Cheshire West & Chester Council

Statement of Accounts

2017-18

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Cheshire West and Chester

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Narrative Report

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

The narrative report is structured as follows:

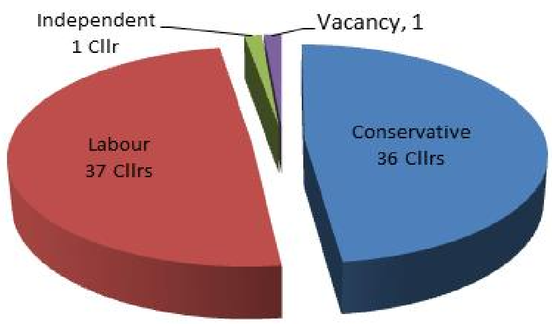
1. About Cheshire West and Chester
2. Strategic principles and priorities
3. Key achievements
4. Summary of financial performance
5. Main issues impacting the 2017-18 accounts
6. Explanation of the financial statements

1. About Cheshire West and Chester

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

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

The Council is a politically-led organisation and has adopted a Leader and Cabinet model. It has 75 elected members representing 50 wards across the Borough. The current political make-up of the Council is shown below. The vacant Councillor position was filled in May 2018 through a local by-election and won by Labour.



2. Strategic Principles and Priorities

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

Cheshire West and Chester Council has developed and launched a 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 was developed alongside a four year budget plan to ensure that resources are in place to deliver the ten outcomes.

Financial Scenario

In common with all Local Authorities, Cheshire West and Chester needs to manage a situation where the costs and demands of services are growing but the amount of funding available is reducing. Since the Comprehensive Spending Review of 2010 Central Government funding to the Council has significantly reduced and it is expected that by 2020 all discretionary spend by the sector will be 100% reliant on locally generated income. Against this backdrop the Council needs to manage growing demand for services, inflationary pressures, a need to invest in the local economy to promote growth and a desire to continually improve services. The gap resulting from reduced government funding and increasing expenditure is expected to be around £33.3m for the period 2018 to 2021.

A three year plan to bridge the £33.3m funding gap has been produced but with careful consideration of the impact of any decisions on the ten priorities outlined in the Council Plan. The key areas that have been considered are:

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

3. Key achievements

The following table highlights the key areas of Council performance:

Thriving Residents	
• All of our families, children and young people are supported to get the best start in life	• Continued take up of free early education for eligible 2 year olds in the top 30% of deprived areas has been averaging 97% in 2017-18. • 950 complex families achieved significant and sustained positive outcomes, with 119 families achieving sustained employment outcomes within this. • The latest survey information indicates over 98% of parents and carers are satisfied with the final Special Educational Needs & Disabilities Education, Health & Care Plan. • A reduction in child poverty for under-16 year olds, as measured by the proportion in low income families. The proportion has fallen from 15.9% to 13.1% against a target of 15%.
• Vulnerable adults and children feel safe and are protected	• At the end of March, the Council was looking after 493 children in care. The expanded Edge of Care service supporting more young people to prevent them from becoming looked after. • The number of Care Leavers living in suitable accommodation reported at 94.5% against the target of 90% and against the latest national average of 81%. • Placement stability continues to improve, at 76.6%. • Proportion of repeat Domestic Abuse cases has fallen from 20.2% to 17%.
• Older people and vulnerable adults are compassionately supported to lead fulfilled and independent lives	• Performance regarding the proportion of adults with a learning disability who live in their own home or with their family has improved compared to last year, now reaching 88.2% against the target of 86.7%. • The proportion of adults receiving community-based social care services receiving self-directed support has remained consistently at 100%. • The number of people being permanently admitted to a residential or nursing home has exceeded the target of 445, (by achieving fewer admissions than the target), with the year-end total of 419.

Thriving Communities	
• Cleanest, safest and most sustainable neighbourhoods in the country	• Four 'cleaner streets' indicators, (litter, fly-tipping, graffiti and grounds maintenance) have exceeded target. The new framework for these measures commenced in 2016-17, providing a more robust assessment of performance. • Levels of household waste per Kgs is projected to be 440kgs against a target of 474kgs. • Annual CO2 emissions measure is reported at mid-year and the latest result of 42.5% reflects the level of borough wide reductions compared to 1990 levels, exceeding the target of a 39.4% reduction. • The percentage of total household waste diverted from landfill through recycling and/or treatment has shown strong performance, the year-end figure of 98%, exceeding the target of 97%, shows a significant increase from 76% in 2014-15.
• Good quality and affordable housing that meets the needs of our diverse communities	• In 2017/18 250 empty homes have been brought back into use compared to 150 in 2016/17, thus significantly exceeding the target of 190 set for 2017-18, this is a year-on-year increase (100 extra homes) in the number of long term empty homes brought back into use. • Success around the target set for the number of new affordable homes (400), the year-end total delivered being 623. • The average length of stay in temporary accommodation has fallen to 4.32 weeks, exceeding the target of 9 weeks or less. An additional Key Performance Indicator looks at the average length of stay in B&B accommodation and this too has improved on the last reporting period, at 2.73 weeks on average, further below the target of 4 weeks or less. • Performance has improved around the number of private sector properties achieving the Decent Homes Standard, with 31 achieving this status across the year, above the target of 20. • Resident satisfaction with housing management services continues to meet target at 89% satisfaction. • The percentage of dwellings where Category 1 Hazards have been resolved within 6 months of Housing Health and Safety Rating System (HHSRS) inspection has continued to increase through 2017-18, now reaching 80%.
• Vibrant and healthy communities with inclusive leisure, heritage and culture opportunities	• Survey results for the number of adults who are self-reported smokers has maintained 2016-17 performance levels, continuing at 11.7% for the 2017 calendar year. This result is against a target set of 13%. • Engagement with libraries and museums was a key success story in the first year of reporting against the Council Plan and this has continued to be the case in 2017-18, with improving performance for both indicators. Almost 2 million people have engaged with libraries in 2017-18, an increase of almost 600,000 since 2016-17. This figure has been aided by the opening of the Storyhouse but shows wider engagement across the borough around increases in the number of books borrowed, and new members signing up. Similarly for museums, there has been an increase of over 20,000 engaging with local museums in the last 12 months. • Improving performance to report around the gap in life expectancy for men in the most and least deprived areas of the borough. The gap has fallen from 10 years to 9.4 years, under the target of 9.6 years. • The proportion of people engaging with weight management services achieving at least a 5% weight loss continues to improve year on year and has now reached 61%, six percentage points above the target of 55%.
• Our resources are well managed and reflect the priorities of our residents	• Continue to balance the budget. • Providing services to 333,900 residents living in the borough. • Handling 168,000 tonnes of waste. • Maintaining 1,400 miles of roads.

Thriving Economy	
• People are well educated, skilled and earn a decent living	• Educating over 35,000 pupils in maintained schools. • The percentage of working age population with NVQ level 3 or equivalent or above is 57.7%. • The gap at KS2 between Children in Care and all children has closed by 18 percentage points in the last 12 months. • 96% of Cheshire West secondary schools are now judged Good or Outstanding. This is the highest proportion in the North West.
• A great place to do business	• The number of business start-ups has risen to 1,935, exceeding the target of 1,750. • The Annual Population Survey (of the economically active population aged 16-64), measures the rate of people in Cheshire West and Chester who are employed and is now at 73.6%, further above the target of 73%. • The latest unemployment rate is 3.8% against a target of 4% and regionally 4.4% • Cheshire West has significantly exceeded the target set around the number of job starts within work zones. The annual target of 480 was surpassed, with 692 achieved across the year. • Regarding commercial floor space, the amount that has been created in conjunction with partner agencies within schemes is more than double the target that was set, while 72% of this floor space is occupied, exceeding the target set at this stage of developments of 48%. • 647 businesses have been directly supported through the Economic Growth Service against a target of 465. • 164 businesses have had consultancy service support, far in excess of the annual target of 50.
• A well connected and accessible borough	• Superfast broadband availability is currently running at 93.9% of premises able to access the facility. • Fewer killed or seriously injured road traffic casualties – the overall figure of 101 is a significant improvement against the previous year total of 128. • The condition of the road network indicator reports an improved picture this year, with a smaller percentage of the network requiring structural maintenance. • The use of Community Transport has increased from 4812 trips in April 2015 to 7573 trips in November 2015, to a monthly average of 8340 during 2017-18, exceeding the target of 7573 per month. • The Council has a 4-year programme to increase the number of 20mph speed limits on residential roads and outside schools is on track with 50% now delivered at the halfway point of the programme.

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 2017-18 the Council reported an underspend of £0.4m against planned activity of £276.2m and achieved £10.3m of savings. The table below reflects the final budget for 2017-18 and actual income and expenditure against it.

2017-18 Revenue Budgets	Budget £m	Actual £m	Variance £m
Children's services	47.4	48.4	1
Adult social care and health	114.1	114.3	0.2
Places	55.2	55.1	-0.1
Corporate services	28.0	27.3	-0.7
Capital Financing	22.0	22.0	0
Other	9.5	8.7	-0.8
Total Net Spend	**276.2**	**275.8**	**-0.4**

The impact of the £0.4m underspend, offset with planned budget use of £1m has seen the General Fund Reserve reduce by £0.6m. This change 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 Accounts report the same expenditure and income but in a different format to comply with statutory external reporting requirements. This incorporates additional costs such as depreciation or changes in the value of property which, under regulation, is not chargeable to usable reserves in the year. The impact of including such costs in the Accounts is set out in Note 2 to the accompanying statements.

Capital Expenditure

The capital programme supports the Council's wider objective to deliver services and support economic growth. In 2017-18 the Council invested £108.4m through its capital programme against a budget of £138.3m. The programme made good progress in year, achieving a delivery rate against plan of 78%.

In addition to the expenditure incurred in the Capital Programme there is also £0.5m of expenditure relating to finance leases, donated assets and PFI expenditure which can be treated as capital. In total £109m was spent, of which £101.4m was capitalised and added to the value of the assets on the Council's balance sheet. The remainder was charged to the Income and Expenditure Statement or Revenue Expenditure Funded from Capital under Statute as it was either in support of assets that are not in direct Council ownership (£7.6m) or did not add value to the capital assets.

The table below analyses the expenditure that has been capitalised.

Category	2017-18 £m
Development of cultural assets	1.60
Highways and transport infrastructure	20.40
ICT Infrastructure	6.00
Improvements to Council Housing	9.50
Improvements to Housing	1.10
Investment in leisure facilities	3.10
Investment in school buildings	17.00
Property Management	4.20
Regeneration programmes	36.30
Others	2.15
Total	**101.4**

The funding sources for the capitalised assets is summarised below:

Funding of capitalised costs	2017-18 £m	2017-18 %
Use of cash/borrowing	50.8	50.0
Government grants	32.8	32.4
Capital receipts	9.4	9.3
Major repairs reserve	5.0	5.0
External contributions	1.2	1.2
Revenue funding	1.1	1.1
Other reserves	0.6	0.6
Finance Lease/PFI	0.5	0.4
Total	**101.4**	**100.0**

Balance Sheet

The Council's balance sheet demonstrates a strong financial position at the end of 2017-18 with a net asset value of £792m, a £107m increase from last year.

Long Term Assets

	2017-18 £m	2016-17 £m
Property, plant & equipment	1305.0	1236.5
Heritage Assets	29.1	28.9
Investment Properties	111.6	120.1
Intangible Assets	3.8	0.5
Debtors	7.7	7.9
	1457.2	**1393.9**
Overall change	**63.3**	

Changes to Long Term Assets	£m
Capital expenditure	101.4
Valuation changes	26.2
Loans/Shareholdings	-0.3
Increases in value	**127.3**
Depreciation/amortisation	-39.0
Disposals	-17.2
Reclassification	-7.8
Reductions in value	**-64.0**
	63.3

The £63.3m increase in Non-Current Assets is primarily due to investment of £101.4m in new or enhanced assets and increases in asset valuations of £26.2m. These are offset by £56.2m of depreciation and disposals.

Current Assets / Liabilities

	2017-18 £m	2016-17 £m
Investments	25.0	30.0
Assets Held for Sale	13.2	2.5
Debtors	43.0	49.9
Cash balances	27.5	26.0
Other	0.3	0.3
Current Assets	**109.0**	**108.7**
Creditors	-109.4	-104.4
Borrowing	-24.8	-13.3
Provisions	-1.5	-2.4
Current Liabilities	**-135.7**	**-120.1**
	-26.7	**-11.4**
Overall change	**-15.3**	

Changes to Current Assets and Current Liabilities	£m
Trf fixed term deposits	0.0
Other cash movements	1.5
Cash management	**1.5**
Trf of cash from fixed term deposits	-5.0
Tfr from Long Term Assets	12.3
Tfr from Long Term Liabilities	-18.4
Reclassifications	**-11.1**
Decrease in outstanding debt	-6.9
Borrowing / Repaid	6.7
Increase in amounts owing	-4.1
Disposal of assets held for sale	-1.4
Other movements	0.0
Relations with third parties	**-5.7**
	-15.3

The most significant changes in current assets and liabilities relates to the £10.7m increase in assets held for sale and borrowing of £11.5m. The increases are in line with expectations and a significant proportion of this reflects the planned use of cash balances to fund capital expenditure of £20.9m in year for Winsford Shopping Centre.

Long Term Liabilities

	2017-18 £m	2016-17 £m
Long Term Borrowing	-272.0	-288.4
Net Pension Liability	-303.0	-349.3
PFI/finance leases	-27.9	-30.9
Long Term Creditors	-0.6	-0.6
Provisions	-20.5	-13.5
Capital Grant Receipts	-14.4	-15.2
	-638.4	**-697.9**
Overall Change	**59.5**	

Changes to Long Term Liabilities	£m
Tfr to current liabilities	17.5
Settlement of liabilities	10.2
Change in pension liability	46.4
Reductions in liabilities	**74.1**
New Loans	-4.0
New leases	0.2
New provisions/creditors/RIA	-10.2
Pension Guarantee	-0.6
Recognise new liabilities	**-14.6**
	59.5

The only significant change in long term liabilities is a decrease in the Council's net pension liability of £46.3m and £18.4m of long term borrowing to short term offset with finance leases, loan settlements and new loans.

Reserves

The £107.4m increase in the Council's net worth set out above results in a £24m increase in usable reserves and an £83.4m increase in unusable balances. This reflects the fact that the majority of the change is due to changes in pension and property revaluations and therefore impacts on the unusable reserves.

5. Main issues impacting on the 2017-18 accounts

There have been a number of developments in 2017-18 which have influenced the presentation of the 2017-18 Accounts and the reported financial position of the Council:

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

Impact of major redevelopment projects

The Council's Corporate Plan and the local Neighbourhood Plan are a key priority for the Council which includes sustainable development and regeneration. This regeneration strategy focusses on housing, employment and retail growth within the borough, as well as protecting and enhancing the needs of the community. Some areas of the Borough have been identified as requiring sustainable and properly functioning town centres to support this overall regeneration aspiration. Winsford and the current Town Centre remains one of the key unresolved barriers to future growth. During 2017-18 the Council acquired the Winsford Cross Shopping Centre and adjacent development land, thus consolidating its land holding within the Town Centre. This creates significant future investment and redevelopment opportunities, whilst the existing retail asset provides an income stream which will be used to fund the costs of acquisition.

Better Care Fund

The Better Care Fund creates a local single pooled budget (minimum pooling) to enable local authorities and the NHS to work more closely together around people, placing their wellbeing as the focus of health and care services, and shifting resources into social care and community services for the benefit of the people, communities and health and care systems. The Council received £11m from the pooled budget and this was used to fund a number of activities across 12 schemes. Further details are provided in Note 37.

Changes in pension estimates

Due to the scale of the pension assets (£1.3bn) and liabilities (£1.6bn) in the Accounts any changes in assumptions regarding their value can have a large impact on the reported position. In 2017-18 the net pension liability (deficit) reported in the Accounts has decreased marginally by £44.5m. The majority of this movement relates to:

- 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 2017-18, the actuary has decreased the discounted value of the Council's pension net liabilities.

- The in-year return on investments held by the pension fund has been positive, achieving an average return of 6.2% (2016-17 19.1%) over the 12 months.

Group Entities

In 2017-18 one new company was launched LGPS Central Ltd taking the total number to 16. Further details about all companies consolidated into the group can be found in Note 36.

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.

Government Funding Reductions

Central Government funding reduction continues to have a significant impact on the Council. In 2017-18 the Revenue Support Grant reduced by £12.5m. In order to set a balanced budget the Council identified net savings proposals of £6.7m in 2017-18.

These funding reductions will continue and as previously mentioned a funding gap of £33.3m is anticipated to 2021. The Council has however developed a budget plan for this period and is well placed to bridge this gap.

6. Explanation of the financial statements

The Statement of Accounts sets out details of the Council's income and expenditure for the financial year 2017-18 and its Balance Sheet as at 31 March 2018. 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 Chief Operating Officer who is named as the Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

The Statement of Accounts was approved by the Audit and Governance Committee on 25 July 2018.

Date: 25 July 2018

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

The Chief Finance Officer's responsibilities

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

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

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

The Chief Finance Officer has also:

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

This Statement of Accounts presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2018.

Date: 25 July 2018

Signed by:
Mark Wynn
Chief Operating Officer

Annual Governance Statement 2017-18

1. Scope of Responsibility

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

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

During 2017-18 Cheshire West & Chester Council approved and adopted an updated Code of Corporate Governance, which is consistent with the latest principles of the CIPFA / SOLACE Framework “Delivering Good Governance in Local Government”. This statement explains how Cheshire West & Chester Council has complied with the Code and also meets the requirements of regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 which requires all relevant bodies to prepare an annual governance statement. A copy of the Code of Corporate Governance is on the website at:

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

2. The purpose of the governance framework

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

The governance framework is designed to manage risk to a reasonable level. The associated processes cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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 2018.

3. The governance framework

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

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

- Ensuring openness and comprehensive stakeholder engagement.

- Defining the Council's outcomes in terms of sustainable economic, social and environmental benefits.

- Determining the interventions necessary to optimise the achievement of the Council's intended outcomes.

- Developing the Council's capacity, including the capability of its leadership and the individuals within it.

- Managing risks and performance through robust internal control and strong public financial management.

- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The key policies, procedures and arrangements that support compliance with these principles are set out in the Code. As part of the compilation of this Annual Governance Statement it has been confirmed that the documents and arrangements referenced remain current. The process of updating and maintaining the Code confirms the Council's commitment to the principles of good governance.

Key elements of the governance framework are as follows:

Creating and Implementing a Vision

- The Council's strategic priorities are set out in its Plan for 2016-2020: *Helping the Borough Thrive*. The Plan sets out the ten priority outcomes the Council is seeking to achieve and the actions required. These outcomes derive from a widespread and thorough consultation programme with local residents and stakeholders and are fully aligned with priorities shared with other partner organisations.

- These priorities informed the development of the Council's four year budget plan, ensuring resources are allocated in line with assessed needs. The Plan is also aligned with other key plans and strategies across the Borough including the Health and Wellbeing Strategy; Cheshire and Warrington sub-regional plans; and the Local Plan.

- For each of the 10 priorities, individual Outcome Plans have been created with more specific information on milestones, targets and performance reporting. These outcomes are refreshed on an annual basis to take into account the latest local and national developments.

Roles and Responsibilities of Members and Officers

- Elected Members are collectively responsible for the governance of the Council. The Council operates a Cabinet and elected Leader model of decision making with 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 Council's Member Development Strategy informs the development of an annual Member Training Programme. During 2017-18 all elected members were offered a personal development plan interview arranged via North West Employers to discuss their learning and development needs. The outcomes of these interviews helped formed the basis for the 2018-19 Member Training Plan together with dedicated training sessions on key legislative changes and policy initiative, including the introduction of the General Data Protection Requirements.

- The Head of Paid Service is the Chief Executive, who is responsible for all council staff; the Council's Section 151 Officer is the Chief Operating Officer, who is responsible for ensuring the proper administration of the Council's financial affairs and ensuring value for money; and the Monitoring Officer is the Director of Governance, who is responsible for ensuring legality and promoting high standards of public conduct.
- The Senior Leadership Team has overall responsibility for the vision and culture of the organisation and for delivery of the Council's Better Outcome Plans.
- Directors are responsible for maintaining a sound system of internal control within their area of responsibility.

Standards of Conduct and Behaviour

- The Council has a local Code of Corporate Governance, updated in line with the latest CIPFA / SOLACE guidance, which demonstrates its commitment to the principles of good governance and to operate in an open and accountable manner, while demonstrating high standards of conduct.
- The Constitution sets out how the Council conducts its business and how decisions are made, including the roles and responsibilities of the Chief Executive, the Section 151 Officer and the Monitoring Officer, together with a protocol for Member / Officer relations.
- Codes of Conduct for Members and Employees are recorded in the Constitution and set out expected standards of behaviour and include requirements to declare potential conflicts of interest and / or gifts or hospitality, which should be formally recorded. The Codes are communicated through induction, briefings and are available through the Council's intranet.
- The Finance and Contract Procedure Rules (incorporated within the Constitution), reviewed and updated during 2017-18, provide the framework for managing the Council's financial affairs, and apply to all Members and officers of the authority and anyone acting on its behalf. The Code of Practice on Financial Management provides guidance to officers on the interpretation and practical application of those rules.
- The Council values of THRIVE (Teamwork, Honesty, Respect, Innovation, Value for Money and Empowerment) are contained within the Council Plan, and are used to guide staff behaviours through their incorporation into recruitment, training and performance management and appraisal processes.
- The Council has in place an Anti-Fraud & Corruption Strategy, a Whistle-blowing Policy and an Anti-Money Laundering Policy.
- During 2017-18 the pan-Cheshire Modern Slavery Strategy was ratified by the Council together with its neighbouring councils (Warrington, Halton and Cheshire East) as well as Cheshire Police.
- Complaints, compliments and suggestions can be made at Council offices and submitted online. The information is received by a dedicated Information Governance Team, to ensure that all complaints are appropriately logged, investigated and resolved.

Decision Making and Scrutiny

- The Leader and Cabinet are responsible both individually and collectively for all executive decisions. Forthcoming key decisions by the Cabinet are published in its Forward Plan.

- The Council has three Overview and Scrutiny Committees – Overview and Scrutiny Committee, People Overview and Scrutiny Committee and Places Overview and Scrutiny Committee, which hold the Cabinet to account and have the right to ‘call-in’ for reconsideration decisions made but not yet implemented by the Cabinet and individual Portfolio holders.
- The Health and Wellbeing Board is a statutory committee of the Council established under the provisions of the Health and Social Care Act 2012 and the Local Authority (Public Health, Health and Wellbeing Boards and Health Scrutiny) Regulations 2013. The Board includes strategic decision makers from the Council, NHS and Public Health, with the aim of working in partnership to improve health and wellbeing for residents and reduce inequalities across the Borough.
- There is a Report Clearance Protocol that must be followed by officers when reporting to Members, which ensures that reports are subject to legal and financial review.
- Decision making arrangements delegated to officers are recorded in the Scheme of Delegation, with evidence of appropriate authorisation retained locally.
- Financial approval limits for officers are recorded in Schemes of Financial Delegation, which are prepared and updated by each Council Service.

Engaging with Local People

- The Authority has a communication strategy that is an audience-led and outcome-focused approach that supports the Council Plan.
- Channels of communication include the Council website, the Your West Cheshire website, social media channels and the Talking Together Magazine.
- Council meetings and those of its committees are held in public, and many are webcast. Agendas, minutes and decisions are recorded on the Council’s website.

Risk and Performance Management

- The Council’s approved Risk Management Strategy seeks to embed the management of risk and opportunities in all Council business and activity.
- Budgets and performance continue to be subject to critical business challenge sessions and are subject to regular monitoring and reporting. The Medium Term Financial Plan and Financial Strategy sets out the Council’s approach in managing resources to meet its Outcome Plan pledges and ensure value for money.
- The Council has a Performance Management Framework which supports the measurement and monitoring against the delivery of the ten priority outcomes set out in the Council Plan, using a range of performance indicators and targets.
- The Council continues to measure residents’ perception of the Council and its services by conducting approximately 1000 face to face street interviews in various locations across the borough during 2017-18. Results have been benchmarked against the Local Government Authority’s national reputation tracker survey and are used to provide insight to the leadership team for decision making.
- A residents’ survey, ‘Your Voice Matters’, was developed in 2016-17 and conducted during February 2017. The survey gathered residents’ views across a range of issues to help the Council monitor its performance against key plans and strategies and to shape future services. Over 3,700 surveys were completed and the results analysed to provide a wealth of information regarding residents’ perceptions of the Council and local issues. The survey takes place every four years and the results made public through the Performance Management Framework.

Partnership working

- Collaborative working arrangements are covered specifically within the Council's Constitution, including a requirement for arrangements to be recorded in writing.
- Any such arrangements involving participation in or creation of a separate legal entity or acting as accountable body require approval at director level, including the Chief Operating Officer. The authorisation for collaboration arrangements depends on the Council's contribution and compliance with corporate objectives.
- Governance arrangements for Shared Services are monitored and managed by the Shared Service Joint Committee and the Joint Officer Board.
- During 2017-18 the Council has taken steps to establish a central register of significant partnerships to enable corporate oversight and ensure good governance arrangements continue to be in place. This work will continue into 2018-19.

Council Companies

- The Portfolio Holder for Legal and Finance is the Council's shareholder representative on the separate legal entities it has established (Brio Leisure, Edsential, Qwest Services and Vivo Care Choices), supported by an officer team and are responsible for approval of business plans, decisions on investment proposals and oversight of the way in which they support Council outcomes.
- A number of key decisions are identified as reserved matters for which the Council's consent is required.
- The Council's Overview and Scrutiny Committee receives reports on mid-year performance and scrutinises annual business plan proposals prior to member sign-off.
- The roles of shareholder, commissioner and contract management are separated to reduce the risks of conflicts of interest and maintain an environment of challenge and accountability.
- New arrangements have been established in 2017-18 for oversight of shareholder interests via the Corporate Leadership Team Delivery Board. Also, the establishment of a standing task group of the Overview and Scrutiny Committee, the terms of reference for which will be developed during 2018-19.
- A checklist of good governance practices has been established during 2017-18 and will be used to a means of obtaining assurance as to the arrangements in place.

Audit and Assurance Arrangements

- There is an established Audit & Governance Committee, responsible for overseeing the Council's audit and assurance arrangements. It provides independent review of the Council's governance, risk management and control frameworks and oversees annual governance processes. It also has other corporate governance responsibilities including making appointments to certain outside bodies and organisations and for considering Member Standards.
- The Council's Internal Audit function examines, evaluates and reports on the adequacy and effectiveness of internal control, risk management and governance arrangements operated throughout the Authority, in accordance with its Internal Audit Charter and risk-based Audit Plan. All recommendations made are followed up to ensure they have been implemented.

- Internal Audit Reports which rank the control environment as '1' or '2' (where 4 is best) are highlighted in reports to senior management and the Audit and Governance Committee.
- The Head of Internal Audit produces an annual report and provides an "Internal Audit Opinion" on the overall adequacy of the Authority's framework of governance, risk management and control, in accordance with the Public Sector Internal Audit Standards.
- External audit provides an opinion on the Council's annual statement of accounts and whether the Council has secured economy, efficiency and effectiveness in the use of its resources.
- Other external inspections and peer reviews provide an additional accountability mechanism and highlight good practice and areas for improvement.

4. 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, performance and risk management arrangements; the work of the Council and its Committees; the Head of Internal Audit's annual report and opinion, and also by comments made by the external auditors and other review agencies and inspectorates. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is as follows:

Corporate / Management Assurance

During the year the Chief Executive / Deputy Chief Executives and Statutory Officers met on a weekly basis as part of the Corporate Leadership Team (CLT). On a regular basis they review major projects, performance and delivery of financial plans. In addition, the whole Senior Leadership Team, which includes all Service Directors, meets on a fortnightly basis to provide further assurance.

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

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

Changes to the Constitution during the year were overseen by the Director of Governance, with support from senior finance officers in regard to changes to the Finance and Contract Procedure Rules.

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

During 2017-18, there have been a number of internal zero based budget reviews and contract management reviews to ensure Council services deliver value for money. The Council's Commercial Management team have reviewed a number of contract management arrangements including Vivo Care Choices, Learning Disability Framework and the Home Improvement Agency. In general, the reviews concluded that the services delivered value for money, whilst identifying some opportunities for further improvement. A range of recommendations have been identified and are now being implemented via working groups.

The Internal Audit team distributed Statements of Assurance and attended Directorate Management Team meetings, seeking confirmation that a robust system of internal control and governance had been in place and working effectively in Services during 2017-18. 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 and provide overall assurance that effective management control has been exercised during the year, including those in regard to significant partnerships and the Council's companies. As noted previously, work is ongoing into 2018-19 to further strengthen governance arrangements.

Performance / Risk Management

During the year, performance against the ten Council Plan priorities was monitored and reported on a quarterly basis to senior management and members. Additionally, a Data Quality Strategy has recently been developed to establish quality standards, clarify roles and responsibilities and timescales, thereby ensuring the reliability of reported information and strengthening the Performance Management Framework. Performance by all Council Services against a range of key indicators has been monitored through a quarterly holistic review process and reported to senior managers.

All Services updated their risk registers on a quarterly basis with the key risks incorporated into the Corporate Risk Register, which is subject to regular review by the Corporate Leadership Team. A review of the Council's risk management arrangements was undertaken by Internal Audit during 2017-18 and confirmed that processes are generally effective, with some fine tuning needed to further strengthen arrangements.

Council

The Council met on six occasions in 2017-18 and received / approved reports, including those relating to the Annual Budget 2018-19, Reviews of Financial Performance, Finance Procedure Rules, Starter Homes Funding, Treasury Management Strategy & Annual Report, Setting of Council Tax 2018-19, Council Tax Discounts and Premiums, Community Infrastructure Levy, Chester Northgate Development, Winsford Regeneration, Housing Management Services Budget (including rent changes), Annual Scrutiny Report and debates on petitions and notices of motions.

Agendas and reports are accessible here: Council meetings

Cabinet

The Cabinet met on nine occasions in 2017-18 and received a number of the reports mentioned above. Additionally they received reports on a range of matters including Council Plan Performance, Medium Term Financial Strategy, HR and Finance Replacement System, The Starting Well Service Contract Award, Shared Fostering Service, Public Health Services Commissioning, Highways Contract Review, Borough Wide Parking Strategy, Homelessness Support Services, Low Carbon Investment Programme, various bids for funding and progress updates on major projects.

Agendas and reports are accessible here: Cabinet meetings

Audit & Governance Committee

The Committee continues to comply with CIPFA best practice guidance, as set out in 'Audit Committees: Practical Guidance for Local Authorities and Police' published in December 2013. In 2017-18 the Committee received a report summarising the key findings of an exercise undertaken to analyse the skills and knowledge of Committee Members against best practice guidance, which was an outstanding action from a previous self-assessment against the CIPFA guidance. The exercise identified that the range of skills, knowledge and experience of the Committee members is well balanced, ensuring it is in line with the CIPFA framework. Members demonstrated awareness of their roles, responsibilities and accountabilities and their experience through their professional roles and / or voluntary sector positions ensured that relevant skills and knowledge were brought to the Committee.

Further to this exercise it was determined that new members of the Committee would be offered the opportunity to complete the self-assessment as soon as practicable after joining; that the Committee would complete a self-assessment every two years, with the next one due in 2019; and that an audit committee training session would be developed for delivery in 2018-19.

The Audit & Governance Committee met on four occasions during 2017-18 and received / approved reports including those related to the Committee's Annual Report; Internal Audit Plan, Progress Reports and Head of Internal Audit Annual Report and Opinion; Anti-Fraud and Corruption Strategy; Treasury Management updates and Annual Report; External Audit Plans, Audit Findings Reports and Annual Audit Letter; Statement of Accounts 2016-17; Code of Corporate Governance; Risk Management; Information Governance; Review of Contract Procedure Rules; Annual Standards Report; and outside body appointments.

Agendas and reports are accessible here: Audit & Governance Committee meetings

Overview & Scrutiny Committees

The Cheshire West and Chester Overview and Scrutiny Committee met on nine occasions during 2017-18 and scrutinised items including the Council's Corporate Asset Management Plan; Contract Procedure Rules; Council's Financial Performance and Performance Management Reports; Annual Budget Report; Annual Procurement Report and Performance Reports for the Council Companies. The Committee also received a report in relation to a 'Call-In' on the Archive Services: Allocation of Site for New History Centre. The Committee also undertook a statutory review of flood management and has undertaken three other in-depth scrutiny reviews throughout the year covering Community Engagement; Planning Application Procedures; and joint scrutiny (with Cheshire East) on the Oracle Replacement Programme.

Agendas and reports are accessible here: Cheshire West and Chester Overview and Scrutiny meetings

People Overview and Scrutiny Committee met on 10 occasions during 2017-18 and its work programme included scrutinising: Local Better Care Fund; Children and Families safeguarding reports; Redesign and Recommissioning of Learning Disability, Mental Health and Autism Spectrum Disorder Framework Services; Delayed Transfers of Care; Educational Performance; Recommendation 41 Visit Reports; Local Safeguarding Children's/Adults' Board Annual Reports 2016-17; and NHS Clinical Commissioning Group Savings/Financial Recovery Plans. The Committee also undertook five in-depth scrutiny reviews covering Quality of the Care Market; Emotional Health and Wellbeing of Children Young People and their Families; Pupil Premium; Care Leavers; and Numbers of Children Being Taken into Care.

Agendas and reports are accessible here: People Overview and Scrutiny meetings

Places Overview and Scrutiny Committee met on seven occasions during 2017-18 and its work programme included scrutinising the roll out of the borough wide 20mph scheme; Low Emission Strategy; Draft Community Assets Framework; Highways Asset Management Strategy; Household Waste Management and Recycling Performance; and Approach to Housing Delivery. The Committee also received two reports in relation to 'Call Ins' covering the Borough-wide Parking Strategy and Request for an Increase in the Hackney Carriage Tariff for the Chester Zone. The Committee also undertook a statutory review of the

Community Safety Partnership and three other in-depth scrutiny reviews covering Support to Business; Licensing Enforcement and Waste and Recycling Reduction.

Agendas and reports are accessible here: Places Overview and Scrutiny meetings

Pension Fund Committee
Cheshire West and Chester Council is the administering authority for the Cheshire Pension Fund which publishes its own statement of accounts on an annual basis and includes a "Governance Compliance Statement". The statement outlines compliance to industry specific governance principles. Governance arrangements are fully compliant with the Public Service Pensions Act 2013

The Pension Fund Committee advises the Council's Section151 Officer on the management of the Fund. It is comprised of ten elected Members covering this Council, Cheshire East Council and Warrington and Halton Borough Councils as well as an employee representative (non-voting). The full Pension Fund Committee meets quarterly to discuss the strategic issues facing the fund, as does the Investment Sub-Committee, which focusses on specific investment issues including asset performance and investment manager monitoring. Both the Pension Fund Committee and the Investment Sub-Committee have clearly defined terms of reference.

The Local Pension Board assists 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 four times per year to review performance against the Fund's Administration Strategy and Communications Policy and to assist the Fund in securing compliance with the requirements of the Pensions Regulator.

During 2017-18 additional governance arrangements have been put in place to provide oversight of the LGPS Central pool, which has been established by the Cheshire Pension Fund in collaboration with seven partner funds in and around the Midlands/North West region. The pool will be managed on a day to day basis by LGPS Central Ltd, a wholly owned, investment management company regulated by the Financial Conduct Authority.

A Shareholder Forum has been established to provide collective oversight of the company at a strategic level. It will meet twice a year and will be responsible for agreeing the company's budget and overall strategic plan and receiving annual account, along with a number of other reserve matters set out in a Shareholder Agreement. The Cabinet Member for Legal & Finance is the council's nominated voting representative.
Client oversight will be provided by a Joint Committee, meeting twice yearly to review the overall investment performance of the pool, and to co-ordinate client decision making on matters such as responsible investment and voting policy. In accordance with Terms of Reference set out in an Inter- Authority Agreement, the Joint Committee, does not have any formal decision making powers, but will make recommendations to the Pension Fund Committees of the respective partner funds. The Chairman of the Cheshire Pension Fund Committee will be the council's representative on the Joint Committee.

Internal Audit
The team completed 84% of the Internal Audit Plan in 2017-18, which equated to 69 audits, 26 of which were issued as formal scored reports, including reports for individual schools. The number of non-scored audits reflects the increased role played by Internal Audit in an advisory and consultancy capacity, which contributes to improving the Council's governance, risk management and control arrangements.

Of the 26 scored reports, six were assessed as '2' (significant improvement in control framework required) or '1' (urgent system revision needed). Whilst these identify areas of control weakness, Internal Audit is satisfied that appropriate action is being taken to address the issues raised. The actions agreed in all reports are followed up by Internal Audit to ensure implementation and enhancement of the Council's internal control framework. Overall, 194 (90%) of Internal Audit's recommendations were implemented during the financial year.

The Head of Internal Audit's Annual Report for 2017-18 includes the opinion that "the Council has in place a satisfactory framework of governance, risk management and internal control which provides reasonable assurance regarding the economic, efficient and effective achievement of its objectives".

In February 2018, Internal Audit was subject to Peer Review against the UK Public Sector Internal Audit Standards, further to the requirements of the Standards that an external assessment is carried out every five years by independent qualified assessor(s). The Review identified that Internal Audit 'fully conforms' to the Standards, and provides some recommendations for further improvement. The report and agreed actions will be taken to Audit and Governance Committee for review and approval.

External Audit
The Audit Findings Report was presented to Audit & Governance Committee in September 2017. The external auditor reported an unqualified opinion on the Council's annual accounts for 2016-17, and concluded that the Council has adequate arrangements to secure value for money. The report noted that "in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in use of its resources". The Annual Audit Letter was presented to Audit & Governance Committee in January 2018. The Letter confirms the audit findings previously reported, specifically that the accounts presented a true and fair view; effective arrangements are in place to secure value for money and the Council's finances remain robust; and there is good evidence of financial planning to address ongoing funding reductions.

The external auditors are also required to undertake a number of audits on the Council's grant claims and other government returns. Their report, presented to Audit and Governance Committee in January 2018, summarises the findings from their scrutiny of relevant claims relating to funding claimed for the 2016-17 financial year. This provides assurance regarding the accuracy of the claims submitted and adequacy of the controls underpinning the process. Only three errors were identified, totalling £222, out of a total of £88.4m claimed.

Other Inspections / Sources of Assurance
During September 2017 the Council was subject to a joint targeted area inspection of the multi-agency response to abuse and neglect. The inspection, undertaken by Ofsted, the Care Quality Commission, HMI Constabulary and HMI Probation focussed on the quality of practice, partners understanding of the responsiveness to neglect, the commitment of partners to neglect at all levels, leadership and management, and the strength of partnership arrangements, including the effectiveness of the Local Safeguarding Children Board (LSCB).

The report did not identify any priority actions and highlighted key strengths including strong partnership working and a collective commitment to improving responses to children who suffer neglect; good engagement with families; referrals dealt with on a timely basis in most instances; strong and effective leadership and a well-qualified and skilled workforce. Areas for improvement include the need for more effective and timely information sharing between all agencies; clearer focus on parental motivation; and more robust monitoring and evaluation processes. A multi-agency written statement of proposed action in response to the findings in the report was submitted to Ofsted in February 2018.

In addition, Ofsted undertook a short inspection of the Council's approach to community learning and skills in March 2018. The review identified that Council leaders and senior managers continue to prioritise engaging learners, communities and groups with the most need; that there has been improvement in the proportion of learners who gain qualifications; that safeguarding arrangements are comprehensive and effective. The report identified some areas for improvement including the need to ensure senior managers use information about local skills shortages to set clear and ambitious targets for the recruitment and progression of learners and to put effective measures in place for providing all learners with impartial advice and guidance about their next step to improve their prospects.

During 2017-18 there was also a Peer Review by Cheshire East Local Safeguarding Children Board in regard to the Council's responses to referrals in regard to Child Sexual Exploitation with respect to risk assessment and quality of service. The feedback, provided in April 2018, highlighted areas of good practice in ways of working as well as areas for improvement. Overall feedback was positive and is due to be discussed by senior management in the Service with a view to developing an action plan in June 2018.

Other key sources of assurances on the control framework that operated in 2017-18, as referenced by Directors in their assurance statements, were:

- Recommendation 41 visits undertaken quarterly by Elected Members to frontline Children's Social Care teams and reported to People Overview and Scrutiny Committee.
- Independent casework audits by the safeguarding unit.
- Independent Regulation 44 visits to care homes, subject to review by the Home Improvement Board, Director of Children's Social Care and Chief Executive.
- Independent reviews of extra care and homelessness advising on the commissioning and operational delivery of these services.

<u>Significant governance issues</u>

The following governance issues have been identified as 'significant', most of which are on-going from the 2016-17 Annual Governance Statement. Full details of the issues and of the proposed actions to address them are attached and will be addressed in 2018-19 through the action plan attached as Appendix A.

- Deprivation of Liberty Safeguards (DoLS)
- Information Governance
- Significant funding reductions
- Exposure to financial risk from major projects
- Delivery of ICT Services
- Replacement of Core Financial Systems

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

To the best of our knowledge, the governance arrangements, as outlined above remain fit for purpose and have been effectively operating during the year in accordance with the governance framework. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Cheshire West & Chester Council:

Samantha Dixon
Leader of the Council

Date 16 July 2018

Charlie Seward
Chief Executive (Acting)

Date 16 July 2018

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 Accounts and it is not necessary to make a supplementary or supporting statement.

Mark Wynn
Chief Operating Officer
Dated 25 July 2018

Appendix A

Significant Governance Issues 2017-18

Issue	Action
1. Deprivation of Liberty Safeguards (DoLS) Under the Mental Capacity Act 2005, the Council has a statutory duty as a Supervisory Body to assess and authorise where a person in care is identified as potentially being deprived of their liberty under Article 5 of the European Convention on Human Rights. Deprivation of Liberty assessments are a statutory duty of the local authority. The Department of Health issued guidance on 28 March 2014 that broadly outlined the impact and stated that local authorities must "review their allocation of resources in light of the revised test given by the Supreme Court to ensure they meet their legal responsibilities." The impact of this has seen a huge increase in demand for the Council in terms of its statutory duty to assess and authorise such cases. Before the judgement the Council would expect approximately 100 of these assessments in a 12 month period, after the judgement this demand is now approximately 2,500 per year. Demand continues to meet that predicted following the 2014 Supreme Court judgement. The Council continues to apply the prioritised approach to meeting this demand set by CLT; which is in line with other local authorities, Association of Directors of Adults Social Services (ADASS) and Department Of Health guidance. In 2015 there was a further change in the law following a court hearing and this duty now also applies to children under the age of 16. Throughout 2017, the Council took the lead in developing the law in this area and brought a test case to the Family Court. Judgement was handed down in early 2018 and the change in the law is now effective nationwide. Of those cases already brought before the Court for authorisation, of which there are currently around 20, there is a need for periodic review and further applications to Court if necessary before expiry of the order which cannot exceed 12 months. The Council continues to identify and advise upon children under 16 who may be deprived of their liberty. The Council is further considering the impact of the law relating to deprivation of liberty for children who are transitioning to adulthood and how this interplays with Adult Services.	In 2017-18 the Council has developed a 'triaging system' for dealing with the ongoing increase in DoLS assessments which involves assessing the most urgent cases based on criteria. This ensures that resources are targeted at the service users most at risk and is in line with the person-centred approach advocated by the Department Of Health. The Council continues to apply this "traffic light system" These cases are separate to the standard authorisations cases which are managed by the DoLS panel. They require an application to the Court Of Protection. They pertain to service users who live in supported living projects and their own homes. As a result of this there has been an investment in additional legal and social work resource to meet the statutory requirements in this area. The Court Of Protection work is ongoing with re-assessments undertaken by the patch teams' Best Interests Assessors (BIA). The new priority system will continue to be used, focusing on the 'red' category. This ensures that resources are targeted at the service users most at risk. The arrangements for dealing with Adults DoLS and Court Of Protection cases were reviewed by Internal Audit in 2017-2018 with the results published in February 2018. An action plan was agreed with Internal Audit and this is being addressed by the Adult Social Care teams. The prioritised approach to DoLS continues to be met and reviewed in the quarterly meetings on the Mental Capacity Act / BIA Practitioner Group meeting. This approach is in line with ADASS guidelines and approaches taken by other local authorities both regionally and nationally. This consolidates the Council's approach and position ahead of any new legislation in this area, which is now expected in 2019-20, although the timescale may be longer as a result of Brexit. The Council will respond to and make plans to implement new legislation as and when it is finalised. Proposals as to the approach that the Council intend to take in relation to

<table>
<tr><th>Issue</th><th>Action</th></tr>
<tr><td>In relation to cases involving young people aged 16 -17, case law in 2017 clarified the position that a parent with parental responsibility can authorise the deprivation of liberty providing that young person was not subject to a care order.

It is intended that a programme of training will be delivered to social workers to continue to develop knowledge and increase awareness of this ever developing area of law.</td><td>under 16 DoLS are currently being considered and it is envisaged that in 2018 a clear policy will be finalised with training being rolled out

A Council policy document in respect of DoLS for under 16s is being developed by a Policy and Procedure Task & Finish Group which is made up of colleagues from Adults, Education & Children's Services.

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

A review of Children's DoLS has recently been undertaken by Internal Audit, with the draft report now issued for management comment and an action plan to be developed to address the issues raised.

Progress in implementing the agreed management actions arising from both audit reviews highlighted above will be followed up by Internal Audit in 2018-19.</td></tr>
<tr><td>2. <u>Information Governance</u>

Data Protection continues to be a high priority Governance issue in the Council, with critical preparation work ongoing in 2017-18 for the new Data Protection Regulation (GDPR) which became law on 25 May 2018. Additionally, work continues on the recommended actions from the Information Commissioner's Office in relation to Data Protection training for all Council staff following the signing of an Undertaking by the Chief Executive in August 2017.

Good progress has been made in preparing the Council for the new General Data Protection Regulation focussing on the following activities:

• Communications, briefings and training for staff on the changes.
• Mapping personal data processing in services.
• Policy and process reviews, including how the Council record 'consent' and advertise 'privacy notices' to its customer.</td><td>The Information Governance Senior Manager will continue to report progress and risks to the Information Governance Strategy Group (as a standing agenda item) and the Corporate Leadership team as appropriate.

Work will continue in 2018-19 to increase awareness of Data Protection through training and guidance; strengthening the Information Asset Owners (IAO) network; developing the Information Asset Register and associated risk registers / assurance statements; and auditing information flows in and out of Council systems.

The main challenge for 2018-19 will be to ensure that the Council has completed its risk-based preparations for GDPR by the time it comes into effect, and to ensure it has the appropriate resources in the right place to respond to the new regulations through the rest of the implementation year, particularly in relation to assurance and monitoring

Internal audit will be undertaking follow-up work in this area in 2018-19.</td></tr>
</table>

Issue	Action
3. <u>Significant funding reductions</u> Over the next three years there will continue to be a significant shift in the way in which the Council is funded, resulting in reduced Government funding and an increased reliance on locally generated income in the form of business rates and council tax. The impact of the introduction of 75% Business Rates Retention is still unknown. Over the period 2018-19 to 2020-21 the Council faces a funding gap of £33.3m. This funding gap is being bridged by the generation of additional income of £19.6m and net policy proposals of £11.3m. There remains a shortfall of £2.4m over the period which is considered manageable over that timeframe. The gross savings proposals which need to be delivered over the period 2018-19 to 2020-21 are £22.4m. The Council has well established processes in place to monitor the delivery of these proposals but delivery of this level of savings will be challenging.	The Council's budget setting process is considered to be robust and all savings proposals are scrutinised prior to being included in the budget. The Council has quarterly budget sessions with Directors and the Cabinet to review the delivery of the proposals and identify any remedial measures which are necessary. The Council is actively monitoring the implications of the significant national funding changes and will ensure Members receive regular updates.
4. <u>Exposure to financial risk from major projects</u> Cheshire West & Chester Council is currently undertaking some significant capital projects as part of its capital programme. There has been a change in the Council's role in delivering these projects (Northgate / Barons Quay) by undertaking work in-house which increases exposure to a number of risks (planning, insurance, financial, balance sheet, governance). This has been recognised by the Council and monitoring arrangements have been established as follows: • Risks are considered for each major capital project. • A multi-disciplinary team of design and development consultants are in place to advise on delivery of major projects and specialist appointments of client side Project Managers are undertaken to ensure there is a clear governance structure in place. • Capital Resources Board and Capital Advisory Panel meets every	The significant capital projects highlighted continue to be managed in-house with monitoring arrangements in place by relevant Officer groups and reported to Members on a regular basis. The overall risks to the Council's balance sheet will continue to be monitored, and where necessary, actions put into place to minimise the financial risk. Internal Audit continues to provide ongoing risk management support in regard to the Northgate development.

<table>
<tr><th>Issue</th><th>Action</th></tr>
<tr><td>six weeks.
CLT Delivery Board meets monthly and reviews the Council's major projects.</td><td></td></tr>
<tr><td>5. <u>Delivery of ICT Services</u>
Following the transition of ICT services to a shared service arrangement hosted by Cheshire East (CE), work has been on-going to establish new contractual arrangements, improve overall delivery and develop a business case to support transformation.

ICT is a key enabler for service transformation and Services are reliant on technology to support critical day to day business processes. In 2017, Ernst Young (EY) carried out a joint review of the ICT Shared Service and both client teams across CWaC and CE Councils. The purpose of this was to identify areas of weakness and opportunity in the provision and delivery of end to end ICT services. These services are now entering a transformation phase which is also supported by a capital funded business case to invest in new technologies and tools.

In addition, the Kelly House data centre equipment (such as servers and other hardware) has been assessed as being largely in need of replacement. This introduces a business continuity risk given the degree of reliance on ICT systems across the Council.

A joint session was held with the business, CE and ICT Shared Service to promote a wider understanding of business continuity with a particular focus on the risk of cyber-attack. The internal ICT client team for CWaC has produced a business continuity plan which takes account of the wider responsibility of the team in relation to the ICT shared service and documents how the team will support the Council in the event of an ICT service failure.

A review of business continuity and assurance by Internal Audit, started early 2018, is reviewing the documentation the internal ICT client team holds. In addition, there is currently an independent review of how ICT services are commissioned, not only from the ICT Shared Service but also</td><td>A number of actions are in place to mitigate the level of risk in this area:
A revised and strengthened contract, milestone plan and performance management framework for ICT services is currently being drawn up following the recommendations from the Joint ICT Review. Robust contract management and governance arrangements will ensure ICT services are delivered to target or escalated as required. The revised agreement will also take account of the joint transformation programme the two councils are taking forward with the ICT Shared Service.
The transformation of ICT services will be closely governed through improved joint governance at a Joint Strategic Board led by both councils and supported by the ICT Shared Service management team and both councils' ICT client teams.
Changes have been introduced to support a wider governance model across the Council and jointly with ICT Shared Service and CE. An internal ICT strategic group has been set up in addition to an Operational ICT Board which reports in to the Joint Strategic Board.
The joint EY review identified a number of areas for improvement which are being monitored through joint governance arrangements.
New data centre equipment is currently being implemented to ensure business continuity of critical services.
The Council has also started to consider its position in regard to the merits of putting in place cyber risk insurance and is currently in the process of obtaining quotes for cover in this relatively new and rapidly developing area of insurance.</td></tr>
</table>

<table>
<tr><th>Issue</th><th>Action</th></tr>
<tr><td>third party suppliers, when procuring systems or hosted services.

The ICT Shared Service has also developed a business continuity plan to clarify its position around the effective management of key line of business systems and services.

Internal Audit has supported improvements internally, focusing on how the Council manages contractual information on key line of business systems. This has led to greater co-ordination of contractual end dates to support more effective business planning.</td><td>Additional reviews by Internal Audit are planned for 2018-19 on the following topics:
• ICT Procurement
• ICT Asset Management and Maintenance Arrangements</td></tr>
<tr><td>6. <u>Replacement of Core Financial Systems</u>

During the Autumn of 2018 the Council will be implementing a replacement for its current ERP system (oracle). This will involve the replacement of component modules for most Corporate Council activities (payroll, income collection, procurement) and involve a significant programme of business change.

The implementation will need to be managed to successfully ensure that a cost effective and modern fit for purpose business system is introduced, and that the risk during cut-over from old to new system including the continuation of business as usual is managed effectively and safely.

The new system will provide a modern system that supports a flexible workforce and is anticipated to generate business efficiencies across the Council.</td><td>A number of actions have been put in place to mitigate this risk.
• A market leading partner has been appointed to support the implementation
• An internal team has been maintained to ensure continuity from procurement to implementation.
• Effective Officer and Member governance has been put in place to oversee the programme
• A key focus of the implementation plan has included training and change management to ensure the adoption of an appropriate culture whilst ensures the delivery of business efficiencies.

Internal Audit will continue to provide support by reviewing and providing assurance on key phases of the implementation process including readiness to ‘go live’. The work will be undertaken alongside colleagues from Cheshire East Internal Audit, reflecting that the new system will serve both Councils.</td></tr>
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Independent auditor's report to the members of Cheshire West and Chester Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cheshire West and Chester Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017-18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2018 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017-18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 3 to 33, other than the group and Authority financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

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

As explained more fully in the Statement of Responsibilities set out on page 16, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial 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 2017-18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Authority.

The Audit and Govcernance is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Report on other legal and regulatory requirements - Certificate

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice 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 2018. 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 economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Royal Liver Building
Liverpool
L3 1PS

26th July 2018

Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

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

	2017-18			2016-17
	Expenditure £000	Income £000	Net £000	Net £000
Adults Directorate	146,611	-30,722	115,889	108,240
Children's Directorate	301,322	-236,885	64,437	56,789
Places Directorate	119,878	-39,548	80,330	79,331
Corporate Services Directorate	120,634	-88,933	31,701	31,187
HRA	13,487	-22,631	-9,144	-7,243
Other	52,429	-32,639	19,790	12,399
Capital Financing	385	-1	384	362
Cost of Services	**754,746**	**-451,359**	**303,387**	**281,065**
Other Operating Income & Expenditure (Note 10)	13,280	-9,777	3,503	1,276
Financing & Investment Income and Expenditure (Note 11)	36,851	-11,196	25,655	14,715
Taxation & Non-Specific Grant Income & Expenditure (Note 12)	16,988	-306,902	-289,914	-307,006
(Surplus)/Deficit on Provision of Services	**821,865**	**-779,234**	**42,631**	**-9,950**
Surplus on Revaluation of Assets			-73,439	-68,153
Re-measurement (Gain)/Loss on pension assets/liabilities			-76,680	133,659
(Surplus)/Deficit on revaluation of available for sale assets			92	258
Other Comprehensive Income & Expenditure (Note 13)			**-150,027**	**65,764**
Total Comprehensive Income and Expenditure			**-107,396**	**55,814**

The full breakdown of the 2016-17 comparative expenditure and income is included in Note 49.

Movement in Reserves Statement for the year ended 31 March 2018

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

Cheshire West and Chester Council 2017-18	General Fund Balance £000	Sums held by Schools £000	Earmarked Reserves £000	Total General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	HRA Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017	**25,027**	**10,004**	**59,092**	**94,123**	**848**	**9,561**	**3,568**	**23,103**	**131,203**	**553,392**	**684,595**
Surplus or (deficit) on provision of services (accounting basis)	-50,566			-50,566	7,935				**-42,631**		**-42,631**
Other Comprehensive Expenditure and Income (Note 13)									**0**	150,027	**150,027**
Total Comprehensive Expenditure and Income	**-50,566**	**0**	**0**	**-50,566**	**7,935**	**0**	**0**	**0**	**-42,631**	**150,027**	**107,396**
Adjustments between accounting basis & funding basis under regulations (Note 8)	69,464			69,464	-8,054	-694	6,015	-118	**66,613**	-66,613	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**18,898**	**0**	**0**	**18,898**	**-119**	**-694**	**6,015**	**-118**	**23,982**	**83,414**	**107,396**
Transfers to / from Earmarked Reserves	-19,494	347	19,216	69	-69				**0**	0	**0**
Increase / (Decrease) in Year	**-596**	**347**	**19,216**	**18,967**	**-188**	**-694**	**6,015**	**-118**	**23,982**	**83,414**	**107,396**
Balance at 31 March 2018	**24,431**	**10,351**	**78,308**	**113,090**	**660**	**8,867**	**9,583**	**22,985**	**155,185**	**636,806**	**791,991**

2016-17 Comparative figures

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

Balance Sheet as at 31 March 2018

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 2018 £000	31 March 2017 £000
Non-Current Assets			
- Property, Plant and Equipment	14	1,304,971	1,236,443
- Heritage Assets	15	29,099	28,921
- Investment Properties	16	111,548	120,119
- Intangible Assets	17	3,847	505
Long Term Investments	19	0	92
Long Term Debtors	20	7,746	7,910
Long Term Assets		**1,457,211**	**1,393,990**
Short Term Investments	19	25,000	30,031
Assets held for Sale	18	13,175	2,455
Current Intangible Assets		130	99
Inventories		109	215
Short Term Debtors	20	43,046	49,869
Cash and Cash Equivalents	21	27,530	25,982
Current Assets		**108,990**	**108,651**
Short Term Borrowing	19	-24,859	-13,291
Short Term Creditors	22	-109,352	-104,436
Provisions < 1 yr	23	-1,502	-2,363
Current Liabilities		**-135,713**	**-120,090**
Provisions	23	-20,544	-13,497
Long Term Borrowing	19	-271,994	-288,434
Pension Fund Liability	44	-303,044	-349,294
Other Long Term Liabilities	19	-28,533	-31,492
Capital Grant Receipts in Advance	35	-14,382	-15,239
Long Term Liabilities		**-638,497**	**-697,956**
Net Assets		**791,991**	**684,595**
Usable Reserves	24	155,185	131,203
Unusable Reserves	25	636,806	553,392
Total Reserves		**791,991**	**684,595**

Cash Flow Statement
for the year ended 31 March 2018

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 2018 £000	31 March 2017 £000
Net surplus or deficit on the provision of services	42,631	-9,950
Adjust net surplus or deficit on the provision of services for non cash movements	-145,335	-75,592
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	55,185	59,234
Net cash flows from Operating Activities	**-47,519**	**-26,308**
Investing Activities	42,499	26,734
Financing Activities	3,472	1,578
Net increase in cash and cash equivalents	**-1,548**	**2,004**
Cash and cash equivalents at the beginning of the reporting period	25,982	27,986
Cash and cash equivalents at the end of the reporting period	27,530	25,982
Net increase in cash and cash equivalents	**-1,548**	**2,004**

Further details are disclosed in Notes 26, 27 and 28 of the supporting information.

1. Significant Accounting policies

General principles

The Statement of Accounts summarises the Council's transactions for the 2017-18 financial year and its position at the year end of 31 March 2018. 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. The accounts have been prepared on a going concern basis.

Changes to accounting policies, presentation, disclosure and comparative information

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

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

There are a number of minor amendments to the Code of Practice for 2017-18; new disclosures for Pension Fund, clarity on presentation of the financial accounts, application of a going concern of the authority and changes to the accounting of HRA.

Accruals of income and expenditure

Income and expenditure is accounted for in the year the activity it relates to takes place 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 assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made, the asset is impaired and written down to the recoverable amount and a charge made to the revenue for income that might not be collected.
- Where payment is made or income received in advance of a service being received or delivered then a prepayment or receipt in advance is recorded in the Balance Sheet.

Exceptions to these rules include:

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

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

Accounting for Council Tax

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

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

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

Accounting for Non Domestic Rates (NDR)

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

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

The calculation of the NDR position for 2017-18 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 26% of its accrued share of NDR income to Central Government each year as a tariff payment. The cost of making this payment is recorded in the Comprehensive Income and Expenditure Statement.

Accounting for schools

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

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation

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

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

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

Agency income and expenditure

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

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

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

Current and Non-Current Distinction

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

The following are generally classified as non-current:

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

Generally the following are classified as current assets or liabilities:

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

Events after the Balance Sheet date

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

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

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

Exceptional items

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

Cash and cash equivalents

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

Employee benefits

Benefits payable during employment

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

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

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

Termination benefits

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

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

Post-employment benefits (Pensions)

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

(i) Local Government Pension Scheme

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

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2016

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

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

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

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

A) Service Costs

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

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

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

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

C) Remeasurements of the defined benefit liability – the impact of changes to the assumptions underpinning the actuarial estimates of the value of assets and liabilities are charged to the Pension Reserve as Other Comprehensive Income and Expenditure. These could be due to changes in assumed mortality rates, discount rates, inflation or because the actual level of investment returns is different from the long term averages assumed under B;

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

Components A-B are charged to the Comprehensive Income and Expenditure Statement in year (as detailed in Note 44) but, to avoid changes in pension liabilities from having a disproportionate impact on Council Tax, statutory provisions exist that restrict the amount charged against the General Fund to the amount payable by the Council to the Pension Fund (C (i)). The difference between these two values is adjusted for in the Movement in Reserves Statement.

(ii) Teachers' Pension Scheme

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

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

In addition, the Council is responsible for any payments outside the scheme relating to early retirement and these are charged to the Comprehensive Income and Expenditure Statement within Net Cost of Service to the Directorate they relate. This scheme holds no assets and is accounted for on a defined benefit basis using the same policies that are applied to the Local Government Pension Scheme.

Fair value measurement

The authority measures a number of its non-financial assets such as surplus assets and investment properties at fair value and its financial instruments at amortised cost 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 cash flows 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 cash flow 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 or PFI Grant are shown under Taxation and Non-Specific Grant Income (see Note 12).

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

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

Group Accounts

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

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

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

Leases and lease-type arrangements

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

(i) Finance leases

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

The annual lease payment is apportioned between;

• Acquisition costs	The cost of acquiring the original interest in the asset, charged against the liability in the Balance Sheet.
• Finance charge	Charged to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement.

- Contingent rent — Any difference between the rent paid in year and the original amount guaranteed under the lease is also charged to the Financing and Investment line of the Comprehensive Income and Expenditure Statement.

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

(ii) Operating leases

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

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

Non- current Assets

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

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

a. Investment assets

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

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

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

b. Heritage assets

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

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

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

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

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

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

  There is a limited turnover on these artefacts, any acquisitions/donations or disposals are recorded as capital expenditure or receipt in the year incurred.

The assets are considered to have an unlimited useful life and as a result no depreciation is charged.

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

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

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

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

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

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

- **Civic regalia**
  The civic regalia held by the Council are items such as chains of office, badges and ceremonial maces for the various historic or current roles discharged by

Council Members. These include items related to the Mayor, Mayoress, Deputy Mayor and their predecessors. All items are valued at their insurance valuation.

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

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

c. Property, plant and equipment

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

Initial recognition and valuation

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

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

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

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

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

Subsequent changes in value

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

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

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

Componentisation of valuations

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

Depreciation of assets to reflect usage

Depreciation is charged to the 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.

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

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

Derecognition of assets

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

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

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

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

Charges to revenue for Non-current Assets

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

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

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

Non-current assets held for sale

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

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

Overheads and support services

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

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

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

Private Finance Initiatives (PFI) and service concession arrangements

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

- Are the assets being used to deliver a public service;
- Does the Council significantly influence who can access the facilities; and

- Does ownership of the asset revert to the Council at the end of the PFI contract (or does the Council have an option to take back the assets).

The Council's two PFI schemes meet all these conditions so the Council reflects the value of the properties used under the contracts on the Balance Sheet. On initial recognition, fair value is the estimated cost to purchase the asset. Subsequently, the asset is measured at current value, which will follow the appropriate class of property, plant and equipment. These assets are revalued and depreciated in the same way as other property, plant and equipment owned by the Council.

As with Finance Leases the original recognition of the assets was balanced by the recognition of the liability for amounts payable to the scheme operator in return for use of the assets. The amounts payable to the PFI operators each year are analysed into five elements (shown in Note 40):

- **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 45 and 46. The disclosure sets out the scale of potential costs and likelihood of these being realised.

Reserves

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

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

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

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

Revenue Expenditure funded by Capital under Statute (REFCUS)

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

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

Revenue recognition

Revenue is a sub-set of income and is defined as the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.
Revenue is measured at the fair value of the consideration received or receivable. In most cases, the consideration receivable is in the form of cash and cash equivalents and the amount of revenue is the amount of cash and cash equivalents receivable. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue. Revenue relating to the sale of goods is recognised when the amount of revenue can be measured reliably, it is probable the revenue will be received by the Council and the risks and rewards of ownership have passed to the purchaser. Revenue relating to the provision of services is recognised when the amount of revenue can be measured reliably, it is probable the revenue will be received by the Council and the stage of completion of the service can be measured.

Value Added Tax (VAT)

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

2. Expenditure and Funding Analysis

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

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

	2017-18				
	Outturn Reported to Management	Total adjustments to Outturn position	Net Expenditure Chargeable to the General Fund and HRA Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Adults Directorate	114,321	-1,404	112,917	2,972	115,889
Children's Directorate	48,366	-846	47,520	16,917	64,437
Places Directorate	55,030	1,627	56,657	23,673	80,330
Corporate Services Directorate	27,403	-2,446	24,957	6,744	31,701
HRA	0	-13,374	-13,374	4,230	-9,144
Other	8,691	-45,361	-36,670	56,460	19,790
Capital Financing	22,041	-21,658	384	0	384
Net Cost of Services	**275,852**	**-83,462**	**192,391**	**110,996**	**303,387**
Other Income and Expenditure	0	-211,170	-211,170	-49,586	-260,756
(Surplus)/Deficit on Provision of Services	**275,852**	**-294,632**	**-18,779**	**61,410**	**42,631**
Opening General Fund and HRA Balances at 31 March 2017			-94,971		
Less Deficit on General Fund and HRA Balance in Year			-18,779		
Closing General Fund and HRA Balances at 31 March 2018			**-113,750**		

2016-17 Comparative Figures

	2016-17				
	Outturn Reported to Management	Total adjustments to Outturn position	Net Expenditure Changeable to the General Fund and HRA Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Adults Directorate	106,921	-13	106,908	1,332	108,240
Children's Directorate	47,658	-931	46,727	10,062	56,789
Places Directorate	58,823	1,957	60,780	18,551	79,331
Corporate Services Directorate	28,815	-3,185	25,630	5,557	31,187
HRA	0	-12,342	-12,342	5,099	-7,243
Other	8,005	-13,609	-5,604	18,003	12,399
Capital Financing	23,127	-22,765	362	0	362
Net Cost of Services	**273,349**	**-50,888**	**222,461**	**58,604**	**281,065**
Other Income and Expenditure	0	-219,960	-219,960	-71,055	-291,015
Surplus on Provision of Services	**273,349**	**-270,848**	**2,501**	**-12,451**	**-9,950**
Opening General Fund and HRA Balances at 31 March 2016			-97,472		
Less Deficit on General Fund and HRA Balance in Year			2,501		
Closing General Fund and HRA Balances at 31 March 2017			**-94,971**		

Adjustments between Funding and accounting basis

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

	2017-18			
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
Adults Directorate	987	2,058	-73	2,972
Children's Directorate	10,701	7,007	-791	16,917
Places Directorate	19,822	4,015	-164	23,673
Corporate Services Directorate	3,639	2,713	392	6,744
HRA	4,230	0	0	4,230
Other	51,233	5,227	0	56,460
Cost of Services	**90,612**	**21,020**	**-636**	**110,996**
Other Income & Expenditure	-60,615	9,410	1,619	-49,586
Difference between General Fund (Surplus) and Comprehensive Income and Expenditure Statement (Surplus) or Deficit	**29,997**	**30,430**	**983**	**61,410**

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

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

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

2016-17 Comparative Figures

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

Expenditure and Funding Analysis – Expenditure and Income Analysed by Nature

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

The authority's expenditure and income is analysed as follows:

Expenditure and Income Analysis by Directorate 2017-18	Adults Directorate	Childrens Directorate	Places Directorate	Corporate Services Directorate	HRA	Central Services	Capital Financing	Total
Expenditure	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Employee benefits expenses	19,891	192,368	42,307	25,160	30	194	0	279,950
Other services expenses	125,733	99,006	62,115	91,835	12,204	42,348	353	433,594
Support service recharges	0	0	0	0	0	0	0	0
Depreciation, amortisation, impairment	987	10,700	20,049	3,640	4,231	51,221	0	90,828
Interest payments	963	844	2,175	6	2,413	0	6,234	12,635
Precepts and levies	0	0	308	0	0	3,252	0	3,560
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	1,221	1,221
Gain on the disposal of assets	0	0	0	0	0	0	77	77
Total expenditure	147,574	302,918	126,954	120,641	18,878	97,015	7,885	821,865
Income								
Fees, charges and other service income	-30,387	-17,191	-45,086	-6,535	-26,813	-569	-6,880	-133,461
Interest and investment income	-3	-26	-1	-5	0	0	-839	-874
Income from council tax, nondomestic rates, district rate income	0	0	0	0	0	-232,296	0	-232,296
Support service recharges	0	0	0	0	0	0	0	0
Government grants and contributions	-1,985	-219,695	-4,533	-82,398	0	-70,724	-33,268	-412,603
Total income	-32,375	-236,912	-49,620	-88,938	-26,813	-303,589	-40,987	-779,234
(Surplus) or Deficit on the Provision of Services	**115,199**	**66,006**	**77,334**	**31,703**	**-7,935**	**-206,574**	**-33,102**	**42,631**

Expenditure and Funding Analysis – Expenditure and Income Analysed by Nature 2016-17 Comparative Figures

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

3. Accounting Standards issued, but not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2017-18 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 2018.

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

Some changes may need to be adopted retrospectively meaning that on adoption 2017-18 information included within these accounts could be restated in the 2018-19 accounts to reflect the new reporting requirements. This note sets out the impact that would have been seen if the new standards had already been in force.

IFRS 15 introduces a five step model when considering and reporting contracts with customers. This standard provides guidance on when revenue should be recognised and identifying performance obligations, contract modifications and reflecting time value for money. Where material revenue streams are identified in the Council and Group Accounts retrospective restatement of the prior period will be required, initial indications are there is no material impact on the accounts.

IFRS 16 will bring most leases on balance sheet including operating leases thereby removing the distinction between finance and operating leases; there is a recognition of low-value and short-term leases. This is applicable for when the authority and group companies are the lessee, work is on-going to establish the impact.

IFRS 9 introduces extensive changes to the classification and measurement of financial assets and new “expected credit loss” model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables and available for sale to Held for Sale (amortised cost), or fair value through Profit or Loss, or fair value through other comprehensive income; respectively based on the contractual cash flows and business model for holding these assets. The Council will be required to make a provision against potential credit losses which will affect the Comprehensive Income and Expenditure Statement. Assessment of the Council’s and group financial assets does not anticipate any impairment.

IAS 7 Statement of Cash Flows amendments will provide disclosures to enable users of financial statements to evaluate changes in liabilities arising from financial activities. If the standards had applied in 2017-18 there would be no additional disclosures because the Council or group companies do not have activities which would require additional disclosure.

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

IAS 12 applies to deferred tax assets for unrealised losses relating to debt instruments measured at fair value. The Council subsidiaries in the Group Accounts do not have such debt instruments.

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

4. Critical Judgments in Applying Accounting Policies

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

- **PFI Schemes**
  The Council has two PFI contracts, one for provision of schools and one for extra care housing. It has determined that it substantially controls both the services provided from and the residual value of the assets used to deliver regulatory services under these contracts. Consequently, the assets relating to these contracts (£22.5m) have been recognised on the Balance Sheet as property, plant and equipment, in accordance with IFRIC 12. Details of the values of these assets are disclosed in Notes 14 (PPE) and 40 (PFI).

  In addition the Council needs to consider the treatment of the income generating potential of these assets. Where these assets generate income an assumption needs to be made as to whether the income primarily funds operational running costs, repayment of initial capital or a combination of the two. In the case of the Council's PFI schemes it is assumed that third party income is primarily to support operating costs with all capital expenditure being funded from the PFI unitary payment the Council makes to the contractor. The impacts of this assumption are outlined in Note 40.

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

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

- **Leased Assets**
  In 2012-13 the Council entered into two 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 (£2.4m) as Council assets and the future contractual payments linked to the assets as a liability (£2.3m). Further details are set out within Note 39 (Leases).

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

  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 five schools in the Borough of which they are all within Council control. A number of schools (nine in total) have applied to become Academies of which four have been approved and due to convert in 2018-19.

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

	Total Schools	Council Controlled			Outside Council Control		
		Owned by CWAC	Leased to Governors	Restrictive Covenant	Owned by NHS	Owned by Church	Leased to Academies
Community Schools	78	77		1			
Foundation Schools	5		5				
Voluntary Controlled	20			2		18	
Voluntary Aided	29			2		27	
Academies	26						26
Community - Pupil Referral unit	2	1			1		
	160	**78**	**5**	**5**	**1**	**45**	**26**
		88 Schools on Balance Sheet			**72**	**Schools off balance sheet**	

- **Schools Income, Expenditure, Current Assets and Current Liabilities**

The Council's accounts include all material items of income and expenditure in relation to maintained schools within the single entity accounts as permitted by the Code of Practice.

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 (£3.8m) they are omitted from the Council's Balance Sheet.

- **Treatment of Academies**

By 31 March 2018 twenty six Academies had been created from schools which were formerly funded by Cheshire West and Chester Borough Council, of which six converted to Academies in 2017-18. 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.

Academies are not considered to be maintained schools under the Council's control. The land and building assets are owned by the Council but on long-term leases therefore they are removed from the Council Balance Sheet. The costs of these are shown as a loss on disposal in the CIES (Note 11). The transfer of assets to the Academy is recognised on the date that the Academy is formally created, not the date the school receives approval to become an academy. Until the later date the school continues to be run by the Council and could choose to retain its current status.

- **Categorisation of Assets**

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

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

- **HRA Shared Ownership Properties**
  Shared Ownership homes are being built in the borough and when they are sold they are sold with varying percentages of shared ownership. The approach to valuing the homes within the balance sheet as Tangible Asset, PPE Council Houses is to recognise the carrying value that equates to the percentage of the property the Council retains. Deprecation is then componentised and depreciated over their useful life.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates take into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could materially differ from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Results Differ from Assumptions
Property Valuations	The Council re-values its assets on a five year rolling cycle, 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 valuation officers but are still based on estimates.	A 1% fluctuation in property values would amount to £10.8m being reduced from the Non-Current Assets value on the Balance Sheet. Should remaining asset lives fall by an average of 10%, then there would be a corresponding 10% increase in relevant annual depreciation charges, approx. £1.46m 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 44 and reflect best advice on reasonable judgements at 31 March 2018.	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 £156m or a one year increase in pensioner lifespans £65m. 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 2018 the Council had a debtor's balance of £71m. A review of significant debtor balances has been undertaken and a debtors' impairment	Should economic factors mean the impairment allowance is insufficient then any excess debt that proves uncollectable will result in a charge to

Item	Uncertainties	Effect if Results Differ from Assumptions
	figure of £19.8m 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.	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 £3.5m to the Council.
Business Rate Appeals	The 2017-18 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 £12.1m 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 £1.2m.
Fair Value on PWLB loans	The fair value of the PWLB Loans is included in the disclosures of Note 19 Financial Instruments. The fair value disclosed is the price that would be paid to transfer it to another participant of equal credit standing.	Should the loan be cancelled or reissued at today's interest rates then the value would differ to the fair value disclosed in the accounts. This value with differ depending on rates prevailing at this point in time.

6. Material Items of Income and Expense

Exceptional items are ones that fall within the ordinary activities of the Council but are material in terms of the Council's overall expenditure and not expected to recur frequently or regularly. Exceptional items are included on the face of the Comprehensive Income and Expenditure Statement (CIES) where it is felt that the costs are so significant as to warrant a separate disclosure. The Council has reported impairments of £44.4m on the revaluation of properties during the year; see Note 41 for further details.

7. Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Councils S151 officer on 25 July 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Where events do not require an adjustment to the Accounts but do offer additional contextual information they are included in this note.

In 2018-19, three schools moved to Academies. The buildings for these schools are held on the balance sheet under Property, Plant and Equipment Note 14 have a Net Book Value of £10.3m.

8. Adjustments between accounting basis and funding basis under regulations

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

2017-18	Usable reserves					Movement in Unusable reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements						
Pension costs (transferred to/from the Pension Reserve)	-30,379	-51				30,430
Council tax and NDR (transfers to/from the Collection Fund)	-1,636					1,636
Financial instruments (transferred to the Financial Instruments Adjustments Account)	12	2				-14
Holiday pay (transferred to the Accumulated Absences Account)	639					-639
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	-35,170	-3,617				38,787
Impairment and Revaluation of Assets	-43,774	-614				44,388
Amortisation of Intangible Assets	-218					218
Movements in the fair value of investment properties	12					-12
Revenue expenditure funded from capital under statute	-1,396					1,396
Net assets written off to the CIES upon disposal or sale	-14,126	-2,927				17,053
Total Adjustments to Revenue Resources	**-126,036**	**-7,207**	**0**	**0**	**0**	**133,243**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	5,844	4,183	-10,027			0
Non-current asset disposal costs funded from the CRR	-77		77			0
Statutory provision for the repayment of debt	14,587					-14,587
Posting of HRA resources from Revenue to the Major Repairs Reserve		11,078		-11,078		0
Payments to the government housing receipts pool (funded by a transfer from CRR)	-1,221		1,221			0
Capital expenditure charged against general fund	3,177					-3,177
Capital grants and contributions unapplied credited to the CIES	453				-453	0
Capital Grants and Contributions through the CIES	33,809					-33,809
Total Adjustments between Revenue and Capital resources	**56,572**	**15,261**	**-8,729**	**-11,078**	**-453**	**-51,573**
Adjustments to Capital Resources						
Use of Capital Receipts Reserve to finance capital expenditure			9,426			-9,426
Use of Major Repairs Reserve to finance capital expenditure				5,063		-5,063
Cash payments in relation to deferred capital receipts			-3			3
Application of capital grants to finance capital expenditure					571	-571
Total Adjustments to Capital Resources	**0**	**0**	**9,423**	**5,063**	**571**	**-15,057**
Total Adjustments	**-69,464**	**8,054**	**694**	**-6,015**	**118**	**66,613**

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

9. Transfers to/from Earmarked Reserves.

This note sets out the amounts set aside from the General Fund and HRA balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts transferred back from Earmarked Reserves to meet expenditure in 2017-2018 and 2016-17.

	Balance at 31 March 2016	Transfers Out 2016-17	Transfers In 2016-17	**Balance at 31 March 2017**	Transfers Out 2017-18	Transfers In 2017-18	**Balance at 31 March 2018**
Revenue Earmarked Reserves	£000	£000	£000	£000	£000	£000	£000
Insurance reserve	**5,188**	-179	101	**5,110**		1,779	**6,889**
PFI Reserves	**5,600**		281	**5,881**		236	**6,117**
Revenue Grants	**7,894**	-2,217	2,021	**7,698**		1,509	**9,207**
Developer Contributions Unapplied	**717**	-135	111	**693**	-189	3	**507**
Sums held by Resource Centre Manager	**3,703**	-3,703	2,839	**2,839**	-2,839	3,863	**3,863**
Integrated Adult Social Care and Health	**0**			**0**		875	**875**
Looked After Children	**0**		2,327	**2,327**	-2,327	1,500	**1,500**
Local Authority Elections Reserve	**200**		208	**408**	-109	180	**479**
Health Integration	**0**			**0**		1,000	**1,000**
Northgate Development	**323**	-59		**264**			**264**
Northgate Property Revenue costs	**3,109**	-403	1,000	**3,706**	-772		**2,934**
ICT Transformation	**0**			**0**		2,000	**2,000**
Long Term Liabilities	**19,732**	-25,435	16,938	**11,235**	-1,370	14,073	**23,938**
Barons Quay	**794**	-141		**653**	-310		**343**
Long Term Sickness	**340**		120	**460**	-425	208	**243**
Fluctuation in School Days	**260**			**260**			**260**
Service Review Reserve	**108**			**108**			**108**
Care Act Reserve	**987**			**987**			**987**
Delivering Council Priority Outcomes	**3,000**	-39		**2,961**	-515	192	**2,638**
Invest to Save	**2,000**			**2,000**			**2,000**
New Ways of Working	**1,000**			**1,000**	-43		**957**
Collection Fund Deficit Reserve	**1,725**			**1,725**	-862	869	**1,732**
Flexible and Mobile Working	**0**	-66	2,433	**2,367**	-345		**2,022**
ERP Revenue Reserve	**0**		891	**891**	-91	500	**1,300**
Community Benefits	**1,027**	-101		**926**	-366		**560**
Mersey Forest	**288**		7	**295**	-16	78	**357**
HRA Pensions Reserve	**257**		69	**326**		69	**395**
Deprivation of Liberty Safeguarding	**760**	-175		**585**	-219		**366**
Children on the Edge of Care	**327**	-327		**0**			**0**
Adoption Support Fund	**0**		76	**76**		178	**254**
Energy Efficiencies	**355**	-90	500	**765**	-750		**15**
Renewable Energy	**0**			**0**		390	**390**
CoSocius Transition	**150**	-150		**0**			**0**
Winsford Cross Development Acount	**0**			**0**		153	**153**
Shareholder Fund	**0**			**0**		500	**500**
Other Reserves and Balances	**2,597**	-949	898	**2,546**	-287	896	**3,155**
Total	**62,441**	-34,169	30,820	**59,092**	-11,835	31,051	**78,308**

Significant movements include:

- Creation of a new Health integration Reserve (£1.0m) to support the Council's work as a key partner in the Integrated Care Partnership (ICP) within Cheshire West and Chester;

- Creation of a new ICT transformation reserve, approved as part of 2017-18 budget setting, in order to facilitate the Council's transformation of its ICT infrastructure and move to a model based in the Cloud.

- Creation of a new Adult Social Care and Health reserve (£0.9m) funded from backdated income received in year which will be used to offset potential pressures in 2018-19.

- A net draw down of £0.8m of the Looked After Children reserve – A total of £2.3m has been drawn down in year with a further £1.5m being set aside to cover potential further pressures in future years.

- A net appropriation of £12.7m to the Long Term Liabilities Reserve. £8.3m relates to the planned reimbursement following the utilisation of this reserve in 2016-17 to fund the upfront Pension Deficit payment. £5.6m relates to Capital Financing underspend partly offset by £1m usage to fund commercial operating costs of Barons Quay.

10. Other operating income and expenditure

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

	2017-18 £000	2016-17 £000
Loss / (Gain) on disposal of Non-current assets	-2,979	70
Parish Precepts	3,252	2,829
Levies	308	304
Contribution of Housing Capital Receipts to National Pool	1,221	708
Cheshire West and Chester Share of Pension Guarantees and Loans	1,732	-2,635
Loan Transferred to an Academy	-31	0
Other income and expenditure	0	0
	3,503	**1,276**

11. Financing and investment income and expenditure

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

	2017-18 £000	2016-17 £000
Interest payable and similar charges	12,635	10,981
Net interest on pension assets and liabilities	9,304	7,587
Interest receivable and similar income	-874	-1,083
Loss on disposal of interest in Academy Schools	10,109	0
Income and expenditure in relation to investment Properties and changes in their fair value	-5,535	-2,898
Trading Accounts not related to Services	16	128
	25,655	**14,715**

12. Taxation and non-specific grant income and expenditure

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

	2017-18 £000	2016-17 £000
Income:		
Council Tax	-167,603	-157,977
Non Domestic Rates	-64,693	-80,540
Revenue Support Grant	-19,236	-31,747
Capital Grants and Contributions	-34,262	-42,900
PFI Grants	-3,039	-3,039
Local Services Support Grant	-278	-296
New Homes Bonus	-8,498	-8,072
S31 Non Domestic Rates Grant Funding	-4,952	-2,635
Education Services Grant	-1,041	-3,666
Other Grants	-3,300	-3,275
Expenditure:		
Non Domestic Rates - Tariff and Levy Payment	16,988	27,141
	-289,914	**-307,006**

13. Other Comprehensive Income and Expenditure (CIES)

The Other Comprehensive Income and Expenditure section of the CIES recognises increases and decreases to the value of assets and liabilities which have yet to be realised by the Council. As these gains and losses were unrealised at 31 March 2018 they are not reflected against the Council's usable reserves at this point and are held separately in unusable reserves as described in Note 25.

	2017-18 £000	2016-17 £000
Property Revaluation (Gains)	-73,439	-68,153
Pension Deficit Re-measurement Losses/(Gains)	-76,680	133,659
Surplus/Deficit on revaluation of available for sale assets	92	258
	-150,027	**65,764**

- 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 2017-18 reflects an increase of the Financial Assumptions of the Actuary.

- The Council is a shareholder in the UK Municipal Bond Agency which reported losses in the year ending November 2017 as a result the council's equity has been reduced by £92k.

14. Property, plant and equipment

Movements in 2017-18	Non-Current Assets							
	Council Houses £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Value as at 31 March 2017	180,985	710,372	92,565	382,913	19,243	658	60,543	1,447,279
Additions	4,132	44,205	4,046	18,860	827	112	24,959	97,141
Revaluation Gain/Loss to RR	3,967	51,368	0	0	0	0	0	55,335
Reval/Impair Losses to SDPS	-614	-49,184	0	0	0	0	0	-49,798
Reverse Reval/Impair to SDPS	0	2,355	0	0	0	0	0	2,355
Derecognition - Disposals	-2,927	-13,477	-16,052	0	0	-158	0	-32,614
Re-classification of assets	2,355	46,644	0	-436	80	0	-48,643	0
Reclass to/from Held for Sale	930	-3,173	0	0	0	0	-2,255	-4,498
Reclass to/from Heritage	0	-225	0	0	0	0	0	-225
Reclass to/from Investment		6,640	0	0	188	0	-990	5,838
Reclass to/from Intangible	0	0	0	0	0	0	-296	-296
Value as at 31 March 2018	**188,828**	**795,525**	**80,559**	**401,337**	**20,338**	**612**	**33,318**	**1,520,517**
Depreciation								
Accum Depn at 31 March 2017	0	-8,855	-68,029	-133,687	-77	0	-188	-210,836
Charges for the year	-3,617	-16,374	-7,507	-11,069	0	0	0	-38,567
Revaluation Gain/Loss to RR	3,520	10,335	0	0	0	0	0	13,855
Reval/Impair Loss to SDPS	0	1,553	0	0	0	0	0	1,553
Reverse Reval/Impair to SDPS	0	1,499	0	0	0	0	0	1,499
Derecognition - Disposals	2	1,165	15,783	0	0	0	0	16,950
Re-classification of assets	4	-311	0	376	0	0	-69	0
Reclass to/from Held for Sale	0	0	0	0	0	0	0	0
Reclass to/from Heritage	0	0	0	0	0	0	0	0
Accum Depn at 31 March 2018	-91	-10,988	-59,753	-144,380	-77	0	-257	-215,546
Net Book Value at 31 March 2018	**188,737**	**784,537**	**20,806**	**256,957**	**20,261**	**612**	**33,061**	**1,304,971**
Net Book Value at 31 March 2017	180,985	701,517	24,536	249,226	19,166	658	60,355	1,236,443
Nature of Asset Holding								
Owned	188,737	762,042	17,530	256,957	20,261	612	33,061	1,279,200
PFI		22,495						22,495
Leased			3,276					3,276
Total	**188,737**	**784,537**	**20,806**	**256,957**	**20,261**	**612**	**33,061**	**1,304,971**

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 2017-18 include £1.3m of assets which are held in partnership with Cheshire East Borough Council. The Council will ultimately need to buy out the Cheshire East Borough Council interest in these assets so an offsetting long term liability of £0.6m is included in the Balance Sheet.

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

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 2018.

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

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

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

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

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

Effects of changes in methodologies and estimates

There have been no significant changes to the way in which the Council carries out valuations during 2017-18. New valuations are otherwise directly comparable to the approach taken in previous years and changes in those values reflect changes in the asset or the wider economic climate.

	Council Dwellings £000	Operational Land and Buildings £000	Surplus Assets £000	Total PPE Assets £000
Valued at Historic Cost	153,949	504,730	502	659,181
Value as at:				
31 March 2018	184,320	445,270	112	629,702
31 March 2017	4,417	201,880	500	206,797
31 March 2016		52,490		52,490
31 March 2015		65,289		65,289
31 March 2014		19,608		19,608
Total	**188,737**	**784,537**	**612**	**973,886**

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 2018, totals £21m (£27m at 31 March 2017). The decrease is due to the progression of Highways and Transport improvements. Also, Barons Quay and Chester Bus Interchange were completed during the year. A summary of the contracts where significant amounts are contracted to be paid after 31 March 2018 is summarised as follows:

Capital Project	Contract Total £000	Amount Paid to Date £000	Outstanding Balance £000
Northgate Development	905	110	795
HRA New Build - Whitby Road	2,253	148	2,105
HRA	3,000	1,336	1,664
HRA New Build - Sherbourne Road	1,605	980	625
HRA New Build - Greyhoud Stadium	3,675	2,722	953
School Basic Need - Huntington	6,050	2,240	3,810
Commercial Property Reinvestment - Central Depot	2,652	231	2,421
Commercial Property Reinvestment - Winsford Industrial Unit	856	92	764
Commercial Property Reinvestment - Duttons Business Park	1,197	0	1,197
School Basic Need - Malpas	1,352	167	1,185
School Basic Need - Whitby HS	1,895	130	1,765
Highways and Transport - Term Maintenance Contract	57,517	53,767	3,750
Total	**82,957**	**61,923**	**21,034**

15. Heritage assets

Movements in 2017-18	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 2017	11,686	2,225	10,490	500	3,742	592	29,235
Additions	166	0	0	0	7	0	173
Reclassification to/from PPE Assets	225	0	0	0	0	0	225
Value as at 31 March 2018	**12,077**	**2,225**	**10,490**	**500**	**3,749**	**592**	**29,633**
Depreciation							
At 31st March 2017	-309	-5	0	0	0	0	-314
Charges for the year	-220	0	0	0	0	0	-220
Accumulated Depn at 31 March 2018	**-529**	**-5**	**0**	**0**	**0**	**0**	**-534**
Net Book Value at 31 March 2018	**11,548**	**2,220**	**10,490**	**500**	**3,749**	**592**	**29,099**

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

Historic buildings

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

- The Lion Salt Works
- Stretton Mill Museum

Public monuments/memorials

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

Sites of historic interest

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

Museum collections

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

Historic archives

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

16. Investment properties

The Council operates a portfolio of Investment Properties which it either leases out to local business for industrial or commercial usage or holds for capital appreciation. The Council operates it's 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	**2017-18 £000**	**2016-17 £000**
Rental Income from Investment Property	-8,137	-8,581
Direct Expenditure Arising from Properties	2,496	3,363
Income and Proceeds of Disposal	-591	1,054
Net Cost/(Income) in the Year	**-6,232**	**-4,164**

The movements in the value of investment properties during 2017-18 are analysed below.

Investment Assets - Movements in Year	**2017-18 £000**	**2016-17 £000**
Balance at 31 March 2017	120,119	131,087
Additions		
- Acquisitions	791	572
Disposals		
- Outright Disposals	-222	-2,440
Impairments	-9	-5
Fair Value Adjustments		
- Increases in Fair Value	5,381	3,007
- Decreases in Fair Value	-5,369	-4,991
Transfers to or from other asset categories	-9,143	-7,111
Value as at 31 March	**111,548**	**120,119**

Details of investment properties and information about the fair values hierarchy as at 31 March 2018 are as follows:-

2017-18	**Quoted prices in active markets for identical assets**	**Other signicant observable inputs**	**Significant unobservable inputs**	**Fair Value as at 31 March 2018**
	Level 1	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Recurring fair value measurement using:				
Residential properties	0	192	0	192
Commerical units	0	67,489	0	67,489
Industrial units	0	34,485	0	34,485
Land (incuding Car Parks)	0	8,713	0	8,713
Other	0	669	0	669
Total	**0**	**111,548**	**0**	**111,548**

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

The Council uses qualified internal property valuers to provide a valuation of it's 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. The quoted prices of similar assets, existing lease terms, market rentals and yields. The property valuers who manage the portfolio are qualified valuers with many years of experience and their knowledge of the market is reflected in these valuations. Market conditions of similar properties has also contributed to the valuation and level of hierarchy determined.

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

Investment property has been valued in line with the Council's rolling five year programme as at 31st March 2018 by property services in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

17. Intangible Assets

The balance of Intangible Assets has increased by £3.3m during 2017-18. This is due to the Council investing in a new financial system which is under construction as at 31 March 2018.

	Other Assets 2017-18 £000	Assets Under Construction 2017-18 £000	Total Assets 2017-18 £000	Total Assets 2016-17 £000
Balance at start of year:				
Gross carrying amount	1,093	0	1,093	791
Accumulated amortisation	-588	0	-588	-370
Net carrying amount at start of year	**505**	**0**	**505**	**421**
Purchases & Asset under Construction	13	3,251	3,264	302
Additions:	0	0	0	0
Reclassification	0	296	296	0
Disposals:				
Gross carrying amount	-369	0	-369	0
Accumulated amortisation	369	0	369	0
Amortisation for the Period	-218	0	-218	-218
Net carrying value at end of year	**300**	**3,547**	**3,847**	**505**
Comprising:				
Gross Carrying Amount	737	3,547	4,284	1,093
Accumulated Amortisation	-437	0	-437	-588
Total	**300**	**3,547**	**3,847**	**505**

Capital commitment for the replacement financial system is £1.461m which is due to be incurred during 2018-19.

18. Assets Held for Sale

The balance of Assets Held for Sale has increased by £10.7m during 2017-18. This is due to assets being reclassified from Property, Plant & Equipment and Investment. The increase is also due to a significant revaluation gain on assets transferred from Property, Plant and Equipment. The assets which have been reclassified are currently being marketed and expected to sell within the next 12 months.

	2017-18 £000	**2016-17 £000**
Balance at Start of Year	2,455	1,902
Assets Transferred into Assets Held for Sale:		
Property, Plant and Equipment	5,428	1,418
Investment Assets	3,305	0
Assets under construction	0	845
Additions	10	0
Valuation Changes:		
- Revaluation Gains/Losses	4,249	-66
Assets Transferred out of Assets Held for Sale		
Council Housing	-930	0
Investment Assets	0	-49
Asset Under Construction	0	-1,434
Assets sold	-1,342	-161
Balance at end of the year	**13,175**	**2,455**

19. 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 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Assets				
Available for sale financial asset	0	92		
Loans and receivables				
Investments identified on the balance sheet			25,000	30,031
Total Debtors	7,746	7,910	43,046	49,869
Less: classes of debtor not recognised as financial instruments			-19,380	-13,450
Plus: cash and cash equivalents identified on the balance sheet			27,530	25,982
Total Financial Assets	**7,746**	**8,002**	**76,196**	**92,432**
Liabilities				
Financial liabilities at amortised cost				
Borrowing identified on the balance sheet	-271,994	-288,434	-24,859	-13,291
Other long term liabilities identified on the balance sheet				
PFI Schemes	-26,588	-27,521		
Finance Leases	-1,336	-3,350		
Other	-609	-621		
	-28,533	-31,492	0	0
Short term liabilities held at amortised cost				
PFI Schemes			-934	-944
Finance Leases			-2,133	-2,207
			-3,067	-3,151
Total Financial Liabilities at Amortised Cost	**-300,527**	**-319,926**	**-27,926**	**-16,442**
Financial liabilities carried at contract amount				
Creditors identified on the balance sheet			-109,352	-104,436
Less: classes of creditor not recognised as financial instruments or held at amortised cost			29,416	30,159
Total Financial Liabilities Carried at Contract Amount	**0**	**0**	**-79,936**	**-74,277**

The term 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 shareholdings. Short term investments represent fixed term deposits with banks and other local councils.

Within the debtors and creditors analysis, certain transactions are removed 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:

	2017-18		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	12,635		12,635
Total expense in SDPS	**12,635**		**12,635**
Interest income		-874	-874
Total income in SDPS		**-874**	**-874**
Net (gain)/loss for the year	**12,635**	**-874**	**11,761**

		2016-17	
Interest expense	10,981		10,981
Total expense in SDPS	**10,981**		**10,981**
Interest income		-1,083	-1,083
Total income in SDPS		**-1,083**	**-1,083**
Net (gain)/loss for the year	**10,981**	**-1,083**	**9,898**

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 2018 of between 0.73% and 2.41% for prevailing market interest rates;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount;
- All loans issued are relatively short term (less than one year) and therefore fair value will not vary significantly from carrying value;
- The fair value of unquoted equity is calculated by reference to the estimated amount of equity attributable to the owners of the company as shown in the company's most recent set of published accounts.

Fair value of assets held at amortised cost

	Carrying Value		Fair Value	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Loans and receivables	83,942	100,342	83,942	100,342
Total	**83,942**	**100,342**	**83,942**	**100,342**

Potential loan information

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. All monies were, or would become, available to the Council within three months 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 (i.e. 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 counter parties 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 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 2018 £000	As at 31 March 2017 £000
350,000 1p Ordinary Shares in UKMBA	Level 3	Share of net assets	0	92
Total			**0**	**92**

The financial assets whose recurring fair value is determined using level 3 inputs comprise of a minority shareholding in the UK Municipal Bond Agency (UKMBA). The company has yet to start trading but has, as expected, incurred significant set up costs in getting itself into a position whereby it is in a position to be able to trade (which is expected to be some time in 2018-19).

The fair value of the Council's 5% shareholding in the company has been calculated by reference to the Council's estimated pro-rata share of the total equity attributable to the owners of UKMBA as shown in the financial statements for the year ended 30th November 2017.

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

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

	2017-18			2016-17		
	Unquoted shares	Other	Total	Unquoted shares	Other	Total
	£000	£000	£000	£000	£000	£000
Opening balance	92	0	92	350	0	350
Adjustment to Fair Value at 31st March 2018	-92	0	-92	-258	0	-258
Closing balance	**0**	**0**	**0**	**92**	**0**	**92**

Fair value of liabilities held at amortised cost

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

- The level 2 input used is the new market borrowing rate. The new market borrowing rate has been used to discount the scheduled interest payments and principal repayments that the Council is committed to under its existing loan agreements back to a fair (net present) value at the balance sheet date.
- The fair value here (and which is shown 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 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Borrowing identified on the balance sheet	-296,853	-301,725	-366,002	-384,037
Financial liabilities held at amortised cost:				
PFI Schemes	-27,522	-28,465	-35,616	-37,991
Finance Leases	-3,469	-5,557	-3,469	-5,557
Other	-609	-621	-609	-621
Total	**-328,453**	**-336,368**	**-405,696**	**-428,206**

- Finance leases carrying value is representative of the fair value of the assets and are carried at level 3 inputs due to no observable inputs being available.
- PFI contracts fair value is derived using the yield available on AA rated corporate bonds at the balance sheet date. This rate is considered to be a fair reflection at which the Council could raise equivalent debt were it to refinance the existing debt.

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

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

The fair values of financial assets and financial liabilities that are not measured at fair value i.e. amortised costs

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

2017-18	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		-366,002		-366,002
PFI Schemes			-35,616	-35,616
Finance Leases			-3,469	-3,469
Other			-609	-609
Short term creditors			-79,936	-79,936
	0	-366,002	-119,630	-485,632
Financial assets				
Loans and receivables		76,196		76,196
Long term debtors			7,746	7,746
	0	76,196	7,746	83,942
Total	**0**	**-289,806**	**-111,884**	**-401,690**

2016-17	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		-384,037		-384,037
PFI Schemes			-37,991	-37,991
Finance Leases			-5,557	-5,557
Other			-621	-621
Short term creditors			-74,277	-74,277
	0	-384,037	-118,446	-502,483
Financial assets				
Loans and receivables		92,432		92,432
Long term debtors			7,910	7,910
	0	92,432	7,910	100,342
Total	**0**	**-291,605**	**-110,536**	**-402,141**

20. Debtors

The Council’s debt position as at 31 March 2018 is analysed as follows:

Analysis of Debtors	31 March 2018 £000	31 March 2017 £000
Central government bodies	11,595	11,750
Other local authorities	3,946	5,360
NHS bodies	2,073	1,856
Public corporations and trading funds	23	0
Other entities and individuals	25,409	30,903
Total	**43,046**	**49,869**

Analysis of Debtors by Type	31 March 2018 £000	31 March 2017 £000
Sundry Revenue and Capital Debtors	26,922	26,824
Prepayments	2,809	3,458
HM Revenue and Customs (VAT)	6,007	7,001
Housing Benefit Overpayments	5,964	5,893
Housing Revenue Account Tenant Arrears	1,990	2,022
Revenue and Capital Grant Debtors	6,255	9,340
Cheshire Pension Fund Debtor	0	1,451
CWAC Share of Council Taxpayers Arrears	11,007	9,937
CWAC Share of Non Domestic Rates Arrea	1,626	2,182
Deferred Debtor	309	212
Loans to Group Entities	0	0
Bad Debt Provision	-19,843	-18,451
Total	**43,046**	**49,869**

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

Analysis of Long-term Debtors	31 March 2018 £000	31 March 2017 £000
Loans to Group Entities	1,950	2,450
Deferred Debtor	5,070	4,529
Returnable Deposits	166	216
Cheshire Pension Fund ICT System	84	169
Home-Buy Loans	307	307
Mack Leisure	139	176
Other entities	30	63
Total	**7,746**	**7,910**

The deferred debtor relates to rentals on Barons Quay regeneration project and service charge income held by The Forum Shopping Development. These total £5.4m, of which £5.1m is shown in long-term debt and £0.3m is shown as a current debtor.

21. Cash and cash equivalents

The following table shows the balance of cash and cash equivalents as at 31 March 2018.

	31 March 2018 £000	31 March 2017 £000
Bank Current Accounts	-1,515	-738
Short Term Deposits	29,045	26,720
Total	**27,530**	**25,982**

The Council holds current balances for processing payroll, payment and income transactions as well as a Council Fund account to ensure there are sufficient funds available to meet all short term commitments. Where payments have been initiated on the last working day of March, the current account balance shows them as if they have already been made, even though they will not physically leave the account until the next working day. The Council transferred in deposits on 3rd April 2018 so the current accounts were never actually in deficit.

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

22. Creditors

The Council's creditor position as at 31 March 2018 compared is analysed as follows:

Analysis of Creditors	31 March 2018 £000	31 March 2017 £000
Central government bodies	22,778	18,081
Other local authorities	8,216	13,510
NHS bodies	1,643	1,246
Other entities and individuals	76,715	71,599
Total	**109,352**	**104,436**

Analysis of Creditors by Type	31 March 2018 £000	31 March 2017 £000
Creditors		
Sundry Revenue Creditors/Payments to Suppliers	48,145	45,000
Accumulated Absences	7,281	7,920
HM Revenue and Customs	4,427	4,632
Payroll Related	3,876	3,756
Capital Creditors	13,849	11,145
Central Government relating to Business Rates	16,067	12,219
Cheshire Pension Fund Creditor	863	0
Other	1,012	5,913
	95,520	**90,585**
Receipts in Advance		
Council Tax Advance Payments	3,211	3,351
Business Rates Advance Payments	2,632	2,191
Revenue Grants	1,410	1,731
Other	6,579	6,578
	13,832	**13,851**
Total	**109,352**	**104,436**

The Sundry Revenue Creditors/Payments to Suppliers includes £1.02m relating to Council Tax Collection Fund Preceptors. The majority of the Councils creditors are individual companies with whom it trades but it does have some significant liabilities with other Councils (joint working) and the Government (Tax and NI payments).

Short Term Compensated Absence Account

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

Accumulated Absences Accrual	31 March 2018 £000	31 March 2017 £000
Opening Balance at 1st April	7,920	6,934
Changes in Unused Leave Entitlement (School Based staff)	-656	1,018
Changes in Unused Leave Entitlement (non School Staff)	17	-32
Closing Balance at 31st March	**7,281**	**7,920**

23. 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 the difference is identified.

	Short Term Provisions						
	Redundancy £000	Land Search Charges £000	Public Enquiry £000	Terms & Conditions £000	Contribution Related Reward £000	Other ST Provisions £000	**Total £000**
Balance at 31 March 2016	**215**	**100**	**400**	**0**	**519**	**77**	**1,311**
Amounts used in year	-213	-74	-5	0	-444	-72	**-808**
Unused amount released	-2	0	0	0	-75	-5	**-82**
Additional provisions made	1,053	0	0	0	457	432	**1,942**
Balance at 31 March 2017	**1,053**	**26**	**395**	**0**	**457**	**432**	**2,363**
Amounts used in year	-1,053	0	-8	0	-406	-86	**-1,553**
Unused amount released	-1	0	0	0	-5	0	**-6**
Additional provisions made	252	0	0	0	390	56	**698**
Balance at 31 March 2018	**251**	**26**	**387**	**0**	**436**	**402**	**1,502**

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

- **Redundancy** - Sums held to fund the costs of redundancy payments to individuals which have been agreed in advance of 31 March but will take place in the following financial year.
- **Public Inquiry Costs** – This provision is to fund any costs incurred by the Council in responding to legal challenges to the appropriateness of planning decisions made.

- **Contribution Related Reward** – Sums held to fund pay rewards based on individuals overall performance rating agreed in advance of 31 March but 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 LT Provisions £000	**Total Long Term £000**
Balance at 31 March 2016	**3,703**	**3,089**	**5,931**	**1,400**	**0**	**14,123**
Amounts used in year	-2,272	-55	-2,399	0	0	**-4,726**
Unused amount released	-901	0	0	-900	0	**-1,801**
Additional provisions made	2,991	0	2,910	0	0	**5,901**
Balance at 31 March 2017	**3,521**	**3,034**	**6,442**	**500**	**0**	**13,497**
Amounts used in year	-1,088	-80	-2,474	0	0	**-3,642**
Unused amount released	-968	0	0	0	0	**-968**
Additional provisions made	1,710	0	8,215	0	1,732	**11,657**
Balance at 31 March 2018	**3,175**	**2,954**	**12,183**	**500**	**1,732**	**20,544**

Long Term Provisions include:

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

24. Usable Reserves

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

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

The overall movements show a net contribution to reserves of £24m during 2017-18. This largely reflects the increased Earmarked Reserves and increased Major Repairs Reserve. Further explanations for major variances follow the table.

	31 March 2018 £000	31 March 2017 £000
Held for Revenue Purposes		
General Fund	24,431	25,027
School Reserves	10,351	10,004
Housing Revenue Account	660	848
Earmarked General Fund Reserves	77,914	58,767
Earmarked HRA Reserves	394	325
	113,750	**94,971**
Held for Capital Purposes		
Capital Receipts Reserve	8,867	9,561
Capital Grants Unapplied Reserve	22,985	23,103
Major Repairs Reserve	9,583	3,568
	41,435	**36,232**
Total	**155,185**	**131,203**

Revenue Reserves

General Fund – The General Fund has reduced in year, reflecting the budgeted use of £1.0m partly offset by the Council delivering an underspend against its 2017-18 budgets of £0.4m.

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

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

Capital Reserves

Capital Receipts Reserve – The Capital Receipts Reserve holds balances which have been generated from the sale of assets or funds the Council has chosen to set aside to fund future capital works. The balance is used each year to finance part of the Council's capital expenditure. In 2017-18 the reserve was topped up with £8.7m of receipts /income. This included general capital receipts (£4.7m), commercial property re-investment receipts (£0.3m), Right to Buy receipts (£3.1m) and Shared Ownership receipts (£0.6m). £9.4m of the reserve was used to fund capital projects in 2017-18.

Major Repairs Reserve – The Major Repair Reserve holds all the balances that the HRA has set aside to fund the future repayment of its debt or to invest in capital expenditure on the housing stock. The balance on this reserve is managed in line with the HRA Business Plan to ensure that decency standards are achieved and sustained across the housing portfolio. In 2017-18 the balance increased by £6m due to the planned additional revenue contribution from the HRA. Further details on the use of this reserve are contained in the HRA Accounts.

25. 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 2018 £000	31 March 2017 £000
Revaluation Reserve	321,562	256,436
Capital Adjustment Account	619,529	646,413
Financial Instruments Adjustments Account	-802	-816
Deferred Capital Receipts Reserve	0	3
Pensions reserve	-303,044	-349,294
Collection Fund Adjustment Account	7,192	8,828
Accumulated Absences Account	-7,281	-7,920
Revaluation Available For Sale Investment Reserve	-350	-258
Total	**636,806**	**553,392**

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	2017-18 £000	2016-17 £000
Balance at 1 April	**256,436**	**193,057**
Upwards Revaluation of assets	80,746	103,825
Downward revaluations and impairment losses	-7,307	-35,672
Surplus or deficit on revaluation of non-current assets	**73,439**	**68,153**
Difference between fair value and historic cost depreciation	-6,104	-4,314
Accumulated gains on assets sold or scrapped	-2,209	-460
Amount written off to the Capital Adjustment Account	**-8,313**	**-4,774**
Balance at 31 March	**321,562**	**256,436**

Capital Adjustment Account

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

The Account is:

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

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

Capital Adjustment Account	2017-18 £000	2016-17 £000
Balance at 1 April	**646,413**	**651,376**
Capital funded items charged to CIES		
Charges for depreciation	-38,787	-39,838
Amortisation of Intangible assets	-218	-217
Revaluation and impairment losses on non current assets	-44,400	-29,127
Revaluation/Impairment of capital creditors/debtors	12	156
Revenue expenditure funded from capital under statute	-1,396	-2,791
Assets written off to the CIES on disposal	-17,053	-7,873
Change in market value of invt properties charged to CIES	12	-1,984
	-101,830	**-81,674**
Values released from revaluation reserve		
Depreciation costs funded from revaluation reserve	6,104	4,314
Revalued assets disposed of in year	2,209	460
	8,313	**4,774**
Net cost of non-current assets consumed in the year	**-93,517**	**-76,900**
Capital financing applied in the year		
Application of capital receipts	9,426	8,764
Transfer from Major Repairs Reserve	5,063	9,103
Application of capital grants and contributions from CIES	33,809	30,133
Funding applied from capital grants unapplied reserve	571	3,604
Statutory revenue provision for capital financing from CIES	14,587	15,944
Revenue contributions to capital costs from CIES	3,177	4,389
	66,633	**71,937**
Balance at 31 March	**619,529**	**646,413**

Cheshire West and Chester

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	**2017-18 £000**	**2016-17 £000**
Balance at 1 April	**-816**	**-832**
LOBO interest debited/ (credited) to CIES	14	16
Difference between costs charged to CIES and costs chargeable under statutory requirements	**14**	**16**
Balance at 31 March	**-802**	**-816**

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	**2017-18 £000**	**2016-17 £000**
Balance at 1 April	**3**	**5**
Cash received transfered to capital receipts reserve	-3	-2
Balance at 31 March	**0**	**3**

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 decrease in the deficit of £46.2m to £303m has been reported in 2017-18 by the Actuaries of the fund net liability. This is due to the worsening in the pension liabilities of £15m offset with an improvement in assets of £61.2m. Statutory arrangements ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve Movement	**2017-18 £000**	**2016-17 £000**
Balance at 1 April	**-349,294**	**-226,881**
Remeasurement of the net defined benefit liability	76,680	-133,659
Reversal of items Charged to CIES		
-Current Service Costs	-43,943	-27,509
- Past Service Costs, Settlements and Curtailments	-339	-278
- Net Interest Costs	-9,304	-7,587
Actual Pension Contributions Charged to General Fund	23,156	46,620
Balance at 31 March	**-303,044**	**-349,294**

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 decreased from 2016-17 in school based staff due in general to the Easter school term.

Accumulating Absences Adjustment Account	**2017-18 £000**	**2016-17 £000**
Leave Entitlement		
- School Based Staff	**-5,524**	**-6,180**
- Non School Staff	**-1,757**	**-1,740**
Balance at 31 March	**-7,281**	**-7,920**

Revaluation Reserve Available for Sale

The Revaluation Reserve Available for Sale Account comprises of changes in the fair value of investments held by the Council. UK Municipal Bond Agency in which the Council is a shareholder continues to report losses in the year ending November 2017; and therefore the Council needs to recognise the reduction in their investment.

Revaluation Available for Sale Investment	**2017-18 £000**	**2016-17 £000**
Balance at 1 April	**-258**	**0**
Fair Value Adjustment Investment	-92	-258
Balance at 31 March	**-350**	**-258**

Collection Fund Adjustment Account

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

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

The movement on the reserve is as follows:

Collection Fund Movement Account	2017-18			2016-17		
	Council Tax	Non Domestic Rates	Total	Council Tax	Non Domestic Rates	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	5,009	3,819	8,828	4,785	83	4,868
Share of Collection Fund Surplus /(Deficit)	1,400	-3,036	-1,636	224	3,736	3,960
Balance at 31 March	**6,409**	**783**	**7,192**	**5,009**	**3,819**	**8,828**
Billed Income for in year activities	-160,420	-67,328	-227,748	-152,668	-76,804	-229,472
Council Tax Collected for Parish Precepts	-3,252	0	-3,252	-2,829	0	-2,829
CWaC Contribution to (Surplus)/Deficit	-2,530	0	-2,530	-2,256	0	-2,256
Actual Collection Fund (Surplus)/Deficit	-1,400	3,036	1,636	-224	-3,736	-3,960
Income in CIES	**-167,602**	**-64,292**	**-231,894**	**-157,977**	**-80,540**	**-238,517**
Less Actual Surplus/(Deficit)	1,400	-3,036	-1,636	224	3,736	3,960
Income Credited to General Fund	**-166,202**	**-67,328**	**-233,530**	**-157,753**	**-76,804**	**-234,557**

The reserve holds a surplus of £6.4m for Council Tax which will be available to support Council budgets from 2018-19. This is an increase of £1.4m and reflects the distribution of £2.5m of the brought forward balance to the Council and an in-year surplus of £3.9m. The in-year surplus reflects a continued reduction in the cost of the Council Tax Reduction Scheme and a strong collection experience.

The reserve holds a surplus of £0.8m for Non-Domestic Rates which will be available to support Council budgets from 2018-19. This is a reduction of £3m which is largely the result of a significant increase in the value of backdated refunds.

26. 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	**2017-18 £000**	**2016-17 £000**
Depreciation and amortisation of non current assets	-39,005	-40,055
Impairments and downward valuations	-44,400	-29,127
Revaluation Loss on Investment Assets	12	-1,984
Pension Fund Adjustments	-30,430	11,246
(Increase)/ Decrease in Provisions	-12,402	-6,196
Increase/(Decrease) in Inventories	-106	25
Increase/(Decrease) in Debtors	-2,955	7,107
(Increase)/Decrease in Creditors	538	-7,576
Carrying value of assets which have been sold	-17,227	-8,045
Other non cash movements	640	-987
Adjustments for Non Cash Items	**-145,335**	**-75,592**

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	**2017-18 £000**	**2016-17 £000**
Proceeds from sale or disposal of non current assets	7,882	7,045
Capital grant income credited to SDPS	37,814	42,629
Income from Trading Operations	5,496	5,085
Other adjustments for financing activities	3,993	4,475
Net cash flows from investing/financing activities in SDPS	**55,185**	**59,234**

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	**2017-18 £000**	**2016-17 £000**
Interest received	-874	-1,083
Interest paid	12,635	10,981

27. 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	2017-18 £000	2016-17 £000
Purchase of property, plant and equipment, investment property and intangible assets	97,834	101,318
Purchase of short-term and long-term investments	169,998	234,525
Other payments for investing activities	31	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-7,882	-7,045
Proceeds from short-term and long-term investments	-175,029	-249,499
Capital grants received	-36,957	-47,480
Other receipts from investing activities	-5,496	-5,085
Net cash flows from investing activities	**42,499**	**26,734**

28. 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	2017-18 £000	2016-17 £000
Cash receipts of short-and long-term borrowing	4,538	967
Other receipts from financing activities	-371	-4,994
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,018	3,324
Repayments of short- and long-term borrowing	280	2,281
Other payments for financing activities	-3,993	0
Net cash flows from financing activities	**3,472**	**1,578**

29. Trading Operations

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

	Expenditure	Property Disposals / Valuations	Income	-Surplus/ Deficit	Expenditure	Property Disposals / Valuations	Income	-Surplus/ Deficit
	2017-18 £000	2017-18 £000	2017-18 £000	2017-18 £000	2016-17 £000	2016-17 £000	2016-17 £000	2016-17 £000
Industrial & Commercial Properties	2,496	-40	-8,137	-5,681	3,363	2,164	-8,581	-3,054
Transport Management Organisation	2,016	0	-1,972	44	2,140	0	-1,979	161
Grounds Maintenance	259	0	-287	-28	256	0	-279	-23
Total	**4,771**	**-40**	**-10,396**	**-5,665**	**5,759**	**2,164**	**-10,839**	**-2,916**

- The Industrial and Commercial Properties trading account lets Council owned business premises to small and medium size enterprises across the Borough. Income and expenditure for the year has remained similar to previous years. In 2016-17 there had been an overall revaluation loss which was not repeated in 2017-18.
- The Transport Management Organisation (TMO) operates as a trading account for the provision of cars and commercial vehicles to meet the Council's transport requirements. This small deficit is largely due to overheads, for which management reviews mitigate the impact.

30. 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 2017-18, 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 2018 relating to each of these bodies.

Non-Domestic Rates Collection Fund – Balances at 31 March	2017-18 Collection Fund £000	CWAC £000	Central Government £000	Cheshire Fire £000	2016-17 Collection Fund £000
Arrears	3,281	1,608	1,640	33	4,408
Bad Debt Provision	-2,952	-1,446	-1,476	-30	-2,954
Appeals Provision	-24,863	-12,182	-12,432	-249	-13,146
Receipts in Advance	-5,371	-2,632	-2,685	-54	-4,471
Surplus/Deficit	-1,598	-783	-799	-16	-7,795
Amount owing (to)/from other bodies	0	-16,067	15,752	315	0

The significant reduction in the surplus on the collection fund is primarily due to refunds payable in 2017-18 being significantly higher than expected based on prior years' experience.

Council Tax Collection Fund

The Council collects Council Tax on behalf of Cheshire Police Authority and Cheshire Fire Authority, as well as itself. This is distributed based on each body's share of the total Council Tax requirement, and in 2017-18 this was as follows – Cheshire West and Chester Council (85.3%), Cheshire Police Authority (10.17%), Cheshire Fire Authority (4.53%). The table below shows the balances at 31 March 2018 relating to each of these bodies.

Council Tax Collection Fund – Balances at 31 March	2017-18 Collection Fund £000	CWAC £000	Central Government £000	Cheshire Fire £000	2016-17 Collection Fund £000
Arrears	11,634	9,909	1,208	517	10,418
Bad Debt Provision	-7,270	-6,193	-754	-323	-6,823
Receipts in Advance	-3,769	-3,211	-391	-167	-3,929
Surplus/Deficit	-7,514	-6,409	-765	-340	-5,881
Amount owing (to)/from other bodies	0	-1,017	703	314	0

Business Improvement Districts

The Council also collects income from a Business Rates levy in relation to five Business Improvement Districts (BIDs). The table below shows the amount of levy billed for in 2017-18, 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	2017-18 Net Debit £000	Amount Paid £000	Other Transactions £000	Cash Balance Awaiting Payment £000	2016-17 Net Debit £000
Winsford	106	-103	19	22	104
Gadbrook Park	208	-204	45	49	197
Northwich	220	-210	45	55	182
CH1	409	-413	97	93	474
West Chester	50	-46	13	17	0
Total	**993**	**-976**	**219**	**236**	**957**

31. Members' Allowances

In accordance with the Local Authorities (Member's Allowances) Regulations 2003, the total amount spent on member's allowances in 2017-18 was £1.16m. The payments include basic allowance, special responsibility allowance and members NI costs. It does not include the direct reimbursement of costs incurred. The current level of allowances was established following an independent review.

	2017-18 £000	2016-17 £000
Basic Allowance	874	867
Special Responsibility Allowance	212	201
Mayors and Deputies Allowances	0	14
Members NI's	70	62
Total Members' Allowances	**1,156**	**1,144**

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

32. Officers Remuneration

The table below shows the number of employees (excluding Senior Officers) who were paid more than £50,000 but less than £129,999 in 2017-18. Pay includes salary costs, taxable travel costs and any redundancy payments. It does not include employers' pension or national insurance contributions.

The 2016-17 restatement purpose is due to the removal of 17 Senior Officers/Directors that were initially included within the 2016/17 published accounts. These are now included within the table that follows the table of employee pay bandings.

Employee Pay Band	2017-18	2016-17	2016-17 Restated
£50,000 - £54,999	152	138	135
£55,000 - £59,999	82	70	70
£60,000 - £64,999	50	46	45
£65,000 - £69,999	31	34	34
£70,000 - £74,999	12	10	9
£75,000 - £79,999	9	11	10
£80,000 - £84,999	4	5	4
£85,000 - £89,999	4	8	4
£90,000 - £94,999	8	4	1
£95,000 - £99,999	2	2	2
£100,000 - £104,999	1	3	2
£105,000 - £109,999	0	1	0
£110,000 - £114,999	2	1	0
£115,000 - £119,999	0	0	0
£120,000 - £124,999	0	0	0
£125,000 - £129,999	0	2	2
Total	**357**	**335**	**318**

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

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

The table below shows the remuneration for senior officers per annum in 2017-18 and 2016-17 as the comparative year and includes salary costs, taxable travel costs and where posts are removed any redundancy payments. These individuals have been excluded from the summary banded table for 2017-18.

Post holder information (Post title)	Salary, Fees & Allowances £	Employer Pension Contributions £	Total Remuneration including Pension Contributions £
2017-18 Current structure:			
Mr G Meehan - Chief Executive	150,715	36,606	187,321
Mrs S Brousas - Director of Professional Services - Post removed 31/12/2017	158,643	15,758	174,401
Deputy Chief Executive - Places	129,238	31,226	160,464
Deputy Chief Executive - People	128,941	31,296	160,237
Chief Operating Officer - Corporate Services - From 01/12/2017	36,703	8,902	45,605
Director of Corporate Services - Post removed 30/11/2017	74,170	17,843	92,013
Director of Finance - From 01/01/2018	21,018	4,837	25,855
Director of Public Services Reform	93,061	22,614	115,675
Director of Governance/Monitoring Officer - Job share	53,774	13,388	67,162
Director of Governance/Monitoring Officer - Job share	36,964	8,982	45,946
Director of Places Strategy - From 15/11/2017	35,731	8,683	44,414
Director of Places Strategy - 01/01/2016 - 03/09/2017	44,822	10,892	55,714
Director of Place Operations	92,882	22,570	115,452
Director of Place Commissioning and Commercial Management	94,640	22,983	117,623
Technical Director	52,484	12,754	65,238
Director of Children's Social Care	94,708	22,983	117,691
Director of Integrated Early Support	80,717	19,398	100,115
Director of Commissioning People	94,690	22,888	117,578
Director of Integrated Adult Social Care and Health - From 14/08/2017	60,496	14,519	75,015
Director of Education	94,835	22,655	117,490
Director of Public Health - From 12/06/2017	70,278	17,067	87,345
Director of Prevention and Wellbeing - Post removed 15/05/2017	11,794	0	11,794
Total	**1,711,304**	**388,844**	**2,100,148**
Number of posts in management structure as at 31 March 2018 is 17. Total contractual value of salary for the year was **£1.65m**			

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 Parliamentary Election and returning officer for a Borough by-election. The payments relating to these two roles were £10.5k; the level of payment is set in line with nationally agreed rates for elections. The Parliamentary Election fee is fully funded by the electoral commission and the Borough Election fee is funded by CWAC. There was also a payment of £1k each to three Directors included in the above table in relation to the Parliamentary Election.

Post holder information (Post title)	Salary, Fees & Allowances £	Pension Contributions £	Total Remuneration including Pension Contributions £
2016-17 Current structure:			
Mr G Meehan - Chief Executive - From 01/07/16	112,500	26,775	139,275
Mr S Robinson - Chief Executive - From 01/04/16 - 30/06/16	46,250	0	46,250
Deputy Chief Executive - People - From 16/02/17	21,252	5,058	26,310
Deputy Chief Executive - Places - From 01/09/16	73,656	17,530	91,186
Strategic Director (Places) - Post removed 30/08/16	52,612	12,522	65,134
Director of Professional Services	83,350	19,837	103,187
Director of Public Services Reform	89,023	21,187	110,210
Director of Governance - Job share	35,429	8,432	43,861
Director of Governance - Job share	52,224	12,724	64,948
Director of Corporate Services - From 01/09/16	61,355	14,707	76,062
Director of Finance - Post removed 30/08/16	43,825	10,505	54,330
Director of Places Strategy	104,612	24,898	129,510
Technical Director	54,134	12,884	67,018
Director of Places Operations	89,592	21,323	110,915
Director of Place Commissioning & Commercial Management - From 01/12/16	31,215	7,429	38,644
Director of Commercial Management - Post removed 15/06/16	19,699	4,646	24,345
Director of Children’s Social Care	92,168	21,936	114,104
Director of Public Health	87,225	12,473	99,698
Director of Integrated Early Support	76,668	18,247	94,915
Director of Prevention and Wellbeing	91,159	0	91,159
Director of Commissioning People	89,776	21,367	111,143
Director of Education	94,105	22,397	116,502
Strategic Director Adults - Post removed 23/09/16	63,241	14,753	77,994
Total	**1,565,070**	**331,630**	**1,896,700**
Number of posts in management structure as at 31 March 2017 is 17. Total contractual value of salary for the year was **£1.64m**			

Termination Costs

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

Exit package cost band (incl special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017-18 People	2016-17 Restated People	2017-18 People	2016-17 Restated People	2017-18 People	2016-17 Restated People	2017-18 £000	2016-17 Restated £000
£0 - £20,000	37	9	26	64	63	73	534	597
£20,001 - £40,000	8	2	11	20	19	22	554	604
£40,001 - £60,000	1	0	6	5	7	5	349	264
£60,001 - £80,000	2	0	3	5	5	5	286	353
£80,001 - £100,000	0	0	1	0	1	0	82	0
£100,001 - £150,000	1	0	3	3	4	3	457	314
£150,001 - £200,000	0	0	2	4	2	4	264	694
£200,001 - £250,000	1	0	0	0	1	0	201	0
Total	**50**	**11**	**52**	**101**	**102**	**112**	**2,727**	**2,826**

33. Audit Costs

The Council auditors are Grant Thornton and will incur audit fees of £153k relating to external audit activities in addition to £31k for grant certification and other work for 2017-18; additional grant and other service costs of £5k relate to 2016-17 and prior.

Fees Payable for Audit Work	2017-18 £000	2016-17 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	153	153
Fees payable to Grant Thornton in respect of certification of grant claims and other services	36	55
Total	**189**	**208**

34. Dedicated Schools Grant (DSG)

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

Details of the deployment of DSG receivable for the year 2017-18 are as follows:

DSG for 2017-18	**Central Expenditure £000**	**Individual Schools Budget £000**	**Total £000**
Final DSG for 2017-18 before Academy recoupment			251,231
Academy figure recouped for 2017-18			51,788
Total DSG (after Academy recoupment)			**199,443**
Balance brought forward from 2016-17			730
Carry forward to 2018-19 agreed in advance			-671
Agreed initial budgeted distribution in 2017-18	**35,485**	**164,017**	**199,502**
In year adjustments	-2,112	-204	-2,316
Final budgeted distribution for 2017-18	**33,373**	**163,813**	**197,186**
Less: Actual Central Expenditure	32,760		32,760
Less: Actual ISB deployed to Schools		163,813	163,813
Carry Forward 2018-19	**-613**	**0**	**-613**
Total carry forward to 2018-19			**-1,283**

The primary source of funding for schools is provided by the Education and Skills Funding Agency via the Dedicated Schools Grant which was allocated at £251.2m in 2017-18. This initial allocation is reduced by £51.8m as funding relating to Academy Schools is passed directly to those establishments and is not reflected in the accounts. The remaining £199.4m, along with any funding carried forward from the previous year, is available to fund services in 2017-18. This allocation has been further adjusted for high needs block places funded directly by the Education Funding Agency (-£3.071m) and changes to early years funding based on participation (£755k) to give a revised allocation of £197.2m.

Unspent grant is carried forward by the Council as part of its Earmarked Reserves, this amount equated to £1.283m as at the end of 2017-18. Unspent ISB is retained by the individual schools and recorded on the Balance Sheet in the School Balances reserve (£10.3m at 31 March 2018).

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

35. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017-18.

	2017-18 £000	2016-17 £000
Credited to Taxation and Non Specific Grant Income		
Used to Finance Council Activities in Year		
Council Tax	167,603	157,977
Non-Domestic Rate	64,693	80,540
S31 Non Domestic Rates Grant Funding	4,952	2,635
Revenue Support Grant	19,236	31,747
Local Services Support Grant	278	296
New Homes Bonus	8,498	8,072
PFI Grant	3,039	3,039
Education Services Grant	1,041	3,666
Transition Grant	1,436	1,430
Housing and Council Tax Benefit Administration Subsidies	956	1,081
Other Core Revenue Grants	908	764
Used to Finance Capital Expenditure		
Capital Grants Utilised in Year	32,741	29,409
Capital Contributions Utilised in Year	1,068	724
Set Aside for Future Capital Financing		
Capital Grants Set Aside for Future Usage	453	12,767
Total	**306,902**	**334,147**
Credited to Services		
Dedicated Schools Grant (DSG)	196,838	194,856
Public Health Grant	16,683	17,105
Mandatory and HRA Rebates	9,847	10,560
Independent Living Fund	1,596	1,651
Sixth Forms Funding (Young Peoples Learning Agency)	6,252	6,931
Mandatory Rent Allowances: subsidy	71,534	76,726
Adult and Community Learning	958	856
Pupil Premium Grant	9,403	9,672
Adult Social Care Grant/Adult Social Care Support Grant	7,235	0
PE and Sports Grant	1,716	1,098
Devolved Formula Capital	46	39
Disabled Facilities Grant	2,770	2,731
Universal Infant Free School Meals	3,412	3,422
Other Grants	10,748	8,019
Total	**339,038**	**333,666**

In 2017-18 the Council received a Government Property Unit – Rationalisation grant from the Government Cabinet Office of £0.06m. This is to be used to deliver a new purpose build public services hub in the centre of Ellesmere Port. The hub will bring together the services of up to seven public sector agencies under one roof and produce a business model for the wider integration of public services which could be rolled out across the sub region. This supports the aims and objectives of Government’s “One Public Estate” initiative.

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; if these conditions remain unmet, this may require the monies or property to be returned to the giver. The balances at year-end are as follows:

	2017-18 £000	2016-17 £000
Capital Grants and Contributions Receipts in Advance		
Devolved Formula Capital	1,116	1,161
NHS England	388	0
Other Grants	174	132
Early Years Grant	0	946
Schools Basic Need	0	3,473
Transport Funding	663	353
s106 and other Contributions	12,041	9,174
Total	**14,382**	**15,239**

	2017-18 £000	2016-17 £000
Revenue Grants Receipts in Advance		
Dept of Education - Various	333	285
Dept of Transport - Various	70	326
Government Property Rationalisation	0	140
Learning and Skills Council - Adult Education Funding	502	448
Other Govt Bodies	299	532
Other	206	0
Total	**1,410**	**1,731**

36. Related Parties

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

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

Central Government

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

Details of material transactions with Central Government are shown throughout these notes and included within other notes are those listed below (2016-17 comparators are shown in brackets).

- Funding from Gov't — Note 35 — £414m (£429m)
- Non Domestic Rates Share Payable — Collection Fund — £68.6m (£78.4m)

From 1 April 2016 the Council became a member of the Greater Manchester and Cheshire business rates pool. Consequently, the tariff and levy are payable to Manchester City Council as the administrator of the pool. The main benefit to the Council of this arrangement is that the levy payable of £0.2m is half of what would otherwise have been payable to Central Government if the Council was not a member of the pool. The total payment made to Manchester City Council in 2017-18 in relation to the tariff and levy is £17m.

The Council undertakes significant transactions with Cheshire Police Authority and Cheshire Fire Authority. These relate to the payment of Council Tax income collected on behalf of both bodies and Non-Domestic Rates collected on behalf of Cheshire Fire Authority. These transactions are disclosed in the Collection Fund account and amount to payments of £19.4m (Police) and £8.7m (Fire) in respect of Council Tax precepts and shares of a prior year surplus and £1.4m (Fire) in respect of its share of Non-Domestic Rates income.

Other Public Bodies

The Pension Fund is administered and governed independently of the Council to avoid the potential for undue influence to be exerted. The Council undertakes transactions with the Pension Fund in the form of contributions to fund future pension payments of Council employees valued at £20.9m (2016-17 £44.3m). The 2016-17 figure was higher as this included a one off payment of £25.4m as the Council agreed a front loaded payment profile for its pension deficit contributions with the Pension Fund. The year-end amount due to the Fund for payments made by the Council are reflected as a creditor of £863k. The year-end amount owed to the fund is £13.5m, primarily relating to early retirement costs which are repaid over more than one year and pension contributions payable in April 2018 but relating to March 2018.

The Cheshire Pension Fund has set up an arm's length company, LGPS Central Ltd, along with seven other Local Government Pension Funds as an equal partner to manage their investment assets. This became operational on the 3rd April 2018.

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

The Council works closely in partnership with local health care commissioners, principally through Clinical Commissioning Groups. These bodies fund a number of services provided by the Council on behalf of the Health sector where health, care and education needs coincide. In 2017-18 this figure was £14.3m (2016-17 £16.2m).

In September 2017, the Council along with four other local authorities formed a Fostering Collaboration agency; Together for Adoption; delivering adoption services across the local authorities. The Council has a 22.63% share of the agency, which is not a legal entity and so staff are employed directly by the Council but share running costs. In 2017-18, this figure was £224k.

Entities controlled or significantly influenced by the Council

Alongside the individually significant relationships, the Council works with a wide range of charitable and voluntary bodies in areas complementary to the Council's objectives. The contributions can be either a direct financial payment or non-financial contribution to support the running of the body. The Council also commits staff time and support when working with its partners and, in certain cases, is represented at officer or member level in strategic decision making. On review of these payments the Council does not feel that any undue influence has been exerted to these organisations as a result of the contributions made. The total direct financial contributions to such organisations for 2017-18 amounted to £5m (2016-17 £5.38m).

Elected Members of the Council and Officers

Members of the Council have a direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2017-18 is shown in Note 31.

During 2017-18 works and services to the value of £3.1m (£915k in 2016-17) were commissioned to companies and £610k (£1.1m in 2016-17) was charged to companies in which members had an interest. The year-end creditors balance owed to these companies is £2.2k (£7.8k in 2016-17) and the debtors balance owed from the companies is £81.9k (£711k in 2016-17). Contracts were entered into in full compliance with the Council's standing orders and the Council does not feel that any undue influence has been exerted to these companies.

The following Members and Officers of the Council held interests in the following companies, which had transactions with the Council during 2017-18;

Organisation	Member/Officer
Storyhouse Production Company Limited	Cllr Beacham
Chester Mystery Plays Limited	Cllr Beacham Cllr Daniels
Cheshire Community Development Trust	Cllr Beckett Cllr Sinar
Hoole Community Development Trust	Cllr Black Cllr Chidley
Panad Site Services Limited	Cllr Mckie
The Sandstone Ridge Trust	Cllr Oultram
Chester Aid to the Homeless	Cllr Bisset Cllr Rudd
Sanctuary Housing Trust (Chester Area)	Cllr Board Cllr Delaney
Chapter (West Cheshire) Limited	Cllr Delaney
Neston Community Youth Centre Limited	Cllr Gittins
Lache Community Development Trust	Cllr Mercer
NW Firecontrol Limited	Cllr Rudd
The County High School, Leftwich	Cllr Sinar
Winsford Youth Forum Limited	Cllr Booher

Cheshire West and Chester

The following Members and Officers of the Council held interests in the following companies, which had transactions with the Council during 2017-18, in which the Council also has an interest.

Organisation	Member/Officer
Cheshire & Warrington Local Enterprise Partnership	Cllr Dixon
Avenue Services (NW) Limited	Cllr Deynem - Resigned on 21/06/2017 Cllr Board - Appointed on 21/06/2017 Cllr Powell - Appointed on 15/05/2017 Cllr Gahan
Cheshire West & Chester Leisure Community Interest Company	Cllr Beacham Cllr S Parker
Edsential Community Interest Company	Cllr D Armstrong Officer: M Parkinson
Entep Properties Limited	Cllr Sherlock
Weaver Vale Housing Trust Limited	Cllr Beckett
Rail North Limited	Cllr Clarke
HQ Management Company Limited	Officer: H De Lemos - Resigned on 23/03/2018 Officer: R Green
Cowest Services Limited	Officer: M Wynn Officer: C Seward

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 2017-18.

Interest in companies

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

Interest in Companies 2017-18	Details of Arrangement	2017-18 Total Assets	Total Liabilities	Total Equity	Turnover	Operating Profit/ (Loss)	Actuarial gains/ (losses)	Total Profit/(Loss) for the year
		£000	£000	£000	£000	£000	£000	£000
Associates								
Avenue Services (Blacon Asset Management Company) Limited	The company has been operational since 1 April 2012 providing services and facilities for the benefit of residents of Blacon and the wider community. The company is jointly owned by the Council (49%) and CDHT (51%) (under the banner of Sanctuary Housing).	852	-558	294	2,159	11	0	7
Subsidiaries								
Brio Leisure Community Interest Company	Brio Leisure is the trading name of the Cheshire West and Chester Leisure Community Interest Company (CIC) which was formally incorporated on 16 March 2011. The CIC is a wholly owned subsidiary of the Authority and has responsibility for managing a number of leisure and entertainment venues across the borough. As a not for profit social enterprise company, its purpose is to provide a range of leisure activities for the benefit of the community. The company has a contract to provide services to the Council until March 2030. The CIC has a £1.7m pension liability and the Council is guarantor for this should the company cease trading. During the year the Council had expenditure with Brio totalling £1.5m and income totalling £1.2m. The working capital loan advanced to Brio was repaid in year. Included in the Council's accounts was £0.3m of trade debtors.	2,532	-4,074	-1,542	12,447	-860	486	-382

Interest in Companies 2017-18	Details of Arrangement	2017-18						
		Total Assets	Total Liabilities	Total Equity	Turnover	Operating Profit/ (Loss)	Actuarial gains/ (losses)	Total Profit/(Loss) for the year
		£000	£000	£000	£000	£000	£000	£000
Cheshire Provider Services/Vivo Care Choices Limited	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 accounts include a £7m pension liability and the Council is guarantor for this should the company cease trading. During the year the Council had expenditure with Vivo and CPS totalling £11.4m and income totalling £0.84m. At the year end included in the Council's debtors is a balance of £0.6m working capital loan advanced to Vivo and £1.2m of trade debtors, included in the Council's creditors is £0.1m of trade creditors.	1,968	-8,756	-6,788	12,892	-1,409	854	-494
Joint Operation								
CoWest Services Limited (Qwest)	In June 2015 the Council launched QWest, in partnership with Engie (previously known as Cofely), to deliver its Customer Services, Business Operations and Building Maintenance/Cleaning Services. The council owns 49% ordinary B shares in the company. These shares entitle the council to an annual dividend of between 2% and 6% of the company's turnover to customers external to the council. During the year to 31st March 2018 the Council had expenditure with Qwest of £6.4m and income of £36k. A net pension loss of £22k exists and the Council is guarantor for this cost should the company cease trading.	9,409	-9,024	385	15,853	143	428	43
Joint Venture								
Edsential CIC	Edsential CIC is a Community Interest Company jointly owned with Wirral Borough Council, both councils have a 50% share. The company has been set up to provide a 'one stop shop' approach for schools to buy services such as music services, outdoor education, governor services, catering, cleaning, school development and learning outside the classroom. The CIC has a £6m pension liability, £3.6m of this is in relation to Cheshire Pensions and the Council is guarantor for this element should the company cease trading. During the year the Council had expenditure with Edsential totalling £9.1m and income totalling £1.3m. At the year end included in the Council's debtors is a £1.3m loan advanced to Edsential and £0.7m of trade debtors, included within the Council's creditors is £0.3m of trade creditors.	5,411	-12,632	-7,221	20,159	-1,154	966	-348

Cheshire West and Chester

Interest in Companies 2016-17	Details of Arrangement	2016-17 Restated						
		Total Assets	Total Liabilities	Total Equity	Turnover	Operating Profit/ (Loss)	Actuarial gains/ (losses)	Total Profit/(Loss) for the year
		£000	£000	£000	£000	£000	£000	£000
Associates								
Avenue Services (Blacon Asset Management Company) Limited	The company has been operational since 1 April 2012 providing services and facilities for the benefit of residents of Blacon and the wider community. The company is jointly owned by the Council (49%) and CDHT (51%) (under the banner of Sanctuary Housing).	1,111	-824	287	2,137	-17	0	-13
Subsidiaries								
Brio Leisure Community Interest Company	Brio Leisure is the trading name of the Cheshire West and Chester Leisure Community Interest Company (CIC) which was formally incorporated on 16 March 2011. The CIC is a wholly owned subsidiary of the Authority and has responsibility for managing a number of leisure and entertainment venues across the borough. As a not for profit social enterprise company, its purpose is to provide a range of leisure activities for the benefit of the community. The company has a contract to provide services to the Council until March 2030.	2,624	-3,784	-1,160	12,501	-38	-274	-389

Interest in Companies 2016-17	Details of Arrangement	2016-17 Restated						
		Total Assets	Total Liabilities	Total Equity	Turnover	Operating Profit/ (Loss)	Actuarial gains/ (losses)	Total Profit/(Loss) for the year
		£000	£000	£000	£000	£000	£000	£000
Cheshire Provider Services/Vivo Care Choices Limited	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.	2,382	-8,597	-6,215	12,349	-366	-2,102	-2,536
Joint Operation								
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.	8,734	-8,392	342	12,449	-56	-1,782	142
Joint Venture								
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.	6,082	-12,955	-6,873	27,867	-769	-5,512	-6,873

Local Capital Finance Company

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

The Council subscribed for £350,000 worth of ordinary shares in UKMBA in 2014-15, the total investment from all Council's totalled £6m. To date the UKMBA has not traded and has incurred costs of approximately £5m to help the company come to a position where it could trade. The Company's latest statement of accounts (for the year ended 30th November 2017) state that the company is reliant on the Local Government Association for its continued operations and is currently anticipating marketing its initial (proof of concept) offering to investors shortly. A material uncertainty therefore exists that may cast doubt on the company's ability to continue as a going concern. Consequently, in its accounts for the year ended 31st March 2018, the Council has made a downward fair value adjustment of £92k to the value of its shareholding in UKMBA. This adjustment leaves the shareholding valued at nil.

Northwest Evergreen Fund Partnership

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

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

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

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

In joining the partnership as a County Area Limited Partner the Authority is expected to advance annually to the Fund (as a loan) an index-linked amount equal to £250k divided by the number of County Area Limited Partners, to meet the ongoing expenses of the Fund. For 2017-18 the Partnership reviewed the payment and notified the Council that no payment was required for 2017-18. As a minority General Partner, CW&C is not required to include the financial activities of Evergreen in its group accounts.

Chester Renaissance Limited

Cheshire West and Chester Council have an ongoing interest in Chester Renaissance Limited. This organisation exists to promote the city of Chester and to help drive economic growth. The Council is the parent company thus identifying Chester Renaissance as a subsidiary. Although still in existence Chester Renaissance is only active for the purpose of distributing funds held in the bank account. Thus Chester Renaissance will not be consolidated into the Council's group accounts at this time.

PSP Cheshire West and Chester LLP

A joint venture with PSP Facilitating Limited has been created to assist the Council to access wider funding sources and take advantage of ad-hoc development opportunities. Whilst the Council has equal control of PSP Cheshire West and Chester LLP the current level of financial activity is not sufficient to have a material impact on the Council's 2017-18 group accounts. Thus PSP Cheshire West and Chester LLP will not be consolidated into the Council's group accounts at this time.

HQ Management Company Limited

Cheshire West and Chester Council hold an interest in HQ Management Company Limited. The company manages the common areas around the HQ building in Chester. The current level of financial activity is not sufficient to have a material impact on the Council's 2017-18 group accounts. Thus HQ Management Company Limited will not be consolidated into the Council's group accounts at this time.

ENTEP Properties Limited

ENTEP Properties was established in 1983 with Cheshire West and Chester Council holding a minority shareholding limited by guarantee. Cheshire West and Chester Council currently lease land off Rother Drive in Ellesmere Port to ENTEP Properties on a 25 year lease which commenced in December 1996. The main assets consist of two industrial estates with a net book value of £0.6m. ENTEP will not be consolidated into the Council's group accounts at this time.

LGPS Central Limited

LGPS Central was created in 2017-18 to manage the investment funds of several local government pension schemes across the Midlands and North West, this included the funds of the Cheshire Pension Fund. Cheshire West and Chester Council are the administering authority of the fund and therefore hold a shareholding in the company. The pooled arrangements for the management of the pension fund assets are to take effect from the 3rd April 2018. The Council is an associate of this company and any consolidation will be in the Cheshire Pension Fund Accounts.

37. 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 2017-18 the Cheshire West and Chester BCF combined the required minimum pooling of £25.5m of existing resources held by each Commissioning Partner namely; Cheshire West and Chester Council, West Cheshire Clinical Commissioning Group and Vale Royal Clinical Commissioning Group through a pooled budget.

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

The local BCF pooled budget is underpinned by a Section 75 agreement. Each party to the fund is responsible for their own schemes, details of planned and actual expenditure for 2017-18 is shown below:

Minimum Pooling 2017-18	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	-10,916	-11,002	-10,516	-9,791	-4,090	-4,024	-25,522	-24,817
Expenditure	10,916	10,693	10,516	9,791	4,090	4,024	25,522	24,508
Total	**0**	**-309**	**0**	**0**	**0**	**0**	**0**	**-309**
BCF Funding C/Fwd to 2018-19		-309						-309

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

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:

2017-18	**Income from West Cheshire &Vale Royal CCG's**	**Disabled Facilities Grant & Personal Social Services Capital**	**Income from Cheshire West and Chester Council**	**Total**
	£000	**£000**	**£000**	**£000**
Income	-8,146	-2,770	-86	-11,002
Expenditure	7,923	2,770	0	10,693
Net Expenditure	**-223**	**0**	**-86**	**-309**
Transfer of funding				0
BCF Funding C/Fwd to 2018-19	**-223**	**0**	**-86**	**-309**

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

In 2017-18 the Council received income of £8.1m from the CCG's to deliver the elements of the schemes it is responsible for. In addition the Council received capital grant funded by the Disabled Facilities Grant of £2.8m which has been capitalised. All the expenditure incurred by the Council has been charged in accordance with each of the 12 scheme specifications.

In addition to the minimum pooling, partners agreed to additional pooling of £74.4m; made up of contributions of; £67.671m from Cheshire West and Chester Council, £0.254m from NHS Vale Royal CCG, and £6.514m from NHS West Cheshire CCG from existing budgets. Where over or underspends have been recorded they have been the responsibility of the Commissioning partner in relation to that specific scheme.

The BCF is the national programme through which local areas agree how to spend a local pooled budget in line with the programme's national requirements. The pooled budget is made up of CCG funding as well as local government grants, of which one is the Improved Better Care Fund (iBCF). The iBCF was first announced in the 2015 Spending Review and is paid as a direct grant to local government, with a condition that it is pooled into the local BCF plan. The grant determination states that the funding can be spent on three purposes:

- Meeting adult social care needs
- Reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready
- Ensuring that the local social care provider market is supported

The grant does not have to be spent equally across or cover all three criteria listed above. In 2017-18 the Local Authority received the iBCF. The value of the grant was £5.761m with expenditure of £6.346m; this was pooled within the BCF.

38. Capital Expenditure and Financing

The Council's Capital Financing Requirement has risen in year as capital costs of £102.8m have exceeded funding set aside of £66.8m. The overall Capital Financing Requirement will be funded from a combination of future revenue contributions, capital receipts and external funding.

	2017-18 £000	2016-17 £000
Opening Capital Financing Requirement	**485,898**	**458,407**
Capital Investment		
- Expenditure on capital assets		
- Property, plant and equipment	97,141	95,594
- Heritage assets	173	602
- Investment assets	791	572
- Intangible assets	3,264	302
- Assets Held for Sale	10	0
- REFCUS - expenditure of a capital nature	1,396	2,791
- Change in value of capital creditor	-12	-156
Total	**102,763**	**99,705**
Sources of Finance		
- Capital Receipts applied	-9,426	-8,764
- Govt grants and contributions applied	-33,809	-30,133
- Tfr from unapplied grants and contributions	-571	-3,604
- Revenue contributions	-3,177	-4,389
- Income from repayment of capital debtors	0	-104
- Release of surplus capital creditors	-175	-173
- Use of other Capital Reserves	-5,063	-9,103
- Revenue provision for debt repayment	-14,587	-15,944
Total	**-66,808**	**-72,214**
Closing Capital Financing Requirement	**521,853**	**485,898**
Explanations of Movement in Year		
Increase in underlying need to borrow (unsupported)	35,413	25,489
Assets acquired under finance leases	245	1,644
Assets acquired under PFI/PPP contracts	297	358
Increase in Capital Financing Requirement	**35,955**	**27,491**

39. 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 2017-18 £000	Vehicles, Plant and Equipment 2016-17 £000
Net Book Value at 1 April	5,207	6,008
New Leases	245	1,644
Depreciation	-1,931	-2,312
Disposals	-245	-133
Value at 31 March	**3,276**	**5,207**

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	2017-18 £000	2016-17 £000
Current (payable within 1 year)	2,133	2,207
Non Current	1,336	3,350
Finance costs payable in future years	151	290
Minimum lease payments	**3,620**	**5,847**

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

Age Profile of Finance Lease Payments	Minimum Lease Payment		Finance Lease	
	2017-18 £000	2016-17 £000	2017-18 £000	2016-17 £000
No later than one year	2,227	2,364	2,133	2,207
Between one and five years	1,317	3,374	1,263	3,245
Later than five years	76	109	73	105
	3,620	**5,847**	**3,469**	**5,557**

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 2017-18, 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 2018 to making payments of £9.3m 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 2017-18 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 2017-18 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 79 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	2017-18 £000	2016-17 £000
No later than one year	1,183	1,254
Between one and five years	2,938	2,729
Later than five years	5,151	5,749
	9,272	**9,732**

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 2018 the outstanding income linked to future usage of these properties was as below.

Age Profile of Sublease payments receivable	2017-18 £000	2016-17 £000
No later than one year	161	157
Between one and five years	159	216
Later than five years	102	136
	422	**509**

The lease payments payable and sublease income receivable in 2017-18 is:

Lease payments and Sublease receivable	2017-18 £000	2016-17 £000
Minimum Lease payments	127	127
Sublease Payments Receivable	-161	-157
	-34	**-30**

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	2017-18 £000	2016-17 £000
No later than one year	11,030	9,002
Between one and five years	18,709	18,865
Later than five years	162,290	165,325
	192,029	**193,192**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017-18 £273,971 contingent rents were receivable by the authority (in 2016-17 the authority received £272,416).

40. 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 that have applied to become Academies of which three have been confirmed. The primary schools which have applied are listed below and are not anticipated to convert until 2018-19.

- 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	**2017-18**			**2016-17**		
	Schools £000	**Extra Care £000**	**Total £000**	**Schools £000**	**Extra Care £000**	**Total £000**
Opening Net Book Value	9,672	13,332	**23,004**	9,076	13,634	**22,710**
Additions	122	175	**297**	67	291	**358**
Revaluations	0	0	**0**	779	0	**779**
Depreciation	-202	-604	**-806**	-250	-593	**-843**
Closing Net Book Value	**9,592**	**12,903**	**22,495**	**9,672**	**13,332**	**23,004**

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 2017-18
- 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	2017-18			2016-17		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Service Costs	738	131	**869**	1,007	181	**1,188**
Financing Costs	691	903	**1,594**	704	924	**1,628**
Contingent Rents	132	60	**192**	54	13	**67**
Liability Repayment	340	603	**943**	162	449	**611**
Lifecycle Costs	122	175	**297**	67	291	**358**
Total	**2,023**	**1,872**	**3,895**	**1,994**	**1,858**	**3,852**

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

The amounts of payments made in 2017-18 and in future years are set out in the following tables. These payments reduce the liability over the life of the contracts to nil by the final year of the contracts.

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

To allow the reader to understand the consequences of the assumptions used, the impacts of adopting the alternate approach are set out here. Had the third party income for the extra care scheme (there is no significant income for the School scheme) been split between capital and revenue usage then the figures presented above would show a £0.5m higher cost. The outstanding PFI liability balance (see below £19.1m) would decrease by approximately £5.5m, 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	2017-18			2016-17		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Liability	-8,783	-19,682	**-28,465**	-8,945	-20,131	**-29,076**
Payments made in year	340	603	**943**	162	449	**611**
Closing Liability	**-8,443**	**-19,079**	**-27,522**	**-8,783**	**-19,682**	**-28,465**

Future Payments under the PFI Contracts	Service Costs £000	Principal Payments £000	Capital Costs £000	Interest £000	Total £000
Schools					
Obligations Payable in 2018-19	770	262	183	664	1,879
Due between 2019-20 and 2022-23	3,276	1,466	523	2,404	7,669
Due between 2023-24 and 2027-28	4,626	2,661	544	2,252	10,083
Due between 2028-29 and 2032-33	5,397	3,579	969	1,074	11,019
Due 2033-34	349	475	0	17	841
Total	**14,418**	**8,443**	**2,219**	**6,411**	**31,491**
Extra Care					
Obligations Payable in 2018-19	97	672	161	874	1,804
Due between 2019-20 and 2022-23	446	2,991	697	3,170	7,304
Due between 2023-24 and 2027-28	1,181	3,677	1,703	3,220	9,781
Due between 2028-29 and 2032-33	1,434	4,552	2,023	2,261	10,270
Due between 2033-34 and 2037-38	1,332	6,057	1,768	1,126	10,283
Due 2038-39	268	1,130	0	52	1,450
Total	**4,758**	**19,079**	**6,352**	**10,703**	**40,892**

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	2017-18			2016-17		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Balance	4,754	1,127	**5,881**	4,549	1,051	**5,600**
In Year Additions	172	64	**236**	205	76	**281**
Closing Balance	**4,926**	**1,191**	**6,117**	**4,754**	**1,127**	**5,881**

41. Impairment Losses

The Council has recognised £44.4m of net costs to the CIES in relation to impairment/revaluation losses on operational assets during 2017-18. This is made up of £48.2m off set by the reversal of previously recognised losses of £3.8m.

The Baron's Quay development completed in 2017-18 means that it is now recognised in the Council's accounts as a live, regeneration asset (Property Plant and Equipment) rather than an asset under construction. The valuation of a live retail asset such as Barons Quay will naturally vary at each valuation date, dependant on the value and term of individual leases and market conditions. The valuation at 31 March 2018 reflects that the scheme has only recently completed and that the leasing process is still ongoing. The factors outlined have resulted in the Council recognising an impairment of £30.3m for Barons Quay however it is expected that as the asset becomes more established, and units become occupied, the valuation will be updated accordingly.

Chester Bus Interchange also contributes to the net loss (£7.3m) following a revaluation on completion of the project. The Council purchased Winsford Shopping Centre in 17-18 and as set out in a detailed report to Council in January 2018 the Council paid a modest premium in order to gain control of this strategic site in order to enable the potential for future regeneration of the Town Centre. The premium, combined with Stamp Duty Land Tax and Purchasers Fees (which cannot be included for valuation purposes) have resulted in a £3m impairment against the purchase price.

Other losses charged to the CIES in previous years of £3.8m, which is primarily for schools, have been offset with gains as a result of adopting a different life span.

42. Capitalisation of Borrowing Costs

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

During 2017-18 no capital projects met these conditions. Consequently no interest costs were capitalised.

43. Pension Schemes accounted for as Defined Contribution Schemes

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a national fund as the basis for calculating the employer's contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of the Statement of Accounts, it's therefore accounted for on the same basis as a defined contribution scheme. In 2017-18, the Council paid £13.0m to Teachers' Pension in respect of teachers' retirement benefits, (2016-17 £13.0m) representing 16.48% of pensionable pay. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefits basis and are detailed in Note 44.

Public Health transferred from Clinical Commissioning Groups in 2013-14, and the Council inherited a small number of workers who are Members of the NHS Pension Scheme. This scheme is a defined benefit scheme but similarly to the Teachers' Pension Scheme must be treated as a defined contribution scheme. Contributions made in 2017-18 equated to £0.1m (2016-17 £0.1m) representing 14.3% of pensionable pay.

44. Defined Benefit Pension Scheme

Participation in Pension Scheme

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

Accounting Treatment

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

Local Government Pension Scheme (LGPS)

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

The principal risks to the authority are the assumptions on longevity, inflation, salary changes, investment returns and changes in the structure of the fund. Consideration of these risks, based on the best estimates for these assumptions following the advice of the Fund's actuary (Hyman's 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 2017 the Pension Fund managed four investment strategies each defined by their respective allocation to growth assets and defensive assets:

Growth Strategy A	70% Growth / 30% Diversifying & Matching
Growth Strategy B	60% Growth / 40% Diversifying & Matching
Medium Growth Strategy	50% Growth / 50% Diversifying & Matching
Gilts Strategy	0% Growth / 100% Diversifying & Matching

The return on assets in 2017-18 is £79.6m (2016-17 £167.7m). A 6.2% return in the investment market has been achieved, against a benchmark of 1.9%.

Teachers Discretionary Payments

The Council also funds discretionary early retirement benefits for teachers and this scheme is unfunded. The Council paid £5.0m in 2017-18 (£5.1m in 2016-17) in relation to this scheme, of which £3.2m has been recovered from Cheshire East, Halton and Warrington Borough Council.

Transactions Relating to Post-employment Benefits

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

	LGPS 2017-18 £000	Teachers Un-funded Scheme 2017-18 £000	Total 2017-18 £000	LGPS 2016-17 £000	Teachers Un-funded Scheme 2016-17 £000	Total 2016-17 £000
Comprehensive Income and Expenditure Statement						
Service cost comprising:						
Current service cost	43,943		43,943	27,509		27,509
Past service costs and curtailments	1,503		1,503	278		278
(Gain) from settlements	-1,164		-1,164	0		0
Financing and Investment Income and Expenditure						
Net Interest Cost	8,550	754	9,304	6,581	1,006	7,587
Total post-employment benefits charged to Surplus or Deficit on	52,832	754	53,586	34,368	1,006	35,374
Other post-employment benefits charged to the Comprehensive						
Remeasurement of the net defined benefit liability comprising:						
Return on plan assets (excluding the amount included in the net interest expense)	-46,462		-46,462	-128,687		-128,687
Actuarial Gains / Losses arising on changes in demographic assumptions	0	0	0	-4,435	-600	-5,035
Actuarial Gains / Losses arising on changes in financial assumptions	-30,037	-269	-30,306	255,915	3,224	259,139
Other experience	0	88	88	8,829	-587	8,242
Total post-employment benefit charged to the Comprehensive	-23,667	573	-23,094	165,990	3,043	169,033
Movement in Reserves Statement						
Reversal of net charges made to the SDPS for post-employment benefits	-52,832	-754	-53,586	-34,368	-1,006	-35,374
Actual amount charged against the General Fund						
Employers' contributions	20,895		20,895	44,280		44,280
Retirement Benefits Payable		2,261	2,261		2,340	2,340

The employer contributions paid by the Council in 2017-18 (£21m) are significantly lower than 2016-17 (£44m). This is because the full value of the pension deficit payments for the current triennial valuation period (2017-18, 2018-19 and 2019-20) were paid in 2016-17 (£25m). The savings generated by the early payment mean that the deficit contributions across 2017-18 and 2018-19 will be nil.

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	LGPS 2017-18 £000	Teachers 2017-18 £000	Total 2017-18 £000	LGPS 2016-17 £000	Teachers 2016-17 £000	Total 2016-17 £000
Present value of obligations	-1,620,721	-29,572	-1,650,293	-1,603,993	-31,260	-1,635,253
Fair value of plan assets	1,347,249	0	1,347,249	1,285,959		1,285,959
Net Pension Liability	**-273,472**	**-29,572**	**-303,044**	**-318,034**	**-31,260**	**-349,294**

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilitites	**LGPS 2017-18 £000**	**Teachers 2017-18 £000**	**Total 2017-18 £000**	**LGPS 2016-17 £000**	**Teachers 2016-17 £000**	**Total 2016-17 £000**
Opening Balance	1,603,993	31,260	1,635,253	1,308,374	30,557	1,338,931
Current Service Costs	43,943		43,943	27,509		27,509
Interest Cost	41,701	754	42,455	45,583	1,006	46,589
Contribution by Scheme Members	7,038		7,038	6,957		6,957
Remeasurement gains and losses:						
Actuarial gains/losses arising from changes in demographic assumptions		0	0	-4,435	-600	-5,035
Actuarial gains/losses arising from changes in financial assumptions	-30,037	-269	-30,306	255,915	3,224	259,139
Other experience		88	88	8,829	-587	8,242
Benefits Paid	-44,411	-2,261	-46,672	-45,017	-2,340	-47,357
Entity Combinations			0			0
Past Service Costs & Curtailments	1,503		1,503	278		278
Liabilities Extinguished on Settlement	-3,009		-3,009			0
Closing balance at 31 March	**1,620,721**	**29,572**	**1,650,293**	**1,603,993**	**31,260**	**1,635,253**

Movement in Fair Value of Assets	**LGPS 2017-18 £000**	**Teachers 2017-18 £000**	**Total 2017-18 £000**	**LGPS 2016-17 £000**	**Teachers 2016-17 £000**	**Total 2016-17 £000**
Opening Balance	**1,285,959**	**0**	**1,285,959**	**1,112,050**	**0**	**1,112,050**
Interest income	33,151		33,151	39,002		39,002
Remeasurement gains and (losses):						0
Return on plan assets, excluding the amounts included in net interest	46,462		46,462	128,687		128,687
						0
Employer Contributions	20,895		20,895	44,280		44,280
Contribution by scheme members	7,038		7,038	6,957		6,957
Contributions - unfunded benefits		2,261	2,261		2,340	2,340
Benefits paid	-44,411		-44,411	-45,017		-45,017
Unfunded benefits paid		-2,261	-2,261		-2,340	-2,340
Assets distributed on Settlement	-1,845		-1,845			0
Closing balance at 31 March	**1,347,249**	**0**	**1,347,249**	**1,285,959**	**0**	**1,285,959**

Local Government Pension Scheme Assets

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

	Quoted Prices in active markets 2017-18 £000	Quoted Prices not in active markets 2017-18 £000	Total 2017-18 £000	Share of Total Assets %	Quoted Prices in active markets 2016-17 £000	Quoted Prices not in active markets 2016-17 £000	Total 2016-17 £000
Cash & Cash Equivalents		**47,594**	**47,594**	**4%**		**30,123**	**30,123**
Equity Securities:							
By industry type:							
Consumer	27,964		27,964	2%	41,192		41,192
Manufacturing	18,653		18,653	1%	30,763		30,763
Energy and Utilities	2,638		2,638	0%	6,414		6,414
Financial Institutions	24,669		24,669	2%	35,363		35,363
Health and Care	8,218		8,218	1%	9,701		9,701
IT	95,195		95,195	7%	112,090		112,090
Other	4,868		4,868	0%	4,952		4,952
	182,205	**0**	**182,205**		**240,475**	**0**	**240,475**
Debt Securities							
By Sector:							
Other							
	0	**0**	**0**		**0**	**0**	**0**
Private equity:		**43,021**	**43,021**	**3%**		**56,650**	**56,650**
Real Estate:							
UK		101,453	101,453	8%		84,783	84,783
Overseas		2,058	2,058	0%		2,234	2,234
	0	**103,511**	**103,511**		**0**	**87,017**	**87,017**
Investment funds and unit trusts:							
Equities	139,509		139,509	10%	188,015		188,015
Bonds	504,950	96,111	601,061	45%	372,341	93,534	465,875
Hedge Funds		170,881	170,881	13%		156,865	156,865
Other		59,467	59,467	4%		60,939	60,939
	644,459	**326,459**	**970,918**		**560,356**	**311,338**	**871,694**
Total Assets	**826,664**	**520,585**	**1,347,249**	**100%**	**800,831**	**485,128**	**1,285,959**

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Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

	LGPS 2017-18	Teachers Unfunded Liabilities 2017-18	LGPS 2016-17	Teachers Unfunded Liabilities 2016-17
Financial Assumptions				
Rate of increase in salaries	2.7%	n/a	2.7%	n/a
Rate of increase in pensions	2.4%	2.4%	2.4%	2.4%
Discount rate used				
Rate used to Discount liabilities	2.7%	2.6%	2.6%	2.5%
Demographic Mortality Assumptions				
Longevity at 65 for current pensioners				
Men	22.3 years	22.3 years	22.3 years	22.3 years
Women	24.5 years	24.5 years	24.5 years	24.5 years
Longevity at 65 for future pensioners				
Men	23.9 years		23.9 years	
Women	26.5 years		26.5 years	

Commutation

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

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

Sensitivity analysis - impact on the defined benefit obligation in the scheme	Increase in assumption		Decrease in assumption	
	LGPS £000	Teachers £000	LGPS £000	Teachers £000
Longevity (change by 1 year)	64,829	1,183	-64,829	-1,183
Salary inflation (change by 0.5%)	23,167	0	-23,167	0
Pension inflation (change by 0.5%)	131,648	3,043	-131,648	-3,043
Discount rate (change by 0.5%)	-156,541	-3,043	156,541	3,043

Impact on the Council's Cash Flows

A key objective of the Pension Fund is to keep employers' contributions at a constant rate. The Council has agreed a strategy with the actuary that would achieve a funding level of 100% over the next 18 years. Funding levels are monitored on an annual basis to achieve this. The contribution rates are specifically reconsidered on a triennial basis with the latest assessment taking effect from April 2017. 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 2018-19 is £17.7m (16.2% cash equivalent).

The weighted average duration of the defined benefit obligation is 19 years. This reflects the fact that on average there is an expectation that each person in the fund will receive pension payments for a 19 year period once eligible.

	Liability Split %	Average Duration (Years)
Active members	37.9%	24.4
Deferred members	18.6%	24.4
Pensioner members	43.5%	12.6
Weighted Average	100.0%	19.0

45. Contingent Liabilities

At 31 March 2018, 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.

46. Contingent Assets

At 31 March 2018, the Council had no contingent assets.

47. 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 2017-18 allowed the Council to deposit up to £10 million with a number of large banks and building societies that met a range of specified criteria the most objective of these being to have a long term credit rating equivalent to at least A-.

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

Credit and Counterparty Risk

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

During 2017-18 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	3rd April 2018	27,880
Call Accounts	A	A	3rd April 2018	1,165
Fixed Term Deposits	A	A	Mid April 2018	5,000
Fixed Term Deposits	A	A	Early May 2018	5,000
Fixed Term Deposits	n/a (a UK council)	n/a (a UK council)	Mid April 2018	5,000
Fixed Term Deposits	n/a (a UK council)	n/a (a UK council)	Mid May 2018	5,000
Fixed Term Deposits	n/a (a UK council)	n/a (a UK council)	Mid June 2018	5,000

Risk Associated with each form of Financial Asset	Amount at 31 March 2018 £000	Historical experience of default at 31st March 2018 %	Estimated maximum exposure to default & uncollectability £000
Deposits with banks and building societies			
A Rating	11,165	0.04	4.47
n/a (a UK council)	15,000	0.00	0.00
Money Market Funds			
AAA Rated	27,880	0.00	0.00
Bank Current Accounts	-1,515	0.00	0.00
Loans to Group Entities	1,950	0.00	0.00
Trade and Customer Debt	31,763	7.1	2,247

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The Trade and Customer Debt figure includes £27.3m of current debt, the remaining debt is already significantly overdue and thus a higher risk value has been attached to it. Sufficient funding has been set aside in the bad debt provision to reflect the risk associated with all trade debts.

Of the total debt outstanding in relation to the Housing Revenue Account, 73% is over six 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 £9.8m of invoiced debt. The Authority generally allows its customers 28 days credit; £4.4m of this debt is past its due date for payment. This past due amount is analysed by age as follows:

Age Profile of Past Due Debt	Total Outstanding £000
Less than 3 months overdue	2,073
3 to 6 months overdue	699
6 months to 1 year overdue	631
More than one year overdue	1,031
Total	**4,434**

Liquidity Risk

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

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	Public Works Loans Board £000	Salix Loans £000	Banks £000	Total 2017-18 £000
In the next financial year	1,729	379	7,553	9,661
In the following financial year		509		509
In 2 to 5 years		1,400		1,400
In 5 to 10 years	983	129		1,112
In 10 to 15 years	21,101			21,101
In 15 to 20 years	16,798			16,798
In 20 to 25 years	19,743			19,743
In 25 to 30 years	12,285		5,198	17,483
In 30 to 40 years	40,737		5,200	45,937
In 40 to 50 years	0			0
Total	**113,376**	**2,417**	**17,951**	**133,744**

Profile of Borrowing in relation to Housing Revenue Account	Public Works Loans Board £000	Salix Loans £000	Banks £000	Other Local Authorities £000	Total 2017-18 £000
In the next financial year	1,805		89		1,894
In the following financial year	1,836			4,000	5,836
In 2 to 5 years	23,988				23,988
In 5 to 10 years	11,109				11,109
In 10 to 15 years	13,007				13,007
In 15 to 20 years	15,229				15,229
In 20 to 25 years	14,037				14,037
In 25 to 30 years			5,105		5,105
In 30 to 40 years					0
In 40 to 50 years					0
Total	**81,011**	**0**	**5,194**	**4,000**	**90,205**

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 2017-18 £000
In the next financial year	6,304			7,000	13,304
In the following financial year	12,480				12,480
In 2 to 5 years	7,440				7,440
In 5 to 10 years	12,400				12,400
In 10 to 15 years	12,400				12,400
In 15 to 20 years	12,400				12,400
In 20 to 25 years	2,480				2,480
Total	**65,904**	**0**	**0**	**7,000**	**72,904**

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

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

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

Interest Rate Risk

Interest rate risk is the risk that unexpected changes in interest rates may expose the Council to greater costs or a lower level of investment income than has been budgeted for. At present the majority of the Council's long term loans are fixed rate loans. Loans at fixed rates of interest provide the Council with certainty of interest cost and also shield the Council from increases in long term interest rates. Loans and other borrowings are recorded in the Council's Statement of Accounts on the amortised cost basis. The fair value of borrowings is shown as a note to the accounts for information only. Had short term and long term interest rates been 0.5% higher during 2017-18 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	-453
Increase in interest payable on variable rate loans	96
Impact on Income and Expenditure Statement	**-357**
Reduction in the fair value of fixed rate borrowing (notional impact only)	-42,478

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 2017-18 the Council issued no capital instruments such as share capital, loan capital, debentures, bonds or other forms of debt instrument.

48. Trust Funds

During 2017-18, Cheshire West and Chester Council acted as sole trustee for five charitable trusts. The trusts, shown below do not represent assets of the Council and have not been included in the Council's Balance Sheet.

	2017-18				
	Income £	Expenditure £	Assets £	Liabilities £	Reserves £
Castle Park Trust The building and park land were given to the former Runcorn Rural District Council in 1933 to hold on trust for the public benefit of the area	-100,282	89,197	706,130	-441	-705,689
Johnston Recreation Ground Held for the general benefit of the residents of Willaston	609	0	2,438	0	-2,438
Little Sutton Reading and Recreation Rooms Held for the general benefit of the residents of Little Sutton	0	0	2,479	0	-2,479
Fred Venables Literary Trust Established in 1998 to provide annual book prizes to young people attending secondary schools	0	0	12,099	0	-12,099
Reg Chrimes Trust for the Arts Established in 1999 for the promotion and development of the arts in the borough of Ellesmere Port and Neston	0	0	13,427	0	-13,427

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

	2017-18				
	Income £	Expenditure £	Assets £	Liabilities £	Reserves £
Chairman's Trust 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	-108,100	22,043	107,509	0	-107,509
The Fred Venables Higher Education Trust Established in 1998 to provide annual book prizes to young people attending secondary schools	-5,001	6,600	4,895	0	-4,895

49. Comparative Information

The comparative 2016-17 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.

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

The 2016-17 statement has not been restated

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

	2017-18 £000	2016-17 £000
Expenditure		
Repairs and Maintenance	4,761	5,413
Supervision & Management	4,141	3,410
Special Services	92	1,003
Depreciation & impairment of non-current assets	4,231	5,286
Debt Management costs		0
Movement in the allowance for bad debts	200	489
Total Expenditure	**13,425**	**15,601**
Income		
Dwelling Rents	-21,966	-22,201
Non-dwelling rents	-469	-466
Charges for services and facilities	-132	-134
Contributions towards expenditure	-64	-105
Total Income	**-22,631**	**-22,906**
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	**-9,206**	**-7,305**
HRA services' share of Corporate and Democratic Core	62	62
Net Income/Expenditure for HRA Services	**-9,144**	**-7,243**
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	-1,256	-220
Interest payable and similar charges	2,413	2,478
Interest and Investment Income		0
Pensions interest cost and expected return on pension assets	52	39
(Surplus) or deficit for the year on HRA Services	**-7,935**	**-4,946**

Movement on the Housing Revenue Account Statement 2017-18

	2017-18 £000	2016-17 £000
Balance of HRA at the end of the previous year	-848	-817
(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	-7,935	-4,946
Adjustments between accounting basis and funding under statute	8,054	4,846
Net (increase) or decrease before transfers to reserves	**119**	**-100**
Transfer to (from) reserves	69	69
(Increase) or decrease on the HRA	188	-31
Balance on the HRA at the end of the year	**-660**	**-848**

Adjustments between accounting basis and funding under statute

	2017-18 £000	2016-17 £000
Difference between interest payable and similar charges including amortisation of premiums and discounts	2	2
Differences relating to other items of income and expenditure		
HRA share of contributions to or from the Pension Reserve	-51	148
(Gain) or loss on the sale on non current HRA assets		
- Sale proceeds	4,183	1,623
- Carrying amount of assets	-2,927	-1,404
Removal of accumulated benefit accrual		
Differences relating to changes in property values		
- Reversal of revaluation (losses)/gains on HRA Properties	-614	315
- Funding of depreciation from Capital Adjustment Account	-3,617	-5,601
Transfers to the Major Repairs Reserve		
- Funding set aside for capital expenditure	8,515	7,275
- Funding for future debt repayment /MRA equivalent sum	2,563	2,488
Total Adjustments	**8,054**	**4,846**

Notes to the Housing Revenue Account

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

	2017-18 No.	2016-17 No.
Houses	2,975	2,996
Flats	1,748	1,742
Bungalows	629	635
Maisonettes	83	84
Total Dwellings	**5,435**	**5,457**
Garages	**1,424**	**1,515**
Assets Held for Sale - Houses	**10**	**5**

2. Housing stock valuations at 31 March

Description	2017-18 £000	2016-17 £000
Property Plant and Equipment		
- Dwellings	184,320	176,190
- Garages	4,417	4,795
Assets Held for Sale	1,550	845
Total	**190,287**	**181,830**

3. Vacant possession value of dwellings at 31 March

Description	2017-18 £000	2016-17 £000
Market value - Vacant possession	458,474	440,475
Existing use value for social housing	183,390	176,190
Shared Ownership	930	0

The difference between vacant possession value and the Balance Sheet value of the dwellings within the HRA is adjusted for the economic cost to the Government for providing housing at below market rents. The cost is determined by applying the Government prescribed discount rate of 40% to the vacant possession value.

4. Major Repairs Reserve for the year ending 31 March

Description	2017-18 £000	2016-17 £000
Balance brought forward	-3,568	-2,908
Debt repayment	2,132	2,070
Set aside voluntary debt repayment	431	418
Transfer of MRA equivalent sum	-3,521	-5,576
Revenue contribution to capital	-7,557	-4,187
Less capital expenditure financed from Reserve	2,500	6,615
Balance Carried Forward	**-9,583**	**-3,568**

5. Housing repairs expenditure for the year ending 31 March

Description	2017-18 £000	2016-17 £000
Housing repairs	4,761	5,413
Total	**4,761**	**5,413**

6. Capital expenditure in the year ending 31 March

Description	2017-18 £000	2016-17 £000
- Existing Dwellings	4,132	7,557
- New Build Programme	5,481	2,627
Total	**9,613**	**10,184**
Funded by:		
Borrowing	-6,363	-3,569
Usable capital receipts, grants & contributions	-750	0
Major Repairs Reserve	-2,500	-6,615
Total Funding	**-9,613**	**-10,184**

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

Description	2017-18 £000	2016-17 £000
Disposal of dwellings	4,183	1,623
Total from disposals	**4,183**	**1,623**

8. Depreciation in the year ending 31 March

Description	2017-18 £000	2016-17 £000
Property Plant and Equipment	3,617	5,601
Total	**3,617**	**5,601**

The depreciation charge for dwellings is componentised and the full year's depreciation of £3.5m plus £96k for non-dwelling is charged to the accounts.

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 the HRA Statement.

10. Rent Arrears at 31 March

Description	2017-18 £000	2016-17 £000
Current tenants	963	1,052
Former tenants	1,173	1,174
Total arrears	**2,136**	**2,226**
Deduct - Provision for bad debts	-1,553	-1,480
Net arrears	**583**	**746**

Supplementary Financial Statements - Collection Fund

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

Collection fund for the year ended 31 March 2018

Collection Fund Statement	2017-18			2016-17		
	Non Domestic Rates £000	Council Tax £000	Total £000	Non Domestic Rates £000	Council Tax £000	Total £000
Income						
Council Tax Receivable	0	196,807	196,807	0	186,228	186,228
Non Domestic Rates Receivable	156,261	0	156,261	167,309	0	167,309
Transitional Relief	-11,318	-1	-11,319	-397	-2	-399
	144,943	**196,806**	**341,749**	**166,912**	**186,226**	**353,138**
Prior Year Surplus/(Deficit)						
Central Government	0	0	0	0	0	0
Cheshire West and Chester	0	2,530	2,530	0	2,256	2,256
Police Authority	0	307	307	0	276	276
Fire Authority	0	137	137	0	125	125
	0	**2,974**	**2,974**	**0**	**2,657**	**2,657**
Precepts Demands and Shares						
Central Government	68,648	0	68,648	78,372	0	78,372
Cheshire West and Chester	67,328	160,420	227,748	76,804	152,668	229,472
Police Authority	0	19,129	19,129	0	18,562	18,562
Fire Authority	1,374	8,526	9,900	1,567	8,273	9,840
Town and Parish Councils	0	3,252	3,252	0	2,829	2,829
	137,350	**191,327**	**328,677**	**156,743**	**182,332**	**339,075**
Charges to Collection Fund						
Write offs of uncollectible amounts	1,139	480	1,619	795	517	1,312
Increase in Bad Debt Provision	-2	447	445	209	470	679
Increase in Appeals Provision	11,717	0	11,717	1,042	0	1,042
Disregarded amounts	456	-55	401	0	0	0
Cost of Collection	480	0	480	498	0	498
	13,790	**872**	**14,662**	**2,544**	**987**	**3,531**
In Year Movement on Fund Balance	**-6,197**	**1,633**	**-4,564**	**7,625**	**250**	**7,875**
Opening Fund Balance	7,795	5,881	13,676	170	5,631	5,801
Closing Fund Balance	**1,598**	**7,514**	**9,112**	**7,795**	**5,881**	**13,676**

Non-domestic rates

The Council is responsible for collecting non-domestic rates from businesses located within the area on behalf of itself, Central Government and Cheshire Fire Authority. The total rateable value of all business properties within the Council's area as at 31 March 2018 is £388.6m. 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	17-18 Multiplier (£)
Up to £51,000	0.466
Over £51,000	0.479

The following table shows how the surplus on the non-domestic rates collection fund at 31 March 2018 is due to be distributed in future years.

NNDR	Central Govt £000	CWAC £000	Cheshire Fire £000	Total £000
Surplus/(Deficit) at 31 March 2018	799	783	16	**1,598**
To be distributed 2018-19	0		0	**0**
Remaining Surplus/(Deficit)	799	783	16	**1,598**

The remaining surplus of £1.598m will be considered for distribution in 2019-20. The amount distributed will depend on the forecast performance of the collection fund during 2018-19.

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 2017-18, the tax base was estimated as 116,329 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 2016-17
Disabled A	48	5/9	27	41
A	25,318	6/9	16,879	16,720
B	28,617	7/9	22,257	21,953
C	24,399	8/9	21,688	21,458
D	16,922	9/9	16,922	16,761
E	12,949	11/9	15,827	15,676
F	7,855	13/9	11,346	11,240
G	6,285	15/9	10,475	10,377
H	454	18/9	908	899
	122,847		**116,329**	**115,125**

The following table shows how the surplus on the council tax collection fund at 31 March 2018 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 2018	6,409	765	340	**7,514**
To be distributed 2018-19	6,079	725	323	**7,127**
Remaining Surplus/(Deficit)	330	40	17	**387**

The remaining surplus of £0.387m will be considered for distribution in 2019-20. The amount distributed will depend on the forecast performance of the collection fund during 2018-19.

Cheshire Pension Fund

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

Opinion

We have audited the pension fund financial statements of Cheshire West and Chester Council (the 'Authority') for the year ended 31 March 2018 set out on pages 162 to 213 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017-18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017-18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Operating Officer's use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least

twelve months from the date when the pension fund financial statements are authorised for issue.

Other information

The Chief Operating Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 162 to 213, the Pension Fund Accounts Reporting Requirement, other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Statement of Accounts, the Narrative Report, the Annual Governance Statement and the Annual Report for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Matters on which we are required to report by exception

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

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

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

As explained more fully in the Statement of Responsibilities set out on page 16, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Operating Officer. The Chief Operating Officer is responsible for the preparation of the Statement of Accounts, which includes the pension fund 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 2017-18, which give a true and fair view, and for such internal control as the Chief Operating Officer determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Chief Operating Officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Audit and Governance Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

John Farrar

John Farrar
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

26 July 2018

Cheshire Pension Fund - Fund Account for the year ended 31 March 2018			
	Notes	**2017-18** £000	**2016-17** £000
Contributions and Benefits			
Contributions Receivable			
From Employers		183,254	151,192
From Employees		36,062	35,239
Total Contributions Receivable	6/6a	**219,316**	**186,431**
Transfers in from Other Schemes	7	14,007	10,589
Benefits Payable			
Pensions		-141,305	-136,865
Lump Sums		-27,591	-25,980
Death Benefits		-3,593	-3,679
Total Benefits Payable	8	**-172,489**	**-166,524**
Payments to and on account of Leavers			
Refund of Contributions		-586	-670
Transfers to Other Schemes		-20,278	-13,112
	9	**-20,864**	**-13,782**
Net Additions / (withdrawals) from dealing with members		**39,970**	**16,714**
Management Expenses	10/10a	-30,826	-28,336
Returns on Investments			
Investment Income	11	34,741	34,307
Taxes on Income	12a	-949	-998
Profits and losses on disposal of investments and changes in the market value of investments	13f	315,168	814,300
Net Returns On Investments		348,960	847,609
Net Increase/ (Decrease) in the Fund During the Year		358,104	835,987
Opening Net Assets of the Scheme		4,997,115	4,161,128
Closing Net Assets of the Scheme		**5,355,219**	**4,997,115**

Cheshire Pension Fund - Net Assets Statement as at 31 March 2018			
	Notes	**2017-18 £000**	**2016-17 £000**
Investment Assets			
Pooled Investment Vehicles	13/f, 18/19	3,131,979	2,592,362
Equities	13/f, 18/19	792,041	1,001,050
Absolute Return Funds	13b/f, 18/19	696,685	724,581
Investment Properties	16	352,701	293,350
Private Equity	13c/f 18/19	183,905	201,246
Loans	13d/f, 18/19	5,052	18,379
		5,162,363	**4,830,968**
Cash	13e/f, 18/19	169,882	144,096
Other Investment Balances		4,284	5,387
	13f, 18/19	**5,336,529**	**4,980,451**
Investment Liabilities			
Derivative Contracts	14, 18/19	-30	-139
Total Net Investments	17	**5,336,499**	**4,980,312**
Long Term Assets	22	10,613	9,758
Current Assets	23		
Cash at Bank		2,382	3,673
Debtors		15,952	14,588
Payments in Advance		0	7
Current Liabilities	24		
Creditors		-7,052	-7,622
Receipts In Advance		-3,175	-3,601
Net Current Assets		8,107	7,045
Total Net Assets		**5,355,219**	**4,997,115**

Note 1 – Description of the Fund

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

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

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

- The LGPS Regulations 2013 (as amended)

- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2016

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

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

The Local Pension Board was established under the Council's constitution with effect from the 1 April 2015. The role of the Board, as defined in regulations, is to assist the Administering Authority to ensure the effective and efficient governance and administration of the LGPS. The Board is comprised of two Employer (including one Cheshire West and Chester nominated Councillor) and two Member representatives, and one independent chair (non-voting).

The Cheshire Pension Fund operates four investment strategies each with different allocations to growth assets and diversifying and matching assets. At 1 April 2017 the four strategies were as follows:

Growth Strategy A	70% Growth / 30% Diversifying and Matching
Growth Strategy B	60% Growth / 40% Diversifying and Matching
Medium Growth Strategy	50% Growth / 50% Diversifying and Matching
Gilts Strategy	0% Growth / 100% Diversifying and Matching

During the 2017-18 financial year, two changes were made to the strategic asset allocation within Growth Strategies A and B, in line with the Fund's Risk Management Strategy. Strategy A was de-risked from 70% growth/30% matching asset allocation at the start of the year to end the year at 60%/40%. This was managed via two de-risking actions as the Strategy Funding levels increased through the two pre-defined trigger points of 85% and 89% funding levels The de-risking was achieved through a disinvestment from equities with a corresponding increased investment in Index Linked Gilts. In similar fashion, Strategy B moved from a 60% growth/40% matching asset allocation at the start of the year to finish at 50%/50%. Two de-risking actions were implemented, reflecting the achievement of the two funding levels of 93% and 97%. As for Strategy A the de-risking was achieved by disinvesting from equities and purchasing more Index Linked Gilts. In addition, the Fund made some changes to the managers responsible for implementing the strategy:

- Throughout 2017-18 phased disinvestment from Och Ziff continued, implementing the decision made in February 2017 to redeem its full investment with this manager. During the year the Fund received £74m, with just a residual £5.6m still to be returned. The proceeds received in 2017-18 have been predominately re-invested with other managers within the Absolute Return portfolio within the Fund, with the remainder held in cash, pending re-investment.
- In May 2017, the Fund made a new £30m commitment to the Darwin Leisure Development Fund. This will help to ensure the Fund's investments across the various illiquid alternatives portfolio is adequately diversified.

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 Bank of New York 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.

Bank of New York Asset Servicing reported that for the year ending 31 March 2018 the Fund achieved a return from its investments of 6.3% (+19.2% in 2016-17) compared with the Fund's tailored benchmark return of +1.9% (+15.8% in 2016-17). For the three years ending 31 March 2018 the Fund achieved an annualised return of +9.5% per annum against the Fund's benchmark return of 6.1% 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.

In the year to 31 March 2018 a total of 283 employer organisations including the Administering Authority itself, contributed into the Fund. The number of employers making contributions into the Fund for 2016-17 has been restated as in previous years this figure was the number of employers with active members.

Cheshire Pension Fund	**31-Mar-18**	**31-Mar-17 Restated**
Number of employers making contributions into the fund	**283**	**254**
Number of employees in the scheme		
Cheshire West and Chester Council	8,015	7,794
Other employers	30,360	29,842
Total	**38,375**	**37,636**
Number of pensioners		
Cheshire West and Chester Council	2,345	2,106
Other employers	25,419	24,535
Total	**27,764**	**26,641**
Number of Deferred pensioners		
Cheshire West and Chester Council	4,117	3,717
Other employers	24,415	23,444
Total	**28,532**	**27,161**
Undecided Leavers	2,154	2,002
Total Membership	**96,825**	**93,440**

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 2018. In addition to employee contributions, employers pay contributions into the Fund which are set based on triennial actuarial valuations. The last such valuation was at 31 March 2016 which set employer contribution rates for the 3 year period ending 31st March 2020.

Benefits

From 1 April 2014, the LGPS became a career average revalued earnings scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. The accrued pension is inflated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For details, please refer to the scheme handbook which is available from the Fund or visit the website www.cheshirepensionfund.org

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

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

Note 2 – Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2017-18 financial year and its position as at year ending 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector on an ongoing basis.

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

Note 3 – Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employer's augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme regulations (see notes 7 and 9).

Individual transfers in/out are accounted for when they are received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 7).

Bulk (group) transfers are accounted for on a cash basis once terms have been agreed and payment made to/from the respective fund.

c) Investment income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Foreign income has been translated into sterling at the date of the transaction. Income from overseas investments is recorded net of any withholding tax where this cannot be recovered.

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1 (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Management Expenses

The Code does not require any breakdown of pension fund administration expenses. However in the interest of greater transparency the Pension fund management expenses are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016).

Investment Management Expenses

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

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

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

- Baillie Gifford
- M and G Investments
- Arrowgrass Capital Partners
- Winton Capital
- Och Ziff Capital Management
- Darwin Property Investment
- Janus Henderson Investors

Performance related fees amounted to £6.7m in 2017-18 (£6.7m in 2016-17) for managers who outperformed the benchmark.

Where an investment manager's fee invoice has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. The total of fees based on estimates in 2017-18 was £1.8m relating to fees due for the quarter ending 31 March 2018 (£1.068m in 2016-17).

Administration expenses

All administration expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged directly to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Net Assets Statement

g) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised by the fund.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 18). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in the Practical Guidance on Investments Disclosures (PRAG/Investment Association 2016).

h) Stock Lending (Securities Lending)

In accordance with the LGPS (Management and Investment of Funds) Regulations 2016 the Fund allows its stock to be lent provided that the total value of the securities loaned out does not exceed 25% of the total Fund value. The Fund has entered into a stock lending programme managed by its custodian the Bank of New York Mellon.

In accordance with the securities lending agreement the collateral parameters are restricted to non-cash collateral securities, This being Fixed income securities issued or guaranteed by a set of 21 OECD countries which have to have a minimum rating of AA by S&P or Aa2 by Moody's rating agency as well as Supranational securities rated AAA/ Aaa from 6 issuers.

The Market value of the securities at year end is taken from prices from a number of reputable vendors in accordance to the Bank of New York Mellon pricing policy.

i) Freehold and leasehold properties

The Scheme's freehold and leasehold investment properties were valued by an external valuer, Savills. The valuations were in accordance with the requirements of the RICS Valuation-Professional Standards. The valuation of each property was on the basis of Fair Value, subject to the following assumptions:
(i) For investment property: that the property would be sold subject to any existing leases.
(ii) For property held for development: that the property would be sold with vacant possession in its existing condition.
The valuers opinion of Fair Value was primarily derived using comparable recent market transactions on arm's length terms.

j) Derivatives

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

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

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

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

k) Cash and cash equivalents

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

l) Financial liabilities

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

m) Actuarial present value of promised retirement benefits

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

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

n) Additional voluntary contributions

The Fund provides an Additional Voluntary Contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Scottish Widows, 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 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2009/3093) but are disclosed as a note only (Note 25).

o) Contingent assets and contingent liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of the future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

Note 4 – Critical judgements and key sources of estimation uncertainty

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

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

Note 4.1 – Critical Judgements in applying accounting policies

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

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

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

The items in the net assets statement at 31 March 2018 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 £184m (£201m 2016-17). 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 £697m (£725m in 2016-17). There is a risk that this investment may be under or overstated in the accounts.

Pension fund liability	The pension fund liability is calculated every three years by the Funds actuary, Hymans Robertson, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with financial standards. Assumptions underpinning the valuations are agreed with the actuary and are disclosed in the actuarial calculation which is included within the Annual Report. This estimate is subject to significant variances based on changes to the underlying assumptions.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would reduce the value of the liabilities by approximately £400m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £380m.

Note 5 – Events after the Balance Sheet date

In February 2017 the Fund took the decision to redeem the full amount of its investment in the Och Ziff Overseas Fund II. The Fund received £74m in cash during the year, with a residual balance of £5.6m still to be received as at 31 March 2018. The majority of the proceeds of the redemption have been or will be reinvested across the Fund's existing managers.

LGPS Central Ltd has been set up as an arms-length company to manage the pooled investment assets of eight LGPS funds across the centre of England. The Cheshire Pension Fund is one of the eight partner funds, all of whom hold equal shares in the company. LGPS Central Ltd started trading on 3rd April 2018 and all partner funds will gradually start to migrate assets to the company over the next few years. The Cheshire Pension Fund's first transfer of funds is likely to be triggered by the launch of LGPS Central's Global Actively Managed mandate which is expected to start operating from October 2018. The Cheshire Pension Fund currently has two actively managed global mandates with a total value of £805m as at 31 March 2018.

To enable the formation of the company a number of staff post year end have transferred from partners funds to LGPS Central Ltd under the Transfer of Undertakings Protection of Employment (TUPE) Regulations. Continued access to the LGPS for these staff has been secured through an admission agreement between LGPS Central Ltd and the West Midlands Pension Fund, with all eight partner funds acting as co-guarantors of the admission agreement. While all transferring staff move on a fully funded basis from their current LGPS employers, a past service deficit will arise immediately on transfer where staff are slotted in to posts in the Company which attract a higher salary than their previous positions. This is due to the revaluation of any final salary element of their benefit entitlement. In line with their responsibilities under the admission agreement all Partner Funds have agreed to fund this deficit on an equal basis. The Cheshire Pension Fund's share of the deficit is expected to be in the region of £30k.

On 7 June 2018 the department store chain House of Fraser announced it was closing 31 out of its existing 59 stores as part of a rescue plan for the company through a Company Voluntary Arrangement (CVA) process. The CVA was approved on 22 June 2018 and one of the stores confirmed for closure was the House of Fraser store in Grimsby which is owned by the Cheshire Pension Fund. As a consequence of this the fair value of the property held in the Statement of Accounts has decreased by £7.5m from 31st March 2018 to 30th June 2018. The Fund's property manager, Rockspring are pro-actively exploring options for the property including re-letting, reconfiguring and redeveloping the property and are optimistic that the valuation figure will increase with time.

Note 6 – Contributions Receivable	2017-18 £000	2016-17 £000
Employees Normal Contributions	36,062	35,239
Employers Normal Contributions	106,715	93,841
Employers Deficit Funding	70,085	54,044
Employers Cost of Early Retirements (pension strain)	6,454	3,307
Total Employers Contributions	**183,254**	**151,192**
Total Contibutions	**219,316**	**186,431**

The 2017-18 deficit funding figure of £71m includes payments of £45m from Cheshire East Council, £10.4m from Warrington Borough Council and £6.7m from Halton Borough Council who elected to pay their full 3 year deficit contribution relating to the period 2017-2020 as a lump sum.

The 2016-17 deficit funding figure of £54m includes a payment of £25m from Cheshire West and Chester Council who elected to pay their full 3 year deficit contribution, relating to the period 2017-2020, as a lump sum in March 2017.

The cost of early retirements represents the contributions relating to Employers meeting the capitalised costs of discretionary early retirements. The Fund recharges the Employers for such costs and the income received is made up of both one-off lump sum payments and instalments.

The accounts recognise the full cost due from early retirement contributions from scheme employers who have the option of paying over more than one year.

Note 6a – Analysis of Contributions Receivable	2017-18		2016-17	
	Employers £000	Employees £000	Employers £000	Employees £000
Scheme Employers	143,891	25,052	91,790	24,215
Cheshire West & Chester Council	22,703	7,101	43,355	6,956
Community Admission Body	13,248	2,975	12,589	3,058
Transferee Admission Body	3,412	934	3,458	1,010
Total	**183,254**	**36,062**	**151,192**	**35,239**

Note 7 – Transfers in from other Pension Funds	2017-18 £000	2016-17 £000
Transfers from other Local Authorities	10,163	8,537
Transfers from other pension funds	3,844	2,052
Total	**14,007**	**10,589**

Note 8 – Benefits payable	2017-18 £000	2016-17 £000
Scheme Employers	106,499	102,818
Cheshire West & Chester Council	48,290	46,254
Community Admission Body	12,276	12,319
Transferee Admission Body	5,424	5,133
Total	**172,489**	**166,524**

Note 9 – Payment to and on account of leavers	2017-18 £000	2016-17 £000
Individual Transfers	20,278	13,112
Refunds to Members leaving service	586	670
Total	**20,864**	**13,782**

The large increase in transfers between 2016-17 and 2017-18 is due to a combination of staff moving to employers outside the Fund, increased efficiency in processing transfers and the impact of freedom and choice, which allows members to transfer to an external pension and access their benefits.

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	2017-18 £000	2016-17 £000
Investment management expenses	27,466	25,564
Administration costs	2,147	1,771
Oversight and governance costs	1,213	1,001
Total	**30,826**	**28,336**

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).

Note 10a – Investment Management Expenses	2017-18 £000	2016-17 £000
Management fees and expenses	20,379	18,538
Performance related fees	6,708	6,729
Custody fees	117	117
Transaction costs	262	180
Total	**27,466**	**25,564**

Note 10b – External Audit Costs	2017-18 £000	2016-17 £000
Payable in respect of external audit	29	29
Payable in respect of other services	4	2
Total	**33**	**31**

Fees in respect of other services relates to work completed in respect of the IAS19 process for the years 2015-16 and 2016-17 which is recharged to the Authorities in the Fund.

Note 11 – Investment Income	2017-18 £000	2016-17 £000
Dividends from Equities	6,262	8,655
Net Rents from Properties	19,640	14,745
Income from Fixed Interest Securities	7,346	8,642
Income from Pooled Investment Vehicles:		
Property	708	480
Stock Lending	378	1,175
Interest from Cash Deposits	261	164
Other	146	446
Total	**34,741**	**34,307**

Note 12a – Taxes on income	2017-18 £000	2016-17 £000
Withholding tax - Equities	309	408
Withholding tax – Private Equity	640	590
Total	**949**	**998**

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 2017-18 amounts to £949k and is shown as a tax charge, compared to £998k in 2016-17.

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

Note 13 – Investments Investment Assets	2017-18 £000	2016-17 £000
Equities		
Overseas Quoted	776,524	977,049
UK Quoted	14,202	24,001
UK Unquoted	1,315	0
Pooled Investments		
UK Government Index Linked Gilts	1,498,609	866,728
Fixed Income – Multi Strategy	743,395	652,680
UK Equity Listed	588,104	813,025
Secured Loans	232,313	225,026
UK Property	60,604	26,665
Overseas Unit Trusts – Property	8,954	8,238
Absolute Return Funds	696,685	724,581
Investment Properties	352,701	293,350
Private Equity	183,905	201,246
Cash Deposits	169,882	144,096
Loans	5,052	18,379
Derivative Contracts:		
Other investment balances:		
Outstanding dividends entitlements and withholding tax claims	4,284	5,387
Total	**5,336,529**	**4,980,451**
Investment Liabilities		
Derivative Contracts:		
Forward currency contracts	-30	-139
Total	**5,336,499**	**4,980,312**

During the year the Fund disinvested £375m from Baillie Gifford and £245m from LGIM equity holdings with a corresponding investment of £620m in LGIM Index linked gilts. This reflected both a standard rebalancing within the portfolio as well as the implementation of the Fund's de-risking strategy as funding level triggers were reached.

In May 2017, the Fund made a new £30m commitment to the Darwin Leisure Development Fund.

These changes have impacted upon the year on year comparison figures for UK listed and overseas listed equities, UK Government Index Linked Gilts, Fixed Income, Investment Properties and absolute return funds.

Note 13a – Fixed Income Multi Strategy

The Fund has invested in two pooled fixed income investment vehicles managed separately by Janus Henderson Investors and BlueBay. The market value invested with each manager as at the 31 March 2018 was £353m (£293m in 2016-17) and £390m (£360m in 2016-17) respectively. In May 2017 a further commitment of £50m was made to Janus Henderson Investors as part of a standard portfolio rebalancing exercise. 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**	**2017-18 £000**	**2016-17 £000**
Blackstone	Hedge Fund of Funds	295,388	282,445
Arrowgrass Capital Partners	Multi Strategy Hedge Fund	236,238	205,139
Winton Capital	Commodity Trading Advisor	165,059	159,658
Och Ziff Capital Management	Multi Strategy Hedge Fund	0	77,339
Total		**696,685**	**724,581**

Throughout 2017-18 the phased disinvestment from Och Ziff continued, implementing the decision made in February 2017 to redeem its full investment with this manager. During the year the Fund received £74m, with just a residual £5.6m held in the cash instruments balance still to be returned as at 31 March 2018. Part of the monies received were re-invested in Arrowgrass Capital Partners with an additional commitment of £26m in February 2018.

Note 13c – Private Equity	**Number of Funds**	**2017-18 £000**	**2016-17 £000**
Adam Street Partners	17	78,067	95,181
Pantheon Ventures	10	104,367	102,787
Lexington	1	1,471	3,278
Total	**28**	**183,905**	**201,246**

Note 13d – Loans

The Fund has committed £50m to the M and G UK Financing Fund which is a limited partnership whose investment objective was to take advantage of difficulties in the UK banking sector and lend monies to UK FTSE350 companies through senior debt and equity linked instruments. As at the 31st March 2018 £32m of this commitment had been drawn down and the Fund had received £37m in distributions. The market value as at 31 March 2018 was £2.176m.

The Fund has also committed £30m to the M and G Debt Opportunities Fund which aims to take advantage of discrete market opportunities that arise over time. As at the 31st March 2018 the full £30m of the commitment had been drawn down. The market value as at 31 March 2018 was £2.191m. The reduction in the value of this investment reflects that the Fund has received distributions of paid in capital and profit.

The combined market value of loans as at 31 March 2018 was £5m.

Note 13e – Cash	**2017-18 £000**	**2016-17 £000**
Cash Deposits	47,193	22,071
Cash Instruments	122,689	122,025
Total	**169,882**	**144,096**

On 16 March 2018 the Cheshire Pension Fund Committee agreed a revised plan to re-invest monies divested from Och Ziff with other managers within the Fund's Absolute Return portfolio. As a consequence, a new commitment of £25m with Arrowgrass Capital Partners was in progress as at 31 March 2018, with funds transferred to the Manager and held in a cash holding account, pending investment in units in the Manager's Masterfund on 3 April 2018. The £25m is included in the Cash

Instruments figure above.

Note 13f – Reconciliation of movements in Investments and Derivatives

	Fair Value at 31 March 2017	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair value	**Fair Value at 31 March 2018**
	£000	£000	£000	£000	**£000**
Pooled Investment Vehicles	**2,592,362**	710,293	-249,140	78,464	**3,131,979**
Equities	**1,001,050**	113,210	-476,667	154,448	**792,041**
Absolute Return Funds	**724,581**	142,478	-206,132	35,758	**696,685**
Investment Properties	**293,350**	52,015	-18,451	25,787	**352,701**
Private Equity	**201,246**	21,366	-40,162	1,455	**183,905**
Loans	**18,379**	691	-16,485	2,467	**5,052**
	4,830,968	1,040,053	-1,007,037	298,379	**5,162,363**
Derivative Contracts:	**0**	10	-6	-4	**0**
Forward currency contracts	**0**				**0**
	4,830,968	1,040,063	-1,007,043	298,375	**5,162,363**
Cash and Cash Equivalents	**144,096**	8,993		16,793	**169,882**
	4,975,064	1,049,056	-1,007,043	315,168	**5,332,245**
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	**5,387**				**4,284**
	4,980,451	**1,049,056**	**-1,007,043**	**315,168**	**5,336,529**
Investment Liabilities					
Derivative Contracts:					
Forward currency contracts	**-139**				**-30**
Net Investments	**4,980,312**	**1,049,056**	**-1,007,043**	**315,168**	**5,336,499**

	Fair Value at 31 March 2016	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair value	Fair Value at 31 March 2017
	£000	£000	£000	£000	**£000**
Pooled Investment Vehicles	**2,101,221**	96,630	-25,580	420,091	**2,592,362**
Equities	**904,461**	119,539	-324,436	301,486	**1,001,050**
Absolute Return Funds	**529,042**	685,965	-542,236	51,810	**724,581**
Investment Properties	**317,285**	49,689	-26,680	-46,944	**293,350**
Private Equity	**191,882**	21,905	-52,056	39,515	**201,246**
Loans	**50,810**	0	-41,159	8,728	**18,379**
	4,094,701	973,728	-1,012,147	774,686	**4,830,968**
Derivative Contracts:					
Forward currency contracts	**1675**	23,699	-2,951	-22,423	**0**
	4,096,376	997,427	-1,015,098	752,263	**4,830,968**
Cash and Cash Equivalents	**43,186**	38,873	0	62,037	**144,096**
	4,139,562	1,036,300	-1,015,098	814,300	**4,975,064**
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	**4,866**				**5,387**
	4,144,428	**1,036,300**	**-1,015,098**	**814,300**	**4,980,451**
Investment Liabilities					
Derivative Contracts:					
Forward currency contracts	**-350**				**-139**
Net Investments	**4,144,078**	**1,036,300**	**-1,015,098**	**814,300**	**4,980,312**

Note 14 – Analysis of Derivatives	**Asset 2017-18 £000**	**Liability 2017-18 £000**	**Asset 2016-17 £000**	**Liability 2016-17 £000**
Forward Foreign Exchange Contracts	-	-30	-	-139
Total	**-**	**-30**	**0**	**-139**

2017-18 Forward Foreign Exchange Contracts

Contract	Settlement Date	Currency Bought	Currency Sold	Asset	Liability
		£000	**£000**	**£000**	**£000**
Forward OTC		5,666 GBP	8,000 USD	-	-30
Total Derivatives				-	-30

2016-17 Forward Foreign Exchange Contracts

Contract	Settlement Date	Currency Bought	Currency Sold	Asset	Liability
		£000	£000	£000	£000
Forward OTC	3 months	74,633 GBP	93,500 USD	-	-139
Total Derivatives				-	-139

The Fund maintains a US Dollar currency hedge at 100% of the value of its investment in the Och Ziff Overseas Fund II. This investment is denominated in USD and the hedge ensures that the Fund is only exposed to the performance of the manager. At the year end the net balance was -£30k (-£139k in 2016-17).

Note 15 – Stock Lending

In accordance with the LGPS (Management and Investment of Funds) Regulations 2016 the Fund allows its' stock to be lent provided that the total value of the securities loaned out does not exceed 25% of the total Fund value. The Fund has entered into a stock lending programme managed by its custodian the Bank of New York Mellon and only accepts government and quasi government bonds as collateral against loaned stock to safeguard the Fund's assets. During the year ended 31 March 2018 the Fund earned £378k (£1.175m 2016-17) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £80.4m (£104.5m 2016-17) and the value of collateral held was £85m (£112.2m 2016-17).

Note 16 Property Holdings

The fund's investment in property portfolio comprises investments in pooled property funds and a number of directly owned properties which are leased commercially to various tenants. Details of these directly owned properties are below:

Note 16a – Property Income	2017-18 £000	2016-17 £000
Rental Income	21,708	18,834
Rental Income Accruals	-32	-664
Rental Adjustment on Sale	585	-1,002
Direct Operating Expenses	-2,621	-2,423
Balance at the end of the year	**19,640**	**14,745**

Note 16b – Fair Value of Investment Properties	2017-18 £000	2016-17 £000
Balance at the start of the year	293,350	317,285
Additions	49,075	0
Disposals	-12,550	-26,680
Net gain/loss on fair value	22,826	2,745
Balance at the end of the year	**352,701**	**293,350**

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 £2.2m (£3m in 2016-17). 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	2017-18 £000	2016-17 £000
No later than one year	921	2,729
Between one and five years	8,091	6,180
Later than five years	11,794	11,176
Total	**20,806**	**20,085**

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	**2017-18 £000**	**2017-18 %**	**2016-17 £000**	**2016-17 %**
Legal & General	2,086,680	39.1	1,679,653	33.7
Baillie Gifford	804,519	15.1	1,018,494	20.5
BlueBay	390,436	7.3	360,049	7.2
Rockspring Property Investment Managers	362,947	6.8	303,018	6.1
Henderson	352,959	6.6	292,632	5.9
Blackstone	295,388	5.5	282,445	5.7
M&G Investments	238,380	4.5	245,417	4.9
Arrowgrass Capital Partners	261,239	4.9	205,139	4.1
Winton Capital	165,059	3.1	159,658	3.2
Pantheon	104,367	2.0	102,787	2.1
Adams Street Partners	78,067	1.5	95,181	1.9
Darwin	60,604	1.1	26,665	0.5
Bank of New York Mellon	41,577	0.8	19,752	0.4
Deutsche Bank (Money Market)	42,682	0.8	54,566	1.1
Fidelity (Money Market)	42,400	0.8	51,801	1.0
Och Ziff Capital Management	5,531	0.1	79,370	1.6
Lexington Capital Partners	1,471	0.0	3,278	0.1
LGPS Central	2,000	0.0	0	0.0
GMO	193	0.0	407	0.0
Total	**5,336,499**	**100.0**	**4,980,312**	**100.0**

During 2017-18 the fund redeemed £375m from Baillie Gifford with a corresponding investment into Legal and General Index Linked Gilts. This reflected both a standard rebalancing within the portfolio as well as the implementation of the Fund's de-risking strategy as funding level triggers were reached. In addition, £245m was divested from Legal and General Equities and invested in Legal and General Index Linked Gilts. This change reflected a further de-risking step in as another funding level trigger was met.

An additional £50m was invested with Janus Henderson Investors during the year as part of a standard rebalancing exercise. In May 2017, the Fund made a new £30m commitment to the Darwin Leisure Development Fund to diversify its property holdings.

Throughout 2017-18 phased disinvestment from Och Ziff continued, implementing the decision made in February 2017 to redeem its full investment with this manager. During the year the Fund received £74m, with a residual cash balance of £5.6m still to be returned as at 31 March 2018. Part of the monies received were re-invested in Arrowgrass Capital Partners with an additional commitment of £26m in February 2018.

Note 17a – Concentrations of Investments

The CIPFA Code of Practice requires disclosure where there is a concentration of investment which exceeds 5% of the total value of the net assets of the scheme. Six investments fall into this category as follows:

Security Description	Market Value 31-Mar-18 £000	% of Total Fund	Market Value 31-Mar-17 £000	% of Total Fund
Legal & General - Over 5 Yr Index Linked Gilts	1,498,609	28.08%	866,728	17.40%
Bluebay - Total Return Diversified Fund	390,436	7.32%	360,049	7.23%
Janus Henderson - Horizon Total Return Bond	352,959	6.61%	292,632	5.88%
Legal & General - World Equity Index	291,804	5.47%	414,350	8.32%
Legal & General - FTSE RAFI AW 3000 Equity Index	296,300	5.55%	398,676	8.01%
Blackstone Partners - Class A1 Initial Series	295,388	5.54%	212,427	4.27%

Note 18 – Fair Value – Basis of Valuation

The basis of the valuation of each asset class of investment asset is set out below. There have been no changes in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of Assets	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted Bonds	Level 1	Fixed interest securities are valued at market value based on current yields	Not required	Not required
Unquoted Bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments - overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV based pricing set on a forward pricing basis	Not required
Pooled investments - absolute return funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV based pricing set on a forward pricing basis	Valuations could be affected by material events occuring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end using the investment method of valuation by Colliers International in accordance with the RICS valuation professional standards	Existing lease terms and rentals Indepdendent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occuring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of Assets Valued at Level 3

The values reported in the Level 3 valuations represent the most accurate estimation of the portfolio value as at 31 March 2018. Any subjectivity related to the investment value is incorporated into the valuation.

Note 18a – Fair Value Hierarchy

The valuation of investment assets and liabilities has been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

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

Level 2

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

Level 3

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

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

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

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

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

Note 18a – Assets carried at fair value

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2018	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial and Non-financial Assets				
Fair value through profit and loss	1,375,904	3,176,581	609,878	5,162,363
Total Assets	**1,375,904**	**3,176,581**	**609,878**	**5,162,363**
Financial Liabilities				
Financial Liabilities at fair value through profit and loss		-30		-30
Total Financial Liabilities	**0**	**-30**	**0**	**-30**
Net Assets	**1,375,904**	**3,176,551**	**609,878**	**5,162,333**

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2017	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial and Non-financial Assets				
Fair value through profit and loss	1,526,273	2,731,960	572,735	4,830,968
Total Assets	**1,526,273**	**2,731,960**	**572,735**	**4,830,968**
Financial Liabilities				
Financial Liabilities at fair value through profit and loss		-139	0	-139
Total Financial Liabilities	**0**	**-139**	**0**	**-139**
Net Assets	**1,526,273**	**2,731,821**	**572,735**	**4,830,829**

Note 18b – Transfers between levels 1 and 2

No assets were transferred between level 1 and 2 during the year

Note 18c – Reconciliation of fair value measurements within level 3

	Market Value 1 April 2017 £000	Transfers into Level 3 £000	Transfers out of Level 3 £000	Purchases £000	Sales £000	Unrealised Gains /(Losses) £000	Realised Gains /(Losses) £000	Market Value 31 March 2018 £000
Fixed income	3,960					6,252		10,212
Secured Loans	-							-
Absolute return funds	78,925					- 12,463		66,462
Private equity	196,500			1,315		- 17,312		180,503
Property	293,350			52,015	-18,451		25,787	352,701
	572,735	**-**	**-**	**53,330**	**-18,451**	**- 23,523**	**25,787**	**609,878**

Note 18d – Classification of financial instruments

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

Note 18d - Classification of Financial Instruments						
	Fair value through profit and loss	**Loans and receivables at amortised cost**	**Financial liabilities at amortised cost**	**Fair value through profit and loss**	**Loans and receivables at amortised cost**	**Financial liabilities at amortised cost**
	31 March 2018			**31 March 2017**		
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Financial Assets						
Pooled Investments	3,131,979			2,592,362		
Equities	792,041			1,001,050		
Absolute Return Funds	696,685			724,581		
Private Equity	183,905			201,246		
Loans	5,052			18,379		
Cash		169,295			143,400	
Other Investment		3,970			5,073	
Debtors		28,947			28,277	
	4,809,662	**202,212**		**4,537,618**	**176,750**	
Financial Liabilities						
Derivative contracts	-30			-139		
Creditors			-7,052			-7,622
TOTAL	**4,809,632**	**202,212**	**-7,052**	**4,537,479**	**176,750**	**-7,622**

Note 18e – Net Gains and Losses on Financial Instruments

	2017-18 £000	**2016-17 £000**
Financial Assets		
Fair value through profit and loss	270,125	813,629
Loans and receivables	19,311	70,603
Financial Liabilities		
Fair value through profit and loss	-434	-22,423
Loans and receivables		0
Total	**289,002**	**861,809**

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

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

Risk and risk management

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

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

a) Market risk

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

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

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

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

Other price risk

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

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

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Funds investment strategy.

Other price risk - sensitivity analysis

In consultation with the Fund's investment advisers and, following analysis of historical data and expected investment return movement during the financial year, the administering authority has determined that the following movements in market price risk are reasonably possible for the 2017-18 reporting period:

Asset Type	Potential market movements
	% (+ / -)
Private Equity	26.0
Global Equities - Emerging	30.1
Global Equities - Developed	19.7
UK Equities	18.1
Property Unit Trusts	15.0
High Yield	10.2
Absolute Return Funds	4.6
Corporate Bonds	3.6
Government Bonds	8.8
Cash	4.1

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 2018	Percentage Change	Change in Value on increase	Change in Value on decrease
	£000	%	£000	£000
Global Equities - Developed	1,148,657	19.7	226,285	-226,285
Government Bonds	1,889,045	8.8	166,236	-166,236
Absolute Return Funds	696,686	4.6	32,048	-32,048
UK Equities	58,608	18.1	10,608	-10,608
Corporate Bonds	413,563	3.6	14,888	-14,888
High Yield	236,680	10.2	24,141	-24,141
Private Equity	183,903	26.0	47,815	-47,815
Global Equities - Emerging	168,746	30.1	50,793	-50,793
Cash	172,114	4.1	7,057	-7,057
Property Unit Trusts	8,954	15.0	1,343	-1,343
Investment Income Due	3,970	0.0	0	0
Net Derivative Assets	-30	0.0	0	0
Equities - LGPS Central Ltd	1,315	0.0	0	0
Loans - LGPS Central Ltd	685	0.0	0	0
Total assets available to pay benefits	**4,982,896**		**581,214**	**-581,214**

Interest rate risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2018 and 31 March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial asset at fair value:

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

Asset Type	2017-18	2016-17
	£000	£000
Corporate and Government Bonds	2,242,004	1,519,408
Cash and cash equivalents	59,814	35,708
Cash balances	85,068	106,358
Total	**2,386,886**	**1,661,474**

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 £2,242m fair value of the bond mandates managed by Janus Henderson Investors, BlueBay and Legal and General are particularly sensitive to movements in interest rates. This sensitivity is measured by their duration of 4.9, 3.56 and 24.9 years respectively.

A 1% increase in the prevailing level of interest rates would decrease the aggregate fair value of these mandates by £402.5m (£210.2m in 2016-17). Likewise a 1% decrease in the level of interest would be expected to increase the fair value of these mandates by a similar amount.

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

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

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

Asset Type	Duration	Carrying amount at 31 March 2018	Effect of Asset Values	
			+100 BPS	-100 BPS
Cash and Cash Equivalents		84,814		
Cash Balances		85,068		
Fixed Income - Janus Henderson	4.9	352,959	17,648	- 17,648
Fixed Income - BlueBay	3.56	390,436	11,713	- 11,713
Fixed Income - Legal and General	24.9	1,498,609	373,154	- 373,154
Total change in assets available		**2,411,886**	**402,515**	**- 402,515**

Asset Type	Duration	Carrying amount at 31 March 2017	Effect of Asset Values	
			+100 BPS	-100 BPS
Cash and Cash Equivalents		35,708		
Cash Balances		106,357		
Fixed Income - Janus Henderson	4.338	292,632	1	- 1
Fixed Income - BlueBay	0.6	360,049	2,160	- 2,160
Fixed Income - Legal and General	24.85	866,728	208,015	- 208,015
Total change in assets available		**1,661,474**	**210,176**	**- 210,176**

Income Source	Duration	Carrying amount at 31 March 2018	Effect of Asset Values	
			+100 BPS	-100 BPS
Cash deposit / cash and cash equivalents	0.25	261	1	-1
Fixed Income Securities		7,346		
Total change in assets available		**7,607**	**1**	**-1**

Income Source	Duration	Carrying amount at 31 March 2017	Effect of Asset Values	
			+100 BPS	-100 BPS
Cash deposit / cash and cash equivalents	0.25	164	0	0
Fixed Income Securities		8,642		
Total change in assets available		**8,806**	**0**	**0**

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

Currency risk

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

The Fund’s liabilities are denominated in sterling but as part of its investment strategy the Fund invests in assets denominated in foreign currencies, which exposes the Fund to the risk of movement in exchange rates. The Fund’s investment managers may at their own discretion hedge part or all of the foreign exchange risk inherent in their portfolio.

The Fund maintains a US Dollar currency hedge at 100% of the value of its investment in the Och Ziff Overseas Fund II. This investment is denominated in USD and the hedge ensures that the Fund is only exposed to the performance of the manager.

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

The following tables summarise the Fund's net currency exposure, after hedging, as at 31 March 2018 and 31 March 2017:

Currency Exposure - Asset Type	Gross Exposure	Hedging Exposure	Net Exposure
2017-18	**£000**	**£000**	**£000**
Overseas Listed Equities	786,252		786,252
Overseas Unquoted Securities	183,903		183,903
Absolute Return Funds Overseas Fixed Interest	5,531	-5,789	-258
Overseas Unit Trusts	9,115		9,115
Total	**984,801**	**-5,789**	**979,012**

Currency Exposure - Asset Type	Gross Exposure	Hedging Exposure	Net Exposure
2016-17	**£000**	**£000**	**£000**
Overseas Listed Equities	982,819		982,819
Overseas Unquoted Securities	201,246		201,246
Absolute Return Funds Overseas Fixed Interest	79,370	-74,773	4,597
Overseas Unit Trusts	8,397		8,397
Total	**1,271,832**	**-74,773**	**1,197,059**

Currency risk - sensitivity analysis

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

A 13% fluctuation in the currency 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:

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

Net Currency Exposure - Asset Type	Asset Values	Change to net Assets available to pay benefits	
	2017-18	+13%	-13%
	£000	£000	£000
Overseas Listed Equities:	**786,251**	**102,215**	**-102,215**
Of which from USD	527,936	68,632	-68,632
Of which from JPY	29,307	3,810	-3,810
Of which from HKD	53,520	6,958	-6,958
Of which from SEK	12,482	1,623	-1,623
Of which from CHF	10,321	1,342	-1,342
Of which from DKK	4,850	631	-631
Of which from ZAR	15,990	2,079	-2,079
Of which from other currencies	131,845	17,140	-17,140
Overseas Unquoted Securities:	**183,903**	**23,907**	**-23,907**
Of which from USD	162,015	21,062	-21,062
Of which from EUR	21,888	2,845	-2,845
Absolute Return Funds Overseas:			
Of which from USD*	-258	-33	33
Overseas Unit Trusts:			
Of which from EUR	9,115	1,185	-1,185
Total	**979,011**	**127,274**	**-127,274**

Net Currency Exposure - Asset Type	Asset Values	Change to net Assets available to pay benefits	
	2016-17	+13%	-13%
	£000	£000	£000
Overseas Listed Equities:	**982,820**	**127,767**	**-127,767**
Of which from USD	688,564	89,513	-89,513
Of which from JPY	32,667	4,247	-4,247
Of which from HKD	61,453	7,989	-7,989
Of which from SEK	20,253	2,633	-2,633
Of which from CHF	15,131	1,967	-1,967
Of which from DKK	8,630	1,122	-1,122
Of which from ZAR	18,094	2,352	-2,352
Of which from other currencies	138,028	17,944	-17,944
Overseas Unquoted Securities:	**201,246**	**26,162**	**-26,162**
Of which from USD	173,319	22,531	-22,531
Of which from EUR	27,927	3,631	-3,631
Absolute Return Funds Overseas:			
Of which from USD*	4,596	597	-597
Overseas Unit Trusts:			
Of which from EUR	8,397	1,092	-1,092
Total	**1,197,059**	**155,618**	**-155,618**

*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, Janus Henderson Investors and BlueBay and secured loans managed by M and G. However, the majority of the Funds fixed income assets are investment grade quality (above BBB rated) sovereign or corporate bonds rated.

Multi Asset

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

S&P Quality Rating	Fair Value 2017-18	% of Fair Value of Fixed Income Assets
	£000	£000
AAA	90,005	4.0
AA	1,529,578	68.0
A	85,759	4.0
BBB	91,783	4.0
Below BBB	325,654	15.0
Cash	93,852	4.0
NR	6,667	0.0
Loans	18,707	1.0
Total	**2,242,005**	**100.0**

S&P Quality Rating	Fair Value 2016-17	% of Fair Value of Fixed Income Assets
	£000	£000
AAA	85,156	6.0
AA	889,553	59.0
A	49,988	3.0
BBB	91,286	6.0
Below BBB	295,243	19.0
Cash	52,659	3.0
NR	55,522	4.0
Total	**1,519,407**	**100.0**

Secured Loans

The Fund also invests in secured loans through dedicated mandates managed by M and G, whilst the Janus Henderson Investors and BlueBay Fixed Income mandate also have 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:

2017-18 Rating	Fair Value £000	% of Fair Value of Assets
BBB	0	0.0
BBB-	0	0.0
BB+	6,969	3.0
BB	18,585	8.0
BB-	46,463	20.0
B+	39,493	17.0
B	95,248	41.0
B-	23,231	10.0
NR	2,323	1.0
Total	**232,312**	**100.0**

2016-17 Rating	Fair Value £000	% of Fair Value of Assets
BBB	2,250	1.0
BBB-	2,250	1.0
BB+	13,502	6.0
BB	20,252	9.0
BB-	49,506	22.0
B+	49,506	22.0
B	72,008	32.0
B-	13,502	6.0
CCC+	2,250	1.0
CCC and below	0	0.0
Total	**225,026**	**100.0**

Deposits were not made with banks and financial institutions unless they were rated independently and meet the Fund's credit criteria. The Fund 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 2018 was £85.1m (31 March 2017 £106.4m) and was held in the Deutsche Bank and Fidelity money market accounts, in addition to this £25m was held by Arrowgrass Capital Partners in a cash holding account pending investment. 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.

2017-18 Counterparty	Moodys Rating	£000	% of cash balances
Bank of New York Mellon (Money Market Cash / Cash Accounts)	P-1	84,227	49.6
Fidelity Worldwide Investment (Money Market)	Aaa-mf	42,400	25.0
Deutsche Bank Advisors (Money Market)	Baa2	42,668	25.1
Cash in Transit	NR	587	0.3
Total		**169,882**	**100.0**

2016-17 Counterparty	Moodys Rating	£000	% of cash balances
Bank of New York Mellon (Money Market Cash / Cash Accounts)	AAAm	35,010	24.6
Fidelity Worldwide Investment (Money Market)	Aaa-mf	51,801	36.5
Deutsche Bank Advisors (Money Market)	Baa2	54,557	38.4
Cash in Transit	NR	697	0.5
Total		**142,065**	**100.0**

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments.

The Fund has immediate access to its Pension Fund cash holdings.

The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. Illiquid assets can include assets where a) there are no highly liquid active markets, such as investment properties and private equity or b) individual fund structures, where the Fund's investment is locked in for a specific period or where the investment manager may have the ability to 'gate' or limit investors withdrawal from the fund. As at 31 March 2018 the value of illiquid assets was £199m, which represented 3.72% of the total fund assets (31 March 2017 £287m which represented 5.76% of the total fund assets).

In terms of liquidity risk, the Fund had £169.9m (2016-17 £144.1m) of cash balances as at 31 March 2018 and net current assets of -£8.1m (£7.1m in 2016-17). The Funds net cash flow, before taking account of investments and excluding management expenses, as at 31 March 2018 was +£39.7m (+£16.7m in 2016-17). There is no significant risk that it will be unable to meet its current commitments.

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

Financial mismatch – 1. The risk that Fund assets fail to grow in line with the developing cost of meeting Fund liabilities. 2. The risk that unexpected inflation increases the pension and benefit payments and the Fund assets do not grow fast enough to meet the increased cost.

Changing demographics –The risk that longevity improves and other demographic factors change increasing the cost of Fund benefits.

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

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

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

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

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

Stock Lending

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

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

	Fair Value of collateral 31 March 2018	% of Fair Value of collateral 31 March 2018	Fair Value of collateral 31 March 2017	% of Fair Value of collateral 31 March 2017
Moody's rating	**£000**	**%**	**£000**	**%**
Aaa	15,823	19	22,479	20
Aa1	2,576	3	78,462	70
Aa2	66,576	78	11,209	10
Grand Total	**84,975**	**100**	**112,150**	**100**
Value of Stock on Loan	**80,364**		**104,541**	

During the year ended 31 March 2018 the Fund earned £378k (£1.175m 2016-17) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £80.4m (£104.5m 2016-17) and the value of collateral held was £85m (£112.2m 2016-17).

Note 20 – Funding Arrangements

In line with the LGPS Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016. The next valuation will take place as at 31 March 2019.

The key elements of the funding policy are:

- To ensure long-term solvency of the fund and of the share of the Fund attributable to individual employers;
- To ensure that sufficient funds are available to meet all members/dependants' benefits as they fall due for payment;
- To ensure that employer contribution rates are reasonably stable where appropriate;
- To minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return;
- To reflect the different characteristics of different employers in determining contributions rates;
- To have a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- To use reasonable measures to reduce risk to other employers including tax raising employers from an employer defaulting on its pension obligations.

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

At the 2016 valuation, the fund was assessed as 90% funded (82% at the March 2013 valuation). This corresponded to a deficit of £467m (2013 valuation: £723m) at that time.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the Funding Strategy Statement. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in the Funding Strategy Statement.

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership. A market related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The principal assumptions were:

Financial assumptions	**Real**
Discount rate	3.80%
Salary increase assumption	2.40%
Benefit Increase assumption (CPI)	2.10%

Longevity assumptions

	Current Pensioners	
Assumed life expectancy at age 65	**Male**	**Female**
Current Pensioners	22.3 Years	24.5 Years
Future Pensioners*	23.9 Years	26.5 Years

*Aged 45 at the 2016 Valuation

Note 21 – Actuarial value of promised retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2017-18 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

	2017-18 £000	2016-17 £000
Long Term Debtors:		
Contributions due - Employers	10,143	9,053
Sundry Debtors	470	705
Total	**10,613**	**9,758**

	2017-18 £000	2016-17 £000
Analysis of Long Term Debtors:		
Due from Cheshire West and Chester Council	10,143	8,954
Due from Bodies External to Central Government	470	798
Due from Other Local Authorities	0	6
Total	**10,613**	**9,758**

The Fund has long term debtors for early retirement contributions from scheme employers who have the option of paying over five years, The sundry debtors figure relates to a 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	2017-18 £000	2016-17 £000
Current Debtors and cash:		
Contributions due - Employers	12,167	11,513
Contributions Due - Employees	2,843	2,848
Sundry Debtors	1,115	251
Payments in Advance	0	7
Provision for Doubtful Debt	-173	-24
Cash balances	2,382	3,673
Total	**18,334**	**18,268**

Analysis of Current Assets	**2017-18 £000**	**2016-17 £000**
Current Debtors:		
Due from Other Local Authorities	6,778	7,695
Due from Bodies External to General Government	5,096	3,468
Due from Cheshire West and Chester Council	4,234	3,423
Other Debtors	17	25
Central Government Bodies	0	1
Less Provision for Doubtful Debt	-173	-24
Total	**15,952**	**14,588**

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.

Note 24 – Current Liabilities	**2017-18 £000**	**2016-17 £000**
Sundry Creditors	4,790	4,275
Benefits Payable	2,262	3,347
Receipts in Advance	3,175	3,601
Total	**10,227**	**11,223**

Analysis of Creditors	**2017-18 £000**	**2016-17 £000**
Due to Bodies External to General Government	4,360	4,195
Other Creditors	2,170	1,688
Due to Cheshire West and Chester	0	1,451
Central Government Bodies	15	15
Due to Other Local Authorities	507	273
Total	**7,052**	**7,622**

Note 25 – Additional Voluntary Contributions (AVCs)

The AVC providers to the members of the Fund are Scottish Widows, Standard Life and Equitable Life.

The AVCs are invested separately from the Fund's main assets and used to acquire additional pension benefits and therefore are not included in the Fund’s accounts in accordance with regulation 4 (1) (a) of the LGPS (Management and Investment of Funds) Regulations 2016. Members participating in these AVC arrangements each receive an annual statement confirming the amounts held in their account and the movements during the year.

A summary of the information provided by Scottish Widows, Standard Life and Equitable Life for the year to 31 March 2018 is shown below, along with a prior year comparator.

	Scottish Widows £000	Standard Life £000	Equitable Life £000	Total £000
Contributions received in year 2018	420	268	2	**690**
Contributions received in year 2017	352	278	2	**632**
Fair value at 31 Mar 2018	3,243	2,779	509	**6,531**
Fair value at 31 Mar 2017	3,159	2,745	529	**6,433**

With effect from the 1 April 2017 the Fund switched all AVC funds held by Clerical Medical to Scottish Widows. Both companies are owned by the Lloyds Banking Group. The members who have been moved between Clerical Medical and Scottish Widows have done so on the existing terms.

Note 26 – Related Party Transactions

The Fund is administered by Cheshire West and Chester Council. Consequently there is a strong relationship between the Council and the Fund. The majority of the Fund's cash is invested with the Fund's investment managers or directly with external financial institutions. The Fund has its own specific bank account however some of the Fund's transactions (Accounts Payable and Income) are processed through corporate systems and are paid in the first instance through the Council's corporate bank accounts. The Fund repays cash due to the Council for such transactions plus any interest charges on a monthly basis. In 2017-18 the Fund paid £3.2k to the Council for interest accrued on these balances.

The Council is one of the largest employers and contributed £20.9m into the Fund in 2017-18 (2016-17 £44.3m). Of the £44.3m figure in 2016-17, £25m relates to the payment of the 3 year deficit, covering the period 2017-2020, which the Council elected to pay as a lump sum in March 2017. At the year end, a balance of £13.513m (2016-17 £12.377m) 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 £0.9m was owed from the Council (2016-17 £1.5m owing to the Council) for Fund transactions processed through the Administering Authority's accounts payable and receivable systems.

LGPS Central Ltd has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands including Cheshire. It is jointly owned in equal shares by the eight administering authorities participating in the Pool. No services were provided by LGPS Central Ltd during 17-18 as operation only commenced in April 2018.

£1,315k has been invested in share capital and £685k in a loan to LGPS Central Ltd during the year. These are the balances at year end.

£426k (£86k 2016-17) has been spent by Cheshire Pension Fund on setting up LGPS Central Ltd during the year. These costs were borne by West Midlands Pension Fund and then recharged equally to the administering authorities. A total of £513k is due to be refunded to Cheshire Pension Fund by LGPS Central Ltd during 18-19 reflecting the cost of setting up the enterprise to the end of March 18.

The Administering Authority incurred costs of £2.147m to administer the Fund in 2017-18 (2016-17 £1.771m) as well as £1.213m for oversight and governance costs (2016-17 £1.001m) and these costs were recharged to the Pension Fund. Note 10 provides an analysis of these costs. These are related party transactions as Cheshire West and Chester is also a member body of the Pension Fund.

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

Specific declarations have been received from Pension Fund Committee and Local Pension Board Members regarding membership of and transactions with any parties related to the Pension Fund.

A number of Members act as Councillors or Board Members of particular employers who maintain a conventional employer relationship with the Fund. Employer representatives for the Local Pension Board will also act as Trustees for employers of the Fund.

The value of transactions with each of these related parties, namely routine monthly payments to the Fund of employer's and employee's contributions is determined by the Local Government Pension Scheme Regulations, and as such no related party transactions have been declared.

A register of outside bodies that Members are appointed to, along with a register of interests is available on the Internet for Cheshire West and Chester, Cheshire East, Warrington and Halton Councils.

Details of the membership of the Local Pension Board are available on the Fund's website.

Governance

Responsibility for managing the Fund lies with the full Council of Cheshire West and Chester Council with lead officer responsibility delegated to the Chief Operating Officer, who undertakes the day to day management of the Fund. The Chief Operating Officer 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.

From January 2004 elected members who were offered membership of the Scheme under their respective Council's scheme of allowances were eligible to join the Scheme. From the introduction of the new scheme in 2014 Councillors in England could only continue to accrue rights until the end of the term of office which they were serving on 1st April 2014. As a consequence all councillors ceased membership of the scheme from 12th May 2015 including those members of the Pension Fund Committee who had been active members of the Scheme.

There are six members of the Committee who are in receipt of pension benefits from the Fund (Councillor M. Hogg, Councillor C. Gahan, Councillor B. Crowe, Councillor D. Beckett, Councillor P. Findlow and Councillor M. Wharton). In addition, Committee member P. Matthews was an active member of the Fund as at 31 March 2018.

There are three members of the Local Pension Board who were active members of the Fund as at 31 March 2018; G. Wright, N. Harvey and A Laing. P. Raynes also has a deferred pension with the Fund.

Each member of the Committee and Board is required to declare their interests at each meeting and sign an annual declaration form which is published on the fund's website.

As the Fund forms part of the LGPS it does not 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 Chief Operating Officer and the Pension Fund Manager.

Prior to 2014-15 the posts of Director of Resources and Head of Finance (now Chief Operating Officer) 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 then Director of Finance now Chief Operating Officer. The pension liability for the Director of Resources remain with the Fund.

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

	31-Mar-18 £000	31-Mar-17 £000
Short term benefits	108	107
Long term/post-retirement benefits	3,211	3,071
Total	**3,319**	**3,178**

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 £559m (2016-17 £518m) in private equity funds.

During 2017-18 the Fund made new commitments to two private equity funds. $50m was committed to the Adams Street Partners 2017 Global Fund, a Fund of Fund investment which will provide global exposure across Private Equity Primary and Secondary and Co-investments. The Fund also made another $50m investment to the Adams Street Partners Secondaries 6 Fund. This additional investment will target Private Equity secondary investments and help the Fund address its existing underweight allocation to the vintage years 2009 to 2015, thereby further diversifying the portfolio.

As at 31 March 2018 the Fund had actually invested £369m (2016-17 £373m) and therefore had an outstanding commitment of £190m (2016-17 £145m). 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 13 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 9 employers with Parent Company Guarantees or Deeds of Guarantee in place. The bonds or guarantees are drawn in favour of the Council as administering authority for the Fund and payment will only be triggered in the event of employer default.

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 2017-18 the fund has recognised bad and doubtful debts of £173k (£24k in 2016-17) for possible and actual non-recovery of rental income on its investment properties of £173k (£20k in 2016-17) and non-recovery of pensioner death overpayments totalling £0k (£2k in 2016-17) and £0k for other debtors (£2k in 2016-17).

Note 30 – Investment Strategy Statement

The Investment Strategy Statement (ISS) sets out the current investment strategy of the Fund, provides transparency in relation to how the Fund's investments are managed, acts as a high level risk register, and has been designed to be informative for all stakeholders. The Investment Strategy Statement replaces the Fund's Statement of Investment Principles.

A full copy of the ISS can be obtained from the Pensions Section, Cheshire West and Chester Council, HQ, Nicholas Street, Chester, CH1 2NP or from the Fund's website at: www.cheshirepensionfund.org

Note 31 – Funding Strategy Statement

Under the LGPS Regulations 2013 (as amended) administering authorities are required to prepare a Funding Strategy Statement (FSS).

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

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

Employers that contributed into Cheshire Pension Fund and their applicable Investment Strategy for the financial year ending 31 March 2018.

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
AM Services*	A
ANSA Environmental Services Ltd	A
Aspens-Services	B
Belong Limited	C
Better Care Keys *	A
Bishops Blue Coat COE HS	B
Bridgewater High Trading	B
Bulloughs - Brine Leas	B
Bulloughs - Collegiate	B
Bulloughs - Lymm	B
Bulloughs Cleaning Ltd	B
Canal and River Trust (Waterways Trust)	C
Care Quality Commission	C
Catalyst Choices CIC	B
CG Cleaning- Bridgewater	B
CG Cleaning- Great Sankey*	B
Cheshire and Warrington E C	C
Cheshire and Warrington Sports PT Ltd	B
Cheshire Community Action	C
Cheshire Peaks and Plains Housing Trust	B
Cheshire Sports Club	C
Churchill Services Ltd	B
City West Housing Trust*	B
Compass - Chartwells Ltd	B
Curzon Cinemas	B
CWP NHS Trust*	B
Dataspire	B
David Lewis Centre	C
Deafness Support Network	C
Dolce (Moulton)	B
Dolce (Rossmore)	B
Enviroserve*	B
Eric Wright - EP Schools	B
Golden Gates Housing Trust	C
Hall Cleaning Services	B

Admitted Bodies - Continued	Strategy
Halton Housing Trust	B
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	B
May Gurney	B
Mears Care Limited	B
Middlewich Cemetery Committee	B
Midshire Catering Ltd*	A
Norton Priory Museum Trust	B
Novus Networks Ltd*	A
Orbitas Bereavement Svcs Ltd	A
PAM East	A
PAM West	B
Plus Dane Housing Association	B
Plus Dane Housing Association Ltd	B
R M Estates Ltd	B
Ringway Infrastructure Services Ltd	B
Ringway Jacobs	B
Sanctuary Housing Association	C
School Food Company Ltd	B
Silk Heritage Trust	A
Sir John Deanes College	B
Skills and Growth Company	A
Super Clean Services Ltd - Alsager	A
Super Clean Services Ltd - Ashdene	A
Super Clean - Park Lane	A
Taylor Shaw - Bridgemere	A
Taylor Shaw - Elworth	A
Taylor Shaw - Leighton	A
The Kings School Chester	B
Tommy Thumbs	C
Turning Point Services Ltd	B
University Of Chester	B
Warrington Community Living	B
Warrington Cultural Trust	B
Warrington Housing Association	B
Warrington Voluntary Action	B
Weaver Vale Housing Trust	B
The Guinness Partnership	B

Other Employers	Strategy
Alderley Edge Parish Council	B
Alsager Town Council	B
Appleton Parish Council	B
Avenue Services (NW) Limited	B
Birchwood Town Council	B
Bollington Town Council	B
Brio Leisure	B
Catering Academy - UCEA	B
Catering Academy - UPAW	B
Catering Academy - UPW	B
Civicance Ltd	A
Congleton Town Council	B
Crewe Engineering UTC	A
Crewe Town Council	B
Delamere and Oakmere PC	B
Disley Parish Council	B
Edsential	B
ENGIE Services Limited*	B
Everybody Sport and Recreation	A
Frodsham Town Council	B
Grappenhall Thelwell Parish Council	B
Halton Transport	B
Handforth Parish Council	B
Hartford Parish Council	B
Holmes Chapel Parish Council	B
Kingsmead Parish Council*	B
Knutsford Town Council	B
Liverpool Mutual Homes	B
Lymm Parish Council	B
Macclesfield College	B
Macclesfield Town Council	B
Mack Trading (Heaton Park) Limited	B
Mersey Gateway Crossing Board	B
Mid Cheshire College	B
Middlewich Town Council	B
Nantwich Town Council	B
Neston Town Council	B
Nether Alderley Parish Council	B
Northwich Town Council	B
NW Fire Control Ltd	B
Odd Rode Parish Council	B
Penketh Parish Council	B
Poulton Fearnhead Parish Council	B
Poynton Town Council	B
Prestbury Parish Council	B
Priestley Sixth Form College	B
QWest Services Limited	B
Reaseheath College	B

Other Employers - Continued	Strategy
Riverside College	B
Riverside Truck Rental Ltd	B
Sandbach Town Council	B
Cheshire College South and West*	B
Stockton Heath Parish Council	B
Transport Services Solutions Limited	A
UOC Academies Trust	B
UOC Academy Northwich	B
UP Academy Weaverham	B
UTC - Warrington	B
Vision Support	C
Vivo Care Choices Ltd	B
Wade Deacon High School	B
EMP Warrington Collegiate	B
Warrington Collegiate	B
Warrington and Vale Royal College*	B
Warrington Transport	B
West Cheshire Facilities Management	B
Wilmslow Town Council	B
Winsford Town Council	B
Winwick Parish Council*	B
Wistaston Parish Council	B
Your Housing Group	B
Youth Federation	C

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

Academies	Strategy
Acton CE Primary Academy	A
Adelaide School	A
Adlington Primary Academy	A
All Hallows Catholic College	A
Alsager School	A
Ash Grove Academy	A
Barnton Primary School*	B
Beamont Collegiate Academy	B
Birchwood Community Academy	B
Black Firs Primary School	A
Boughton Heath Academy	B
Brereton C of E Primary*	A
Bridgewater High School	B
Bridgewater Park Primary	B
Brine Leas School	A
Broken Cross Prim Academy & Nursery	A
Bruche Primary	B
Bunbury Aldersey C of E Primary*	A
Burtonwood Community Primary*	B
Calveley Primary Academy	A
Cavendish High Academy	B
Chapelford Village Primary School*	B
Christleton High School	B
Cloughwood Academy	B
Clutton C of E Primary*	B
Congleton High School	A
County High School Leftwich	B
Cranberry Academy	A
Daresbury Primary School	B
Delamere CofE Primary Academy	B
Eaton Bank Academy	A
Evelyn Street Primary	B
Fallibroome Academy	A
Gawsworth Primary School*	A
Gorseybank Primary School	A
Great Sankey High School	B
Great Sankey Primary School*	B
Highfields Comm Primary	B
Holmes Chapel Comprehensive	A
Holmes Chapel Primary School	A
Hungerford Primary Academy	A
Ivy Bank Primary School	A

Academies - Continued	Strategy
Kelsall Primary School	B
King's Leadership Academy	B
Kingsley & District Nursery	B
Knutsford Academy	A
Lacey Green Primary	A
Leighton Academy	A
Little Sutton C of E Primary*	B
Lymm High School	B
Macclesfield Academy	A
Marlborough Primary School	A
Marlfields Primary Academy	A
Mill View Primary School	B
Monks Coppenhall Academy	A
Mossley CE Primary School	A
Mottram St Andrew Primary	A
Nantwich Academy	A
Neston High School	B
Nether Alderley Primary School	A
Offley Primary Academy*	A
Ormiston Bolingbroke Academy	B
Ormiston Chadwick Academy	B
Over Hall Community School	B
Palacefields Academy	B
Park Road Primary School*	B
Parkroyal Community School	A
Pear Tree School	A
Penketh High School	B
Penketh Primary	B
Peover Superior Endowed Primary School	A
Puss Bank School*	A
Queens Park High School*	B
Rudheath Community Primary School	B
Sandbach High School Sixth Form	A
Sandbach Primary Academy	A
Shavington Academy	A
Shavington Primary School	A
Sir Thomas Boteler High School*	B
Sir William Stanier Community	A
Smallwood C of E Primary Academy	A
St Alban's Catholic Primary School	A
St Augustines Catholic Primary Schoo	B
St Bernard's RC Primary School	B

Academies - Continued	Strategy
St Johns Wood Comm School	A
St Marys Catholic Primary School	A
St Michaels Community Academy	A
St Oswalds Worleston Primary School*	A
St Paul's Catholic Primary School	A
St Thomas More Catholic High	A
Stapeley Broad Lane	A
Tarpoley High School	B
The Berkeley Academy	A
The Catholic High School	B
The Fermaine Academy	B
The Grange School*	B
The Heath School	B
The Hermitage Trust	A
The Oak View Primary Academy	B
The Oaks Academy	A
The Quinta Primary School	A
The Russett School	B
Tytherington School	A
Underwood West Academy	A
University Academy Warrington	B
University C O E Academy	B
Upton Heath C of E Primary*	B
Upton Priory School	A
Victoria Road Primary *	B
Warmingham C of E Primary*	A
Westbrook Old Hall School*	B
Wheelock Primary School	A
Whirley Primary School	A
Widnes Academy	B
Willaston Primary Academy	A
Wilmslow Academy	A
Winsford E-ACT Academy	B
Wistaston Academy	A
Wistaston Church Lane Academy	A
Worth Primary School	A
Wybunbury Delves Primary*	A

*Employers who joined the Fund during 2017-18

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2017/18 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Cheshire Pension Fund ("the Fund").

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

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

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

Present value of promised retirement benefits

Year ended	31 March 2018	31 March 2017
Active members (£m)	3,129	2,890
Deferred members (£m)	1,139	1,132
Pensioners (£m)	2,352	2,449
Total (£m)	**6,620**	**6,471**

The promised retirement benefits at 31 March 2018 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2018 and 31 March 2017. I estimate that the impact of the change in financial assumptions to 31 March 2018 is to decrease the actuarial present value by £120m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

Year ended (% p.a.)	31 March 2018	31 March 2017
Pension Increase Rate	2.4%	2.4%
Salary Increase Rate	2.7%	2.7%
Discount Rate	2.7%	2.6%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.3 years	24.5 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	23.9 years	26.5 years

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

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

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2018	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	7%	470
0.5% p.a. increase in the Salary Increase Rate	2%	115
0.5% p.a. decrease in the Real Discount Rate	9%	627

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2018 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

25 April 2018

For and on behalf of Hymans Robertson LLP

Cheshire West and Chester Council Group Accounts

Group accounts

The group accounts contain core financial statements similar to those included in the Council's single entity statements but which represent the consolidated position of the group. Notes to the Group accounts have been included where the relevant values and/or the impact on the group statements are material.

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

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 2018

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 2017-18	General Fund Balance £000	Sums held by Schools £000	Earmarked Reserves £000	Total General Fund £000	Housing Revenue Account £000	Capital Receipts Reserve £000	HRA Major Repairs Reserve £000	Capital grants Unapplied £000	Council's Usable Reserves £000	Council's share of Group Company £000	Total Usable Reserves £000	Council's Unusable Reserves £000	Council's share of Group Company £000	Total Unusable Reserves £000	Total Reserves of the Group £000
Balance at 31 March 2017 (Restated)	**25,027**	**10,004**	**59,092**	**94,123**	**848**	**9,561**	**3,568**	**23,103**	**131,203**	**865**	**132,068**	**553,392**	**-10,675**	**542,717**	**674,785**
Surplus or (deficit) on provision of services (accounting basis)	-39,394	0	0	-39,394	7,935	0	0	0	-31,459	-14,043	**-45,502**	0	0	0	**-45,502**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	0	-361	**-361**	150,027	2,182	152,209	**151,848**
Total Comprehensive Expenditure and Income	**-39,394**	**0**	**0**	**-39,394**	**7,935**	**0**	**0**	**0**	**-31,459**	**-14,404**	**-45,863**	**150,027**	**2,182**	**152,209**	**106,346**
* Adjustments between group accounts and the Council's accounts	-11,172	0	0	-11,172	0	0	0	0	-11,172	11,172	**0**	**0**	**0**	**0**	**0**
**Adjustments between accounting basis & funding basis under regulations	69,464	0	0	69,464	-8,054	-694	6,015	-118	66,613	2,989	**69,602**	-66,613	-2,989	-69,602	**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**18,898**	**0**	**0**	**18,898**	**-119**	**-694**	**6,015**	**-118**	**23,982**	**-243**	**23,739**	**83,414**	**-807**	**82,607**	**106,346**
Transfers to/from Earmarked Reserves	**-19,494**	**347**	**19,216**	**69**	**-69**	**0**	**0**	**0**	0	**0**	**0**	**0**	**0**	**0**	**0**
Increase/(Decrease) in Year	**-596**	**347**	**19,216**	**18,967**	**-188**	**-694**	**6,015**	**-118**	**23,982**	**-243**	**23,739**	**83,414**	**-807**	**82,607**	**106,346**
Balance at 31 March 2018	**24,431**	**10,351**	**78,308**	**113,090**	**660**	**8,867**	**9,583**	**22,985**	**155,185**	**622**	**155,807**	**636,806**	**-11,482**	**625,324**	**781,131**

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

**The adjustments between accounting basis and funding basis under regulations for the Council are shown in Note 8 of the Council's single entity accounts. Additional movements in the group accounts relate to movements in subsidiary and joint venture pension reserves.

Cheshire West and Chester

Group Movement in Reserves Statement 2016-17 Comparative figures

This schedule shows the restated movement in reserves for the comparative financial year 2016-17.

Cheshire West and Chester Council Consolidated 2016-17	General Fund Balance £000	Sums held by Schools £000	Earmarked Reserves £000	Total General Fund £000	Housing Revenue Account £000	Capital Receipts Reserve £000	HRA Major Repairs £000	Capital grants Unapplied £000	Council's Usable Reserves £000	Council's share of Group £000	Total Usable Reserves £000	Council's Unusable Reserves £000	Council's share of Group £000	Total Unusable Reserves £000	Total Reserves of the £000
Balance at 31 March 2016 (Restated)	**23,488**	**10,726**	**62,441**	**96,655**	**817**	**11,429**	**2,908**	**13,940**	**125,749**	**558**	**126,307**	**614,660**	**-6,398**	**608,262**	**734,569**
Surplus or (deficit) on provision of services (accounting basis)	16,309	0	0	16,309	4,946	0	0	0	21,255	-12,033	**9,222**	0	0	0	**9,222**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	0	151	**151**	-65,764	-3,393	-69,157	**-69,006**
Total Comprehensive Expenditure and Income	**16,309**	**0**	**0**	**16,309**	**4,946**	**0**	**0**	**0**	**21,255**	**-11,882**	**9,373**	**-65,764**	**-3,393**	**-69,157**	**-59,784**
* Adjustments between group accounts and the Council's accounts	-11,305			-11,305					-11,305	11,305	**0**	**0**	**0**	**0**	**0**
**Adjustments between accounting basis & funding basis under regulations	-7,605	0	0	-7,605	-4,846	-1,868	660	9,163	-4,496	884	**-3,612**	4,496	-884	3,612	**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**-2,601**	**0**	**0**	**-2,601**	**100**	**-1,868**	**660**	**9,163**	**5,454**	**307**	**5,761**	**-61,268**	**-4,277**	**-65,545**	**-59,784**
Transfers to/from Earmarked Reserves	**4,140**	**-722**	**-3,349**	**69**	**-69**	**0**			0		**0**				**0**
Increase/(Decrease) in Year	**1,539**	**-722**	**-3,349**	**-2,532**	**31**	**-1,868**	**660**	**9,163**	**5,454**	**307**	**5,761**	**-61,268**	**-4,277**	**-65,545**	**-59,784**
Balance at 31 March 2017	**25,027**	**10,004**	**59,092**	**94,123**	**848**	**9,561**	**3,568**	**23,103**	**131,203**	**865**	**132,068**	**553,392**	**-10,675**	**542,717**	**674,785**

Cheshire West and Chester

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

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

	2017-18			Restated 2016-17
	Expenditure £000	Income £000	Net £000	£000
Adults Directorate	146,310	-32,094	114,216	108,605
Children's Directorate	301,322	-236,885	64,437	56,789
Places Directorate	130,440	-49,250	81,190	79,370
Corporate Services Directorate	120,634	-88,933	31,701	31,187
HRA	13,487	-22,631	-9,144	-7,243
Other	52,429	-32,639	19,790	12,399
Capital Financing	385	-1	384	362
Cost of Services	**765,007**	**-462,433**	**302,574**	**281,469**
Other Operating Income & Expenditure	15,886	-9,302	6,584	1,276
Financing & Investment Income and Expenditure	37,105	-11,155	25,950	14,951
Taxation & Non-Specific Grant Income & Expenditure	16,988	-306,902	-289,914	-307,006
Surplus/Deficit on Provision of Services	**834,986**	**-789,792**	**45,194**	**-9,310**
Share of the SDPS by Joint Ventures and Associates (-Profit/Loss)			654	180
Tax expenses of Joint Ventures and Associates			0	-1
Tax expenses of Subsidiaries			-346	-92
Group (Surplus)/Deficit			**45,502**	**-9,223**
Surplus on Revaluation of Assets			-73,439	-68,153
Re-measurement (gain)/loss on pension assets/liabilities			-78,233	136,560
(Surplus)/deficit on revaluation of available for sale assets			92	258
Others				
Deferred tax on actuarial gains			213	-525
Share of Other Comprehensive Income & Expenditure of Associates			2	-223
Share of the CIES of Joint Ventures			-483	1,090
Other Comprehensive Income & Expenditure			**-151,848**	**69,007**
Total Comprehensive Income and Expenditure			**-106,346**	**59,784**

Group Balance Sheet as at 31 March 2018

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

	31 March 2018 £000	Restated 31 March 2017 £000
Non-Current Assets		
- Property, Plant and Equipment	1,305,128	1,236,711
- Heritage Assets	29,099	28,921
- Investment Properties	111,548	120,119
- Intangible Assets	3,847	505
Long Term Investments	0	92
Investments in Associates	365	364
Deferred Taxation Asset	51	0
Long Term Debtors	7,188	6,477
Long Term Assets	**1,457,226**	**1,393,189**
Short Term Investments	25,000	30,031
Assets held for Sale	13,175	2,455
Current Intangible Assets	130	99
Inventories	155	262
Short Term Debtors	43,247	49,742
Cash and Cash Equivalents	30,169	29,420
Current Assets	**111,876**	**112,009**
Short Term Borrowing	-24,859	-13,291
Short Term Creditors	-111,410	-105,902
Provisions < 1 yr	-1,502	-2,363
Current Liabilities	**-137,771**	**-121,556**
Provisions	-20,544	-13,497
Long Term Borrowing	-271,994	-288,434
Pension Fund Liability	-314,747	-360,192
Other Long Term Liabilities	-28,533	-31,495
Capital Grant Receipts in Advance	-14,382	-15,239
Long Term Liabilities	**-650,200**	**-708,857**
Net Assets	**781,131**	**674,785**
Usable Reserves	155,807	132,068
Unusable Reserves	625,324	542,717
Total Reserves	**781,131**	**674,785**

The group companies for year ending 31 March 2017 have been restated to recognise the audited accounts for those entities.

Group Cash Flow Statement for the year ended 31 March 2018

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 2018 £000	31 March 2017 Restated £000
Net surplus or deficit on the provision of services	45,194	-9,310
Adjust net surplus or deficit on the provision of services for non cash movements	-147,163	-76,459
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	55,122	59,184
Net cash flows from Operating Activities	**-46,847**	**-26,585**
Investing Activities	42,586	26,820
Financing Activities	3,512	1,578
Net decrease in cash and cash equivalents	**-749**	**1,813**
Cash and cash equivalents at the beginning of the reporting period	29,420	31,233
Cash and cash equivalents at the end of the reporting period	30,169	29,420
Net decrease in cash and cash equivalents	**-749**	**1,813**

The group companies for year ending 31 March 2017 have been restated to recognise the audited accounts for those entities.

Group Audit Costs for the year ended 31 March 2018

Group Audit Costs for subsidiary companies consolidated on a line by line basis.

Fees Payable for Audit Work	2017-18 £'000	2016-17 £'000
Fees payable for external audit services in regards to Cheshire West and Chester Council	153	153
Fees payable for external audit services in regards to certification of grant claims and other services for Cheshire West and Chester Council	36	55
Fees payable for external audit services in regards to subsidary companies in group	26	28
Total	**215**	**236**

Notes to the group core financial statements

1. Overview

Cheshire West and Chester chooses to deliver its services through a variety of delivery models, either under ultimate control or in partnership with other organisations. The financial statements consider the Cheshire West and Chester 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 and the transparency of less material entities to allow the reader to understand the Groups consolidated position. From this assessment four organisations have been identified as being within the Council's group for financial reporting purposes and these are summarised below by the relevant group category under which they fall.

- Subsidiaries - where the Council either wholly or by majority controls an entity. Subsidiaries of the Council included in the 2017-18 group accounts are Cheshire Provider Services Trading Limited (Vivo) and Cheshire West and Chester Leisure CIC (Brio Leisure).
- Joint Ventures – where the Council and another party exercise joint control over an entity. Edsential CIC is the only Joint Venture included in the group financial statements.
- Joint Operations – A joint operation is where the Council and another party have joint control of an arrangement and has rights to the assets and obligations for the liabilities relating to the arrangement; these operations are not included in the group accounts. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. CoWest Ltd trading as QWest are treated as a joint operation, this company is jointly controlled with Engie Plc.
- Associates – where the Council exercises a significant influence and has a participating interest. Avenue Services is the only Associate company included in the 2017-18 group accounts.

The Council has business interests in sixteen organisations and these have been reviewed in accordance with the Code of Practice for consolidation purposes, of which only those reported above have been consolidated. Further information on all the organisations is given in the Related Parties note Councils single entity accounts (Note 36).

2. Accounting policies

The group accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and those International Financial Reporting Standards where CIPFA had provided guidance notes.

The accounting policies used in preparing the group accounts reflect those used by Cheshire West and Chester Council in their single entity financial statements. In order to ensure consistency of Accounting treatment and the alignment of policies across the group the following policies have been adopted:

Consolidation of Subsidiaries

Subsidiaries have been consolidated using the acquisition accounting basis. This is the full, line by line consolidation of financial transactions and balances of the Council and its subsidiary companies. To avoid overstating balances within the group financial statements, all transactions and balances between the Council and group companies have been eliminated.

Consolidation of Joint Venture and Associate

Both the Joint Venture and Associate companies have been consolidated using the equity method. Here an investment is brought into the group balance sheet and adjusted to reflect the Council's share in the venture's net asset movement. The Council's share of the body's operating results for the year is included within the group income and expenditure account. Transactions between the Council and these bodies are not eliminated.

Alignment of accounting framework and policies

Where the accounting framework used by group companies differs from that of the Council (FRS102 rather than IAS19) including the accounting policies and the impact of such differences would have a material impact on the group financial statements then the relevant balances from the group companies will be adjusted to bring the accounting treatment into line with that applied by the Council.

Unrealised profits from intra-group transactions

Any unrealised profit reflected in the carrying amount of property, plant and equipment and inventory arising from trading between the Council and its group companies will be eliminated to avoid the double counting of gains.

Company losses Accounting Treatment

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

Edsential CIC 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.

Non-Consolidated Members

Non-consolidation of entities in the Group accounts is dependent on a number of factors including the extent of the Council's interest and power to influence and control, materiality, investment and transparency; where these factors are not considered material those members of the Group have not been consolidated. A full list of members of the Group can be found in the Council Accounts Note 36.

3. 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 2018

Cheshire West and Chester Council Group 2017-18	Usable Reserves						Unusable Reserves				Total Group Reserves
	Council Single Entity £000	Intra-group transactions £000	Council Group £000	Subsidiaries £000	Joint Venture/ Associate £000	Group Total £000	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Group Total £000	£000
Balance at 31 March 2017 (Restated)	**131,203**	**0**	**131,203**	**807**	**58**	**132,068**	**553,392**	**(7,545)**	**(3,130)**	**542,717**	**674,785**
Surplus or (deficit) on provision of services (accounting basis)	(42,631)	11,172	(31,459)	(13,389)	(654)	(45,502)	0	0	0	0	**(45,502)**
Other Comprehensive Expenditure and Income	0			(292)	(69)	(361)	150,027	1,632	550	152,209	**118,448**
Total Comprehensive Expenditure and Income	**(42,631)**	**11,172**	**(31,459)**	**(13,681)**	**(723)**	**(45,863)**	**150,027**	**1,632**	**550**	**152,209**	**106,346**
Adjustments between group accounts and Council's accounts		(11,172)	**(11,172)**	11,172		0		0	0	0	**0**
Adjustments between accounting basis & funding basis under regulations	66,613		66,613	2,138	851	69,602	(66,613)	(2,138)	(851)	(69,602)	**0**
Increase / (Decrease) in Year	**23,982**	**0**	**23,982**	**(371)**	**128**	**23,739**	**83,414**	**(506)**	**(301)**	**82,607**	**106,346**
Balance at 31 March 2018	**155,185**	**0**	**155,185**	**436**	**186**	**155,807**	**636,806**	**(8,051)**	**(3,431)**	**625,324**	**781,131**

Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Intra-group transactions £000	Group Results £000
Adults Directorate	115,889	-1,673			114,216
Children's Directorate	64,437				64,437
Places Directorate	80,330	860			81,190
Corporate Services Directorate	31,701				31,701
HRA	-9,144				-9,144
Other	19,790				19,790
Capital Financing	384				384
Cost of Services	**303,387**	**-813**	**0**	**0**	**302,574**
Other Operating Income & Expenditure	3,503	3,081			6,584
Financing & Investment Income and Expenditure	25,655	295			25,950
Taxation & Non-Specific Grant Income & Expenditure	-289,914				-289,914
Surplus/Deficit on Provision of Services	**42,631**	**2,563**	**0**	**0**	**45,194**
Share of the SDPS by Joint Ventures and Associates (-Profit/Loss)			654		654
Tax expenses of Joint Ventures and Associates			0		0
Tax expenses of Subsidiaries		-346			-346
Group (Surplus)/Deficit	**42,631**	**2,217**	**654**	**0**	**45,502**
Surplus on Revaluation of Assets	-73,439				-73,439
Re-measurement Gain/-loss on pension assets/liabilities	-76,680	-1,553			-78,233
Surplus / Deficit on revaluation of available for sale assets	92				92
Other					
Deferred tax on actuarial gains		213			213
Share of Other Comprehensive Income & Expenditure of Associates			2		2
Share of the CIES of Joint Ventures			-483		-483
Other Comprehensive Income & Expenditure	**-150,027**	**-1,340**	**-481**	**0**	**-151,848**
Total Comprehensive Income and Expenditure	**-107,396**	**877**	**173**	**0**	**-106,346**

Balance Sheet as at 31 March 2018

	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Intra-group transactions £000	Group Results £000
Non-Current Assets	1,445,618	157	0	0	1,445,775
Intangible Assets	3,847	0	0	0	3,847
Long Term Investments	0	0	0	0	0
Investments in Associates	0	0	365	0	365
Deferred Taxation Asset	0	51	0	0	51
Long Term Debtors	7,746	0	42	-600	7,188
Long Term Assets	**1,457,211**	**208**	**407**	**-600**	**1,457,226**
Short Term Investments	25,000	0	0	0	25,000
Assets held for Sale	13,175	0	0	0	13,175
Current Intangible Assets	130	0	0	0	130
Inventories	109	46	0	0	155
Short Term Debtors	43,046	1,607	0	-1,406	43,247
Cash and Cash Equivalents	27,530	2,639	0	0	30,169
Current Assets	**108,990**	**4,293**	**0**	**-1,406**	**111,876**
Short Term Borrowing	-24,859	0	0	0	-24,859
Short Term Creditors	-109,352	-3,464	0	1,406	-111,410
Provisions < 1 yr	-1,502	0	0	0	-1,502
Current Liabilities	**-135,713**	**-3,464**	**0**	**1,406**	**-137,771**
Provisions	-20,544	0	0	0	-20,544
Long Term Borrowing	-271,994	0	0	0	-271,994
Pension Fund Liability	-303,044	-8,050	-3,653	0	-314,747
Other Long Term Liabilities	-28,533	-600	0	600	-28,533
Capital Grant Receipts in Advance	-14,382	0	0	0	-14,382
Long Term Liabilities	**-638,497**	**-8,650**	**-3,653**	**600**	**-650,200**
Net Assets	**791,991**	**-7,613**	**-3,246**	**0**	**781,131**
Usable Reserves	155,185	436	186	0	155,807
Unusable Reserves	636,806	-8,050	-3,432	0	625,324
Total Reserves	**791,991**	**-7,614**	**-3,246**	**0**	**781,131**

Cash Flow Statement for the year ended 31 March 2018

	Council Single Entity £000	Subsidiaries £000	Intra-group transactions £000	Group Results £000
Net cash flows from Operating Activities	-47,519	670	2	-46,847
Investing Activities	42,499	89	-2	42,586
Financing Activities	3,472	40		3,512
Net decrease in cash and cash equivalents	**-1,548**	**799**	**0**	**-749**
Cash and cash equivalents at the beginning of the reporting period	25,982	3,438	0	29,420
Cash and cash equivalents at the end of the reporting period	27,530	2,639	0	30,169
Net decrease in cash and cash equivalents	**-1,548**	**799**	**0**	**-749**

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	Group	2017-18	2017-18
	£000	£000	£000	£000	£000	£000	£000
Opening Balance	**1,603,993**	**30,805**	**13,068**	**16,053**	**1,663,919**	**31,260**	**1,695,179**
Current Service Costs	43,943	2,799	1,382	1,950	50,074	0	50,074
Interest Cost	41,701	838	373	444	43,356	754	44,110
Contribution by Scheme Members	7,038	406	222	294	7,960	0	7,960
Remeasurement (gains) and losses:							
Actuarial (gains)/losses arising from changes in financial assumptions	-30,037	-811	-375	-416	-31,639	-269	-31,908
Other experience	0	0	0	0	0	88	88
Benefits Paid	-44,411	-284	-84	-180	-44,959	-2,261	-47,220
Past Service Costs & curtailments	1,503	4	0	0	1,507	0	1,507
Liabilities Extinguished on Settlement	-3,009	0	0	0	-3,009	0	-3,009
Closing balance at 31 March 2018	**1,620,721**	**33,757**	**14,586**	**18,145**	**1,687,209**	**29,572**	**1,716,781**

Movement in Fair Value of Assets	<---------------------------- LGPS ------------------------- ->					Teachers	Total
	CW&C	Vivo	Brio Leisure	Edsential	Group	2017-18	2017-18
	£000	£000	£000	£000	£000	£000	£000
Opening Balance	**1,285,959**	**24,183**	**11,508**	**12,699**	**1,334,349**	**0**	**1,334,349**
Interest income	33,151	650	322	347	34,470	0	34,470
Remeasurement (gains) and losses:							
Return on plan assets, excluding the amounts included in net interest	46,462	256	111	136	46,965	0	46,965
Employer Contributions	20,895	1,530	756	1,196	24,377	0	24,377
Contribution by scheme members	7,038	406	222	294	7,960	0	7,960
Contributions - unfunded benefits						2,261	2,261
Benefits paid	-44,411	-284	-84	-180	-44,959	0	-44,959
Unfunded benefits paid						-2,261	-2,261
Assets distributed on Settlement	-1,845	0	0	0	-1,845	0	-1,845
Closing balance at 31 March 2018	**1,347,249**	**26,741**	**12,835**	**14,492**	**1,401,317**	**0**	**1,401,317**

Total Surplus/Deficit	**-273,472**	**-7,016**	**-1,751**	**-3,653**	**-285,892**	**-29,572**	**-315,464**
Deferred Taxation on losses	**0**	**717**	**0**	**0**	**717**	**0**	**717**
Net liability at 31 March 2018	**-273,472**	**-6,299**	**-1,751**	**-3,653**	**-285,175**	**-29,572**	**-314,747**

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 2016-17		
	Expenditure £000	**Income £000**	**Net £000**
Adults Directorate	139,753	-31,148	108,605
Children's Directorate	290,823	-234,034	56,789
Places Directorate	121,076	-41,706	79,370
Corporate Services Directorate	122,936	-91,749	31,187
HRA	15,663	-22,906	-7,243
Other	37,029	-24,630	12,399
Capital Financing	367	-5	362
Cost of Services	**727,647**	**-446,178**	**281,469**
Other Operating Income & Expenditure	6,675	-5,399	1,276
Financing & Investment Income and Expenditure	28,748	-13,797	14,951
Taxation & Non-Specific Grant Income & Expenditure	27,141	-334,147	-307,006
Surplus/Deficit on Provision of Services	**790,211**	**-799,521**	**-9,310**
Share of the SDPS by Joint Ventures and Associates (-Profit/Loss)			180
Tax expenses of Joint Ventures and Associates			-1
Tax expenses of Subsidiaries			-92
Group (Surplus)/Deficit			**-9,223**
Surplus on Revaluation of Assets			-68,153
Re-measurement (gain)/loss on pension assets/liabilities			136,560
(Surplus)/deficit on revaluation of available for sale assets			258
Others			
Deferred tax on actuarial gains			-525
Share of Other Comprehensive Income & Expenditure of Associates			-223
Share of the CIES of Joint Ventures			1,090
Other Comprehensive Income & Expenditure	**0**	**0**	**69,007**
Total Comprehensive Income and Expenditure			**59,784**

The group companies for year ending 31 March 2017 have been restated to recognise the audited accounts for those entities.

Glossary of terms

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

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

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

Amortisation
The process of charging capital expenditure, usually on intangible non-current assets, to the accounts over a suitable period of time.

Amortised cost
Amortised cost is the real amount at which the financial instrument is measured rather than the payments made under a contract.

Appropriations
Amounts transferred between the Comprehensive Income and Expenditure Statement and revenue or capital reserves.

Assets held for sale
Property (land or a building, or part of a building) which is expected to be sold within the next 12 months and is therefore held primarily as a means of generating a capital receipt.

Associate
Where the Council exercises a significant influence and has a participating interest in a company.

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

Better Care Fund (BCF)
The BCF is a pooled budget between the Council and the Clinical Commissioning Group (CCG).

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

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

Capital Assets
See Non-current Assets.

Capital expenditure
Expenditure on the acquisition of a Non-current asset or expenditure that extends the useful life or operational capability of an existing asset.

Capital financing
The means by which capital expenditure incurred by the Council is funded. Usually such funding comprises grants, contributions from third parties, receipts from the sale of assets, contributions from Council reserves and borrowing.

Capitalisation
The classification of expenditure as capital rather than revenue, subject to the condition that the expenditure yields a benefit to the Council for a period of more than one year.

Capital receipts
Proceeds received from the sale of capital assets. The proceeds are set aside in the Capital Receipts Reserve in order to repay the Council's borrowings or to finance new capital expenditure.

Capital Receipts Reserve
A reserve held to provide an alternative source for financing future capital expenditure, and to ensure some stability in the level of capital programmes that can be financed.

Cash Flow Statement
Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes. It provides a link between the Balance Sheet at the beginning of the year, the Comprehensive Income and Expenditure Statement for the year and the Balance Sheet at the end of the year.

CIPFA
The Chartered Institute of Public Finance and Accountancy is the accountancy body which recommends accounting practice for the preparation of local authority accounts.

Collection Fund
This is a statutory fund kept separate from the main accounts of the Council. It records all income due from the Council Tax, Business Rates and remaining Community Charge and shows the precept payments due to Cheshire West and Chester Council, Cheshire Police Authority and Cheshire Fire Authority.

Community assets
Assets that the local authority intends to hold forever, that have no determinable useful life and that may have restrictions on their disposal. (e.g. parks).

Comprehensive Income and Expenditure Statement (CIES)
This statement consolidates all the gains and losses experienced by the Council during the financial year. The statement has two sections:

- Surplus or Deficit on the Provision of Services (SDPS) – the increase or decrease in net worth as a result of incurring expenditure and generating income.
- Other Comprehensive Income and Expenditure – any changes in net worth not reflected in the surplus or deficit on the provision of services.

This statement shows the accounting cost in year of providing services in accordance with accounting practice rather than the amount to be funded from taxation.

Consistency
The principle that the same accounting treatments are used from year to year so that useful comparisons can be made. Any significant change in policies must be declared in the accounting statements.

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

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

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

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

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

Creditors
Amounts owed by the Council for goods or services that it has received but for which payment had not been made by 31 March 2018.

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 2018, where services have been delivered but payment has not been received.

Deferred capital receipts
Amounts derived from asset sales, which will be received in instalments over a period of years. (e.g. mortgages on the sale of council houses).

Deferred liabilities
An amount already received by the Council that is being credited to the Comprehensive Income and Expenditure Statement over a number of years.

Defined Benefits Pension Scheme
A pension scheme which is constructed to provide pre-determined pension benefits for retired members, with employers' and employees' contribution rates being calculated based on actuarial assumptions.

Delegated budgets
Budgets for which schools and other services have complete autonomy in spending decisions.

Depreciation
The measure of the wearing out, consumption, or other reduction in the useful economic life of a Non-current asset, whether arising from use, age or obsolescence through technological or other changes. There are different ways to attribute the cost of the asset over its economic life, of which the most common are the straight line method and the reducing balance method.

- Straight line depreciation method – the useful life of the asset is estimated, for instance at 3 years for IT equipment or 5 years for a vehicle, and the cost of the asset is divided equally over that number of financial years.
- Reducing balance method – the value of the asset is reduced by a Non-current percentage each year, reflecting a greater loss of value in earlier years.

Depreciated historic cost
The value of an asset shown in the Balance Sheet calculated from the original cost less depreciation to date.

Derecognition
The removal of an asset of liability from the Balance Sheet as it has been extinguished, for example, the settling of a liability by paying the creditor.

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

Donated assets
Assets transferred at nil value or acquired at less than fair value.

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

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

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

Entity
For accounting purposes, an ‘entity’ is a business, division or other aspect of an organisation that requires its own financial reporting structure for legal or tax purposes.

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

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

Expected return on assets (IAS 19 term)
The average rate of return expected on the actual assets held by the scheme.

Expenditure and Funding Analysis (EFA)
The Expenditure and Funding Analysis links the Comprehensive Income and Expenditure Statement by demonstrating how available funding has been used to provide services. Whilst still reported in accordance with accounting practice, the analysis shows how the expenditure has been allocated by directorates for decision making purposes rather than legislative purposes.

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

Finance lease
An arrangement whereby the owner of an asset (the lessor) accepts a rental in return for allowing another party (the lessee) use of an asset for a specified period, such that substantially all of the risks and rewards associated with ownership are transferred to the lessee.

Financial Instrument
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities and includes trade debtors, investments, trade creditors and borrowings.

General reserves
These are amounts set aside for use in future years, not earmarked for any specific purpose.

Government grants
Amounts received from central Government towards funding the Council’s activities. Revenue grants and contributions are credited to the appropriate service revenue account. Capital grants and contributions are recognised in the Comprehensive Income and Expenditure Statement, unless there are conditions attached which have not been satisfied. Capital grants and contributions recognised in year are not a credit against the General Fund balance and are reversed out via the Movement in Reserves Statement.

Government grants and contributions unapplied
Capital grants and contributions that have been recognised in the Comprehensive Income and Expenditure Statement but which have not yet been applied to finance capital expenditure.

Heritage Assets
Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art.

Housing Revenue Account (HRA)
Local authorities are required to maintain a separate account. This sets out expenditure and income arising from the provision of Council housing.

Impairment
A reduction in the value of a Non-current asset arising from physical damage to the asset, dilapidation or obsolescence.

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

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

Infrastructure assets
Non-current assets that are held by the Council in perpetuity and cannot be given or taken away. Spending on these assets is recoverable only by continued use of the asset created (e.g. highways and footpaths).

Intangible Non-current Assets
Expenditure incurred on those non-current assets that do not have physical substance but which are separately identifiable and provide the Council with a right of use for a period in excess of one year.

Interest Cost (IAS 19 term)
A financing charge reflecting the increases in the present value of scheme liabilities.

International Financial Reporting Standards (IFRS)
International Financial Reporting Standards form a principles based set of standards that establish broad rules and dictate specific accounting treatments. The Code of Practice on Local Authority Accounting in the UK (the Code), interprets IFRS accounting principles for local government and recognises the following hierarchy of standards on which accounting treatment and disclosures should be based:

- International Financial Reporting Standards (IFRS)
- International Public Sector Accounting Standards (IPSAS)
- UK Generally Accepted Accounting Practice (UK GAAP)

Inventories
Raw materials and consumable goods bought but not yet used at the end of the accounting period.

Investments
Short term investments comprise deposits of temporary surplus funds with banks or similar institutions. Long term investments comprise similar funds held for a period of more than one year.

Investment properties
Assets that are available for immediate sale, where there is a committed plan to sell the asset, an active marketing programme and where the sale is highly probable within 12 months.

Joint Control
Where decisions about the relevant activities of an arrangement require the unanimous consent of all the parties sharing control.

Joint Operation
Where the Council and another party have joint control of an arrangement and have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators.

Joint Venture
Where the Council and another party exercise joint control over a company.

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

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

Market value
The monetary value of an asset determined by current market conditions at the Balance Sheet date.

Materiality
The concept that any omission from or inaccuracy in the Statement of Accounts should not be so large as to affect the understanding of those statements by a reader.

Minimum Revenue Provision (MRP)
The minimum amount (as laid down in statute) that the Council must charge to the accounts each year in order to meet the costs of repaying amounts borrowed.

Movement in Reserves Statement
This statement shows the movement in the year on the different reserves held by the Council, analysed into usable and unusable reserves. The statement reconciles the surplus or deficit on the provision of services, in the Comprehensive Income and Expenditure Statement, to the movement in the General Fund balance for the year.

Non-Domestic Rate (NDR)
The government levies a standard rate on all properties used for commercial purposes and cannot increase it by any more than the Retail Price Index. The rates are collected by Councils, and are then shared between Central Government, the Billing Authority (Council) and other bodies in proportion to prescribed shares.

Net book value
The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net current replacement cost
The estimated cost of replacing or recreating an asset in its existing condition and existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the condition of the existing asset.

Net debt
This comprises short term investments plus cash in hand less cash overdrawn and long term borrowing.

Net realisable value
The expected proceeds from the sale of an asset when sold on the open market between a willing buyer and a willing seller less all the expenses incurred in selling the asset.

Non-current Asset
An asset which is intended to be in use for several years such as a building or a vehicle. These may be tangible or intangible.

Non Distributed Costs
Costs which cannot be specifically applied to a service or services and are held centrally, comprising certain pension costs and the costs of unused shares of IT facilities and other assets.

Operating lease
An arrangement similar to a finance lease but where the risks and rewards associated with ownership remains with the lessor.

Operational assets
Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Cost (IAS 19 term)
The increase in the scheme liabilities arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept
Amounts the Council is required to raise from Council Tax on behalf of other authorities.

Prepayments
Amounts paid by the Council in 2017-18 in relation to goods and services not received until 2018-19.

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 2017-18 relating to goods or services delivered in 2018-19.

Related party
A person or organisation which has influence over another person or organisation.

Remeasurements (IAS19 term)
For a defined benefit pension scheme, the changes in the value of a schemes assets and liabilities as a result of the changes to the underlying assumptions concerning their value, as opposed to any performance or activity in year.

Reserves
Specific amounts set aside for future policy purposes or to cover contingencies. There are two types of reserve: usable reserves which are available to meet current expenditure, and unusable reserves which are not. Most revenue reserves are capable of being used, but the Revaluation Reserve, Capital Adjustment Account, and the Financial Instruments Adjustment Account cannot be used to meet current expenditure.

Retirement benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revaluation Reserve
Revaluation Reserve is intended to hold surpluses or deficits arising from the regular revaluation of non-current assets.

Revenue expenditure
Revenue expenditure is spending on the day to day running costs of the Council. It includes expenditure on employees, premises, transport and supplies and services.

Revenue Expenditure Funded from Capital under Statute (REFCUS)
Certain expenditure can be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a Non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax.

Revenue Support Grant (RSG)
Central Government grant support towards local government expenditure.

Scheme liabilities
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

Section 151 Officer
The Officer designated to assume overall responsibility for the administration of the financial affairs of the Council and for the preparation of the Council's Statement of Accounts.

Service concession
An arrangement under which the Council passes to a third party an obligation to deliver a service to the public on its behalf. Organisations delivering services under a service concession arrangement are effectively doing so as an extension of the Council so any assets employed by

them to deliver the contracted services are reported on as if they were the Council's own. This is commonly the case for Private Finance Initiative contracts.

Settlements and Curtailments (IAS 19 term)
Settlements are liabilities settled at a cost materially different to the IAS 19 reserve during the year. Curtailments represent the cost arising from early payment of accrued pensions in respect of any redundancies during the year.

Short period
In terms of non-current assets this is interpreted to mean that assets are normally revalued once every five years for each class of assets, provided that carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.

Short Term Accumulating Paid Absences
These are benefits that employees receive as part of their contract of employment, the entitlement to which is built up as they provide services to the Council, e.g. annual leave, flexi leave.

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

Subsidiary
Where the Council either wholly or by majority controls a company.

Tangible Non-current Assets
Non-current assets which have physical substance and which yield benefits to the Council for a period of more than one year.

Useful life
The period over which the local authority will derive benefits from the use of a non-current asset.

Vested rights
In relation to a defined benefit scheme, these are:

a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme
b) for deferred pensioners, their preserved benefits
c) for pensioners, pensions to which they are entitled

They include where appropriate the related benefits for spouses or other dependants.