Cheshire West & Chester Council

Statement of Accounts

2018-19

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Cheshire West and Chester

Contents

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:

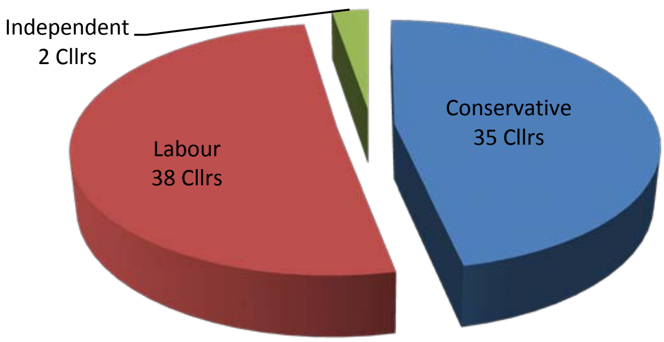
1. About Cheshire West and Chester
2. Strategic principles and priorities
3. Key achievements
4. Summary of financial performance
5. Main issues impacting the 2018-19 accounts
6. Explanation of the financial statements

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 46 wards across the Borough. The political make-up of the Council at the 31 March 2019 is shown below.



Cheshire West and Chester

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.

2019-20 is the final year of the Government's four year funding settlement and will be the final year that Councils receive any Revenue Support Grant. There is considerable uncertainty about the funding for all Councils in future years which is due to a number of significant funding changes. It is estimated that the funding gap over the period 2020-24, based on current assumptions, could be in the region of £20m. The Council will develop a four year Council Plan and Budget for this period during the spring of 2019. Although a gap of this size is challenging this Council has a proven track record of strong financial management and has already identified in its consultation process a number of areas to explore to bridge this gap.

In developing in its financial plans careful consideration will be given of the impact of any decisions on the ten priorities outlined in the Council Plan. The key areas for consideration 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 100% in 2018-19. • 1331 complex families achieved significant and sustained positive outcomes, with 138 families achieving sustained employment outcomes within this. • The latest data shows 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 12.7% against a target of 14.1%. It should be noted that although this is new data, there is a two year time lag on this being received by the local authority.
• Vulnerable adults and children feel safe and are protected	• The Council is looking after 482 children in care. This is a drop in the total number over the last 12 months, with the expanded Edge of Care service supporting more young people to prevent them from becoming looked after by the Council. • The timeliness of adoption placements has increased, with 65% of children waiting less than 16 months for a placement against the target of 59%, compared to 17/18's level of 60%. The number of concluded Section 42 Safeguarding Enquiries has risen from 287 in 2017-18 to 322 in 2018-19.
• 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 89% against the target of 88.3%. • The proportion of adults receiving community-based social care services receiving self-directed support has remained consistently high at 99.9%. • The proportion of people in receipt of reablement where no request for ongoing support is received is above target, at 68.2% compared to the target of 65.5%.

Thriving Communities	
• Cleanest, safest and most sustainable neighbourhoods in the country	• One 'cleaner streets' indicators, relating to fly-tipping, has exceeded target, as 99% of sites meet the acceptable standard compared to the target of 92%. The new framework for these measures commenced in 2016/17, providing a more robust assessment of performance. • The level of household residual waste has decreased, at 425 kg's per household compared to 17/18's performance of 440, and against target levels of 480. • 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 39.85% reduction.
• Good quality and affordable housing that meets the needs of our diverse communities	• 239 empty homes have been brought back into use, significantly exceeding the target of 190 set for 2018-19. • There has been similar success around the target set for the number of new affordable homes (250), the year-end total delivered being 625. Performance has exceeded target around the number of private sector properties achieving the Decent Homes Standard, with 21 achieving this status across the year, above the target of 20. • Resident satisfaction with housing management services stands at 88% against the target of 89%. • The percentage of dwellings where Category 1 Hazards have been resolved within six months of HHSRS inspection has continued to increase, and now stands at 80%.
• Vibrant and healthy communities with inclusive leisure, heritage and culture opportunities	• Engagement with libraries and museums remains a key success story in the third year of reporting against the Council Plan. Almost 1.9 million people have engaged with libraries in 2018-19. This is significantly in excess of the target of 1.4 million. This year, 1,374,704 items of stock were borrowed (580,167 Childrens books), including: o Increase of 18% at Hope Farm Library o Increase of 5% at Weaverham Library • The number of people engaging in physical activity, reported via number of visitors to Brio leisure facilities, has remained high at almost 2.5m, compared to the target of 2.4m. • The number of volunteers engaged through libraries has increased, at 94 compared to the target of 65.
• Our resources are well managed and reflect the priorities of our residents	• Continued to balance the budget. • Rollout of flexible and mobile working for Council staff, allowing the Council to reduce its requirement for office space. • Providing timely IT project estimates, with 92% responded to within 5 working days.

Thriving Economy	
• People are well educated, skilled and earn a decent living	• The percentage of working age population with NVQ level 3 or equivalent or above is 59% and the direction of improvement continues. • The gap at Key Stage 2 between Children in Care and all children has reduced from 23% to 21% percentage points in the last 12 months. • The proportion of young people who are not in education, training or employment has dropped to 2% compared to the target of 2.7%.
• A great place to do business	• 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 76.6%, further above the target of 74%. • 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 825 achieved across the year. • Regarding commercial floor space, the amount that has been created in conjunction with partner agencies within schemes is above the target that was set, with 90% of this floor space occupied. This exceeds the target of 67%. • 794 businesses have been directly supported through the Economic Growth Service against a target of 480. • 122 businesses have had consultancy service support, in excess of the annual target of 100.
• A well connected and accessible borough	• Superfast broadband availability is currently running at 95% of premises able to access the facility. • The condition of the road network indicators remain Green compared to the target. • The Council has a 4-year programme to increase the number of 20mph speed limits on residential roads and outside schools. This programme is on track with 65% of improvements now delivered.

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 2018-19 the Council reported an underspend of £0.5m against planned activity of £281.7m and achieved £7.2m of savings. The table below reflects the final budget for 2018-19 and actual income and expenditure against it.

2018-19 Revenue Budgets	Budget £m	Actual £m	Variance £m
Children's services	51.2	51.2	0.0
Adult social care and health	117.2	117.2	0.0
Places	58.1	58.8	0.7
Corporate services	29.1	28.4	-0.7
Capital Financing	20.2	20.2	0.0
Other	5.9	5.4	-0.5
Total Net Spend	**281.7**	**281.2**	**-0.5**

The impact of the £0.5m underspend, offset with planned budget use of £1m has seen the General Fund Reserve reduce by £0.5m. 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 2018-19 the Council invested £71.9m through its capital programme against a budget of £80.5m. The programme made good progress in year, achieving a delivery rate against plan of 89%.

In addition to the expenditure incurred and capitalised from the Capital Programme of £71.9m there is also £1.8m of expenditure relating to finance leases, donated assets and PFI expenditure, which was added to the value of the assets on the Council's balance sheet. In total £73.7m was spent. 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 (£9.2m) or did not add value to the capital assets.

The table below analyses the expenditure that has been capitalised.

Category	2018-19 £m
Development of cultural assets	0.4
Highways and transport infrastructure	16.1
ICT Infrastructure	4.2
Improvements to Council Housing	6.4
Improvements to Housing	0.8
Investment in leisure facilities	0.3
Investment in school buildings	13.8
Property Management	10.6
Regeneration programmes	8.7
Others	3.2
Total	**64.5**

The funding sources for the capitalised assets is summarised below:

Funding of capitalised costs	2018-19 Funding £m	2018-19 Funding %
Use of cash/borrowing	9.5	15.0
Government grants	18.6	29.0
Capital receipts	16.0	25.0
Major repairs reserve	6.6	10.0
External contributions	1.0	2.0
Revenue funding	3.5	5.0
Other reserves	8.0	12.0
Finance Lease/PFI	1.3	2.0
Total	**64.5**	**100.0**

Balance Sheet

The Council's balance sheet demonstrates a strong financial position at the end of 2018-19 with a net asset value of £742m, a £49.9m decrease from last year.

Long Term Assets

	31 March 2019 £m	31 March 2018 £m
Property, plant & equipment	1342.9	1305.0
Heritage Assets	29.4	29.1
Investment Properties	137.9	111.6
Intangible Assets	2.1	3.8
Investments	9.2	0.0
Debtors	11.8	7.1
	1533.3	**1456.6**
Overall change	**76.7**	

Changes to Long Term Assets	£m
Capital expenditure	64.7
Valuation changes	63.5
Loans/Shareholdings	13.9
Increases in value	**142.1**
Depreciation/amortisation	-44.0
Disposals	-21.1
Reclassification	-0.3
Reductions in value	**-65.4**
	76.7

The £76.7m increase in Non-Current Assets is primarily due to investment of £64.7m of which £122k is for decent home loans, £64.5 for new or enhanced assets, increases in asset valuations of £63.5m and an increase in loans £13.9m. These are offset by £65.1m of depreciation, disposals and reclassification to current assets, assets held for sale of £0.3m.

Current Assets / Liabilities

	31 March 2019 £m	31 March 2018 £m
Investments	10.0	25.0
Assets Held for Sale	10.9	13.2
Debtors	52.1	43.0
Cash balances	35.3	27.5
Other	0.1	0.3
Current Assets	**108.4**	**109.0**
Creditors	-111.3	-109.4
Borrowing	-21.7	-24.8
Provisions	-2.1	-1.5
Current Liabilities	**-135.1**	**-135.7**
	-26.7	**-26.7**
Overall change	**0.0**	

Changes to Current Assets and Current Liabilities	£m
Trf fixed term deposits	0.0
Other cash movements	7.8
Cash management	**7.8**
Trf of cash from fixed term deposits	-15.0
Tfr from Long Term Assets	3.1
Tfr from Long Term Liabilities	-18.8
Tfr from Short Term Liabilities	7.3
Reclassifications	**-23.4**
Increase in outstanding debt	9.1
Borrowing / Repaid	14.7
Increase in amounts owing	-2.5
Disposal of assets held for sale	-5.4
Other movements	-0.3
Relations with third parties	**15.6**
	0.0

The most significant changes in current assets and liabilities relate to the £15m decrease in investments, reduction in borrowing of £3.1m and an increase in debtors of £9.1m.

Long Term Liabilities

	31 March 2019 £m	31 March 2018 £m
Long Term Borrowing	-267.0	-272.0
Net Pension Liability	-429.0	-303.0
PFI/finance leases	-27.0	-27.9
Long Term Creditors	-0.6	-0.6
Provisions	-23.3	-19.9
Capital Grant Receipts	-17.7	-14.4
	-764.6	**-637.8**

Overall Change	**-126.8**

Changes to Long Term Liabilities	£m
Tfr to current liabilities	18.8
Tfr from current liabilities	-7.3
Settlement of liabilities	9.9
Change in pension liability	-126.0
Statutory adj of loan repayments	0.8
Reductions in liabilities	**-103.8**
New Loans	-7.4
New leases	0.1
New provisions/creditors/RIA	-15.7
Recognise new liabilities	**-23.0**

	-126.8

The only significant changes in long term liabilities are an increase in the Council's net pension liability of £126m and £18.8m of long term borrowing to short term offset with finance leases, loan settlements and new loans.

Reserves

The £49.9m decrease in the Council's net worth set out above results in a £14.1m increase in usable reserves and an £64m decrease 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 2018-19 accounts

There have been a number of developments in 2018-19 which have influenced the presentation of the 2018-19 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. Sustainable growth delivered through these initiatives can have a positive impact on the Council's overall financial position through the potential for growth in business rate and council tax receipts. These projects expose the Council to economic and commercial risks which are a key consideration as part of the Council's budget setting and risk management processes.

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 £13.3m from the pooled budget and this was used to fund a number of activities across 12 schemes. Further details are provided in Note 38 and Note 4.

Changes in pension estimates

Due to the scale of the pension assets (£1.4bn) and liabilities (£1.8bn) in the Accounts any changes in assumptions regarding their value can have a large impact on the reported position. In 2018-19 the net pension liability (deficit) reported in the Accounts has increased by £126m. The majority of this movement relates to:

- A decrease in the actuary's expectations over the long term rate of return on assets. This value (referred to as the discount rate) is tied to the returns generated on long term government bonds. As these returns have decreased during 2018-19, the actuary has increased the discounted value of the Council's pension net liabilities.

- The in-year return on investments held by the Cheshire Pension Fund has been positive, achieving an average return of 5.5% (2017-18 6.3%) against a benchmark of 5.5% (2017-18 1.9%).

Group Entities

The total number of companies, associates, joint ventures and minority interest companies within the group remains at 16 for 2018-19. Further details about all companies consolidated into the group can be found in Note 37.

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 reported as a separate set of statements of accounts, within the Council accounts, and reflect the overall value of the 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 2018-19 the Revenue Support Grant reduced by £7.96m. In order to set a balanced budget the Council identified gross savings proposals of £10.9m in 2018-19.

These funding reductions will continue and as previously mentioned a funding gap of £20m is anticipated to 2024. The Council is in the process of developing a new four year Council plan and budget. A funding gap of £20m will be challenging to bridge but the Council has a good track record of financial management 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 2018-19 and its Balance Sheet as at 31 March 2019. 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 **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 **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 **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 23 July 2019.

Date: 23 July 2019

Signed by:
Councillor A. Cooper
Deputy 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 2019.

Date: 23 July 2019

Signed by:
Mark Wynn
Chief Operating Officer

Annual Governance Statement 2018-19

1. What is Governance?

Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

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

This statement reports on the Council's governance framework that has been in place during 2018-19 and explains how it has complied with its own code of corporate governance, including how the effectiveness of arrangements has been monitored. This meets the requirements of regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 which requires all relevant bodies to prepare an annual governance statement. A copy of the Code of Corporate Governance is on the website at:

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

2. What is the purpose of the governance framework?

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

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

3. What is the Council's governance framework?

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

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

- Ensuring openness and comprehensive stakeholder engagement.

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

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

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

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

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

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

Organisational Priorities

- The 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. All elected members were offered a personal development plan interview arranged via North West Employers in 2017-18 to discuss their learning and development needs. The outcomes of these interviews formed the basis for the 2018-19 Member Training Plan together with dedicated training sessions on key legislative changes and policy initiatives, 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), which are subject to regular review and update, provide the framework for managing the Council's financial affairs, and apply to all Members and officers of the authority and anyone acting on its behalf. The 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 is committed to creating and maintaining an anti-fraud culture and high ethical standards in the administration of public funds. In support, it has in place a number of key documents - Anti-Fraud & Corruption Strategy, a Whistle-blowing Policy and an Anti-Money Laundering Policy.
- The Council is also party to the pan-Cheshire Modern Slavery Strategy together with its neighbouring councils (Warrington, Halton and Cheshire East) as well as Cheshire Police. The Strategy sets out four priorities aimed at preventing, identifying, disrupting and eradicating modern slavery and exploitation in all its forms.
- Complaints, compliments and suggestions can be made at Council offices and submitted online. The information is received by a dedicated Information Governance Team, to ensure that all complaints are appropriately logged, investigated and resolved.

Decision Making and Scrutiny

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

- The Council has three Overview and Scrutiny Committees – Cheshire West and Chester 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.

Finance, Risk and Performance Management

- Financial performance is monitored on a monthly basis through the collaborative planning system. Performance by all Council Services against a range of key quantitative and qualitative indicators is also monitored through quarterly reporting to senior managers and members.
- Budgets and performance continue to be subject to critical business challenge sessions and are subject to regular monitoring and reporting. The Medium Term Financial Strategy sets out the Council's approach in managing resources to meet its Outcome Plan pledges and ensure value for money.
- The Council's approved Risk Management Strategy seeks to embed the management of risk and opportunities in all Council business and activity.
- The Council has a Performance Management Framework which supports the measurement and monitoring against the delivery of the ten priority outcomes set out in the Council Plan, using a range of performance indicators and targets.
- The Council consulted with the public and partners on changes that could impact them, including the budget and major policy decisions throughout 2018-19. The Council continues to conduct regular engagement with residents with surveys in regulatory services, adult social care, customer services, and highways. Engagement also takes places on local issues through the localities team. In 2019-20, the Council will be developing a new four-year Council Plan, which will be subject to major consultation with residents, partners and businesses. A full residents' survey is also planned.

Partnership working

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

Council Companies

- The Portfolio Holder for Legal and Finance is the Council's shareholder representative on the separate legal entities it has established (Brio Leisure, 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 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.
- Oversight of shareholder interests is exercised via the Corporate Leadership Team and there is a process of quarterly performance reporting to senior management.
- The Cheshire West and Chester Overview and Scrutiny Committee also receives update reports on performance and scrutinises annual business plan proposals, prior to member sign-off. A standing task group of the Overview and Scrutiny Committee was established during 2018-19 with terms of reference that include review of companies' performance and the effectiveness of the Council and companies in developing and implementing their respective strategies.
- A checklist of good governance practices has been developed by the Council's Legal Service and Internal Audit teams and is in the process of being applied to all Council companies to obtain assurance as to the robustness of arrangements in place.

Pension Fund

- The Council is the administering authority for the Cheshire Pension Fund. The Council reviews the discharge of its responsibilities through its Audit and Governance Committee. The Fund publishes its own statement of accounts on an annual basis and includes a "Governance Compliance Statement" which outlines compliance to industry specific governance principles.

- The Pension Fund Committee advises the Council's Section 151 Officer on the management of the Fund. Also, the Local Pension Board assists the Council to ensure the effective and efficient governance and administration of the Pension Fund responsibilities through the Council's Audit and Governance Committee.

Audit and Assurance Arrangements

- There is an established Audit & Governance Committee, responsible for overseeing the Council's audit and assurance arrangements. It provides independent review of the Council's governance, risk management and control frameworks and oversees annual governance processes. It also has other corporate governance responsibilities including making appointments to certain outside bodies and organisations and for considering Member Standards.
- The Council's Internal Audit function examines, evaluates and reports on the adequacy and effectiveness of internal control, risk management and governance arrangements operated throughout the Authority, in accordance with its Internal Audit Charter and risk-based Audit Plan. All recommendations made are followed up to ensure they have been implemented.
- Internal Audit Reports which rank the control environment as '1' or '2' (on a scale of 1-4, 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. How does the Council monitor and evaluate the effectiveness of its governance arrangements?

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

This process is set out in an assurance 'map' overleaf, using a 'three lines of defence' model to help identify and understand the different types of assurance, with further detail provided in support in subsequent paragraphs:

- First line of defence – business and operational management assurance ie management and supervisory controls
- Second line of defence – functions that oversee the risks eg performance management arrangements, Council committees.
- Third line of defence – independent assurances on the management of risk.

CHESHIRE WEST AND CHESTER COUNCIL - OVERALL ASSURANCE PROCESS MAP

Internal Control Framework: Key policies / procedures include:

- Constitution including Finance and Contract Procedure Rules
- Code of Corporate Governance
- Corporate Plan detailing high level objectives and priorities
- Budget Plan & Budgetary Control
- Medium Term Financial Strategy
- Information Governance Arrangements
- Performance Management and Data Quality Strategy
- Risk Management Strategy
- Project and Programme Management Arrangements
- Partnership working arrangements / protocols
- Anti-Fraud and Corruption Strategy(including Whistleblowing)
- Codes of Conduct (Members/Officers)

Draft Annual Governance Statement (AGS)
Prepared from sources of assurance below (including significant governance issues) - subject to review by CLT and A&GC.

Final Annual Governance Statement (AGS) (Signed by Leader and Chief Executive)
Published with the Statement of Accounts

Statutory Officers / Corporate Leadership Team / Senior Leadership Team
Provide oversight of the Council's assurance framework

First Line of Defence

Business and Operational Management

- Annual Director Assurance Statements regarding operation of management and internal control framework including:
  - Financial and performance management
  - Compliance with key policies and procedures
  - Recruitment and staffing arrangements
  - Decision making arrangements
  - In-house Service reviews of value for money
  - Information governance
  - Risk management and business continuity
  - Partnership arrangements

Second Line of Defence

Oversight and Support Arrangements

- Committee functions
- Senior management functions
- Performance management and reporting arrangements for Council and its companies
- Risk management arrangements including approval and monitoring of Corporate and Service risk registers
- Financial control – zero based budget reviews
- Functional compliance (Information governance, HR, Legal Services, Health and Safety, Commercial and Financial Management)

Third Line of Defence

Independent challenge and assurance

- Internal Audit – delivery of annual risk based audit plan and opinion
- External Audit – delivery of annual plan and annual audit letter
- Other potential sources of assurance as appropriate:
  - Ofsted / Care Quality Commission inspections
  - ICT health-check reviews
  - Local Government and Social Care Ombudsman
  - Information Commissioner's Office
  - Ad hoc reviews by government departments
  - Local authority peer reviews
  - Fraud reports and investigations

Business and Operational Management Assurance

The Internal Audit team distributed Statements of Assurance to Service Directors, seeking confirmation that a robust system of internal control and governance had been in place and working effectively during 2018-19. This included the identification of any significant governance issues and follow up of issues raised in the previous Annual Governance Statement. All Service Directors completed and returned the Statement of Assurance providing overall assurance that effective management control has been exercised during the year, including those in regard to significant partnerships and the Council's companies.

Statements of Assurance were also provided by the Directors and Council Companies in support of the Section 151 Officer sign off of the 'letter of representation'. This provides assurance to the external auditors that the Council systems and processes will not result in material errors in the financial statements. The assurances for the 2017-18 accounts were provided in July 2018.

Oversight and Support Arrangements

Senior Management Functions

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. Furthermore, 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
- Strategic Recommissioning 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 updating Schemes of Financial Delegation across all Council Services. The Schemes ensure effective devolvement of financial and budget management responsibilities with the associated responsibility for the proper stewardship of public funds.

Financial control

Self-assessment has confirmed full compliance with the CIPFA Statement on the Role of the Chief Financial Officer as set out in the Guidance Note to the Delivering Good Governance in Local Government Framework published in 2016. The mid-year review of financial performance reported to Cheshire West and Chester Overview and Scrutiny Committee and to Cabinet reported a forecast balanced revenue budget for 2018-19, with 74% of policy option savings forecast to be delivered.

During 2018-19, a number of Council Services have participated in benchmarking exercises and there have been a number of internal zero based budget reviews to ensure Council services deliver value for money. The majority of the services reviewed were found to be offering good value for money and no significant areas of improvement were identified although the following opportunities were noted:

- Exploring ways of working better with partners and adjusting funding levels e.g. Youth Offending Services.
- Reviewing activities and clarifying and agreeing key responsibilities and objectives for staff that focus on delivering benefits to the Council e.g. Adults and Children commissioning, Economic Growth, Housing Solutions and Property services
- Reviewing the cultural offer and considering ways of increasing income generation and improving communication to staff and residents.

Performance and Risk Management

During the year, performance against the ten Council Plan priorities was monitored and reported on against a range of key indicators on a quarterly basis to senior management and members. A Data Quality Strategy underpins the Corporate Performance Management Framework which ensures that the data is collated, validated and reported in a comprehensive and transparent way. The approach was subject to review by Internal Audit and found the strategy was well conceived with a clear framework, with areas of good practice identified within service areas and the Insight and Intelligence Team. No significant issues have been identified in regard to the Council's financial and budgetary control or performance management arrangements.

Performance data is reported on the www.performancecheshirewest.co.uk website. This shows that at the mid-year stage, of 102 performance measures where a performance status was reported, 57% of performance indicators were shown as on target, with 31% reported to be underperforming. Actions were agreed to address the areas of underperformance and of those latter measures some 59% were showing an improvement in performance at three quarter year stage, with some projected to meet their respective targets.

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. The Internal Audit review of risk management in 2017-18 found that processes are generally effective. The implementation of recommendations arising from the review was followed up during 2018-19, and confirmed that appropriate actions were being taken to address the issues previously raised.

Functional compliance

No issues of concern were highlighted through the Council's functional compliance arrangements.

The Council's Commercial Management Team concluded their review of a number of the Council's strategic contracts including Vivo Care Choices, Learning Disability Framework and the Home Improvement Agency. The review identified a number of areas for improvement in commissioning and contracting arrangements, with the recommendations arising being taken forward during the year. These included the establishment of a Strategic Recommissioning Board to provide effective and consistent governance over the recommissioning process for major contracts as they fall due.

The Information Governance Team confirmed that whilst there had been a number of data security incidents during the year they were assessed as low risk and none had reached the threshold where a report to the Information Commissioners Office was required. Where appropriate, staff were required to undertake the necessary training or complete the relevant ilearn modules.

Committee Functions

Council

The Council met on five occasions in 2018-19 and received / approved reports, including those relating to the 2019-20 Annual Budget and Setting of Council Tax; Annual Scrutiny Report; Appointment of Chief Executive; Review of Political Proportions – Appointments to Committees and Panels; Community Governance Reviews of various parishes and debates on petitions and notices of motions. It also received a number of the reports highlighted below from Cabinet and Audit and Governance Committee for approval.

Agendas and reports are accessible here: Council meetings

Cabinet

The Cabinet met on nine occasions in 2018-19 and received reports on a range of matters including Council Plan Performance; Reviews of Financial Performance; 2019-20 Budget Report; Medium Term Financial Strategy; Chester Northgate Development; Revised Equality and Diversity Policy; Scrutiny Reviews of Domestic Abuse and Care Leavers; Recommissioning of Care at Home Services; Learning Disability, Mental Health and Autism Spectrum Recommission; Recommendations Report of the Post Brexit Policy Commission; Plastic Free Communities; Extra Care Housing Care and Support Delivery; Schools Admission Arrangements; and Review of the Waste Services Contract.

Agendas and reports are accessible here: Cabinet meetings

Audit & Governance Committee

During 2018-19 the Committee was assessed to be compliant in all significant respects with CIPFA best practice guidance, as set out in 'Audit Committees: Practical Guidance for Local Authorities and Police' published in March 2018. In January 2018 the Committee had received a report summarising the key findings of an exercise which identified that the range of skills, knowledge and experience of its members was well balanced, ensuring it is in line with best practice at that time. It was determined that the Committee would complete a self-assessment every two years, with the next one due early 2020; and that an audit committee training session would be developed for delivery in June 2019.

The Audit & Governance Committee met on six occasions during 2018-19 and received / approved reports including those related to the Committee's Annual Report; the Council's Statement of Accounts; Internal Audit Plan, Progress Reports, the Head of Internal Audit Annual Report and Opinion and External Assessment of Internal Audit; External Audit Plans, Progress Reports, Audit Findings Report and Annual Audit Letter; Treasury Management Strategy, Update Reports and Annual Report; Review of Contract Procedure Rules; Risk Management Strategy and Corporate Risk Register; Health and Safety Annual Report; Annual Standards Report; Member Planning Protocol 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 six occasions during 2018-19 and scrutinised items including the Annual Budget Report; Annual Procurement Report; Performance and Finance Update and Annual Reports; Apprentice Strategy; and Homelessness Update Report. The Committee also received a report in relation to a 'Call-In' on the sale of the Council's freehold in land at the Chester Retail Park in Sealand.

The Committee also undertook a statutory review of flood management and has undertaken four other in-depth scrutiny reviews throughout the year covering Council Commercial

Companies; Community Engagement; Home to School Transport Policy 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

The Committee met on nine occasions during 2018-19 and its work programme included scrutinising: Local Safeguarding Adults / Children's Annual Reports; Public Health Annual Report; Better Care Fund and Delayed Transfers of Care; Adult Social Care Performance and Activity; Review of Special Education Needs and Disability High Needs Provision; Regional Adoptions Agency; Council Safeguarding Duties: Recommendation 41 Visits; Children's Centre Scrutiny Visits; and Adults and Children's Social Care Compliments, Complaints Annual Reports.

The Committee also undertook six in-depth scrutiny reviews covering Domestic Violence and Abuse; North West Ambulance Service; Care Leavers; Quality of Care Market; Numbers of Children Being Taken into Care; and Managing Illegal Encampments.

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

Places Overview and Scrutiny Committee

The Committee met on seven occasions during 2018-19 and its work programme included scrutinising: The Council's Support to Business; Neighbourhood Planning Process; Housing Delivery; Highways and Streetcare Customer Relationship Management System; Conditions of Highways and Pavements; 20mph Speed Limit Programme; and Community Assets Programme.

The Committee also undertook a statutory review of the Community Safety Partnership and four other in-depth scrutiny reviews covering Open Spaces, Management of the Night-Time Economy from a Licensing Perspective; Headteachers' Focus Group and Waste and Recycling.

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 authority's governance arrangements are fully compliant with the Public Service Pensions Act 2013.

With effect from 1st April 2018, governance arrangements were strengthened 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, in response to statutory requirements. The pool is managed on a day to day basis by LGPS Central Ltd, a wholly owned, investment management company regulated by the Financial Conduct Authority.

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

An action plan has been developed to address the improvement opportunities highlighted by the review, which will be progressed alongside outcomes from the national review of scheme governance currently being undertaken by the LGPS Scheme Advisory Board, and due to conclude in the summer of 2019.

Independent challenge and assurance

Internal Audit

The team completed 81% of the Internal Audit Plan in 2018-19, which equated to 66 audits, 33 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 33 scored reports, 12 were assessed as '2' (significant improvement in control framework required) or '1' (urgent system revision needed), with half of those related to individual schools. Whilst these low scored reports identify areas of control weakness, Internal Audit is satisfied that appropriate action is being taken to address the issues raised. The actions agreed in all reports are followed up by Internal Audit to ensure implementation and enhancement of the Council's internal control framework. Overall, 190 (84%) of Internal Audit's recommendations were implemented during the financial year.

Based on the work undertaken during the year, the Head of Internal Audit's Annual Report for 2018-19 will include 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 final report, received in April 2018, identified that Internal Audit 'fully conforms' to the Standards. Recommendations for further improvement arising from the review have been implemented, where appropriate.

External Audit

The Audit Findings Report was presented to Audit & Governance Committee in July 2018. The external auditors reported an unqualified opinion on the Council's annual accounts for 2017-18, 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 September 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 reported to Committee on their interim audit of the Council's accounts for 2018-19 in March 2019. Whilst, the findings are to be confirmed in a report to Committee in July 2019, at the time of reporting no material weaknesses were identified that would impact on their audit approach.

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 March 2019, summarises the findings from their scrutiny of relevant claims relating to funding claimed for the 2017-18 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, amounting to £22, out of a total of £82.3m claimed.

Other Inspections / Sources of Assurance

The Council's Children's Service was assessed as 'good' by Ofsted, further to its two week Inspection of Local Authority Children's Services (ILACS) during March 2019. The inspectors highlighted the positive work culture within the Service and noted that social workers were experienced, skilled and took the time to get to know the children they worked with. The report stated significant improvements had been made in several areas and that there was a strong culture of learning across the Service. The Council has stated that it will take on board all the recommendations made in the report.

The Council's Starting Well Service was also rated as good overall and outstanding for care in an inspection undertaken between August and September 2018 by the Care Quality Commission (CQC). The Council commission the Cheshire and Wirral Partnership NHS Foundation Trust to provide the health and wellbeing service to children, young people and their families in West Cheshire. The CQC made a number of positive comments including that the staff were highly skilled in recognising people's needs and finding appropriate ways to meet them; that the service had enough staff with the right qualifications, skills, training and experience to keep people safe from avoidable harm and abuse and provide the right care and treatment; and that the trust planned and provided services in a way that met the needs of local people and worked well with external organisations.

In January 2019 the Council was subject to a 'Troubled Families' earned autonomy monitoring visit by the Ministry of Housing, Communities and Local Government (MHCLG) to review progress in the delivery of the Council's plan to accelerate the transformation of services around families. The inspectors noted that "whole family working is well embedded in systems, processes and culture in the local authority and there is a strong narrative around all agencies playing their part". It was further noted that effective processes and systems were in place and that there was positive evidence of collaborative working. The MHCLG stated that it planned to ask the Council to further collaborate in 2019-20 to achieve sustainable early help and family support.

The Council's ICT systems were subject to review though a number of external reviews as well as self-assessments. There is an annual independent ICT health check by an accredited organisation which includes penetration testing to assess system security and vulnerability to cyber-attack; as well as various other external audits or self-assessments to satisfy the requirements of bodies such as the Council's external auditors; the NHS, central government departments such as the Department for Work and Pensions and Cabinet Office. No significant issues of concern were raised.

The Council was also subject to review by the General Register Office during 2018-19 as part of its programme of stock and security assurance reviews for the Registrar General and HM Passport Office. The review concluded that the Council maintains high security in relation to the arrangements for the receipt, storage and use of the secure certificate stock held.

In addition, the Driver and Vehicle Licensing Agency's Data Sharing Strategy Compliance Team undertook an inspection to review the reasons for each vehicle request, identify evidence available to support those requests and see how vehicle keeper data was used. The Compliance Team found a high level of compliance, and provided an overall 'Green' rating.

Other key sources of assurances on the control framework that operated in 2018-19, 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.
- Monthly Independent Regulation 44 visits to care homes, subject to review by the Home Improvement Board, Director of Children's Social Care and Chief Executive.
- Ofsted inspection of care homes.
- Lexcel accreditation of Legal Services, confirming compliance with practice management standards.

5. What were the significant governance issues arising in 2018-19?

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

- Deprivation of Liberty Safeguards
- Significant uncertainty about the level of the Council's future funding
- Exposure to financial risk from major projects
- Replacement of core financial systems
- Potential impact of exiting the European Union

Full details of the issues and of the proposed actions to address in 2019-20 are set out in the action plan at Appendix A. Management is aware of and is taking action to mitigate these significant governance issues. Details of significant issues that were highlighted last year but are now assessed as resolved are highlighted at Appendix B.

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:

Leader of the Council	**Chief Executive**
Date 15 July 2019	**Date 15 July 2019**

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 23 July 2019

Appendix A

Significant Governance Issues 2018-19

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	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 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 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. 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

Issue	Action
Adult Services. 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.	reviewed. The review will now be broadened to cover all looked after children in the Borough to ensure any further cases are identified. The Director of Children Services has directed all social workers to attend training provided by the Council's Legal Services team. A review of Children's DoLS, undertaken by Internal Audit, concluded in October 2018. The review identified that key controls were largely in place with just some fine tuning needed. Internal Audit has confirmed that the actions arising from the review to address the issues raised have now been implemented. The government proposes that DoLS are replaced by Liberty Protection Safeguards (LPS) in 2019. It is expected that the new system will be in place from September 2019, and would require parallel running of the two systems (DoLS and LPS) for 12 months. The Council's Legal Service team will review the revised legislation in 2019 to ensure that any implications for children and young people are identified and addressed.
2. **<u>Significant uncertainty about the level of the Council's future funding</u>** There continues to be a significant shift in the way in which the Council is funded, resulting in reduced Government funding and an increased reliance on locally generated income in the form of business rates and council tax. The Council is facing considerable financial uncertainty and unprecedented challenges notably: • 2019-20 being the last year of the agreed four year settlement with Government; • The comprehensive spending review which will be announced in 2019 will set out the prospects for future years funding; • The 'Fair Funding Review' currently being consulted on will also change the way that the total amount of money for Local Authorities is allocated (inevitably creating gainers	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. A four year Council and budget plan will be developed in summer 2019-20.

Issue	Action
and losers); • Significant cost pressures facing Adults and Children's Social Care. The future of funding to Adult Social Care is uncertain until the Green Paper is published; • The mechanics for the localisation of Business Rates are still yet to be finalised and published; and • The impact of the eventual outcome of 'BREXIT' is unknown. In 2019-20 the Council faces a funding gap of £21.4m. This funding gap is being bridged by the generation of additional income of £12.9m and budget savings of £8.5m. It is estimated that the funding gap over the period 2020-24 could be in the region of £20m and, as a result of this and the level of funding uncertainty going forward, the Council will develop a four year Council and budget plan. The Council has already identified savings proposals of £5.8m for the period 2020 -2022 and further proposals are being developed as part of the four year plan. The Council has well established processes in place to monitor the delivery of budget savings, but delivery of this level of savings will be challenging.	The Council will continue to respond to published consultation documents on the proposed changes to funding and ensure the financial scenario is updated accordingly.
3. <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.	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 reported, 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.

Issue	Action
• 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. • Dedicated project boards are established. • CLT Delivery Board meets monthly and reviews the Council's major projects. • A Commercial Investment Strategy has been approved by Council to provide a framework to help it shape, manage and prioritise its existing and planned investments. An investment board has been set up to monitor the financial risks on the Council's balance sheet and to ensure actions are taken to minimise the financial risk faced by the Council.	
4. <u>Replacement of core financial systems</u> The Council is currently 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.	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 ensuring the delivery of business efficiencies. • A re-plan of the project has been undertaken (starting in March 2019) to ensure the final product provides services that meet the Councils' requirements and ensures business continuity and improvement at go-live.

<table>
<tr><th>Issue</th><th>Action</th></tr>
<tr><td></td><td>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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5. <u>Potential impact of exiting the European Union</u>

The UK is scheduled to leave the European Union on 31 October 2019, or earlier, subject to a Withdrawal Agreement being approved at a national level.

Whilst there are still uncertainties regarding the specific timing and nature of this process, it is known that leaving the EU will impact on both the operations of the Council, as well as residents and businesses based within the borough. Some of the potential implications include:

- Local economy: Changes in trade terms and labour migration could impact upon the economic health of the borough.
- European Union Funding: The Council receives funding from the EU through the ESF and ERDF.
- Regulations and Rules: Leaving the EU may impact on issues including Procurement, State Aid, as well as the standards and approaches that underpin our approach to Regulatory Services.
- Citizenship and Democracy: There are a number of issues which the council is responsible regarding citizenship; this includes the right of non-UK EU nationals to vote in EU elections, and the administration of the Settled Status Scheme.

Beyond these specific themes, there was also the potential that the UK could leave the European Union without a deal, this is known as a “No Deal” Scenario. It was recognised both nationally and locally that this could create short-term disruption, and would require a coordinated approach from across Council services to ensure continuity of services within this context.

</td><td>

A number of actions have been taken to mitigate this risk, this includes the development of a post Brexit Policy Commission. A cross-party working group of Councillors was established to support the Organisation’s planning for Brexit. This group met five times in 2018-19 to examine national information, and local evidence to support planning on these issues, and developed 26 recommendations through the following process:

- Expert contributions: The Commission received presentations from expert witnesses, including the Local Enterprise Partnership, Chamber of Commerce, and North West Skills to support the development of local recommendations.
- Local Evidence Base: The Commission held a public call for evidence on the issue of Brexit, receiving evidence from local residents, partners, and businesses, including: Grosvenor Estate, John Lennon Airport, Peel Holdings, Chester Voluntary Action, Countess of Chester Hospital, and local residents.
- Refinement of Recommendations: A session was held with members of the Commission and representatives from the LGA to consider and refine locally developed recommendations before they were presented to Cabinet (20 March 2019).

Since the recommendations of the policy commission have been approved the following progress has been made on them:

- A dedicated survey and questionnaire has been issued to all providers of the Council to support our understanding of third party exposure on issues of Brexit.
- Business Continuity Workshops have been held with all Council

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</table>

Issue	Action
	Directors, and MD's of Council companies. • Resilience and Business Continuity Workshops have been held with providers of adult social care, informed through the findings of the local questionnaire. • Communications in-line with the Government's Communication Toolkit. Beyond the Policy Commission, the Council has developed a Brexit Working Group to take forward these recommendations, and support the organisation's response. This group is closely aligned to the work of the Cheshire Resilience Forum, and officers from this group attended the MHCLG planning exercise on "no deal" issues to support local understanding.

Appendix B

Issues raised in the previous Annual Governance Statement (2017-18) that have been resolved
(Action has been taken and / or the issue is no longer significant)

Issue	Action

1. Information Governance
 	
Data Protection was a high priority issue in the Council, with critical preparation work undertaken in 2018-19 prior to the new Data Protection Regulation (GDPR) which became law on 25 May 2018, including the following:
• 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.
 	
Work also continued 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.
	During 2018-19 a significant amount of work was undertaken by the Data Protection (DP) Team to support the Council's work towards compliance with the new data protection legislation.
	
	Progress on the road to compliance has included the following:
	• Comprehensive staff training programme including 21 face to face sessions for 'higher-risk' officers, and a revised set of online I-learn courses for all staff to complete as part of their annual performance appraisal.
	• Separate, role-specific training delivered for all tier 4 Managers who are responsible for personal data held in their operational areas. These officers are referred to as Data Guardians and should ensure that the following are complete, up-to-date, monitored and data protection compliant in their work areas:
	  ◦ Information Sharing Agreements
	  ◦ Records of Processing Activities Register (ROPA)
	  ◦ Service Privacy Notices
	  ◦ Contracts with Suppliers
	  ◦ Access to all data systems holding personal data
	  ◦ Staff Data Protection Training
	• Ongoing work to ensure all contracts with suppliers have relevant data protection clauses, with specific work to ensure compliance continues should the UK leave the EU.
	• Dedicated Data Protection Officer support service offer to the Council's maintained schools. For those schools choosing to make their own arrangements, the DP team have worked with the LEA to gain assurances that maintained schools have appropriate arrangements in place to meet the new legislation requirements.

Issue	Action
	• Ongoing comprehensive support to Council change and technology projects involving personal data through the DPO's review of Data Protection Impact Assessments and related support to projects. This work has been essential to embed the 'privacy by design' requirement under the new legislation. • Review and publication of service specific privacy notices and ongoing review of Records of Processing Activities Register Entries ensuring compliance with Article 13 and 30 of the GDPR. • Update and publication of policies relating to Data Protection, Information Security and Records Management. • Review and development of processes to handle new information rights / agency exemption requests and breach notifications, resulting in a review of the support required to handle the right of access requests within reduced timescales and the redevelopment and publication of new processes on the Cheshire West and Chester website. Internal Audit is still providing support to the Service to complete associated reviews and is due to undertake a review of arrangements to ensure compliance with GDPR in 2019-20. **Issue resolved with ongoing monitoring under routine business**
2. <u>Delivery of ICT Services</u> Following the outcomes of the independent and joint EY review of ICT delivery there has been a major revision of the governance arrangements in place around the management of the ICT Shared Service and development of the ICT Client Team. As a result of this significant redesign ICT is no longer considered an area of elevated risk in terms of Council governance. Whilst it is recognised the impact of any ICT related issue can mean significant impact to the delivery of frontline services to residents, the likelihood of this occurring has been brought within acceptable levels.	• The ICT contract has been revised and strengthened. This includes the development of a milestone plan with target actions for both the Council and the ICT SS. A revised performance management framework has been in place through 2018-19 following the recommendations from the Joint ICT Review and is currently being revised further. Robust contract management and governance arrangements will ensure ICT services are delivered to target or escalated as required. • The Council's ICT Client Team has received investment to enable to team to extend its capabilities. This has put the team in a much stronger position to better manage the relationship with ICT SS and

Issue	Action
Critical areas of concern highlighted previously include: - A lack of robust contract arrangements in place with ICT SS - The need for a clear performance management framework - A lack of an integral joint governance framework - The need for clear contract management processes - Risk of cyber-attack and Council preparedness - Lack of IT business continuity planning - The need for robust asset management processes A comprehensive programme of work over the last 12 months has delivered significant change in this critical area.	the delivery of programmes. The re-designed team covers ICT Strategic Commissioning, Business Relationship Management and Programme Delivery. With regards commissioning, revised processes have been introduced to give clarity to how programmes are set up, structured and reported on through the delivery lifecycle. • A new governance structure has been in place through 2018/19 to monitor delivery of the transformation of ICT services – Joint Strategic Board supported by Joint Service Improvement Board and Joint Design Board. This governance approach is led by both councils, supported by the ICT Shared Service management team and both councils' ICT client teams. • Recent internal audits in key areas such as cyber risk and asset management have delivered improved outcomes such as the new business continuity plan for ICT and systems register. The Council is also connected to the national programme around cyber awareness through the National Cyber Security Centre. A recent LGA Cyber Stocktake exercise identified the Council as performing effectively across a range of key technical controls, thereby reducing the risk of cyber-attack. Asset management has been a key area of focus for the ICT client team. Improvements cover the introduction of a new asset lifecycle refresh programme with associated funding; the purchase of an asset management tool (Snow) which will record both IT hardware and software and support the delivery of an improved process; an interim system register which records critical information about the Council's key line of business applications. The system register is a fundamental tool for the ICT client team and supports the business planning process, business continuity planning and an effective procurement cycle. • A recent data centre outage early in 2019 highlighted the importance of maintaining business continuity plans across Council Services. The

Issue	Action
	newly developed ICT business continuity plan was tested through this critical incident and was found to be effective. These plans have been reviewed following this incident to take advantage of any learning. **Issue resolved with ongoing monitoring under routine business**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHESHIRE WEST AND CHESHIRE 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 2019 which comprise the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on 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 2018/19.

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 2019 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 2018/19; 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.

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

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

Matters on which we are required to report by exception

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

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

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

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

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

As explained 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 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Operating Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Operating Officer is responsible for assessing the 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 there is an intention by government that the services provided by the Authority will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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 2019.

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 2019.

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 - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the 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 2019. 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 2019.

Use of our report

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

Mark R Heap

Mark R Heap, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

30 July 2019

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 materially different to the disclosures in the Council's single entity accounts.

Cheshire West and Chester

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

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

	2018-19			Restated 2017-18 £000
	Expenditure £000	Income £000	Net £000	
Adults Directorate	153,097	-31,875	121,222	117,298
Children's Directorate	313,176	-244,266	68,910	64,437
Places Directorate	132,586	-45,347	87,239	81,190
Corporate Services Directorate	111,885	-79,944	31,941	31,701
HRA	15,410	-22,189	-6,779	-9,144
Other	23,969	-33,910	-9,941	19,790
Capital Financing	251	-8	243	384
Cost of Services	**750,374**	**-457,539**	**292,835**	**305,656**
Other Operating Income & Expenditure	23,705	-14,770	8,935	3,501
Financing & Investment Income and Expenditure	30,873	-13,162	17,711	25,949
Taxation & Non-Specific Grant Income & Expenditure	17,700	-302,463	-284,763	-289,914
(Surplus)/Deficit on Provision of Services	**822,652**	**-787,934**	**34,718**	**45,192**
Share of the SDPS by Joint Ventures and Associates (-Profit/Loss)			-4	-2
Tax expenses of Joint Ventures and Associates				
Tax expenses of Subsidiaries			-237	-332
Group (Surplus)/Deficit			**34,477**	**44,858**
Surplus on Revaluation of Assets			-74,653	-73,439
Re-measurement (gain)/loss on pension assets/liabilities				-79,241
			97,661	
			0	92
(Surplus)/deficit on revaluation of available for sale assets				
Others				
Deferred tax on actuarial gains			-583	335
Share of Other Comprehensive Income & Expenditure of Associates			2	2
Share of the CIES of Joint Ventures				
Other Comprehensive Income & Expenditure			**22,427**	**-152,251**
Total Comprehensive Income and Expenditure			**56,904**	**-107,393**

Group Movement in Reserves Statement for the year ended 31 March 2019

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 2018-19	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 Reserves £000	Total Usable Reserves £000	Council's Unusable Reserves £000	Council's share of Group Company Unusable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Group £000
Balance at 31 March 2018 (Restated)	**24,431**	**10,351**	**78,308**	**113,090**	**660**	**8,867**	**9,583**	**22,985**	**155,185**	**-6,597**	**148,588**	**636,806**	**221**	**637,027**	**785,615**
Transition of IFRS 9 & IFRS 15	**781**			**781**					**781**		**781**	**107**		**107**	**888**
Restated Opening Balance at 1 April 2018	**25,212**			**113,871**					**155,966**		**149,369**	**636,913**		**637,134**	**786,503**
Surplus or (deficit) on provision of services (accounting basis)	-24,818	0	0	-24,818	5,591	0	0	0	-19,227	-15,250	**-34,477**				**-34,477**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	0	-3,098	**-3,098**	-19,327	-2	-19,329	**-22,427**
Total Comprehensive Expenditure and Income	**-24,818**	**0**	**0**	**-24,818**	**5,591**	**0**	**0**	**0**	**-19,227**	**-18,348**	**-37,575**	**-19,327**	**-2**	**-19,329**	**-56,904**
* Adjustments between group accounts and the Council's accounts	-12,243	0	0	-12,243	0	0	0	0	-12,243	12,243	**0**	**0**	**0**	**0**	**0**
**Adjustments between accounting basis & funding basis under regulations	54,498	0	0	54,498	-5,527	-875	3,674	-6,945	44,825	0	**44,825**	-44,825	0	-44,825	**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**17,437**	**0**	**0**	**17,437**	**64**	**-875**	**3,674**	**-6,945**	**13,355**	**-6,105**	**7,250**	**-64,152**	**-2**	**-64,154**	**-56,904**
Transfers to/from Earmarked Reserves	**-17,923**	**-1,391**	**19,384**	**70**	**-69**	**0**	**0**	**-1**	0	**0**	**0**	**0**	**0**	**0**	**0**
Increase/(Decrease) in Year	**-486**	**-1,391**	**19,384**	**17,507**	**-5**	**-875**	**3,674**	**-6,946**	**13,355**	**-6,105**	**7,250**	**-64,152**	**-2**	**-64,154**	**-56,904**
Balance at 31 March 2019	**24,726**	**8,960**	**97,692**	**131,378**	**655**	**7,992**	**13,257**	**16,039**	**169,321**	**-12,702**	**156,619**	**572,761**	**219**	**572,980**	**729,599**

*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.

Group Movement in Reserves Statement 2017-18 Comparative figures

This schedule shows the restated movement in reserves for the comparative financial year 2017-18.

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 Reserves £000	Total Usable Reserves £000	Council's Unusable Reserves £000	Council's share of Group Company Unusable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Group £000
Balance at 31 March (Restated)	**25,027**	**10,004**	**59,092**	**94,123**	**848**	**9,561**	**3,568**	**23,103**	**131,203**	**-6,596**	**124,607**	**553,392**	**223**	**553,615**	**678,222**
Surplus or (deficit) on provision of services (accounting basis)	-39,394	0	0	-39,394	7,935	0	0	0	-31,459	-13,399	**-44,858**	0	0	0	**-44,858**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	0	2,226	**2,226**	150,027	-2	150,025	**152,251**
Total Comprehensive Expenditure and Income	**-39,394**	**0**	**0**	**-39,394**	**7,935**	**0**	**0**	**0**	**-31,459**	**-11,173**	**-42,632**	**150,027**	**-2**	**150,025**	**107,393**
* Adjustments between group accounts and the Council's accounts	-11,172			-11,172					-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	0	**66,613**	-66,613	0	-66,613	**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**18,898**	**0**	**0**	**18,898**	**-119**	**-694**	**6,015**	**-118**	**23,982**	**-1**	**23,981**	**83,414**	**-2**	**83,412**	**107,393**
Transfers to/from Earmarked Reserves	**-19,494**	**347**	**19,216**	**69**	**-69**	**0**			0		**0**				**0**
Increase/(Decrease) in Year	**-596**	**347**	**19,216**	**18,967**	**-188**	**-694**	**6,015**	**-118**	**23,982**	**-1**	**23,981**	**83,414**	**-2**	**83,412**	**107,393**
Balance at 31 March 2018	**24,431**	**10,351**	**78,308**	**113,090**	**660**	**8,867**	**9,583**	**22,985**	**155,185**	**-6,597**	**148,588**	**636,806**	**221**	**637,027**	**785,615**

Group Balance Sheet as at 31 March 2019

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

	31 March 2019 £000	Restated 31 March 2018 £000
Non-Current Assets		
- Property, Plant and Equipment	1,342,944	1,305,128
- Heritage Assets	29,374	29,099
- Investment Properties	137,922	111,548
- Intangible Assets	2,087	3,847
Long Term Investments	9,242	0
Investments in Associates	366	364
Deferred Taxation Asset	0	51
Long Term Debtors	11,585	7,370
Long Term Assets	**1,533,520**	**1,457,407**
Short Term Investments	9,999	25,000
Assets held for Sale	10,900	13,175
Current Intangible Assets	0	130
Inventories	184	155
Short Term Debtors	52,263	43,249
Cash and Cash Equivalents	38,071	30,169
Current Assets	**111,417**	**111,878**
Short Term Borrowing	-21,748	-24,859
Short Term Creditors	-114,444	-111,411
Provisions < 1 yr	-2,072	-1,502
Current Liabilities	**-138,264**	**-137,772**
Provisions	-23,302	-20,544
Long Term Borrowing	-266,967	-271,994
Pension Fund Liability	-441,160	-310,221
Other Long Term Liabilities	-27,902	-28,757
Capital Grant Receipts in Advance	-17,743	-14,382
Long Term Liabilities	**-777,074**	**-645,898**
Net Assets	**729,599**	**785,615**
Usable Reserves	156,619	148,588
Unusable Reserves	572,980	637,027
Total Reserves	**729,599**	**785,615**

The group companies for year ending 31 March 2018 have been restated to recognise the audited accounts for those entities.

Group Cash Flow Statement for the year ended 31 March 2019

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 2019 £000	31 March 2018 Restated £000
Net (surplus) or deficit on the provision of services	34,718	45,192
Adjust net surplus or deficit on the provision of services for non cash movements	-106,697	-147,660
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	40,942	55,122
Net cash flows from Operating Activities	**-31,037**	**-47,346**
Investing Activities	14,400	42,586
Financing Activities	8,735	4,012
Net increase in cash and cash equivalents	**-7,902**	**-748**
Cash and cash equivalents at the beginning of the reporting period	30,168	29,420
Cash and cash equivalents at the end of the reporting period	38,070	30,168
Net increase in cash and cash equivalents	**-7,902**	**-748**

The group companies for year ending 31 March 2018 have been restated to recognise the audited accounts for those entities.

Notes to the group core financial statements

Group Audit Costs for the year ended 31 Mach 2019
Group Audit Costs for subsidiary companies consolidated on a line by line basis.

Fees Payable for Audit Work	2018-19 £000	2017-18 Restated £000
Fees payable for external audit services in regards to Cheshire West and Chester Council	118	153
Fees payable for external audit services in regards to certification of grant claims and other services for Cheshire West and Chester Council	23	36
Fees payable for external audit services in regards to subsidary companies in group	24	28
Total	**165**	**217**

1. Overview

Cheshire West and Chester chooses to deliver its services through a variety of delivery models, either under ultimate control or in partnership with other organisations. The financial statements consider the Cheshire West and Chester Council as a single entity thus any business interests in other organisations are reflected in terms of the level of the Council's investment and not their financial performance, year-end balances and exposure to risk. In order to reflect a full picture of the Council's financial activities and business relationships, group financial statements are produced to reflect the extent of Cheshire West and Chester's involvement in group undertakings.

The Group

The relevant accounting standards have been applied in determining which organisations are included in the group boundary. The extent of the Council's interest and control over the entity was considered as was the materiality of the financial impact on the Council's group accounts and the transparency of less material entities to allow the reader to understand the Group's consolidated position. From this assessment 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 2018-19 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 2018-19 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 Council's single entity accounts (Note 37).

2. Accounting policies

The group accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and those International Financial Reporting Standards where CIPFA had provided guidance notes.

The accounting policies used in preparing the group accounts reflect those used by Cheshire West and Chester Council in their single entity financial statements, these can be found in Note 1 of the Chester West and Chester Financial Statements. In order to ensure consistency of Accounting treatment and the alignment of policies across the group the following policies have been adopted:

Consolidation of Subsidiaries
Subsidiaries have been consolidated using the acquisition accounting basis. This is the full, line by line consolidation of financial transactions and balances of the Council and its subsidiary companies. To avoid overstating balances within the group financial statements, all transactions and balances between the Council and group companies have been eliminated.

Consolidation of Joint Venture and Associate
Both the Joint Venture and Associate companies have been consolidated using the equity method. Here an investment is brought into the group balance sheet and adjusted to reflect the Council's share in the venture's net asset movement. The Council's share of the body's operating results for the year is included within the group income and expenditure account. Transactions between the Council and these bodies are not eliminated.

Alignment of accounting framework and policies
Where the accounting framework used by group companies differs from that of the Council (FRS102 rather than IAS19) including the accounting policies and the impact of such differences would have a material impact on the group financial statements then the relevant balances from the group companies will be adjusted to bring the accounting treatment into line with that applied by the Council.

Unrealised profits from intra-group transactions
Any unrealised profit reflected in the carrying amount of property, plant and equipment and inventory arising from trading between the Council and its group companies will be eliminated to avoid the double counting of gains.

Company losses Accounting Treatment
Pension's deficits are the main contributor to the loss and these are included in the group accounts. The approach to recording losses is to reduce the reported investment in the group companies, 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
See Notes 4 and 37 of the Council's Accounts.

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.

Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Intra-group transactions £000	Group Results £000
Adults Directorate	120,048	1,174			121,222
Children's Directorate	68,910				68,910
Places Directorate	85,471	1,768			87,239
Corporate Services Directorate	31,941				31,941
HRA	-6,779				-6,779
Other	-9,941				-9,941
Capital Financing	243				243
Cost of Services	**289,893**	**2,942**	**0**	**0**	**292,835**
Other Operating Income & Expenditure	8,940	-5			8,935
Financing & Investment Income and Expenditure	17,400	311			17,711
Taxation & Non-Specific Grant Income & Expenditure	-284,763				-284,763
(Surplus)/Deficit on Provision of Services	**31,470**	**3,248**	**0**	**0**	**34,718**
Share of the SDPS by Joint Ventures and Associates (-Profit/Loss)			-4		-4
Tax expenses of Joint Ventures and Associates					0
Tax expenses of Subsidiaries		-237			-237
Group (Surplus)/Deficit	**31,470**	**3,011**	**-4**	**0**	**34,477**
Surplus on Revaluation of Assets	-74,653				-74,653
Re-measurement Gain/-loss on pension assets/liabilities	93,980	3,681			97,661
Surplus / Deficit on revaluation of available for sale assets	0				0
Other					
Deferred tax on actuarial gains		-583			-583
Share of Other Comprehensive Income & Expenditure of Associates			2		2
Share of the CIES of Joint Ventures					0
Other Comprehensive Income & Expenditure	**19,327**	**3,098**	**2**	**0**	**22,427**
Total Comprehensive Income and Expenditure	**50,797**	**6,109**	**-2**	**0**	**56,904**

Movement in Reserves Statement as at 31 March 2019

Cheshire West and Chester Council Group 2018-19	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 2018 (Restated)	**155,185**	**0**	**155,185**	**(6,740)**	**143**	**148,588**	**636,806**	**0**	**221**	**637,027**	**785,615**
Transition of IFRS 9 & IFRS 15	**781**		**781**			**781**	**107**			**107**	**888**
Restated Opening Balance at 1 April 2018	**155,966**		**155,966**			**149,369**	**636,913**			**637,134**	**786,503**
Surplus or (deficit) on provision of services (accounting basis)	(31,470)	12,243	(19,227)	(15,254)	4	(34,477)					**(34,477)**
Other Comprehensive Expenditure and Income				(3,098)	0	(3,098)	(19,327)	0	(2)	(19,329)	**(22,427)**
Total Comprehensive Expenditure and Income	**(31,470)**	**12,243**	**(19,227)**	**(18,352)**	**4**	**(37,575)**	**(19,327)**	**0**	**(2)**	**(19,329)**	**(56,904)**
Adjustments between group accounts and Council's accounts		(12,243)	**(12,243)**	12,243		0				0	**0**
Adjustments between accounting basis & funding basis under regulations	44,825		44,825	0	0	44,825	(44,825)	0	0	(44,825)	**0**
Increase / (Decrease) in Year	**13,355**	**0**	**13,355**	**(6,109)**	**4**	**7,250**	**(64,152)**	**0**	**(2)**	**(64,154)**	**(56,904)**
Balance at 31 March 2019	**169,321**	**0**	**169,321**	**(12,849)**	**147**	**156,619**	**572,761**	**0**	**219**	**572,980**	**729,599**

Cheshire West and Chester

Balance Sheet as at 31 March 2019

	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Intra-group transactions £000	Group Results £000
Non-Current Assets	1,510,151	89			1,510,240
Intangible Assets	2,087				2,087
Long Term Investments	9,242				9,242
Investments in Associates	0		366		366
Deferred Taxation Asset	0				0
Long Term Debtors	11,828			-243	11,585
Long Term Assets	**1,533,308**	**89**	**366**	**-243**	**1,533,520**
Short Term Investments	9,999				9,999
Assets held for Sale	10,900				10,900
Current Intangible Assets	0				0
Inventories	128	56			184
Short Term Debtors	52,088	1,607		-1,432	52,263
Cash and Cash Equivalents	35,330	2,741			38,071
Current Assets	**108,445**	**4,404**	**0**	**-1,432**	**111,417**
Short Term Borrowing	-21,748				-21,748
Short Term Creditors	-111,325	-4,551		1,432	-114,444
Provisions < 1 yr	-2,072				-2,072
Current Liabilities	**-135,145**	**-4,551**	**0**	**1,432**	**-138,264**
Provisions	-23,302				-23,302
Long Term Borrowing	-266,967				-266,967
Pension Fund Liability	-428,969	-12,191			-441,160
Other Long Term Liabilities	-27,545	-600		243	-27,902
Capital Grant Receipts in Advance	-17,743				-17,743
Long Term Liabilities	**-764,526**	**-12,791**	**0**	**243**	**-777,074**
Net Assets	**742,082**	**-12,849**	**366**	**0**	**729,599**
Usable Reserves	169,321	-12,849	147		156,619
Unusable Reserves	572,761	0	219		572,980
Total Reserves	**742,082**	**-12,849**	**366**	**0**	**729,599**

The Pension Liability of £441.1m does not include any IAS19 liabilities for Joint Ventures of £5.7m.

Cash Flow Statement for the year ended 31 March 2019

	Council Single Entity £000	Subsidiaries £000	Intra-group transactions £000	Group Results £000
Net cash flows from Operating Activities	-30,866	-177	6	-31,037
Investing Activities	14,370	36	-6	14,400
Financing Activities	8,696	39		8,735
Net increase in cash and cash equivalents	**-7,800**	**-102**	**0**	**-7,902**
Cash and cash equivalents at the beginning of the reporting period	27,530	2,638		30,168
Cash and cash equivalents at the end of the reporting period	35,330	2,740		38,070
Net increase in cash and cash equivalents	**-7,800**	**-102**	**0**	**-7,902**

4. Defined benefit pension schemes

The following transactions have been included in the Group Comprehensive Income and Expenditure Statement and the General Fund Balance through the Group Movement in Reserves Statement.

	<----------LGPS	------------->			Teachers	Total
	CW&C	Vivo	Brio Leisure	Group	2018-19	2018-19
	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement						
Service cost comprising:						
Current service cost	43,480	3,029	1,477	**47,986**		**47,986**
Past service costs and curtailments	5,845	1		**5,846**		**5,846**
(Gain) from settlements	-1,512			**-1,512**		**-1,512**
Financing and Investment Income and Expenditure						
Net Interest Cost	7,706	189	47	**7,942**	741	**8,683**
Total post-employment benefits charged to Surplus or Deficit on the Provision of Services (SDPS)	55,519	3,219	1,524	**60,262**	741	**61,003**
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability comprising:						
Return on plan assets (excluding the amount included in the net interest expense)	-36,395	-769	-713	**-37,877**		**-37,877**
Actuarial Gains / Losses arising on changes in demographic assumptions				**0**		**0**
Actuarial Gains / Losses arising on changes in financial assumptions	130,283	3,799	1,323	**135,405**	746	**136,151**
Other experience				**0**	-654	**-654**
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	149,407	6,249	2,134	**157,790**	833	**158,623**
Movement in Reserves Statement						
Reversal of net charges made to the SDPS for post-employment benefits	-55,519	-3,219	-1,524	**-60,262**	-741	**-61,003**
Actual amount charged against the General Fund						
Employers' contributions	22,145	1,702	836	**24,683**		**24,683**
Retirement Benefits Payable				**0**	2,171	**2,171**

Pensions and Liabilities Recognised in the Balance Sheet

	LGPS 2018-19 £000	Teachers 2018-19 £000	Total 2018-19 £000	LGPS 2017-18 £000	Teachers 2017-18 £000	Total 2017-18 £000
Present value of obligations	-1,861,569	-28,234	-1,889,803	-1,669,064	-29,572	-1,698,636
Fair value of plan assets	1,447,189	0	1,447,189	1,387,792	0	1,387,792
Net Pension Liability	**-414,380**	**-28,234**	**-442,614**	**-281,272**	**-29,572**	**-310,844**

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilitites	<------------- LGPS ------------->				Teachers	Total
	CW&C £000	Vivo £000	Brio Leisure £000	Group £000	2018-19 £000	2018-19 £000
Opening Balance	**1,620,721**	**33,757**	**14,586**	**1,669,064**	**29,572**	**1,698,636**
Current Service Costs	43,480	3,029	1,477	47,986	0	47,986
Interest Cost	43,785	953	415	45,153	741	45,894
Contribution by Scheme Members	7,133	449	242	7,824	0	7,824
Remeasurement (gains) and losses:						
Actuarial (gains)/losses arising from changes in financial assumptions	130,283	3,799	1,323	135,405	746	136,151
Other experience	0	0	0	0	-654	-654
Benefits Paid		-331	-88	-419	-2,171	-2,590
Entity Combinations	-45,559			-45,559		-45,559
Past Service Costs & curtailments		1	0	1	0	1
Exceptional Past Service Costs	5,845			5,845		5,845
Liabilities Extinguished on Settlement	-3,731	0	0	-3,731	0	-3,731
Closing balance at 31 March 2019	**1,801,957**	**41,657**	**17,955**	**1,861,569**	**28,234**	**1,889,803**

Movement in Fair Value of Assets	<------------- LGPS ------------->				Teachers	Total
	CW&C £000	Vivo £000	Brio Leisure £000	Group £000	2018-19 £000	2018-19 £000
Opening Balance	**1,347,249**	**27,395**	**13,148**	**1,387,792**	**0**	**1,387,792**
Interest income	36,079	764	368	37,211	0	37,211
Remeasurement (gains) and losses:						
Return on plan assets, excluding the amounts included in net interest	36,395	769	713	37,877	0	37,877
Other						
Administration expenses						
Employer Contributions	22,144	1,702	836	24,682	0	24,682
Contribution by scheme members	7,133	449	242	7,824	0	7,824
Contributions - unfunded benefits					2,171	2,171
Benefits paid	-45,559	-331	-88	-45,978	0	-45,978
Unfunded benefits paid					-2,171	-2,171
Assets distributed on Settlement	-2,219	0	0	-2,219	0	-2,219
Closing balance at 31 March 2019	**1,401,222**	**30,748**	**15,219**	**1,447,189**	**0**	**1,447,189**

Total Surplus/Deficit	**-400,735**	**-10,909**	**-2,736**	**-414,380**	**-28,234**	**-442,614**
Deferred Taxation on losses	**0**	**1,453**	**0**	**1,453**	**0**	**1,453**
Net liability at 31 March 2019	**-400,735**	**-9,456**	**-2,736**	**-412,927**	**-28,234**	**-441,161**

Local Government Pension Scheme Assets

	Quoted Prices in active markets 2018-19 £000	Quoted Prices not in active markets 2018-19 £000	Total 2018-19 £000	Share of Total Assets %	Quoted Prices in active markets 2017-18 £000	Quoted Prices not in active markets 2017-18 £000	Total 2017-18 £000
Cash & Cash Equivalents		28,299	**28,299**	**2%**		49,026	**49,026**
Equity Securities:							
By industry type:							
Consumer	17,631		17,631	2%	28,806		28,806
Manufacturing	10,951		10,951	1%	19,214		19,214
Energy and Utilities	2,315		2,315	0%	2,717		2,717
Financial Institutions	20,514		20,514	2%	25,412		25,412
Health and Care	6,441		6,441	0%	8,465		8,465
IT	68,241		68,241	5%	98,060		98,060
Other	4,537		4,537	0%	5,014		5,014
	130,630	**0**	**130,630**		**187,688**	**0**	**187,688**
Debt Securities							
By Sector:							
Other			0				0
	0	**0**	**0**		**0**	**0**	**0**
Private equity:	0	50,275	**50,275**	**3%**	0	44,316	**44,316**
Real Estate:							
UK	0	118,679	118,679	8%	0	104,506	104,506
Overseas	0	2,106	2,106	0%	0	2,120	2,120
	0	**120,785**	**120,785**		**0**	**106,626**	**106,626**
Investment funds and unit							
Equities	207,443	0	207,443	14%	143,707	0	143,707
Bonds	551,403	103,851	655,254	45%	520,146	99,002	619,148
Hedge Funds	0	194,749	194,749	14%	0	176,024	176,024
Other	0	59,754	59,754	4%	0	61,256	61,256
	758,846	**358,354**	**1,117,200**		**663,853**	**336,282**	**1,000,135**
Total Assets	**889,476**	**557,713**	**1,447,189**	**100%**	**851,541**	**536,250**	**1,387,791**

The principal assumptions used by the actuary have been

The estimation is assessed on a actuarial basis by Hymans for all group companies.

		LGPS 2018-19	LGPS 2017-18
Financial Assumptions			
Rate of increase in salaries		2.8%	2.7%
Rate of increase in pensions		2.5%	2.4%
Discount rate used			
Rate used to Discount liabilities		2.4%	2.7%
Demographic Mortality Assumptions			
Longevity at 65 for current pensioners			
	Men	22.3 years	22.3 years
	Women	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

Sensitivity analysis - impact on the defined benefit obligation in the scheme	Increase in assumption LGPS £000	Increase in assumption Teachers £000	Decrease in assumption LGPS £000	Decrease in assumption Teachers £000
Longevity (change by 1 year)	77,151	1,129	-77,151	-1,129
Salary inflation (change by 0.5%)	27,298	0	-27,298	0
Pension inflation (change by 0.5%)	158,094	2,304	-158,094	-2,304
Discount rate (change by 0.5%)	-188,542	-2,304	188,542	2,304

	CW&C		Vivo		Brio		Edsential	
	Liability Split %	Average Duration (Years)	Liability Split %	Average Duration (Years)	Liability Split %	Average Duration (Years)	Liability Split %	Average Duration (Years)
Active members	41.4%	24.4	87.9%	23.4	94.5%	24.8	99.0%	21.0
Deferred members	18.8%	24.4	4.8%	27.5	1.5%	32.6	0.0%	20.8
Pensioner members	39.8%	12.6	7.3%	14.5	4.0%	12.9	1.0%	14.2
Weighted Average	100.0%	19.0	100.0%	22.5	100.0%	24.0	100.0%	20.9

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 2017-18		
	Expenditure £000	Income £000	Net £000
Adults Directorate	149,392	-32,094	117,298
Children's Directorate	301,322	-236,885	64,437
Places Directorate	130,440	-49,250	81,190
Corporate Services Directorate	120,634	-88,933	31,701
HRA	13,487	-22,631	-9,144
Other	52,429	-32,639	19,790
Capital Financing	385	-1	384
Cost of Services	**768,089**	**-462,433**	**305,656**
Other Operating Income & Expenditure	12,803	-9,302	3,501
Financing & Investment Income and Expenditure	37,104	-11,155	25,949
Taxation & Non-Specific Grant Income & Expenditure	16,988	-306,902	-289,914
(Surplus)/Deficit on Provision of Services	**834,984**	**-789,792**	**45,192**
Share of the SDPS by Joint Ventures and Associates (-Profit/Loss)			-2
Tax expenses of Joint Ventures and Associates			
Tax expenses of Subsidiaries			-332
Group (Surplus)/Deficit			**44,858**
Surplus on Revaluation of Assets			-73,439
Re-measurement (gain)/loss on pension assets/liabilities			-79,241
(Surplus)/deficit on revaluation of available for sale assets			92
Others			
Deferred tax on actuarial gains			335
Share of Other Comprehensive Income & Expenditure of Associates			2
Share of the CIES of Joint Ventures			
Other Comprehensive Income & Expenditure	**0**	**0**	**-152,251**
Total Comprehensive Income and Expenditure			**-107,393**

The group companies for year ending 31 March 2018 have been restated to recognise the audited accounts for those entities.

Cheshire West and Chester

6. Information on Prior Year Restatement from Draft to Final Accounts

This table sets out the movement in the Group Statement of Accounts for 2017-18. Where the variance exceeds £500k a commentary has been provided.

	31 March 2018 £000	Restated 31 March 2018 £000	Variance between 2017/18 draft & final £000	Comment/Reason For Variance
Investments in Associates	365	364	-1	
Long Term Debtors	7,188	7,370	182	
Short Term Debtors	43,247	43,249	2	
Short Term Creditors	-111,410	-111,411	-1	
Pension Fund Liability	-314,747	-310,221	4,526	Subsidiary Companies - reduction of £4,526k (Revised IAS19 Reports).
Other Long Term Liabilities	-28,533	-28,757	-224	
2017/18 Draft v Restatement	**-403,890**	**-399,406**	**4,484**	**Total movement between 2017/18 Draft Accounts and Final Accounts**
Adults Directorate	114,216	117,298	3,082	Subidiary Company - Net cost of service expenditure increased, whilst Other operating Income and expenditure decreased.
Other Operating Income & Expenditure	6,584	3,501	-3,083	Subisdiary Company - Net cost of service expenditure increased by £3,082, whilst Other Operating Income and Expenditure decreased by £3,082, plus, a movement between Financing and Investment Income and Expenditure to Other Operating Income and Expenditure.
Financing & Investment Income and Expenditure	25,950	25,949	-1	
Share of the SDPS by Joint Ventures and Associates (-Profit/Loss)	654	-2	-656	amendment of Joint Venture Company for 2018/19
Tax expenses of Joint Ventures and Associates	0	0	0	
Tax expenses of Subsidiaries	-346	-332	14	
Re-measurement (gain)/loss on pension assets/liabilities	-78,233	-79,241	-1,008	Subsidiary Companies - Revised IAS19 resulted in a movement of £1,008k.
Deferred tax on actuarial gains	213	335	122	
Rounding for CIES			0	
Share of the CIES of Joint Ventures	-483	0	483	
Joint Venture amendment for 2018/19	3,437	0	-3,437	Joint Venture Company removal in 2018/19
2017/18 Draft v Restatement	**71,992**	**67,508**	**-4,484**	**Total movement between 2017/18 Draft Accounts and Final Accounts**
Usable Reserves	155,807	148,588	-7,219	
Unusable Reserves	625,324	637,027	11,703	
Total Reserves	**781,131**	**785,615**	**4,484**	**Total movement between 2017/18 Draft Accounts and Final Accounts**

Cheshire West and Chester

Cheshire West and Chester Council Financial Statements

Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

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.

	2018-19			2017-18
	Expenditure £000	Income £000	Net £000	Net £000
Adults Directorate	150,926	-30,878	120,048	115,889
Children's Directorate	313,176	-244,266	68,910	64,437
Places Directorate	120,607	-35,136	85,471	80,330
Corporate Services	111,885	-79,944	31,941	31,701
HRA	15,410	-22,189	-6,779	-9,144
Other	23,969	-33,910	-9,941	19,790
Capital Financing	251	-8	243	384
Cost of Services	**736,224**	**-446,331**	**289,893**	**303,387**
Other Operating Income & Expenditure (Note 11)	23,705	-14,765	8,940	3,503
Financing & Investment Income and Expenditure (Note 12)	30,593	-13,193	17,400	25,655
Taxation & Non-Specific Grant Income and Expenditure (Note 13)	17,700	-302,463	-284,763	-289,914
(Surplus)/Deficit on Provision of Services	**808,222**	**-776,752**	**31,470**	**42,631**
Surplus on Revaluation of Assets			-74,653	-73,439
Re-measurement Gain/-loss on pension assets/liabilities			93,980	-76,680
Surplus or deficit from investments in equity instruments designated at fair value through other comprehensive income			0	92
Other Comprehensive Income & Expenditure (Note 14)			**19,327**	**-150,027**
Total Comprehensive Income and Expenditure			**50,797**	**-107,396**

The full breakdown of the 2017-18 comparative expenditure and income is included in Note 49.

Movement in Reserves Statement for the year ended 31 March 2019

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 2018-19	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 2018	**24,431**	**10,351**	**78,308**	**113,090**	**660**	**8,867**	**9,583**	**22,985**	**155,185**	**636,806**	**791,991**
Transition to IFRS 9 and IFRS 15	**781**			**781**					**781**	**107**	**888**
Opening Balance at 1st April 2018	**25,212**			**113,871**					**155,966**	**636,913**	**792,879**
Surplus or (deficit) on provision of services (accounting basis)	-37,061			-37,061	5,591				**-31,470**		**-31,470**
Other Comprehensive Expenditure and Income (Note 14)									**0**	-19,327	**-19,327**
Total Comprehensive Expenditure and Income	**-37,061**	**0**	**0**	**-37,061**	**5,591**	**0**	**0**	**0**	**-31,470**	**-19,327**	**-50,797**
Adjustments between accounting basis & funding basis under regulations (Note 8)	54,498			54,498	-5,527	-875	3,674	-6,945	**44,825**	-44,825	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**17,437**	**0**	**0**	**17,437**	**64**	**-875**	**3,674**	**-6,945**	**13,355**	**-64,152**	**-50,797**
Transfers to / from Earmarked Reserves	-17,923	-1,391	19,384	70	-69			-1	**0**	0	**0**
Increase / (Decrease) in Year	**-486**	**-1,391**	**19,384**	**17,507**	**-5**	**-875**	**3,674**	**-6,946**	**13,355**	**-64,152**	**-50,797**
Balance at 31 March 2019	**24,726**	**8,960**	**97,692**	**131,378**	**655**	**7,992**	**13,257**	**16,039**	**169,321**	**572,761**	**742,082**

Cheshire West and Chester

2017-18 Comparative figures

Cheshire West and Chester Council 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	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 14)									**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**

Balance Sheet as at 31 March 2019

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 2019 £000	Restated 31 March 2018 £000
Non-Current Assets			
- Property, Plant and Equipment	15	1,342,855	1,304,971
- Heritage Assets	16	29,374	29,099
- Investment Properties	17	137,922	111,548
- Intangible Assets	18	2,087	3,847
Long Term Investments	20	9,242	0
Long Term Debtors	21	11,828	7,146
Long Term Assets		**1,533,308**	**1,456,611**
Short Term Investments	20	9,999	25,000
Assets held for Sale	19	10,900	13,175
Current Intangible Assets		0	130
Inventories		128	109
Short Term Debtors	21	52,088	43,046
Cash and Cash Equivalents	22	35,330	27,530
Current Assets		**108,445**	**108,990**
Short Term Borrowing	20	-21,748	-24,859
Short Term Creditors	23	-111,325	-109,352
Provisions < 1 yr	24	-2,072	-1,502
Current Liabilities		**-135,145**	**-135,713**
Provisions	24	-23,302	-19,944
Long Term Borrowing	20	-266,967	-271,994
Pension Fund Liability	44	-428,969	-303,044
Other Long Term Liabilities	20	-27,545	-28,533
Capital Grant Receipts in Advance	36	-17,743	-14,382
Long Term Liabilities		**-764,526**	**-637,897**
Net Assets		**742,082**	**791,991**
Usable Reserves	25	169,321	155,185
Unusable Reserves	26	572,761	636,806
Total Reserves		**742,082**	**791,991**

Cash Flow Statement
for the year ended 31 March 2019

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 2019 £000	31 March 2018 £000
Net (surplus) or deficit on the provision of services	31,935	42,631
Adjust net surplus or deficit on the provision of services for non cash movements	-103,805	-145,335
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	41,004	55,185
Net cash flows from Operating Activities	**-30,866**	**-47,519**
Investing Activities	14,370	42,499
Financing Activities	8,696	3,472
Net increase in cash and cash equivalents	**-7,800**	**-1,548**
Cash and cash equivalents at the beginning of the reporting period	27,530	25,982
Cash and cash equivalents at the end of the reporting period	35,330	27,530
Net increase in cash and cash equivalents	**-7,800**	**-1,548**

Further details are disclosed in Notes 27, 28 and 29 of the supporting information.

1. Significant Accounting policies

General principles

The Statement of Accounts summarises the Council's transactions for the 2018-19 financial year and its position at the year end of 31 March 2019. The Council is required by The Accounts and Audit (England) Regulations 2015 to prepare an annual Statement of Accounts, and those regulations require it to be prepared in accordance with proper accounting practices. These practices primarily comprise of the 'The Code of Practice on Local Authority Accounting in the United Kingdom' (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 significant amendments to the Code of Practice for 2018-19; new International Financial Reporting Standard (IFRS) 9, Financial Instruments, IFRS 15 Revenue from Contracts with Customers, some minor changes to disclosures for Cash Flow Statement, additional guidance on revenue recognition, removal of some supplementary disclosures for debtors and creditors and the presentation of impairment losses under IFRS 9 in the Notes to the accounts. Prior year comparatives for IFRS 9 and IFRS 15 have not been restated, they have remained classified and measured in accordance with IAS 39, as required by IFRS and the Code of Practice.

Accruals of income and expenditure

Revenue recognition

Revenue is a sub-set of income and is defined as the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth. Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient. Revenue is measured as the amount of the contract/transaction price which is allocated to that performance obligation when met. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

Income and expenditure is accounted for on an accrual basis in the year the activity it relates to takes place.

This means income is recorded when it is earned not when it is received and expenditure when it is incurred not paid.

In particular:

- Sales, fees, charges and rent due from customers are accounted for as income at the date the Council has satisfied a performance obligation by transferring a promised goods or service to the service recipient;
- Supplies are recorded as expenditure when they are consumed, where there is a gap between their purchase and consumption they are carried as inventory on the balance sheet;
- Interest payable on borrowing and receivable on investments is accounted for on the basis of effective interest rate for the relevant financial instrument rather than the cash flows determined by the contract.
- Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made, the asset is impaired and written down to the recoverable amount and a charge made to the revenue for income that might not be collected.
- Where payment is made or income received in advance of a service being received or delivered then a prepayment or receipt in advance is recorded in the Balance Sheet.

Exceptions to these rules include:

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

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

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

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 CIES.

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 CIES is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The calculation of the NDR position for 2018-19 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.

The Government operate equalisation arrangements whereby funding is top-sliced from Council's with a large NDR income base and transferred to those with a lower income base. Under this scheme Cheshire West is required to transfer approximately 25% of its accrued share of NDR income to Central Government each year as a tariff payment. The cost of making this payment is recorded in the CIES.

Accounting for schools

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

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation

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

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

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

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, see Note 7 for details.

Exceptional items

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

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 CIES.

Payments for accumulating paid absences (e.g. annual/flexi leave entitlements) are accounted for as they are earned and not when they are taken. Where leave has been earned during the current year but not fully taken (and can be carried forward to the following year), the cost of the earned leave entitlement is recognised in the current year. An annual accrual is undertaken to reflect these untaken entitlements at current rates of pay, as any change to current rates of pay for which the entitlement is paid is deemed not material and therefore no uplift has been accrued.

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

Termination benefits

Termination benefits are usually payable following compulsory or voluntary redundancy decisions. These include lump-sum payments and enhancement of retirement benefits and salary beyond the period in which the employee provides economic benefit to the Council. Redundancy and enhanced salary costs are recognised in the CIES as soon as the Council is demonstrably committed to incurring the costs. However, enhanced retirement benefits, paid via the Pension Fund, are charged to the General Fund in accordance with the pension regulations. The Council funds these actuarial early retirement costs through the payment of an additional 1% supplement on top of its agreed employer pension contribution rate.

Post-employment benefits (Pensions)

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

(i) Local Government Pension Scheme

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

- The LGPS Regulations 2013 (as amended)

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

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

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

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

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

A) Service Costs

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

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

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

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

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

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

Components A-B are charged to the CIES in year (as detailed in Note 44) but, to avoid changes in pension liabilities from having a disproportionate impact on Council Tax, statutory provisions exist that restrict the amount charged against the General Fund.

(ii) Teachers' Pension Scheme

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

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

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

Fair value measurement

The Council 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

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and are carried at their amortised cost (carrying value). Interest payable on such amounts is charged to the CIES by multiplying the carrying value by the effective interest rate.
For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Penalties on the early repayment of existing loans are debited to the Financing and Investment Income and Expenditure line in the CIES in the year of early repayment.

Where the early repayment involves the exchange of an existing loan for a new replacement loan (modification), then the cost of any penalty for the early repayment of the loan is added to the carrying value of the new replacement loan and charged to the CIES over the life of the replacement loan as part of the interest charge on the loan. Where penalties for early repayment have been charged to the CIES, regulations allow the impact on the General Fund to be spread over future years. The Council has a policy of spreading such penalties over the remaining term of the replacement loan. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified and measured according to the reason the Council has for holding the financial assets and the asset's cash flow characteristics.

There are three main classes and measurement bases for financial assets:

- at amortised cost
- at fair value through profit or loss (FVPL), and
- at fair value through other comprehensive income (FVOCI).

The Council's business model is to buy and hold investments in order to collect contractual cash flows i.e. payments of interest over the term of the asset and repayment of the principal amount invested at the end. Most of the Council's financial assets are therefore classified as being at amortised cost.

Financial Assets Measured at Amortised Cost

For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest). Likewise the amount of interest credited to the CIES is the amount receivable for the year as per the loan agreement. Any profit or loss on the sale of the financial asset is debited / credited to the Financing and Investment Income and Expenditure line in the CIES in the year of sale.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

These assets are initially measured at fair value (market price). At each balance sheet date the asset's fair value is re-measured to the current fair value (market price). Changes in fair value between balance sheet dates are charged or credited to the Surplus / Deficit on the Provision of Services (SDPS).

The fair values of such assets are determined as follows:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in section Fair Value Measurement.

When an asset measured at FVPL is sold any profit or loss on sale is credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

IFRS 9 Financial Instruments sets out that equity type investments should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in Fair Value Through other Comprehensive Income. The Council will assess each equity type investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument. Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

The Council holds pooled investments in a property fund and an equity fund. Any changes in the valuation are required to be recognised as fair value through profit and loss, which again would impact upon the Council's general fund reserve and revenue budget. The Ministry of Housing, Communities and Local Government (MCHLG) has permitted a temporary (5 year) statutory override to English Local Authorities to mitigate the impact of these changes in valuations. The Council has utilised the statutory override to account for any changes in the value of these investments.

Financial Assets measured at Fair Value through Other Comprehensive Income (FVOCI)

The Council has equity instruments designated at fair value through Other Comprehensive Income (FVOCI) whether this be by election or by reason of statute. The Council has made an irrevocable election to designate certain financial assets as FVOCI on the basis that they are not held for trading but are held for longer term strategic purposes which includes the collection of dividend income.

The asset is initially measured and subsequently re-measured to current fair value at each balance sheet date. Dividend income is credited to Financing and Investment Income and Expenditure in the CIES when it becomes receivable by the Council. Changes in fair value between balance sheet dates are charged / credited to Other Comprehensive Income and Expenditure and are matched by an entry in the Financial Instruments Revaluation Reserve. This matching entry means that there is no impact on the SDPS at that time. When the asset concerned is finally sold the cumulative profits or losses previously recognised in Other Comprehensive Income and Expenditure (ie sale proceeds less original cost) is transferred from the Financial Instruments Revaluation Reserve and recognised in the SDPS. The same accounting treatment was adopted in the prior year when the assets were classified as Available for Sale. The accumulated gains and losses on the available for sale asset were previously held in an Available-for-Sale Financial Instruments Reserve at 31 March 2018. The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserve as at 1 April 2018.

Expected Credit Loss Model

The Council recognises expected credit losses (i.e. non-payment of principal and / or interest) on all of its financial assets held at amortised cost (or where relevant FVOCI). Usually only credit losses arising in the next 12 months are calculated. Lifetime losses are only recognised when the risk of the amount lent out not being made in full, increases significantly over the year. Trade receivables (debtors) and HRA tenant debtors are permitted to use the simplified approach to expected credit losses. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

Grants and contributions

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

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

When conditions have been met specific grants and contributions are recorded within the Cost of Services section of the CIES, in line with the service area to which they relate. Non Specific Grants such as the Revenue Support Grant, Local Services Support Grant or PFI Grant are shown under Taxation and Non-Specific Grant Income (see Note 13).

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

- The Capital Grants/Contributions Unapplied Account (until costs have been incurred), (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's accounts balance sheet within Long Term Debtors less impairment losses and any gains or losses are recognised in the CIES.

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

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

Leases and lease-type arrangements

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

(i) Finance leases

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

The annual lease payment is apportioned between;

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

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

(ii) Operating leases
Leases that do not meet the definition of a finance lease are accounted for as operating leases. Where the Council acts as lessee all lease payments are expensed to the CIES as they become payable.

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

Non-current Assets

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

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

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

Investment property is measured initially at cost and subsequently included in the statement of accounts at fair value. It is recognised as an asset when it is probable that the future economic benefits that are associated with the investment will flow to the Council and the cost or fair value can be measured reliably. Investment properties are not depreciated and an annual valuation programme ensures that they are held at highest and best value at the Balance Sheet date. Subsequent updated valuations based on market evidence will be undertaken to ensure that the value at which investment assets are held in the accounts is a reasonable estimate of their fair value. Valuations are carried out in accordance with Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

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

b. Heritage assets
These are typically tangible assets which are held by the Council for the benefit of the

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

Heritage assets are 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:

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

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

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

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

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

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

- **Historic archives**
  The Council's historic archives contain historic documents recording the written and printed history of the county of Cheshire. These documents have been compiled from a range of sources, and, include loaned and donated items. The collections are primarily held in Chester but relate to the whole of the former county, as such only part of the value of the collection is recorded in the Council's accounts. Due to the nature of these assets there is no ready market valuation available. Insurance valuations are based on the costs the Council would consider incurring in making repairs to the items. The documents are by definition not replaceable but this gives an indication of the value the Council attaches to these assets.

  The archive is a shared resource between Cheshire West and Chester and Cheshire East Borough Council's.

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

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

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

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

Where there are no meaningful measures of the value of a heritage asset, or the cost of acquiring such a valuation would be disproportionate to the benefit of doing so, the existence of the asset will be disclosed in the supporting statements (Note 16).

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

c. Property, plant and equipment

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

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. Property and Plant assets are revalued when due under the five year cycle (the short period as defined by CIPFA) or earlier where there has been a change in circumstances either for the specific asset or the wider asset group, which may have a material impact on its value. Housing stock is valued under the beacon methodology, with each beacon property being re-valued annually by applying an appropriate housing price index to their value at the start of the financial year.

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

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

Componentisation of valuations

IAS 16 requires all components with a significant cost in relation to the total cost of the asset to be depreciated separately. Where an item of Property, Plant and Equipment has major components these are depreciated separately such as windows, mechanical and electrical separately. This is necessary to reflect the fact that some components have an appreciably different useful life than the wider asset and will therefore need replacing sooner. Where assets are recognised as their component parts then each element is considered independently for future valuations, depreciation, replacement and disposal accounting.

Assets with a valuation in excess of £5m have been considered for componentisation on their first valuation date after 1 April 2017. Where componentisation is appropriate this has been adopted from the valuation date onwards.

Depreciation of assets to reflect usage

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

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

Useful lives of assets are as follows:

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

Charges commence when the asset becomes available for use and cease on derecognition. Depreciation is calculated on a straight-line basis over the useful life of the assets.

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

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

Derecognition of assets

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

A similar approach is taken on the transfer of property to newly formed Academy Schools. Under legislation the Council is required to make available premises from which the new Academy can provide its services for nil consideration. As a result the existing school premises (if in Council ownership) are leased to the Academy for a peppercorn rent and the former value of the site is derecognised from the Council's Accounts as if it had been disposed of. As no compensation is received this is recorded as a loss on disposal in the Financing and Investment Income line of the CIES and subsequently transferred to the Capital Adjustment Account. The value of such disposals in any year is disclosed in Note 12.

Any receipts generated by the disposal are credited to the same line of the CIES to show the overall profit or loss on disposal. A proportion of the receipts from 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 CIES is charged with the following amounts to record the real cost of holding Non-current Assets during the year:

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

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

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 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 is balanced by the recognition of the liability for amounts payable to the scheme operator in return for use of the assets. The amounts payable to the PFI operators each year are analysed into five elements (shown in Note 41):

- **Services received** – debited to a service line in the CIES.
- **Finance cost** – interest charges on the outstanding liability are charged to Financing and Investment Income in the CIES.
- **Contingent rent** – inflationary increases in the amount to be paid for the property arising during the contract, charged to Financing and Investment Income in the CIES.
- **Payment towards liability** – writes down the Balance Sheet liability to the PFI operator.
- **Lifecycle replacement costs** – recognised as expenditure on non-current assets and added to the asset on the Balance Sheet.

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

Provisions, Contingent Assets and Contingent Liabilities

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

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

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

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

Contingent Assets and Liabilities are not recognised in the Balance Sheet but are disclosed in Notes 45 and 46. The disclosure sets out the scale of potential costs and likelihood of these being realised.

Reserves

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

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

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

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

Revenue Expenditure funded by Capital under Statute (REFCUS)

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

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

Value Added Tax (VAT)

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

2. Expenditure and Funding Analysis

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

The adjustments from Outturn reported to management to the Net Expenditure Chargeable to the General Fund by service includes costs that are reported to management but are not chargeable to the net cost of services, such as Interest Receivable and Interest payable, non-budgeted grant income, but can be found within the Surplus/Deficit on the Provision of Services Position. It also includes the schools carry forwards and HRA final appropriation, and grant income that are held centrally, which are in the net cost of services, but not in outturn. The breakdown of this can be seen in Note 2b with a further explanation of the Other Income and Expenditure totals in Notes 11, 12 and 13.

	2018-19				
	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	117,216	50	117,266	2,782	120,048
Children's Directorate	51,168	-463	50,705	18,205	68,910
Places Directorate	58,737	509	59,246	26,225	85,471
Corporate Services Directorate	28,389	-2,837	25,552	6,389	31,941
HRA	0	-12,768	-12,768	5,989	-6,779
Other	5,510	-42,859	-37,349	27,408	-9,941
Capital Financing	20,188	-19,945	243	0	243
Net Cost of Services	**281,208**	**-78,313**	**202,895**	**86,998**	**289,893**
Other Income and Expenditure	0	-220,396	-220,396	-38,027	-258,423
(Surplus)/Deficit on Provision of Services	**281,208**	**-298,709**	**-17,501**	**48,971**	**31,470**
Opening General Fund and HRA Balances at 31 March 2018			-113,750		
Adjustment to opening balance due to implentation of IFRS 9			-781		
Adjusted total			**-114,531**		
Less Deficit on General Fund and HRA Balance in Year			-17,501		
Closing General Fund and HRA Balances at 31 March 2019			**-132,032**		

2017-18 Comparative Figures

	2017-18				
	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	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**		

Note 2a

Adjustments between Funding and accounting basis

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

	2018-19			
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
Adults Directorate	1,013	1,768	1	2,782
Children's Directorate	12,263	5,932	10	18,205
Places Directorate	22,688	3,519	18	26,225
Corporate Services Directorate	3,982	2,393	14	6,389
HRA	5,989	0	0	5,989
Other	17,611	9,797	0	27,408
Capital Financing	0	0	0	0
Cost of Services	**63,546**	**23,409**	**43**	**86,998**
Other Income & Expenditure	-51,102	8,536	4,539	-38,027
Difference between General Fund (Surplus) and Comprehensive Income and Expenditure Statement (Surplus) or Deficit	**12,444**	**31,945**	**4,582**	**48,971**

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.

2017-18 Comparative Figures

	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
Capital Financing	0	0	0	0
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**

Cheshire West and Chester

Note 2b

This note explains the movement from the outturn position to the net chargeable amount to the General Fund and HRA Balance as seen in the Expenditure and Funding Analysis.

	Adults Directorate	Children's Directorate	Places Directorate	Corporate Services	HRA	Central Services	Capital Financing	In Outturn alligned to below Net Cost of Services	Below Net Cost of Services Position	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Outurn Position	117,216	51,168	58,737	28,389	0	5,510	20,188			281,208
	Moved from NCS to SDPS (In outturn but not in NCS)									
Precept and Levies			-315					-315	315	
Group Company Pension Guarantees and Loans						-1,363		-1,363	1,363	
Interest payable and interest receivable	-1,344	-738	-2,764	-22	-2,399	43	-5,277	-12,500	12,500	
Unrealised gains or losses on financial assets held at fair value through profit and loss transferred to Unusable Reserve							-714	-714	714	
Commercial Properites and Trading Operations			5,714					5,714	-5,714	
Grant income included in Outturn	1,650					1,615	44	3,308	-3,308	
Council Tax and Business Rate Income and precept costs in Outturn						362		362	-362	
Appropriation costs in outturn but not in Net Cost of Services	-256	275	-2,126	-2,815	-10,374	-12,241	-13,998	-41,535	41,535	
Total costs in Outturn within SDPS	**50**	**-463**	**509**	**-2,837**	**-12,773**	**-11,584**	**-19,945**	**-47,043**	**47,043**	
	Items in Net Cost of Services but not in Outturn									
Budgeted grant income						-31,275		-31,275		
Final Appropriation to Reserve for Surplus or Deficit for HRA					5			5		
Total position for Net Cost of Services (Adjustment to Outturn Position)	**50**	**-463**	**509**	**-2,837**	**-12,768**	**-42,859**	**-19,945**	**-78,313**	**47,043**	-78,313
Net Expenditure chargeable to the General Fund and HRA Balance	**117,266**	**50,705**	**59,246**	**25,552**	**-12,768**	**-37,349**	**243**			202,895
Items in SDPS but not in Outturn									38,027	
Other Operating Income and Expenditure									8,940	
Financing and Investment Income and Expenditure									17,400	
Council Tax and Business Rate Income									-229,555	
Non Specific Grant Income									-23,359	
Capital Grant Income and Contributions									-31,849	
(Surplus)/Defict on the Provision of Services	**117,266**	**50,705**	**59,246**	**25,552**	**-12,768**	**-37,349**	**243**		**-220,396**	-17,501

2017-18 Comparative Figures

	Adults Directorate	Children's Directorate	Places Directorate	Corporate Services	HRA	Central Services	Capital Financing	In Outturn alligned to below Net Cost of Services	Below Net Cost of Services Position	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Outurn Position	114,321	48,366	55,030	27,403	0	8,691	22,041			275,852
	Moved from NCS to SDPS (In outturn but not in NCS)									
Precept and Levies			-308			47		-261	261	
Group Company Pension Guarantees and Loans						-1,732	31	-1,701	1,701	
Interest payable and interest receivable	-960	-818	-2,173		-2,413		-5,396	-11,760	11,760	
Unrealised gains or losses on financial assets held at fair value through profit and loss transferred to Unusable Reserve										
Commercial Properites and Trading Operations			5,805					5,805	-5,805	
Grant income included in Outturn	1,650					925	45	2,620	-2,620	
Council Tax and Business Rate Income and precept costs in Outturn						1,249		1,249	-1,249	
Appropriation costs in outturn but not in Net Cost of Services	-2,094	-28	-1,697	-2,446	-11,149	-13,525	-16,338	-47,277	47,277	
Total costs in Outturn within SDPS	**-1,404**	**-846**	**1,627**	**-2,446**	**-13,562**	**-13,036**	**-21,658**	**-51,325**	**51,325**	
	Items in Net Cost of Services but not in Outturn									
Budgeted grant income						-32,324		-32,324		
Final Appropriation to Reserve for Surplus or Deficit for HRA					188			188		
Total position for Net Cost of Services (Adjustment to Outturn Position)	**-1,404**	**-846**	**1,627**	**-2,446**	**-13,374**	**-45,360**	**-21,658**	**-83,461**	**51,325**	-83,461
Net Expenditure chargeable to the General Fund and HRA Balance	**112,917**	**47,520**	**56,657**	**24,957**	**-13,374**	**-36,669**	**383**			192,391
Items in SDPS but not in Outturn									49,586	
Other Operating Income and Expenditure									3,503	
Financing and Investment Income and Expenditure									25,655	
Council Tax and Business Rate Income									-215,308	
Non Specific Grant Income									-34,263	
Capital Grant Income and Contributions									-40,343	
(Surplus)/Defict on the Provision of Services	**112,917**	**47,520**	**56,657**	**24,957**	**-13,374**	**-36,669**	**383**		**-211,170**	-18,779

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 authorities expenditure and income is analysed as follows:

Expenditure and Income Analysis by Directorate 2018-19	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	19,254	191,944	35,858	22,823	45	5,624	0	275,548
Other services expenses	131,099	109,713	67,106	85,100	11,750	53,342	251	458,361
Support service recharges	0	0	0	0	0	0	0	0
Depreciation, amortisation, impairment	1,013	12,262	22,893	3,982	5,989	9,158	0	55,297
Interest payments	966	769	2,562	6	2,328	0	7,467	14,098
Precepts and levies	0	0	315	0	0	3,492	0	3,807
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	1,020	1,020
Gain on the disposal of assets	0	0	0	0	0	0	90	90
Total expenditure	152,332	314,688	128,734	111,911	20,112	71,616	8,828	808,221
Income			.					
Fees, charges and other service income								
Over time	-30,780	-21,576	-40,856	-7,872	-25,700	-2,724	-15,882	-145,390
At a point in time	0	0	0	0	0	0	0	0
Interest and investment income	-61	-32	-3	-4	-3	0	-1,477	-1,580
Domestic Rates, District Rate Income	0	0	0	0	0	-247,255	0	-247,255
Support service recharges	0	0	0	0	0	0	0	0
Government grants and contributions	-1,748	-222,690	-4,746	-72,071	0	-61,346	-19,926	-382,527
Total income	-32,589	-244,298	-45,605	-79,947	-25,703	-311,325	-37,285	-776,752
(Surplus) or Deficit on the Provision of Services	**119,743**	**70,390**	**83,129**	**31,964**	**-5,591**	**-239,709**	**-28,457**	**31,469**

Expenditure and Funding Analysis – Expenditure and Income Analysed by Nature 2017-18 Comparative Figures

Expenditure and Income Analysis by Directorate 2017-18	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	19,891	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								
Over time	-30,387	-17,191	-45,086	-6,535	-26,813	-569	-6,880	-133,461
At a point in time	0	0	0	0	0	0	0	0
Interest and investment income	-3	-26	-1	-5	0	0	-839	-874
Domestic 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**

3. Accounting Standards issued, but not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2018-19 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 2019.

- IFRS 16 Leases 01/01/2019
- IAS 40 Investment Property 01/01/2018
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- IFRS 9 Prepayment Features with Negative Compensation
- Annual improvements to IFRS Standards 2014-16 cycle
    - 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 2018-19 information included within these accounts could be restated in the 2019-20 accounts to reflect the new reporting requirements. This note sets out the impact that would have been seen if the new standards had already been in force.

IFRS 16 will bring most leases on balance sheet including operating leases thereby removing the distinction between finance and operating leases; there is a recognition that of low-value and short-term leases may be exempt. The estimated impact based on current operating lease non cancellable obligations is £8.4m, see Note 40. This is applicable when either the authority or group companies are the lessee.

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 or stop meeting the definition.

The various changes for other Standards as mentioned above IFRIC 22, IFRIC 23, IFRS 9 prepayment features and the Annual Improvements to IFRS's 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.

- **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, five associates, four non-controlling and one as a joint operation.

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

Non-consolidation of entities in the Group accounts is dependent on a number of factors including the extent of the Council's interest and power to influence and control, materiality, investment and transparency; where these factors are not considered material those members of the Group have not been consolidated. A full list of members of the Group can be found in the Council Accounts Note 37.

- **Better Care Fund**
  The Section 75 agreement by which Better Care resources have been pooled between the Council, West Cheshire Clinical Commissioning Group and Vale Royal Clinical Commissioning Group has been assessed against the appropriate standards, mainly IFRS 10 and IFRS11. The arrangement has been assessed to be classified as a Joint Operation given the control and governance arrangements of the pool. As such, each party accounts for its assets, liabilities, revenues and expenses relating to its involvement in a joint operation. The details are included in the Better Care Fund Note 38.

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

  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, Council's are required to report any material expenditure, income, assets and liabilities of these schools within its primary statements (not just its group statements). Specific consideration has to be given as to whether the assets from which these schools operate meet the necessary criteria (in terms of access to services and control) to be recognised as Council assets under IAS16. The Council has judged that faith schools (voluntary aided or controlled) which are not sited on Council land, over which it has no long term guarantees of availability do not meet the criteria for recognition as an asset under IAS16.

  The Council has entered into a Private Finance Initiative (PFI) for five schools in the Borough of which two are within Council control. Five schools have been approved to become Academies and are due to convert in 2019-20.

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	74	73		1			
Foundation Schools	5		5				
Voluntary Controlled	20			2		18	
Voluntary Aided	29			2		27	
Academies	30						30
Community - Pupil Referral unit	2	1			1		
	160	**74**	**5**	**5**	**1**	**45**	**30**
		84 Schools on Balance Sheet			**76 Schools off balance sheet**		

Academies are not considered maintained schools within the Council's control. The Land and buildings are not owned by the Council and therefore not included on the Council's Balance Sheet.

- **Categorisation of Assets**

  All property assets have been assigned to a category of asset which reflects their primary usage by the Council. Where properties are held solely for the generation of rental income or capital appreciation or both they are treated as an investment asset based on the criteria for recognition under IAS 40 Investment Property, valued annually, held at fair value and are not depreciated. Where they are used for operational purposes or to further policy objectives the property is treated as Property, Plant and Equipment (PPE) and where appropriate will be depreciated to reflect its usage over its life.

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates take into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could materially differ from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Results Differ from Assumptions
Property Valuations	The Council re-values its assets on a five year rolling cycle (excluding investment assets), with one fifth of these assets being reviewed each year and all investment properties annually. It is possible that property, plant and equipment values could fluctuate considerably within this five year timeframe. It bases its valuations on assumptions about asset conditions, useful lives, residual values and market conditions. These judgements are underpinned by the best available information and made by qualified valuation officers but are still based on estimates.	A 1% fluctuation in property values would amount to £11.2m 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. £1.78m 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 2019.	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 £180m or a one year increase in pensioner lifespans £72m. 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.

Item	Uncertainties	Effect if Results Differ from Assumptions
PWLB loans	Both the carry value and the fair value of the PWLB loans is included in the disclosure of Note 20 Financial Instruments. The fair value disclosed has been determined by discounting the contractual cash flows over the life of the loan at the market rate for local authority loans. PWLB loans are carried at amortised cost and their fair value is disclosed for information only.	Should the loan be cancelled or reissued with the PWLB at today's interest rates the value would differ to the carry value disclosed in the accounts. This would depend on prevailing rates at this point in time and the formula used by the PWLB to determine the early redemption 'penalty'. The variability of the carry value if it moved by 10% +/- would impact the carry value by +/- £25m

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 on the revaluation of properties during the year; see Note 15 for further details and transfer of schools off the balance sheet to Academies with a loss on disposal £9.6m, see Note 12.

7. Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Council's S151 officer on 23 July 2019. 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 2019, 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. Such event that has taken place is as follows:

- Following the May 2019 elections, the previous administration was re-elected but now has no overall control.

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.

2018-19	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 requirements						
Pension costs (transferred to/from the Pension Reserve)	-31,946					31,946
Council tax and NDR (transfers to/from the Collection Fund)	-2,862					2,862
Financial instruments (transferred to the Financial Instruments Adjustments Account)	-965	2				963
Financial Instrument Revaluation Reserve Pooled Investments - Statutory override	-714					714
Holiday pay (transferred to the Accumulated Absences Account)	-43					43
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	-39,609	-3,882				43,491
Impairment and Revaluation of Assets	-12,621	-2,106				14,727
Amortisation of Intangible Assets	-554					554
Movements in the fair value of investment properties	8,452					-8,452
Revenue expenditure funded from capital under statute	-886					886
Net assets written off to the CIES upon disposal or sale	-25,881	-2,301				28,182
Total Adjustments to Revenue Resources	**-107,629**	**-8,287**	**0**	**0**	**0**	**115,916**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	12,403	3,510	-15,913			0
Non-current asset disposal costs funded from the CRR	-90		90			0
Statutory provision for the repayment of debt	15,651					-15,651
Posting of HRA resources from Revenue to the Major Repairs Reserve		10,304		-10,304		0
Payments to the government housing receipts pool (funded by a transfer from CRR)	-1,020		1,020			0
Capital expenditure charged against general fund	2,829					-2,829
Capital grants and contributions unapplied credited to the CIES	1,245				-1,245	0
Capital Grants and Contributions through the CIES	22,113					-22,113
Total Adjustments between Revenue and Capital resources	**53,131**	**13,814**	**-14,803**	**-10,304**	**-1,245**	**-40,593**
Adjustments to Capital Resources						
Use of Capital Receipts Reserve to finance capital expenditure			15,678			-15,678
Use of Major Repairs Reserve to finance capital expenditure				6,630		-6,630
Cash payments in relation to deferred capital receipts						0
Application of capital grants to finance capital expenditure					8,190	-8,190
Total Adjustments to Capital Resources	**0**	**0**	**15,678**	**6,630**	**8,190**	**-30,498**
Total Adjustments	**-54,498**	**5,527**	**875**	**-3,674**	**6,945**	**44,825**

2017-18	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)	-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**

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 2018-2019 and 2017-18.

	Balance at 31 March 2017	Transfers Out 2017-18	Transfers In 2017-18	**Balance at 31 March 2018**	Transfers Out 2018-19	Transfers In 2018-19	**Balance at 31 March 2019**
Revenue Earmarked Reserves	£000	£000	£000	£000	£000	£000	£000
Insurance reserve	**5,110**		1,988	**7,098**	-21	1,500	**8,577**
PFI Reserves	**5,881**		236	**6,117**		289	**6,406**
Revenue Grants	**7,698**		1,509	**9,207**	-2,635	3,496	**10,068**
S106 Developer Contributions	**693**	-189	3	**507**	-431	434	**510**
Revenue Budget Carry Forwards	**2,839**	-2,839	3,863	**3,863**	-3,863	3,385	**3,385**
Integrated Adult Social Care and Health	**0**		895	**895**	-182		**713**
Looked After Children	**2,327**	-2,327	1,500	**1,500**	-1,742	1,634	**1,392**
Local Authority Elections Reserve	**408**	-109	180	**479**		111	**590**
Health Integration	**0**		1,000	**1,000**	-114		**886**
Northgate Development	**264**			**264**			**264**
Northgate Property Revenue costs	**3,706**	-772		**2,934**	-856		**2,078**
ICT Transformation	**0**		2,000	**2,000**		241	**2,241**
Long Term Liabilities	**11,235**	-1,369	14,073	**23,938**	-1,636	13,107	**35,409**
Barons Quay	**653**	-310		**343**	-343		**0**
Maternity Cover - Special Schools	**460**	-426		**34**	-23		**11**
Fluctuation in School Days	**260**			**260**	-260		**0**
Service Review Reserve	**108**			**108**	-108		**0**
Care Act Reserve	**987**			**987**			**987**
Delivering Council Priority Outcomes	**2,961**	-515	192	**2,638**	-547		**2,091**
Invest to Save	**2,000**			**2,000**	-210		**1,790**
Waste Company Mobilisation	**0**			**0**		1,315	**1,315**
New Ways of Working	**1,000**	-43		**957**	-103		**854**
Collection Fund Deficit Reserve	**1,725**	-862	869	**1,732**	-562		**1,170**
Flexible and Mobile Working	**2,367**	-345		**2,022**	-800		**1,222**
HR & Finance System Replacement Reserve	**891**	-91	500	**1,300**		1,000	**2,300**
Community Benefits	**926**	-366		**560**	-253		**307**
Mersey Forest	**295**	-16	78	**357**	-181	189	**365**
HRA Pensions Reserve	**326**		69	**395**		69	**464**
Deprivation of Liberty Safeguarding	**585**	-219		**366**	-159		**207**
Adoption Support Fund	**76**		178	**254**	-131	4	**127**
Energy Efficiencies	**765**	-750		**15**	-5		**10**
Renewable Energy	**0**		390	**390**		585	**975**
Winsford Cross Development Acount	**0**		153	**153**		717	**870**
Shareholder Fund	**0**		500	**500**			**500**
Growth Fund Reserve	**0**			**0**		6,000	**6,000**
Other Reserves and Balances	**2,546**	-287	876	**3,135**	-716	1,189	**3,608**
Total	**59,092**	-11,835	31,052	**78,308**	-15,881	35,265	**97,692**

Significant movements include:

- A net appropriation of £1.5m to the Insurance reserve to fund potential future claims.
- A net appropriation of £1m to the HR & Finance System Replacement (B4B) reserve, to fund the cost of introducing the new system.
- Movements on the Looked After Children reserve, including a drawdown of £1.7m to meet additional costs in 2018-19, and an addition of £1.6m to support Children's Social Care in 2019-20.

- Creation of a new £6m Growth Fund Reserve approved as part of budget setting 2018-19. The reserve is being used to repay outstanding borrowing in 2019-20.
- A net appropriation of £11.5m to the Long Term Liabilities Reserve. £8.7m relates to the planned reimbursement following the utilisation of this reserve in 2016-17 to fund the upfront Pension Deficit payment. £4m relates to Capital Financing underspend partly offset by £1.2m usage to fund commercial operating costs of Barons Quay.

10. Material Changes within the Comprehensive Income and Expenditure Statement

Within the Net Cost of Services (NCS) of the Comprehensive Income and Expenditure Statement (CIES), the net service cost for the Other (non Service Directorate) area of the council has moved from £19.8m in 2017-18 to (£9.9m), a movement of £29.7m.

This movement is predominately due to a reduction in 18-19 of the revaluation released to the CIES of the council's properties, in 2017-18 the revaluation impact was £43.8m and this equivalent for 2018-19 is £8.8m. The revaluation losses in year of £12.4m offset by £3.6m of prior year losses reversed due to revaluation gains in year. Significant revaluations in 2018-19 include £1m for Northgate Arena, £2.6m for Winsford Town Centre and £6.9m for Baron's Quay in Northwich.

The impact of the McCloud ruling for Pensions of £5.3m has been reported in the current year to recognise the past service costs that the Council now needs to recognise.

11. Other operating income and expenditure

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

	2018-19 £000	2017-18 £000
Loss / (Gain) on disposal of Non-current assets	2,750	-2,979
Parish Precepts	3,492	3,252
Levies	315	308
Contribution of Housing Capital Receipts to National Pool	1,020	1,221
Cheshire West and Chester Share of Pension Guarantees and Loans	1,363	1,732
Loan Transferred to an Academy	0	-31
	8,940	**3,503**

12. Financing and investment income and expenditure

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

	2018-19 £000	2017-18 £000
Interest payable and similar charges	13,384	12,635
Unrealised gains or losses on financial assets held at fair value through profit and loss transferred to Unusable Reserve	714	0
Net interest on pension assets and liabilities	8,447	9,304
Interest receivable and similar income	-1,580	-874
Expected Credit Loss Allowance	696	0
Loss on transfer of schools to Academy status	9,659	10,109
Income and expenditure in relation to investment Properties and changes in their fair value	-14,041	-5,535
Trading Accounts not related to Services	121	16
	17,400	**25,655**

Under the new accounting standard IFRS 9 Financial Instruments, Expected Credit Loss Allowance replaces the bad debt provision for certain types of asset that were recorded within Net Cost of Services within the Comprehensive Income and Expenditure Statement (CIES) have now been moved to the Financing and Investment income and expenditure section of the CIES.

13. Taxation and non-specific grant income and expenditure

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

	2018-19 £000	2017-18 £000
Income:		
Council Tax	-179,733	-167,603
Non Domestic Rates	-67,522	-64,693
Revenue Support Grant	-11,271	-19,236
Capital Grants and Contributions	-23,358	-34,262
PFI Grants	-3,039	-3,039
Local Services Support Grant	-338	-278
New Homes Bonus	-8,871	-8,498
S31 Non Domestic Rates Grant Funding	-5,893	-4,952
Education Services Grant	0	-1,041
Other Grants	-2,438	-3,300
Expenditure:		
Non Domestic Rates - Tariff and Levy Payment	17,700	16,988
	-284,763	**-289,914**

14. Other Comprehensive Income and Expenditure (CIES)

The Other Comprehensive Income and Expenditure section of the CIES recognises increases and decreases to the value of assets and liabilities which have yet to be realised by the Council. As these gains and losses were unrealised at 31 March 2019 they are not reflected against the Council's usable reserves at this point and are held separately in Unusable Reserves as described in Note 26.

	2018-19 £000	2017-18 £000
Property Revaluation (Gains)	-74,653	-73,439
Pension Deficit Re-measurement Losses/(Gains)	93,980	-76,680
Surplus/Deficit from investments in equity instruments designated at fair value through other comprehensive income	0	92
	19,327	**-150,027**

- 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 loss in 2018-19 reflects a decrease of the financial assumptions of the Actuary.

15. Property, plant and equipment

Movements in 2018-19	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 2018	188,828	795,525	80,559	401,337	20,338	612	33,318	1,520,517
Additions	3,476	19,555	5,909	15,326	659	4	14,369	59,298
Revaluation Gain/Loss to RR	-938	49,961	0	0	0	2,458	0	51,481
Reval/Impair Losses to SDPS	-2,139	-19,679	0	0	0	0	0	-21,818
Reverse Reval/Impair to SDPS	0	3,374	0	0	0	0	0	3,374
Derecognition - Disposals	-2,301	-12,339	-689	0	-2,746	-505	0	-18,580
Re-classification of assets	6,164	-1,814	25	0	0	1,606	-5,982	-1
Reclass to/from Held for Sale	915	-1,202	0	0	0	0	0	-287
Reclass to/from Heritage	0	0	0	0	0	0	0	0
Reclass to/from Investment	0	-16,641	0	0	0	547	0	-16,094
Reclass to/from Intangible	0	0	0	0	0	0	0	0
Value as at 31 March 2019	**194,005**	**816,740**	**85,804**	**416,663**	**18,251**	**4,722**	**41,705**	**1,577,890**
Depreciation								
Accum Depn at 31 March 2018	-91	-10,988	-59,753	-144,381	-76	0	-257	-215,546
Charges for the year	-3,882	-19,063	-7,762	-12,558	0	0	0	-43,265
Revaluation Gain/Loss to RR	3,742	14,988	0	0	0	0	0	18,730
Reval/Impair Loss to SDPS	33	2,168	0	0	0	0	0	2,201
Reverse Reval/Impair to SDPS	0	1,508	0	0	0	0	0	1,508
Derecognition - Disposals	0	683	645	0	0	0	0	1,328
Re-classification of assets	0	9	0	0	0	0	0	9
Accum Depn at 31 March 2019	-198	-10,695	-66,870	-156,939	-76	0	-257	-235,035
Net Book Value at 31 March 2019	**193,807**	**806,045**	**18,934**	**259,724**	**18,175**	**4,722**	**41,448**	**1,342,855**
Net Book Value at 31 March 2018	188,737	784,537	20,806	256,957	20,261	612	33,061	1,304,971
Nature of Asset Holding								
Owned	193,807	787,349	16,663	259,724	18,175	4,722	41,448	1,321,888
PFI		18,696						18,696
Leased			2,271					2,271
Total	**193,807**	**806,045**	**18,934**	**259,724**	**18,175**	**4,722**	**41,448**	**1,342,855**

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 2018-19 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 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
Valuation at 31 March 2016	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
Other Movements	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								
At 31st 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
Accum Depn at 31 March 2017	-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**

Impairment Losses

Within the 2018-19 table, there is an impairment of Huntington Primary School included in revaluation/impairment losses to the SDPS. The total value of the impairment is £3.9m due to demolition of the old building. A new school was built and has a balance sheet carrying value of £6.6m.

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 2019.

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 2018-19. 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 Property Assets £000
Valued at Historic Cost	151,859	452,721	611	605,191
Valued as at:				
31 March 2019	189,468	510,760	4,611	1,215,599
31 March 2018	0	170,427	111	170,539
31 March 2017	4,339	84,603	0	88,942
31 March 2016	0	17,553	0	17,553
31 March 2015	0	22,702	0	22,703
Total	**193,807**	**806,045**	**4,722**	**1,515,335**

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 2019, totals £10.9m (£21m at 31 March 2018). The decrease is due to the completion of HRA new build housing sites (£3.2m) and the completion of a new school building for Huntington Primary School became operational in November 2018 (£3.8m).

Capital Project	Contract Total £000	Amount Paid to Date £000	Outstanding Balance £000
HRA New Build - Whitby Road	2,253	1,072	1,181
Disabled Facilities Grant	1,800	1,296	504
Commercial units at Bumpers Lane Chester	1,957	0	1,957
B4B HR & Finance System Replacement	5,029	3,198	1,831
Highways and Transport Maintenance Contract	15,000	9,548	5,452
Total	**26,039**	**15,114**	**10,925**

16. Heritage assets

Movements in 2018-19	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 2018	11,249	3,052	10,490	500	3,749	593	29,633
Additions	212	-9	35	0	262	0	500
Value as at 31 March 2019	**11,461**	**3,043**	**10,525**	**500**	**4,011**	**593**	**30,133**
Depreciation							
At 31st March 2018	-529	-5	0	0	0	0	-534
Charges for the year	-225	0	0	0	0	0	-225
Accumulated Depn at 31 March 2019	**-754**	**-5**	**0**	**0**	**0**	**0**	**-759**
Net Book Value at 31 March 2019	**10,707**	**3,038**	**10,525**	**500**	**4,011**	**593**	**29,374**

Movements in 2017-18 Restated	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	11,130	2,780	10,490	500	3,742	593	29,235
Additions	119	47	0	0	7	0	173
Reclassification to/from PPE Assets	0	225	0	0	0	0	225
Value as at 31 March 2018	**11,249**	**3,052**	**10,490**	**500**	**3,749**	**593**	**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	**10,720**	**3,047**	**10,490**	**500**	**3,749**	**593**	**29,099**

The 17-18 table above has been restated to correctly categorise the Heritage assets in line with the accounting policies.

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.

17. Investment properties

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

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

Investment Asset Expenditure and Income	2018-19 £000	2017-18 £000
Rental Income from Investment Property	-8,540	-8,137
Direct Expenditure Arising from Properties	2,803	2,496
Income and Proceeds of Disposal	-8,963	-591
Net Cost/(Income) in the Year	**-14,700**	**-6,232**

The movements in the value of investment properties during 2018-19 are analysed below.

Investment Assets - Movements in Year	2018-19 £000	2017-18 £000
Balance at Start of Year	111,548	120,119
Additions		
- Acquisitions	2,928	791
Disposals		
- Outright Disposals	-1,100	-222
Impairments	0	-9
Fair Value Adjustments		
- Increases in Fair Value	17,271	5,381
- Decreases in Fair Value	-8,819	-5,369
Transfers to or from other asset categories	16,094	-9,143
Value as at 31 March	**137,922**	**111,548**

Details of investment properties and information about the fair values hierarchy as at 31 March 2019 are as follows:-

2018-19	Quoted prices in active markets for identical assets	Other signicant observable inputs	Significant unobservable inputs				Fair Value as at 31 March 2019
	Level 1	Level 2	Level 3				Total
	£000	£000	£000	£000	£000	£000	£000
Recurring fair value measurement using:							
Residential properties	0	74	0				74
Commerical units	0	88,221	0				88,221
Industrial units	0	36,555	0				36,555
Land (incuding Car Parks)	0	11,125	0				11,125
Other	0	1,947	0				1,947
Total	**0**	**137,922**	**0**				**137,922**

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 its assets in line with the highest and best use definition of its investment properties. In estimating the Fair Value of the Council's investment properties the highest and best use is their current use.

All the Council's investment properties have been value assessed as Level 2 in the Fair Value hierarchy for valuation. The fair value of investment properties has been determined using a market and income approach, which takes into account direct and indirect observable data from the market where there is no quoted prices. Information is obtained about similar assets, existing lease terms and rentals, research of market evidence including yields and rentals. Adjustments made based on valuer judgement, are unlikely to be material to the overall change in value. We also use the local knowledge and understanding of the Council portfolio when valuing the investment portfolio. Market conditions of similar assets actively purchased and sold within the market and from within the portfolio provide a level of observable inputs, leading to the properties being categorised as level 2 on the fair value hierarchy. There has been no change in the valuation techniques used during this year for investment properties.

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

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. All Investment assets are valued on an annual basis by the Council.

18. Intangible Assets

	Other Assets 2018-19 £000	Assets Under Construction 2018-19 £000	Total Assets 2018-19 £000	Total Assets 2017-18 £000
Balance at start of year:				
Gross carrying amount	737	3,547	4,284	1,093
Accumulated amortisation	-437	0	-437	-588
Net carrying amount at start of year	**300**	**3,547**	**3,847**	**505**
Purchases & Asset under Construction:				
Additions	1,608	0	1,608	3,264
Reclassification	733	-733	0	296
Disposals:				
Gross carrying amount	-242	-2,814	-3,056	-369
Accumulated amortisation	242	0	242	369
Amortisation for the Period	-554		-554	-218
Net carrying value at end of year	**2,087**	**0**	**2,087**	**3,847**
Comprising:				
Gross Carrying Amount	2,836	0	2,836	4,284
Accumulated Amortisation	-749	0	-749	-437
Total	**2,087**	**0**	**2,087**	**3,847**

19. Assets Held for Sale

The balance of Assets Held for Sale has decreased by £2.3m during 2018-19. This is due to £7m of the assets being sold within the year and also there has been 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.

	2018-19 £000	2017-18 £000
Balance at Start of Year	13,175	2,455
Assets Transferred into Assets Held for Sale:		
Property, Plant and Equipment	1,193	5,428
Investment Assets	0	3,305
Additions	33	10
Valuation Changes:		
- Revaluation Gains/Losses	4,442	4,249
Assets Transferred out of Assets Held for Sale		
Council Housing	-915	-930
Assets sold	-7,028	-1,342
Balance at end of the year	**10,900**	**13,175**

20. Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity; these can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council. Non-exchange transactions, such as those relating to prepayments, expected losses, taxes and government grants, do not give rise to financial instruments.

The tables below outline the categories of financial instruments that are carried in the Council's balance sheet.

Financial Assets

A financial asset is the right to receive future economic benefits. The financial assets held by the Council during the year are accounted for under the following bases:

Type of Asset	Measurement
Cash	Amortised cost
Bank current and deposit accounts	Amortised cost
Fixed term deposits with banks	Amortised cost
Loans to other local councils	Amortised cost
Trade receivables	Amortised cost
Shares in UK Municipal Bond Agency (UKMBA)	Fair Value Through other Comprehensive Income (FVOCI)
Units in pooled equity and property funds managed by Schroders and CCLA	Fair Value through Profit and Loss
Units in instant access pooled money market funds	Fair Value through Profit and Loss

	Long Term		Short Term	
Financial Assets	**31 March 2019 £000**	**31 March 2018 £000**	**31 March 2019 £000**	**31 March 2018 £000**
Assets at amortised cost				
Principal amount			10,000	25,000
Loss allowance			-1	
Assets at fair value through other comprehensive income				
Equity investments elected FVOCI				
Total Investments	**0**	**0**	**9,999**	**25,000**
Assets at amortised cost				
Principal amount			6,202	1,165
Loss allowance			-2	0
Bank Overdraft				
Assets at fair value through profit and loss				
Pooled Property and Equity Funds	9,242			
Money Market Funds			31,190	27,881
Total Cash and Cash Equivalents	**9,242**	**0**	**37,390**	**29,046**
Assets at amortised cost				
Trade receivables opening IFRS 9 adjusted		-600		
Trade receivables/Debtors	11,771	7,746	27,085	23,666
Total	**11,771**	**7,146**	**27,085**	**23,666**
Non financial instrument trade debtors	57	0	25,003	19,380
Total Trade Debtors	**11,828**	**7,146**	**52,088**	**43,046**
Amount Included in Debtors	**11,771**	**7,146**	**27,085**	**23,666**
Total All Financial Assets	**21,013**	**7,146**	**74,474**	**77,712**

Long term investments represent interest in minority shareholdings and long term strategic holdings in property and equity funds. Short term investments represent fixed term deposits with banks and other local Council's and investments in instant access money market funds.

Cash and cash equivalents are reported on the Balance Sheet as £35.3m which is net of the overdraft of £2m reported within the financial liabilities table.

Assets Held for Sale in prior periods, the Council has elected to account for these investments in equity instruments at fair value through comprehensive (FVOCI) income because they are considered long term strategic holdings (i.e. buy and hold investments). Changes in the value of such investments from one year to the next are not considered to be representative of the Council's financial performance for any given year. Such changes in value are therefore transferred to the Financial Instruments Revaluation Reserve rather than being taken to the profit and loss account.

The following information is the investment elected as FVOCI:

Investments £	Type of Investment
350,000	1p Ordinary Shares in UKMBA

Equity Instruments elected to fair value through other comprehensive income	Fair Value		Dividends	
	31 March 2019 £000	31 March 2018 £000	2018-19 £000	2017-18 £000
UKMBA 1p ordinary shares	0		0	
Total Equity Instruments	**0**	**0**	**0**	**0**

The UKMBA investment is carried at zero value to due previous impairments.

The Council holds pooled investments in a property fund and an equity fund. Any changes in the valuation are required to be recognised as fair value through profit and loss, which again would impact upon the Council's general fund reserve and revenue budget. The Ministry of Housing, Communities and Local Government (MCHLG) has permitted a temporary (5 year) statutory override to English Local Authorities to mitigate the impact of these changes in valuations. The Council has utilised the statutory override to account for any changes in the value of these investments.

Details of the investments are as follows:

Instruments at fair value through profit and loss	Fair Value		Dividends	
	31 March 2019 £000	31 March 2018 £000	2018-19 £000	2017-18 £000
Schroder Income Maximiser Fund Class Z Units	4,576		167	
CCLA LAMIT Property Fund Income Units	4,666		166	
Money Market Funds	31,190	27,881	328	146
Total Instruments at fair value	**40,432**	**27,881**	**661**	**146**

Financial Liabilities

A financial liability is an obligation to transfer economic benefits. The financial liabilities held by the Council during the year are accounted for under the following basis:

Type of Liability	Measurement
Long term loans from the Public Works Loans Board (PWLB)	Amortised cost
Long term loans from banks and other commercial organisations	Amortised cost
Loans from other councils	Amortised cost
Payments due under finance leases	Amortised cost
Private Finance Initiative (PFI) contracts	Amortised cost
Amounts owed to Cheshire East Council in relation to shared premises	Amortised cost
Trade payables	Amortised cost

Prior to the introduction of IFRS9 the Council's shareholding in the UK Municipal Bond Agency was classified as being at fair value through profit and loss (FVTPL). An election to treat the Council's shareholding as being classified at fair value through other comprehensive income (FVOCI) was made upon the adoption of IFRS9.

	Long Term		Short Term	
Financial Liabilities	**31 March 2019 £000**	**31 March 2018 £000**	**31 March 2019 £000**	**31 March 2018 £000**
Loans at amortised cost				
Principal Amount	266,967	271,994	18,922	21,973
Accrued Interest			2,826	2,886
Total Borrowing	**266,967**	**271,994**	**21,748**	**24,859**
Loans at amortised cost				
Bank Overdraft			2,060	1,515
Total Cash Overdrawn	**0**	**0**	**2,060**	**1,515**
Long Term Liabilities at amortised cost				
Finance Leases	1,482	1,336		
PFI contracts	25,462	26,588		
Amounts owed to Cheshire East Council	601	609		
Total Other Long Term Liabilities	**27,545**	**28,533**	**0**	**0**
Short Term Liabilities at amortised cost				
Finance Leases			917	2,133
PFI contracts			1,127	934
Amounts owed to Cheshire East Council			0	0
Trade Creditors			80,833	79,936
Total Trade Creditors	**0**	**0**	**82,877**	**83,003**
Non financial instrument trade creditors	0	0	30,492	29,416
Total Creditors	**0**	**0**	**111,325**	**109,352**
Amount Included in Creditors	**0**	**0**	**80,833**	**79,936**
Total All Financial Liabilities	**294,512**	**300,527**	**106,685**	**109,377**

Short term borrowings comprise in the main of loan principal and interest payments due in less than one year and bank overdrafts. The ‘Other long term liabilities’ section includes PFI, finance leases and amounts owed to Cheshire East Council in relation to shared properties.

Within the debtors and creditors analysis, certain transactions are removed where they are not considered to be financial instruments (i.e. they do not meet the definition of a financial asset or a financial asset). This is the case for arrangements such as the payover of deductions for tax and national insurance to government, receipts in advance or prepayments. These are not contractual arrangements whereby the Council is giving or receiving credit so they are not classed as financial instruments.

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends to settle on a net basis or to realise the asset and settle the liability simultaneously. The Council has adopted this approach in respect of its main bank accounts at Lloyds Bank which are shown in the table below on the bank overdraft line. See note 22 Cash and cash equivalent for details of accounts that have permitted right of set off.

	31 March 2019			31 March 2018		
Offsetting Financial Assets and Liabilities	**Gross assets (liabilities) £000**	**(Liabilities) assets set off £000**	**Net position on balance sheet £000**	**Gross assets (liabilities) £000**	**(Liabilities) assets set off £000**	**Net position on balance sheet £000**
Trade receivables	0	0	0	0	0	0
Bank accounts in credit	30,470	-30,470	0	25,198	-25,198	0
Total financial assets	**30,470**	**-30,470**	**0**	**25,198**	**-25,198**	**0**
Trade payables	0	0	0	0	0	0
Bank overdrafts	-34,443	30,470	-4	-28,982	-25,198	-54
Total financial liabilities	**-34,443**	**30,470**	**-4**	**-28,982**	**-25,198**	**-54**

Income, expense, gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments comprise of the following:

	Financial Liabilities	Financial Assets				
Financial Instruments Gains and Losses	**Amortised Cost £000**	**Amortised Cost £000**	**Elected to Fair Value through Other Comprehensive Income £000**	**Fair Value through Profit & Loss £000**	**Total 2018-19 £000**	**Total 2017-18 £000**
Interest payable	13,360				13,360	12,613
Loss on de-recognition	0				0	
Fees paid	24				24	22
Interest payable and similar charges	**13,384**	**0**	**0**	**0**	**13,384**	**12,635**
						0
Interest receivable	0	-919	0	0	-919	-728
Dividend income	0	0	0	-661	-661	-146
Interest receivable and investment income	**0**	**-919**	**0**	**-661**	**-1,580**	**-874**
Net impact on surplus / deficit on provision of services	**13,384**	**-919**	**0**	**-661**	**11,804**	**11,761**
Losses on revaluation		0	0	714	714	0
Impact on other comprehensive income	**0**	**0**	**0**	**714**	**714**	**0**
Net (Gain) / Loss for the Year	**13,384**	**-919**	**0**	**53**	**12,518**	**11,761**

Fair Values of Assets and Liabilities

All of Council's financial liabilities are carried in the balance sheet at amortised cost. Many of the Council's financial assets are also carried in the balance sheet at their amortised cost. The fair value of both can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

- Estimated interest rates at 31 March 2019 of between 0.90% and 2.37% for prevailing market interest rates in the local authority loans market;
- The carrying value of the Lender's Option Borrower's Option (LOBO) loan has been increased by the value of the embedded options. The lender's option to increase the rate of interest payable has been valued by reference to a pricing model for Bermudan cancellable swaps. The borrower's option to accept the increased interest rate or repay the loan has been valued at zero;
- No early repayment or impairment is recognized;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount;
- All loans issued are relatively short term (less than one year) and therefore fair value will not vary significantly from carrying value;
- The fair value of unquoted equity is calculated by reference to the estimated amount of equity attributable to the owners of the company as shown in the company's most recent set of published accounts;
- Finance lease liabilities and PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA rated corporate bond yield.

The fair value of financial assets and liabilities are determined using one of three bases (level 1, 2 or 3), which is set out in Note 1. Significant accounting policies.

Fair value of assets

	Fair Value Level	Balance Sheet Value	Fair Value	Balance Sheet Value	Fair Value
Fair Value of Financial Assets		**31 March 2019 £000**	**31 March 2019 £000**	**31 March 2018 £000**	**31 March 2018 £000**
Financial assets held at fair value					
Money market funds	1	31,190	31,190	29,045	29,045
Pooled equity and property funds	1	9,242	9,242		
Financial assets held at amortised cost					
Bank deposits and notice accounts	2	11,199	11,199	10,000	10,000
Loans to other local councils	2	5,000	5,000	15,000	15,000
Short term debtors	3	27,028	27,028	23,666	23,666
Long term debtors	3	11,828	11,828	7,146	7,146
Bank overdraft		-2,060	-2,060	-1,515	-1,515
Total Financial Assets		**93,427**	**93,427**	**83,342**	**83,342**
Recorded on the balance sheet as					
Long term investments		9,242		0	
Long term debtors		11,828		7,146	
Short term investments		9,999		25,000	
Short term debtors		27,028		23,666	
Cash and cash equivalents		35,330		27,530	
Total Financial Assets		**93,427**		**83,342**	

Cheshire West and Chester

The financial assets whose recurring fair value is determined using level 1 inputs (the ex-div share price on 31st March) comprise of long term strategic shareholdings in the CCLA Local Authorities Property Fund and the Schroders Income Maximiser Fund. The Council views these shareholdings as being long term strategic shareholdings. Changes in the fair value of the shareholdings are therefore taken direct to the Financial Instruments Revaluation Reserve in accordance with the accounting treatment set out in IFRS 9, and the MHCLG statutory override.

Instant access pooled money market funds are also valued using level 1 inputs namely the ex-dividend share price on 31st March 2019.

The financial assets held by the Council at amortised cost on the balance sheet date, and whose fair value is determined using level 2 bases, comprise of short term fixed rate deposits with banks and UK local Council's, instant access accounts with UK banks, notice accounts with UK banks together with trade receivables and payables for goods and services received. All such monies were, or would become, available to the Council within two months of the balance sheet date.

In the current financial climate, being one of very low 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 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 the near future).

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 2018.

The Council views the shareholding in UKMBA as being a long term strategic shareholding. Consequently changes in the fair value of the shareholding are taken to the Financial Instruments Revaluation Reserve in accordance with the accounting treatment set out in IFRS 9.

Fair Value of Liabilities

Fair Value of Financial Liabilities	Fair Value Level	Balance Sheet Value 31 March 2019 £000	Fair Value 31 March 2019 £000	Balance Sheet Value 31 March 2018 £000	Fair Value 31 March 2018 £000
Long and short term loans from PWLB	2	252,046	313,620	260,240	318,721
Long term LOBO loans	2	7,388	10,425	7,394	10,552
Other long and short term loans	2	29,280	35,815	29,219	36,729
PFI contracts	2	26,589	23,703	27,522	35,616
Finance leases and other long term liabilities	3	2,999	2,999	4,078	4,078
Short term creditors	3	80,833	80,833	79,936	79,936
Guarantees issued					
Total Financial Liabilities		**399,135**	**467,395**	**408,389**	**485,632**
Recorded on the balance sheet as					
Long term borrowing		266,967		271,994	
Other long term liabilities		27,544		28,533	
Long term creditors					
Long term provisions					
Short term liabilities		2,044		3,067	
Short term borrowing		21,747		24,859	
Short term creditors		80,833		79,936	
Short term provisions					
Total Financial Liabilities		**399,135**		**408,389**	

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

- The level 2 input used is the new market borrowing rate for local Council's. The new market borrowing rate has been used to discount the scheduled interest payments and principal repayments that the Council is committed to under its existing loan agreements back to a fair (net present) value at the balance sheet date.
- The fair value here (and which is shown above) represents the amount of loans that could be raised on the balance sheet date that would give rise to the same profile of interest payments and principal repayments as those the Council is committed to under its existing loan agreements were the loans to be raised at the prevailing market rates.
- Finance leases carrying value is representative of the fair value of the assets and are carried at level 3 inputs due to no observable inputs being available.
- PFI contracts fair value is derived using the yield available on AA rated corporate bonds at the balance sheet date. This rate is considered to be a fair reflection at which the Council could raise equivalent debt were it to refinance the existing debt.

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

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

21. Debtors

The Council's debt position as at 31 March 2019 is analysed as follows:

Analysis of Short-term Debtors	Analysis of Financial Assets 31 March 2019 £000	Non Exchange Transactions 31 March 2019 £000	Impairment Allowance £000	31 March 2019 £000
Sundry Revenue and Capital Debtors	402	307	-248	461
Accrued Fees and Charges	11,713	0	-579	11,134
Trade Receivables	2,045	14,736	-2,235	14,546
Prepayments	0	6,052	0	6,052
HM Revenue and Customs (VAT)	0	5,817	0	5,817
Housing Benefit Overpayments	0	5,217	-4,716	501
Housing Revenue Account Tenant Arrears	2,303	0	-1,705	598
Revenue and Capital Grant Debtors	5,920	0	0	5,920
Cheshire Pension Fund Debtor	1,524	0	0	1,524
CWAC Share of Council Taxpayers Arrears	0	12,034	-7,689	4,345
CWAC Share of Non Domestic Rates Arrears	2,455	0	-1,988	467
Deferred Debtor	723	0	0	723
Total	**27,085**	**44,163**	**-19,160**	**52,088**

Analysis of Short-term Debtors	Analysis of Financial Assets 31 March 2018 £000	Non Exchange Transactions 31 March 2018 £000	Impairment Allowance £000	31 March 2018 £000
Sundry Revenue and Capital Debtors	760	232	-223	769
Accrued Fees and Charges	10,337	0	-1,677	8,660
Trade Receivables	2,389	13,204	-2,487	13,106
Prepayments	0	2,809	0	2,809
HM Revenue and Customs (VAT)	0	6,007	0	6,007
Housing Benefit Overpayments	0	5,964	-5,243	721
Housing Revenue Account Tenant Arrears	1,990	0	-1,626	364
Revenue and Capital Grant Debtors	6,255	0	0	6,255
CWAC Share of Council Taxpayers Arrears	0	11,007	-7,125	3,882
CWAC Share of Non Domestic Rates Arrears	1,626	0	-1,462	164
Deferred Debtor	309	0	0	309
Total	**23,666**	**39,223**	**-19,843**	**43,046**

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 Council's (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	Analysis of Financial Assets 31 March 2019 £000	Non Exchange Transactions 31 March 2019 £000	Impairment Allowance £000	31 March 2019 £000
Loans to Group Entities	2,250	0	-761	1,489
Deferred Debtor	6,734	0	0	6,734
Returnable Deposits	153	0	0	153
Home-Buy Loans	306	0	0	306
Decent Home Loans	3,073	0	0	3,073
Other entities	16	57	0	73
Total	**12,532**	**57**	**-761**	**11,828**

The deferred debtor relates to rentals on Barons Quay regeneration project and service charge income held by The Forum Shopping Development. These total £7.4m, of which £6.7m is shown in long-term debt and £0.7m is shown as a current debtor.

As part of IFRS 9, the Council is required to use the expected losses approach to calculate the impairment loss allowance. Using this approach provides a more accurate impairment charge to the CIES.

2017-18 Comparative figures

Analysis of Long-term Debtors	Analysis of Financial Assets 31 March 2018 £000	Restated Impairment Allowance £000	Restated 31 March 2018 £000
Loans to Group Entities	1,950	-600	1,350
Deferred Debtor	5,070	0	5,070
Returnable Deposits	166	0	166
Cheshire Pension Fund ICT System	84	0	84
Home-Buy Loans	307	0	307
Mack Leisure	139	0	139
Other entities	30	0	30
Total	**7,746**	**-600**	**7,146**

Following the introduction of IFRS 9 financial instrument standard, the provision reported for group loans has been reclassified to debtors as an impairment allowance.

The table below is an age analysis of debtors that are due and have been impaired. The figures are in respect of both Council Tax and Non Domestic rates.

Local Taxation	31 March 2019 £000	31 March 2018 £000
Current	6,373	5,602
1 Year	2,829	2,437
2 Years	1,688	1,487
3 Years	1,127	1,042
4 Years	803	666
5+ Years	1,669	1,399
	14,489	**12,633**
Impairment Loss	-9,677	-8,587
Total	**4,812**	**4,046**

22. Cash and cash equivalents

The following table shows the balance of cash and cash equivalents as at 31 March 2019.

	31 March 2019 £000	31 March 2018 £000
Bank Current Accounts	-2,060	-1,515
Short Term Deposits	37,390	29,045
Total	**35,330**	**27,530**

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 received in deposits on 28th March 2019 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.

The following table shows the types of accounts held by the Council and where there is a legally enforceable right of set off and it intends to settle on a net basis or to realise the assets and liabilities simultaneously. See Note 20 for further details.

	At 31 March 2019 £000	At 31 March 2018 £000	Legal right of off set
Council fund account	30,470	25,198	Yes
Payables account	-33,056	-27,699	Yes
Payroll account	-1,387	-1,283	Yes
Instant access account	6,200	1,165	
Money market funds	31,191	27,881	
School bank accounts	1,216	1,230	
Imprest bank accounts	41	47	
Other	655	991	
Total	**35,330**	**27,530**	

23. Creditors

The Council's creditor position as at 31 March 2019 compared is analysed as follows:

Analysis of Creditors by Type	Analysis of Financial Liabilities 31 March 2019 £000	Non Exchange Transactions 31 March 2019 £000	31 March 2019 £000	Restated 31 March 2018 £000
Creditors				
Sundry Revenue Creditors/Payments to Suppliers	51,034	0	**51,034**	48,163
Accumulated Absences	0	7,324	**7,324**	7,281
HM Revenue and Customs	0	4,632	**4,632**	4,427
Payroll Related	0	3,984	**3,984**	3,876
Capital Creditors	12,855	0	**12,855**	13,849
Business Rates relating to other bodies	15,897	0	**15,897**	16,067
Cheshire Pension Fund Creditor	0	0	**0**	863
Other	1,047	0	**1,047**	994
	80,833	**15,940**	**96,773**	**95,520**
Receipts in Advance				
Council Tax Advance Payments	0	3,583	**3,583**	3,211
Business Rates Advance Payments	0	2,183	**2,183**	2,632
Revenue Grants	0	2,002	**2,002**	1,410
Other	0	6,784	**6,784**	6,579
	0	**14,552**	**14,552**	**13,832**
Total	**80,833**	**30,492**	**111,325**	**109,352**

The Sundry Revenue Creditors/Payments to Suppliers includes £0.793m relating to Council Tax Collection Fund Preceptors and £3.56m relating to the business rates levy and transitional protection schemes. The majority of the Council's creditors are individual companies with whom it trades but it does have some significant liabilities with other Council's (joint working) and the Government (Tax and NI payments).

£18k has been reclassified from other creditors to other sundry creditors for 17-18.

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 2019 £000	31 March 2018 £000
Opening Balance at 1st April	7,281	7,920
Changes in Unused Leave Entitlement (School Based staff)	4	-656
Changes in Unused Leave Entitlement (non School Staff)	39	17
Closing Balance at 31st March	**7,324**	**7,281**

24. 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	Contribution Related Reward £000	Other ST Provisions £000	**Total £000**
Balance at 31 March 2017	**1,053**	**26**	**395**	**457**	**432**	**2,363**
Amounts used in year	-1,053	0	-8	-406	-86	**-1,553**
Unused amount released	-1	0	0	-5	0	**-6**
Additional provisions made	252	0	0	390	56	**698**
Balance at 31 March 2018	**251**	**26**	**387**	**436**	**402**	**1,502**
Amounts used in year	-152	0	-441	-451	-240	**-1,284**
Unused amount released	-99	-26	0	-8	-56	**-189**
Additional provisions made	414	0	876	500	253	**2,043**
Balance at 31 March 2019	**414**	**0**	**822**	**477**	**359**	**2,072**

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 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**
Opening Balance Adj	0	0	0	0	-600	**-600**
Amounts used in year	-922	-135	-5,306	0	0	**-6,363**
Unused amount released	-536	0	0	-250	-1,315	**-2,101**
Additional provisions made	1,512	0	7,331	0	2,979	**11,822**
Balance at 31 March 2019	**3,229**	**2,819**	**14,208**	**250**	**2,796**	**23,302**

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 subsidiaries with loans and guarantees (non-financial risk) that are assessed annually for default.

25. Usable Reserves

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

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

The overall movements show a net contribution to reserves of £12.8m during 2018-19. This largely reflects the increased Earmarked Reserves and increased Major Repairs Reserve. Further explanations for major variances follow the table.

	31 March 2019 £000	31 March 2018 £000
Held for Revenue Purposes		
General Fund	24,726	24,431
School Reserves	8,960	10,351
Housing Revenue Account	655	660
Earmarked General Fund Reserves	97,229	77,914
Earmarked HRA Reserves	463	394
	132,033	**113,750**
Held for Capital Purposes		
Capital Receipts Reserve	7,992	8,867
Capital Grants Unapplied Reserve	16,039	22,985
Major Repairs Reserve	13,257	9,583
	37,288	**41,435**
Total	**169,321**	**155,185**

Revenue Reserves

General Fund – The General Fund has increased in year, reflecting the budgeted use of £1.0m, offset by the Council delivering an underspend against its 2018-19 budgets of £0.5m, and an adjustment to the opening balance of £0.8m to reflect changes in accounting regulations.

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

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

Capital Reserves

Capital Receipts Reserve – The Capital Receipts Reserve holds balances which have been generated from the sale of assets or funds the Council has chosen to set aside to fund future capital works. The balance is used each year to finance part of the Council's capital expenditure. In 2018-19 the reserve was topped up with £15.8m of receipts /income. This included general capital receipts (£8.9m), commercial property re-investment receipts (£1.1m), Right to Buy receipts (£2.5m), Shared Ownership receipts (£0.6m), £1.2m of specific capital receipts and a number of other contributions (£1.5m). £15.7m of the reserve was used to fund capital projects in 2018-19.

Capital Grants Unapplied Reserve - The reduction in the capital grants unapplied reserve of £6.9m largely relates to the release of prior year School Basic Need grant. This grant is used to ensure there is capacity for sufficient school places in the appropriate areas in order to meet statutory obligations.

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 2018-19 the balance increased by £3.7m due to the planned additional revenue contribution from the HRA. Further details on the use of this reserve are contained in the HRA Accounts.

26. Unusable Reserves

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

- They represent assets or profits recognised in the Council's accounts 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 2019 £000	31 March 2018 £000
Revaluation Reserve	382,291	321,562
Capital Adjustment Account	625,155	619,529
Financial Instruments Adjustments Account	-1,658	-802
Pensions reserve	-428,969	-303,044
Collection Fund Adjustment Account	4,330	7,192
Accumulated Absences Account	-7,324	-7,281
Financial Instrument Revaluation Reserve	-1,064	-350
Total	**572,761**	**636,806**

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	2018-19 £000	2017-18 £000
Balance at 1 April	**321,562**	**256,436**
Upwards Revaluation of assets	83,733	80,746
Downward revaluations and impairment losses	-9,082	-7,307
Surplus or deficit on revaluation of non-current assets	**74,651**	**73,439**
Difference between fair value and historic cost depreciation	-7,822	-6,104
Accumulated gains on assets sold or scrapped	-6,100	-2,209
Amount written off to the Capital Adjustment Account	**-13,922**	**-8,313**
Balance at 31 March	**382,291**	**321,562**

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	2018-19 £000	2017-18 £000
Balance at 1 April	**619,529**	**646,413**
Capital funded items charged to CIES		
Charges for depreciation	-43,491	-38,787
Amortisation of Intangible assets	-554	-218
Revaluation and impairment losses on non current assets	-14,734	-44,400
Revaluation/Impairment of capital creditors/debtors	8	12
Revenue expenditure funded from capital under statute	-886	-1,396
Assets written off to the CIES on disposal	-28,182	-17,053
Change in market value of invt properties charged to CIES	8,452	12
	-79,387	**-101,830**
Values released from revaluation reserve		
Depreciation costs funded from revaluation reserve	7,822	6,104
Revalued assets disposed of in year	6,100	2,209
	13,922	**8,313**
Net cost of non-current assets consumed in the year	**-65,465**	**-93,517**
Capital financing applied in the year		
Application of capital receipts	15,678	9,426
Transfer from Major Repairs Reserve	6,630	5,063
Application of capital grants and contributions from CIES	22,113	33,809
Funding applied from capital grants unapplied reserve	8,190	571
Statutory revenue provision for capital financing from CIES	15,651	14,587
Revenue contributions to capital costs from CIES	2,829	3,177
	71,091	**66,633**
Balance at 31 March	**625,155**	**619,529**

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	2018-19 £000	2017-18 £000
Balance at 1 April	**-802**	**-816**
Adjustment to Opening Balance	107	**0**
Premiums/discounts incurred in previous years released to CIES	-5	0
Proportion of premiums/discounts incurred in previous financial years to be charged to against the General Fund Balance in accordance with statutory requirements	15	14
Amounts by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	-973	0
Difference between costs charged to CIES and costs chargeable under statutory requirements	**-963**	**14**
Balance at 31 March	**-1,658**	**-802**

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	2018-19 £000	2017-18 £000
Balance at 1 April	**0**	**3**
Cash received transfered to capital receipts reserve	0	-3
Balance at 31 March	**0**	**0**

Pensions Reserve

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

The deficit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources the Council has, to date, set aside to meet them. An increase in the deficit of £125.9m to £428.9m has been reported in 2018-19 by the Actuaries of the fund net liability. This is due to the worsening in the pension liabilities of £179.9m offset with an improvement in assets of £54m. Statutory arrangements ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve Movement	2018-19 £000	2017-18 £000
Balance at 1 April	**-303,044**	**-349,294**
Remeasurement of the net defined benefit liability	-93,980	76,680
Reversal of items Charged to CIES		
-Current Service Costs	-43,480	-43,943
- Past Service Costs, Settlements and Curtailments	-4,333	-339
- Net Interest Costs	-8,447	-9,304
Actual Pension Contributions Charged to General Fund	24,315	23,156
Balance at 31 March	**-428,969**	**-303,044**

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.

Accumulating Absences Adjustment Account	2018-19 £000	2017-18 £000
Leave Entitlement		
- School Based Staff	-5,528	-5,524
- Non School Staff	-1,796	-1,757
Balance at 31 March	**-7,324**	**-7,281**

Financial Instrument Revaluation Reserve

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

Financial Instrument Revaluation Reserve	2018-19 £000	2017-18 £000
Balance at 1 April	**-350**	**-258**
Downward revaluation of investments	-714	-92
Balance at 31 March	**-1,064**	**-350**

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	2018-19			2017-18		
	Council Tax	Non Domestic Rates	Total	Council Tax	Non Domestic Rates	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	6,409	783	7,192	5,009	3,819	8,828
Share of Collection Fund Surplus /(Deficit)	-1,423	-1,439	-2,862	1,400	-3,036	-1,636
Balance at 31 March	**4,986**	**-656**	**4,330**	**6,409**	**783**	**7,192**
Billed Income for in year activities	-171,585	-68,355	-239,940	-160,420	-67,328	-227,748
Council Tax Collected for Parish Precepts	-3,492	0	-3,492	-3,252	0	-3,252
CWaC Contribution to (Surplus)/Deficit	-6,079	0	-6,079	-2,530	0	-2,530
Actual Collection Fund (Surplus)/Deficit	1,423	1,439	2,862	-1,400	3,036	1,636
Income in CIES	**-179,733**	**-66,916**	**-246,649**	**-167,602**	**-64,292**	**-231,894**
Less Actual Surplus/(Deficit)	-1,423	-1,439	-2,862	1,400	-3,036	-1,636
Income Credited to General Fund	**-181,156**	**-68,355**	**-249,511**	**-166,202**	**-67,328**	**-233,530**

The reserve holds a surplus of £5.0m for Council Tax which will be available to support Council budgets from 2019-20. This is a decrease of £1.4m and reflects the distribution of £6.1m of the brought forward balance to the Council and an in-year surplus of £4.7m (Council share). The in-year surplus reflects a continued reduction in the cost of the Council Tax Reduction Scheme (as a result of reduced claimant numbers) and strong housing growth.

The reserve holds a deficit of £0.7m for Non-Domestic Rates which will require funding from Council budgets from 2019-20. This is a movement of £1.4m which is largely the result of a significant increase in the value of backdated refunds.

27. Cash Flow Statement – Operating Activities

The Cash Flow Statement sets out the cash flows of the Council over the financial year, splitting these into operational, investing and financing activities. The following notes show details of the transactions that are included in or adjusted out of the Cash Flow Statement.

The following adjustments were removed from the net surplus or deficit on the provision of services (SDPS) as they relate to costs and income which does not reflect cash based transactions, they instead relate to notional costs or movements in working capital.

Adjustments to remove non cash items from the SDPS	2018-19 £000	2017-18 £000
Depreciation and amortisation of non current assets	-44,045	-39,005
Impairments and downward valuations	-14,734	-44,400
Revaluation Gains on Investment Assets	8,452	12
Reduction in fair value of soft loans	1,065	0
Pension Fund Adjustments	-31,945	-30,430
Other non cash Financial Instrument adjustments	-714	0
(Increase)/ Decrease in Provisions	-9,161	-12,402
Increase/(Decrease) in Inventories	19	-106
Increase/(Decrease) in Debtors	10,452	-2,955
(Increase)/Decrease in Creditors	5,509	538
Carrying value of assets which have been sold	-28,193	-17,227
Other non cash movements	-45	640
Adjustments for Non Cash Items	**-103,340**	**-145,335**

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	2018-19 £000	2017-18 £000
Proceeds from sale or disposal of non current assets	14,504	7,882
Capital grant income credited to SDPS	21,485	37,814
Income from Trading Operations	5,539	5,496
Other adjustments for financing activities	-524	3,993
Net cash flows from investing/financing activities in SDPS	**41,004**	**55,185**

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

Interest and Investment Income in Operating Activities	2018-19 £000	2017-18 £000
Interest received	-1,580	-874
Interest paid	13,384	12,635

28. Cash Flow Statement – Investing Activities

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

Investing Activities	2018-19 £000	2017-18 £000
Purchase of property, plant and equipment, investment property and intangible assets	64,435	97,834
Purchase of short-term and long-term investments	64,955	169,998
Other payments for investing activities	-131	31
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-14,504	-7,882
Proceeds from short-term and long-term investments	-70,000	-175,029
Capital grants received	-24,846	-36,957
Other receipts from investing activities	-5,539	-5,496
Net cash flows from investing activities	**14,370**	**42,499**

29. Cash Flow Statement – Financing Activities

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

Financing Activities	2018-19 £000	2017-18 £000
Cash receipts of short- and long-term borrowing	-7,442	4,538
Other receipts from financing activities	-1,130	-371
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,112	3,018
Repayments of short- and long-term borrowing	14,632	280
Other payments for financing activities	524	-3,993
Net cash flows from financing activities	**8,696**	**3,472**

30. Trading Operations

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

	Expenditure	Property Disposals / Valuations	Income	(Surplus)/ Deficit	Expenditure	Property Disposals / Valuations	Income	-Surplus/ Deficit
	2018-19 £000	2018-19 £000	2018-19 £000	2018-19 £000	2017-18 £000	2017-18 £000	2017-18 £000	2017-18 £000
Industrial & Commercial Properties	2,803	-8,500	-8,540	-14,237	2,496	-40	-8,137	-5,681
Transport Management Organisation	2,245	0	-2,114	131	2,016	0	-1,972	44
Grounds Maintenance	144	0	-154	-10	259	0	-287	-28
Total	**5,192**	**-8,500**	**-10,808**	**-14,116**	**4,771**	**-40**	**-10,396**	**-5,665**

- 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 2018-19 all investment properties had been valued compared to previous years where investment properties were valued on a 5 year cycle.
- 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. There had been increased winter maintenance costs for the vehicles which was partially offset with increased income.
- The Grounds Maintenance contract was terminated part way through the year in September 2018. An element of this service has now been brought back in house, where grounds maintenance for libraries and estates is carried out by Streetcare, but schools are now charged directly by a 3rd party provider for their costs.

31. Agency Services

Cheshire West and Chester Council undertakes some activities on behalf of other bodies. Only those costs and balances that relate to the Council's own share are reflected in the CIES and Balance Sheet. During 2018-19, 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 2019 relating to each of these bodies.

Non-Domestic Rates Collection Fund – Balances at 31 March	2018-19 Collection Fund £000	CWAC £000	Central Government £000	Cheshire Fire £000	2017-18 Collection Fund £000
Arrears	4,955	2,428	2,478	49	3,281
Impairment Allowance	-4,011	-1,966	-2,005	-40	-2,952
Appeals Provision	-28,998	-14,209	-14,499	-290	-24,863
Receipts in Advance	-4,454	-2,183	-2,227	-44	-5,371
(Surplus)/Deficit	1,338	656	669	13	-1,598
Amount owing (to)/from other bodies	0	-15,897	15,585	312	0

The move from a surplus of £1.6m to a deficit of £1.3m is primarily due to refunds payable in 2018-19 being significantly higher than expected based on prior years' experience.

Council Tax Collection Fund

The Council collects Council Tax on behalf of itself, Cheshire Police Authority and Cheshire Fire Authority. This is distributed based on each body's share of the total Council Tax requirement, and in 2018-19 this was as follows – Cheshire West and Chester Council (85.18%), Cheshire Police Authority (10.38%), Cheshire Fire Authority (4.44%). The table below shows the balances at 31 March 2019 relating to each of these bodies.

Council Tax Collection Fund – Balances at 31 March	2018-19 Collection Fund £000	CWAC £000	Cheshire Police £000	Cheshire Fire £000	2017-18 Collection Fund £000
Arrears	12,838	10,852	1,431	555	11,634
Impairment Allowance	-8,048	-6,803	-897	-348	-7,270
Receipts in Advance	-4,239	-3,583	-473	-183	-3,769
Surplus/(Deficit)	-5,865	-4,986	-620	-259	-7,514
Amount owing (to)/from other bodies	0	-793	558	235	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 in 2018-19, 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	2018-19 Net Debit £000	Amount Paid £000	Other Transactions £000	Cash Balance Awaiting Payment £000	2017-18 Net Debit £000
Winsford	108	-104	16	20	106
Gadbrook Park	217	-225	21	13	208
Northwich	210	-210	16	16	220
CH1	393	-411	61	43	409
West Chester	90	-84	8	14	50
Total	**1,018**	**-1,034**	**122**	**106**	**993**

32. Members' Allowances

In accordance with the Local Authorities (Member's Allowances) Regulations 2003, the total amount spent on Member's allowances in 2018-19 was £1.2m. 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.

	2018-19 £000	2017-18 £000
Basic Allowance	875	874
Special Responsibility Allowance	225	212
Members National Insurance Contributions	66	70
Total Members' Allowances	**1,166**	**1,156**

33. Officers Remuneration

The table below shows the number of employees (excluding Senior Officers) who were paid more than £50,000 but less than £129,999 in 2018-19. Pay includes salary costs, taxable travel costs and any redundancy payments. It does not include employers' pension or national insurance contributions.

Employee Pay Band	2018-19	2017-18
£50,000 - £54,999	180	152
£55,000 - £59,999	71	82
£60,000 - £64,999	55	50
£65,000 - £69,999	36	31
£70,000 - £74,999	19	12
£75,000 - £79,999	8	9
£80,000 - £84,999	5	4
£85,000 - £89,999	2	4
£90,000 - £94,999	4	8
£95,000 - £99,999	3	2
£100,000 - £104,999	1	1
£105,000 - £109,999	1	0
£110,000 - £114,999	0	2
£115,000 - £119,999	0	0
£120,000 - £124,999	1	0
Total	**386**	**357**

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 following tables below show the remuneration for senior officers per annum. The figures include salary costs, taxable travel costs and where posts are removed any redundancy payments.

Post holder information (Post title)	Salary, Fees & Allowances £	Employer Pension Contributions £	Total Remuneration including Pension Contributions £
2018-19 Current structure:			
Mr A Lewis - Chief Executive - from 23/07/2018	107,402	26,557	133,959
Deputy Chief Executive - Places	131,978	32,578	164,556
Deputy Chief Executive - People	131,897	32,690	164,587
Chief Operating Officer - Corporate Services	114,106	28,161	142,267
Director of Finance	84,020	20,801	104,821
Director of Public Services Reform	96,962	24,037	120,999
Director of Governance/Monitoring Officer - Job share	72,459	18,283	90,742
Director of Governance/Monitoring Officer - Job share	38,589	9,570	48,159
Director of Places Strategy	96,473	23,925	120,398
Director of Place Operations	95,104	23,586	118,690
Director of Place Commissioning and Commercial Management	96,562	23,925	120,487
Technical Director - Post removed 31/05/2018	3,742	928	4,670
Director of Children's Social Care	111,631	27,586	139,217
Director of Integrated Early Support	87,606	21,529	109,135
Director of Commissioning People - 01/04/2018 - 30/11/2018	64,739	15,950	80,689
Director of Integrated Adult Social Care and Health	98,460	24,193	122,653
Director of Education	96,076	23,474	119,550
Director of Public Health	90,887	22,630	113,517
Total	**1,618,693**	**400,403**	**2,019,096**
Number of posts in management structure as at 31 March 2019 - **15**. Total contractual value of salary for the year - **£1.55m**			

The new Chief Executive took post on 23-Jul-2018. The previous Chief Executive left on 31-Mar-2018.

The Director of Commissioning People has been seconded to Vivo since 01-Dec-2018

In addition to the costs shown in the table above, the Deputy Chief Executive for Places has also received payment of £395 for undertaking the duty of Deputy Returning Officer for the Ellesmere Port by-election. The Chief Executive and other Directors have not received any elections payments in 2018-19.

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 30/11/2018	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**

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		Number of other departures agreed		Total number of exit packages by cost		Total cost of exit packages in each	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
	People	Restated People	People	Restated People	People	Restated People	£000	Restated £000
£0 - £20,000	26	37	16	26	42	63	256	525
£20,001 - £40,000	2	8	13	11	15	19	429	558
£40,001 - £60,000	3	1	2	6	5	7	243	349
£60,001 - £80,000	1	2	0	6	1	8	68	566
£80,001 - £100,000	0	0	0	1	0	1	0	82
£100,001 - £150,000	1	1	1	3	2	4	235	457
£150,001 - £200,000	0	0	0	2	0	2	0	346
£200,001 - £250,000	0	1	0	1	0	2	0	403
Total	**33**	**50**	**32**	**56**	**65**	**106**	**1,231**	**3,286**

34. Audit Costs

The Council auditors are Grant Thornton and will incur audit fees of £118k relating to external audit activities, in addition to £23k for grant certification for Housing Benefit Subsidy claim, Teachers Pension Certificate and Housing Receipts Capital Pooling.

Fees Payable for Audit Work	2018-19 £000	2017-18 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	118	153
Fees payable to Grant Thornton in respect of certification of grant claims and other services	23	36
Total	**141**	**189**

35. Dedicated Schools Grant (DSG)

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

Details of the deployment of DSG receivable for the year 2018-19 are as follows:

DSG for 2018-19	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2018-19 before Academy recoupment			260,424
Academy figure recouped for 2018-19			61,750
Total DSG (after Academy recoupment)			**198,674**
Balance brought forward from 2017-18			1,283
Carry forward to 2019-20 agreed in advance			-1,119
Agreed initial budgeted distribution in 2018-19	**36,126**	**162,712**	**198,838**
In year adjustments	72	6	78
Final budgeted distribution for 2018-19	**36,198**	**162,718**	**198,916**
Less: Actual Central Expenditure	35,186		35,186
Less: Actual ISB deployed to Schools		162,718	162,718
Carry Forward 2019-20	**-1,012**	**0**	**-1,012**
Total carry forward to 2019-20			**-2,131**

The primary source of funding for schools is provided by the Education and Skills Funding Agency via the DSG which was allocated at £260.4m in 2018-19. This initial allocation is reduced by £61.8m as funding relating to academies and high needs provisions not maintained by the Local Authority which is passed directly to those establishments and is not reflected in the accounts of the Council. This allocation has been further adjusted in year for changes to early years funding based on participation (£0.078m) to give a reported allocation of £198.76m. This allocation, along with any funding carried forward from previous years, is available to fund services in 2018-19.

Unspent central expenditure is carried forward by the Council as part of its Earmarked Reserves, this amount equated to £2.1m as at the end of 2018-19. Unspent individual school balances are retained by the individual schools and recorded on the Balance Sheet in the School Balances reserve (£9.0m at 31 March 2019).

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	0	32,760
Less: Actual ISB deployed to Schools	0	163,813	163,813
Carry Forward 2018-19	**-613**	**0**	**-613**
Total carry forward to 2018-19			**-1,283**

36. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018-19.

	2018-19 £000	2017-18 £000
Credited to Taxation and Non Specific Grant Income		
Used to Finance Council Activities in Year		
Council Tax	179,733	167,603
Non-Domestic Rate	67,522	64,693
S31 Non Domestic Rates Grant Funding	5,893	4,952
Revenue Support Grant	11,271	19,236
Local Services Support Grant	338	278
New Homes Bonus	8,871	8,498
PFI Grant	3,039	3,039
Education Services Grant	0	1,041
Transition Grant	0	1,436
Housing and Council Tax Benefit Administration Subsidies	850	956
Other Core Revenue Grants	1,588	908
Used to Finance Capital Expenditure		
Capital Grants Utilised in Year	18,629	32,741
Capital Contributions Utilised in Year	3,484	1,068
Set Aside for Future Capital Financing		
Capital Grants Set Aside for Future Usage	1,245	453
Total	**302,463**	**306,902**
Credited to Services		
Dedicated Schools Grant (DSG)	198,455	196,838
Public Health Grant	16,254	16,683
Mandatory and HRA Rebates	8,589	9,847
Independent Living Fund	1,546	1,596
Sixth Forms Funding (Young Peoples Learning Agency)	6,025	6,252
Mandatory Rent Allowances: subsidy	62,331	71,534
Adult and Community Learning	791	958
Pupil Premium Grant	9,461	9,403
Improved Better Care Fund/Adult Social Care Support Grant	9,936	7,235
PE and Sports Grant	2,087	1,716
Devolved Formula Capital	0	46
Disabled Facilities Grant	1,838	2,770
Universal Infant Free School Meals	3,249	3,412
Other Grants	10,243	10,748
Total	**330,805**	**339,038**

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. The balances at year-end are as follows:

	2018-19 £000	2017-18 £000
Capital Grants and Contributions Receipts in Advance		
Devolved Formula Capital	2,159	1,116
NHS England	0	388
Other Grants	834	174
Transport Funding	4,117	663
s106 and other Contributions	10,633	12,041
Total	**17,743**	**14,382**

	2018-19 £000	2017-18 £000
Revenue Grants Receipts in Advance		
Dept of Education - Various	130	333
Dept of Transport - Various	21	70
Ministry of Housing, Communities and Local Government	345	0
Learning and Skills Council - Adult Education Funding	744	502
Other Govt Bodies	393	299
Other	369	206
Total	**2,002**	**1,410**

37. Related party transactions and Interest in Companies

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 a significant proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits).

Details of material transactions with Central Government are shown throughout these notes and included within other notes are those listed below (2017-18 comparators are shown in brackets).

• Funding from Gov't	Note 36	£386m	(£414m)
• Non Domestic Rates Share Payable	Collection Fund	£69.6m	(£68.6m)

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 £0.4m is half of what would otherwise have been payable to Central Government if the Council was not a member of the pool. The total payment made to Manchester City Council in 2018-19 in relation to the tariff and levy is £17.7m.

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 £21.6m (Police) and £9.3m (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 £22.1m (2017-18 £20.9m). The year-end amount due from the Pension Fund for payments made by the Council was £1.5m. The year-end amount owed to the Fund is £13m, primarily relating to early retirement costs which are repaid over more than one year and pension contributions payable in April 2019 but relating to March 2019.

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.

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 2018-19 this figure was £13.7m (2017-18 £14.3m).

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 2018-19 amounted to £6.6m (2017-18 £5m).

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 2018-19 is shown in Note 32.

During 2018-19 works and services to the value of £2.1m (£3.1m in 2017-18) was commissioned from companies and £131k (£610k in 2017-18) was charged to companies in which Members had an interest. The year-end creditors balance owed to these companies is £4k (£2.2k in 2017-18) and the debtors balance owed from the companies is £40.8k (£81.9k in 2017-18). 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 2018 -19:

Organisation	Member/Officer
Storyhouse Production Company Limited	Cllr Beacham
Hoole Community Development Trust	Cllr Black Cllr Chidley (resigned 22/10/18) Cllr Watson (appointed 01/10/18)
Panad Site Services Limited	Cllr Mckie
The Sandstone Ridge Trust	Cllr Oultram
Chester Aid to the Homeless	Cllr Bisset Cllr Rudd
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
Concordia Multi Academy Trust	Cllr Claydon
Malpas and District Community Land Trust	Cllr Whitehurst

The following Members and Officers of the Council held interests in the following companies, which had transactions with the Council during 2018-19, in which the Council also has an interest.

Organisation	Member/Officer
Cheshire & Warrington Local Enterprise Partnership	Cllr Dixon
Avenue Services (NW) Limited	Cllr Board Cllr Powell Cllr Gahan
Vivo Care Choices Limitied	Officer : A Jeffs - appointed 01/11/2018
Cheshire Provider Services Trading Company Limited	Officer : A Jeffs - appointed 01/11/2018
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: R Green - resigned 28/02/2019 Officer: R Wojtan - appointed 12/09/2018
Cowest Services Limited	Officer: M Wynn Officer: C Seward
Chester Renaissance	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 2018-19.

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 2018-19	Details of Arrangement	2018-19 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).	831	-531	300	2,197	8	0	9
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 £2.7m pension liability and the Council is guarantor for this should the company cease trading. During the year the Council had expenditure with Brio totalling £1.3m and income totalling £1.2m. Included in the Council's accounts was £0.4m of trade debtors.	1,599	-5,318	-3,719	12,707	-1,781	-610	-2,491

Interest in Companies 2018-19	Details of Arrangement	2018-19						
		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 the end of March 2020. The accounts include a £10.2m 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 £13m and income totalling £0.6m. At the year end included in the Council's debtors is a balance of £0.6m working capital loan advanced to Vivo and £1.4m of trade debtors, included in the Council's creditors is £0.3m of trade creditors.	2,895	-12,024	-9,129	14,628	-1,191	-3,071	-3,618
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 2019 the Council had expenditure with Qwest of £7.7m and income of £250k. A net pension gain of £214k exists and the Council is guarantor for this cost should the company cease trading.	9,088	-9,890	-802	15,578	823	1,077	756
Joint Venture								
Edsential CIC�	Edsential CIC is a Community Interest Company jointly owned with Wirral Borough Council, both Council's 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, £5.7m 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 £7.4m and income totalling £0.9m. At the year end included in the Council's debtors is a £1.2m loan advanced to Edsential and £0.4m of trade debtors, included within the Council's creditors is £1m of trade creditors.	4,729	-13,903	-9,174	19,658	328	-1,526	-2,408

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).	853	-562	291	2,159	7	0	4
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.	2,533	-3,762	-1,229	12,447	-860	799	-69

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.	1,969	-7,480	-5,511	12,892	-1,409	1,762	66
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.	9,409	-9,024	385	15,853	143	428	65
Joint Venture								
Edsential CIC�	Edsential CIC is a Community Interest Company jointly owned with Wirral Borough Council, both Council's 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.	6,251	-13,017	-6,766	20,307	1,763	-966	107

Cheshire West and Chester

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 Council's to either invest in capital projects or to refinance existing loans. This provides diversity of funding sources for local authorities and will potentially allow Council's 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 close to £6 million in preparation for its first bond issue. The Company's latest statement of accounts (for the year ended 30th November 2018) state that the company has received a letter of comfort from the Local Government Association that sets out ongoing financial and operational support for a period of 10 years from January 2018. Such support will allow the business to continue operating.

Northwest Evergreen Limited Partnership

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

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

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

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

In joining the partnership as a County Area Limited Partner the Authority is expected to advance annually to the Fund (as a loan) an index-linked amount equal to £250k divided by the number of County Area Limited Partners, to meet the ongoing expenses of the fund (Cheshire West and Chester holding is £42k). For 2018-19 the Partnership reviewed the payment and notified the Council that no payment was required for 2018-19. 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. The Council is the parent company thus identifying Chester Renaissance as a subsidiary. This organisation is no longer active except for the purpose of distributing funds held in the bank account. 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 2018-19 group accounts, (turnover of £2m and net assets of £0.7m). 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 a 50% interest in HQ Management Company Limited. The company manages the common areas around the HQ building in Chester. The current level of financial activity is not sufficient to have a material impact on the Council’s 2018-19 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 (£0.8m in cash) 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 took effect from the 3rd April 2018. The Council is an associate of this company with a 12.5% holding. Any consolidation will be in the Cheshire Pension Fund Accounts.

38. 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 2018-19 the Cheshire West and Chester BCF combined the required minimum pooling of £27.3m 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 (CCG's) through a pooled budget. Funding carried forward from previous years was used to the value of £255k leaving a further £54k to be used in future years.

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

The local BCF pooled budget is underpinned by a Section 75 agreement. Under IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements, all partners agree that they have joint control of the allocation of resources. As part of this agreement partners in the main are responsible for the risks associated with schemes they are the commissioning partner for. As the reporting partner for the BCF, the Council collates and reports the overall position to its partners. Planned and actual expenditure for 2018-19 is shown below:

Minimum Pooling 2018-19	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 2017-18		-309					0	-309
Income	-11,657	-13,324	-10,732	-10,784	-4,511	-4,104	-26,900	-28,212
Expenditure	11,657	12,700	10,732	10,784	4,511	4,104	26,900	27,588
Total	**0**	**-933**	**0**	**0**	**0**	**0**	**0**	**-933**
BCF Funding C/Fwd to 2019-20		-933						-933

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

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.

In 2018-19 the Council received income of £8.2m from the CCG's to deliver the elements schemes it is responsible for. In addition the Council received capital grant funded by the Disabled Facilities Grant of £3.4m which has been capitalised. There has been slippage in certain schemes resulting in the need to carry forward an element of this funding which has been committed in 2019-20. All the expenditure incurred by the Council has been charged in accordance with each of the 12 schemes specifications.

In addition to the minimum pooling partners agreed to additional pooling of £74.991m; made up of contributions of; £68.3m from Cheshire West and Chester Council, £0.177m 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.

Additionally in 2018-19 the Local Authority received the Improved Better Care Fund grant. The value of the grant was £7.552m with expenditure of £7.534m, this was pooled within the BCF.

39. Capital Expenditure and Financing

The Council's Capital Financing Requirement has risen in year as capital costs of £69.5m with funding set aside of £71.3m. The overall Capital Financing Requirement will be funded from a combination of future revenue contributions, capital receipts and external funding.

	2018-19 £000	2017-18 £000
Opening Capital Financing Requirement	**521,853**	**485,898**
Capital Investment		
- Expenditure on capital assets		
- Property, plant and equipment	59,298	97,141
- Heritage assets	500	173
- Investment assets	2,928	791
- Intangible assets	1,608	3,264
- Assets Held for Sale	33	10
Loans transferred to Long Term Debtors	122	0
- REFCUS - expenditure of a capital nature	5,079	1,396
- Change in value of capital Creditor/Debtor	-8	-12
Total	**69,560**	**102,763**
Sources of Finance		
- Capital Receipts applied	-15,678	-9,426
- Govt grants and contributions applied	-22,113	-33,809
- Tfr from unapplied grants and contributions	-8,190	-571
- Revenue contributions	-2,829	-3,177
- Income from repayment of capital debtors	-178	0
- Release of surplus capital creditors	-11	-175
- Use of other Capital Reserves	-6,630	-5,063
- Revenue provision for debt repayment	-15,651	-14,587
Total	**-71,280**	**-66,808**
Closing Capital Financing Requirement	**520,133**	**521,853**
Explanations of Movement in Year		
Increase in underlying need to borrow (unsupported)	-3,094	35,413
Assets acquired under finance leases	1,141	245
Assets acquired under PFI/PPP contracts	233	297
Increase in Capital Financing Requirement	**-1,720**	**35,955**

40. Leases

Authority as Lessee: Finance Leases

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

Movements in the values of Finance Lease Assets	Vehicles, Plant and Equipment 2018-19 £000	Vehicles, Plant and Equipment 2017-18 £000
Net Book Value at 1 April	3,276	5,207
New Leases	1,141	245
Depreciation	-2,138	-1,931
Disposals	-8	-245
Value at 31 March	**2,271**	**3,276**

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	2018-19 £000	2017-18 £000
Current (payable within 1 year)	917	2,133
Non Current	1,482	1,336
Finance costs payable in future years	236	151
Minimum lease payments	**2,635**	**3,620**

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

Age Profile of Finance Lease Payments	Minimum Lease Payment		Liabilities	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
No later than one year	1,024	2,227	917	2,133
Between one and five years	1,456	1,317	1,333	1,263
Later than five years	155	76	149	73
	2,635	**3,620**	**2,399**	**3,469**

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 2018-19, no contingent rent payments were payable by the Council.

Embedded Leases

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 the assets are for the sole use of the authority. The value of the assets is not material but the user of the accounts should be aware of the complexities of this contract. As a result the assets utilised have been recognised on the Balance Sheet (£1.2m) as Council assets and the future contractual payments linked to the assets as a liability (£925k).

Authority as Lessee: Operating Leases

Commitments under Operating Leases
The Council was committed at 31 March 2019 to making payments of £8.4m 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 2018-19 were £0.7m.

Vehicles, Plant and Equipment
The Council uses cars, vans, recycling vehicles, street cleansing vehicles, photocopiers and printers financed under terms of an operating lease. The amount paid under these arrangements in 2018-19 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 71 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	2018-19 £000	2017-18 £000
No later than one year	1,054	1,183
Between one and five years	2,794	2,938
Later than five years	4,546	5,151
	8,394	**9,272**

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 2019 the outstanding income linked to future usage of these properties was as below.

Age Profile of Sub-lease payments receivable	2018-19 £000	2017-18 £000
No later than one year	153	161
Between one and five years	156	159
Later than five years	63	102
	372	**422**

The lease payments payable and sub-lease income receivable in 2018-19 is:

Lease payments and Sub-lease receivable	2018-19 £000	2017-18 £000
Minimum Lease payments	127	127
Sublease Payments Receivable	-153	-161
	-26	**-34**

Authority as Lessor

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

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

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

Age Profile of Lease Income	2018-19 £000	2017-18 £000
No later than one year	14,098	11,030
Between one and five years	24,750	18,709
Later than five years	165,865	162,290
	204,713	**192,029**

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 2018-19 £273K contingent rents were receivable by the authority (in 2017-18 the authority received £274K).

41. Private Finance Initiative (PFI)

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

The Council has two operational PFI schemes:

- A scheme to provide school premises together with associated facilities management services (e.g. caretaking, cleaning and catering) in the Ellesmere Port area. There are five schools which were constructed under this agreement and additional facilities were developed at a sixth. The service commenced in September 2003 for a period of 30 years until 2033. 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 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 converted in year. William Stockton Community Primary School is due to convert at a later date.

PFI Assets
The Council has determined control of the assets by looking at how we manage the facilities, right of access to the facilities and decisions around the day to day managing of the facilities. The accounting policy for PFI's and similar arrangements has been applied to these assets. Consequently, the assets relating to these contracts (£18.7m) have been recognised on the Balance Sheet as property, plant and equipment, in accordance with IFRIC 12 Service Concession Arrangements.

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

In addition the Council needs to consider the treatment of the income generating potential of these assets. Where these assets generate income an assumption needs to be made as to whether the income primarily funds operational running costs, 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 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	2018-19			2017-18		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Net Book Value	9,592	12,903	**22,495**	9,672	13,332	**23,004**
Additions/Disposals	-5,413	160	**-5,253**	122	175	**297**
Revaluations	2,275	0	**2,275**	0	0	**0**
Depreciation	-206	-615	**-821**	-202	-604	**-806**
Closing Net Book Value	**6,248**	**12,448**	**18,696**	**9,592**	**12,903**	**22,495**

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 2018-19
- 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	2018-19			2017-18		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Service Costs	1,130	96	**1,226**	738	131	**869**
Financing Costs	664	875	**1,539**	691	903	**1,594**
Contingent Rents	88	90	**178**	132	60	**192**
Liability Repayment	262	672	**934**	340	603	**943**
Lifecycle Costs	73	160	**233**	122	175	**297**
Total	**2,217**	**1,893**	**4,110**	**2,023**	**1,872**	**3,895**

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 2018-19 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 in this note would show a £0.3m higher cost of operating expenses. The outstanding PFI liability balance of £18.4m would decrease by approximately £5.2m, 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	2018-19			2017-18		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Liability	-8,443	-19,079	**-27,522**	-8,783	-19,682	**-28,465**
Payments made in year	262	672	**934**	340	603	**943**
Closing Liability	**-8,181**	**-18,407**	**-26,588**	**-8,443**	**-19,079**	**-27,522**

Future Payments under the PFI Contracts	Service Costs £000	Principal Payments £000	Capital Costs £000	Interest £000	Total £000
Schools					
Obligations Payable in 2019-20	789	371	53	644	1,857
Due between 2020-21 and 2023-24	3,358	1,529	616	2,288	7,791
Due between 2024-25 and 2028-29	4,789	2,868	518	2,043	10,218
Due between 2029-30 and 2033-34	4,713	3,413	848	770	9,744
Total	**13,649**	**8,181**	**2,035**	**5,745**	**29,610**
Extra Care					
Obligations Payable in 2019-20	70	756	119	845	1,790
Due between 2020-21 and 2023-24	578	2,934	885	3,033	7,430
Due between 2024-25 and 2028-29	1,166	3,915	1,663	3,051	9,795
Due between 2029-30 and 2033-34	1,636	4,548	2,302	2,051	10,537
Due between 2034-35 and 2038-39	1,212	6,254	1,223	848	9,537
Total	**4,662**	**18,407**	**6,192**	**9,828**	**39,089**

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	2018-19			2017-18		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Balance	4,926	1,191	**6,117**	4,754	1,127	**5,881**
In Year Additions	212	77	**289**	172	64	**236**
Closing Balance	**5,138**	**1,268**	**6,406**	**4,926**	**1,191**	**6,117**

42. Capitalisation of Borrowing Costs

Council's 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 2018-19 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 2018-19, the Council paid £12.5m to Teachers' Pension in respect of teachers' retirement benefits, (2016-17 £13.0m) representing 16.45% 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 2018-19 equated to £28k (2017-18 £0.1m) representing 13.6% of pensionable pay.

44. Defined Benefit Pension Scheme

Participation in Pension Scheme

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

Accounting Treatment

The Council participates in the Local Government Pension Scheme (LGPS) and Discretionary Pensions for Teachers under the 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 for both schemes are included in the Balance Sheet.

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

The principal risks to the authority are the assumptions on longevity, inflation, salary changes, investment returns and changes in the structure of the fund. Consideration of these risks, based on the best estimates for these assumptions following the advice of the Fund's actuary (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 2018 the Pension Fund managed four investment strategies each defined by their respective allocation to growth assets and defensive assets:

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

The net return on investments for the Fund for the 2018-19 year was £296.0m (2017-18 £349.0m). The fund achieved a return on its investments of 5.5% (2017-18 6.3%), against a benchmark of 5.5% (2017-18 1.9%).

Teachers Discretionary Payments
The Council also funds discretionary early retirement benefits for teachers and this scheme is unfunded. The Council paid £4.8m in 2018-19 (£5.0m in 2017-18) in relation to this scheme, of which £3.1m 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 2018-19 £000	Teachers Un-funded Scheme 2018-19 £000	Total 2018-19 £000	LGPS 2017-18 £000	Teachers Un-funded Scheme 2017-18 £000	Total 2017-18 £000
Comprehensive Income and Expenditure Statement						
Service cost comprising:						
Current service cost	43,480	0	43,480	43,943	0	43,943
Past service costs and curtailments	5,845	0	5,845	1,503	0	1,503
(Gain) from settlements	-1,512	0	-1,512	-1,164	0	-1,164
Financing and Investment Income and Expenditure						
Net Interest Cost (Note 12)	7,706	741	8,447	8,550	754	9,304
Total post-employment benefits charged to Surplus or Deficit on the Provision of Services (SDPS)	55,519	741	56,260	52,832	754	53,586
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability comprising:						
Return on plan assets (excluding the amount included in the net interest expense)	-36,395	0	-36,395	-46,462		-46,462
Actuarial Gains / Losses arising on changes in demographic assumptions	0	0	0	0	0	0
Actuarial Gains / Losses arising on changes in financial assumptions	130,283	746	131,029	-30,037	-269	-30,306
Other experience	0	-654	-654	0	88	88
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	149,407	833	150,240	-23,667	573	-23,094
Movement in Reserves Statement						
Reversal of net charges made to the SDPS for post-employment benefits	-55,519	-741	-56,260	-52,832	-754	-53,586
Actual amount charged against the General Fund						
Employers' contributions	22,145	0	22,145	20,895	0	20,895
Retirement Benefits Payable	0	2,171	2,171	0	2,261	2,261

Cheshire West and Chester

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 2018-19 £000	Teachers 2018-19 £000	Total 2018-19 £000	LGPS 2017-18 £000	Teachers 2017-18 £000	Total 2017-18 £000
Present value of obligations	-1,801,957	-28,234	-1,830,191	-1,620,721	-29,572	-1,650,293
Fair value of plan assets	1,401,222	0	1,401,222	1,347,249	0	1,347,249
Net Pension Liability	**-400,735**	**-28,234**	**-428,969**	**-273,472**	**-29,572**	**-303,044**

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilitites	LGPS 2018-19 £000	Teachers 2018-19 £000	Total 2018-19 £000	LGPS 2017-18 £000	Teachers 2017-18 £000	Total 2017-18 £000
Opening Balance	1,620,721	29,572	1,650,293	1,603,993	31,260	1,635,253
Current Service Costs	43,480	0	43,480	43,943	0	43,943
Interest Cost	43,785	741	44,526	41,701	754	42,455
Contribution by Scheme Members	7,133	0	7,133	7,038	0	7,038
Remeasurement gains and losses:						
Actuarial gains/losses arising from changes in demographic assumptions	0	0	0	0	0	0
Actuarial gains/losses arising from changes in financial assumptions	130,283	746	131,029	-30,037	-269	-30,306
Other experience	0	-654	-654		88	88
Benefits Paid	-45,559	-2,171	-47,730	-44,411	-2,261	-46,672
Entity Combinations						
Past Service Costs & Curtailments	5,845	0	5,845	1,503	0	1,503
Liabilities Extinguished on Settlement	-3,731	0	-3,731	-3,009	0	-3,009
Closing balance at 31 March	**1,801,957**	**28,234**	**1,830,191**	**1,620,721**	**29,572**	**1,650,293**

Movement in Fair Value of Assets	LGPS 2018-19 £000	Teachers 2018-19 £000	Total 2018-19 £000	LGPS 2017-18 £000	Teachers 2017-18 £000	Total 2017-18 £000
Opening Balance	**1,347,249**	**0**	**1,347,249**	**1,285,959**	**0**	**1,285,959**
Interest income	36,079	0	36,079	33,151	0	33,151
Remeasurement gains and (losses):						
Return on plan assets, excluding the amounts	36,395	0	36,395	46,462	0	46,462
Employer Contributions	22,144	0	22,144	20,895	0	20,895
Contribution by scheme members	7,133	0	7,133	7,038	0	7,038
Contributions - unfunded benefits	0	2,171	2,171	0	2,261	2,261
Benefits paid	-45,559	0	-45,559	-44,411	0	-44,411
Unfunded benefits paid	0	-2,171	-2,171	0	-2,261	-2,261
Assets distributed on Settlement	-2,219	0	-2,219	-1,845	0	-1,845
Closing balance at 31 March	**1,401,222**	**0**	**1,401,222**	**1,347,249**	**0**	**1,347,249**

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 2018-19 £000	Quoted Prices not in active markets 2018-19 £000	Total 2018-19 £000	Share of Total Assets %	Quoted Prices in active markets 2017-18 £000	Quoted Prices not in active markets 2017-18 £000	Total 2017-18 £000
Cash & Cash Equivalents	**0**	**27,336**	**27,336**	**2%**	**0**	**47,594**	**47,594**
Equity Securities:							
By industry type:							
Consumer	17,012	0	17,012	1%	27,964	0	27,964
Manufacturing	10,531	0	10,531	1%	18,653	0	18,653
Energy and Utilities	2,232	0	2,232	0%	2,638	0	2,638
Financial Institutions	19,787	0	19,787	1%	24,669	0	24,669
Health and Care	6,218	0	6,218	0%	8,218	0	8,218
IT	65,881	0	65,881	5%	95,195	0	95,195
Other	4,374	0	4,374	0%	4,868	0	4,868
	126,035	**0**	**126,035**		**182,205**	**0**	**182,205**
Private equity:	**0**	**48,621**	**48,621**	**4%**	**0**	**43,021**	**43,021**
Real Estate:							
UK	0	114,856	114,856	8%	0	101,453	101,453
Overseas	0	2,038	2,038	0%	0	2,058	2,058
	0	**116,894**	**116,894**		**0**	**103,511**	**103,511**
Investment funds and unit trusts:							
Equities	201,518		201,518	15%	139,509	0	139,509
Bonds	533,974	100,538	634,512	45%	504,950	96,111	601,061
Hedge Funds		188,473	188,473	14%	0	170,881	170,881
Other		57,833	57,833	4%	0	59,467	59,467
	735,492	**346,844**	**1,082,336**		**644,459**	**326,459**	**970,918**
Total Assets	**861,527**	**539,695**	**1,401,222**	**100%**	**826,664**	**520,585**	**1,347,249**

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 2018-19	Teachers Unfunded Liabilities 2018-19	LGPS 2017-18	Teachers Unfunded Liabilities 2017-18
Financial Assumptions				
Rate of increase in salaries	2.8%	n/a	2.7%	n/a
Rate of increase in pensions	2.5%	2.5%	2.4%	2.4%
Discount rate used				
Rate used to Discount liabilities	2.4%	2.4%	2.7%	2.6%
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)	72,078	1,129	-72,078	-1,129
Salary inflation (change by 0.5%)	25,702	0	-25,702	0
Pension inflation (change by 0.5%)	152,060	2,304	-152,060	-2,304
Discount rate (change by 0.5%)	-180,752	-2,304	180,752	2,304

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 17 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 2019-20 is £18.2m (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	41.4%	24.4
Deferred members	18.8%	24.4
Pensioner members	39.8%	12.6
Weighted Average	100.0%	19.0

45. Contingent Liabilities

At 31 March 2019, 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. At the most recent review these costs were estimated at £3m. Whilst it is anticipated that these costs will be managed down over the life of the contract through planned maintenance the Council will be responsible for any outstanding remedial work should the contract be terminated at any point. This liability is not reflected in the Council's accounts as the likelihood of early termination of the lease is considered low.

Homecare in Liquidation
A company became insolvent in 2016 following which outstanding payments totalling £138k were made by the Council. The liquidator subsequently claimed in November 2017 that the payments made by the Council were void dispositions of the company's property and caught by section 127 of the Insolvency Act 1986. The Council responded to the claim in April 2018 and based upon Counsels advice denied liability to pay again.

46. Contingent Assets

At 31 March 2019, the Council had no material contingent assets.

47. Risks Arising from Financial Instruments

The Council complies with the CIPFA Code of Practice on treasury management and with the Prudential Code for Capital Finance in Local Authorities both of which were revised in December 2017.

The Council's treasury management activity is carried out in accordance with the Council's annual Treasury Management Strategy (TMS) that is approved by full Council shortly before the start of the year. The TMS sets out the broad framework for the use of financial instruments. For the year 2018-19 the TMS allowed the Council to deposit up to £10m with a number of large banks, building societies and sterling denominated money market funds that met a range of specified criteria the most objective of these being to have a long term credit rating equivalent to at least A-. This £10m is increased to £12.5m for the Council's main banker, Lloyds Banking Group.

The use of financial instruments by their very nature exposes the Council to a variety of risks and details of these risks, along with how the Council seeks to manage them, are as follows:

Credit Risk

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

During 2018-19 the Council chose to place deposits with a number of selected large banks, and sterling denominated money market funds. Such banks and money market funds are of a high credit quality (ie they have as a minimum a long term credit rating of A-). The Council also lent monies to other local Council's during the year. The Council does not expect any losses from non-performance by any of these counterparties except in the most exceptional of circumstances. IFRS 9 however does require that some allowance for potential losses be provided for in the Council's financial statements.

Loss allowances on treasury investments have been provided for in the Council's account using publicly available historic default data. The amount provided at 31st March 2019 was £3,000 (31st March 2018 £7,000).

Form of Financial Asset Held	Credit rating	31st March 2019		31st March 2018	
		Long Term £000	Short Term £000	Long Term £000	Short Term £000
Fixed Term Deposits	A+	0	5,000	0	5,000
Call Accounts	A+	0	6,114	0	1,077
Fixed Term Deposits	A	0	0	0	5,000
Call Accounts	A	0	88	0	88
Fixed Term Deposits	Unrated local councils	0	5,000	0	15,000
Sub-total		**0**	**16,202**	**0**	**26,165**
UKMBA Shareholding	Credit risk not applicable	0	0	0	0
Pooled Equity and Property Funds	Credit risk not applicable	9,242	0	0	0
Money Market Funds	Credit risk not applicable	0	31,190	0	27,881
		9,242	**47,392**	**0**	**54,046**

The Council has provided working capital loans to two Council owned companies. The maximum amount available to the two companies totals £3m. The amount of this facility that was in use at the balance sheet date was £2.25m.

Loss allowances on these working capital loans has been calculated on an individual basis taking account of the circumstances impacting on each company at the balance sheet date.

The loss allowance takes account of the fact that both companies have a relatively short trading history and have no credit rating assigned to them.

Borrower	Exposure Type	31st March 2019		31st March 2018	
		Balance Sheet £000	Risk Exposure £000	Balance Sheet £000	Risk Exposure £000
Council owned company	Loan commitments at market rates	761	3,000	600	3,000
Total		**761**	**3,000**	**600**	**3,000**

Customers for goods and services are assessed often taking into their financial position, account trading history and ability to pay. The Council's policy is to obtain payment in advance where permitted to avoid any risk of unpaid debt.

	Impairment allowance rate %	Trade Receivables £000	Impairment Loss £000	31 March 2019 £000
Current	0.9%	7,205	-64	7,141
Past due < 3 Months	1.6%	3,093	-48	3,045
Past due 3-6 Months	9.6%	997	-95	902
Past due 6-12 Months	79.0%	741	-586	155
Past due 12+ Months	73.0%	1,565	-1,143	422
Deferred Debt	13.6%	2,205	-299	1,906
Total		**15,806**	**-2,235**	**13,571**

	Impairment allowance rate %	Trade Receivables £000	Impairment Loss £000	31 March 2018 £000
Current	0.2%	6,327	-11	6,316
Past due < 3 Months	0.6%	1,995	-67	1,928
Past due 3-6 Months	11.6%	1,571	-182	1,389
Past due 6-12 Months	68.7%	958	-658	300
Past due 12+ Months	76.6%	1,580	-1,209	371
Deferred Debt	14.4%	2,499	-360	2,139
Total		**14,930**	**-2,487**	**12,443**

	Impairment allowance rate %	HRA Tenant Arrears £000	Impairment Loss £000	31 March 2019 £000
Current	3.0%	19	-1	18
Up to 28 days	4.0%	144	-6	138
29 - 60 days	10.0%	194	-19	175
61 - 90 days	70.0%	113	-79	34
91 - 120 days	70.0%	70	-49	21
121 - 150 days	70.0%	59	-41	18
151 - 180 days	70.0%	44	-30	14
181 - 365 days	70.0%	69	-48	21
Former Debt	90.0%	1,591	-1,432	159
Total		**2,303**	**-1,705**	**598**

	Impairment allowance rate %	HRA Tenant Arrears £000	Impairment Loss £000	31 March 2018 £000
Current	15.4%	24	-4	20
Up to 28 days	18.8%	187	-35	152
29 - 60 days	21.9%	167	-37	130
61 - 90 days	82.1%	116	-95	21
91 - 120 days	81.1%	63	-51	12
121 - 150 days	80.5%	38	-31	7
151 - 180 days	82.6%	48	-39	9
181 - 365 days	83.5%	79	-66	13
Former Debt	100.0%	1,268	-1,268	0
Total		**1,990**	**-1,626**	**364**

The Council has adopted a simplified loss approach where Impairment loss allowance on trade receivables and HRA Tenant arrears has been calculated by using the expected losses approach. Using this approach provides a more accurate impairment charge.

Receivables are written off to the Surplus or Deficit on the Provision of Services when they are deemed uncollectable, steps are taken to collect sums owing including pursuit through legal pursuit, courts and the use of bailiffs.

Liquidity Risk

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

An inability to raise finance is not a risk that the Council perceives that it faces.

The Council, like all UK Council's, is able to borrow at very favourable rates from the Public Works Loans Board and other local Council's. Loans from the Public Works Loans Board can be received into the Council's bank account within 2 working days. In addition the Council can also borrow at higher rates from banks and other commercial organisations.

There is a risk, however, 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 £10m of loans will mature in any given financial year. A separate limit of £10m applies to the General Fund loans portfolio and the Housing Revenue Account loans portfolio.

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

Profile of Borrowing in relation to General Fund activities	Public Works Loans Board £000	Salix Loans £000	Banks £000	Total 2018-19 £000
In the next financial year	1,729	553	275	2,557
In the following financial year	0	596	0	596
In 2 to 5 years	0	1,287	7,275	8,562
In 5 to 10 years	3,463	44	0	3,507
In 10 to 15 years	23,724	0	0	23,724
In 15 to 20 years	16,619	0	0	16,619
In 20 to 25 years	14,356	0	5,194	19,550
In 25 to 30 years	14,742	0	0	14,742
In 30 to 40 years	37,873	0	5,200	43,073
Total	**112,506**	**2,480**	**17,944**	**132,930**

Profile of Borrowing in relation to Housing Revenue Account activities	Public Works Loans Board £000	Salix Loans £000	Banks £000	Other Local Authorities £000	Total 2018-19 £000
In the next financial year	1,859	0	89	4,000	5,948
In the following financial year	1,894	0	0	0	1,894
In 2 to 5 years	24,177	0	0	0	24,177
In 5 to 10 years	11,465	0	0	0	11,465
In 10 to 15 years	13,424	0	0	0	13,424
In 15 to 20 years	15,718	0	0	0	15,718
In 20 to 25 years	10,692	0	5,104	0	15,796
Total	**79,229**	**0**	**5,193**	**4,000**	**88,422**

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 2018-19 £000
In the next financial year	13,243			0	13,243
In the following financial year	2,480			7,000	9,480
In 2 to 5 years	7,440			0	7,440
In 5 to 10 years	12,400			0	12,400
In 10 to 15 years	12,400			0	12,400
In 15 to 20 years	12,400			0	12,400
Total	**60,363**	**0**	**0**	**7,000**	**67,363**

The Council has £7m of lender's option borrower's option (LOBO) loans where the lender has the option to propose a change in the rate of interest payable. If this option is exercised the Council, as a borrower, has the option of either accepting the new rate of interest payable or repaying the loan in full without penalty. In a low interest rate environment, like that currently prevailing, it is thought unlikely that a lender will exercise their option. If they do the Council will, in all likelihood, repay the loan in full without penalty. In the table above the LOBO loan is shown as maturing on the next available option date.

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 Council's long term business case for Barons Quay always assumed that there would be deficits in early years and that these would be repaid by future surpluses. This is normal for developments of this type due to up front incentives payable to tenants and void costs that the landlord must fund whilst units are empty. The trading deficit for 2018-19 was £1.6m. Further lettings are expected to come to fruition during 2019/20 and this will improve the annual position in line with the long term business case.

The Council has made significant investments in assembling ownership of the site and bringing forward appropriate development proposals. The Council is currently focused on bringing forward a deliverable "Phase 1" which will comprise a Multi Storey Car Park, Cinema, Market and Restaurants on around 1/3rd of the site. In terms of the Council's historic investment in Northgate which totals around £40m, the Council takes a prudent approach by ensuring that this expenditure has a funding source, either;

- expenditure is backed by an asset with a realisable value; or
- the Council has made a provision for the repayment of loans from its revenue account;

On an operational level the project is managed through a dedicated officer team reporting to an investment board and member steering group. These arrangements help ensure any investments, risks and likely returns are fully considered and the Council only incurs additional costs when key milestones are achieved. In order to ensure it achieves the best returns from this investment the Council is currently reviewing a range of options for the future development of the scheme and updated plans will be reported to Cabinet in the autumn.

Interest Rate Risk

Interest rate risk is the risk that unexpected changes in interest rates may expose the Council to greater costs or a lower level of investment income than has been budgeted for.

The impact on the Council of a rise / fall in interest rates will be as follows:

i) the amount of interest payable on variable rate loans will increase
ii) the amount of interest receivable on variable rate investments will increase
iii) there will be no change to the rate of interest payable on fixed rate investments or the rate of interest receivable on fixed rate investments
iv) the fair value of any investments held at fair value through other comprehensive income or profit and loss will fall / increase

The impact of i) to iii) will be reflected in the surplus or deficit on the provision of services while the impact of iv) will be reflected in the comprehensive income and expenditure for the year.

Financial assets and liabilities measured at amortised cost will see a change in their fair value as interest rates rise / fall. These changes in fair value will appear as disclosures in the notes to the accounts and will not impact on the Council's financial performance for the year.

At present the majority of the Council's long term loans are fixed rate loans. Loans at fixed rates of interest provide the Council with certainty of interest cost and also shield the Council from increases in long term interest rates.

Had short term and long term interest rates been 0.5% higher during 2018-19 but all other circumstances been the same, the financial effect would be:

Impact of a 1.0% increase in interest rates	£000
Increase in interest receivable on variable rate investments	-201
Increase in interest payable on variable rate loans	159
Impact on Income and Expenditure Statement	-42
Reduction in the fair value of fixed rate borrowing (notional impact only)	38,908
Reduction in the fair value of fixed rate investments (notional impact only)	11

Price Risk

This is the risk of financial loss as a consequence of adverse interest rate and stock / bond market movements.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to any individual pooled property fund being £10m. A 5% fall in commercial property prices at 31st March 2019 would result in a £233,000 (2018: £nil) charge to Financing and Investment Income in the CIES and this would then have a statutory override applied to move to the Financial Instrument Revaluation Reserve in the balance sheet.

The Council's investment in a pooled equity funds is also subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to any single pooled equity fund being £10m. A 5% fall in share prices at 31st March 2019 would result in a £229,000 (2018: £nil) charge to Financing and Investment Income in the CIES and this would then have a statutory override applied to move to the Financial Instrument Revaluation Reserve in the balance sheet.

48. Trust Funds

During 2018-19, Cheshire West and Chester Council acted as sole trustee for six charitable trusts. The trusts, shown below do not represent assets of the Council and have not been included in the Council's Balance Sheet.

	2018-19				
	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	-101,858	108,098	708,568	-4,319	-704,249
The Grosvenor Park A park for the enjoyment and recreation of the inhabitants of the city.	-85,967	85,967	3,172,260	0	-3,172,260
Johnston Recreation Ground Held for the general benefit of the residents of Willaston	-525	574	2,389	0	-2,389
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.

- The Cheshire West and Chester Chairman's Trust
- The Fred Venables Higher Education Trust
- Lion Salt Works Trust
- Charity of Nessie Matthews and John Monk
- The Major of Chester Charity Fund

49. Comparative Information

The comparative 2017-18 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.

	2017-18		
	Expenditure £000	**Income £000**	**Net £000**
Adults Directorate	146,611	-30,722	115,889
Children's Directorate	301,322	-236,885	64,437
Places Directorate	119,878	-39,548	80,330
Corporate Services	120,634	-88,933	31,701
HRA	13,487	-22,631	-9,144
Other	52,429	-32,639	19,790
Capital Financing	385	-1	384
Cost of Services	**754,746**	**-451,359**	**303,387**
Other Operating Income & Expenditure (Note 11)	13,280	-9,777	3,503
Financing & Investment Income and Expenditure (Note 12)	36,851	-11,196	25,655
Taxation & Non-Specific Grant Income & Expenditure (Note 13)	16,988	-306,902	-289,914
(Surplus)/Deficit on Provision of Services	**821,865**	**-779,234**	**42,631**
Surplus on Revaluation of Assets			-73,439
Re-measurement Gain/-loss on pension assets/liabilities			-76,680
Surplus/Deficit from investments in equity instruments designated at fair value through other comprehensive income			92
Other Comprehensive Income & Expenditure (Note 14)			**-150,027**
Total Comprehensive Income and Expenditure			**-107,396**

The 2017-18 Comprehensive Income and Expenditure 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

	2018-19 £000	2017-18 £000
Expenditure		
Repairs and Maintenance	5,022	4,761
Supervision & Management	4,208	4,141
Special Services	97	92
Depreciation & impairment of non-current assets	5,988	4,231
Movement in the allowance for bad debts	30	200
Total Expenditure	**15,345**	**13,425**
Income		
Dwelling Rents	-21,587	-21,966
Non-dwelling rents	-418	-469
Charges for services and facilities	-100	-132
Contributions towards expenditure	-46	-64
Total Income	**-22,151**	**-22,631**
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	**-6,806**	**-9,206**
HRA services' share of Corporate and Democratic Core	62	62
Net Income/Expenditure for HRA Services	**-6,744**	**-9,144**
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	-1,209	-1,256
Interest payable and similar charges	2,401	2,413
Interest and Investment Income	-3	0
Pensions interest cost and expected return on pension assets	0	52
Capital Grants & Contributions Receivable	-36	0
(Surplus) or deficit for the year on HRA Services	**-5,591**	**-7,935**

Movement on the Housing Revenue Account Statement 2018-19

	2018-19 £000	2017-18 £000
Balance of HRA at the end of the previous year	-660	-848
(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	-5,591	-7,935
Adjustments between accounting basis and funding under statute	5,527	8,054
Net (increase) or decrease before transfers to reserves	**-64**	**119**
Transfer to (from) reserves	69	69
(Increase) or decrease on the HRA	5	188
Balance on the HRA at the end of the year	**-655**	**-660**

Notes to the Housing Revenue Account

Adjustments between accounting basis and funding under statute

	2018-19 £000	2017-18 £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	0	-51
(Gain) or loss on the sale on non current HRA assets		
- Sale proceeds	3,510	4,183
- Carrying amount of assets	-2,301	-2,927
Differences relating to changes in property values		
- Reversal of revaluation (losses)/gains on HRA Properties	-2,106	-614
- Funding of depreciation from Capital Adjustment Account	-3,882	-3,617
Transfers to the Major Repairs Reserve		
- Funding set aside for capital expenditure	7,444	8,515
- Funding for future debt repayment /MRA equivalent sum	2,860	2,563
Total Adjustments	**5,527**	**8,054**

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

	2018-19 No.	2017-18 No.
Houses	2,998	2,975
Flats	1,760	1,748
Bungalows	628	629
Maisonettes	83	83
Total Dwellings	**5,469**	**5,435**
Garages	**1,428**	**1,424**
Assets Held for Sale - Houses	**0**	**10**

2. Housing stock valuations at 31 March

Description	2018-19 £000	2017-18 £000
Property Plant and Equipment		
- Dwellings	189,468	184,320
- Garages	4,339	4,417
Assets Held for Sale	0	1,550
Total	**193,807**	**190,287**

3. Vacant possession value of dwellings at 31 March

Description	2018-19 £000	2017-18 £000
Market value - Vacant possession	469,103	458,474
Existing use value for social housing	187,641	183,390
Shared Ownership	1,827	930
Difference	**658,571**	**642,794**

The difference between market value and the Balance Sheet value for dwellings represents the economic cost to the Government of providing council housing at less than open market rents. The vacant property adjustment factor for NW England is 40% for 2018-19 (40% in 2017-18).

4. Major Repairs Reserve for the year ending 31 March

Description	2018-19 £000	2017-18 £000
Balance brought forward	-9,583	-3,568
Debt repayment	2,415	2,132
Set aside voluntary debt repayment	445	431
Transfer of MRA equivalent sum	-3,723	-3,521
Revenue contribution to capital	-6,581	-7,557
Less capital expenditure financed from Reserve	3,770	2,500
Balance Carried Forward	**-13,257**	**-9,583**

5. Housing repairs expenditure for the year ending 31 March

Description	2018-19 £000	2017-18 £000
Housing repairs	5,022	4,761
Total	**5,022**	**4,761**

6. Capital expenditure in the year ending 31 March

Description	2018-19 £000	2017-18 £000
- Existing Dwellings	3,476	4,132
- Assets under construction	2,945	5,481
Total	**6,421**	**9,613**
Funded by:		
Borrowing	-2,381	-6,363
Usable capital receipts, grants & contributions	-270	-750
Major Repairs Reserve	-3,770	-2,500
Total Funding	**-6,421**	**-9,613**

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

Description	2018-19 £000	2017-18 £000
Disposal of dwellings	3,510	4,183
Total from disposals	**3,510**	**4,183**

8. Depreciation in the year ending 31 March

Description	2018-19 £000	2016-17 £000
Property Plant and Equipment	3,882	3,617
Total	**3,882**	**3,617**

The depreciation charge for dwellings is componentised and the full year's depreciation of £3.79m plus £0.09m for non-dwelling is charged to the accounts.

9. Rent Arrears at 31 March

Description	2018-19 £000	2017-18 £000
Current tenants	838	963
Former tenants	1,490	1,173
Total arrears	**2,328**	**2,136**
Deduct - impairment allowance	-1,720	-1,553
Net arrears	**608**	**583**

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 2019

Collection Fund Statement	2018-19			2017-18		
	Non Domestic Rates £000	Council Tax £000	Total £000	Non Domestic Rates £000	Council Tax £000	Total £000
Income						
Council Tax Receivable	0	211,527	211,527	0	196,807	196,807
Non Domestic Rates Receivable	153,732	0	153,732	156,261	0	156,261
Transitional Relief	-10,862	-2	-10,864	-11,318	-1	-11,319
	142,870	**211,525**	**354,395**	**144,943**	**196,806**	**341,749**
Prior Year Surplus/(Deficit)						
Central Government	0	0	0	0	0	0
Cheshire West and Chester	0	6,079	6,079	0	2,530	2,530
Police Authority	0	725	725	0	307	307
Fire Authority	0	323	323	0	137	137
	0	**7,127**	**7,127**	**0**	**2,974**	**2,974**
Precepts Demands and Shares						
Central Government	69,558	0	69,558	68,648	0	68,648
Cheshire West and Chester	68,355	171,585	239,940	67,328	160,420	227,748
Police Authority	0	20,910	20,910	0	19,129	19,129
Fire Authority	1,395	8,945	10,340	1,374	8,526	9,900
Town and Parish Councils	0	3,492	3,492	0	3,252	3,252
	139,308	**204,932**	**344,240**	**137,350**	**191,327**	**328,677**
Charges to Collection Fund						
Write offs of uncollectible amounts	28	425	453	1,139	480	1,619
Increase in Bad Debt Provision	1,059	778	1,837	-2	447	445
Increase in Appeals Provision	4,135	0	4,135	11,717	0	11,717
Disregarded amounts	797	-88	709	456	-55	401
Cost of Collection	479	0	479	480	0	480
	6,498	**1,115**	**7,613**	**13,790**	**872**	**14,662**
In Year Movement on Fund Balance	**-2,936**	**-1,649**	**-4,585**	**-6,197**	**1,633**	**-4,564**
Opening Fund Balance	1,598	7,514	9,112	7,795	5,881	13,676
Closing Fund Balance	**-1,338**	**5,865**	**4,527**	**1,598**	**7,514**	**9,112**

Notes to the Collection Fund

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 2019 is £386.1m. 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	18-19 Multiplier (£)
Up to £51,000	0.480
Over £51,000	0.493

The following table shows how the surplus on the non-domestic rates collection fund at 31 March 2019 is due to be distributed in future years.

NNDR	Central Govt £000	CWAC £000	Cheshire Fire £000	Total £000
Surplus/(Deficit) at 31 March 2019	-669	-656	-13	**-1,338**
To be funded 2019-20	-665	-652	-13	**-1,330**
Remaining Surplus/(Deficit)	-4	-4	0	**-8**

The remaining deficit of £0.008m will be considered for funding in 2020-21. The amount to be funded or distributed will depend on the forecast performance of the collection fund during 2019-20.

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 2018-19, the tax base was estimated as 118,511.5 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 2018-19	Band D Equivalent 2017-18
Disabled A	70	5/9	39	27
A	25,623	6/9	17,082	16,879
B	28,814	7/9	22,410	22,257
C	24,764	8/9	22,012	21,688
D	17,262	9/9	17,262	16,922
E	13,297	11/9	16,252	15,827
F	8,171	13/9	11,803	11,346
G	6,433	15/9	10,722	10,475
H	464	18/9	929	908
	124,898		**118,511**	**116,329**

The following table shows how the surplus on the council tax collection fund at 31 March 2019 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 2019	4,986	620	259	**5,865**
To be distributed 2019-20	3,753	457	196	**4,406**
Remaining Surplus/(Deficit)	1,233	163	63	**1,459**

The remaining surplus of £1.459m will be considered for distribution in 2020-21. The amount distributed will depend on the forecast performance of the collection fund during 2019-20.

Cheshire Pension Fund

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Cheshire West and Chester

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

Opinion

We have audited the financial statements of Cheshire Pension Fund (the 'pension fund') administered by Cheshire West and Chester Council (the 'Authority') for the year ended 31 March 2019 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 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 2018/19; 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 Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We 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's financial statements is not appropriate; or
- the Chief Operating Officer has not disclosed in the pension fund's 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 the pension fund for a period of at least twelve months from the date when the pension fund's 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 Authority's Statement of Accounts, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's 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's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Authority's Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

Matters on which we are required to report by exception

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

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

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

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Operating Officer. The Chief Operating Officer is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Operating Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

John Farrar

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

Manchester

26 July 2019

Cheshire Pension Fund - Fund Account for the year ended 31 March 2019			
	Notes	2018-19 £000	2017-18 £000
Contributions and Benefits			
Contributions Receivable			
From Employers		123,153	183,254
From Employees		36,829	36,062
Total Contributions Receivable	6/6a	**159,982**	**219,316**
Transfers in from Other Schemes	7	15,638	14,007
Benefits Payable			
Pensions		-148,638	-141,305
Lump Sums		-28,388	-27,591
Death Benefits		-4,065	-3,593
Total Benefits Payable	8	**-181,091**	**-172,489**
Payments to and on account of Leavers			
Refund of Contributions		-489	-586
Transfers to Other Schemes		-13,547	-20,278
	9	**-14,036**	**-20,864**
Net Additions / (withdrawals) from dealing with members		**-19,507**	**39,970**
Management Expenses	10/10a	-27,825	-30,826
Returns on Investments			
Investment Income	11	34,389	34,741
Taxes on Income	12	-419	-949
Profits and losses on disposal of investments and changes in the market value of investments	13f	261,953	315,168
Net Returns On Investments		295,923	348,960
Net Increase/ (Decrease) in the Fund During the Year		248,591	358,104
Opening Net Assets of the Scheme		5,355,219	4,997,115
Closing Net Assets of the Scheme		**5,603,810**	**5,355,219**

Cheshire Pension Fund - Net Assets Statement as at 31 March 2019			
	Notes	**2018-19** **£000**	**2017-18** **£000**
Long Term Investments		1,315	0
Investment Assets			
Pooled Investment Vehicles	13/f, 18/19	3,566,402	3,131,979
Equities	13/f, 18/19	540,459	792,041
Absolute Return Funds	13b/f, 18/19	770,621	696,685
Investment Properties	16	396,370	352,701
Private Equity	13c/f 18/19	194,995	183,905
Loans	13d/f, 18/19	2,375	5,052
		5,472,537	**5,162,363**
Cash	13e/f, 18/19	112,070	169,882
Other Investment Balances	13f	4,504	4,284
	13f, 18/19	**5,589,111**	**5,336,529**
Investment Liabilities			
Derivative Contracts	14, 18/19	0	-30
Total Net Investments	17	**5,589,111**	**5,336,499**
Long Term Debtors	22	6,317	10,613
Current Assets	23		
Cash at Bank		2,440	2,382
Debtors		18,959	15,952
Current Liabilities	24		
Creditors		-10,157	-7,052
Receipts In Advance		-2,860	-3,175
Net Current Assets		8,382	8,107
Total Net Assets		**5,603,810**	**5,355,219**

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), 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 2018 the four strategies were as follows:

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

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 fund is also in process of transferring assets into its asset pool LGPS Central Ltd and made its first transfer of £250m in 2018-19 from Baillie Gifford to LGPS Central Global Active Equity Fund. 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 2019 the Fund achieved a return from its investments of 5.5% (+6.3% in 2017-18) compared with the Fund's tailored benchmark return of +5.5% (+1.9% in 2017-18). For the three years ending 31 March 2019 the Fund achieved an annualised return of +10.2% per annum against the Fund's benchmark return of 7.6% 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 2019 a total of 290 employer organisations including the Administering Authority itself, contributed into the Fund.

Cheshire Pension Fund	31-Mar-19	31-Mar-18
Number of employers making contributions into the fund	**290**	**283**
Number of employees in the scheme		
Cheshire West and Chester Council	8,073	8,015
Other employers	31,404	30,360
Total	**39,477**	**38,375**
Number of pensioners		
Cheshire West and Chester Council	2,568	2,345
Other employers	26,250	25,419
Total	**28,818**	**27,764**
Number of Deferred pensioners		
Cheshire West and Chester Council	4,340	4,117
Other employers	24,838	24,415
Total	**29,178**	**28,532**
Undecided Leavers	2,375	2,154
Total Membership	**99,848**	**96,825**

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 2019. 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 31 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 2018-19 financial year and its position as at year ending 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector on an ongoing basis.

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

The most significant change in accounting policy and presentation for 2018/19 is the introduction of IFRS9 *Financial Instruments*, replacing IAS39 *Financial Instruments: Recognition and Measurement*. This has introduced changes to the classification and measurement of financial assets, including the recognition of impairment.

a. Financial assets reported as "loans and receivables in 2017-18 have been reclassified as "amortised cost". Investment assets held as "fair value through profit/loss" continue to be classified in this manner, Note 18 reflects this change.

b. Impairment is recognised on an expected loss basis rather than when objective evidence of impairment has been identified. Notes 16 and 29 have been updated to reflect this change.

No balances required restating as a result of this change in accounting policy

The accounts contain a restatement in relation to Note 26- Key Management Personnel, this has been restated to exclude the pension liability element of the Director of Resources whose post was removed in 2014-15 following an organisational restructure. Although the pension liability for this post remains in the Fund, it is not required to be included in the disclosure above as this person is no longer a member of the Fund's Key Management Personnel.

The accounts have been prepared on a going concern basis.

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
- Arrowgrass Capital Partners
- Winton Capital
- Darwin Property Investment

Performance related fees amounted to £3.6m in 2018-19 (£6.7m in 2017-18) 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 2018-19 was £1.7m relating to fees due for the quarter ending 31 March 2019 (£1.8m in 2017-18).

Administration expenses

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

Oversight and governance costs

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

Net Assets Statement

g) Financial assets

Investments in the Fund's asset pool are valued at £1.315m which is the transaction price i.e. cost of the investment. The Fund's asset pooling company LGPS Central Ltd, began to trade on 3 April 2018 therefore reliable trading results or profit forecasts are not yet available. Consequently the pension fund's view is that the market value of this investment as 31 March 2019 cannot be reasonably assessed and that cost is therefore an appropriate estimate of fair value.

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

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

h) Stock Lending (Securities Lending)

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

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

In addition LGPS Central Ltd operate a stock lending programme in respect of their equity funds such as the Global Active Equity Fund, in which the Cheshire Pension Fund invests.

i) Freehold and leasehold properties

The Scheme's freehold and leasehold investment properties were valued by an external valuer, Savills. The valuations were in accordance with the requirements of the RICS Valuation- Professional Standards. The valuation of each property was on the basis of Fair Value, subject to the following assumptions:

(i) For investment property: that the property would be sold subject to any existing leases.
(ii) For property held for development: that the property would be sold with vacant possession in its existing condition.

The 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) Loans and receivables

Financial assets classed as amortised cost are carried in the net asset statement at amortised cost i.e the outstanding principal receivable as at the year end date plus accrued interest.

m) Financial liabilities

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

n) Actuarial present value of promised retirement benefits

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

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

o) Additional voluntary contributions

The Fund provides an Additional Voluntary Contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. During 2018-19 Scottish Widows, Standard Life and Equitable Life were appointed as the Funds 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).

p) Contingent assets and contingent liabilities

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

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of the future events.
Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

Note 4 – Critical judgements and key sources of estimation uncertainty

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

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

Note 4.1 – Critical Judgements in applying accounting policies

Pension Fund liability

The Pension Fund liability is calculated every three years by the Fund actuary, Hymans Robertson, with periodic updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19, the assumptions underpinning the valuation are given in the Actuarial Statement. The estimate is subject to significant variances based on changes to the underlying assumptions.

Investment in LGPS Central Ltd asset pool

The investment of £1.315m has been valued at cost on the basis that fair value as at 31 March 2019 cannot be reliably estimated. Management have made this judgement because:

- LGPS Central Ltd did not commence trading until 3 April 2018
- No dividend to shareholders has been declared
- No published trading results are yet available which would allow fair value to be calculated on a net asset basis or enable the accuracy of profit and cash flow projections contained in the company's business plan to be assessed with confidence.

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 2019 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 £195m (£184m 2017-18). 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 £771m (£697m in 2017-18). 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 Fund's actuary, Hymans Robertson, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with financial standards. Assumptions underpinning the valuations are agreed with the actuary and are disclosed in the actuarial calculation which is included within the Annual Report. This estimate is subject to significant variances based on changes to the underlying assumptions.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, 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

Following a procurement exercise, with effect from the 1 April 2019 Standard Life were appointed as the sole AVC provider for the Fund. Members of the Fund with an existing AVC with Scottish Widows have been given the option to remain with Scottish Widows or transfer their AVC to Standard Life.

Note 6 – Contributions Receivable	2018-19 £000	2017-18 £000
Employees Normal Contributions	36,829	36,062
Employers Normal Contributions	110,210	106,715
Employers Deficit Funding	8,596	70,085
Employers Cost of Early Retirements (pension strain)	4,347	6,454
Total Employers Contributions	**123,153**	**183,254**
Total Contributions	**159,982**	**219,316**

The 2017-18 deficit funding figure of £70m included within total employers contributions of £183m 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 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	2018-19		2017-18	
	Employers	Employees	Employers	Employees
	£000	£000	£000	£000
Scheme Employers	85,143	25,887	143,891	25,052
Cheshire West & Chester Council	21,610	7,141	22,703	7,101
Community Admission Body	13,244	2,937	13,248	2,975
Transferee Admission Body	3,156	864	3,412	934
Total	**123,153**	**36,829**	**183,254**	**36,062**

Note 7 – Transfers in from other Pension Funds	2018-19 £000	2017-18 £000
Transfers from other Local Authorities	12,631	10,163
Transfers from other pension funds	3,007	3,844
Total	**15,638**	**14,007**

Note 8 – Benefits payable	2018-19 £000	2017-18 £000
Scheme Employers	112,470	106,499
Cheshire West & Chester Council	49,693	48,290
Community Admission Body	13,987	12,276
Transferee Admission Body	4,941	5,424
Total	**181,091**	**172,489**

Note 9 – Payment to and on account of leavers	2018-19 £000	2017-18 £000
Individual Transfers	13,547	20,278
Refunds to Members leaving service	489	586
Total	**14,036**	**20,864**

The transfer figure will vary year on year depending on the number of people that move to employers outside of the Fund and the value of the pension accrued for these individuals.

The refunds to members leaving 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	2018-19 £000	2017-18 £000
Investment management expenses	24,366	27,466
Administration costs	2,188	2,147
Oversight and governance costs	1,271	1,213
Total	**27,825**	**30,826**

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	2018-19 £000	2017-18 £000
Management fees and expenses	20,372	20,379
Performance related fees	3,619	6,708
Custody fees	113	117
Transaction costs	262	262
Total	**24,366**	**27,466**

Note 10b – External Audit Costs	2018-19 £000	2017-18 £000
Payable in respect of external audit	23	29
Payable in respect of other services	2	4
Total	**25**	**33**

Fees in respect of other services relates to work completed in respect of the IAS19 process. The fee for 2017-18 was in respect of 2015-16 and 2016-17, the fee for 2018-19 relates to the charge for 2017-18.

Note 11 – Investment Income	2018-19 £000	2017-18 £000
Dividends from Equities	8,555	6,262
Net Rents from Properties	19,161	19,640
Income from Fixed Interest Securities	5,291	7,346
Income from Pooled Investment Vehicles:		
Property	421	708
Stock Lending	581	378
Interest from Cash Deposits	366	261
Other	14	146
Total	**34,389**	**34,741**

Note 12 – Taxes on income	2018-19 £000	2017-18 £000
Withholding tax - Equities	412	309
Withholding tax – Private Equity	7	640
Total	**419**	**949**

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 2018-19 amounts to £419k and is shown as a tax charge, compared to £949k in 2017-18.

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	2018-19 £000	2017-18 £000
Equities		
Overseas Quoted	527,397	776,524
UK Quoted	13,062	14,202
UK Unquoted	1,315	1,315
Pooled Investments		
UK Government Index Linked Gilts	1,605,662	1,498,609
Fixed Income – Multi Strategy	996,010	743,395
UK Equity Listed	640,086	588,104
Overseas Equity Listed	250,229	0
Secured Loans	0	232,313
UK Property	65,500	60,604
Overseas Unit Trusts – Property	8,915	8,954
Absolute Return Funds	770,621	696,685
Investment Properties	396,370	352,701
Private Equity	194,995	183,905
Cash Deposits	112,070	169,882
Loans	2,375	5,052
Other investment balances:		
Outstanding dividends entitlements and withholding tax claims	4,504	4,284
Total	**5,589,111**	**5,336,529**
Investment Liabilities		
Derivative Contracts:		
Forward currency contracts	0	-30
Total	**5,589,111**	**5,336,499**

Cash balances were high in 2017-18 as they contained £25m pending investment in Arrowgrass and £45m in Blackstone.

During the year the Fund disinvested £99m from Baillie Gifford with a corresponding investment of £19m in LGIM Index linked gilts and £29m in Bluebay, and the remaining balance was held in cash pending investment in the new year. This reflected a standard rebalancing within the portfolio to bring actual asset allocations back within an agreed threshold.

As part of the Government's asset pooling initiative, the Fund also disinvested £250m from Baillie Gifford and transferred it to the LGPS Central Active Equity Fund which is a pooled investment fund made up of three managers Harris, Schroder and Union.

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 and Absolute Return funds.

Note 13a – Fixed Income Multi Strategy

The Fund has invested in three pooled fixed income investment vehicles managed separately by Janus Henderson Investors, BlueBay and M&G. During the year the Fund invested an additional £29m with Bluebay as part of a rebalancing exercise and a new commitment was made to the M&G Alpha Opportunities Fund. The market value invested with each manager as at the 31 March 2019 was; £352m in Janus Henderson Investors (£353m in 2017-18), £410m (£390m in 2017-18) in Bluebay and £236m in M&G Alpha Opportunities Fund (Nil in 2017-18). 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	2018-19 £000	2017-18 £000
Blackstone	Hedge Fund of Funds	346,058	295,388
Arrowgrass Capital Partners	Multi Strategy Hedge Fund	260,424	236,238
Winton Capital	Multi Strategy Hedge Fund	164,139	165,059
Total		**770,621**	**696,685**

Note 13c – Private Equity	Number of Funds	2018-19 £000	2017-18 £000
Adam Street Partners	18	81,995	78,067
Pantheon Ventures	10	111,580	104,367
Lexington	1	1,420	1,471
Total	**29**	**194,995**	**183,905**

Note 13d – Loans

The Fund has committed £50m to the M&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 2019 £32m of this commitment had been drawn down and the Fund had received £37m in distributions. The market value as at 31 March 2019 was £1.660m (31 March 2018 £2.176m).

The Fund has also committed £30m to the M&G Debt Opportunities Fund which aims to take advantage of discrete market opportunities that arise over time. As at the 31 March 2019 the full £30m of the commitment had been drawn down. The market value as at 31 March 2019 was £30k (31 March 2018 £2.191m). The reduction in the value of this investment reflects that the Fund has received distributions of paid in capital and profit.

Also included in loans is £685k loan advanced to LGPS Central Ltd and interest accrued on the loan for the year totalling £43k. The loan is held at amortised cost in the statement of accounts at a value of £728k at 31 March 2019 (31 March 2018 £685k).

Note 13e – Cash	2018-19 £000	2017-18 £000
Cash Deposits	20,193	47,193
Cash Instruments	91,877	122,689
Total	**112,070**	**169,882**

Note 13f – Reconciliation of movements in Investments and Derivatives

	Fair Value at 31 March 2018	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair value	**Fair Value at 31 March 2019**
	£000	£000	£000	£000	**£000**
Pooled Investment Vehicles	**3,131,979**	540,451	-237,742	131,714	**3,566,402**
Equities	**792,041**	130,444	-467,645	86,934	**541,774**
Absolute Return Funds	**696,685**	1,254,910	-1,192,673	11,699	**770,621**
Investment Properties	**352,701**	39,455	0	4,214	**396,370**
Private Equity	**183,905**	29,389	-46,160	27,861	**194,995**
Loans	**5,052**	0	-2,665	-12	**2,375**
	5,162,363	1,994,649	-1,946,885	262,410	**5,472,537**
Derivative Contracts:	**0**	3	-2	-1	**0**
	5,162,363	1,994,652	-1,946,887	262,409	**5,472,537**
Cash and Cash Equivalents	**169,882**		-57,355	-456	**112,070**
	5,332,245	1,994,652	-2,004,242	261,953	**5,584,607**
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	**4,284**				**4,504**
	5,336,529	**1,994,652**	**-2,004,242**	**261,953**	**5,589,111**
Investment Liabilities					
Derivative Contracts:					
Forward currency contracts	**-30**				**0**
Net Investments	**5,336,499**	**1,994,652**	**-2,004,242**	**261,953**	**5,589,111**

	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**

Note 14 – Analysis of Derivatives	**Asset 2018-19 £000**	**Liability 2018-19 £000**	**Asset 2017-18 £000**	**Liability 2017-18 £000**
Forward Foreign Exchange Contracts	0	0	0	-30
Total	**0**	**0**	**0**	**-30**

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	0	-30
Total Derivatives						0	-30

The Fund did not undertake any currency hedging activity in 2018-19.

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 2019 the Fund earned £581k (£378k 2017-18) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £61.9m (£80.4m 2017-18) and the value of collateral held was £66m (£85m 2017-18).

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	**2018-19 £000**	**2017-18 £000**
Rental Income	22,536	21,708
Rental Income Accruals	-15	-32
Rental Adjustment on Sale	-121	585
Direct Operating Expenses	-3,239	-2,621
Balance at the end of the year	**19,161**	**19,640**

Note 16b – Fair Value of Investment Properties	**2018-19 £000**	**2017-18 £000**
Balance at the start of the year	352,701	293,350
Additions	40,272	49,075
Disposals	0	-12,550
Net gain/loss on fair value	3,397	22,826
Balance at the end of the year	**396,370**	**352,701**

The Fund bought two properties in the year, both were office buildings based in London.

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 £3.9m (£2.2m in 2017-18). 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	2018-19 £000	2017-18 £000
No later than one year	1,924	921
Between one and five years	4,649	8,091
Later than five years	10,757	11,794
Total	**17,330**	**20,806**

The above disclosures have been reduced by a credit loss allowance of 3% per annum reflecting the fund's expected loss from late or non-recovery of rents from tenants. This has been based on the funds own historic experience but also information on similar properties received from the funds property letting agents.

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	2018-19 £000	2018-19 %	2017-18 £000	2017-18 %
Investments managed by LGPS Central Limited Asset Pool:				
Harris	88,431	1.6	0	0.0
Union	84,077	1.5	0	0.0
Schroders	77,721	1.4	0	0.0
LGPS Central Limited Asset Pool	2,043	0.0	2,000	0.0
Total	**252,272**	**4.5**	**2,000**	**0.0**
Investments managed outside of LGPS Central Limited Asset Pool:				
Legal & General	2,245,747	40.2	2,086,680	39.1
Baillie Gifford & Co	549,518	9.8	804,519	15.1
Bluebay	409,743	7.3	390,436	7.3
Patrizia	407,008	7.3	362,947	6.8
Henderson	352,271	6.3	352,959	6.6
Blackstone	346,058	6.2	295,388	5.5
Arrowgrass Capital Partners	260,424	4.7	236,239	4.4
Arrowgrass Capital Partners Cash Account	0	0.0	25,000	0.5
M&G Investments	237,245	4.2	238,380	4.5
Winton Capital	164,139	2.9	165,059	3.1
Pantheon Ventures	111,580	2.0	104,367	2.0
Adams Street Partners	81,995	1.5	78,067	1.5
Darwin	65,500	1.2	60,604	1.1
Och Ziff Capital Management	0	0.0	5,531	0.1
Fidelity (Money Market)	38,264	0.7	42,400	0.8
Deutsche Bank (Money Market)	40,578	0.7	42,682	0.8
Bank of New York Mellon	25,207	0.5	41,577	0.8
Lexington Capital Partners	1,420	0.0	1,471	0.0
GMO	142	0.0	193	0.0
Total	**5,336,839**	**95.5**	**5,334,499**	**100.0**
Total	**5,589,111**	**100.0**	**5,336,499**	**100.0**

During the year the Fund invested £25m in Arrowgrass Capital Partners and Blackstone as a result of a rebalancing exercise approved in late 2017-18.

A further rebalancing exercise in this year led to the Fund also disinvesting £99m from Baillie Gifford with a corresponding investment of £19m in LGIM Index linked gilts and £29m in Bluebay and the remaining balance was held in cash pending investment in the new year.

As part of the government's asset pooling initiative the Fund also disinvested £250m from Baillie Gifford and transferred it to the LGPS Central Global Active Equity Fund which is a pooled investment fund made up of three managers Harris, Schroder and Union.

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-19 £000	% of Total Fund	Market Value 31-Mar-18 £000	% of Total Fund
Legal & General - Over 5 Yr Index Linked Gilts	1,605,661	28.73%	1,498,609	28.08%
Bluebay - Total Return Diversified Fund	409,743	7.33%	390,436	7.32%
Janus Henderson - Total Return Bond	352,271	6.30%	352,959	6.61%
Blackstone Partners - Class A1 Initial Series	346,058	6.19%	295,388	5.54%
Legal & General - World Equity Index	324,201	5.80%	291,804	5.47%
Legal & General - FTSE RAFI AW 3000 Equity Index	315,885	5.65%	296,300	5.55%

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 2019. 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

Values at 31 March 2019	Quoted Market Price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial and Non-financial Assets				
Fair value through profit and loss	1,383,389	3,380,434	706,714	5,470,537
Total Assets	**1,383,389**	**3,380,434**	**706,714**	**5,470,537**
Financial Liabilities				
Financial Liabilities at fair value through profit and loss	0	0	0	0
Total Financial Liabilities	**0**	**0**	**0**	**0**
Net Assets	**1,383,389**	**3,380,434**	**706,714**	**5,470,537**

The following assets have been carried at cost:

Values at 31 March 2019	Quoted Market Price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Investments in LGPS Central Ltd	0	0	1,315	1,315
Investments held at cost	**0**	**0**	**1,315**	**1,315**

The comparative tables for 31 March 2018 have been amended within level 3 to split out the Investment in LGPS Central Ltd which was also valued at cost in 2017-18.

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial and Non-financial Assets				
Fair value through profit and loss	1,375,904	3,176,581	608,563	5,161,048
Total Assets	**1,375,904**	**3,176,581**	**608,563**	**5,161,048**
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**	**608,563**	**5,161,018**

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Investments in LGPS Central Ltd	0	0	1,315	1,315
Investments held at cost	**0**	**0**	**1,315**	**1,315**

Note 18b – Transfers between levels 1 and 2

No assets were transferred between level 1 and 2 during the year

Note 18c – Reconciliation of fair value measurements within level 3

	Market Value 1 April 2018 Restated	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised Gains /(Losses)	Realised Gains /(Losses)	Market Value 31 March 2019
	£000	£000	£000	£000	£000	£000	£000	£000
Fixed income	10,212					25,436		35,648
Secured Loans	-	1,690						1,690
Absolute return funds	66,462					15,208		81,670
Private equity	179,188					12,147		191,335
Property	352,701			40,272			3,398	396,371
	608,563	**1,690**	**-**	**40,272**	**-**	**52,791**	**3,398**	**706,714**

The market value at 1 April 2018 is restated from the closing balance shown in the 2017-18 Statement of Accounts to exclude the investment in LGPS Central Ltd valued at cost.

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	Financial assets at amortised cost	Financial liabilities at amortised cost	Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
	31 March 2019			31 March 2018		
	£000	£000	£000	£000	£000	£000
Financial Assets						
Pooled Investments	3,566,402			3,131,979		
Equities	541,774			792,041		
Absolute Return Funds	770,621			696,685		
Private Equity	194,995			183,905		
Loans	1,690	728		5,052		
Cash		111,042			169,295	
Other Investment balances		4,147			3,970	
Debtors		27,716			28,947	
	5,075,482	**143,633**		**4,809,662**	**202,212**	
Financial Liabilities						
Derivative contracts	0			-30		
Creditors			-10,117			-7,052
TOTAL	**5,075,482**	**143,633**	**-10,117**	**4,809,632**	**202,212**	**-7,052**

Note 18e – Net Gains and Losses on Financial Instruments

	2018-19 £000	2017-18 £000
Financial Assets		
Fair value through profit and loss	258,208	270,125
Amortised cost- unrealised gains	0	19,311
Financial Liabilities		
Fair value through profit and loss	-1	-434
Amortised cost- unrealised losses	-468	
Total	**257,739**	**289,002**

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 2019-20 reporting period:

Asset Type	Potential market movements
	% (+ / -)
Private Equity	25.8
Global Equities - Emerging	29.4
Global Equities - Developed	19.4
UK Equities	17.8
Property Unit Trusts	14.8
High Yield	10.2
Absolute Return Funds	7.9
Corporate Bonds	3.5
Government Bonds	8.6
Cash	4.2

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment adviser’s most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows:

Asset Type	Value at 31 March 2019	Percentage Change	Change in Value on increase	Change in Value on decrease
	£000	%	£000	£000
Government Bonds	2,015,405	8.6	173,325	-173,325
Global Equities - Developed	1,094,504	19.4	212,334	-212,334
Absolute Return Funds	770,621	7.9	60,879	-60,879
Corporate Bonds	417,771	3.5	14,622	-14,622
Global Equities - Emerging	246,358	29.4	72,429	-72,429
High Yield	235,685	10.2	24,040	-24,040
Private Equity	194,995	25.8	50,309	-50,309
Cash	126,546	4.2	5,315	-5,315
UK Equities	74,409	17.8	13,245	-13,245
Property Unit Trusts	8,915	14.8	1,319	-1,319
Investment Income Due	4,147	0.0	0	0
Equities - LGPS Central Ltd	1,315	0.0	0	0
Loans - LGPS Central Ltd	728	0.0	0	0
Net Derivative Assets	0	0.0	0	0
Total assets available to pay benefits	**5,191,399**		**627,817**	**-627,817**

The above table excludes direct property.

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 2019 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial asset at fair value:

Asset Type	2018-19	2017-18
	£000	£000
Corporate and Government Bonds	2,603,230	2,242,004
Cash and cash equivalents	33,254	59,814
Cash balances	78,816	85,068
Total	**2,715,300**	**2,386,886**

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 £2,603m fair value of the bond mandates managed by Janus Henderson Investors, BlueBay, Legal and General and M & G Alpha Opportunities Fund are particularly sensitive to movements in interest rates. This sensitivity is measured by their duration of 5.84, 4.33, 24.7 and 4.24 years respectively.

A 1% increase in the prevailing level of interest rates would decrease the aggregate fair value of these mandates by £444.9m (£402.5m in 2017-18). 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 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 2019	Effect of Asset Values	
			+100 BPS	-100 BPS
Cash and Cash Equivalents		33,254		
Cash Balances		78,816		
Fixed Income- M&G	4.24	235,555	9,988	- 9,988
Fixed Income - Janus Henderson	5.84	352,271	20,573	- 20,573
Fixed Income - BlueBay	4.33	409,743	17,742	- 17,742
Fixed Income - Legal and General	24.7	1,605,661	396,598	- 396,598
Total change in assets available		**2,715,300**	**444,901**	**- 444,901**

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**

Income Source	Duration	Carrying amount at 31 March 2019	Effect of Asset Values	
			+100 BPS	-100 BPS
Cash deposit / cash and cash equivalents	0.25	366	1	-1
Fixed Income Securities		3,732		
Total change in assets available		**4,098**	**1**	**-1**

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**

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'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 2019 and 31 March 2018:

Currency Exposure - Asset Type	Gross Exposure	Hedging Exposure	Net Exposure
2018-19	**£000**	**£000**	**£000**
Overseas Listed Equities	782,198		782,198
Overseas Unquoted Securities	194,995		194,995
Absolute Return Funds Overseas Fixed Interest	0	-4	-4
Overseas Unit Trusts	9,076		9,076
Total	**986,269**	**-4**	**986,265**

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 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

Net Currency Exposure - Asset Type	Asset Values	Change to net Assets available to pay benefits	
	2018-19	+13%	-13%
	£000	£000	£000
Overseas Listed Equities:	**782,198**	**101,685**	**-101,685**
Of which from United States Dollar	363,007	47,191	-47,191
Of which from Japanese Yen	16,970	2,206	-2,206
Of which from Hong Kong Dollar	44,319	5,761	-5,761
Of which from Swedish Krona	3,567	464	-464
Of which from Swiss Franc	5,294	688	-688
Of which from Danish Krone	2,788	362	-362
Of which from South African Rand	11,430	1,486	-1,486
Of which from other currencies	334,823	43,527	-43,527
Overseas Unquoted Securities:	**194,995**	**25,349**	**-25,349**
Of which from USD	178,161	23,161	-23,161
Of which from EUR	16,834	2,188	-2,188
Absolute Return Funds Overseas:			
Of which from USD*	-4	0	0
Overseas Unit Trusts:			
Of which from EUR	9,076	1,180	-1,180
Total	**986,265**	**128,214**	**-128,214**

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 United States Dollar	527,936	68,632	-68,632
Of which from Japanese Yen	29,307	3,810	-3,810
Of which from Hong Kong Dollar	53,520	6,958	-6,958
Of which from Swedish Krona	12,482	1,623	-1,623
Of which from Swiss Franc	10,321	1,342	-1,342
Of which from Danish Krone	4,850	631	-631
Of which from South African Rand	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**

*The Fund previously hedged 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, BlueBay and the M & G Alpha Opportunities Fund. 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 2018-19	Value of Fixed
	£000	£000
AAA	135,147	5.0
AA	1,639,968	64.0
A	86,634	3.0
BBB	341,092	13.0
Below BBB	308,004	12.0
Cash	61,632	0.0
NR	2,959	2.0
Loans	27,794	1.0
Total	**2,603,230**	**100.0**

S&P Quality Rating	Fair Value 2017-18	Value of Fixed
	£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**

Secured Loans

During 2018-19 the Fund transferred its investment in the M & G European Loan Fund to a multi strategy fixed income investment in M & G Alpha Opportunities Fund. The investment vehicles managed by Janus Henderson, Bluebay and M & G Alpha Opportunities all have the ability to invest in secured loans, however their exposure to credit risk is covered in the above multi asset disclosure. The below disclosure relates solely to the Funds previous investment in the M &G European Loan Fund.

2017-18 Rating	Fair Value £000	Value of Assets
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**

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 2019 was £78.8m (31 March 2018 £85.1m) and was held in the Deutsche Bank and Fidelity money market accounts. The remainder of the cash was held by the fund's custodian, Bank of New York Mellon with a small amount of cash in transit which was held by the fund's property investment manager.

2018-19 Counterparty	Moodys Rating	£000	% of cash balances
Bank of New York Mellon (Money Market Cash / Cash Accounts)	P-1	32,227	28.8
Fidelity Worldwide Investment (Money Market)	Aaa-mf	38,263	34.1
Deutsche Bank Advisors (Money Market)	A3	40,552	36.2
Cash in Transit	NR	1,028	0.9
Total		**112,070**	**100.0**

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**

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 2019 the value of illiquid assets was £204m, which represented 3.65% of the total fund assets (31 March 2018 £199m which represented 3.72% of the total fund assets).

In terms of liquidity risk, the Fund had £112.1m (2017-18 £169.9m) of cash balances as at 31 March 2019 and net current assets of £8.3m (-£8.1m in 2017-18). The Funds net cash flow, before taking account of investments and excluding management expenses, as at 31 March 2019 was -£19.5m (+£39.7m in 2017-18) income from investments support the negative cash flow for the year to ensure there is no significant risk that the Fund will be unable to meet its current commitments.

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

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 2019	% of Fair Value of collateral 31 March 2019	Fair Value of collateral 31 March 2018	% of Fair Value of collateral 31 March 2018
Moody's rating	**£000**	**%**	**£000**	**%**
Aaa	22,395	34	15,823	19
Aa1	2,370	4	2,576	3
Aa2	41,230	62	66,576	78
Grand Total	**65,995**	**100**	**84,975**	**100**
Value of Stock on Loan	**61,928**		**80,364**	

During the year ended 31 March 2019 the Fund earned £581k (£378k 2017-18) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £61.9m (£80.4m 2017-18) and the value of collateral held was £66m (£85m 2017-18).

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 2018-19 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

	2018-19 £000	2017-18 £000
Long Term Debtors:		
Contributions due - Employers	5,828	10,143
Reimbursement of lifetime tax allowances	254	0
Sundry Debtors	235	470
Total	**6,317**	**10,613**

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	2018-19 £000	2017-18 £000
Current Debtors and cash:		
Contributions due - Employers	15,114	12,167
Contributions Due - Employees	2,950	2,843
Sundry Debtors	1,262	1,115
Provision for Doubtful Debt	-367	-173
Cash balances	2,440	2,382
Total	**21,399**	**18,334**

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	2018-19 £000	2017-18 £000
Sundry Creditors	7,530	4,790
Benefits Payable	2,587	2,262
Provisions	40	0
Receipts in Advance	2,860	3,175
Total	**13,017**	**10,227**

Note 25 – Additional Voluntary Contributions (AVCs)

During 2018-19 the AVC providers to the members of the Fund were Scottish Widows, Standard Life and Equitable Life. From the 1 April 2019 Standard Life were appointed as the sole AVC provider for the Fund.

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 2019 is shown below, along with a prior year comparator.

	Scottish Widows £000	Standard Life £000	Equitable Life £000	Total £000
Contributions received in year 2019	723	308	2	**1,033**
Contributions received in year 2018	420	268	2	**690**
Fair value at 31 Mar 2019	3,210	3,023	509	**6,742**
Fair value at 31 Mar 2018	3,243	2,779	509	**6,531**

With effect from the 1 April 2019 Standard Life replaced Scottish Widows as the Fund's AVC provider. Members of the Fund with an existing AVC with Scottish Widows have all been given the option to transfer their AVC to Standard Life. Standard Life will be the Funds only AVC provider that new members can pay into with effect from 1 April 2019.

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 2018-19 the Fund paid £2.2k to the Council for interest accrued on these balances.

The Council is one of the largest employers and contributed £22.1m into the Fund in 2018-19 (2017-18 £20.9m). At the year end, a balance of £12.999m (2017-18 £13.513m) was due to the Fund from the Council, primarily relating to early retirement costs which will be repaid over more than one year and also contributions which were paid in April but became due in March. A balance of £1.5m was owed to the Council (2017-18 £0.9m owing from 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.

In 2017-18 the fund invested £1,315k in share capital and granted a loan of £685k to LGPS Central Ltd. In 2018-19 interest of £43k accrued on the loan balance to give a balance at the end of the year of £728k, the share capital was valued at cost at the end of the year at £1,315k. Investments managed by LGPS Central Ltd as at 31 March 2019 are disclosed in Note 17 to the accounts. Further transfers totalling approximately £585m from existing investment assets into LGPS Central Ltd were approved by the Pension Fund Committee in March 2019 these are expected to take place in 2019-20, no contractual commitment was in place as at 31 March 2019.

During the year the Fund incurred charges for the running costs of LGPS Central Ltd totalling £861k (2017-18: Nil) set up costs nil (2017-18 £426k). The Fund also received a refund of the set up costs paid to LGPS Central Ltd in 2016-17 and 2017-18 of £502k.

Investment management fees of £46k (2017-18 Nil) were incurred on the Fund's investments managed by LGPS Central Ltd.

The Administering Authority incurred costs of £2.188m to administer the Fund in 2018-19 (2017-18 £2.147m) as well as £1.271m for oversight and governance costs (2017-18 £1.213m) and these costs were recharged to the Pension Fund. Note 10 provides an analysis of these costs. These are related party transactions as Cheshire West and Chester Council is also a 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 Councillor Corcoran has a deferred pension and Committee member P. Matthews was an active member of the Fund as at 31 March 2019.

There are three members of the Local Pension Board who were active members of the Fund as at 31 March 2019; 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.

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

	31-Mar-19 £000	31-Mar-18 Restated £000
Short term benefits	112	108
Long term/post-retirement benefits	2,356	2,090
Total	**2,468**	**2,198**

The 31 March 2018 figure has been restated to exclude the pension liability element of the Director of Resources whose post was removed in 2014-15 following an organisational restructure. Although the pension liability for this post remains in the Fund, it is not required to be included in the disclosure above as this person is no longer a member of the Fund's Key Management Personnel.

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 £679m (2017-18 £559m) in private equity funds.

During 2018-19 the Fund made new commitments to three private equity funds. $79m to Pantheon split $55m to the Global Select 2018 Fund, $8m to the Global Co-investment Opportunities IV Fund and $16m to the Global Secondary Fund 6. The Fund also made another $26m investment to the Adams Street Partners Secondaries 6 Fund and a £22m commitment to the LGPS Central Global Equity Fund 2018. This additional investment will help the Fund address its existing underweight allocation to the vintage years 2009 to 2015, thereby further diversifying the private equity portfolio.

As at 31 March 2019 the Fund had actually invested £409m (2017-18 £369m) and therefore had an outstanding commitment of £270m (2017-18 £190m). As the Pantheon and Adam Street Partner funds are denominated in US Dollars and Euros the commitment in Sterling is subject to changes due to currency fluctuations.

Note 28 – Contingent Assets

There are 25 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 13 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 of Financial Assets

During 2018-19 the Fund has recognised expected credit losses of £367k (£173k in 2017-18) for possible and actual non-recovery of rental income on its investment properties.

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 have contributed into The Cheshire Pension Fund and their applicable Investment Strategy for the financial year ending 31 March 2019.

Major Scheme Employers	Strategy
Cheshire West and Chester Council	B
Cheshire East Council	A
Cheshire Fire Authority	B
Halton Borough Council	B
Warrington Borough Council	B
Police and Crime Commissioner	B

Admitted Bodies	Strategy
Sir John Deanes College	B
ANSA Environmental Services	A
Orbitas Bereavement Services	A
Livewire	B
Warrington Cultural Trust	B
Canal and River Trust (Waterways Trust)	C
Cheshire Community Action	B
Adoption Matters	B
Warrington Voluntary Action	A
David Lewis Centre	C
Middlewich Joint Cemetry	B
Warrington Housing Association	B
Cheshire and Warrington Sports Partnership	B
Care Quality Commission	C
Norton Priory Museum Trust	B
The King's School Chester	B
University Of Chester	B
Silk Museum Trust	A
Deafness Support Network	C
Warrington Community Living	B
Belong Limited	C
Cheshire CC Sports Club	C
PlusDane (Cheshire) Housing Association	B
Weaver Vale Housing Trust	B
Hochtief	B
Tarmac Trading Limited	B
ISS Facility Services Ltd	B
Halton Housing Trust	C
Cheshire Peaks and Plains	B
School Food Company Ltd	B
Eric Wright EP Schools	B
Goldengates Housing Trust	B
Innovate Ltd Tytherington	B
Hall Cleaning Services	B
Compass (Chartwells Ltd)	B
Aspens Services Ltd - Brine Leas	B
Ringway Jacobs	B
RM Estates Ltd	B
Kier	B

Admitted Bodies - Continued	Strategy
Dataspire	B
Ringway Infrastructure	B
HQ Theatres	B
Bulloughs Collegiate	B
Catalyst Choices	B
Sanctuary Housing Association	C
Superclean - Ashdene	A
Superclean - Alsager	A
Turning Point Services Ltd	B
Taylor Shaw - Bridgemere	A
Bulloughs - Lymm	B
Skills and Growth Company	A
Churchill Services Ltd	B
Bridgewater High School Trading	B
PAM East	A
PAM West	B
The Guinness Partnership	B
Midshire Catering Ltd	A
Keys Care Limited	A
ForHousing	B
CG Cleaning - Great Sankey	B
Novus Networks Ltd	A
CWP NHS Trust	B
A M Services	A
Caterlink (Sandbach)*	A
Caterlink (Ruskin)*	A
Aspens Services - Upton by Chester	B
Verve People*	B
Torus 62*	C
Torus 62 (ComMutual)*	C

Other Employers	Strategy
Cheshire Magistrates Courts	D
Warrington Borough Transport	B
NW Fire Control Limited	B
Alderley Edge Parish Council	B
Northwich Town Council	B
Winsford Town Council	B
Nantwich Town Council	B
Knutsford Town Council	B
Penketh Parish Council	B
Bollington Town Council	B
Middlewich Town Council	B
Poynton Town Council	B
Disley Parish Council	B
Winwick Parish Council	B
Prestbury Parish Council	B
Nether Alderley Parish Council	B
Birchwood Town Council	B
Grappenhall and Thelwall Parish Council	B
Odd Rode Parish Council	B
Congleton Town Council	B
Frodsham Town Council	B
Sandbach Town Council	B
Priestley Sixth Form College	B
Macclesfield College	B
West Cheshire College	B
Reaseheath College	B
Mid Cheshire College	B
Wade Deacon High School	B
Crewe Town Council	B
Vivo Care Services Limited	B
Appleton Parish Council	B
Stockton Heath Parish Council	B
Everybody Sport and Recreation	A
Mersey Gateway Crossing Board	B
Transport Services Solutions Limited	A
Riverside College	B
Poulton with Fearnhead Parish Council	B
Neston Town Council	B
Brio Leisure (CWaC CIC)	B
Wilmslow Town Council	B
Alsager Town Council	B
Handforth Parish Council	B
Holmes Chapel Parish Council	B
Lymm Parish Council	B
Wistaston Parish Council	B
Vision Support	C
Youth Federation	C

Other Employers - Continued	Strategy
Catering Academy - Warrington	B
Catering Academy - CoE Academy	B
Catering Academy - Weaverham	B
Liverpool Mutual Homes (Torus 62 LMH)	B
Civicance Ltd	A
Mack Trading (Heaton Park) Limited	B
QWest Services Limited	B
Macclesfield Town Council	B
Riverside Truck Rental Ltd	B
Your Housing Group	B
Edsential	B
UTC - Warrington	B
Delamere and Oakmere Parish Council	A
Hartford Parish Council	B
Crewe Engineering UTC	A
Avenue Services (NW) Ltd	B
West Cheshire Facilities Management	B
Cheshire College South and West	B
ENGIE	B
Kingsmead Parish Council	B
Warrington and Vale Royal College	B

Free Schools	Strategy
St Martins Academy	B
Grosvenor Park CoE Academy	B
Sandymoor School	B
Sandbach School	B

Academies	Strategy
The Catholic High School Chester	B
Rudheath Primary School	B
Birchwood High School	B
Penketh High School	B
Worth Primary School	A
St Thomas More Catholic High School	A
Stapeley Broad Lane	A
Leighton Academy	A
Cloughwood School	B
Holmes Chapel Primary School	A
Whirley Primary School	A
Alsager School	A
Sir William Stanier Community School	A
Over Hall Community School	B
Ash Grove Academy	A
Cranberry Academy	A
St Michaels Community Academy	A
Adelaide School	A
Parkroyal Community School	A
The Quinta Primary School	A
Weaverham Primary Academy	B
Cavendish High Academy	B
Wistaston Academy	A
The Hermitage Trust	A
Tytherington School	A
Pear Tree School	A
The Oak View Primary Academy	B
Bridgewater Park Primary School	B
Marlfields Primary Academy	A
St Bernards RC Primary School	B
Black Firs Primary School	A
Smallwood CoE Primary	A
Nether Alderley Primary School	A
Broken Cross Primary Academy	A
Mossley CoE Primary School	A
Ormiston Chadwick Academy	B
Bridgewater High School	B
University CoE Academy	B
Fallibroome Academy	A
Brine Leas High School	A
Ormiston Bolingbroke Academy	B
Winsford E-Act Academy	B
Sandbach High School & Sixth Form	A
Christleton High School	B
Bishops Blue Coat CoE High School	B
Congleton High School	A
Delamere Academy	B

Academies - Continued	Strategy
Mottram St Andrew Primary Academy	A
The Heath Academy	B
Palacefields Academy	B
Macclesfield Academy	A
Lacey Green Primary School	A
Holmes Chapel Comprehensive School	A
University Chester Academy Trust	B
Rudheath Senior Academy	B
Knutsford Academy	A
Neston High School	B
Tarporley High School and Sixth Form College	B
Eaton Bank Academy	A
Lymm High School	B
County High School Leftwich	B
Kelsall Primary School	B
King's Leadership Academy	B
Padgate Academy	B
Great Sankey High School	B
All Hallows Catholic College	A
Beamont Collegiate Academy	B
Wistaston Church Lane Academy	A
Boughton Heath Academy	B
Mill View Primary School	B
Widnes Academy	B
Hungerford Primary	A
St Paul's Catholic Primary School	A
St Alban's Catholic Primary School	A
Sandbach Primary Academy	A
Peover Superior Endowed Primary School	A
Ivy Bank Primary School	A
St Marys Catholic Primary School	A
St Augustines Catholic Primary School	B
Shavington Academy	A
The Berkeley Academy	A
Willaston Primary Academy	A
The Russett School	B
The Fermaine Academy	B
Nantwich Academy	A
Shavington Primary School	A
Upton Priory School	A
The Oaks Academy	A
Victoria Road Primary School	B
Wheelock Primary School	A
Monks Coppenhall Academy	A
Marlborough Primary School	A
Acton CE Primary Academy	A
Calveley Primary Academy	A

Academies - Continued	Strategy
Highfields Community Primary	B
St Johns Wood Community School	A
Gorseybank Primary School	A
Wilmslow Academy	A
Daresbury Primary School	B
Underwood West Academy	A
Adlington Primary Academy	A
Bruche Primary School	B
Evelyn Street Primary School	B
Penketh Primary School	B
Bunbury Aldersey CoE Primary School	A
Queens Park High School	B
Great Sankey Primary School	B
St Oswalds Worleston Primary School	A
Warmingham CoE Primary School	A
Sir Thomas Boteler High School	B
Offley Primary Academy	A
Barnton Primary School	B
Wybunbury Delves Primary School	A
Gawsworth Primary School	A
Beamont Primary School*	B
Puss Bank School	A
Burtonwood Community Primary School	B
Chapelford Village Primary School	B
Park Road Community Primary School	B
Westbrook Old Hall Primary School	B
The Grange School	B
New Horizons School*	B
Upton Heath CoE Primary School	B
Little Sutton CoE Primary School	B
Clutton CoE Primary School	B
Brereton CoE Primary School	A
Excalibur Primary School*	A
Pikemere School*	A
Weston Village Primary School*	A
Penketh South Primary School*	B
Parklands Community Primary School*	B
Wolverham Primary and Nursery School*	B
Childer Thornton Primary School*	B
Brookfields School*	B
Alderman Bolton Community Primary School*	B
Lostock Hall Primary School*	A
Glazebury Primary School*	B
Hollins Green St Helens CoE Primary School*	B
Poynton High School*	A
Egerton Primary School*	A
Grange Community Nursery and Primary School*	B

Academies - Continued	Strategy
Astbury St Marys CoE Primary School*	A
Handforth Grange Community Primary School*	A

*Employers who joined the fund during 2018-19

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2018/19 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 2019	31 March 2018
Active members (£m)	3,854	3,129
Deferred members (£m)	1,220	1,139
Pensioners (£m)	2,373	2,352
Total (£m)	**7,447***	**6,620**

* Includes £22m for the estimated impact of the recent ‘McCloud’ ruling and £3m for the estimated impact of GMP indexation changes.

The promised retirement benefits at 31 March 2019 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 2019 and 31 March 2018. I estimate that the impact of the change in financial assumptions to 31 March 2019 is to increase the actuarial present value by £531m. 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 2019	31 March 2018
Pension Increase Rate	2.5%	2.4%
Salary Increase Rate	2.8%	2.7%
Discount Rate	2.4%	2.7%

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 2019	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	578
0.5% p.a. increase in the Salary Increase Rate	2%	157
0.5% p.a. decrease in the Real Discount Rate	10%	758

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 2019 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:-

Peter MacRae FFA

3 July 2019

For and on behalf of Hymans Robertson LLP

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 2019.

Credit Adjusted Interest Rate
The rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.

Current Assets and Liabilities
Current assets are cash and items that can be readily converted into cash. Current liabilities are items that are due for payment immediately or in the short term. By convention these items are ordered by reference to the ease that the asset can be converted into cash, and the timescale in which the liability falls due.

Current Service Cost (IAS 19 term)
Employer pension contributions charged during the year have been removed from the Comprehensive Income and Expenditure Statement and replaced with an amount (i.e. current service cost) which reflects the increase in the scheme liabilities expected to arise from employee membership of the Scheme in the year of account.

Current Value
The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

Debtors
Amounts owed to the Council at 31 March 2019, 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 or liability from the Balance Sheet as it has been extinguished, for example, the settling of a liability by paying the creditor.

Discounting
Process of determining the present value of a payment or a stream of payments that is to be received in the future.

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

Donated assets
Assets transferred at nil value or acquired at less than fair value.

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

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

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

Entity
For accounting purposes, an 'entity' is a business, division or other aspect of an organisation that requires its own financial reporting structure for legal or tax purposes.

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

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

Expected Credit Losses
Defined as the weighted average of credit losses with the respective risks of a default occurring as the weights.

12 Month Expected Credit Loss
the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Lifetime Expected Credit Losses
The expected credit losses that result from all possible default events over the expected life of a financial instrument.

Expected return on assets (IAS 19 term)
The average rate of return expected on the actual assets held by the scheme.

Expenditure and Funding Analysis (EFA)
The Expenditure and Funding Analysis links the Comprehensive Income and Expenditure Statement by demonstrating how available funding has been used to provide services. Whilst still reported in accordance with accounting practice, the analysis shows how the expenditure has been allocated by directorates for decision making purposes rather than legislative purposes.

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

Fair Value Through Profit and Loss

Classification is dependent on the contractual terms (i.e. solely payments of principle and interest (SPPI) on the principle outstanding), if any other kind of payment is included the instrument will fail the test and fall into the FVTPL class. The primary objective is to hold the financial asset by any other means than to collect contractual cash flows.

Fair Value Through Other Comprehensive Income

Objective is to receive contractual cash flows and sell the financial asset. The terms give rise to specified cash flow on specific dates and must be solely principal and interest (SPPI) on outstanding balance. Election can be made where changes to the value can be reported in Other Comprehensive Income and Expenditure.

Finance lease
An arrangement whereby the owner of an asset (the lessor) accepts a rental in return for allowing another party (the lessee) use of an asset for a specified period, such that substantially all of the risks and rewards associated with ownership are transferred to the lessee.

Financial Instrument
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities and includes trade debtors, investments, trade creditors and borrowings.

Financial Instrument Revaluation Reserve
Unusable Reserve that holds financial instrument unrealised gains and losses. These amounts will only become available to provide services once the gain/loss has been realised and the financial asset has either been disposed of or reached maturity.

General reserves
These are amounts set aside for use in future years, not earmarked for any specific purpose.

Government grants
Amounts received from central Government towards funding the Council's activities. Revenue grants and contributions are credited to the appropriate service revenue account. Capital grants and contributions are recognised in the Comprehensive Income and Expenditure Statement, unless there are conditions attached which have not been satisfied. Capital grants and contributions recognised in year are not a credit against the General Fund balance and are reversed out via the Movement in Reserves Statement.

Government grants and contributions unapplied
Capital grants and contributions that have been recognised in the Comprehensive Income and Expenditure Statement 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.

Impairment Allowance
A provision held on the balance sheet as a result of the raising of a charge against profit for the expected loss inherent .

Income
Income is defined as increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in an increase in reserves or net worth. Amounts which the Council receives, or expects to receive, from any source. Income includes fees, charges, sales, capital receipts, government grants, the precept on Council Tax collection funds, Revenue Support Grant and National Non-Domestic Rates.

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

Infrastructure assets
Non-current assets that are held by the Council in perpetuity and cannot be given or taken away. Spending on these assets is recoverable only by continued use of the asset created (e.g. highways and footpaths).

Intangible Non-current Assets
Expenditure incurred on those non-current assets that do not have physical substance but which are separately identifiable and provide the Council with a right of use for a period in excess of one year.

Interest Cost (IAS 19 term)
A financing charge reflecting the increases in the present value of scheme liabilities.

International Financial Reporting Standards (IFRS)
International Financial Reporting Standards form a principles based set of standards that establish broad rules and dictate specific accounting treatments. The Code of Practice on Local Authority Accounting in the UK (the Code), interprets IFRS accounting principles for local government and recognises the following hierarchy of standards on which accounting treatment and disclosures should be based:

- International Financial Reporting Standards (IFRS)
- International Public Sector Accounting Standards (IPSAS)
- UK Generally Accepted Accounting Practice (UK GAAP)

Inventories
Raw materials and consumable goods bought but not yet used at the end of the accounting period.

Investments
Short term investments comprise deposits of temporary surplus funds with banks or similar institutions. Long term investments comprise similar funds held for a period of more than one year.

Investment properties
Assets that are available for immediate sale, where there is a committed plan to sell the asset, an active marketing programme and where the sale is highly probable within 12 months.

Joint Control
Where decisions about the relevant activities of an arrangement require the unanimous consent of all the parties sharing control.

Joint Operation
Where the Council and another party have joint control of an arrangement and have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators.

Joint Venture
Where the Council and another party exercise joint control over a company.

Lifetime Probability
The likelihood of accounts entering default during the expected remaining life of the asset.

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

Long term borrowing
The main element of long term borrowing 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 2018-19 in relation to goods and services not received until 2019-20.

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 2018-19 relating to goods or services delivered in 2019-20.

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.

Solely Payments of Principle and Interest
The classification of a financial asset depends on whether its contractual terms give rise on specific dates to cash flows that are solely payments of principle and interest.

Subsidiary
Where the Council either wholly or by majority controls a company.

Tangible Non-current Assets
Non-current assets 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.