for assessing the Council's performance against CIPFA's standards of corporate governance and for making recommendations to Chief Officers and / or elected Members as appropriate.

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 Application Note to the Delivering Good Governance in Local Government Framework published in December 2012.

The Internal Audit team distributed Statements of Assurance and attended 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 2015-16. 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 revised committee structure was adopted following the May 2015 elections and the appointment of a new Administration. A Cabinet was appointed and replaced the Executive that met previously. Other changes included the number of scrutiny committees being reduced and eight Policy Performance Panels being established. It was also proposed that four District Committees would be established and the terms of reference for these committees are currently in development.

Council
The Council met on six occasions in 2015-16 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), and Council Plan 2016-20: *Helping the Borough Thrive*, debates on petitions, transition to Individual Electoral Registration and amendments to the Council's Finance and Contract Procedure Rules.

Cabinet
The Cabinet met on eight occasions in 2015-16 and received a number of the reports mentioned above. Additionally they received reports on a range of matters including implementation of the Living Wage, Community Infrastructure Levy (CIL), progress of Alternative Delivery Vehicles, Cheshire and Warrington Sub Region devolution, progress on significant capital projects, Housing Strategy and Neighbourhood Plans.

The terms of reference for the eight Policy Performance Panels chaired by Portfolio holders were also approved by Cabinet in 2015-16.

Audit & Governance Committee
The Audit & Governance Committee met on five occasions during 2015-16 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, regular reviews of financial performance, data protection and outside body appointments and changes to Finance and Contract Procedure Rules.

A sub-committee, the Members' Audit Working Group, was not re-appointed following the May 2015 elections and did not meet during 2015-16. The Standards Dispensation Panel met twice to consider dispensations for Members to debate even when they had potential conflicts of interest so they could contribute to the Budget and investment in schools debates.

The Audit & Governance Committee has completed the self-assessment against the CIPFA checklist on measuring the effectiveness of the Audit Committee as set out in the Practical Guidance for Local Authorities and Police published in December 2013. The report on the activity and effectiveness of the Committee was first produced last year and will continue to be produced on an annual basis.

Two of the four actions identified in 2014-15 have been implemented in full. Plans are in place for Members to receive further training following the Annual Council meeting on 19 May 2016; this would then present an opportunity to take forward the remaining two actions.

Overview & Scrutiny Committee
The Authority operated a single Overview and Scrutiny Committee and a Health and Wellbeing Scrutiny Sub-Committee. The Overview and Scrutiny Committee met on six occasions in 2015-16 and received reports including those related to the Annual Budget, regular reviews of financial performance, Adults' and Children's Safeguarding reports and reports from visits undertaken by Councillors to children's social work teams ('Recommendation 41' visits).

During 2015-16 a Call-In Sub-Committee was also created. This committee met on two occasions in 2015-16 and received reports on board of director arrangements for Brio and 20 mph speed limits for Borough wide delivery.

The Health and Wellbeing Scrutiny Sub-Committee met on four occasions and received reports including those related to Adult Safeguarding reports, Care Act implementation progress report, Healthwatch Annual Report 2014-15, North West Ambulance Service local performance and Public Health reports.

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 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 was established under the Council's constitution with effect from 1 April 2015. The Board is comprised of two Employer (including one Cheshire West & Chester nominated Councillor) and two Member representatives, and one independent chair (non-voting). 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 Local Government Pension Scheme. 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 twice a year and its previous role was to review the administration function's performance against service levels and provide an employer perspective to pension issues. With the introduction of the Local Pension Board the terms of reference for the PCF have been reconstituted. The Forum's new role is 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 reconstituted PCF will hold its first meeting in the summer of 2016.

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 2015-16, which equated to 67 audits, 28 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, 150 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 2015. The external auditor reported an unqualified opinion on the Council's annual accounts for 2014-15, and concluded that the Council has adequate arrangements to secure value for money. The report noted that the Council continued to demonstrate good financial performance despite the financial and demographic pressures facing Local Authorities. The Annual Audit Letter was presented to Audit & Governance Committee in January 2016.

The Authority is subject to external audit and services are subject to inspection from national regulators such as Ofsted and the Care Quality Commission. During 2015-16 the Council was inspected under Ofsted's Single Inspection Framework (SIF) – a Statutory Inspection of Services for children in need of help and protection, children looked after and care leavers and the review of the Local Safeguarding Children's Board in Cheshire West & Chester Council. The Council's Children's Services have been rated by Ofsted as 'Good' overall, with two outstanding features for 'Management, Leadership and Governance' and 'Adoption performance'. Ofsted have made five recommendations to improve services even further; an action plan has been prepared to address those recommendations. The outcome of the Ofsted SIF Inspection for Cheshire West & Chester Council represents a highly successful improvement journey; this was achieved through a true partnership approach between the Council's Members, Officers and our Partners in the Police, Health Services, Schools and the Voluntary, Community and Charitable Sector.

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 2016-17 through the action plan (pages 24-29).

- Better Care Fund
- Deprivation of Liberty Safeguards (DOLS)
- Information Governance
- Special Educational Needs legislation
- Exposure to financial risk from major projects
- Closure of CoSocius Ltd and reversion to delivery 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

Date 28 July 2016

Gerald Meehan
Chief Executive

Date 28 July 2016

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 Finance
Date 13 September 2016

Significant Governance Issues 2015-16

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 2015-16 including: • A robust Section 75 agreement was agreed that included the rules that monitor the movement of resources and performance reporting across the BCF and govern the specific schemes funded through the BCF. This agreement also included dedicated schedules on risk sharing, and the use of over / underspends. • A BCF Steering Group was established containing Officers from across partners to work on the development and oversight of plans. This ensured that the appropriate Finance, Legal and Commissioning Officers from across partners have been engaged as necessary throughout. • Oversight from the Health and Wellbeing Board was established by having the BCF as a standing item presented at both formal and informal meetings of the Board. • Internal Audit conducted a full review of the risks and processes attached to the BCF, revisiting the schemes in 2015-16 to review finance and performance information. Further actions completed for 2016-17 planning include the following: • Health and Wellbeing Board have approved the 2016-17 plan, with reviewed schemes and additional pooling contributions from partners. The updated plan was completed in line with lessons learnt from 2015-16 and following a review of performance. • Appropriate links developed with System Resilience Groups for the development of Delayed Transfer of Care Action Plans. • Further development and refinement of S75 Agreement is ongoing to reflect

Issue	Action
	the approved 2016-17 BCF plan, to be in place by 30 June. **Internal Audit will be undertaking work in this area in 2016-17.**
2. <u>Deprivation of Liberty Safeguards (DOLS)</u> 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	The Council set out a "prioritised approach" for dealing with the enormous increase in DOLS assessments in 2014-15, this involved assessing the most urgent cases first based on criteria devised by the multi-agency DOLS Working Group and agreed by the Local Safeguarding Adults Board. This ensured that resources were targeted at the service users most at risk and is in line with the person centred approach advocated by the Department Of Health. The Council assessed all identified priority cases in 2014-15 and 2015-16. Alongside this the Council has identified the cases, separate from DOLS, which require referral to the Court Of Protection. As a result of this there has been investment in additional legal and social work resource to meet the statutory requirements in this area. This Court Of Protection work is ongoing. DOLS demand will continue to be managed through the DOLS Working Group, with the Court Of Protection cases being processed in the next 12 months. The arrangements for dealing with DOLS & 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 / DOLS Working Group. 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

Issue	Action
	finalised. **Internal audit will be undertaking further work in this area in 2016-17.**
3. <u>Information Governance</u> During 2014-15 the Council invited the Information Commissioner's Office (ICO) to undertake a review of the Council's procedures around data protection, in particular data protection governance, records management and data sharing. The Council was awarded a score of 'limited assurance' for each of the areas reviewed and a significant number of recommendations were made by the ICO. The ICO report recognised the positive direction of travel by the Council in establishing an Information Governance team and a broader remit for the Information Governance Strategy Group. However, it also recognised challenges in the management of information risk; improving the controls around data sharing; consistency of incident management; performance indicators and physical security over some records and equipment disposal. Work continues on the ICO Audit action plan in 2016-17, including completing the framework to support Data Protection activities, and continuing to develop the data protection awareness and compliance of all Council Officers. The main challenge for 2016-17 will be preparing the Council for the new General Data Protection Regulation (GDPR) which the European Commission intends to strengthen and unify data protection for individuals. When the GDPR takes effect it will replace the current data protection legislation from 1995. The EU Council and the Parliament both adopted the regulation in April 2016, and it will take effect after a two-year transition period. The Council will need to prepare its policies and procedures in line with the new regulations.	Following on from the ICO audit, an action plan was produced by the Information Governance team and progress is monitored against this and reported to Information Governance Strategy Group. Good progress continues on the 55 recommended actions from the ICO audit, with 67% of actions completed in 2015-16, with the remainder in progress and activities well under way. Information Asset Owners (IAO) have been identified and trained on their roles and responsibilities in order to identify, monitor and manage information risks and the Information Asset Register now contains all supported information technology systems. Phase 2 will include all paper record assets being assigned to IAOs. Information Asset Administrators will be identified and trained in 2016-17. An assurance statement on information governance is planned for 2016-17 in line with the developing information risk registers. Internal Audit undertook three reviews around information management during 2015-16. In each case management actions have been agreed and action plans are in place.

Issue	Action
4. Special Educational Needs (SEN) legislation The government introduced significant reforms to the arrangements for children with Special Educational Needs (SEN) from 1st September 2014. This included a new statutory 'Code of Practice for Special Educational Needs and Disability: 0 to 25 years'. This 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.	The Council is making progress to bring the staffing complement in this area up to full capacity and is looking to put in some short term additional capacity, using the SEN Implementation Grant, in order to ensure the required timeline is met. Remedial action has been put in place and the completion rate is improving. **Internal Audit will follow up progress in implementing this action in 2016-17.**

Issue	Action
5. <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 quarterly. • Major Changes Executive Group meets every two months.	The significant capital projects highlighted continue to be managed in-house with monitoring arrangements in place by relevant Officer groups and reported to Members. Internal Audit has undertaken a review of the project governance and management arrangements for these projects and the Council will be seeking to apply lessons learnt to other projects in 2016-17. **Internal audit will be undertaking further work in this area during 2016-17.**
6. <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	At the meeting in October 2015, the Shared Services Joint Committee agreed the following: • The active operation of CoSocius as a standalone and commercially focussed company would cease as of 1 April 2016; • Each Council's operating agreements with CoSocius would be terminated as of 31 March 2016; • ICT and HR & Finance shared services would revert back to being delivered as in-house shared services with planned operational transfers of contracts and staff effective on 1 April 2016:

Cheshire West and Chester

Issue	Action
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.	◦ Delivery of Transactional Services (HR / Payroll, Payments, Income, Finance and Reporting) to be delivered as an in-house shared service hosted by Cheshire West & Chester Council; ◦ Delivery of ICT Services (Core ICT, Application Support, ICT Projects) to be delivered as an in-house shared service, hosted by Cheshire East Council. • A 6 month 'Transition' period, during which the two shared services will implement actions to address financial pressures and restructure operations to achieve agreed Target Operating Models for service delivery; and • This delivery model for a sequential period of up to 18 months, during which time a further review will be undertaken to determine the most appropriate arrangements for delivery of these services to the Council. The services were successfully transferred back to the two Councils from CoSocius on 1 April with no significant disruption to the service delivery. Progress on the transfer of services in house will be reported to the Joint Officers Board during 2016-17.

Issues raised in the previous Annual Governance Statement (2014-15) that have been resolved
(Action has been taken and / or the issue is no longer significant)

Issue	Action
1. **Care Act 2014** The Care Act 2014 builds on recent reviews and reforms, replacing numerous previous laws, to provide a coherent approach to adult social care in England. Part one of the Act (and its Statutory Guidance) consolidates and modernises the framework of care and support law; it sets out new duties for local authorities and partners, and new rights for service users and carers. Part one of the Act (social care reforms) came into effect from 1 April 2015. The reforms include a new emphasis on wellbeing which underpins the Act; additional responsibilities for prevention; and requirements for the Council to provide information, advice and advocacy. National eligibility criteria have been established and local authorities are required to offer Deferred Payment Agreements to allow persons to defer the sale of their home where it is needed to fund care fees. Funding reforms were due to be introduced from 2016-17, including introducing a cap on care costs to limit the amount people have to pay towards their eligible care and support. There was also due to be an extension to means-tested financial support in conjunction with the cap to ensure that people retain more of their assets, and that more people would receive help with the costs of their care from the State. However, following concerns from councils and other stakeholders - primarily that these changes were unaffordable at a time when there are already great pressures on social care budgets and implementation timescales were too short considering their complexity - the 2016-17 funding reforms have now been deferred until 2020. The latest Care Act Stocktake (Nov 2015) only took account of the Phase 1 changes (social care reforms) and not Phase 2 (funding reforms). However, headline findings were that councils - including Cheshire West & Chester	A range of appropriate actions have been taken to ensure that the Council is able to implement the reforms, and will continue in 2016-17: • A Care Act Programme Board has been tasked with overseeing the implementation of the Care Act. • The Council has embedded the new national eligibility criteria for local residents; introduced a new Care Act compliant needs assessment and RAS (Resource Allocation System) to provide an indicative personal budget; launched a new Local Offer website in response to the requirement to provide information and advice to all; redrafted Direct Payment and Deferred Payments Policies, which will go out for public consultation in the summer; put strategies and procedures in place to deal with a number of new safeguarding risk areas introduced in the Guidance, such as self-neglect and domestic abuse; and updated broader Safeguarding Policies and Procedures to ensure that they are also Care Act compliant. • Regular progress updates are taken to Corporate Leadership Team, Health & Wellbeing Board and Local Safeguarding Adults Board. • The Council is part of a network of councils sharing best practice and learning from the implementation of the Care Act. The Council also participates in quarterly stocktakes undertaken by the Department of Health which assess the readiness of councils to implement the reforms and flag risks / issues where further support is required. • Regular monitoring and quarterly reporting on the impact of the Care Act both in terms of cost and increased demand are being submitted to the Department of Health. Internally, as part of a review of management information, Officers will look to produce monthly demand information that will enable the Council to see the effects of

<table>
<tr><th>Issue</th><th>Action</th></tr>
<tr><td>Council - were broadly confident that implementation was affordable (a view that would be expected to remain in 2016-17 given the Phase 2 deferral) but the living wage was a key concern. Overall, Cheshire West & Chester Council reported that it was currently on track to embed all of the necessary changes resulting from the Care Act - but we await developments in respect of Phase 2 and will implement strategies to address any resulting challenges.</td><td>the Care Act on a more regular basis.
• The Council has been taking part in regional and national cost modelling exercises to understand the potential costs of the reforms.

However, as the Dilnot (Part 2) reforms were postponed until 2020, the need for cost modelling exercises on a regional or national basis is not there at present and any unfinished exercises were ceased. As more becomes clear in the lead up to 2020, there will be an expectation that the Council will want to conduct these internally for its own planning; and as part of a larger scale effort to understand the impacts on councils, providers and social care users.

Delayed implementation date until 2020 means that this issue is not considered significant at this time.</td></tr>
<tr><td>2. <u>Public Contracts Regulations 2015</u>

The new Public Contracts Regulations 2015 came into force on 26 February 2015. The intention of the new regulations is to simplify EU procurement rules to make public procurement faster and less costly for suppliers.

The new regulations apply for all procurements commenced on or after 26 February 2015 and replace the Public Contracts Regulations 2006 (as amended 2009). A number of changes needed to be made to the Council’s procurement procedures as a result of these regulations, including publication of all procurement documentation at the time of the initial advert including in the government’s ‘Contracts Finder’ database. Procurements need to be divided into smaller lots to encourage smaller suppliers and new reporting requirements have been introduced to improve traceability, transparency and prevent corruption and fraud.</td><td>To ensure compliance with the new regulations and continue the Council’s excellent record of procurement best practice the Council has undertaken the following actions in 2015-16:
• The Finance and Contracts Procedure Rules have been redrafted to reflect the new regulations. Training has been provided on the new rules to Officers and the procurement intranet site has been updated.
• Standard procurement documents and processes have been modernised. ‘Contracts Finder’ guidance has been produced to ensure expressions of interest and awards notices are correctly published. Various policies have been updated including the Council’s policy on encouraging SME participation and social value.
• Standard terms and conditions have been updated to reflect the requirements of the new regulations.
• Legal and Procurement have also been supporting the Council’s family of companies in training their staff and updating their own policies and</td></tr>
</table>

Issue	Action
	procedures to ensure compliance and best practice. In 2016-17 training opportunities will also be made available to Members. **Issue resolved.**
3. <u>Alternative Delivery Vehicles – client role</u> Cheshire West & Chester Council has established a number of Alternative Delivery Vehicles (ADVs) to provide services either back to the Council or to the public. There is also a desire to enable collaboration / partnership working, which resulted in a further joint venture company being commissioned during 2014-15 via a procurement process. This process continued through to 2015-16 with the establishment of CoWest (trading as Qwest) and Edsential in partnership with Engie, formerly Cofely, and Wirral Borough Council respectively. With the set-up of the ADVs the challenge to the Council is to become an effective client manager. Clear and consistent governance arrangements must be in place to assess the delivery of ADVs and whether they are meeting client needs and providing value for money to the Council	The Council operated a governance structure during 2015-16 whereby the Council's Shareholder representative (portfolio holder for Finance and Legal) was supported and advised by Officers with a specific remit to ensure the ADVs are delivering on their intended purpose. This framework involves regular reviews and scrutiny of each company and provides the opportunity to challenge and shape each company's business plans and priorities. Each company's overall performance and business plans are subject to formal scrutiny from the Overview and Scrutiny Committee. The Council is taking steps to ensure that each ADV has a Board with the appropriate skills to help it succeed and is strengthening those Boards where necessary. Where the ADV structure is no longer appropriate, as was the case for CoSocius, the Council has acted promptly to implement alternative solutions. The shareholder role is distinct from the Council's established contract management function which is the mechanism through which it ensures it is receiving value for money from any services commissioned through the ADVs. These bodies are subject to the same level of challenge and monitoring as would be applied to any other major contracts. **Issue resolved.**

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

We have audited the financial statements of Cheshire West and Chester Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Group and Authority Movement in Reserves Statements, the Group and Authority Comprehensive Income and Expenditure Statements, the Group and Authority Balance Sheets, the Group and Authority Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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 Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the 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 2015/16, 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 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 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 2016 and of the Authority's and Group's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the Group 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: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

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

We are required under Section 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 to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, 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 these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 to secure value for money through economic, efficient and effective use of its 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 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

Robin Baker

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

Royal Liver Building
Liverpool
L3 1PS

14 September 2016

Movement in Reserves Statement for the year ended 31 March 2016

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

Cheshire West and Chester

2014-15 Comparative figures

Cheshire West and Chester Council 2014-15	General Fund Balance £000	Sums held by Schools £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	HRA Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2014 (Re-stated)	**21,265**	**9,150**	**54,198**	**725**	**11,796**	**2,008**	**9,266**	**108,408**	**375,408**	**483,816**
Surplus or (deficit) on provision of services (accounting basis)	14,605	0	0	7,482	0	0	0	**22,087**	0	**22,087**
Other Comprehensive Expenditure and Income (Note 12)	0	0	0	0	0	0	0	**0**	2,403	**2,403**
Total Comprehensive Expenditure and Income	**14,605**	**0**	**0**	**7,482**	**0**	**0**	**0**	**22,087**	**2,403**	**24,490**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(25,836)	0	0	(7,413)	5,199	(1,584)	(483)	**(30,117)**	30,117	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**(11,231)**	**0**	**0**	**69**	**5,199**	**(1,584)**	**(483)**	**(8,030)**	**32,520**	**24,490**
Transfers to / from Earmarked Reserves (Note 8)	11,723	(1,998)	(9,656)	(69)	0	0	0	**0**	0	**0**
Increase / (Decrease) in Year	**492**	**(1,998)**	**(9,656)**	**0**	**5,199**	**(1,584)**	**(483)**	**(8,030)**	**32,520**	**24,490**
Balance at 31 March 2015	**21,757**	**7,152**	**44,542**	**725**	**16,995**	**424**	**8,783**	**100,378**	**407,928**	**508,306**

The 2013-14 balances brought forward were re-stated in the 2014-15 statement of accounts to reflect changes to the accounting treatment of specific school non-current assets.

Comprehensive Income and Expenditure Statement for the year ended 31 March 2016

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

	2015-16			2014-15
	Expenditure £000	Income £000	Net £000	Net £000
Central Service to the Public	5,917	-3,331	2,586	2,846
Children's & Education Services	301,498	-242,194	59,304	57,262
Adult Social care	116,188	-34,728	81,460	88,448
Cultural & Related Services	24,278	-2,590	21,688	21,073
Environmental & Regulatory Services	34,642	-4,745	29,897	32,688
Planning Services	20,615	-9,205	11,410	14,334
Highways & Transport Services	37,639	-9,813	27,826	29,900
Public Health	16,725	-15,089	1,636	207
Housing Services	122,965	-120,300	2,665	7,085
Corporate & Democratic Core	5,774	-83	5,691	5,949
Non-distributed Costs	1,440	-5,438	-3,998	-1,838
Cost of Services	**687,681**	**-447,516**	**240,165**	**257,954**
Other Operating Income & Expenditure (Note 9)	18,810	-4,209	14,601	672
Financing & Investment Income and Expenditure (Note 10)	37,394	-19,714	17,680	24,934
Taxation & Non-Specific Grant Income & Expenditure (Note 11)	26,840	-317,963	-291,123	-305,647
Surplus on Provision of Services	**770,725**	**-789,402**	**-18,677**	**-22,087**
Surplus on Revaluation of Assets			-45,431	-63,656
Re-measurement Gain/-loss on pension assets/liabilities			-167,995	61,253
Other Comprehensive Income & Expenditure (Note 12)			**-213,426**	**-2,403**
Total Comprehensive Income and Expenditure			**-232,103**	**-24,490**

The full breakdown of the 2014-15 comparative expenditure and income is included in Note 49.

Cheshire West and Chester

Balance Sheet as at 31 March 2016

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 2016 £000	31 March 2015 £000
Non-Current Assets			
- Property, Plant and Equipment	13	1,096,353	1,013,619
- Heritage Assets	14	72,668	72,439
- Investment Properties	15	131,087	124,982
- Intangible Assets		421	537
Long Term Investments	17	350	448
Long Term Debtors	18	2,907	4,865
Long Term Assets		**1,303,786**	**1,216,890**
Short Term Investments	17	45,005	30,000
Assets held for Sale	16	1,902	49
Current Intangible Assets		51	27
Inventories		190	348
Short Term Debtors	18	47,853	51,000
Cash and Cash Equivalents	19	27,986	62,670
Current Assets		**122,987**	**144,094**
Short Term Borrowing	17	-17,497	-13,745
Short Term Creditors	20	-95,146	-97,451
Provisions < 1 yr	21	-1,311	-3,266
Current Liabilities		**-113,954**	**-114,462**
Provisions	21	-14,123	-14,919
Long Term Borrowing	17	-287,513	-297,971
Pension Fund Liability	43	-226,881	-379,524
Other Long Term Liabilities	17	-33,505	-35,814
Capital Grant Receipts in Advance	34	-10,388	-9,988
Long Term Liabilities		**-572,410**	**-738,216**
Net Assets		**740,409**	**508,306**
Usable Reserves	22	125,749	100,378
Unusable Reserves	23	614,660	407,928
Total Reserves		**740,409**	**508,306**

Cash Flow Statement

for the year ended 31 March 2016

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 2016 £000	31 March 2015 £000
Net surplus or deficit on the provision of services	-18,677	-22,087
Adjust net surplus or deficit on the provision of services for non cash movements	-69,328	-75,931
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	48,200	72,648
Net cash flows from Operating Activities	**-39,805**	**-25,370**
Investing Activities	67,738	43,923
Financing Activities	6,751	6,325
Net decrease in cash and cash equivalents	**34,684**	**24,878**
Cash and cash equivalents at the beginning of the reporting	62,670	87,548
Cash and cash equivalents at the end of the reporting period	27,986	62,670
Net decrease in cash and cash equivalents	**34,684**	**24,878**

Further details are disclosed in Notes 24, 25 and 26 of the supporting information.

Notes to the core financial statements

1. Significant Accounting policies

General principles

The Statement of Accounts summarises the Council's transactions for the 2015-16 financial year and its position at the year end of 31 March 2016. 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.

There have been significant changes to the existing accounting policies during 2015-16 due to the introduction of IFRS 13 Fair Value Measurement. The standard has been applied prospectively meaning there has been no restatement of the Council or Group accounts. IFRS 13 represents a significant change to those assets and liabilities that are to be measured at fair value and additional disclosures have been included in the statement of accounts to reflect these changes.

There have been changes to the Code of Practice for 2015-16 with regard to improving existing disclosures but none of these have a significant impact on accounting policies or the financial statements.

Accruals of income and expenditure

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

In particular:

- Sales, fees, charges and rent due from customers are accounted for as income at the date the Council supplies the relevant goods and services;
- Supplies are recorded as expenditure when they are consumed, where there is a gap between their purchase and consumption they are carried as inventory on the balance sheet;

- Interest payable on borrowing and receivable on investments is accounted for on the basis of effective interest rate for the relevant financial instrument rather than the cash flows determined by the contract.
- Where income or expenditure has been recognised in the Accounts but cash has not yet been paid a debtor or creditor for the relevant amount is included in the Balance Sheet. Where settlement of outstanding debtors is doubtful, a debt provision is created and a charge is made to the income and expenditure account 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 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 2015-16 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/levy 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 has 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 and some debtors. Generally the following are classified as current Cash and cash equivalents, inventories, assets held for sale, short term investments, short term borrowing and some 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) and councillors, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The scheme is known as the Cheshire Pension Fund and is administered by Cheshire West and Chester Council, in accordance with Pensions Regulations 2008 on behalf of all participating employers.

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

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

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

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

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

B) Past service cost and curtailments – changes arising from current year decisions which affect the value of service earned in earlier years. Curtailments are additional employer liabilities incurred when a member stops contributing to the scheme earlier than expected, e.g. following redundancy, but without a reduced pension;

C) Gains/Losses on settlements – the result of actions that change the scope of the Council's future pension liability, for example a group of staff transferring to a different employer;

D) Net Interest – difference between the increase in the present value of liabilities as they move a year closer to payment and the expected return on investments over the same period;

E) Remeasurements – the impact of changes to the assumptions underpinning the actuarial estimates of the value of assets and liabilities. These could be due to changes in assumed mortality rates, discount rates, inflation or because the actual level of investment returns is different from the long term averages assumed under D;

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

Components A-D are charged to the Comprehensive Income and Expenditure Statement in year (as detailed in Note 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 and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable in the year.

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

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 11).

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

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

Group Accounts

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 the of 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. The properties are subject to valuations to determine their fair value as part of a five yearly cycle.

  The Council also holds a number of sites related to its Roman heritage which are managed and maintained for their contribution to heritage and tourism. These include sites such as sections of the Chester Walls. As these assets have no comparable market value, they are valued based on the historic costs of the works the Council has undertaken to maintain or improve their appearance and function.

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

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

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

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

Where there are no meaningful measures of the value of a heritage asset, or the cost of acquiring such a valuation would be disproportionate to the benefit of doing so, the existence of the asset will be disclosed in the supporting statements (Note 14).

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

c. Property, plant and equipment

These are tangible assets that have a physical substance and are held for operational reasons, i.e. in the production or supply of goods and services or for administrative purposes. This category excludes properties which are held solely for the purpose of generating a financial return (Investment 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

CIPFA introduced a new definition of current value in the 2015-16 Code of Practice requiring 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 Note 13 to these accounts.

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

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 10.

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

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

Charges to revenue for Non-current Assets

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

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

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

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
The costs of overheads and support services are allocated within the Net Cost of Services section of the Comprehensive Income and Expenditure Statement in accordance with the costing principles in the CIPFA Service Reporting Code of Practice (SeRCOP). The full cost of overheads and support services is shared between users in proportion to the benefits received with the exception of:

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

These two categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

Private Finance Initiatives (PFI) and service 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 8.

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

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

Revenue Expenditure funded by Capital under Statute (REFCUS)

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

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

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. Accounting Standards issued, but not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2015-16 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 2016.

- IAS 1 Presentation of Financial Statements
- Highways Network Assets
- Annual improvements to IFRS
    - IFRS11 Joint arrangements
    - IAS 16 Property Plant and Equipment
    - IAS 38 Intangible Assets
    - IAS 19 Employee Benefits

Some changes may need to be adopted retrospectively meaning that on adoption 2015-16 information included within these accounts could be restated in the 2016-17 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.

IAS 1 - Presentation of Financial Statements. The standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in a change to the format of the accounts in 2016-17. The format of the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement will change with the introduction of a new Expenditure and Funding Analysis to allow a direct reconciliation between Council budgets and the CIES.

Highways Network Assets based on the CIPFA Code of Practice on Transport Infrastructure Assets takes effect from 1 April 2016; the Code confirms there is no retrospective adjustment to the prior year accounts under an exceptional adaptation to IAS 1. The Code requires the assets to be recognised as a separate class of asset within Property, Plant and Equipment measured at depreciated replacement cost. This will comprise of multiple components or sub-categories i.e. carriageways, street lighting etc. Assets will be reclassified between infrastructure and the new Highways Network Asset categories; this will result in an increase in asset values in the balance sheet, increased depreciation and revaluation gain using depreciation replacement cost basis. The value of the assets is estimated to be £4.5bn.

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.

3. Critical Judgments in applying Accounting Policies

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

- **PFI Schemes**

  The Council has two live PFI contracts, one for provision of schools and one for extra care housing. It has determined that it substantially controls both the services provided from and the residual value of the assets used to deliver these contracts. Consequently, the assets relating to these contracts (£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 13 (PPE) and 39 (PFI).

  In addition the Council needs to consider the treatment of the income generating potential of these assets. Where the asset generates income an assumption needs to be made as to whether the income primarily funds operational running costs, repayment of initial capital or a combination of the two. In the case of the Council's PFI schemes it is assumed that third party income is primarily to support operating costs with all capital expenditure being funded from the PFI unitary payment the Council makes to the contractor. The impacts of this assumption are outlined in Note 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. A company formed in 2015 (CoWest Services Ltd) characteristics have been judged to be 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 those entities. 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 as Council assets (£5.6m at 31 March 2016) and the future contractual payments linked to the assets as a liability. Further details are set out within Note 38 (Leases).

- **Treatment of Schools**

The Council recognises land and building for 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 the schools (4 in total) in 2016-17 have applied to become Academies but no conversion date has been agreed.

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**	

Cheshire West and Chester

- **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 (£3.7m) they are omitted from the Council's balance sheet.

- **Treatment of Academies**

By 31 March 2016 twenty Academies had been created from schools which were formerly funded by Cheshire West and Chester Borough Council, this is an increase of one since March 2015. While the Council remains responsible for ensuring that the children attending these schools continue to receive a good quality education, it is no longer responsible for the operation of the Schools and does not provide direct funding.

All buildings that were formerly held by the Council have been leased over to the new Academies on long term leases for peppercorn rent; as such they have been removed from the Council's Non-Current Assets. The costs of this are shown as a loss on disposal in the CIES (Note 10). The transfer of assets to the Academy is recognised on the date that the Academy is formally created, not the date the school receives approval to become an Academy. Until the later date the school continues to be run by the Council and could choose to retain its current status. The number of schools that plan to transfer to Academy status in 2016-17 or later are disclosed in Note 13.

- **Categorisation of Assets**

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates take into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could materially differ from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2016 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 £8.6m being reduced from the Non-Current Assets value on the Balance Sheet. Should remaining asset lives fall by an average of 10%, then there would be a corresponding 11% increase in relevant annual depreciation charges, approx. £2.1m across operational and housing assets.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council is advised on the assumptions it makes by Hymans Robertson, a firm of professional actuaries. Assumptions are disclosed in Note 43 and reflect best advice on reasonable judgements at 31 March 2016.	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 £132m or a one year increase in pensioner lifespans £39m. 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 2016 the Council had a debtor's balance of £68m. A review of significant debtor balances has been undertaken and a debtors' impairment figure of £17.7m 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 £3.4m to the Council.

Item	Uncertainties	Effect if Results Differ from Assumptions
Business Rate Appeals	The 2015-16 Accounts include estimates of the potential costs that may arise as a result of appeals lodged against non-domestic rate charges by local organisations. A provision of £5.9m 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 Council uses market interest rates, as adjusted in, deriving the fair values of its loans with PWLB annually. It is possible if the loans were sold on the open market (which is what the fair value attempts to measure) these values could fluctuate. The adjustments made are underpinned by market information and well established modelling tools.	History indicates that PWLB loans are not sold on the open market due to the uniqueness. Furthermore they cannot be sold by the borrower without approval from the lender. If the fair value reported used were replaced with the PWLB new borrowing rate model the fair value would be £3.64m lower . If the fair value reported used were replaced with the PWLB early repayment rate model the fair value would be £35.464m higher.

5. Material Items of Income and Expense

Exceptional items are ones that fall within the ordinary activities of the Council but are material in terms of the Council's overall expenditure and not expected to recur frequently or regularly. Exceptional items are included on the face of the Comprehensive Income and Expenditure Statement (CIES) where it is felt that the costs are so significant as to warrant a separate disclosure. The Council had no exceptional items in 2015-16.

6. Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Councils S151 officer on 13 September 2016. 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 2016, 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.

7. Adjustments between accounting basis and funding basis under regulations

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

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**

2014-15	Usable reserves					Movement in Unusable reserves
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	£000
Adjustments 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)	10,643	185				-10,828
Council tax and NDR (transfers to/from the Collection Fund)	5,354					-5,354
Financial instruments (transferred to the Financial Instruments Adjustments Account)	10	2				-12
Holiday pay (transferred to the Accumulated Absences Account)	126					-126
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):						0
Depreciation of Non Current Assets	-29,846	-5,578				35,424
Impairment and Revaluation of Assets	-13,240	-1,460				14,700
Amortisation of Intangible Assets	-108					108
Movements in the fair value of investment properties	1,517					-1,517
Revenue expenditure funded from capital under statute	-4,117					4,117
Net assets written off to the CIES upon disposal or sale	-22,753	-859				23,612
Total Adjustments to Revenue Resources	**-52,414**	**-7,710**	**0**	**0**	**0**	**60,124**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	20,126	1,249	-21,375			0
Non-current asset disposal costs funded from the Capital Receipts Reserve	-146		159			-13
Statutory provision for the repayment of debt	16,715	61				-16,776
Posting of HRA resources from Revenue to the Major Repairs Reserve		13,813		-13,813		0
Payments to the government housing receipts pool (funded by a transfer from CRR)	-688		688			0
Capital expenditure charged against general fund	5,778					-5,778
Capital grants and contributions unapplied credited to the CIES	2,436				-2,436	0
Capital Grants and Contributions through the CIES	34,029					-34,029
Total Adjustments between Revenue and Capital resources	**78,250**	**15,123**	**-20,528**	**-13,813**	**-2,436**	**-56,596**
Adjustments to Capital Resources						
Use of Capital Receipts Reserve to finance capital expenditure			15,334			-15,334
Use of Major Repairs Reserve to finance capital expenditure				15,397		-15,397
Cash payments in relation to deferred capital receipts			-5			5
Application of capital grants to finance capital expenditure					2,919	-2,919
Total Adjustments to Capital Resources	**0**	**0**	**15,329**	**15,397**	**2,919**	**-33,645**
Total Adjustments	**25,836**	**7,413**	**-5,199**	**1,584**	**483**	**-30,117**

Cheshire West and Chester

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts transferred back from Earmarked Reserves to meet expenditure in 2015-16 and 2014-15.

Revenue Earmarked Reserves	Balance at 31 March 2014 £000	Transfers Out 2014-2015 £000	Transfers In 2014-2015 £000	Balance at 31 March 2015 £000	Transfers Out 2015-16 £000	Transfers In 2015-2016 £000	Balance at 31 March 2016 £000
Insurance Reserve	**2,653**	-251		**2,402**	-2,413	5,199	**5,188**
PFI Reserves	**4,927**		327	**5,254**		346	**5,600**
Revenue Grants	**11,749**	-1,768	1,393	**11,374**	-4,579	1,099	**7,894**
Developer Contributions Unapplied	**1,003**	-130		**873**	-156		**717**
Sums held by Resource Centre Manager	**3,717**	-3,717	2,046	**2,046**	-2,046	3,703	**3,703**
Childrens Services Improvements Reserve	**1,134**			**1,134**	-1,134		
Local Authority Elections Reserve	**348**		88	**436**	-357	121	**200**
Restructuring Reserve	**1,320**			**1,320**	-1,320		
Northgate Development	**397**	-42		**355**	-32		**323**
Northgate Property Revenue costs	**2,719**	-701	1,500	**3,518**	-577	168	**3,109**
Joint Property Running costs	**1,000**			**1,000**	-1,000		
Long Term Liabilities	**16,639**	-15,164	7,154	**8,629**	-2,635	13,738	**19,732**
Barons Quay	**859**	-65		**794**			**794**
Long Term Sickness	**105**		134	**239**	-27	128	**340**
Fluctuation in School Days	**60**		200	**260**			**260**
Make or Buy/SLE Reserve	**1,347**	-585		**762**	-654		**108**
Care Act Reserve						987	**987**
Delivering Council Priority Outcomes						3,000	**3,000**
Invest to Save						2,000	**2,000**
New Ways of Working						1,000	**1,000**
Collection Fund Deficit Reserve						1,725	**1,725**
Community Benefits	**381**		277	**658**	-7	376	**1,027**
Mersey Forest	**321**	-67		**254**		34	**288**
HRA Pensions Reserve	**119**		69	**188**		69	**257**
Deprivation of Liberty Safeguarding	**1,000**	-594		**406**		354	**760**
Children on the Edge of Care			500	**500**	-173		**327**
Energy Efficiencies			500	**500**	-145		**355**
CoSocius Transition						250	**250**
Other Reserves and Balances	**2,400**	-1,439	679	**1,640**	-261	1,118	**2,497**
Total	**54,198**	-24,523	14,867	**44,542**	-17,516	35,415	**62,441**

Significant movements include:

- Creation of three new reserves totalling £6m which will help deliver Council Priority Outcomes, Invest to Save Schemes and New Ways of Working.
- These new reserves were part funded by releasing three reserves that were deemed to have fulfilled their purpose including the Restructuring Reserve (£1.3m), Children's Services Improvement (£1.1m) and Joint Property Running costs (£1m) with the balance met by releasing £0.6m from the Make or Buy Reserve.

- A net contribution of £11m to the Long Term Liabilities Reserve. £8m relates to the planned reimbursement following the utilisation of this reserve in 2014-15 to fund the upfront Pension Deficit payment. A further £3m relates to Capital Financing underspend.
- A net contribution to Insurance Reserves of £2.9m. Funds of £1.5m were set aside to fund potential future levies payable from the Cheshire County Council Insurance Fund in relation to Municipal Mutual Insurance. A further £0.26m was also set aside to meet the costs of an increase in insurance premiums in 2016-17. This is in addition to the release of £1m Insurance provision back to the reserve to meet the cost of future claims.

9. Other operating income and expenditure

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

	2015-16 £000	2014-15 £000
Loss / (Gain) on disposal of Non-current assets	6,591	-2,792
Parish Precepts	2,613	2,483
Levies	299	293
Contribution of Housing Capital Receipts to National Pool	628	688
Impairment of Working Capital Loan for CoSocius Limited	1,575	0
Cheshire West and Chester Share of CoSosius Limited Pension Guarantee	2,635	0
Other income and expenditure	260	0
	14,601	**672**

10. Financing and investment income and expenditure

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

	2015-16 £000	2014-15 £000
Interest payable and similar charges	13,252	14,150
Net interest on pension assets and liabilities	12,148	13,503
Interest receivable and similar income	-1,251	-683
Loss on disposal of interest in Academy Schools	1,770	4,689
Income and expenditure in relation to investment properties and changes in their fair value	-8,512	-6,526
Trading Accounts not related to Services	273	-199
	17,680	**24,934**

11. Taxation and non-specific grant income and expenditure

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

	2015-16 £000	2014-15 £000
Income:		
Council Tax	-149,083	-146,202
Non Domestic Rates	-75,238	-76,083
Revenue Support Grant	-44,213	-57,590
Capital Grants and Contributions	-35,201	-40,680
PFI Grants	-3,039	-3,039
Local Services Support Grant	-334	-407
Council Tax Freeze Grant	-1,599	-1,581
New Homes Bonus	-5,425	-3,967
S31 Business Rates Relief Grants	-3,403	-2,726
Other Grants	-428	-371
Expenditure:		
Non Domestic Rates - Tariff and Levy Payment	26,840	26,999
	-291,123	**-305,647**

12. Other Comprehensive Income and Expenditure (CIES)

The Other Comprehensive Income and Expenditure section of the CIES recognises increases and decreases to the value of assets and liabilities which have yet to be realised by the Council. As these gains and losses were unrealised at 31 March 2016 they are not reflected against the Council’s usable reserves at this point and are held separately in unusable reserves as described in Note 23.

	2015-16 £000	2014-15 £000
Property Revaluation (Gains)	-45,431	-63,656
Pension Deficit Remeasurement Losses/ (Gains)	-167,995	61,253
	-213,426	**-2,403**

- 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 2015-16 reflects an increase of the Financial Assumptions of the Actuary.

13. Property, plant and equipment

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 Con-struction £000	Total
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
Derecognition - Other	0	0	0	0	0	0	0	0
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
Other Movements	0	0	0	0	0	0	0	0
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
Derecognition - Other	0	0	0	0	0	0	0	0
Re-classification of assets	0	0	0	0	0	0	0	0
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**

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 2015-16 include £1.6m of assets which are held in partnership with Cheshire East Borough Council. The Council will ultimately need to buy out the Cheshire East Borough Council interest in these assets so an offsetting long term liability of £0.8m is included in the Balance Sheet.

Movements in 2014-15	NON- CURRENT ASSETS							
	Council Houses £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Con-struction £000	Total £000
Valuation at 31 March 2014	143,825	497,059	79,123	318,331	15,657	4,900	18,836	1,077,731
Additions	14,984	10,660	7,231	27,831	408	250	41,458	102,822
Revaluation Gain/Loss to RR	-8,846	56,289	0	0	0	0	0	47,443
Reval/Impair Losses to SDPS	-1,460	-21,692	0	0	0	0	0	-23,152
Derecognition - Disposals	-859	-10,651	-1,581	0	6	0	0	-13,085
Derecognition - Other	0	-1,577	0	0	0	0	0	-1,577
Re-classification of assets	0	-198	0	1,071	2,320	0	-3,193	0
Reclass to/from Investment	0	-233	0	0	0	0	0	-233
Value as at 31 March 2015	**147,644**	**529,657**	**84,773**	**347,233**	**18,391**	**5,150**	**57,101**	**1,189,949**
Depreciation								
At 31st March 2014	-72	-19,454	-45,406	-102,947	-73	0	0	-167,952
Charges for the year	-5,579	-8,810	-10,795	-9,720	0	0	0	-34,904
Revaluation Gain/Loss to RR	5,554	10,637	0	0	0	0	0	16,191
Reval/Impair Loss to SDPS	0	8,308	0	0	0	0	0	8,308
Derecognition - Disposals	0	251	1,104	0	0	0	0	1,355
Derecognition - Other	0	672	0	0	0	0	0	672
Re-classification of assets	0	93	0	-93	0	0	0	0
Accum Depn at 31 March 2015	-97	-8,303	-55,097	-112,760	-73	0	0	-176,330
Net Book Value at 31 March 2015	**147,547**	**521,354**	**29,676**	**234,473**	**18,318**	**5,150**	**57,101**	**1,013,619**
Net Book Value at 31 March 2014	143,753	477,605	33,717	215,384	15,584	4,900	18,836	909,779
Nature of Asset Holding								
Owned	147,547	496,224	21,748	234,473	18,318	5,150	57,101	980,561
PFI		25,130						25,130
Leased			7,928					7,928
Total	**147,547**	**521,354**	**29,676**	**234,473**	**18,318**	**5,150**	**57,101**	**1,013,619**

Treatment of School Assets

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

On the Balance Sheet

- All Community Schools (81 schools, £211m value) are recorded on the Councils balance sheet as assets. All schools are within the Council's control and located on Council owned/controlled land. This includes all five schools which were built under the Private Finance Initiative.

- All Foundation Schools (5 schools, £58m value) are on the Council's balance sheet. Although these schools have greater independence the Council still has a significant degree of influence over the Governing Body. All the schools are on sites which are either in Council or Governing Body ownership.

Cheshire West and Chester

- Those Voluntary Aided and Voluntary Controlled Schools which are located on Council owned land, or where the Council has the ability to ensure the land remains in educational use, are shown on the balance sheet (4 Schools, £20m). While the schools again have a degree of independence and the linked religious body has significant independence the Council still has a significant control over the school and these sites.

Off Balance Sheet

- The majority of Voluntary Aided and Voluntary Controlled Schools are not located on land which is owned or controlled by the Council and are in the ownership of local diocesan body. These bodies allow the Council to utilise the school buildings under the terms of a license which does not transfer any rights over future usage of the sites. This means the Council does not have long term control over the sites and they do not meet the criteria to be recognised as a Council asset. There are 48 schools in this category at 31 March 2016, had the Council recognised these schools it is estimated they would have held a value of approximately £69m.

- Academy Schools are run independently of the Council but still provide education services in Cheshire West. The schools are typically located on land owned by the Council but the Academies have been given long leases over that land to give them security of tenure. The school buildings themselves are owned by the Academy.

  There are 20 Academies in the Borough as at 31 March 2016 with 7 more scheduled to transfer in 2016-17. These Academies replace 22 former schools which were last valued at approximately £98m. The additional conversions anticipated to take place in 2016-17 would result in a further £14.9m of existing assets being derecognised from the Council's accounts.

  Where former school sites have been handed back to the Council following a relocation of the new Academy, as is the case in Ellesmere Port and Winsford, the sites are recorded at their ongoing value in their new planned usage, i.e. as an operational or surplus asset.

  The Council has classified the former high school site at Woodford Lodge, Winsford as a surplus asset with a value of £6m. A surplus asset would normally be valued on the same basis used when it was last an operational property but in this case the status of the site has changed to such an extent that to do so would be misleading. As the pupils from Woodford Lodge now attend another school and the educational restrictions on the potential usage of the site no longer apply, a valuation based on the market value of the land has been utilised.

Depreciation

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

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

Bases of valuations

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

The Council's Property Services section value the freehold and leasehold properties which make up the Council's portfolio. They are valued in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors (The Red Book). Valuations are undertaken to reflect asset values as at 31 March 2016.

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

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

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

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

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

	Council Dwellings £000	Operational Land and Buildings £000	Surplus Assets £000	Total PPE Assets £000
Valued at Historic Cost	152,179	411,366	5,294	568,839
Valued at Current Value in:				
- 2015-16	151,083	199,296	6,000	356,379
- 2014-15		249,594		249,594
- 2013-14		31,743		31,743
- 2012-13		34,733		34,733
- 2011-12		41,592		41,592
- 2010-11	1,096	29,393		30,489
Total	**152,179**	**586,351**	**6,000**	**744,530**

Effects of changes in methodologies and estimates

There have been no significant changes to the way in which the Council carries out valuations during 2015-16. New valuations are otherwise directly comparable to the approach taken in previous years and changes in those values reflect changes in the asset or the wider economic climate.

Significant commitments under capital contracts

The value of significant commitments under capital contracts, where amounts of £0.5m or more are contracted to be paid after 31 March 2016, totals £66.5m (£114.8m in March 2015). The decrease is due to the progression of a number of large projects such as Barons Quay, Highways Improvements and Chester Theatre, a number of smaller projects have also been completed during 2015-16 including Ellesmere Port Sports Village. A summary of the contracts where significant amounts are contracted to be pay after 31 March 2016 is summarised as follows:

Capital Project	Contract Total £000	Amount Paid to Date £000	Outstanding Balance £000
Chester Theatre	28,860	17,125	11,735
Barons Quay	48,632	28,083	20,549
Bus Interchange	9,438	2,053	7,385
Leicester St Roundabout	2,097	254	1,843
Maintenance of Public Highways	61,412	36,412	25,000
Total	**150,439**	**83,927**	**66,512**

14. Heritage assets

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	688	0	20	0	44	0	752
Value as at 31 March 2016	**57,537**	**1,951**	**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	**55,428**	**1,946**	**10,490**	**500**	**3,712**	**592**	**72,668**

Movements in 2014-15	Non-current Assets						
	Historic Buildings/ Memorials £000	Sites of Historic Interest £000	Museum Collections £000	Historic Archives £000	Fine Art/ Sculpture £000	Civic Regalia £000	Total £000
Certified Valuation at 31 March 2014	53,767	1,895	10,362	500	3,668	592	70,784
Additions	3,114	56	103				3,273
Disposals	-32		-17				-49
Revaluation Gains			22				22
Value as at 31 March 2015	**56,849**	**1,951**	**10,470**	**500**	**3,668**	**592**	**74,030**
Depreciation							
At 31st March 2014	-1,082	-5	0	0	0	0	-1,087
Charges for the year	-520						-520
Disposals	16						16
Accumulated Depn at 31 March 2015	**-1,586**	**-5**	**0**	**0**	**0**	**0**	**-1,591**
Net Book Value at 31 March 2015	**55,263**	**1,946**	**10,470**	**500**	**3,668**	**592**	**72,439**

Public access to assets

All items with the exception of the civic regalia are open to be viewed by the public. For details of the availability or opening times of the various buildings and exhibits please refer to the Cheshire West and Chester Council website.

Historic buildings

The Council's Historic Buildings are currently held at Fair Value based on Depreciated Replacement Cost, these valuations are carried out in line with the processes set out for operational assets in Note 13. The category includes Chester Town Hall, St Marys Church in Chester and the Council's museum buildings. Museum buildings have been included as they are considered to be intrinsic to the cultural experience offered rather than just housing the collections. These buildings are valued on a 5 yearly cycle to ensure values remain current.

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

In almost all cases these assets have been in place for years and there are no records of the original costs or in many cases clear records of ownership. The Council takes responsibility for maintenance and safeguarding most of these assets in the absence of other records to prove ownership. As the nature of these assets means they do not have a material financial value as anything other than their current usage, the only value reflected within the Heritage Asset category reflects the expenditure incurred in 2015-16 restoring a number of these monuments to appropriate condition. Otherwise these assets are considered to hold negligible financial value.

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

Museum collections
The Council holds collections across its museum buildings that reflect the heritage and history of the local area. The largest collection is held in the Grosvenor Museum which has exhibits of artefacts relating to the social and natural history of the Chester area as well as archaeological items, artwork and decorative items. This collection has a particular focus on the city's Roman heritage. The collection at Weaver Hall Museum focus on artefacts linked to the history of the salt industry and related processes in the Winsford area.

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

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

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

Fine art/sculpture
The Council holds a number of pieces of artwork throughout its civic buildings; these include paintings, sculptures and busts of individuals where the artist or subject has a link to the Cheshire West and Chester. The valuation also includes items of public art such as the statue on the roundabout at the junction of the M53 and Station Road in Ellesmere Port. All items are held at insurance valuations which are reviewed annually.

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

15. Investment properties

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

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

Investment Asset Expenditure and Income	2015-16 £000	2014-15 £000
Rental Income from Investment Property	-7,277	-8,117
Direct Expenditure Arising from Properties	2,275	1,934
Net Cost/(Income) in the Year	**-5,002**	**-6,183**

The movements in the value of investment properties during 2015-16 are analysed below.

Investment Assets - Movements in Year	2015-16 £000	2014-15 £000
Balance at Start of Year	124,982	131,091
Additions		
- Acquisitions	541	0
- Subsequent Expenditure	0	8
Disposals		
- Outright Disposals	-806	-7,867
Impairments	-11	0
Fair Value Adjustments		
- Increases in Fair Value	11,348	7,709
- Decreases in Fair Value	-7,529	-6,192
Transfers to or from other asset categories	2,562	233
Value as at 31 March	**131,087**	**124,982**

Where Investment Properties meet the criteria that would mean they are Assets Held for Sale they may be shown alongside their property, plant and equipment equivalents, as at 31 March 2016 two such asset exists which are held at a combined value of £1,549k.

Details of investment properties and information about the fair values hierarchy as at 31 March 2016 are as follows:-

2015-16	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair Value as at 31 Mar 2016
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Recurring fair value measurement using:				
Residential properties	0	338	0	338
Commercial units	0	75,021	0	75,021
Industrial units	0	37,429	0	37,429
Land (including car parks)	0	17,429	0	17,429
Other	0	870	0	870
Total	**0**	**131,087**	**0**	**131,087**

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 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 as at 31 March 2016 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.

16. Assets Held for Sale

The balance of Assets Held for Sale has increased by £1.8m during 2015-16. This is due to assets being reclassified from Property, Plant & Equipment and Investment Properties. The assets that reclassified are currently being marketed and expected to sell within the next 12 months.

	2015-16 £000	2014-15 £000
Balance as at 1st April 2015	49	3,247
Assets Transferred into Assets Held for Sale:		
Property, Plant and Equipment	192	193
Investment Assets	1,500	0
Additions	232	
Assets sold	-71	-3,391
Balance at end of the year	**1,902**	**49**

17. 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 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Assets				
Loans and receivables				
Investments identified on the balance sheet	350	448	45,005	30,000
Debtors identified on the balance sheet	2,907	4,865	47,853	51,000
Less: classes of debtor not recognised as financial instruments	0	0	-13,149	-16,282
Plus: cash and cash equivalents identified on the balance sheet	0	0	27,986	62,670
Total Loans and Receivables	**3,257**	**5,313**	**107,695**	**127,388**
Liabilities				
Financial liabilities at amortised cost				
Borrowing identified on the balance sheet	-287,513	-297,971	-17,497	-13,745
Other long term liabilities identified on the balance sheet				
PFI Schemes	-28,465	-29,074		0
Finance Leases	-4,261	-5,947		0
Other	-779	-793		0
	-33,505	-35,814	0	0
Short term liabilities held at amortised cost				
PFI Schemes		0	-609	-876
Finance Leases		0	-1,998	-2,367
	0	0	-2,607	-3,243
Total Financial Liabilities at Amortised Cost	**-321,018**	**-333,785**	**-20,104**	**-16,988**
Financial liabilities carried at contract amount				
Creditors identified on the balance sheet		0	-95,146	-97,451
Less: classes of creditor not recognised as financial instruments or held at amortised cost		0	29,458	26,617
Total Financial Liabilities Carried at Contract Amount	**0**	**0**	**-65,688**	**-70,834**

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:

	2015-16		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
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**

	2014-15		
Interest expense	14,150		14,150
Total expense in SDPS	**14,150**	**0**	**14,150**
Interest income		-683	-683
Total income in SDPS	**0**	**-683**	**-683**
Net (gain)/loss for the year	**14,150**	**-683**	**13,467**

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 2016 of between 0.50% and 3.10% for prevailing market interest rates, between 1.10% and 3.15% for loans from the PWLB based on the 'new borrowing' certainty rate and between 0.20% and 2.10% for loans from the PWLB based on the 'premature borrowing rate' in force on that day;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next twelve months, carrying amount is assumed to be approximate to fair value;

- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- All loans issued are relatively short term (2-5 years) and are therefore fair value will not vary significantly from carrying value;
- The fair value of unquoted equity is assumed to be cost as there is no market value or trading history for the company

Fair value of assets held at amortised cost

	Carrying Value		Fair Value	
	31 March 2016 £000	**31 March 2015 £000**	**31 March 2016 £000**	**31 March 2015 £000**
Loans and receivables	110,952	132,701	110,952	132,701
Total	**110,952**	**132,701**	**110,952**	**132,701**

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 hierarchy	Valuation technique used to measure fair value	As at 31 March 2016 £000	As at 31 March 2015 £000
350,000 1p Ordinary Shares in UKMBA	Level 3	Historic Cost	350	350
Ordinary Shares in Cosocius Limited	Level 3	Historic Cost	0	98
Total			**350**	**448**

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). During the year 2015-16 UKMBA changed from being a private limited company to a publicly listed company. The company has yet to start trading. In the absence of a trading history and no material changes in the financial circumstances of the UKMBA since the 350,000 1p ordinary shares were subscribed for the fair value of the shareholding continues to be shown as historical cost (as initially recorded in the financial year 2014-15). The Council views the shareholding in UKMBA as being a long term strategic shareholding.

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

	2015-16		
	Unquoted shares	Other	Total
	£000	£000	£000
Opening balance	448	0	448
Additional shareholding in CoSocius Limited	125	0	125
Impairment of shareholding in CoSocius Limited	-223	0	-223
Closing balance	**350**	**0**	**350**

Fair value of liabilities held at amortised cost

There are two options available to calculate the fair value of long term loans that are held on the balance sheet at amortised cost. Both of these options, which are detailed below, make use of level 2 inputs:

- Using as a level 2 input 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	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Borrowing identified on the balance sheet	-305,010	-311,716	-356,978	-348,855
Financial liabilities held at amortised cost:				
PFI Schemes	-29,074	-29,950	-36,550	-39,168
Finance Leases	-6,259	-8,314	-6,259	-8,314
Other	-779	-793	-779	-793
Total	**-341,122**	**-350,773**	**-400,566**	**-397,130**

- Using as a level 2 input the PWLB new borrowing rate. Here the PWLB new borrowing rate is used to discount the scheduled interest payments and principal repayments 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 represents the amount of loans that the Council could raise on the balance sheet date under the preferential terms available to local councils from the PWLB that would give rise to the same profile of interest payments and principal repayments as those the Council is already committed to under its existing loan agreements. Were the basis to be used then the fair value quoted above would be £3.64m lower at £353.339m

- 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.

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

	Carrying Value		Fair Value	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Borrowing identified on the balance sheet	-305,010	-311,716	-353,339	-399,497
Financial liabilities held at amortised cost:				
PFI Schemes	-29,074	-29,950	-36,550	-29,074
Finance Leases	-6,259	-8,314	-6,259	-8,314
Other	-779	-793	-779	-793
Total	**-341,122**	**-350,773**	**-396,927**	**-437,678**

The terms on which PWLB loans are advanced allows for a council to repay such loans prematurely at any time using a predetermined formula. Had all the PWLB loans held by the Council been repaid prematurely on 31st March 2016 then the amount payable would have been £348.549m. This is £35.464m higher than the fair value of such loans calculated using prevailing market rates.

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

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				
Other loans and receiveables				
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**

2014-15	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		-348,855		-348,855
PFI Schemes			-39,168	-39,168
Finance Leases			-8,314	-8,314
Other			-793	-793
Long term creditors			-70,834	-70,834
	0	-348,855	-119,109	-467,964
Financial assets				
Other loans and receiveables				
Loans and receivables		127,836		127,836
Long term debtors			4,865	4,865
	0	127,836	4,865	132,701
Total	**0**	**-221,019**	**-114,244**	**-335,263**

18. Debtors

The Council's debt position as at 31 March 2016 is analysed below by the different types of debtors held. The majority of the Council's debt is short term in nature and reflects standard terms in relation to the settlement of outstanding debts. Where debts have been outstanding for a more significant period of time or the Council judges that there is a risk that collection cannot be certain, impairment provisions have been set aside.

Analysis of Debtors by Type	31 March 2016 £000	31 March 2015 £000
Sundry Revenue and Capital Debtors	26,718	27,928
Prepayments	2,443	4,034
HM Revenue and Customs (VAT)	7,118	7,679
Housing Benefit Overpayments	6,120	5,830
Housing Revenue Account Tenant Arrears	2,175	2,124
Revenue and Capital Grant Debtors	6,795	6,634
Cheshire Pension Fund Debtor	1,296	1,089
CWAC Share of Council Taxpayers Arrears	9,612	9,452
CWAC Share of Non Domestic Rates Arrears	1,749	2,984
Loans to Group Entities	1,523	0
Bad Debt Provision	-17,696	-16,754
Total	**47,853**	**51,000**

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

Analysis of Bodies with whom the Council holds Debt	31 March 2016 £000	31 March 2015 £000
Central Government Bodies	10,100	13,708
Other Local Authorities	3,483	6,889
NHS Bodies	2,402	2,016
Public Corporations and Trading Funds	0	3
Other Entities and Individuals	31,868	28,384
Total	**47,853**	**51,000**

Analysis of Long Term Debtors	31 March 2016 £000	31 March 2015 £000
Loans to Group Entities	1,900	3,850
Parish Councils	0	110
Returnable Deposits	42	53
Cheshire Pension Fund ICT System	252	334
Home-Buy Loans	385	435
Mack Leisure	213	0
Other Entities	115	83
Total	**2,907**	**4,865**

Long term debtors have decreased by £2m from the position the Authority held in March 2015. This is due to the natural reduction in long term debt and also the following factors:

- £1.4m impairment of the loan payable by CoSocius due to the decision to wind down the company from 1st April 2016. The remaining balance of this loan is now considered to be a short term debt due to payment being expected within 2016.
- The introduction of a working capital loan of £0.6m to Edsential which is due to be recovered over 5 years.
- The Mack Leisure debt is reflective of costs incurred on golf course maintenance across the Authority, this debt is due to be recovered over 8 years.

19. Cash and cash equivalents

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

Where payments have been initiated on 30 and 31 March the current account balance shows them as if they have already been made, even though they will not physically leave the account until 1 or 4 April. The net £323k credit shown against current accounts below reflects the fact that a significant volume of payments (£3.99m) were in process on 31 March, the Council transferred in deposits on 1 and 4 April to cover these costs so the current accounts were never actually in deficit.

	At 31 March 2016 £000	At 31 March 2015 £000
Bank Current Accounts	-323	-535
Short Term Deposits	28,309	63,205
Total	**27,986**	**62,670**

Cash and cash equivalents reduced by £35m during 2015-16. This main reasons for this are that the Council is holding more of the cash balances in fixed term deposits and relatively less held in instant access accounts and money market funds, and the planned use of cash balances to fund major capital projects.

In addition to the Council balances above schools also hold private funds totalling approximately £3.7m. 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.

20. Creditors

The Council’s creditor position as at 31 March 2016 is analysed below by the different types of creditors that this relates to. The majority of the Council’s creditors are short term in nature and reflects the fact the Council utilises the full terms of trade offered by each supplier and pays the majority of invoices in arrears.

Where the Council has received funding which is specifically intended to fund services which it has not yet delivered or where the funding has conditions attached which the Council has yet to meet the balances are shown as receipts in advance. This reflects the fact the Council has to undertake specific activities before the income can be recognised and if it fails to do so the money may be refundable.

To aid clarity the Council now shows any short term borrowing repayable within 12 months as a separate item on the face of the Balance Sheet. This figure, which includes principal payments and interest, is therefore excluded from the creditors figure below.

The Sundry Revenue Creditors/Payments to Suppliers includes £0.8m relating to Collection Fund Preceptors.

Analysis of Creditors by Type	**31 March 2016 £000**	**31 March 2015 £000**
Creditors		
Sundry Revenue Creditors/Payments to Suppliers	40,872	44,718
Staff Accrued Leave Entitlement (see below)	6,934	7,333
HM Revenue and Customs	3,962	4,184
Payroll Related	3,813	3,789
Capital Creditors	16,151	15,313
Central Government relating to Business Rates	7,783	9,851
Pension Guarantee	2,635	0
Other	883	916
	83,033	**86,104**
Receipts in Advance		
Council Tax Advance Payments	2,819	2,816
Business Rates Advance Payments	1,846	1,796
Revenue Grants	1,498	1,316
Other	5,950	5,419
	12,113	**11,347**
Total	**95,146**	**97,451**

The majority of the Councils creditors are individual companies with whom it trades but it does have some significant liabilities with other Councils (joint working) and the Government (Tax and NI payments).

Analysis of Bodies to whom the Council owes money	31 March 2016 £000	31 March 2015 £000
Central government bodies	15,773	19,418
Other local authorities	6,210	4,633
NHS bodies	1,622	3,126
Public corporations and trading funds	12	0
Other entities and individuals	71,529	70,274
Total	**95,146**	**97,451**

Short Term Accumulating Paid Absences

In accordance with required practice the Council reflects in its accounts the cost commitment it faces as a result of employees' untaken annual and flexi leave at the balance sheet date. The Council is under an obligation to allow those staff who have earned leave but not taken it within the financial year to utilise it the following year (within agreed parameters). The cost of granting this leave is a liability for the Council, to reflect this, a charge is made to the Comprehensive Income and Expenditure Statement in the year the leave is earned. These are not considered a proper charge against the General Fund so the impacts are reversed out in the Movement in Reserves Statement and transferred to the Accumulated Absences Account, details of which are provided in note 23.

At 31 March 2016 the Council had accrued for a leave entitlement of £6.9m. The balance is primarily related to its teaching workforce as the leave entitlement for school based staff is earned for each term worked, but much of the leave can only be taken at the end of the year during the summer holidays. There will therefore always be a significant outstanding entitlement at the end of March. The level of accrued leave has slightly reduced in 2015-16 as the number of staff directly employed by the Council has fallen.

Accrued Leave Entitlement	2015-16 £000	2014-15 £000
Opening Balance at 1st April	**7,333**	**7,459**
Changes in Unused Leave Entitlement (School Based staff)	-169	169
Changes in Unused Leave Entitlement (non School Staff)	-230	-295
Closing Balance at 31st March	**6,934**	**7,333**

21. Provisions

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

	Short Term Provisions (<1yr)								
	Redundancy £000	Land Search Charges £000	Brio VAT £000	Public Enquiry £000	Public Health £000	Terms & Conditions £000	Contribution Related Reward £000	Other ST Provisions £000	**Total £000**
Balance at 31 March 2014	**1,204**	**650**	**500**	**451**	**452**	**687**	**0**	**190**	**4,134**
Amounts used in year	-1,117	0	-423	-449	-452	-30	0	-190	**-2,661**
Unused Amount Released	-39	0	-77	-2	0	-80	0	0	**-198**
Additional provisions made	1,675	0	0	0	0	0	316	0	**1,991**
Balance at 31 March 2015	**1,723**	**650**	**0**	**0**	**0**	**577**	**316**	**0**	**3,266**
Amounts used in year	-1,668	-150	0	0	0	-577	-316	0	**-2,711**
Unused Amount Released	-53	-400	0	0	0	0		0	**-453**
Additional provisions made	213	0	0	400	0	0	519	77	**1,209**
Balance at 31 March 2016	**215**	**100**	**0**	**400**	**0**	**0**	**519**	**77**	**1,311**

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

- **Redundancy** - sums held to fund the costs of redundancy payments to individuals which have been agreed in advance of 31 March but will take place in the following financial year.
- **Land Search Charges** – sums held in relation to case for refunding individuals who were charged for accessing land charges data.
- **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	Other Provisions £000	**Total Long Term £000**
Balance at 31 March 2014	**3,662**	**3,235**	**4,166**	**0**	**114**	**11,177**
Amounts used in year	-1,772	-65	-2,184	0	-114	**-4,135**
Unused Amount Released	-54	0	0	0	0	**-54**
Additional provisions made	3,249	0	3,282	1,400	0	**7,931**
Balance at 31 March 2015	**5,085**	**3,170**	**5,264**	**1,400**	**0**	**14,919**
Amounts used in year	-2,447	-81	-2,018	0	0	**-4,546**
Unused Amount Released	-702	0	0	0	0	**-702**
Additional provisions made	1,767	0	2,685	0	0	**4,452**
Balance at 31 March 2016	**3,703**	**3,089**	**5,931**	**1,400**	**0**	**14,123**

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 undertaken every 5 years and the last review was completed in 2014-15.
- **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.

22. Usable Reserves

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

The revenue reserves are split into three core funds for general activities (General Fund), budgets devolved to schools (School Reserves) and Housing (HRA Balance) and a number of specific earmarked reserves held for a particular purpose. Capital Reserves are similarly split between a pot for funding future capital expenditure (Capital Receipts Reserve) and earmarked balances. A breakdown of the earmarked reserves and their movement is contained in note 8, other balances are explained below.

The overall movements show a net contribution to reserves of £25m during 2015-16. This is consistent with the Council's strategy to reimburse earmarked reserves in 2015-16 (and also in 2016-17) following the significant usage of earmarked reserves in 2014-15 to make an upfront pension deficit payment in return for reduced costs in 2015-16 and 2016-17. Explanations for major variances follow the table.

	31 March 2016 £000	31 March 2015 £000
Held for Revenue Purposes		
General Fund	23,488	21,757
School Reserves	10,726	7,152
Housing Revenue Account	817	725
Earmarked General Fund Reserves	62,185	44,354
Earmarked HRA Reserves	256	188
	97,472	**74,176**
Held for Capital Purposes		
Capital Receipts Reserve	11,429	16,995
Capital Grants Unapplied Reserve	13,940	8,783
Major Repairs Reserve	2,908	424
	28,277	**26,202**
Total	**125,749**	**100,378**

Revenue Reserves

General Fund – The General Fund has increased in year as a result of a budgeted contribution of £0.8m and the Council delivering an underspend against its 2015-16 budgets of £0.9m.

School Balances – School Balances represent the unspent element of the Dedicated Schools Grant (DSG) which has been devolved to schools. The balance has increased by £3.6m in 2015-16 largely due to the significant increase in funding received through the Dedicated Schools Grant from the Minimum Funding Levels allocation.

Housing Revenue Account Balances – The Housing Revenue Account Balance represents the excess of rental income collected by the HRA over costs incurred and is statutorily ring-fenced to be retained for future usage on HRA services. There was a £0.1m increase in 2015-16 reflecting an underspend on the housing management contract project. Funding has been carried forward into 2016-17 to cover the lifetime of the project.

Earmarked Reserves – See Note 8 for analysis of the individual movements on earmarked reserves. The most significant change relates to the reimbursement of the Long Term Liabilities Reserve as referred to above.

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 2015-16 the reserve was topped up with £4.5m of receipts/income. This included general capital receipts (£2.3m), commercial property re-investment receipts (£0.4m), and Right to Buy receipts (£1.4m). £10m of the reserve was used to fund 2015-16 capital projects. This included £3.1m for the Cultural Centre, and £2.4m for Northgate development.

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 £5.2m increase in the balance in 2015-16 is primarily due to an additional School Basic Need allocation received in year which will fund schemes scheduled for 2016-17.

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 2015-16 the balance increased by £2.5m due to the additional contribution from revenue of £1.7m from the HRA. Further details on the use of this reserve are contained in the HRA Accounts.

23. 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 2016 £000	31 March 2015 £000
Revaluation Reserve	193,057	153,423
Capital Adjustment Account	651,376	638,235
Financial Instruments Adjustments Account	-832	-845
Deferred Capital receipts Reserve	5	8
Pensions reserve	-226,881	-379,524
Collection Fund Adjustment Account	4,869	3,964
Accumulated Absences Account	-6,934	-7,333
Total	**614,660**	**407,928**

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	**2015-16 £000**	**2014-15 £000**
Balance at 1 April	**153,423**	**96,226**
Upwards Revaluation of assets	50,401	70,186
Downward revaluations and impairment losses	-4,970	-6,530
Surplus or deficit on revaluation of non-current assets	**45,431**	**63,656**
Difference between fair value and historic cost depreciation	-3,402	-1,682
Accumulated gains on assets sold or scrapped	-2,395	-4,777
Amount written off to the Capital Adjustment Account	**-5,797**	**-6,459**
Balance at 31 March	**193,057**	**153,423**

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 2015-16 is as follows.

Capital Adjustment Account	**2015-16 £000**	**2014-15 £000**
Balance at 1 April	**638,235**	**617,974**
Capital funded items charged to CIES		
Charges for depreciation	-40,495	-35,424
Amortisation of Intangible assets	-194	-108
Revaluation and impairment losses on non current assets	-6,206	-14,844
Revaluation/Impairment of capital creditors/debtors	15	144
Revenue expenditure funded from capital under statute	-2,752	-4,117
Assets written off to the CIES on disposal	-13,375	-23,612
Change in market value of invt properties charged to CIES	3,819	1,517
	-59,188	**-76,444**
Values released from revaluation reserve		
Depreciation costs funded from revaluation reserve	3,402	1,682
Revalued assets disposed of in year	1,362	4,777
Reclassification adj Revaluation Reserve	1,033	0
	5,797	**6,459**
Net cost of non-current assets consumed in the year	**-53,391**	**-69,985**
Capital financing applied in the year		
Application of capital receipts	10,015	15,334
Transfer from Major Repairs Reserve	7,437	15,397
Application of capital grants and contributions from CIES	28,394	34,029
Funding applied from capital grants unapplied reserve	1,650	2,919
Statutory revenue provision for capital financing from CIES	17,075	16,776
Revenue contributions to capital costs from CIES	1,961	5,778
Contribution to prior year costs of disposal	0	13
	66,532	**90,246**
Balance at 31 March	**651,376**	**638,235**

Financial Instruments Adjustment Account

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

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

Financial Instrument Adjustment Account Movement	2015-16 £000	2014-15 £000
Balance at 1 April	**-845**	**-857**
LOBO interest debited/ (credited) to CIES	13	12
Difference between costs charged to CIES and costs chargeable under statutory requirements	**13**	**12**
Balance at 31 March	**-832**	**-845**

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	2015-16 £000	2014-15 £000
Balance at 1 April	**8**	**13**
Cash received transfered to capital receipts reserve	-3	-5
Balance at 31 March	**5**	**8**

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. A reduction in the deficit of £152.6m to £226.9m has been reported in 2015-16 by the Actuaries of the fund net liability; the improvement is from the improvement on the pension liabilities of £135m and in the pension assets of £17.6m. Statutory arrangements ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve Movement	2015-16 £000	2014-15 £000
Balance at 1 April	**-379,524**	**-329,099**
Remeasurement of the net defined benefit liability	167,995	-61,253
Reversal of items Charged to CIES		
-Current Service Costs	-30,063	-26,576
- Past Service Costs, Settlements and Curtailments	5,401	3,072
- Net Interest Costs	-12,148	-13,503
Actual Pension Contributions Charged to General Fund	21,458	47,835
Balance at 31 March	**-226,881**	**-379,524**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund from accruing for paid absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. The reserve represents accrued costs that have not been charged to the General Fund so it holds a deficit balance. The level of accrued leave has fallen slightly from 2014-15 as a number of employees have transferred out of the Council into external companies, such as CoWest Services Ltd and Edsential CIC.

Accrued Leave Entitlement	2015-16 £000	2014-15 £000
Leave Entitlement		
- School Based Staff	-5,162	-5,331
- Non School Staff	-1,772	-2,002
Balance at 31 March	**-6,934**	**-7,333**

Collection Fund Adjustment Account

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

In the case of Council Tax and Non Domestic Rates the level of income that can be passed to the General Fund each year is determined in advance of the financial year when the Council sets its budget for the forthcoming period. Should there be any difference between the sums estimated at that time and the income accrued in year the surplus or deficit which arises cannot be distributed to the General Fund until the following financial year, in the interim period the balance is held on the Collection Fund Adjustment Account.

The movement on the reserve is as follows:

Collection Fund Movement Account	2015-16			2014-15		
	Council Tax	Non Domestic Rates	Total	Council Tax	Non Domestic Rates	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	4,299	-335	3,964	3,441	-4,831	-1,390
Share of Collection Fund Surplus /(Deficit)	486	418	904	858	4,496	5,354
Balance at 31 March	**4,785**	**83**	**4,868**	**4,299**	**-335**	**3,964**
Billed Income for in year activities	-143,934	-74,335	-218,269	-141,468	-73,218	-214,686
Council Tax Collected for Parish Precepts	-2,613	0	-2,613	-2,483	0	-2,483
CWaC Contribution to Surplus/(Deficit)	-2,049	-485	-2,534	-1,393	1,630	237
Actual Collection Fund Surplus/(Deficit)	-487	-418	-905	-858	-4,495	-5,353
Income in CIES	**-149,083**	**-75,238**	**-224,321**	**-146,202**	**-76,083**	**-222,285**
Less Actual Surplus/(Deficit)	487	418	905	858	4,495	5,353
Income Credited to General Fund	**-148,596**	**-74,820**	**-223,416**	**-145,344**	**-71,588**	**-216,932**

The reserve holds a surplus of £4.8m for Council Tax which will be available to support Council budgets from 2016-17 onwards. This is an increase of £0.5m and reflects a distribution of £2m of the brought forward balance to the Council and an in year surplus of £2.5m (£2.3m) reflecting reduced costs from the Council Tax Reduction Scheme.

The balance for Non Domestic Rates is a surplus of £83k. This shows an improvement on the £0.3m deficit brought forward into 2015-16. The in-year surplus of £418k is due to higher than expected collection rates leading to a lower bad debt provision.

Under Non Domestic Rating Regulations the Council is entitled to spread the cost of recovering deficits linked to pre 2013 appeals over a 5 year period through to 2017-18.

24. 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	2015-16 £000	2014-15 £000
Depreciation and amortisation of non current assets	-40,689	-35,532
Impairments and downward valuations	-6,206	-14,844
Revaluation Gains on Investment Assets	3,819	1,517
Pension Fund Adjustments	-15,352	10,828
(Increase)/ Decrease in Provisions	-5,068	-11,392
Increase/(Decrease) in Inventories	-158	-135
Increase/(Decrease) in Debtors	-2,492	-3,978
(Increase)/Decrease in Creditors	9,897	1,403
Carrying value of assets which have been sold	-13,476	-23,926
Other non cash movements	397	128
Adjustments for Non Cash Items	**-69,328**	**-75,931**

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

Adjustments to remove Investing and Financing Activities from the SDPS	2015-16 £000	2014-15 £000
Proceeds from sale or disposal of non current assets	4,513	20,897
Capital grant income credited to SDPS	36,122	41,169
Income from Trading Operations	4,914	5,496
Other adjustments for financing activities	2,651	5,086
Net cash flows from investing/financing activities in SDPS	**48,200**	**72,648**

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	2015-16 £000	2014-15 £000
Interest received	-1,021	-664
Interest paid	13,252	14,150

25. 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	**2015-16 £000**	**2014-15 £000**
Purchase of property, plant and equipment, investment property and intangible assets	98,780	107,989
Purchase of short-term and long-term investments	319,907	30,448
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-4,513	-20,897
Proceeds from short-term and long-term investments	-305,000	-30,001
Capital grants received	-36,522	-38,120
Other receipts from investing activities	-4,914	-5,496
Net cash flows from investing activities	**67,738**	**43,923**

26. 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	**2015-16 £000**	**2014-15 £000**
Cash receipts of short- and long-term borrowing	4,076	0
Other receipts from financing activities	-379	-1,108
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,238	3,498
Repayments of short- and long-term borrowing	2,467	9,021
Other payments for financing activities	-2,651	-5,086
Net cash flows from financing activities	**6,751**	**6,325**

27. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement (CIES) is that specified by the Service Reporting Code of Practice (SeRCOP). However, when decisions about resource allocation are taken by the Council's Cabinet they are based on budget reports analysed across directorates not SeRCOP categories. These differ in that:

- The figures exclude notional charges such as revaluations and impairment losses charged to the services section of the CIES;
- The costs of retirement benefits are based on costs paid (employer's pensions contributions) rather than costs accrued in the year;
- Activities such as trading operations, investment activities and capital financing are included;
- The intended usage of Earmarked Reserves is included as it forms a fundamental element of resource allocation decisions.

	Children's Services £000	Adult Social Care and Health £000	Places £000	Corporate Services £000	Housing Revenue Account £000	Other Direct Services £000	Total £000
2015-16							
Fees, charges and other income	-32,849	-31,993	-53,447	-10,856	-23,153	-12,670	-164,968
Government grants	-216,209	-2,071	-3,984	-91,923	-5	-118	-314,310
Total Income	**-249,058**	**-34,064**	**-57,431**	**-102,779**	**-23,158**	**-12,788**	**-479,278**
Employee expenses	191,194	19,587	35,660	21,083	217	1,794	269,535
Other operating expenses	103,275	115,993	81,189	111,238	22,941	47,542	482,178
Total operating expenses	**294,469**	**135,580**	**116,849**	**132,321**	**23,158**	**49,336**	**751,713**
Net Operating Expenditure	**45,411**	**101,516**	**59,418**	**29,542**	**0**	**36,548**	**272,435**
2014-15							
Fees, charges and other income	-37,634	-23,803	-54,945	-15,875	-22,774	-5,634	-160,665
Government grants	-210,687	-2,040	-5,332	-93,986	0	-1,655	-313,700
Total Income	**-248,321**	**-25,843**	**-60,277**	**-109,861**	**-22,774**	**-7,289**	**-474,365**
Employee expenses	190,344	17,759	44,592	26,696	288	20,545	300,224
Other operating expenses	102,528	112,291	80,523	117,246	22,486	21,266	456,340
Total operating expenses	**292,872**	**130,050**	**125,115**	**143,942**	**22,774**	**41,811**	**756,564**
Net Operating Expenditure	**44,551**	**104,207**	**64,838**	**34,081**	**0**	**34,522**	**282,199**

Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

The following reconciliations show how the values in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement. Costs not reported to Members includes items such as impairments, depreciation, profit or loss on asset disposal, notional adjustments for IAS 19 pension charges or leave accruals. In 2015-16 these costs equated to £23.5m.

Other costs are included in resource allocation reports to Members but are not included in Net Costs of Service as they do not directly relate to services delivery. These primarily relate to treasury management activities, setting aside funding for capital financing and appropriations from the general fund to other reserves. In 2015-16 £55.8m of costs included in the outturn report were reported in the CIES below Net Cost of Services. The largest component elements were transfers to reserves (£22m), the minimum revenue provision (£17m) and interest payments (£13m). There are also significant transactions in this section to remove the offsetting expenditure and income costs arising from internal recharging.

	2015-16 £000	2014-15 £000
Net Operating Expenditure in Service Analysis	**272,435**	**282,199**
Add amounts not reported to management	23,499	1,563
Remove amounts reported to management not in CIES	-55,769	-25,808
Net Cost of Services in CIES	**240,165**	**257,954**

Reconciliation to Subjective Analysis

This reconciliation shows how the values in the analysis of directorate income and expenditure relate to a subjective analysis of the Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015-16	Service Analysis £000	Not reported to Management £000	Not included in NCOS £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	-161,897	0	55,827	-106,070	-17,882	-123,952
Government grants and contributions	-314,310	-28,139	1,003	-341,446	-93,639	-435,085
Interest and investment income	-1,251	0	1,251	0	-1,251	-1,251
Income from council tax	-679	0	679	0	-149,083	-149,083
Business Rates	-1,141	0	1,141	0	-75,238	-75,238
Receipts on Disposal of Property	0	0	0	0	-4,793	-4,793
Total Income	**-479,278**	**-28,139**	**59,901**	**-447,516**	**-341,886**	**-789,402**
Employee expenses	269,535	-400	-23,336	245,799	5,582	251,381
Other service expenses	467,215	6,860	-77,371	396,704	7,206	403,910
Business rates levy and tariff payment	1,229	0	-1,229	0	26,840	26,840
Depreciation, amortisation and impairment	0	42,205	0	42,205	4,689	46,894
Interest Payments	13,252	0	-13,252	0	13,252	13,252
IAS 19 Adjustment	0	2,973	0	2,973	12,379	15,352
Precepts and Levies	482	0	-482	0	2,912	2,912
Payments to Housing Capital Receipts Pool	0	0	0	0	628	628
Revaluation Gain on investment properties	0	0	0	0	-3,819	-3,819
Assets Removed on disposal of properties	0	0	0	0	13,375	13,375
Total operating expenses	**751,713**	**51,638**	**-115,670**	**687,681**	**83,044**	**770,725**
Surplus or deficit on the provision of services	**272,435**	**23,499**	**-55,769**	**240,165**	**-258,842**	**-18,677**

Cheshire West and Chester

2014-15	Service Analysis £000	Not reported to Management £000	Not included in NCOS £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	-153,226	0	66,987	-86,239	-22,688	-108,927
Government grants and contributions	-320,425	-31,100	1,237	-350,288	-110,361	-460,649
Interest and investment income	-683	0	683	0	-683	-683
Income from council tax	0	0	0	0	-146,202	-146,202
Business Rates	-31	0	31	0	-76,084	-76,084
Receipts on Disposal of Property	0	0	0	0	-21,374	-21,374
Total Income	**-474,365**	**-31,100**	**68,938**	**-436,527**	**-377,392**	**-813,919**
Employee expenses	300,224	-124	-13,977	286,123	8,119	294,242
Other service expenses	440,263	7,167	-64,692	382,738	8,453	391,191
Business rates levy and tariff payment	1,868	0	-1,868	0	26,999	26,999
Depreciation, amortisation and impairment	0	50,105	0	50,105	271	50,376
Interest Payments	13,916	0	-13,916	0	14,150	14,150
IAS 19 Adjustment	0	-24,485	0	-24,485	13,658	-10,827
Precepts and Levies	293	0	-293	0	2,776	2,776
Payments to Housing Capital Receipts Pool	0	0	0	0	688	688
Revaluation Gain on investment properties	0	0	0	0	-1,517	-1,517
Assets Removed on disposal of properties	0	0	0	0	23,754	23,754
Total operating expenses	**756,564**	**32,663**	**-94,746**	**694,481**	**97,351**	**791,832**
Surplus or deficit on the provision of services	**282,199**	**1,563**	**-25,808**	**257,954**	**-280,041**	**-22,087**

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:

	Expend-iture 2015-16 £000	Property Disposals/ Valuations 2015-16 £000	Income 2015-16 £000	-Surplus/ Deficit 2015-16 £000	Expend-iture 2014-15 £000	Property Disposals/ Valuations 2014-15 £000	Income 2014-15 £000	-Surplus/ Deficit 2014-15 £000
Industrial & Commercial Properties	3,388	-3,599	-8,268	-8,479	3,147	-1,030	-8,607	-6,490
Transport Management Organisation	2,335		-2,176	159	2,359		-2,346	13
Grounds Maintenance	250		-286	-36	247		-212	35
CBS - Catering	5,886		-5,903	-17	8,261		-8,776	-515
CBS - Cleaning	1,781		-1,561	220	3,340		-3,058	282
Outdoor Education	2,757		-2,924	-167	3,584		-3,820	-237
Other Trading Accounts	1,280		-1,065	215	1,483		-1,653	-169
Total	**17,677**	**-3,599**	**-22,183**	**-8,105**	**22,421**	**-1,030**	**-28,472**	**-7,081**

- The Industrial and Commercial Properties trading account lets Council owned business premises to small and medium size enterprises across the Borough. In 2015-16 there has been an increase in property disposals/valuations resulting in the surplus being £2m higher than in the previous year.
- The Transport Management Organisation (TMO) operates as a trading account for the provision of cars and commercial vehicles to meet the Council's transport requirements. In 2015-16 there was a reduction in provision reflecting the decrease in income.
- Ground Maintenance has created a surplus in income for 2015-16 as a result of a change in policy.

The trading operations stated below only show ⅔ of the years trading. In December 15 these services transferred to an external organisation (Edsential).

- CBS Catering operates as a trading account for school meals and staff catering.
- CBS Cleaning operates as a trading account for the provision of caretaking and cleaning services to schools, offices and other organisations.
- The Outdoor Education trading account relates to outdoor residential centres operated by Cheshire West and Chester Borough Council.
- Other Trading Accounts have returned a net deficit for 2015-16 primarily due to increase spend for 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 2015-16, 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 2016 relating to each of these bodies.

Non-Domestic Rates Collection Fund – Balances at 31 March 2016	15-16 Collection Fund £000	CWAC £000	Central Government £000	Cheshire Fire £000	14-15 Collection Fund £000
Arrears	3,526	1,728	1,763	35	6,089
Bad Debt Provision	-2,745	-1,345	-1,373	-27	-2,671
Appeals Provision	-12,104	-5,931	-6,052	-121	-10,743
Receipts in Advance	-3,767	-1,846	-1,883	-38	-3,665
Surplus/Deficit	-170	-83	-85	-2	684
Amount owing (to)/from other bodies	0	-7,783	7,630	153	0

The significant reduction in arrears (£2.6m at Collection Fund level) is linked to the strong collection performance in 2015-16.

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 2015-16 this was as follows – Cheshire West and Chester Council (84.91%), Cheshire Police Authority (10.40%), Cheshire Fire Authority (4.69%). The table below shows the balances at 31 March 2016 relating to each of these bodies.

Council Tax Collection Fund – Balances at 31 March 2016	15-16 Collection Fund £000	CWAC £000	Central Government £000	Cheshire Fire £000	14-15 Collection Fund £000
Arrears	10,126	8,612	1,047	467	10,011
Bad Debt Provision	-6,353	-5,403	-657	-293	-5,959
Receipts in Advance	-3,314	-2,819	-342	-153	-3,316
Surplus/Deficit	-5,631	-4,785	-584	-262	-5,063
Amount owing (to)/from other bodies	0	-777	536	241	0

Business Improvement Districts

The Council also collects income from a Business Rates Levy in relation to 4 Business Improvement Districts (BIDs). The table below shows the amount of levy billed for in 2015-16, 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	Net Debit £000	Amount Paid £000	Other Transactions £000	Cash Balance Awaiting Payment £000	14/15 Net Debit £000
Winsford	99	-101	32	30	104
Gadbrook Park	186	-160	17	43	200
Northwich	181	-169	64	76	104
CH1	460	-435	118	143	268
Total	**926**	**-865**	**231**	**292**	**676**

30. Members' Allowances

In accordance with the Local Authorities (Member's Allowances) Regulations 2003, the total amount spent on member's allowances in 2015-16 was £1.17m. The payments include basic allowance, special responsibility allowance and members pension costs. It does not include the direct reimbursement of costs incurred. The current level of allowances was established following an independent review.

	2015-16 £000	2014-15 £000
Basic Allowance	868	864
Special Responsibility Allowance	204	281
Mayors and Deputies Allowances	13	13
Pension	19	167
Childcare	0	1
Members NI's	65	65
Total Members' Allowances	**1,169**	**1,391**

From April 2015, Councillors are no longer able to join the LGPS. The government confirmed that LGPS membership ended four days after the date of the next election following 1 April 2014, regardless of whether or not a Councillor is re-elected. This effectively meant that membership of the LGPS ended in May 2015 following the local elections.

31. Officers Remuneration

The table below shows the number of employees who were paid more than £50,000 but not more than £169,999 in 2015-16. Pay includes salary costs, taxable travel costs and any redundancy payments. It does not include employers' pension or national insurance contributions.

Employee Pay Band	2015-16	2014-15
£50,000 - £54,999	95	92
£55,000 - £59,999	64	75
£60,000 - £64,999	51	58
£65,000 - £69,999	23	16
£70,000 - £74,999	12	9
£75,000 - £79,999	3	12
£80,000 - £84,999	6	8
£85,000 - £89,999	9	7
£90,000 - £94,999	5	1
£95,000 - £99,999	3	2
£100,000 - £104,999	4	4
£105,000 - £109,999	0	0
£110,000 - £114,999	0	2
£115,000 - £119,999	0	3
£120,000 - £124,999	2	2
£125,000 - £129,999	0	0
£140,000 - £144,999	0	1
£155,000 - £159,999	0	1
£165,000 - £169,999	0	2
Total	**277**	**295**

The following tables show the remuneration of all senior officers who earned a salary of more than £150,000 per annum in 2015-16. These officers are required to be individually listed by name and their remuneration shown in the following categories in accordance with the Accounts and Audit Regulations 2015.

Senior Officers earning in excess of £150,000

Name	Year	Salary £000	Total Remuneration excluding pension £000	Employers Pension Contributions £000	Total Remuneration including pension £000
Mr S Robinson - Chief Executive	2015-16	180	180	0	180
	2014-15	180	180	10	190

The Chief Executive's salary has remained unchanged since the inception of the Council. In addition, to the costs shown in the table above, the Chief Executive has also received payments for undertaking the duties of returning officer for the Parliamentary, Borough, Town & Parish elections in May 2015. The payment relating to these roles was £30.1k; the level of payment is set in line with nationally agreed rates for elections. The Parliamentary Election costs (£11.2k) are fully funded by the electoral commission, local election costs are funded by the Council.

The tables on the following pages show the remuneration for senior officers whose salary is between £50,000 and £150,000 per annum in 2015-16 and for comparison in 2014-15. These individuals are already contained within the summary banded table above but, in line with the Accounts and Audit Regulations 2015, such officers are also required to be listed individually.

Since January 2015 a Director from Children & Families has been seconded to Warrington Borough Council. The costs of this post are fully recovered from Warrington Borough Council and so does not appear in this list.

In addition, to those posts listed the Council utilised the services of non-employees in management roles during the year to support the organisation.

- Since March 2011 the Council has operated its Children's Services in partnership with Halton Borough Council under a joint Strategic Director. This role covers both Councils but the individual filling the role is employed by Halton so does not appear on the list. The Authority contributes £105k towards these costs.

The tables on the following pages show all employees who filled relevant roles during the year, in some cases the same role will appear more than once reflecting that fact that the holder changed during the year. In these cases only the costs relating to their time in the named role are shown.

As these changes can make it difficult to compare the scale of the Council's management structure across years the final row in each year's table records the number of posts in the structure at the end of each year and the full year salary cost of that structure.

During 2015-16 all management titles of Head of Service were changed to Director of Service. This was a change to job title rather than a fundamental change in role.

The tables on the following pages include employer contributions to the Pension Fund. These contributions are agreed with the Pension Fund every three years and reflect two elements, a payment linked to the future pension costs of current employment (16.2%) and a payment linked to recovering the existing pension deficit. This latter payment varies each year depending on the scale of the deficit and under the current agreement will increase by 0.5% each year. In 2015-16 the payment equated to 7.1% of pensionable pay (6.6% in 2014-15). The year on year increase in the deficit payment is not linked to the individual and they do not receive any direct benefit from its payment, it is merely a mechanism for making deficit payments to the Pension Fund and is only included above for completeness.

Post holder information (Post title)	Salary £	Benefits in Kind (e.g. Car Allowance) £	Compensation for loss of office £	Remuneration excl pension contributions 2015-16 £	Employer Pension Contributions £	Total Remuneration including pension contributions 2015-16 £
Current structure:						
Strategic Director (Adults)	124,904			124,904	29,416	154,320
Director of Prevention and Wellbeing	85,571			85,571		85,571
Director of Commissioning People	85,571			85,571	19,938	105,509
Director of Public Health	90,537			90,537		90,537
Strategic Director (Places)	123,678			123,678	28,817	152,495
Director of Places Strategy	104,170			104,170	24,272	128,441
Director of Place Operations	85,061			85,061	19,819	104,880
Technical Director	72,649			72,649	16,927	89,576
Director of Finance	94,140			94,140	22,162	116,302
Director of Goverance (job share)	67,077			67,077	15,629	82,706
Director of Goverance (job share)	11,451			11,451	2,668	14,119
Director of Professional Services	80,374			80,374	18,724	99,099
Director of Public Services Reform	85,571			85,571	19,938	105,509
Director of Commercial Management	92,712			92,712	21,602	114,313
Director of Children's Social Care	85,764			85,764	19,983	105,747
Director of Integrated Early Support	74,905			74,905	17,453	92,358
Director of Education	92,344			92,344	21,516	113,860
Total	**1,456,479**	**0**	**0**	**1,456,479**	**298,864**	**1,755,343**
Number of posts in management structure as at 31 March 2016 - **16**		Total contractual value of salary for the year - **£1.46m**				

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

Termination Costs

The Council agreed the early termination of a number of employee contracts in 2015-16, incurring liabilities of £1.9m (£6.7m in 2014-15). These costs comprised £1.6m of redundancy payments and £0.3m to fund early eligibility for pensions. The large variance in redundancy costs in 2015-16 compared to 2014-15 is due to the senior management restructure that occurred. All costs have been charged in full to the Comprehensive Income and Expenditure Statement in 2015-16.

Redundancy costs made by both the Council and independently by individual schools are met from a combination of the General Fund and the Dedicated Schools Grant in year. Actuarial early retirement costs only become payable when cash payments are due to be made to the Pension Fund, these payments are made as part of the employer’s pension contribution and will be incurred over the next twenty years. Until such payments are made the deficits will form part of the Pensions Reserve deficit.

A banded analysis of the number, type and cost of these exit packages is set out in the table below. The analysis includes estimated costs for a number of employees whose redundancy was agreed before 31 March 2016 but who had not left employment on that date. A total of 9 individuals fell into this category at a cost of £215K and a provision for this value has been created on the Balance Sheet to fund these costs.

At the equivalent point last year there were 59 Individuals whose termination costs were estimated, ultimately three of these individuals were successfully redeployed and did not leave the Council, the remainder did leave as anticipated. The comparative information for 2014-15 below has been restated to reflect the final costs incurred and numbers departing.

Exit package cost band (incl special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015-16 People	2014-15 People	2015-16 People	2014-15 People	2015-16 People	2014-15 People	2015-16 £000	2014-15 £000
£0 - £20,000	23	11	108	140	131	151	965	1,354
£20,001 - £40,000	3	3	20	49	23	52	645	1,519
£40,001 - £60,000	2	4	4	25	6	29	307	1,448
£60,001 - £80,000	0	0	0	10	0	10	0	663
£80,001 - £100,000	0	0	0	6	0	6	0	553
£100,001 - £350,000	0	1	0	7	0	8	0	1,196
Total	**28**	**19**	**132**	**237**	**160**	**256**	**1,917**	**6,733**

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32. Audit Costs

The Council will incur audit fees of £153k relating to external audit of its 2015-16 activities in addition to £37k for grant certification work. The Council's auditors are Grant Thornton and 2015-16 represents the fourth year of a five year appointment. As a result of the appointment in 2012-13 the Council has seen significantly reduced audit fees.

Fees Payable for Audit Work	2015-16 £000	2014-15 Restated £000
External audit services carried out by the appointed auditor	153	209
Certification of grant claims and returns	37	27
Total	**190**	**236**

33. Dedicated Schools Grant (DSG)

The primary source of funding for schools is provided by the Education Funding Agency via the Dedicated Schools Grant which was allocated at £242m in 2015-16. This initial allocation is reduced by £47.4m as funding relating to Academy Schools is passed directly to those establishments and is not reflected in the accounts. The remaining £194.6m, along with any funding carried forward from the previous year, is available to fund services in 2015-16.

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

Unspent central expenditure is carried forward by the Council as part of its Earmarked Reserves, this amount equated to £1.675m as at the end of 2015-16. Unspent ISB is retained by the individual schools and recorded on the Balance Sheet in the School Balances reserve (£10.7m at 31 March 2016).

DSG for 2015-16	Central Expenditure £000	Individual Schools Budget £000	Total £000
DSG figure issued by the Department in July 2015 (This does not include the Early Years January 2016 adjustment)			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**

DSG for 2014-15	Central Expenditure £000	Individual Schools Budget £000	Restated Total £000
DSG figure issued by the Department in July 2014 (This does not include the Early Years January 2015 adjustment)			229,512
Academy figure recouped for 2014-15			42,718
Total DSG (after Academy recoupment)			**186,794**
Balance brought forward from 2013-14			5,875
Carry forward to 2015-16 agreed in advance			-2,500
Agreed initial budgeted distribution in 2014-15	**29,074**	**161,095**	**190,169**
In year adjustments	322	-361	-39
Final budgeted distribution for 2014-15	**29,396**	**160,734**	**190,130**
Less: Actual Central Expenditure	27,783	0	27,783
Less: Actual ISB deployed to Schools	0	160,734	160,734
Carry Forward 2015-16	**-1,613**	**0**	**-1,613**
Total carry forward to 2015-16			**-4,113**

34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015-16.

	2015-16 £000	2014-15 Restated £000
Credited to Taxation and Non Specific Grant Income		
Used to Finance Council Activities in Year		
Council Tax	149,083	146,202
Non-Domestic Rate	75,238	76,083
S31 Non Domestic Rates Grant Funding	3,403	2,726
Revenue Support Grant	44,213	57,590
Local Services Support Grant	334	407
Council Tax Freeze Grant	1,599	1,581
New Homes Bonus	5,425	3,967
PFI Grant	3,039	3,039
Other Core Revenue Grants	428	371
Used to Finance Capital Expenditure		
Capital Grants Utilised in Year	23,461	36,197
Capital Contributions Utilised in Year	4,933	2,047
Set Aside for Future Capital Financing		
Capital Grants Set Aside for Future Usage	6,807	1,936
Capital Contributions Set Aside for Future Usage	0	500
Total	**317,963**	**332,646**
Credited to Services		
Dedicated Schools Grant (DSG)	192,183	186,589
Public Health Grant	15,006	13,889
Mandatory Rent Allowances: subsidy	79,599	80,822
Independent Living Fund	1,304	0
Sixth Forms Funding (Young Peoples Learning Agency)	7,301	7,713
Mandatory and HRA Rebates	11,285	11,765
Adult and Community Learning	1,209	943
Housing and Council Tax Benefit Administration Subsidies	1,669	1,859
Pupil Premium Grant	9,779	9,794
Care Project Grant	70	783
Education Services Grant	4,016	5,014
Adoption Reform Grant	0	253
PE and Sports Grant	1,099	1,121
Sustainable Transport Fund	593	1,244
Social Fund Grants	58	1,047
Devolved Formula Capital	0	125
Disabled Facilities Grant	1,453	1,099
Extra-Care Housing Grant	0	1,084
Universal Infant Free School Meals	3,492	2,136
Other Grants	11,327	9,157
Total	**341,443**	**336,437**

In 2015-16 the Council received a Government Property Unit – Rationalisation grant from the Government Cabinet Office of £0.33m. 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 supporting the Governments "One Public Estate" initiative.

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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:

	2015-16 £000	2014-15 £000
Capital Grants and Contributions Receipts in Advance		
Devolved Formula Capital	1,156	1,183
Local Growth Fund	3,391	0
Historic England	267	0
Other Grants	256	215
Regional Growth Fund	0	226
Dept of Health	0	264
Schools Basic Need	0	3,250
s106 and other Contributions	5,317	4,850
Total	**10,387**	**9,988**
	2015-16 £000	**2014-15 £000**
Revenue Grants Receipts in Advance		
Dept of Health - Various	41	299
Dept of Education - Various	120	101
Dept of Transport - Various	252	180
Government Property Rationalisation	250	0
Learning and Skills Council - Adult Education Funding	354	390
Other Govt Bodies	481	346
Total	**1,498**	**1,316**

35. Related Party Transactions

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

Links to External Bodies (Council)

The body in position to exert greatest influence over the Council is Central Government. It has effective control over the general operations of the Council which it could exercise through statutory measures, directives to operate in a specific way or through financial pressure. It is responsible for providing the statutory framework which the Council operates in, prescribes the terms of many transactions that the Council has with other parties (e.g. housing benefits) and provides the majority of the Council's funding in the form of grants.

Details of material transactions with Central Government are shown throughout these notes and include those listed below, 2014-15 comparators shown in brackets.

• Funding from Govt	Note 34	£433m (£447m)
• Non Domestic Rates Share Payable	Collection Fund	£75.9m (£75m)
• Non Domestic Rates Tariff/Levy Payments	Note 11	£26.8m (£27m)

The Council undertakes significant transactions with the Cheshire Police Authority and Cheshire Fire and Rescue Service. These relate to payment of Council Tax income collected on behalf of both bodies and Non Domestic Rates collected on behalf of Cheshire Fire. These values are disclosed in the Collection Fund Account and amount to payments of £17.9m (Police) and £8m (Fire) in respect of Council Tax Precepts and £1.5m (Fire) in respect of shares of Non Domestic Rates income.

The Council undertakes transactions with the Pension Fund in the form of contributions to fund future Pension payments for Council employees valued at £18.9m (2014-15 £45.3m). The 2014-15 figure was higher as this included a one off payment of £25m as the Council agreed a front loaded payment profile for its pension deficit contributions with the pension fund. The Pension Fund also utilises the Councils financial systems for making payments and collecting income, these transactions do not form part of the Council's year end accounts as they are not a Council function but the year-end net debtor owed by the Fund for payments made on their behalf by the Council are reflected as a debt of £1.3m. The Pension Fund is administered and governed independently of the Council to avoid the potential for undue influence to be exerted.

The Council operates in partnership with Halton Borough Council to support the delivery of strategic management for Children's Services across the two Councils. This arrangement includes the appointment of a joint Director of Children's Services who is responsible for the operational delivery of services; details of this arrangement are outlined in Note 31.

The Council holds stakes in a number of organisations who are funded to provide services. The Council holds 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 and care needs coincide. In 2015-16 this figure was £15.7m (2014-15 £12.9m). Since the start of 2013-14 responsibility for Public Health services sits with the Council but it still works in partnership with NHS bodies to determine the most effective way of utilising the £15m of government funding linked to the service.

Alongside these individually significant relationships the Council works with a wide range of charitable and voluntary bodies who work in areas which are complementary to the Council's objectives. The contributions can be either a direct financial payment or non- financial contribution to support the running of the body. The Council also commits to staff time and support when working with its partners and, in certain cases, is represented at Officer or Member level in strategic decision making. The total direct financial contributions to such organisations for 2015-16 amounted to £4.1m (£3.8m in 2014-15). On review of these payments the Council does not feel that any undue influence is exerted on these organisations as a result of the contributions made. The Council also has a contract to provide funding to Storyhouse who run theatre, film and music events in the Chester area. During the 2015-16 year the Council contributed £919k to the charitable organisation (2014-15 £446k).

Links to External Bodies (Members and Officers)

Members of the Council have direct control over the Council's financial and operating policies. To safeguard against the misuse of this influence Members are required to declare the existence and nature of any personal interests in any matter on a Committee/Cabinet agenda and, if the interest is prejudicial, to remove themselves from the meeting.

In 2015-16 Councillors (or members of their immediate family) held interests in the following organisations with whom the Council carried out business. The tables below show transactions between the Council and organisations exclusive of VAT.

Payments to Organisations where Members or their close relatives hold a personal interest	Related party 2015-16	Total payments invoiced in year		Balance outstanding at end of year	
		2015-16 £000	2014-15 Restated £000	2015-16 £000	2014-15 £000
Booher Construction Services Limited	Cllr Booher	2	43	0	0
Chester Aid to Homeless	Cllr Bisset	3	5	0	0
Fifield Glyn Limited	Cllr Fifield	4	6	0	0
Hoole Community Devlopment Trust	Cllr Black	16	36	0	0
Total		**25**	**90**	**0**	**0**

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Receipts from Organisations where Members or their close relatives hold a personal interest	Related party 2015-16	Total Receipts invoiced in year		Balance outstanding at end of year	
		2015-16 £000	2014-15 restated £000	2015-16 £000	2014-15 £000
Chester Aid to Homeless	Cllr Bisset	12	12	3	3
Hoole Community Development Trust	Cllr Black	34	34	8	8
Total		**46**	**46**	**11**	**11**

In addition to their personal roles, various Members of the Council fulfil roles on other bodies as part of their Council duties. They are on these bodies as representatives of the Council rather than in a personal capacity but as they are in a position to influence those bodies any non-typical business would be highlighted in this note. No such activities have been identified.

In accordance with Section 117 of the Local Government and Finance Act 1972, all senior officers of the Council have been asked to declare any interests in other bodies with whom the Council may have dealings.   No significant "pecuniary interests" have been identified during 2015-16.

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 2015-16 the Cheshire West and Chester BCF combined £24.3m of existing resources held by the 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.

Each party to the fund is responsible for their own schemes, details of planned and actual expenditure for 2015-16 for each scheme is shown below:

	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
Net Expenditure	**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:

	Income from West Cheshire & Vale Royal CCG's £000	Disabled Facilities Grant & Personal Social Services Capital £000	Income from Cheshire West & 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 2015-16 the Council received income of £8.364m from the CCG's to deliver the elements of fund schemes it is responsible for. In addition the Council received capital grant funding of £2.202m. The expenditure incurred by the Council has been charged in accordance with each of the 13 schemes specifications. Expenditure of £2.496m relating to schemes primarily funded by Disabled Facilities Grant and Adult Personal Social Services Grant has been capitalised. A surplus of £60k on the Carer Breaks scheme has been carried forward for utilisation in 2016-17.

37. Capital Expenditure and Financing

The Council's Capital Financing Requirement has risen in year as capital costs £104.7m have exceeded funding set aside £66.7m. The overall Capital Financing Requirement will be funded from a combination of future revenue contributions, capital receipts and external funding.

	2015-16 £000	2014-15 £000
Opening Capital Financing Requirement	**420,454**	**400,430**
Capital Investment		
- Expenditure on capital assets		
- Property, plant and equipment	100,320	102,822
- Heritage assets	752	3,273
- Investment assets	541	8
- Intangible assets	81	340
- Assets Held for Sale	232	193
- REFCUS - expenditure of a capital nature	2,752	4,117
- Change in value of capital creditor	-15	-144
Total	**104,663**	**110,609**
Sources of Finance		
- Capital Receipts applied	-10,015	-15,334
- Govt grants and contributions applied	-28,394	-34,029
- Tfr from unapplied grants and contributions	-1,650	-2,919
- Revenue contributions	-1,961	-5,778
- Income from repayment of capital debtors	-76	-25
- Refund prior year costs of disposal	0	-13
- Release of surplus capital creditors	-102	-314
- Use of other Capital Reserves	-7,437	-15,397
- Revenue provision for debt repayment	-17,075	-16,776
Total	**-66,710**	**-90,585**
Closing Capital Financing Requirement	**458,407**	**420,454**
Explanations of Movement in Year		
Increase in underlying need to borrow (unsupported)	37,306	19,530
Assets acquired under finance leases	409	250
Assets acquired under PFI/PPP contracts	239	244
Increase in Capital Financing Requirement	**37,954**	**20,024**

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 2015-16 £000	Vehicles, Plant and Equipment 2014-15 £000
Net Book Value at 1 April	7,928	10,563
New Leases	409	250
Depreciation	-2,225	-2,437
Disposals	-104	-448
Value at 31 March	**6,008**	**7,928**

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	2015-16 £000	2014-15 £000
Current (payable within 1 year)	1,998	2,367
Non Current	4,260	5,947
Finance costs payable in future years	309	506
Minimum lease payments	**6,567**	**8,820**

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

Age Profile of Finance Lease Payments	Minimum Lease Payment		Finance Lease Liabilities	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
No later than one year	2,144	2,608	1,998	2,367
Between one and five years	4,205	5,800	4,048	5,542
Later than five years	218	412	212	405
	6,567	**8,820**	**6,258**	**8,314**

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 2015-16, 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 2016 to making payments of £10.0m 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 2015-16 were £0.7m.

Vehicles, Plant and Equipment – the Council uses cars, vans, pest control vehicles, recycling vehicles, street cleansing vehicles, photocopiers and printers financed under terms of an operating lease. The amount paid under these arrangements in 2015-16 was £0.6m.

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 89 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	2015-16 £000	2014-15 £000
No later than one year	1,185	1,007
Between one and five years	2,579	2,513
Later than five years	6,259	6,360
	10,023	**9,880**

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 2016 the outstanding income linked to future usage of these properties was as below.

Age Profile of Sublease payments receivable	2015-16 £000	2014-15 £000
No later than one year	370	265
Between one and five years	797	597
Later than five years	2,901	3,047
	4,068	**3,909**

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The lease payments payable and sublease income receivable in 2015-16 is:

Lease payments and Sublease receivable	2015-16 £000	2014-15 £000
Minimum Lease payments	296	217
Sublease Payments Receivable	-370	-265
	-74	**-48**

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	2015-16 £000	2014-15 £000
No later than one year	8,026	7,716
Between one and five years	15,280	16,551
Later than five years	159,416	164,923
	182,722	**189,190**

In addition to those leases shown above, the Council has agreed lease terms with a number of tenants who will move into the Baron's Quay development in Northwich once construction is complete in 2016-17. While these companies are legally committed to long term leases they do not become live until the Council has fulfilled its obligation to hand over the premises ready for occupation. This will not occur until construction work is complete. As any future income is still contingent on the Council fulfilling outstanding obligations, the income entitlement is not reflected within lease disclosure at this time.

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 but no conversion date has yet been confirmed. The primary schools which have applied are listed below and are not anticipated to convert until early 2017; of which 3 of the schools have applied to become a single academy.

- 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	2015-16			2014-15		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Net Book Value	11,115	14,015	**25,130**	7,068	20,612	**27,680**
Additions	36	203	**239**	78	166	**244**
Revaluations	-1,812		**-1,812**	4,126	-5,954	**-1,828**
Depreciation	-263	-584	**-847**	-157	-809	**-966**
Closing Net Book Value	**9,076**	**13,634**	**22,710**	**11,115**	**14,015**	**25,130**

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 2015-16
- 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	2015-16			2014-15		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Service Costs	744	121	**865**	764	97	**861**
Financing Costs	731	948	**1,679**	753	971	**1,724**
Contingent Rents	131	49	**180**	110	107	**217**
Liability Repayment	344	532	**876**	289	502	**791**
Lifecycle Costs	36	203	**239**	78	166	**244**
Total	**1,986**	**1,853**	**3,839**	**1,994**	**1,843**	**3,837**

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 2015-16 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 £0.4m (£0.2m) higher cost. The outstanding PFI liability balance (see below £20.1m) 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	**2015-16**			**2014-15**		
	Schools £000	**Extra Care £000**	**Total £000**	**Schools £000**	**Extra Care £000**	**Total £000**
Opening Liability	-9,289	-20,663	**-29,952**	-9,578	-21,165	**-30,743**
Payments made in year	344	532	**876**	289	502	**791**
Closing Liability	**-8,945**	**-20,131**	**-29,076**	**-9,289**	**-20,663**	**-29,952**

Future Payments under the PFI Contracts	Service Costs £000	Principal Payments £000	Capital Costs £000	Interest £000	Total £000
Schools					
Obligations Payable in 2016-17	696	160	298	704	1,858
Due between 2017-18 and 2020-21	3,081	1,295	474	2,614	7,464
Due between 2021-22 and 2025-26	4,357	2,267	593	2,625	9,842
Due between 2026-27 and 2030-31	5,128	3,094	911	1,578	10,711
Due between 2031-32 and 2033	2,566	2,128	304	284	5,282
Total	**15,828**	**8,944**	**2,580**	**7,805**	**35,157**
Extra Care					
Obligations Payable in 2016-17	181	449	291	924	1,845
Due between 2017-18 and 2020-21	398	2,773	618	3,433	7,222
Due between 2021-22 and 2025-26	979	3,561	1,475	3,542	9,557
Due between 2026-27 and 2030-31	1,122	4,461	1,561	2,679	9,823
Due between 2031-32 and 2035-36	1,571	5,153	2,154	1,621	10,499
Due between 2036-37 and 2039	818	3,735	718	332	5,603
Total	**5,069**	**20,132**	**6,817**	**12,531**	**44,549**

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	2015-16			2014-15		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Balance	4,292	962	**5,254**	4,066	861	**4,927**
In Year Additions	257	89	**346**	226	101	**327**
Closing Balance	**4,549**	**1,051**	**5,600**	**4,292**	**962**	**5,254**

40. Impairment Losses

The Council has recognised £9.6m in net costs to the CIES in relation to impairment/revaluation losses on operational assets during 2015-16. This has been partially offset by reversing previously recognised losses of £3.4m resulting in a total of £6.2m charge to the CIES.

The following provides details of the impaired assets due to revaluation losses:

- The EPIC reduced in value by £3.7m as the valuation only reflects land value due to the site being passed to a demolition contractor in 2015-16.

- Bishop Heber High School's value fell by £2.3m in year, there was an increase of £1.3m on the 14-15 valuation however this was offset by capital expenditure in year of £3.6m.

- Wyvern House reduced in value by £1.9m in 2015-16 as there has been a decline in demand for offices in Winsford resulting in falling market yields.

- There was an increased valuation of £1.1m in relation to Housing Stock; this was due to the increase in the land registry house price index. The £1.1m gain was used to partially offset the £1.5m charge to the CIES in 2014-15.

- A £2.3m increase in the valuation of a number of schools was a result of increases in the land and construction rates applied in the valuation. These revaluation gains have been used to partially offset a number of previously recognised losses charged to the CIES in prior years.

- The Working Capital Loan and Investment for CoSocius of £1.6m have been impaired following a decision made to revert to a shared service for 2016.

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 capitalised where there is a significant period between when the funded expenditure is incurred and the relevant asset becoming operational.

During 2015-16 these conditions were met in regard to expenditure on the development of Barons Quay, Northwich. During this period the gross interested capitalised was £901k.

Interest costs can only be capitalised to the extent that they are greater than investment returns the Council generates from the cash borrowed. During 2015-16 the Council earned £194k on the residual cash borrowed to finance Barons Quay, the net amount of borrowing costs capitalised for Barons Quay during 2015-16 were therefore £707k (£901k - £194k).

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 2015-16, the Council paid £12.0m to Teachers' Pension in respect of teachers' retirement benefits, (2014-15 £10.9m) 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 2015-16 equated to £0.1m (2014-15 £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 although existing members may remain in the scheme until the end of their current term of office. 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 Finance from Cheshire West and Chester.

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

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

At 1 April 2015 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% Defensive
Growth Strategy B	58% Growth/42% Defensive
Medium Growth Strategy	50% Growth/42% Defensive
Gilts Strategy	0% Growth/100% Defensive

The individual strategy allocations were incepted on 1 April 2014 and at that point the allocations were as above with the exception of Growth Strategy B which had a strategic allocation of 70% growth / 30% defensive. During the 2014-15 financial year the funding level improved sufficiently that this investment strategy could be “de-risked” to 58% growth / 42% defensive. Risk reduction was achieved through a disinvestment from equities and an investment in Index Linked Gilts (UK Government Bonds). The funding levels for all 4 strategies are monitored on a monthly basis and no changes have been made during the 2015-16 financial year.

The return on assets has reduced significantly to £56.4m from the previous year (2014-15 £150.0m). A 5.2% return in the investment market has been achieved, against a benchmark of 13%, this is due to market returns being lower in 2015-16 than in 2014-15.

Teachers Discretionary Payments
The Council also funds discretionary early retirement benefits for teachers and this scheme is unfunded. The Council paid £5.4m in 2015-16 (£5.5m in 2014-15) in relation to this scheme, of which £3.5m 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 2015-16 £000	Teachers Un-funded Scheme 2015-16 £000	Total 2015-16 £000	LGPS 2014-15 £000	Teachers Un-funded Scheme 2014-15 £000	Total 2014-15 £000
Comprehensive Income and Expenditure Statement						
Service cost comprising:						
Current service cost	30,063		30,063	26,576		26,576
Past service costs and curtailments	1,092		1,092	884		884
(Gain) from settlements	-6,493		-6,493	-3,956		-3,956
Financing and Investment Income and Expenditure						
Net Interest Cost	11,145	1,003	12,148	12,155	1,348	13,503
Total post-employment benefits charged to Surplus or Deficit on the Provision of Services (SDPS)	35,807	1,003	36,810	35,659	1,348	37,007
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability comprising:						
Return on plan assets (excluding the amount included in the net interest expense)	-22,109		-22,109	-110,050		-110,050
Actuarial -Gains / Losses arising on changes in demographic assumptions						0
Actuarial -Gains / Losses arising on changes in financial assumptions	-124,906	-855	-125,761	182,709	619	183,328
Other experience	-19,440	-685	-20,125	-12,079	54	-12,025
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	-130,648	-537	-131,185	96,239	2,021	98,260
Movement in Reserves Statement						
Reversal of net charges made to the SDPS for post-employment benefits	-35,807	-1,003	-36,810	-35,659	-1,348	-37,007
Actual amount charged against the General Fund						
Employers' contributions	18,921		18,921	45,328		45,328
Retirement Benefits Payable		2,537	2,537		2,507	2,507

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

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	LGPS 2015-16 £000	Teachers 2015-16 £000	Total 2015-16 £000	LGPS 2014-15 £000	Teachers 2014-15 £000	Total 2014-15 £000
Present value of obligations	-1,308,374	-30,557	-1,338,931	-1,440,229	-33,631	-1,473,860
Fair value of plan assets	1,112,050	0	1,112,050	1,094,336	0	1,094,336
Net Pension Liability	**-196,324**	**-30,557**	**-226,881**	**-345,893**	**-33,631**	**-379,524**

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilitites	LGPS 2015-16 £000	Teachers 2015-16 £000	Total 2015-16 £000	LGPS 2014-15 £000	Teachers 2014-15 £000	Total 2014-15 £000
Opening Balance	1,440,229	33,631	1,473,860	1,244,979	34,117	1,279,096
Current Service Costs	30,063		30,063	26,576		26,576
Interest Cost	45,471	1,003	46,474	52,596	1,348	53,944
Contribution by Scheme Members	6,907		6,907	7,252		7,252
Remeasurement (gains) and losses:						
Actuarial (gains)/losses arising from changes in demographic assumptions			0			0
Actuarial (gains)/losses arising from changes in financial assumptions	-124,906	-855	-125,761	182,709	619	183,328
Other experience	-19,440	-685	-20,125	-12,079	54	-12,025
Benefits Paid	-43,168	-2,537	-45,705	-42,720	-2,507	-45,227
Past Service Costs & Curtailments	1,092		1,092	884		884
Liabilities Extinguished on Settlement	-27,874		-27,874	-19,968		-19,968
Closing balance at 31 March	**1,308,374**	**30,557**	**1,338,931**	**1,440,229**	**33,631**	**1,473,860**

Movement in Fair Value of Assets	LGPS 2015-16 £000	Teachers 2015-16 £000	Total 2015-16 £000	LGPS 2014-15 £000	Teachers 2014-15 £000	Total 2014-15 £000
Opening Balance	**1,094,336**	**0**	**1,094,336**	**949,997**	**0**	**949,997**
Interest income	34,326		34,326	40,441		40,441
Remeasurement (gains) and losses:						
Return on plan assets, excluding the amounts included in net interest	22,109		22,109	110,050		110,050
Employer Contributions	18,921		18,921	45,328		45,328
Contribution by scheme members	6,907		6,907	7,252		7,252
Contributions - unfunded benefits		2,537	2,537		2,507	2,507
Benefits paid	-43,168		-43,168	-42,720		-42,720
Unfunded benefits paid		-2,537	-2,537		-2,507	-2,507
Assets distributed on Settlement	-21,381		-21,381	-16,012		-16,012
Closing balance at 31 March	**1,112,050**	**0**	**1,112,050**	**1,094,336**	**0**	**1,094,336**

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 2015-16 £000	Quoted Prices not in active markets 2015-16 £000	Total 2015-16 £000	Share of Total Assets %	Quoted Prices in active markets 2014-15 £000	Quoted Prices not in active markets 2014-15 £000	Total 2014-15 £000	Share of Total Assets %
Cash & Cash Equivalents		**23,901**	**23,901**	**2.1%**		**26,140**	**26,140**	**2.4%**
Equity Securities:								
By industry type:								
Consumer	33,978		33,978	3.1%	106,299		106,299	9.7%
Manufacturing	25,945		25,945	2.3%	30,550		30,550	2.8%
Energy and Utilities	6,700		6,700	0.6%	4,796		4,796	0.4%
Financial Institutions	33,451		33,451	3.0%	32,280		32,280	2.9%
Health and Care	9,017		9,017	0.8%	10,234		10,234	1.0%
IT	99,719		99,719	9.0%	31,831		31,831	3.0%
Other	4,558		4,558	0.4%	10,345		10,345	0.9%
	213,368	**0**	**213,368**	**19.2%**	**226,335**	**0**	**226,335**	**20.7%**
Debt Securities								
Other			0	0.0%			0	0.0%
	0	**0**	**0**	**0.0%**	**0**	**0**	**0**	**0.0%**
Private equity:		**58,496**	**58,496**	**5.3%**		**52,021**	**52,021**	**4.8%**
Real Estate:								
UK		87,906	87,906	7.9%		85,778	85,778	7.8%
Overseas		1,930	1,930	0.2%		2,568	2,568	0.2%
	0	**89,836**	**89,836**	**8.1%**	**0**	**88,346**	**88,346**	**8.0%**
Investment funds and unit trusts:								
Equities	140,978		140,978	12.7%	106,675		106,675	9.7%
Bonds	301,717	77,739	379,456	34.1%	382,706		382,706	35.0%
Hedge Funds		146,930	146,930	13.2%		150,504	150,504	13.8%
Other		59,085	59,085	5.3%		61,609	61,609	5.6%
	442,695	**283,754**	**726,449**	**65.3%**	**489,381**	**212,113**	**701,494**	**64.1%**
Total Assets	**656,063**	**455,987**	**1,112,050**	**100.0%**	**715,716**	**378,620**	**1,094,336**	**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.

Cheshire West and Chester

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, a method for estimating future pension payments dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the Unfunded Teachers Liability have been assessed by Hymans Robertson, an independent firm of actuaries. Demographic estimates for the Council Fund are based on the latest valuation of the scheme as at 31 March 2013. The principal assumptions used by the actuary have been:

	LGPS 2015-16	Teachers Unfunded Liabilities 2015-16	LGPS 2014-15	Teachers Unfunded Liabilities 2014-15
Financial Assumptions				
Rate of increase in salaries	3.2%	n/a	3.3%	n/a
Rate of increase in pensions	2.2%	2.1%	2.4%	2.1%
Discount rate used				
Rate used to Discount liabilities	3.5%	3.4%	3.2%	3.1%
Demographic Mortality Assumptions				
Longevity at 65 for current pensioners				
Men	22.3 years	22.3 years	22.3 years	22.3 years
Women	24.4 years	24.4 years	24.4 years	24.4 years
Longevity at 65 for future pensioners				
Men	24.1 years		24.1 years	
Women	26.7 years		26.7 years	
Commutation				
An allowance is included for future retirements to elect to convert annual pension to maximum tax-free lump sums of 50% for pre-April 2008 service and 75% for post-April 2008 service.				

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

Sensitivity analysis - impact on the defined benefit obligation in the scheme	Increase in assumption		Decrease in assumption	
	LGPS £000	Teachers £000	LGPS £000	Teachers £000
Longevity (change by 1 year)	39,251	917	-39,251	-917
Salary inflation (change by 0.5%)	35,716		-35,716	
Pension inflation (change by 0.5%)	94,665	510	-94,665	-510
Discount rate (change by 0.5%)	-131,837	-506	131,837	506

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 19 years. Funding levels are monitored on an annual basis to achieve this. The contribution rates are specifically reconsidered on a triennial basis with the latest assessment taking effect from 2014-15. The scheme offers protections whereby any increases in Council pension contributions are capped to 0.5% per year as long as this will still achieve the balanced fund in the planning period.

The estimated LGPS pension contributions to be made by Cheshire West and Chester in 2016-17 is £16.4m (16.2% cash equivalent).

The weighted average duration of the defined benefit obligation is 18 years. This reflects the fact that on average there is an expectation that each person in the fund will receive pension payments for an 18 year period once they become eligible. The average outstanding period is clearly lower for those who are already pensioners and higher for those who are yet to reach a pensionable age.

	Liability Split %	Average Duration (Years)
Active members	42.4%	24.5
Deferred members	15.2%	23.7
Pensioner members	42.4%	12.0
Weighted Average		**18.0**

Cheshire West and Chester

44. Contingent Liabilities

At 31 March 2016, 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 2016 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. At present the companies are identifying pension deficits within their financial statements of approximately £6m, these are however based on relatively prudent assumptions under FRS102 or IAS19.

45. Contingent Assets

At 31 March 2016, the Council had no material contingent assets.

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 2015-16 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 a repayment of principal amount will have an unexpected adverse impact on the Council's financial position.

During 2015-16 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 2016	23,183
Call Accounts	A	A	1st April 2016 / 1st May 2016	10,094
Fixed Term Deposits	A+	A+	Mid April 2016	10,000
Fixed Term Deposits	A	A	Mid April 2016	15,000
Call Accounts	A-	A-	Mid April 2016	36
Fixed Term Deposits	n/a (a UK council)	n/a (a UK council)	Mid April 2016	15,000

Risk Associated with each form of Financial Asset	Amount at 31 March 2016 £000	Historical (30 year) experience of default at 31st March 2016 %	Estimated maximum exposure to default & uncollectability £000
Deposits with banks and building societies			
A+ Rating	10,000	0.03	3.00
A Rating	25,094	0.03	7.53
A- rating	36	0.03	0.01
n/a (a UK council)	15,000	0.00	0.00
Money Market Funds			
AAA Rated	23,183	0.00	0.00
Bank Current Accounts	-323	0.00	0.00
Loans to Group Entities	3,423	0.00	0.00
Trade and Customer Debt			
Current	28,558	1	286
Less than 6 months	2,564	4	103
6 months +	1,407	60	844
Housing Revenue Account	2,175	80	1,740
	34,704		**2,973**

The Trade and Customer Debt figure includes £28.6m of terms current debt for which a 1.0% non-collection allowance has been made. The remaining debt is already significantly overdue and thus a higher risk value has been attached to it. Sufficient funding has been set aside in the bad debt provision to reflect the risk associated with all trade debts.

Of the total debt outstanding in relation to the Housing Revenue Account, 62% 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 £11.7m of invoiced debt. The Authority generally allows its customers 28 days credit; £3.97m 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	2,195
3 to 6 months overdue	369
6 months to 1 year overdue	311
More than one year overdue	1,096
Total	**3,971**

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	Other Local Authorities £000	Total 2015-16 £000
In the next financial year	1,677	54	5,484	0	7,215
In the following financial year	0	38	0	0	38
In 2 to 5 years	0	52	0	0	52
In 5 to 10 years	0	13	0	0	13
In 10 to 15 years	12,784	0	0	0	12,784
In 15 to 20 years	18,721	0	0	0	18,721
In 20 to 25 years	22,133	0	0	0	22,133
In 25 to 30 years	7,442	0	7,291	0	14,733
In 30 to 40 years	43,193	0	5,206	0	48,399
In 40 to 50 years	7,371	0	0	0	7,371
Total	**113,321**	**157**	**17,981**	**0**	**131,459**

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 2015-16 £000
In the next financial year	1,695	0	5,200	0	6,895
In the following financial year	1,724	0	0	4,008	5,732
In 2 to 5 years	5,510	0	0	0	5,510
In 5 to 10 years	28,547	0	0	0	28,547
In 10 to 15 years	12,212	0	0	0	12,212
In 15 to 20 years	14,298	0	0	0	14,298
In 20 to 25 years	16,742	0	0	0	16,742
In 25 to 30 years	3,677	0	0	0	3,677
Total	**84,405**	**0**	**5,200**	**4,008**	**93,613**

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 2015-16 £000
In the next financial year	3,386	0	0	46	3,432
In the following financial year	2,480	0	0	0	2,480
In 2 to 5 years	22,440	0	0	7,000	29,440
In 5 to 10 years	12,400	0	0	0	12,400
In 10 to 15 years	12,400	0	0	0	12,400
In 15 to 20 years	12,400	0	0	0	12,400
In 20 to 25 years	7,440	0	0	0	7,440
Total	**72,946**	**0**	**0**	**7,046**	**79,992**

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

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

The Council is using its financial strength to progress retail developments at Barons Quay, Northwich and Northgate, Chester. The Council is acting in the capacity of full developer for Barons Quay, and is in the early stages of the developer role taking forward the Northgate scheme. Development schemes naturally carry risks and this innovative approach requires the Council to manage those risks closely.

In the case of Barons Quay many of the financial risks associated with a large development have already been addressed by the development team. The Council has raised the fixed rate loans required to fund the scheme to practical completion, thus providing security of funding and certainty of cost. Under the model adopted by the Council the capital financing costs associated with the scheme will be wholly funded from new income streams. The Council therefore bears the risk that future rental incomes will not cover the cost of interest and capital repayments.

The Barons Quay scheme is underpinned by unconditional 25 year leases of the key anchor tenants (Foodstore and Cinema). Prior to the commitment to build Barons Quay, the Council had secured these tenancies which, when combined with restaurant lettings will deliver sufficient income to cover the interest payments on the fixed rate loan. Whilst there are still risks associated with future lettings, the Council is confident that the approach taken secures the future of the scheme at an appropriate level of risk.

The Council has determined to adopt a similar model for the Northgate scheme which is at a much earlier stage of development. The Council has incurred costs relating to site assembly, design and development which it is anticipated will be recovered through the further development of the scheme. Whilst this approach exposes the Council to the risk that future income streams do not materialise, exposure is capped and any future development will be subject to the achievement of de risking milestones.

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 2015-16 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	-545
Increase in interest payable on variable rate loans	91
Impact on Income and Expenditure Statement	**-454**
Reduction in the fair value of fixed rate borrowing (notional impact only)	-17,366

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 2015-16 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) 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).

The company has a turnover of around £2m a year and is expected to deliver a small net profit. There are no significant Balance Sheet items held by Avenue Services at 31 March 2016.

In 2016-17 it is proposed that a range of assets owned by the Council be transferred to Avenue Services under a long term leasehold basis. The current values of those assets anticipated to transfer is estimated to be £2.5m.

A summary of the draft Statement of Financial Position and the Summary Statement of Comprehensive Income for 2015-16 are included below.

Summary of Statement of Financial Position	**31 March 2016 £000**	**Restated 31 March 2015 £000**
Total Assets	**740**	**888**
Other liabilities	-446	-595
Total Liabilities	**-446**	**-595**
Total Assets and Liabilities	**294**	**293**
Total Equity	**-294**	**-293**
Summary Statement of Comprehensive Income for the year	**2015-16 £000**	**2014-15 £000**
Turnover	2,086	2,086
Operating Profit/(Loss)	-1	139
Profit/(Loss) for the period after Tax	**-1**	**104**
Total Profit/(Loss) for the year	**-1**	**104**

Cheshire West and Chester

Brio Leisure Community Interest Company

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

The company is governed by a board of eight directors, of which two are Elected Members (and nominated representatives of this Council).

Financial statements for the CIC for the period to 31 March 2016 show a profit of £1.9m. Included in this position is a profit of £1.6m due to pension gains, and an operating profit of £0.3m. Total assets for the CIC at the end of the period were £2.4m but these are offset by £2m of creditors which include a working capital loan of £0.25m advanced by the Council. A net pension liability of £1.1m exists and the Council is guarantor for this cost should the company cease trading. Excluding this the company has approximately £350k of operational reserves accumulated over its life.

A summary of the draft Statement of Financial Position and the Summary Statement of Comprehensive Income for 2015-16 are included below.

Summary of Statement of Financial Position	**31 March 2016 £000**	**Restated 31 March 2015 £000**
Total Assets	**2,407**	**1,519**
Net Pensions liability	-1,117	-2,720
Other liabilities	-2,055	-1,479
Total Liabilities	**-3,172**	**-4,199**
Total Assets and Liabilities	**-765**	**-2,680**
Total Equity	**-765**	**-2,680**
Summary Statement of Comprehensive Income for the year	**2015-16 £000**	**2014-15 £000**
Turnover	10,598	8,003
Operating Profit/(Loss)	17	214
Profit/(Loss) for the period after Tax	**-34**	**87**
Actuarial gains/(losses)	1,949	-1,009
Total Profit/(Loss) for the year	**1,915**	**-922**

CoSocius Limited

CoSocius Ltd has been operational since 1st May 2014 as a limited company jointly owned with Cheshire East Council, both Councils hold a 50% share in the company. 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. As of the 1st April 2016 the company ceased trading and the staff were Tupe transferred back to the Council and Cheshire East who are now providing the services previously supplied by CoSocius.

The Council and Cheshire East had provided a pension guarantee for CoSocius, as a result of the decision to terminate the activities of CoSocius that pension guarantee has been activated and the Council's share of their pension liability of £2.635m is being included in the single entity accounts to 31st March 2016. As a result of losses made within CoSocius the Council has recognised that the working capital loan advanced to the company will not be fully recoverable and has impaired the balance by £1.4m, the remaining balance of £1.5m is expected to be recovered in 2016-17.

Draft management information for the 12 months to 31st March 2016 show the company made an in year trading loss of £2.6m, offset by improvements in the company's IAS19 pension position (£5.4m) and share premium investment (£0.2m). This net in-year gain of £3.0m improved the company's cumulative position from a deficit of £11.2m to £8.2m. In addition, as a result of the company ceasing to operate at 31st March 2016 and the protections being provided by the Councils, the draft accounts also record the benefits of the Councils agreement to waive part of their outstanding loans/investments (£2.9m) and the value of the pension guarantee (£5.3m). These items return the company to a solvent position at 31st March 2016.

A summary of the draft Statement of Financial Position and the Summary Statement of Comprehensive Income for 2015-16 are included below.

Summary of Statement of Financial Position	**31 March 2016 £000**	**31 March 2015 Restated £000**
Total Assets	**7,411**	**9,527**
Net Pensions liability	0	-10,633
Other liabilities	-7,411	-10,107
Total Liabilities	**-7,411**	**-20,740**
Total Assets and Liabilities	**0**	**-11,213**
Total Equity	**0**	**-11,213**
Summary Statement of Comprehensive Income for the year	**2015-16 £000**	**2014-15 £000**
Turnover	24,200	24,686
Operating Profit/(Loss)	-3,231	-1,245
Profit/(Loss) for the period after Tax	**-3,885**	**-1,696**
Actuarial gains/(losses)	6,668	-9,713
Pension guarantee	5,270	
Working capital loan and investment adjustments	2,910	
Total Profit/(Loss) for the year	**10,963**	**-11,409**
Investment in year	250	196
Total Equity movement in year	**11,213**	**-11,213**

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.

The company has prepared its first draft accounts for the period to 31 December 2015 and these show a profit of £77k. As at 31 December the company has assets of £5.3m and liabilities of £5.2m. In addition to this the company also has a pension liability of £908k.

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. For the year to 31 December 2015 no dividend has been declared from Qwest to the Council, the Council does receive a rebate on the contract activity Qwest provides back to the Council which for the period to 31 December 2015 totalled £160k.

A summary of the draft Statement of Financial Position and the Summary Statement of Comprehensive Income for 2015-16 are included below.

Summary of Statement of Financial Position	**31 Dec 2015 £000**
Total Assets	**5,257**
Other liabilities	-5,180
Total Liabilities	**-5,180**
Total Assets and Liabilities	**77**
Total Equity	**77**
Summary Statement of Comprehensive Income for the year	**2015-16 £000**
Turnover	7,715
Operating Profit/(Loss)	77
Profit/(Loss) for the period after Tax	**77**
Total Profit/(Loss) for the year	**77**

Cheshire West and Chester

Cheshire Provider Services/ Vivo Care Choices

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

The draft financial statements for the year show an overall profit of £2.5m. This balance primarily reflects a decrease in the pension deficit during the year of £2.3m.

Overall the company has accumulated a significant pension deficit of £2.7m arising from the actuarial valuations of the company's pension assets and liabilities. The Council has provided a pensions guarantee and would ultimately be responsible for funding this deficit should CPS/Vivo be unable to do so. Without this balance the company would have £0.45m of reserves.

Total assets at the end of 2015-16 are £2.7m, which are largely offset by liabilities of £2.2m. This includes a £1.1m loan provided by the Council to ensure the company has sufficient funds available to operate effectively while it awaits payment of funding.

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

Summary of Statement of Financial Position	31 March 2016 £000	31 March 2015 £000
Total Assets	**2,701**	**2,454**
Net Pensions liability	-2,746	-5,061
Other liabilities	-2,253	-2,237
Total Liabilities	**-4,999**	**-7,298**
Total Assets and Liabilities	**-2,298**	**-4,844**
Total Equity	**-2,298**	**-4,844**
Summary Statement of Comprehensive Income for the year	**2015-16 £000**	**2014-15 £000**
Turnover	10,860	10,525
Operating Profit/(Loss)	-396	-334
Profit/(Loss) for the period after Tax	**-540**	**-457**
Actuarial gains/(losses)	3,086	-1,481
Total Profit/(Loss) for the year	**2,546**	**-1,938**

Cheshire West and Chester

Edsential CIC

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

The company started to trade on 1st December 2015 and draft management information for the four months to 31st March 2016 show a loss of £0.9m. Assets held by the company were £6.3m, liabilities were £10.7m. Included in liabilities is a working capital loan provided from the Council to Edsential of £550k, the Council also guarantees the Cheshire Pensions part of the pension liability which equates to £1.8m.

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

Summary of Statement of Financial Position	**31 March 2016 £000**
Total Assets	**6,349**
Net Pensions liability	-3,451
Other liabilities	-7,247
Total Liabilities	**-10,698**
Total Assets and Liabilities	**-4,349**
Total Equity	**-4,349**
Summary Statement of Comprehensive Income for the year	**2015-16 £000**
Turnover	7,565
Operating Profit/(Loss)	-972
Profit/(Loss) for the period after Tax	**-1,017**
Actuarial gains/(losses)	-3,332
Total Profit/(Loss) for the year	**-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. No further amounts have been subscribed for in the 2015-16 year. The total investment from all contributors is £6m. The expectation is that over the next 3 to 4 years the Agency will start to generate profits which may result in the Council receiving dividends. Like any new business venture however it could make consistent losses in which case there may be no return to the Council.

In the event of a borrower defaulting, shareholders in UKMBA will only be liable for any shortfall where they have also borrowed from the UKMBA themselves as it is the borrowers from UKMBA who have guaranteed the company's debt obligations.

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. This payment equated to £42k in 2015-16. 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 2015-16 group accounts. Thus Chester Renaissance will not be consolidated into the Council's group accounts at this time.

PSP Cheshire West and Chester LLP

A joint venture with PSP Facilitating Limited has been created to assist the Council to access wider funding sources and take advantage of ad-hoc development opportunities. Whilst the Council has equal control of PSP Cheshire West and Chester LLP there has been no financial activity to 31 March 2016, therefore does not have a material impact on the Council's 2015-16 group accounts.

48. Trust Funds

During 2015-16 Cheshire West and Chester Council acted as sole trustee for ten Trust Funds. These Funds, some of which date back many years, were established for specific purposes, such as giving grants for education and training or providing community benefits, e.g. library books. The Funds, included below, do not represent assets of the Council and so have not been included in the Council's Balance Sheet. Assets are stated at market value.

	2015-16				
	Income £	Expenditure £	Assets £	Liabilities £	Reserves £
Continuing Trust Funds:					
The Lord Mayors Charity Fund	**-4,018**	**6,413**	**12,106**	**0**	**-12,106**
Held to support a range of charities supported by the serving Lord Mayor of Chester					
The Lady Mayoress Holiday Fund for Children	**0**	**909**	**55,843**	**0**	**-55,843**
Established in 1925 to help provide holidays for Childen who are disadvantaged within the Cheshire West and Chester area					
Fred Venables Higher Education Trust	**-5,002**	**4,800**	**11,292**	**0**	**-11,292**
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	**-26,114**	**19,696**	**25,259**	**0**	**-25,259**
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	**-97,893**	**55,704**	**668,582**	**-1,661**	**-666,921**
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	**0**	**0**	**2,107**		**-2,107**
Held for the general benefit of the residents of Willaston					
Little Sutton Reading and Recreation Rooms	**0**	**0**	**2,479**	**0**	**-2,479**
Held for the general benefit of the residents of Little Sutton					
Fred Venables Literary Trust	**0**	**0**	**12,099**	**0**	**-12,099**
Established in 1998 to provide annual book prizes to young people attending secondary schools					
Reg Chrimes Trust for the Arts	**0**	**0**	**13,427**	**0**	**-13,427**
Established in 1999 for the promotion and development of the arts in the borough of Ellesmere Port and Neston					
Charter Trustees for Ellesmere Port	**-41,916**	**37,964**	**28,211**	**0**	**-28,211**
Established to continue the Mayoral Function in the borough of Ellesmere Port					

49. Comparative Information

The comparative 2014-15 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.

	2014-15		
	Expenditure £000	Income £000	Net £000
Central Service to the Public	7,514	-4,668	2,846
Children's & Education Services	294,061	-236,799	57,262
Adult Social care	118,958	-30,510	88,448
Cultural & Related Services	22,868	-1,795	21,073
Environmental & Regulatory Services	37,475	-4,787	32,688
Planning Services	23,716	-9,382	14,334
Highways & Transport Services	39,909	-10,009	29,900
Public Health	14,308	-14,101	207
Housing Services	127,535	-120,450	7,085
Corporate & Democratic Core	6,004	-55	5,949
Non-distributed Costs	2,133	-3,971	-1,838
Cost of Services	**694,481**	**-436,527**	**257,954**
Other Operating Income & Expenditure	14,665	-13,993	672
Financing & Investment Income and Expenditure	55,687	-30,753	24,934
Taxation & Non-Specific Grant Income	26,999	-332,646	-305,647
-Surplus/Deficit on Provision of Services	**791,832**	**-813,919**	**-22,087**
Surplus on Revaluation of Assets			-63,656
Actuarial -Gain/Loss on Pension Assets/Liabilities			61,253
Other Comprehensive Income & Expenditure			**-2,403**
Total Comprehensive Income and Expenditure			**-24,490**

The 2014-15 statement has not been restated.

Cheshire West and Chester

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

	2015-16 £000	2014-15 £000
Expenditure		
Repairs and Maintenance	5,382	5,465
Supervision & Management	3,299	3,288
Special Services	997	1,012
Depreciation & impairment of non-current assets	4,419	7,038
Debt Management costs	4	4
Movement in the allowance for bad debts	40	119
Total Expenditure	**14,141**	**16,926**
Income		
Dwelling Rents	-22,392	-21,782
Non-dwelling rents	-438	-508
Charges for services and facilities	-175	-164
Contributions towards expenditure	-152	-199
Total Income	**-23,157**	**-22,653**
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	**-9,016**	**-5,727**
HRA services' share of Corporate and Democratic Core	62	62
Net Income/Expenditure for HRA Services	**-8,954**	**-5,665**
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	-310	-390
Interest payable and similar charges	3,104	2,805
Interest and Investment Income	-2	-19
Pensions interest cost and expected return on pension assets	67	2
Capital Grants & Contributions Receivable	0	-4,215
(Surplus) or deficit for the year on HRA Services	**-6,095**	**-7,482**

Movement on the Housing Revenue Account Statement 2015-16

	2015-16 £000	2014-15 £000
Balance of HRA at the end of the previous year	-725	-725
(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	-6,095	-7,482
Adjustments between accounting basis and funding under statute	5,934	7,413
Net (increase) or decrease before transfers to reserves	**-161**	**-69**
Transfer to (from) reserves	69	69
(Increase) or decrease on the HRA	-92	0
Balance on the HRA at the end of the year	**-817**	**-725**

Adjustments between accounting basis and funding under statute

	2015-16 £000	2014-15 £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		
Contribution to repayment of debt	0	61
HRA share of contributions to or from the Pension Reserve	120	185
(Gain) or loss on the sale on non current HRA assets		
- Sale proceeds	1,465	1,249
- Carrying amount of assets	-1,155	-859
Differences relating to changes in property values		
- Reversal of revaluation (losses)/gains on HRA Properties	1,145	-1,460
- Funding of depreciation from Capital Adjustment Account	-5,564	-5,578
Transfers to the Major Repairs Reserve		
- Funding set aside for capital expenditure	7,605	8,259
- Funding for future debt repayment /MRA equivalent sum	2,316	5,554
Total Adjustments	**5,934**	**7,413**

Cheshire West and Chester

Notes to the Housing Revenue Account

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

Description	2015-16 No.	2014-15 No.
Houses	3,031	3,063
Flats	1,746	1,752
Bungalows	636	639
Maisonettes	91	92
Total Dwellings	**5,504**	**5,546**
Garages	**1,549**	**1,549**

2. Housing stock valuations at 31 March

Description	2015-16 £000	2014-15 £000
Property Plant and Equipment		
- Dwellings	151,084	146,428
- Garages	1,096	1,120
Total	**152,180**	**147,548**

3. Vacant possession value of dwellings at 31 March

Description	2015-16 £000	2014-15 £000
Market value - Vacant possession	431,668	418,365
Existing use value for social housing	151,083	146,428
Difference	**280,585**	**271,937**

The difference between market value and the Balance Sheet value for dwellings represents the economic cost to the Government of providing council housing at less than open market rents. The vacant property adjustment factor for NW England is 35% for 2015-16 (same as 2014-15).

Cheshire West and Chester

4. Major Repairs Reserve for the year ending 31 March

Description	2015-16 £000	2014-15 £000
Balance brought forward	-424	-2,008
Debt repayment	1,786	1,736
Set aside voluntary debt repayment	530	477
Transfer of MRA equivalent sum	-5,540	-5,554
Grant funding	0	-4,215
Revenue contribution to capital	-4,381	-4,044
Less capital expenditure financed from Reserve	5,121	13,184
Balance Carried Forward	**-2,908**	**-424**

5. Housing repairs expenditure for the year ending 31 March

Description	2015-16 £000	2014-15 £000
Housing repairs	5,382	5,465
Total	**5,382**	**5,465**

6. Capital expenditure in the year ending 31 March

Description	2015-16 £000	2014-15 £000
Operational assets		
- Dwellings	10,206	14,984
- New Build Programme	468	-
Total	**10,674**	**14,984**
Funded by:		
Borrowing	-5,553	-1,800
Major Repairs Reserve	-5,121	-13,184
Total Funding	**-10,674**	**-14,984**

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

Description	2015-16 £000	2014-15 £000
Disposal of dwellings	1,465	1,249
Total from disposals	**1,465**	**1,249**

8. Depreciation in the year ending 31 March

Description	2015-16 £000	2014-15 £000
Property Plant and Equipment	5,564	5,578
Total	**5,564**	**5,578**

The depreciation charge for dwellings is equal to the notional Major Repairs Allowance (£5.540m). This is equal to the assumption made about the need to spend on major repairs in the self-financing valuation for 2015-16. In addition, £0.024m depreciation has been charged on non-dwelling assets.

9. 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.

10. Rent Arrears at 31 March

Description	2015-16 £000	2014-15 £000
Current tenants	860	1,102
Former tenants	1,117	764
Total arrears	**1,977**	**1,866**
Deduct - Provision for bad debts	-1,333	-1,379
Net arrears	**644**	**487**

Supplementary Financial Statements - Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

Collection Fund for the year ended 31 March 2016

Collection Fund Statement	2015-16			2014-15		
	Non Domestic Rates £000	Council Tax £000	Total £000	Non Domestic Rates £000	Council Tax £000	Total £000
Income						
Council Tax Receivable	0	176,072	176,072	0	172,990	172,990
Non Domestic Rates Receivable	156,756	0	156,756	162,096	0	162,096
Transitional Relief	-202	-4	-206	-2,776	-4	-2,780
	156,554	**176,068**	**332,622**	**159,320**	**172,986**	**332,306**
Prior Year Surplus/(Deficit)						
Central Government	495	0	495	-1,664	0	-1,664
Cheshire West and Chester	486	2,049	2,535	-1,630	1,393	-237
Police Authority	0	246	246	0	167	167
Fire Authority	10	111	121	-33	74	41
	991	**2,406**	**3,397**	**-3,327**	**1,634**	**-1,693**
Precepts Demands and Shares						
Central Government	75,852	0	75,852	74,713	0	74,713
Cheshire West and Chester	74,335	143,934	218,269	73,218	141,468	214,686
Police Authority	0	17,634	17,634	0	16,996	16,996
Fire Authority	1,517	7,953	9,470	1,494	7,664	9,158
Town and Parish Councils	0	2,613	2,613	0	2,483	2,483
	151,704	**172,134**	**323,838**	**149,425**	**168,611**	**318,036**
Charges to Collection Fund						
Write offs of uncollectible amounts	1,069	567	1,636	1,060	541	1,601
Increase in Bad Debt Provision	74	393	467	245	1,177	1,422
Increase in Appeals Provision	1,362	0	1,362	2,241	0	2,241
Cost of Collection	500	0	500	502	0	502
	3,005	**960**	**3,965**	**4,048**	**1,718**	**5,766**
In Year Movement on Fund Balance	**854**	**568**	**1,422**	**9,174**	**1,023**	**10,197**
Opening Fund Balance	-684	5,063	4,379	-9,858	4,040	-5,818
Closing Fund Balance	**170**	**5,631**	**5,801**	**-684**	**5,063**	**4,379**

Cheshire West and Chester

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 area as at 31 March 2016 is £392.6m. 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	15/16 Multiplier (£)
Up to £18,000	0.480
Over £18,000	0.493

The following table shows how the surplus on the Non-Domestic Rates Collection Fund at 31 March 2016 is due to be distributed in future years.

NNDR	Central Govt £000	CWAC £000	Cheshire Fire £000	Total £000
Surplus/(Deficit) at 31 March 2016	85	83	2	**170**
To be distributed 2016-17	0	0	0	**0**
Remaining Surplus/(Deficit)	85	83	2	**170**

The remaining surplus of £0.17m will be considered for distribution in 2017-18. The amount distributed will depend on the forecast performance of the Collection Fund during 2016-17.

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 2015-16, the tax base was estimated as 112,869 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 2014-15
Disabled A	77	5/9	43	42
A	24,669	6/9	16,446	16,286
B	27,708	7/9	21,551	21,199
C	23,635	8/9	21,008	20,635
D	16,371	9/9	16,371	16,117
E	12,613	11/9	15,416	15,084
F	7,594	13/9	10,969	10,707
G	6,118	15/9	10,197	10,011
H	434	18/9	868	854
	119,219		**112,869**	**110,935**

The following table shows how the surplus on the Council Tax Collection Fund at 31 March 2016 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 2016	4,785	584	262	**5,631**
To be distributed 2016-17	2,255	276	125	**2,656**
Remaining Surplus/(Deficit)	2,530	308	137	**2,975**

The remaining surplus of £2.975m will be considered for distribution in 2017-18. The amount distributed will depend on the forecast performance of the Collection Fund during 2016-17.

Cheshire Pension Fund

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Cheshire West and Chester

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

We have audited the pension fund financial statements of Cheshire West and Chester Council (the "Authority") for the year ended 31 March 2016 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 2015/16.

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 Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts, which 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 2015/16, 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 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 Chief Finance Officer; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the 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 2016 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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 is consistent with the audited pension fund financial statements.

Mike Thomas

Mike Thomas
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building
Liverpool
L3 1PS

14 September 2016

Cheshire Pension Fund - Fund Account for the year ended 31 March 2016

	Notes	2015-16 £000	2014-15 Restated £000
Contributions and Benefits			
Contributions Receivable			
From Employers		126,784	139,946
From Employees		35,214	34,284
Total Contributions Receivable	6/6a	**161,998**	**174,230**
Transfers in from Other Schemes	7	10,433	7,804
Benefits Payable			
Pensions		-133,156	-129,111
Lump Sums		-25,647	-21,999
Death Benefits		-3,534	-3,443
Total Benefits Payable	8	**-162,337**	**-154,553**
Payments to and on account of Leavers			
Refund of Contributions		-631	-195
Transfers to Other Schemes		-5,881	-59,471
	9	**-6,512**	**-59,666**
Net Additions / (withdrawals) from dealing with members		**3,582**	**-32,185**
Management Expenses	10/10a	-26,317	-31,473
Returns on Investments			
Investment Income	11	36,520	35,840
Taxes on Income	12	-700	-1,074
Profits and losses on disposal of investments and changes in the market value of investments	13f	33,375	565,218
Net Returns On Investments		69,195	599,984
Net Increase/ (Decrease) in the Fund During the Year		46,460	536,326
Opening Net Assets of the Scheme		4,114,668	3,578,342
Closing Net Assets of the Scheme		**4,161,128**	**4,114,668**

The Fund Account has been restated for 2014-15 for changes made in accordance with the CIPFA guidance Accounting for LGPS Management Costs. This resulted in changes to Management Expenses and Profit (see Note 2).

Cheshire Pension Fund - Net Assets Statement as at 31 March 2016

	Notes	2015-16 £000	2014-15 £000
Investment Assets			
Pooled Investment Vehicles	13/f, 18/19	2,101,221	1,886,609
Equities	13/f, 18/19	904,461	1,000,624
Absolute Return Funds	13b/f, 18/19	529,042	551,756
Investment Properties	16	317,285	311,510
Private Equity	13c/f 18/19	191,882	214,969
Loans	13d/f, 18/19	50,810	54,534
Derivative Contracts	14, 18/19	1,675	855
		4,096,376	**4,020,857**
Cash	13e/f, 18/19	43,186	72,066
Other Investment Balances		4,866	4,288
	13f, 18/19	**4,144,428**	**4,097,211**
Investment Liabilities			
Derivative Contracts	14, 18/19	-350	0
Total Net Investments	17	**4,144,078**	**4,097,211**
Long Term Assets	22	11,167	11,306
Current Assets	23		
Cash at Bank		-2,339	185
Debtors		17,244	15,316
Payments in Advance		21	0
Current Liabilities	24		
Creditors		-8,235	-8,732
Receipts In Advance		-808	-618
Net Current Assets		5,883	6,151
Total Net Assets		**4,161,128**	**4,114,668**

Note 1 – Description of the Fund

The Cheshire Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Cheshire West & Chester Council (The Council). The Council is the reporting entity for this pension fund.

The following description is a summary only. For more detail, reference should be made to the Cheshire Pension Fund Annual Report and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

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

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

The LGPS is a statutory, funded pension scheme. The LGPS is administered by the Council to provide pensions and other benefits for pensionable employees of Cheshire West and Chester, Cheshire East, Halton and Warrington Borough Councils and a range of other scheduled and admitted bodies within the County area. The Fund excludes provision for teachers, fire fighters and police officers as they come within other national pension schemes. A full list of the employers with active members participating in the Fund is shown at the end of the Fund's Statement of Accounts.

Responsibility for managing the Fund lies with the full Council of Cheshire West & Chester Council with lead officer responsibility delegated to the Section 151 Officer (Director of Finance), who undertakes the day to day management of the Fund. The Director of Finance is advised, with regard to investment matters, by the Pension Fund Committee and external advice from Mercer. The Fund also receives actuarial advice from Hymans Robertson. The Pension Fund Committee reports directly to the Cheshire West and Chester Audit and Governance Committee.

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

At 1 April 2015 the Fund managed four investment strategies each defined by their respective allocation to growth assets and defensive assets:

Growth Strategy A	80% Growth / 20% Defensive
Growth Strategy B	58% Growth / 42% Defensive
Medium Growth Strategy	50% Growth / 50% Defensive
Gilts Strategy	0% Growth / 100% Defensive

The individual strategy allocations were incepted on 1 April 2014 and at that point the allocations were as above with the exception of Growth Strategy B which had a strategic allocation of 70% growth / 30% defensive. During the 2014-15 financial year the funding level improved sufficiently that this investment strategy could be “de-risked” to 58% growth / 42% defensive. Risk reduction was achieved through a disinvestment from equities and an investment in Index Linked Gilts (UK Government Bonds). The funding level for all 4 strategies is monitored on a monthly basis and no changes have been made during the 2015-16 financial year.

During the 2015-16 financial year, the Pension Fund made two key changes to the strategic investment strategy for those employers in Growth Strategy A, Growth Strategy B and Medium Growth Strategy:

- Growth Strategy A’s 12% allocation to GMO was reduced to zero in June 2015 resulting in a sale of c£125m of equities with the proceeds invested into Legal and General IM (“LGIM”) passive equity funds. This was in line with the Fund’s strategic decision to utilise the passive equity manager to complement Baillie Gifford’s active growth style of investing.
- The entire LGIM passive equity portfolio was restructured during the quarter June to September 2015 (including assets transferred from GMO). This was the final step in the Fund’s strategy to restructure the equity portfolio away from regional passive weightings to a more diversified global portfolio. This restructure affected those assets within Growth Strategies A, B and Medium Growth Strategy and saw the passive mandate split equally between a World Equity Index and the RAFI All World 3000 Index. The restructured portfolio provides a diversified exposure to global equity markets through the World Equity Index, whilst the RAFI index is weighted by fundamental factors giving the portfolio a “value” tilt. The passive equity mandate overall therefore complements Baillie Gifford’s “growth” style. The value of assets in the restructured LGIM portfolio at 31 March 2016 is £620m.

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 2016 the Fund achieved a return from its investments of +1.49% (+15.7% in 2014-15) compared with the Fund’s tailored benchmark return of +1.2% (+13.0% in 2014-15). For the three years ending 31 March 2016 the Fund achieved an annualised return of +9.5% per annum against the Fund’s benchmark return of +6.3% per annum.

Membership

In accordance with the Governments Automatic Enrolment Legislation, eligible employees are automatically enrolled into the LGPS from their first day of employment, however membership of the LGPS is voluntary and employees are able to choose to remain in the scheme, opt out of the Scheme, re-join at a later date or to make their own personal arrangements outside of the scheme.

Organisations participating in the fund include:

- Scheduled bodies (scheme employers), which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund; and
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking public sector authority functions following outsourcing to the private sector.

There are 226 employer organisations with active members who were contributing into the fund as at 31 March 2016, including the Administering Authority itself, as detailed below:

Cheshire Pension Fund	**31-Mar-16**	**31-Mar-15**
Number of employers with active members	**226**	**210**
Number of employees in the scheme		
Cheshire West and Chester Council	6,658	7,521
Other employers	28,190	25,527
Total	**34,848**	**33,048**
Number of pensioners		
Cheshire West and Chester Council	1,903	1,644
Other employers	23,896	23,173
Total	**25,799**	**24,817**
Number of Deferred pensioners		
Cheshire West and Chester Council	3,176	2,944
Other employers	21,531	21,250
Total	**24,707**	**24,194**
Undecided Leavers	1,047	1,184
Total Membership	**86,401**	**83,243**

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 2016. Employee contributions are matched by employer's contributions which are set based on triennial actuarial valuations. The last such valuation was at 31 March 2013. The next valuation will be based on information as at 31 March 2016.

Benefits

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

	Service pre 1 April 2008	**Service post 31 March 2008**
Pension	Each year worked is worth 1/80 final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

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.

Note 2 – Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2015-16 financial year and its position at year end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is appended to the statement of accounts. Further information is included within Note 21 of these accounts.

The accounts contain a number of restatements to the 2014-15 figures as set out below.

The Code does not require any breakdown of pension fund management expenses. However, in the interests of greater transparency the Fund accounts for pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

Management costs are made up of Investment Management Expenses, Administration Costs and Oversight and Governance Costs. The 2014-15 restatements relate solely to Investment Management Expenses.

The 2014-15 CIPFA guidance required pension funds to include all investment manager fees including those which are deducted at source relating to fund of fund investments. The 2014-15 Investment Management Expenses figure of £42.134m, reported in the 2014-15 accounts, therefore included £12.085m of underlying fees.

In addition to the underlying fees the guidance also required Funds to include transaction costs (which were previously included in a narrative note only) therefore £2.672m of transaction costs were also included within the £42.134m.

The CIPFA guidance has been revised in 2015-16 and has clarified the position with regards to underlying fees, invoking the accounting principle of control. The guidance clarifies that Funds should only include fees where they have a direct relationship with the investment manager, meaning that underlying fees should not be included within the Management Expenses total. (This information is still disclosable within the Annual Report).

The revised guidance has also clarified the position on what constitutes transaction costs, confirming that any costs relating to property should not be included. The £2.672m of transaction costs reported in 2014-15 included £1.908m of costs relating to property transactions.

In addition to the above changes the 2014-15 Investment Management Expenses have also been amended to include £1.323m of fees which had been omitted.

The above changes have required the Fund to restate the 2014-15 management expenses disclosure as set out in the table below:

	2014-15 Disclosure £000	2014-15 Restatement £000	2014-15 Revised £000
Management Expenses	27,377		27,377
Underlying Fund of Fund Fees	12,085	- 12,085	-
Transaction Costs	2,672	- 1,908	764
Additional Management Expenses		1,323	1,323
Total	**42,134**	**- 12,670**	**29,464**

The restatement outlined above has also required amendments to the Management Expenses and Profit and Loss on Disposal of Investments in the Fund Account. Similarly Sales and Changes in Market Value of Investments also required restatement (see Note 13f).

As mentioned above the underlying fees will not be included in either the 2015-16 or 2014-15 Management Expenses disclosure. The 2015-16 underlying fees amounted to £9.463m (£12.085m in 2014-15).

The accounts also contain a number of restatements relating to the Financial Instrument disclosures in Notes 18 and 19.

The CIPFA example accounts confirm that the Fair value of financial instruments and liabilities (Note 18b in 2014-15) is no longer required so it has been removed in its entirety. The table have been replaced by a table which summarises the net gains and losses on financial instruments, including the prior year comparator which was omitted from the 2014-15 accounts.

The reconciliation of fair value measurement in level 3 table in Note 18 c has been restated. The 2014-15 closing balance and assets held at year end have been restated by £2.327m to agree to the balance of level 3 assets held at the 31 March 2015.

The Breakdown of Asset Values table in Note 18d has been restated. The 2014-15 figures for consumer and IT have each been restated by £270.832m, with a decrease in the consumer value and a corresponding increase in IT. The total is unaffected.

The interest rate risk sensitivity analysis table for 2014-15 (Note 19) has been restated. The effect on asset values figure for Legal and General has been restated by £135k to reflect the correct duration. The total change in assets available has been amended by the same figure.

The 2014-15 net currency exposure asset type table in Note 19 has also been restated. The total asset value has been restated by £270k to reflect the correct figure.

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 Costs.

The comparator figures for 2014-15 have been restated to reflect the implementation of the revised CIPFA guidance. Consequently management expenses reported in the Fund Account for 2014-15 have been reduced by £12.7m and Profit and Loss on disposal of investments and changes in the market value of investments has similarly been increased by £12.7m to reflect the deductions of these fees from the Market Value (see Note 2).

Investment Management Expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition the fund has negotiated with the following managers that an element of their fee be performance related:

- Baillie Gifford
- M&G Investments
- Arrowgrass Capital Partners
- Permal
- Winton Capital
- Och Ziff Capital Management
- Darwin

Performance related fees amounted to £6.6m in 2015-16 (£12.9m in 2014-15 Restated) for managers who outperformed the benchmark.

Performance fees for 2014-15 have been restated from £17.3m to £12.9m. The restatement of £4.4m is made up of additional fees which had been deducted at source relating to fund of fund assets and pooled fund performance fees which has been omitted from 2014-15.

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 2015-16 was £867k relating to fees due for the quarter ending 31 March 2016 (£4.6m in 2014-15).

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 with the exception of any assets classified as loans and receivables, e.g. cash and debtors, which will be measured at amortised cost. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised by the fund.

The values of investments as shown in the net assets statement have been determined as follows:

i) Market-quoted investments
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Unquoted investments
The fair value of investments for which market quotations are not readily available is determined as follows:

- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, debt securities and absolute return funds. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity funds and unquoted listed partnerships are valued based on the funds share of the net assets in the private equity fund or limited partnerships using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association. Where these valuations are not at the Fund's balance sheet date, the valuations have been adjusted having due regard to latest dealings, asset values and other appropriate financial information at the time of preparing these statements, in order to reflect our balance sheet date.

iii) Pooled investment vehicles
Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

iv) Freehold and leasehold properties
The investment properties were valued at open market value as 31 March 2016 by Colliers CRE, Chartered Surveyors in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards. Acquisition costs of investments are included in the Total Purchase Cost.

h) Foreign currency transactions

Dividends, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Derivatives

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

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in the change in market value (note 13f).

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

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

j) Cash and cash equivalents

Cash comprises cash in hand and on demand deposits, and includes amounts held by the fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

k) Financial liabilities

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

l) 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.

m) Additional voluntary contributions

The Fund provides an Additional Voluntary Contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Clerical Medical, Standard Life and Equitable Life as its AVC providers. Individual members AVC contributions are paid directly to the AVC provider by their respective employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVC's are not included in the accounts in accordance with section 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 25).

Note 4 – Critical judgements and key sources of estimation uncertainty

In the application of the Fund's accounting policies, which are described in Note 3, those charged with governance of the Fund are required to make judgements, estimates and assumptions about the values of assets and liabilities which are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Note 4.1 – Critical Judgements in applying accounting policies

The Cheshire Pension Fund does not have any critical judgements contained within the accounts.

Note 4.2 – Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains some estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors, however, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the net assets statement at 31 March 2016 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 £192m (£215m 2014-15). 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 £529m (£552m in 2014-15). There is a risk that this investment may be under or overstated in the accounts.
Pension fund liability	The pension fund liability is calculated every three years by the Funds actuary, Hymans Robertson, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with financial standards. Assumptions underpinning the valuations are agreed with the actuary and are disclosed in the actuarial calculation which is included within the Annual Report. This estimate is subject to significant variances based on changes to the underlying assumptions.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would reduce the value of the liabilities by approximately £374m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £114m and a 1 year increase in assumed life expectancy would increase the liabilities by approximately £119m.

Note 5 – Events after the Balance Sheet date

The Fund redeemed its full investment of £198m in the Permal Absolute Return Fund on 1 April 2016. This was following the announcement that members of the senior investment team would depart the organisation at the end of March 2016. Following this announcement the Fund undertook a review of the wider Absolute Return Portfolio which resulted in a selection exercise to appoint a direct replacement for Permal. Following a robust procurement exercise the Fund subscribed to the Blackstone Partners Fund on 1 May 2016. The redemption of the Permal fund resulted in cash being returned to the Fund on 26 April 2016, with the proceeds being invested in the Blackstone product on 1 May.

On the 23rd June 2016 the United Kingdom held a referendum on its participation as a full member of the European Union. The result was a mandate to leave the European Union. The Fund made no allowance for the referendum result in preparing the Statement of Accounts. At this time, it is difficult to predict the long term effect of this course of action.

Note 6 – Contributions Receivable	2015-16 £000	2014-15 £000
Employees Normal Contributions	35,214	34,284
Employers Normal Contributions	84,809	95,441
Employers Deficit Funding*	36,033	40,550
Employers Cost of Early Retirements (pension strain)	5,942	3,886
Employers Augmentation Contributions	0	69
Total Employers Contributions	**126,784**	**139,946**
Total Contibutions	**161,998**	**174,230**

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

It is estimated that employers contributed a notional £36.0m in 2015-16 (£40.6m in 2014-15) towards deficit funding.

The 2014-15 deficit funding figure of £40.6m includes a payment of £25m from Cheshire West and Chester Council who elected to pay their full 3 year deficit contribution as a lump sum.

The cost of early retirements represents the contributions relating to Employers meeting the capitalised costs of discretionary early retirements. The Fund recharges the Employers for such costs and the income received is made up of both one-off lump sum payments and instalments. The accounts recognise the full cost due from early retirement contributions from scheme employers who have the option of paying over more than one year.

Augmentation Contributions include those payable by Employers to provide new benefits or to augment benefits awarded to specific members under LGPS regulations.

6a Analysis of Contributions Receivable	2015-16		2014-15	
	Employers £000	Employees £000	Employers £000	Employees £000
Scheme Employers	91,892	23,627	80,546	22,986
Cheshire West & Chester Council	18,415	7,170	44,612	7,191
Community Admission Body	12,757	3,221	11,687	2,965
Transferee Admission Body	3,720	1,196	3,101	1,142
Total	**126,784**	**35,214**	**139,946**	**34,284**

Note 7 – Transfers in from other Pension Funds	2015-16 £000	2014-15 £000
Transfers from other Local Authorities	7,336	3,455
Transfers from other pension funds	3,097	3,383
Group Transfers		966
Total	**10,433**	**7,804**

Cheshire West and Chester

The 2014-15 group transfer figure of £966k relates to a transfer of assets from Lancashire Pension Fund relating to the consolidation of the fire control service in the North West of England which has combined into North West Fire Control who is an employer in the Cheshire Pension Fund.

Note 8 – Benefits payable	**2015-16 £000**	**2014-15 £000**
Scheme Employers	100,059	97,459
Cheshire West & Chester Council	46,815	44,044
Community Admission Body	10,801	9,245
Transferee Admission Body	4,662	3,805
Total	**162,337**	**154,553**

Note 9 – Payment to and on account of leavers	**2015-16 £000**	**2014-15 £000**
Group Transfers	779	53,800
Individual Transfers	5,102	5,671
Refunds to Members leaving service	631	195
Total	**6,512**	**59,666**

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 2014-15 group transfer figure of £53.8m relates to the transfer of assets to the Greater Manchester Pension Fund who were appointed to administer the LGPS in respect of the National Probation Service from 1 June 2014. The assets were transferred in November 2014.

The refunds to members leaving the service relates to members who opted out of the scheme within two years of joining. The individual transfer figure represents the cash payments from the Fund in relation to individual scheme members' who have left the scheme and transferred their benefits to another pension provider.

Note 10 – Management Expenses	**2015-16 £000**	**2014-15 Restated £000**
Investment management expenses	23,985	29,464
Administration costs	1,633	1,321
Oversight and governance costs	699	688
Total	**26,317**	**31,473**

Investment management expenses for 2014-15 have been restated (see Note 2). 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

The oversight and governance cost of £699k includes an external audit fee of £29,342. The same audit fee is included within the 2014-15 figure of £688k.

Note 10a – Investment Management Expenses	2015-16 £000	2014-15 Restated £000
Management fees and expenses	17,065	15,656
Performance related fees	6,558	12,866
Custody fees	127	178
Transaction costs	235	764
Total	**23,985**	**29,464**

Investment management expenses for 2014-15 have been restated (see Note 2).

Note 11 - Investment Income	2015-16 £000	2014-15 £000
Dividends from Equities	12,779	15,678
Net Rents from Properties	15,414	11,622
Income from Fixed Interest Securities	6,316	7,131
Income from Pooled Investment Vehicles:		
Other		266
Property	1,268	7
Stock Lending	350	598
Interest from Cash Deposits	277	293
Other	116	245
Total	**36,520**	**35,840**

Note 12 – Taxes on income	2015-16 £000	2014-15 £000
Withholding tax - Equities	381	530
Withholding tax – Private Equity	319	541
Withholding tax - Other	0	3
Total	**700**	**1,074**

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 2015-16 amounts to £700k and is shown as a tax charge, compared to £1.074m in 2014-15.

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

Note 13 – Investments **Investment Assets**	**2015-16** **£000**	**2014-15** **£000**
Equities		
Overseas Quoted	868,179	936,980
UK Quoted	36,282	63,644
Pooled Investments		
UK Government Index Linked Gilts	710,311	696,466
Fixed Income – Multi Strategy	570,509	504,491
UK Equity Listed	620,362	240,827
Overseas Equity Listed	0	251,009
Secured Loans	168,712	163,326
UK Property	23,721	21,567
Overseas Unit Trusts – Property	7,578	8,894
UK Unit Trusts – Property	0	0
UK Equity Unlisted	28	29
Absolute Return Funds	529,042	551,756
Investment Properties	317,285	311,510
Private Equity	191,882	214,969
Cash Deposits	43,186	72,066
Loans	50,810	54,534
Derivative Contracts:		
Forward currency contracts	1,675	855
Other investment balances:		
Outstanding dividends entitlements and withholding tax claims	4,866	4,288
Total	**4,144,428**	**4,097,211**
Investment Liabilities		
Derivative Contracts:		
Forward currency contracts	-350	0
Total	**4,144,078**	**4,097,211**

The Fund disinvested £125m from equities managed by GMO with a corresponding investment in Legal and General passive equity funds.

Following the disinvestment from GMO the entire Legal and General passive equity portfolio was restructured during the year with the passive mandate split equally between a World Equity Index and the RAFI All World 3000 Index. The restructure accounts for the year to year movement in overseas and UK equities.

The fund also rebalanced the investment managed by Henderson in order to bring it up to its benchmark weighting of 7%, resulting in a further investment of £75m.

These changes have impacted upon the year on year comparison figures for Fixed income, UK listed and overseas listed equities.

Note 13a –Fixed Income Multi Strategy

The Fund has invested in two pooled fixed income investment vehicles managed separately by Henderson and BlueBay. 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	2015-16 £000	2014-15 £000
Permal	Hedge Fund of Funds	198,284	216,977
Arrowgrass Capital Partners	Multi Strategy Hedge Fund	135,072	131,588
Winton Capital	Commodity Trading Advisor	104,194	107,672
Och Ziff Capital Management	Multi Strategy Hedge Fund	91,492	95,519
Total		**529,042**	**551,756**

Note 13c - Private Equity	Number of Funds	2015-16 £000	2014-15 £000
Adam Street Partners	16	101,475	117,155
Pantheon Ventures	9	86,646	92,785
Lexington	1	3,761	5,029
Total	**26**	**191,882**	**214,969**

Note 13d - Loans

The Fund has committed £50m to the M&G UK Financing Fund which is a limited partnership whose investment objective is to take advantage of difficulties in the UK banking sector and lend monies to UK FTSE350 companies through senior debt and equity linked instruments. As at the 31st March 2016 £32m of this commitment had been drawn down and the Fund had received £19m in distributions. The market value as at 31 March 2016 was £19.1m.

The Fund has also committed £30m to the M&G Debt Opportunities Fund which aims to take advantage of discrete market opportunities that arise over time. As at the 31st March 2016 the full £30m of the commitment had been drawn down. The market value as at 31 March 2016 was £31.7m.

The combined market value of loans as at 31 March 2016 was £50.8m.

Note 13e – Cash	2015-16 £000	2014-15 £000
Cash Deposits	18,030	-176,785
Cash Instruments	25,156	248,851
Total	**43,186**	**72,066**

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

The forward currency contract relating to the 2014-15 January to March hedge was settled on 31 March 2015. In line with the Fund Custodian's accounting policy trades settled after the accounting cut off are allocated to the following business day. This is reflected in the substantial cash instrument figure which offsets the overdrawn cash deposit balance as at 31 March 2015.

Note 13f – Reconciliation of movements in Investments and Derivatives

	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	**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	**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**

Cheshire West and Chester

	Fair Value at 31 March 2014	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair value	Fair Value at 31 March 2015
		Restated	Restated	Restated	
	£000	£000	£000	£000	**£000**
Pooled Investment Vehicles	**1,408,953**	1,111,678	-852,318	218,296	**1,886,609**
Equities	**1,129,018**	492,618	-795,780	174,768	**1,000,624**
Absolute Return Funds	**496,466**	1,449	-13,345	67,186	**551,756**
Private Equity	**195,454**	27,760	-86,066	77,821	**214,969**
Investment Properties	**230,965**	47,423	-8,509	41,631	**311,510**
Loans	**57,632**	3,321	-6,349	-70	**54,534**
	3,518,488	1,684,249	-1,762,367	579,632	**4,020,002**
Derivative Contracts:					
Forward currency contracts	**479**	2,664	-2,408	120	**855**
	3,518,967	1,686,913	-1,764,775	579,752	**4,020,857**
Cash	**32,153**	54,447		-14,534	**72,066**
	3,551,120	1,741,360	-1,764,775	565,218	**4,092,923**
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	**6,024**				**4,288**
	3,557,144				**4,097,211**
Investment Liabilities					
Derivative Contracts:					
Forward currency contracts	**-764**				**0**
Net Investments	**3,556,380**				**4,097,211**

The purchases, sales and change in fair value figures have been restated due to adoption of the revised CIPFA LGPS Management Costs guidance and for omitted 2014-15 fees (see Note 2).

Note 14 – Analysis of Derivatives	**Asset 2015-16 £000**	**Liability 2015-16 £000**	**Asset 2014-15 £000**	**Liability 2014-15 £000**
Forward Foreign Exchange Contracts	1,675	350	855	0
Total	**1,675**	**350**	**855**	**0**

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	-350
Forward OTC	3 months	83,910	GBP	106,000	EUR	1,675	0
Total Derivatives						**1,675**	**-350**

2014-15 Forward Foreign Exchange Contracts

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

Forward currency contracts are used to hedge the risks associated with the foreign currencies represented by the securities held, or to adjust the foreign currency exposure of the Fund.

The Fund hedges its European equity exposures by investing in a hedged European equity mandate with Legal and General. The Fund also hedges its direct European and US Dollar equity exposure through forward currency contracts. As at the year end the net balance was £1.325m (£855k in 2014-15).

Note 15 – Stock Lending

In accordance with the LGPS (Management and Investment of Funds) Regulations 2009 the Fund allows its' stock to be lent provided that the total value of the securities loaned out does not exceed 25% of the total Fund value. The Fund has entered into a stock lending programme managed by its custodian the Bank of New York Mellon and only accepts government and quasi government bonds as collateral against loaned stock to safeguard the Fund's assets. During the year ended 31 March 2016 the Fund earned £350k (£598k 2014-15) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £69.1m (£51.5m 2014-15) and the value of collateral held was £83.18m (£56.08m 2014-15).

Note 16a – Property Income	2015-16 £000	2014-15 £000
Rental Income	18,301	14,694
Surrender premiums	0	48
Interest/Misc Income	1	2
Direct Operating Expenses	-2,756	-3,076
Net Rental Income	**15,546**	**11,668**

Note 16b – Fair Value of Investment Properties	2015-16 £000	2014-15 £000
Balance at the start of the year	311,510	230,965
Additions	17,606	47,423
Disposals	-37,180	-8,509
Net gain/loss on fair value	25,349	41,631
Balance at the end of the year	**317,285**	**311,510**

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 £1m (£8.5m in 2014-15). 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	2015-16 £000	2014-15 £000
No later than one year	1,458	2,490
Between one and five years	7,303	5,280
Later than five years	11,391	9,240
Total	**20,152**	**17,010**

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	2015-16 £000	2015-16 %	2014-15 £000	2014-15 %
Legal & General	1,330,673	32.1	1,184,107	29.0
Baillie Gifford	922,082	22.3	899,151	21.9
Rockspring Property Investment Managers	326,041	7.9	321,312	7.8
BlueBay	292,913	7.0	303,685	7.4
Henderson	277,596	6.7	200,805	4.9
M&G Investments	221,267	5.3	219,442	5.4
Permal	198,284	4.8	216,976	5.3
Arrowgrass Capital Partners	135,072	3.3	131,588	3.2
Winton Capital	104,194	2.5	107,672	2.6
Adams Street Partners	101,475	2.4	117,155	2.9
Och Ziff Capital Management	91,492	2.2	95,519	2.3
Pantheon	86,646	2.1	92,785	2.3
Darwin	23,721	0.6	21,567	0.5
Bank of New York Mellon	17,366	0.4	5,954	0.1
Deutsche Bank (Money Market)	6,667	0.2	23,056	0.6
Fidelity (Money Market)	4,379	0.1	24,528	0.6
Lexington Capital Partners	3,761	0.1	5,029	0.1
GMO	421	0.0	126,849	3.1
HG Capital	28	0.0	29	0.0
Internal	0	0.0	2	0.0
Total	**4,144,078**	**100.0**	**4,097,211**	**100.0**

A review of the investment strategy during 2015-16 saw a disinvestment from equities managed by GMO of £125m with a corresponding investment in Legal and General passive equity funds.

The fund also rebalanced the investment managed by Henderson in order to bring it up to its benchmark weighting of 7%, resulting in a further investment of £75m.

These changes have impacted upon the year on year comparison figures for Legal and General, GMO and Henderson.

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-16 £000	% of Total Fund	Market Value 31-Mar-15 £000	% of Total Fund
Legal & General - Over 5 Yr Index Linked Gilts	710,311	17.14%	696,466	17.00%
Legal & General - World Equity Index *	311,629	7.52%	0	0.00%
Legal & General - FTSE RAFI AW 3000 Equity Index *	308,733	7.45%	0	0.00%
Bluebay - Total Return Diversified Fund	292,913	7.07%	303,685	7.41%
Henderson - Horizon Total Return Bond	277,596	6.70%	200,805	4.90%

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

Investments which fall into the second category are as follows:

	Market Value 31 March 2016 £000	% of Asset Type	Market Value 31 March 2015 £000	% of Asset Type
FIXED INCOME				
Bluebay Total Return Diversified Fund	292,913	51.34%	303,685	60.20%
Henderson Horizon Total Return Bond	277,596	48.66%	200,805	39.80%
ABSOLUTE RETURN				
Permal Jubilee Absolute Return Fund	198,284	37.49%	216,976	39.32%
Arrowgrass International Fund	135,072	25.53%	131,588	23.85%
Winton Futures GBP Fund	104,194	19.69%	107,672	19.51%
Och Ziff Overseas Fund II	91,492	17.29%	95,519	17.31%
UK LISTED EQUITIES				
L&G World Equity Index *	311,629	47.46%	0	0.00%
L&G FTSE Rafi *	308,733	47.02%	0	0.00%
UK GOVERNMENT INDEX LINKED GILTS				
Over 5 Year Index Linked Gilts	710,311	100.00%	696,466	100.00%
SECURED LOANS				
M&G European Loan Fund	168,712	89.83%	163,326	87.26%
M&G UK Companies Financing Fund	19,093	10.17%	23,841	12.74%
LOANS				
M&G Debt Opportunities Fund	31,717	100.00%	30,692	100.00%
PROPERTY				
Bristol, Ashton Vale	17,340	5.08%	0	0.00%
Southampton City Gateway, Southampton	27,200	7.98%	22,560	6.77%
Tweedbank Retail Park, Berwick On Tweed	21,500	6.30%	21,800	6.55%
Tottenham Court Road, London	23,000	6.74%	21,750	6.53%
London, Cornhill	18,150	5.32%	11,300	3.31%
Darwin	23,721	6.96%	21,567	6.47%
Maybrook Retail Park, Canterbury	19,925	5.84%	19,600	5.88%
1, 3, 5 & 7 Haymarket and 2-4 Humberstone Gate, Leicester	18,275	5.36%	18,000	5.40%
PROPERTY - UNIT TRUSTS				
German Retail Box Fund	7,453	98.35%	8,707	97.89%
PRIVATE EQUITY				
Pantheon 2008 Europe VI	21,274	11.10%	23,369	10.87%
Pantheon 2007 USA Fund VIII	15,253	7.90%	15,099	7.02%
Adams Street Partners 2007 US	13,157	6.90%	13,350	6.21%
Pantheon 2004 USA Fund VI	12,322	6.40%	18,447	8.58%
Adams Street Partners 2005 US Fund	11,636	6.40%	14,437	6.72%
Pantheon 2007 Asia Fund V	11,509	6.00%	13,932	6.48%
Adams Street Partners 2007 Direct Co-Investment Fund II	10,853	5.70%	13,910	6.47%
Adams Street Partners 2006 USA Fund	9,728	5.10%	0	0.00%
CASH AND CASH INSTRUMENTS				
BNY Mellon Sterling Liquidity Fund	14,114	54.42%	20,770	30.17%
Fidelity Institutional Liquidity Fund	4,379	16.89%	24,528	9.84%
Deutsche Bank Global Liquidity Managed Fund	6,663	25.69%	23,046	9.24%
UK EQUITY UNLISTED				
Mercury Unquoted 2nd Fund	21	75.64%	22	75.92%
Mercury Unquoted 1st Fund	7	24.36%	7	24.08%

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

Note 18 – Financial Instruments

Note 18a – Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the market value of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

Note 18a - 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 2016			31 March 2015	
	£000	£000	£000	£000	£000	£000
Financial Assets						
Pooled Investments	2,101,221			1,886,609		
Equities	904,461			1,000,624		
Absolute Return Funds	529,042			551,756		
Private Equity	191,882			214,969		
Loans	50,810			54,534		
Derivative contracts	1,675			855		
Cash		42,409			71,556	
Other Investment		4,847			4,273	
Debtors		28,411			26,621	
	3,779,091	**75,667**		**3,709,347**	**102,450**	
Financial Liabilities						
Derivative contracts	-350			0		
Other Investment	0			0		
Creditors			-8,235			-8,732
TOTAL	**3,778,741**	**75,667**	**-8,235**	**3,709,347**	**102,450**	**-8,732**

Cheshire West and Chester

Note 18b – Net Gains and Losses on Financial Instruments

	2015-16 £000	2014-15 £000
Financial Assets		
Fair value through profit and loss	39,814	538,191
Loans and receivables	2,942	0
Financial Liabilities		
Fair value through profit and loss	-26,471	0
Loans and receivables	-7,950	-15,740
Total	**8,335**	**522,451**

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

Note 18c - Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Fair value measurement defines an active market as a market in which transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis, as well as the reporting date. Products classified as level 1 comprise listed equities, exchange traded futures, options and an element of absolute return funds.

Level 2

Financial instruments at level 2 are those whose values are based on quoted market prices that are not as active as level 1 markets or based on models whose inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Products classified as level 2 comprise bonds and loans, less liquid and restricted equity securities, absolute return funds and over the counter derivatives.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would primarily include private equity investments and also some elements of the absolute return fund investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in absolute return funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent external audit of the individual funds.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into levels 1 to 3, based on the level at which the fair value is observable. The table does not reconcile back to the net assets figure as it excludes direct property and items which are valued at amortised cost (i.e. loans and receivables).

Values at 31 March 2016	**Quoted Market Price Level 1 £000**	**Using observable inputs Level 2 £000**	**With significant unobservable inputs Level 3 £000**	**Total £000**
Financial Assets				
Available for sale assets	2,986,805	581,265	209,346	3,777,416
Fair value through profit and loss	0	1,675		1,675
Total Financial Assets	**2,986,805**	**582,940**	**209,346**	**3,779,091**
Financial Liabilities				
Financial Liabilities at fair value		-350	0	-350
Total Financial Liabilities	**0**	**-350**	**0**	**-350**
Net Financial Assets	**2,986,805**	**582,590**	**209,346**	**3,778,741**

Values at 31 March 2015	Quoted Market Price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial Assets				
Available for sale assets	2,884,413	593,893	230,186	3,708,492
Fair value through profit and loss	0	855	0	855
Total Financial Assets	**2,884,413**	**594,748**	**230,186**	**3,709,347**
Financial Liabilities				
Financial Liabilities at fair value	0	0	0	0
Total Financial Liabilities	**0**	**0**	**0**	**0**
Net Financial Assets	**2,884,413**	**594,748**	**230,186**	**3,709,347**

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

	2015-16 £000	2014-15 Restated £000
Opening Balance	**230,186**	**212,714**
Acquisitions	18,402	27,760
Disposal Proceeds	-57,675	-84,032
Total gains / (losses) included in the fund account:		
- on assets sold		0
- on assets held at year end	18,433	73,744
Closing Balance	**209,346**	**230,186**

The 2014-15 closing balance and assets held at year end have been restated by £2.327m to agree to the balance of level 3 assets held at the 31 March 2015.

Note 18d– Breakdown of Asset Values

The table below summarises the asset between types of assets and whether they are quoted or unquoted (excluding direct property and items valued at amortised cost i.e. cash and accruals).

Note 18d - Breakdown of Asset Values

	Quoted Market Price	Unquoted Market Price	2015-16 Total	Quoted Market Price	Unquoted Market Price	2014-15 Total
				Restated		Restated
	£000	£000	£000	£000	£000	£000
Equity Securities:						
IT	415,995		415,995	406,529		406,529
Consumer	146,750		146,750	180,020		180,020
Financial Institutions	135,887		135,887	134,139		134,139
Manufacturing	113,419		113,419	134,018		134,018
Other	45,239		45,239	57,946		57,946
Health and Care	32,769		32,769	46,411		46,411
Energy and Utilities	14,402		14,402	41,562		41,562
Private Equity	2,964	188,918	191,882	3,459	211,510	214,969
UK Property	23,721		23,721	21,567		21,567
Real Estate - Overseas Property		7,578	7,578		8,894	8,894
Investment Funds and Unit Trusts						
Equities	913,275	28	913,303	789,447	6,103	795,550
Bonds	987,907		987,907	897,271		897,271
Absolute Return Funds	154,477	374,565	529,042	172,043	379,713	551,756
Other		168,712	168,712		163,326	163,326
Secured Loan Investments		50,810	50,810		54,534	54,534
Derivatives		1,325	1,325		855	855
Total	**2,986,805**	**791,936**	**3,778,741**	**2,884,412**	**824,935**	**3,709,347**

The 2014-15 figures for consumer and IT have been restated by £270.832m (see Note 2).

Note 19 – Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce risk exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the fund's forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

Risk management policies are established to identify and analyse the risks faced by the Council's pension operations. Policies are reviewed regularly to reflect changes in activity and in market changes.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk). Whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the 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 2015-16 reporting period:

Asset Type	Potential market movements
	% (+ / -)
Private Equity	24.2
Global Equities - Emerging	29.2
Global Equities - Developed	17.3
UK Equities	17.3
Property Unit Trusts	14.6
High Yield	9.4
Absolute Return Funds	8.1
Corporate Bonds	3.9
Government Bonds	4.1
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:

Asset Type	Value at 31 March 2016 £000	Percentage Change %	Change in Value on increase £000	Change in Value on decrease £000
Global Equities - Developed	1,328,077	17.3	229,757	-229,757
Government Bonds	1,003,224	4.1	41,132	-41,132
Absolute Return Funds	529,042	8.1	42,852	-42,852
UK Equities	85,811	17.3	14,845	-14,845
Corporate Bonds	301,317	3.9	11,751	-11,751
High Yield	219,522	9.4	20,635	-20,635
Private Equity	191,882	24.2	46,442	-46,442
Global Equities - Emerging	97,043	29.2	28,337	-28,337
Cash	56,300	4.5	2,533	-2,533
Property Unit Trusts	7,578	14.6	1,106	-1,106
Investment Income Due	4,847	0.0	0	0
Net Derivative Assets	1,325	0.0	0	0
Total assets available to pay benefits	**3,825,968**		**439,390**	**-439,390**

Interest rate risk

The Fund invests in a number of interest bearing instruments such as Government bonds, corporate bonds and secured loans for the primary purpose of obtaining a return on those investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Council and its investment advisers in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2016 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial asset at fair value:

Asset Type	**2015-16 £000**	**2014-15 £000**
Corporate and Government Bonds	1,280,820	1,200,956
Cash and cash equivalents	32,144	24,492
Cash balances	11,042	47,573
Total	**1,324,006**	**1,273,021**

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 £1,280.82bn 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 3.12, 3.2 and 24.0 years respectively.

A 1% increase in the prevailing level of interest would decrease the aggregate fair value of these mandates by £188.5m (£176.2m in 2014-15). Likewise a 1% decrease in the level of interest would be expected to increase the fair value of these mandates by a similar amount.

The secured loans invested in by M&G and Henderson, and the UK Financing Fund loans and Debt Opportunities Fund managed by M&G, are typically structured with a floating rate payment structure, whereby a fixed basis point spread is paid over the prevailing reference rate, typically 3 month LIBOR or EURIBOR. As a result, there is negligible interest rate risk involved in these investments. However, the total interest earned on investments will vary from time to time with changes in the underlying reference rate.

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

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

Asset Type	Duration	Carrying amount at 31 March 2016	Effect of Asset Values	
			+100 BPS	-100 BPS
Cash and Cash Equivalents		32,144		
Cash Balances		11,042		
Fixed Income - Henderson	3.12	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**

Asset Type	Duration	Carrying amount at 31 March 2015	Effect of Asset Values	
			Restated +100 BPS	Restated -100 BPS
Cash and Cash Equivalents		24,492		
Cash Balances		47,573		
Fixed Income - Henderson	2.07	200,805	4,161	-4,161
Fixed Income - BlueBay	3.7	303,685	11,236	-11,236
Fixed Income - Legal and General	23.1	696,466	160,884	-160,884
Total change in assets available		**1,273,021**	**176,281**	**-176,281**

The effect on asset values figure for Legal and General has been restated by £135k to reflect the correct duration. The total change in assets available has been amended by the same figure.

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**

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

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

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund’s liabilities are denominated in sterling but as part of its investment strategy the Fund invests in assets denominated in foreign currencies, which exposes the Fund to the risk of movement in exchange rates. The Fund’s investment managers may at their own discretion hedge part or all of the foreign exchange risk inherent in their portfolio. The Fund has also hedged its European and equity exposure by investing in a hedged European equity mandate with Legal and General and also hedges it’s direct European and US Dollar equity exposure through forward currency contracts.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisers in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following tables summarise the Fund's net currency exposure, after hedging, as at 31 March 2016 and 31 March 2015:

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 Exposure - Asset Type	Gross Exposure	Hedging Exposure	Net Exposure
2014-15	**£000**	**£000**	**£000**
Overseas Listed Equities	1,193,410	-157,556	1,035,854
Overseas Unquoted Securities	214,969		214,969
Absolute Return Funds Overseas Fixed Interest	95,519	-96,329	-810
Overseas Unit Trusts	9,088		9,088
Total	**1,512,986**	**-253,885**	**1,259,101**

Currency risk - sensitivity analysis

Following analysis of historical data in consultation with the fund investment advisers, the Council considers the likely volatility associated with foreign exchange rate movements to be 13% (as measured by one standard deviation).

A 13% fluctuation in the currency is considered reasonable based on the fund's adviser’s analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 13% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Net Currency Exposure - Asset Type	Asset Values	Change to net Assets available to pay benefits	
	2015-16	+13%	-13%
	£000	£000	£000
Overseas Listed Equities:	**788,066**	**102,448**	**-102,448**
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**

Net Currency Exposure - Asset Type	Asset Values	Change to net Assets available to pay benefits	
	2014-15	+13%	-13%
	Restated		
	£000	£000	£000
Overseas Listed Equities:	**1,035,854**	**134,626**	**-134,626**
Of which from USD	609,251	79,203	-79,203
Of which from JPY	50,565	6,573	-6,573
Of which from HKD	60,542	7,870	-7,870
Of which from SEK	25,788	3,352	-3,352
Of which from CHF	19,189	2,495	-2,495
Of which from DKK	16,173	2,102	-2,102
Of which from ZAR	18,088	2,351	-2,351
Of which from other currencies	236,258	30,680	-30,680
Overseas Unquoted Securities:	**214,969**	**27,946**	**-27,946**
Of which from USD	180,131	23,417	-23,417
Of which from EUR	34,838	4,529	-4,529
Absolute Return Funds Overseas:			
Of which from USD*	-810	-105	105
Overseas Unit Trusts:			
Of which from EUR	9,088	1,181	-1,181
Total	**1,259,101**	**163,648**	**-163,648**

The asset values total has been restated by £270k to reflect the correct figure.

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

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the market value of the fund's financial assets and liabilities.

In essence the Fund's investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The primary credit risk to the Fund is through its fixed interest instruments managed by Legal and General, Henderson and BlueBay and secured loans managed by M&G. However, the majority of the Funds fixed income assets are investment grade quality (above BBB rated) sovereign or corporate bonds rated.

Multi Asset

The Fund's aggregate exposure to credit risk through these three mandates as measured by the credit rating of external agencies is summarised in the table below:

S&P Quality Rating	Fair Value 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**

S&P Quality Rating	Fair Value 2014-15	% of Fair Value of Fixed Income Assets
	£000	£000
AAA	703,493	59.0
A	22,515	2.0
A	38,428	3.0
BBB	118,594	10.0
Below BBB	251,437	21.0
Cash	51,203	4.0
NR	15,286	1.0
Derivatives	0	0.0
Total	**1,200,956**	**100.0**

Secured Loans

The Fund also invests in secured loans through dedicated mandates managed by M&G, whilst the Henderson and BlueBay Fixed Income mandate also has discretion to invest a proportion of their fund tactically in the same asset class. Secured loans are below investment grade, which as a result carry greater credit risk than investment grade sovereign or corporate bonds or loans. The increased credit risk associated with this asset class is mitigated by the managers through detailed credit research analysis and through constructing a diversified portfolio of secured loans across individual counterparties, ratings, industry sector and geography. Credit risk is further reduced by the senior position in the capital structure that is inherent in this asset class which is secured against the counterparty's assets.

The Fund's aggregate exposure to credit risk through these secured loan mandates as measured by the credit rating is summarised in the table below:

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**

2014-15 Rating	Fair Value £000	% of Fair Value of Assets
BBB-	0	0.0
BB+	14,699	9.0
BB	9,800	6.0
BB-	35,932	22.0
B+	39,198	24.0
B	45,732	28.0
B-	6,533	4.0
BBB-	1,633	1.0
CCC+	1,633	1.0
CCC and below	8,166	5.0
Total	**163,326**	**100.0**

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, the council invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all have AA ratings from a leading ratings agency.

The Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits in the Fund’s history. The Fund's cash holding under its treasury management arrangements as at 31 March 2016 was £11.0m (31 March 2015 £47.6m) and was held in the Deutsche Bank and Fidelity money market accounts. The remainder of the cash was held by the fund’s custodian, Bank of New York Mellon with a small amount of cash in transit which was held by the fund’s property investment manager Rockspring.

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**

2014-15 Counterparty	Moodys Rating	£000	% of cash balances
Bank of New York Mellon (Money Market Cash / Cash Accounts)	Aa2	23,982	33.20
Fidelity Worldwide Investment (Money Market)	Aaa-mf	24,528	34.00
Deutsche Bank Advisors (Money Market)	Aaf/S1	23,046	32.00
Cash in Transit	NR	510	0.80
Total		**72,066**	**100.00**

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 2016 the value of illiquid assets was £300m, which represented 7.23% of the total fund assets (31 March 2015 £320m which represented 7.80% of the total fund assets).

In terms of liquidity risk, the Fund had £43.1m (2014-15 £72m) of cash balances as at 31 March 2016 and net current assets of £5.9m (£6.1m in 2014-15). The Funds net cashflow, before taking account of investments and excluding management expenses, as at 31 March 2016 was +£3.6m (-£32m in 2014-15). There is no significant risk that it will be unable to meet its current commitments.

All current liabilities are due to be paid in less than one year.

Financial mismatch – 1. The risk that Fund assets fail to grow in line with the developing cost of meeting Fund liabilities. 2. The risk that unexpected inflation increases the pension and benefit payments and the Fund assets do not grow fast enough to meet the increased cost.
Changing demographics –The risk that longevity improves and other demographic factors change increasing the cost of Fund benefits.

Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting Fund liabilities.

The Council measures and manages financial mismatch in two ways. As indicated above, it has set a strategic asset allocation benchmark for the Fund. It assesses risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. It also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Fund prepares periodic cash flow forecasts to understand and manage the timing of cash flows. The appropriate strategic level of cash balances to be held is a central consideration in preparing the Fund's annual investment strategy.

The Council keeps under review mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions are considered formally at the triennial valuation.

The Council seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Stock Lending

The Fund has entered into a stock lending programme managed by its custodian the Bank of New York Mellon and only accepts government and quasi government bonds as collateral against loaned stock to safeguard the Fund's assets. The credit rating of the collateral accepted is summarised below.

	Fair Value of collateral 31 March 2016	% of Fair Value of collateral 31 March 2016	Fair Value of collateral 31 March 2015	% of Fair Value of collateral 31 March 2015
Moody's rating	**£000**	**%**	**£000**	**%**
Aaa	68,414	82	35,047	63.0
Aa1	4,818	6	21,028	37.0
Aa2	9,947	12	0	0.0
Grand Total	**83,179**	**100**	**56,075**	**100.0**
Value of Stock on Loan	**69,066**		**51,506**	

During the year ended 31 March 2016 the Fund earned £350k (£598k 2014-15) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £69.0m (£51.5m 2014-15) and the value of collateral held was £83.18m (£56.08m 2014-15).

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 2013. The next valuation will take place as at March 2016.

The key elements of the funding policy are:

- To ensure long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- To ensure that employer contribution rates are as stable as possible;

- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so;
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer, from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Normally this is three years but in some cases a maximum period of 12 years can be granted. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

At the 2013 valuation, the fund was assessed as 82% funded (81% at the March 2010 valuation). This corresponded to a deficit of £723m (2010 valuation: £600m) at that time.

Contribution increases will be phased in over the three-year period ending 31 March 2017 for both scheme employers and admitted bodies. The common contribution rate (i.e. the Fund-wide future service rate plus past service adjustment. It should be noted that this will differ from the actual contributions payable by individual employers) is:

Common Contribution Rate	**31-Mar-10 %**	**31-Mar-13 %**
Future	16.1	19.3
Deficit	6.7	8.2
Total	22.8	27.5

Individual employer's rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report and the funding strategy statement on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

Financial assumptions	**31-Mar-10**		**31-Mar-13**	
	Nominal	**Real**	**Nominal**	**Real**
Discount rate	6.10%	2.80%	4.60%	2.10%
Salary increases	5.30%	2.00%	3.30%	0.80%
Price inflation / Pension Increases	3.30%	-	2.50%	-

Longevity assumptions

	Actives & Deferreds		**Current Pensioners**	
Assumed life expectancy at age 65	**Male**	**Female**	**Male**	**Female**
2010 valuation - baseline	19.8	22.5	19.8	22.5
2010 valuation - improvements	24.9	27.7	22.9	25.7
2013 valuation - baseline	19.8	22.7	20.1	22.4
2013 valuation - improvements	24.1	26.7	22.3	24.4

Commutation assumption
It is assumed that future retirees will elect to exchange their pension for additional tax free cash up to 50% of HMRC limits for service to 31 March 2008 and 75% of HMRC limits for service from 1 April 2008.

50:50 Option
It is assumed that 10% of active members (evenly distributed across the age, service and salary range) will take up the 50:50 option in the LGPS 2014 scheme.

Note 21 – Actuarial value of promised retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2015-16 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

	2015-16 £000	2014-15 £000
Long Term Debtors:		
Contributions due - Employers	10,227	10,130
Sundry Debtors	940	1,176
Total	**11,167**	**11,306**

	2015-16 £000	2014-15 £000
Analysis of Long Term Debtors:		
Due from Cheshire West and Chester Council	9,712	9,851
Due from Bodies External to General Government	1,036	1,206
Due from Other Local Authorities	419	249
Total	**11,167**	**11,306**

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	2015-16 £000	2014-15 £000
Current Debtors and cash:		
Contributions due - Employers	13,941	12,314
Contributions Due - Employees	3,131	2,778
Sundry Debtors	250	282
Payments in Advance	21	0
Provision for Doubtful Debt	-78	-58
Cash balances	-2,339	185
Total	**14,926**	**15,501**

Analysis of current assets	2015-16 £000	2014-15 £000
Current Debtors and cash:		
Due from Other Local Authorities	9,361	8,640
Due from Bodies External to General Government	4,351	3,227
Due from Cheshire West and Chester Council	3,608	3,451
Other Debtors	20	51
Central Government Bodies	3	5
Less Provision for Doubtful Debt	-78	-58
Total	**17,265**	**15,316**

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 £21k relates to lump sum benefit payments which have been paid in 2015-16 but relate to 2016-17.

Note 24 – Current Liabilities	2015-16 £000	2014-15 £000
Sundry Creditors	7,834	7,879
Benefits Payable	401	853
Receipts in Advance	808	618
Total	**9,043**	**9,350**

Analysis of creditors	2015-16 £000	2014-15 £000
Due to Bodies External to General Government	4,967	5,085
Other Creditors	1,786	1,963
Due to Cheshire West and Chester	1,296	1,089
Due to Other Local Authorities	186	595
Total	**8,235**	**8,732**

Note 25 – Additional Voluntary Contributions (AVCs)

The AVC providers to the members of the Fund are Clerical Medical, Standard Life and Equitable Life. The AVCs are invested separately from the Fund's main assets and used to acquire additional pension benefits and therefore are not included in the Fund's accounts in accordance with regulation 4 (2) (a) of the LGPS (Management and Investment of Funds) Regulations 2009. Members participating in these AVC arrangements each receive an annual statement confirming the amounts held in their account and the movements during the year.

A summary of the information provided by Clerical Medical, Standard Life and Equitable Life for the year to 31 March 2016 is shown below, along with a prior year comparator.

	Clerical Medical £000	Standard Life £000	Equitable Life £000	Total £000
Contributions received in year 2016	233	202	2	**437**
Contributions received in year 2015	323	151	2	**476**
Fair value at 31 Mar 2016	2,659	2,528	607	**5,794**
Fair value at 31 Mar 2015	2,762	2,510	625	**5,897**

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 2015-16 the Fund paid £6.6k to the Council for interest accrued on these balances.

The Council is one of the largest employers and contributed £18.9m into the Fund in 2015-16 (2014-15 £45.3m). Of the £45.3m figure £25m related to the payment of the 3 year deficit which the Council elected to pay as a lump sum. At the year end, a balance of £13.320m (2014-15 £13.302m) 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 £1.3m (2014-15 £1.1m) 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 £1.633m to administer the Fund in 2015-16 (2014-15 £1.321m) as well as £699k for oversight and governance costs (2014-15 £688k) and these costs were recharged to the Pension Fund (see Note 10). 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 & Chester Council with lead officer responsibility delegated to the Director of Finance, who undertakes the day to day management of the Fund. The Director of Finance is advised, with regard to investment matters, by the Pension Fund Committee and external advice from Mercer. The fund also receives actuarial advice from Hymans Robertson. The Pension Fund Committee reports directly to the Cheshire West and Chester Audit and Governance Committee.

The 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 D. Armstrong, 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 2016.

There are two members of the Local Pension Board who were active members of the Fund as at 31 March 2016; 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 Finance and the Pension Fund Manager. The Pension Fund Manager position was filled in November 2015.

Prior to 2014-15 the posts of Director of Resources and Head of Finance (now Director of Finance) were deemed to be key management personnel with regards to the pension fund. Following an organisational restructure the post of Director of Resources was removed from the Councils structure during 2014-15 and all responsibilities for the management of the Pension Fund transferred to the Director of Finance.

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-16 £000	31-Mar-15 £000
Short term benefits	74	61
Long term/post-retirement benefits	2,605	1,903
Total	**2,679**	**1,964**

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 £402m (2014-15 £314m) in private equity funds.

During 2015-16 the Fund made new commitments to two private equity funds. $77m was committed to the 2014 Pantheon Global Select Fund, this Fund of Fund investment will provide global exposure across Private Equity Primaries and Secondaries. The Fund also committed $30m to the Pantheon Global Secondary Fund V, this investment will target secondary Private Equity investments and provide exposure to 2010-2015 vintage funds, further diversifying the portfolio.

As at 31 March 2016 the Fund had actually invested £325m (2014-15 £279m) and therefore had an outstanding commitment of £77m (2014-15 £35m). 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 24 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 2015-16 the fund has recognised doubtful debts of £46k (£52k in 2014-15) for possible non-recovery of rental income on its investment properties of £39k (£47k in 2014-15) and non-recovery of pensioner death overpayments totalling £4k (£5k in 2014-15) and £3k for other debtors.

Note 30– Statement of Investment Principles

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

Note 31 – Funding Strategy Statement

Under the LGPS Regulations 2013 (as amended) administering authorities are required to prepare a Funding Strategy Statement (FSS).The key requirements relating to the FSS in the regulations are that;

- After consultation with all relevant interested parties involved with the Fund, the administering authority will prepare and publish their funding strategy.
- In preparing the FSS, the administering authority must have regard to:
  - FSS guidance produced by CIPFA;
  - Its Statement of Investment Principles published under Regulation 12 of the LGPS (Management and Investment of Funds) Regulations 2009
- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.
- The Fund's actuary must have regard to the FSS as part of the fund valuation process.

Fund members' accrued benefits are guaranteed by statute. Members' contributions are fixed in the Regulations at a level which covers only part of the cost of accruing benefits. Employers pay the balance of the cost of delivering the benefits to members (net of returns from the Fund's investments). The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers pay for their own liabilities.

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

Employers with active members participating in the Cheshire Pension Fund and their applicable Investment Strategy.
31 March 2016.

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
Bishops Blue Coat COE HS	B
Bulloughs - Birchwood	B
Bulloughs - Brine Leas	B
Bulloughs - Collegiate	B
Bulloughs - Lymm	B
Bulloughs Cleaning Ltd	B
C L S Care Services	C
Canal and River Trust (Waterways Trust)	C
Care Quality Commission	C
Catalyst Choices CIC	B
Cheshire and Warrington E C	C
Cheshire and Warrington Sports PT Ltd	B
Cheshire and Warrington Tourism Board	C
Cheshire Community Action	B
Cheshire Peaks and Plains Housing Trust	B
Cheshire Sports Club	C
Compass - Chartwells Ltd	B
Dataspire	B
David Lewis Centre	C
Deafness Support Network	C
Eric Wright - EP Schools	B
Foundation Enterprises NW	C
Golden Gates Housing Trust	B
Hall Cleaning Services	B
Halton Housing Trust	C
Hochtief	B
HQ Theatres Limited	B
I S S Facility Services Ltd	B
Innovate Tytherington Ltd	B
Lafarge Tarmac	B
Livewire	B
Making Space	C
Marketing Cheshire	C

Admitted Bodies - Continued	Strategy
Middlewich Cemetery Committee	B
Norton Priory Museum Trust	B
Orbitas Bereavement Svcs Ltd	A
Places For People Leisure	B
Plus Dane Housing Association	B
Plus Dane Housing Association Ltd	B
R M Estates Ltd	B
Regent Office Care - Fire	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
Sport Cheshire	B
Super Clean Services Ltd - Alsager	A
Super Clean Services Ltd - Ashdene	A
Super Clean Services Ltd - Holmes Chapel	A
Super Clean Services Ltd - Offley Primary	A
Taylor Shaw - Bridgemere	A
Taylor Shaw - Elworth	A
Taylor Shaw - Haslington	A
Taylor Shaw - Ivy Bank	B
Taylor Shaw - Park Royal	B
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	A
Weaver Vale Housing Trust	B
Wulvern Housing Trust	B

Cheshire West and Chester

Other Employers	Strategy
Alderley Edge Parish Council	B
Alsager Town Council	B
Appleton Parish Council	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 Town Council	B
Disley Parish Council	B
Edsential	B
Elite Cleaning and Environmental Services	B
Everybody Sport and Recreation	A
Frodsham Town Council	B
Grappenhall Thelwell Parish Council	B
Halton Transport	B
Handforth 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
Riverside College	B
Riverside Truck Rental Ltd	B

Other Employers - Continued	Strategy
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
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

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

Academies	Strategy
Adelaide School	A
All Hallows Catholic 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 & Nursery	A
Cavendish High Academy	B
Christleton High School	B
Cloughwood Academy	B
Congleton High School	A
County High School Leftwich	B
Cranberry Academy	A
Delamere CofE Primary Academy	B
Eaton Bank Academy	A
Fallibroome Academy	A
Great Sankey High School	B
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
Marlfields Primary Academy	A
Mill View Primary School	B
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

Academies - Continued	Strategy
Pear Tree School	A
Penketh High School	B
Peover Superior Endowed Primary School	A
Rudheath Community Primary School	B
Sandbach High School Sixth Form	A
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 School	B
St Bernard's RC Primary School	B
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 College	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
University Academy Warrington	B
University C O E Academy	B
Upton Priory School	A
Whirley Primary School	A
Widnes Academy	B
Willaston Primary Academy	A
Winsford E-ACT Academy	B
Wistaston Academy	A
Wistaston Church Lane Academy	A
Worth Primary School	A

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2015/16 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the Cheshire Pension Fund, which is in the remainder of this note.

Present value of Promised Retirement Benefits

Present value of Promised Retirement Benefits (£m)	Year ended 31 March 2016	Year ended 31 March 2015
Active members	2,600	2,662
Deferred pensioners	790	897
Pensioners	1,839	2,035
Total	**5,228**	**5,594**

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are suitable for IAS19 purposes as required by the Code of Practice. They are given below. I estimate that the impact of the change of assumptions to 31 March 2016 is to decrease the actuarial present value by £523m.

Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 March 2016 % p.a.	31 March 2015 % p.a.
Inflation/pensions increase rate	2.2%	2.4%
Salary increase rate	3.2%	3.3%
Discount rate	3.5%	3.2%

Longevity assumptions

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Average future life expectancies at age 65 (years)	Males	Females
Current pensioners	22.3	24.4
Future pensioners*	24.1	26.7

* Future pensioners are assumed to be aged 45 at the most recent formal valuation as at 31 March 2013.

Please note that the assumptions are identical to last year's IAS26 disclosure for the Fund.

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

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:

Change in assumptions for the year ended 31 March 2016	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% decrease in discount rate	11%	561
1 year increase in member life expectancy	3%	157
0.5% increase in salary increase rate	4%	192
0.5% increase in pensions increase rate	7%	360

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2016 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:-

Gemma Sefton FFA

19 April 2016

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 2015-16 group accounts are Cheshire Provider Services Trading Limited (Vivo) and Cheshire West and Chester Leisure CIC (Brio Leisure).

  Chester Renaissance Limited was also identified as a subsidiary of the Council but the level of financial activity is not sufficient to have a material impact on the Council's 2015-16 group accounts and has not, therefore been reflected in the Council's group financial statements.

- Joint Ventures – where the Council and another party exercise joint control over an entity. CoSocius Ltd and Edsential CIC are Joint Ventures and are included in this years consolidated accounts.

- 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 commenced trading in June 2015. 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 2015-16 group accounts.

The Council has business interests in eight organisations and these all have been reviewed in accordance with the Code of Practice for consolidation purposes, of which only those reported above have been consolidated. Further information on all the organisations is given in the interests in Companies note to the Councils single entity accounts (Note 47 on page 148).

Group accounts

The group accounts contain core financial statements similar to those included in the Council's single entity statements but which represent the consolidated position of the group. Notes to the Group accounts have been included where the relevant values and/or the impact on the group statements are material. Of the five companies included in the group accounts one commenced trading in late 2015.

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 2016

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 2015-16	General Fund Balance £000	Sums held by Schools £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	HRA Major Repairs Reserve £000	Capital grants Unapplied £000	Council's Usable Reserves £000	Council's share of Group Company Reserves £000	Total Usable Reserves £000	Council's Unusable Reserves £000	Council's share of Group Company Unusable £000	Total Unusable Reserves £000	Total Reserves of the Group £000
Balance at 31 March 2015 (Restated)	**21,757**	**7,152**	**44,542**	**725**	**16,995**	**424**	**8,783**	**100,378**	**12**	**100,390**	**407,928**	**-13,097**	**394,831**	**495,221**
Surplus or (deficit) on provision of services (accounting basis)	24,387			6,095				30,482	-14,830	**15,652**	0	0	0	**15,652**
Other Comprehensive Expenditure and Income								0	1,640	**1,640**	213,426	9,376	222,802	**224,442**
Total Comprehensive Expenditure and Income	**24,387**			**6,095**				**30,482**	**-13,190**	**17,292**	**213,426**	**9,376**	**222,802**	**240,094**
* Adjustments between group accounts and the Council's accounts	-11,805							-11,805	11,805	**0**	**0**	**0**	**0**	**0**
**Adjustments between accounting basis & funding basis under regulations	10,834			-5,934	-5,847	2,484	5,157	6,694	1,985	**8,679**	-6,694	-1,985	-8,679	**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**23,416**	**0**	**0**	**161**	**-5,847**	**2,484**	**5,157**	**25,371**	**600**	**25,971**	**206,732**	**7,391**	**214,123**	**240,094**
Transfers to/from Earmarked Reserves	**-21,685**	**3,574**	**17,899**	**-69**	**281**					**0**				**0**
Increase/(Decrease) in Year	**1,731**	**3,574**	**17,899**	**92**	**-5,566**	**2,484**	**5,157**	**25,371**	**600**	**25,971**	**206,732**	**7,391**	**214,123**	**240,094**
Balance at 31 March 2016	**23,488**	**10,726**	**62,441**	**817**	**11,429**	**2,908**	**13,940**	**125,749**	**612**	**126,361**	**614,660**	**-5,706**	**608,954**	**735,315**

*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 7 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 2016

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

	2015-16			Restated
	Expenditure £000	**Income £000**	**Net £000**	**2014-15 £000**
Central Service to the Public	5,917	-3,331	2,586	2,846
Children's & Education Services	301,498	-242,194	59,304	57,262
Adult Social care	116,614	-34,758	81,856	88,784
Cultural & Related Services	32,640	-10,969	21,671	20,847
Environmental & Regulatory Services	34,642	-4,745	29,897	32,688
Planning Services	20,615	-9,205	11,410	14,334
Highways & Transport Services	37,639	-9,813	27,826	29,900
Public Health	16,725	-15,089	1,636	207
Housing Services	122,965	-120,300	2,665	7,085
Corporate & Democratic Core	5,774	-83	5,691	5,949
Non-distributed Costs	1,440	-5,438	-3,998	-1,838
Cost of Services	**696,469**	**-455,925**	**240,544**	**258,064**
Other Operating Income & Expenditure	18,810	-4,209	14,601	672
Financing & Investment Income and Expenditure	37,748	-19,689	18,059	25,265
Taxation & Non-Specific Grant Income & Expenditure	26,840	-317,963	-291,123	-305,647
Surplus/Deficit on Provision of Services	**779,867**	**-797,786**	**-17,919**	**-21,646**
Share of the SDPS by Joint Ventures and Associates (-Profit/Loss)			2,451	780
Tax expenses of Joint Ventures and Associates			0	17
Tax expenses of Subsidiaries			-184	-70
Group (Surplus)/Deficit			**-15,652**	**-20,919**
Surplus on Revaluation of Assets			-45,431	-63,656
Re-measurement Gain/-loss on pension assets/liabilities			-173,802	64,113
Others...				
Deferred tax on actuarial gains			772	-370
Share of the re-measurement loss on pensions of Joint Ventures			-5,981	4,857
Other Comprehensive Income & Expenditure			**-224,442**	**4,944**
Total Comprehensive Income and Expenditure			**-240,094**	**-15,975**

Cheshire West and Chester

Group Balance Sheet as at 31 March 2016

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

	31 March 2016 £000	31 March 2015 Restated £000
Non-Current Assets		
- Property, Plant and Equipment	1,096,723	1,013,807
- Heritage Assets	72,668	72,439
- Investment Properties	131,087	124,982
- Intangible Assets	421	537
Long Term Investments	350	350
Investments in Associates	144	144
Deferred Taxation Asset	22	
Long Term Debtors	1,225	3,225
Long Term Assets	**1,302,640**	**1,215,484**
Short Term Investments	45,005	30,000
Assets held for Sale	1,902	49
Current Intangible Assets	51	27
Inventories	241	398
Short Term Debtors	47,792	51,169
Cash and Cash Equivalents	31,233	65,014
Current Assets	**126,224**	**146,657**
Short Term Borrowing	-17,497	-13,745
Short Term Creditors	-93,990	-98,598
Provisions < 1 yr	-1,311	-3,266
Current Liabilities	**-112,798**	**-115,609**
Provisions	-14,123	-14,919
Long Term Borrowing	-287,513	-297,933
Pension Fund Liability	-235,222	-392,622
Other Long Term Liabilities	-33,505	-35,849
Capital Grant Receipts in Advance	-10,388	-9,988
Long Term Liabilities	**-580,751**	**-751,311**
Net Assets	**735,315**	**495,221**
Usable Reserves	126,361	100,390
Unusable Reserves	608,954	394,831
Total Reserves	**735,315**	**495,221**

The group companies for year ending 31 March 2015 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 2016

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 2016 £000
Net surplus or deficit on the provision of services	-17,919
Adjust net surplus or deficit on the provision of services for non cash movements	-71,207
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	48,096
Net cash flows from Operating Activities	**-41,030**
Investing Activities	68,060
Financing Activities	6,751
Net decrease in cash and cash equivalents	**33,781**
Cash and cash equivalents at the beginning of the reporting period	65,014
Cash and cash equivalents at the end of the reporting period	31,233
Net decrease in cash and cash equivalents	**33,781**

Notes to the group core financial statements

1. Accounting policies

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

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

Consolidation of Subsidiaries

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

Consolidation of Joint Venture and Associate

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

Alignment of accounting framework and policies

Where the accounting framework used by group companies differs from that of the Council (UK GAAP rather than IFRS) including the accounting policies and the impact of such differences would have a material impact on the group financial statements then the relevant balances from the group companies will be adjusted to bring the accounting treatment into line with that applied by the Council. For 2015-16, adjustments have been made where necessary to reflect pension costs on an IFRS basis across the group.

Unrealised profits from intra-group transactions

Any unrealised profit reflected in the carrying amount of property, plant and equipment and inventory arising from trading between the Council and its group companies will be eliminated to avoid the double counting of gains. No such adjustments have been necessary for the 2015-16 group accounts.

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 on page 142).

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 2016

Cheshire West and Chester Council Group 2015-16	Usable Reserves						Usable 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 2015 Restated	**100,378**	**0**	**100,378**	**257**	**(245)**	**100,390**	**407,928**	**(7,781)**	**(5,316)**	**394,831**	**495,221**
Surplus or (deficit) on provision of services (accounting basis)	18,677	11,805	30,482	(12,377)	(2,453)	15,652				0	**15,652**
Other Comprehensive Expenditure and Income				(193)	1,833	1,640	213,426	5,226	4,150	222,802	**224,442**
Total Comprehensive Expenditure and Income	**18,677**	**11,805**	**30,482**	**(12,570)**	**(620)**	**17,292**	**213,426**	**5,226**	**4,150**	**222,802**	**240,094**
Adjustments between group accounts and Council's accounts		(11,805)	**(11,805)**	11,805		0				0	**0**
Adjustments between accounting basis & funding basis under regulations	6,694		6,694	1,308	677	8,679	(6,694)	(1,308)	(677)	(8,679)	**0**
Increase / (Decrease) in Year	**25,371**	**0**	**25,371**	**543**	**57**	**25,971**	**206,732**	**3,918**	**3,473**	**214,123**	**240,094**
Balance at 31 March 2016	**125,749**	**0**	**125,749**	**800**	**(188)**	**126,361**	**614,660**	**(3,863)**	**(1,843)**	**608,954**	**735,315**

Comprehensive Income and Expenditure Statement for the year ended 31 March 2016

	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Intra-group transactions £000	Group Results £000
Central Service to the Public	2,586				2,586
Children's & Education Services	59,304				59,304
Adult Social Care	81,460	396			81,856
Cultural & Related Services	21,688	-17			21,671
Environmental & Regulatory Services	29,897				29,897
Planning Services	11,410				11,410
Highways & Transport Services	27,826				27,826
Public Health	1,636				1,636
Housing Services	2,665				2,665
Corporate & Democratic Core	5,691				5,691
Non-distributed Costs	-3,998				-3,998
Cost of Services	**240,165**	**379**	**0**	**0**	**240,544**
Other Operating Income & Expenditure	14,601				14,601
Financing & Investment Income and Expenditure	17,680	379			18,059
Taxation & Non-Specific Grant Income & Expenditure	-291,123				-291,123
Surplus/Deficit on Provision of Services	**-18,677**	**758**	**0**	**0**	**-17,919**
Share of the SDPS by Joint Ventures and Associates (-Profit/Loss)			2,451		2,451
Tax expenses of Joint Ventures and Associates			0		0
Tax expenses of Subsidiaries		-184			-184
Group (Surplus)/Deficit	**-18,677**	**574**	**2,451**	**0**	**-15,652**
Surplus on Revaluation of Assets	-45,431				-45,431
Re-measurement Gain/-loss on pension assets/liabilities	-167,995	-5,807			-173,802
Others…					
Deferred tax on actuarial gains		772			772
Share of the CIES of Joint Ventures			-5,981		-5,981
Other Comprehensive Income & Expenditure	**-213,426**	**-5,035**	**-5,981**	**0**	**-224,442**
Total Comprehensive Income and Expenditure	**-232,103**	**-4,461**	**-3,530**	**0**	**-240,094**

Balance Sheet as at 31 March 2016

	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Intra-group transactions £000	Group Results £000
Non-Current Assets	1,300,108	370			1,300,478
Intangible Assets	421				421
Long Term Investments	350				350
Investments in Associates			144		144
Deferred Taxation Asset		22			22
Long Term Debtors	2,907		-332	-1,350	1,225
Long Term Assets	**1,303,786**	**392**	**-188**	**-1,350**	**1,302,640**
Short Term Investments	45,005				45,005
Assets held for Sale	1,902				1,902
Current Intangible Assets	51				51
Inventories	190	51			241
Short Term Debtors	47,853	1,418		-1,479	47,792
Cash and Cash Equivalents	27,986	3,247			31,233
Current Assets	**122,987**	**4,716**	**0**	**-1,479**	**126,224**
Short Term Borrowing	-17,497				-17,497
Short Term Creditors	-92,511	-3,208		1,729	-93,990
Provisions < 1 yr	-1,311				-1,311
Current Liabilities	**-111,319**	**-3,208**	**0**	**1,729**	**-112,798**
Provisions	-14,123				-14,123
Long Term Borrowing	-287,513	0			-287,513
Pension Fund Liability	-229,516	-3,863	-1,843		-235,222
Other Long Term Liabilities	-33,505	-1,100		1,100	-33,505
Capital Grant Receipts in Advance	-10,388				-10,388
Long Term Liabilities	**-575,045**	**-4,963**	**-1,843**	**1,100**	**-580,751**
Net Assets	**740,409**	**-3,063**	**-2,031**	**0**	**735,315**
Usable Reserves	125,749	800	-188		126,361
Unusable Reserves	614,660	-3,863	-1,843		608,954
Total Reserves	**740,409**	**-3,063**	**-2,031**	**0**	**735,315**

Cash Flow Statement for the year ended 31 March 2016

	Council Single Entity £000	Subsidiaries £000	Intra-group transactions £000	Group Results £000
Net cash flows from Operating Activities	-39,805	-1,244	19	-41,030
Investing Activities	67,738	341	-19	68,060
Financing Activities	6,751	0	0	6,751
Net decrease in cash and cash equivalents	**34,684**	**-903**	**0**	**33,781**
Cash and cash equivalents at the beginning of the reporting period	62,670	2,344	0	65,014
Cash and cash equivalents at the end of the reporting period	27,986	3,247	0	31,233
Net decrease in cash and cash equivalents	**34,684**	**-903**	**0**	**33,781**

3. Amounts Reported for resource Allocation Decisions

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

2015-16	Children's Services £000	Adult Social Care and Health £000	Places £000	Corporate Services £000	Housing Revenue Account £000	Other Direct Services £000	Total £000
Fees, charges and other income	-32,849	-31,993	-53,447	-10,856	-23,153	-12,670	-164,968
Government grants	-216,209	-2,071	-3,984	-91,923	-5	-118	-314,310
Total Income	**-249,058**	**-34,064**	**-57,431**	**-102,779**	**-23,158**	**-12,788**	**-479,278**
Employee expenses	191,194	19,587	35,660	21,083	217	1,794	269,535
Other operating expenses	103,275	115,993	81,189	111,238	22,941	47,542	482,178
Total operating expenses	**294,469**	**135,580**	**116,849**	**132,321**	**23,158**	**49,336**	**751,713**
Net Operating Expenditure	**45,411**	**101,516**	**59,418**	**29,542**	**0**	**36,548**	**272,435**

	2015-16 £000	2014-15 £000
Net Operating Expenditure in Service Analysis	**272,435**	**282,199**
Add services not included in main analysis	0	0
Add analysis of subsidiaries not included in net cost of services	379	110
Add amounts not reported to management	23,499	1,563
Remove amounts reported to management not in CIES	-55,769	-25,808
Net Cost of Services in CIES	**240,544**	**258,064**

2015-16	Service Analysis £000	Analysis of subsidiaries not included in service analysis £000	Not reported to Management £000	Not included in NCOS £000	Net Cost of Services £000	Corporate Amounts £000	Subsidiaries, Joint Venture and Associate amounts not in Net Cost of Services £000	Total for the Group £000
Fees, charges and other service income	-161,897	-8,409	0	55,827	-114,479	-17,882	0	-132,361
Share of operating income of associates and joint venture	0	0	0	0	0	0	0	0
Government grants and contributions	-314,310	0	-28,139	1,003	-341,446	-93,639	0	-435,085
Interest and investment income	-1,251	0	0	1,251	0	-1,251	-2	-1,253
Income from council tax	-679	0	0	679	0	-149,083	0	-149,083
Business Rates	-1,141	0	0	1,141	0	-75,238	0	-75,238
Receipts on Disposal of Property	0	0	0	0	0	-4,793	0	-4,793
Total Income	**-479,278**	**-8,409**	**-28,139**	**59,901**	**-455,925**	**-341,886**	**-2**	**-797,813**
Employee expenses	269,535	6,220	-400	-23,336	252,019	5,582	0	257,601
Other service expenses	467,215	2,568	6,860	-77,371	399,272	7,206	-184	406,294
Share of operating net expenditure of associates and joint venture	0	0	0	0	0	0	2,451	2,451
Business rates levy and tariff payment	1,229	0	0	-1,229	0	26,840	0	26,840
Depreciation, amortisation and impairment	0	0	42,205	0	42,205	4,689	0	46,894
Interest Payments	13,252	0	0	-13,252	0	13,252	66	13,318
IAS 19 Adjustment	0	0	2,973	0	2,973	12,379	315	15,667
Precepts and Levies	482	0	0	-482	0	2,912	0	2,912
Payments to Housing Capital Receipts Pool	0	0	0	0	0	628	0	628
Revaluation Gain on investment properties	0	0	0	0	0	-3,819	0	-3,819
Assets Removed on disposal of properties	0	0	0	0	0	13,375	0	13,375
Total operating expenses	**751,713**	**8,788**	**51,638**	**-115,670**	**696,469**	**83,044**	**2,648**	**782,161**
Surplus or deficit on the provision of services	**272,435**	**379**	**23,499**	**-55,769**	**240,544**	**-258,842**	**2,646**	**-15,652**

2014-15	Service Analysis Restated £000	Analysis of subsidiaries not included in service analysis Restated £000	Not reported to Management Restated £000	Not included in NCOS Restated £000	Net Cost of Services Restated £000	Corporate Amounts Restated £000	Joint Venture and Associate amounts not in Net Cost of Services Restated £000	Total for the Group Restated £000
Fees, charges and other service income	-153,226	-7,487	0	66,987	-93,726	-22,688	0	-116,414
Government grants and contributions	-320,425	0	-31,100	1,237	-350,288	-110,361	0	-460,649
Interest and investment income	-683	0	0	683	0	-683	-3	-686
Income from council tax	0	0	0	0	0	-146,202	0	-146,202
Business Rates	-31	0	0	31	0	-76,084	0	-76,084
Receipts on Disposal of Property	0	0	0	0	0	-21,374	0	-21,374
Total Income	**-474,365**	**-7,487**	**-31,100**	**68,938**	**-444,014**	**-377,392**	**-3**	**-821,409**
Employee expenses	300,224	5,694	-124	-13,977	291,817	8,119	0	299,936
Other service expenses	440,263	1,903	7,167	-64,692	384,641	8,453	-70	393,024
Share of operating net expenditure of associates and joint venture	0	0	0	0	0	0	796	796
Business rates levy and tariff payment	1,868	0	0	-1,868	0	26,999	0	26,999
Depreciation, amortisation and impairment	0	0	50,105	0	50,105	271	0	50,376
Interest Payments	13,916	0	0	-13,916	0	14,150	265	14,415
IAS 19 Adjustment	0	0	-24,485	0	-24,485	13,658	70	-10,757
Precepts and Levies	293	0	0	-293	0	2,776	0	2,776
Payments to Housing Capital Receipts Pool	0	0	0	0	0	688	0	688
Revaluation Gain on investment properties	0	0	0	0	0	-1,517	0	-1,517
Assets Removed on disposal of properties	0	0	0	0	0	23,754	0	23,754
Total operating expenses	**756,564**	**7,597**	**32,663**	**-94,746**	**702,078**	**97,351**	**1,061**	**800,490**
Surplus or deficit on the provision of services	**282,199**	**110**	**1,563**	**-25,808**	**258,064**	**-280,041**	**1,058**	**-20,919**

4. Defined benefit pension schemes

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

Reconciliation of present value of the scheme liabilitites	<------------------------------ LGPS				---------------------------->		Teachers	Total
	CW&C	Vivo	Brio Leisure	Edsential	CoSocius Limited	Group	2015-16	2015-16
	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance *	**1,440,229**	**23,709**	**11,111**		**19,032**	**1,494,081**	**33,631**	**1,527,712**
Current Service Costs	30,063	1,902	776	375	1,035	34,151		34,151
Interest Cost	45,471	820	381	138	649	47,459	1,003	48,462
Contribution by Scheme Members	6,907	361	163	95	240	7,766		7,766
Remeasurement (gains) and losses:								
Actuarial (gains)/losses arising from changes in financial assumptions	-124,906	-3,507	-1,771	-171	-3,061	-133,416	-855	-134,271
Other experience	-19,440	-1	-10		-1	-19,452	-685	-20,137
Benefits Paid	-43,168		-64			-43,232	-2,537	-45,769
Past Service Costs & curtailments	1,092	43	8			1,143		1,143
Liabilities Extinguished on Settlement	-27,874			11,161		-16,713		-16,713
Closing balance at 31 March 2016	**1,308,374**	**23,327**	**10,594**	**11,598**	**17,894**	**1,371,787**	**30,557**	**1,402,344**

Movement in Fair Value of Assets	<------------------------------ LGPS				---------------------------->		Teachers	Total
	CW&C	Vivo	Brio Leisure	Edsential	CoSocius Limited	Group	2015-16	2015-16
	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance *	**1,094,336**	**17,383**	**8,391**		**13,715**	**1,133,825**	**0**	**1,133,825**
Interest income	34,326	599	287	112	466	35,790		35,790
Remeasurement (gains) and losses:								
Return on plan assets, excluding the amounts included in net interest	22,109	350	168	187	272	23,086		23,086
Employer Contributions	18,921	1,202	532	377	566	21,598		21,598
Contribution by scheme members	6,907	361	163	95	240	7,766		7,766
Contributions - unfunded benefits							2,537	2,537
Benefits paid	-43,168		-64			-43,232		-43,232
Unfunded benefits paid							-2,537	-2,537
Assets distributed on Settlement	-21,381			8,984		-12,397		-12,397
Closing balance at 31 March 2016	**1,112,050**	**19,895**	**9,477**	**9,755**	**15,259**	**1,166,436**	**0**	**1,166,436**

Total Surplus/Deficit	**-196,324**	**-3,432**	**-1,117**	**-1,843**	**-2,635**	**-205,351**	**-30,557**	**-235,908**
Deferred Taxation on losses	**0**	**686**	**0**	**0**	**0**	**686**	**0**	**686**
Net liability at 31 March 2016	**-196,324**	**-2,746**	**-1,117**	**-1,843**	**-2,635**	**-204,665**	**-30,557**	**-235,222**

*The opening balances for the Edsential Scheme have been included in the Liabilities extinguished on Settlement and Assets distributed on Settlement rows to reflect the recognition of the cumulative net liability in the company's 2015-16 income and expenditure statement.

5. 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.

	Restated 2014-15		
	Expenditure £000	Income £000	Net £000
Central Service to the Public	7,514	-4,668	2,846
Children's & Education Services	294,061	-236,799	57,262
Adult Social care	119,128	-30,344	88,784
Cultural & Related Services	30,295	-9,448	20,847
Environmental & Regulatory Services	37,475	-4,787	32,688
Planning Services	23,716	-9,382	14,334
Highways & Transport Services	39,909	-10,009	29,900
Public Health	14,308	-14,101	207
Housing Services	127,535	-120,450	7,085
Corporate & Democratic Core	6,004	-55	5,949
Non-distributed Costs	2,133	-3,971	-1,838
Cost of Services	**702,078**	**-444,014**	**258,064**
Other Operating Income & Expenditure	14,665	-13,993	672
Financing & Investment Income and Expenditure	55,994	-30,729	25,265
Taxation & Non-Specific Grant Income & Expenditure	26,999	-332,646	-305,647
Surplus/Deficit on Provision of Services	**799,736**	**-821,382**	**-21,646**
Share of the SDPS by Joint Ventures and Associates (-Profit/Loss)			780
Tax expenses of Joint Ventures and Associates			17
Tax expenses of Subsidiaries			-70
Group (Surplus)/Deficit			**-20,919**
Surplus on Revaluation of Assets			-63,656
Re-measurement Gain/-loss on pension assets/liabilities			64,113
Others...			
Deferred tax on actuarial gains			-370
Share of the re-measurement loss on pensions of Joint Ventures			4,857
Other Comprehensive Income & Expenditure			**4,944**
Total Comprehensive Income and Expenditure			**-15,975**

Glossary of terms

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

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

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

Amortisation
The process of charging capital expenditure, usually on intangible non-current assets, to the accounts over a suitable period of time.

Amortised cost
Amortised cost is the real amount at which the financial instrument is measured rather than the payments made under a contract.

Appropriations
Amounts transferred between the Comprehensive Income and Expenditure Statement and revenue or capital reserves.

Assets held for sale
Property (land or a building, or part of a building) which is expected to be sold within the next 12 months and is therefore held primarily as a means of generating a capital receipt.

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

Average cost
Where goods that are held as inventories are purchased at different times and at different prices, an average cost is calculated to give a value to goods held at the Balance Sheet date.

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

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 2016.

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 2016, 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.

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 2015-16 in relation to goods and services not received until 2016-17.

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 2015-16 relating to goods or services delivered in 2016-17.

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.

Cheshire West and Chester

Unapportionable central overheads
These are overheads for which no user now benefits and should not be apportioned to services.

Useful life
The period over which the local authority will derive benefits from the use of a non-current asset.

Vested rights
In relation to a defined benefit scheme, these are:
a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme
b) for deferred pensioners, their preserved benefits
c) for pensioners, pensions to which they are entitled
   They include where appropriate the related benefits for spouses or other dependants.