Cheshire West & Chester Council

Statement of Accounts

2019-20

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Cheshire West and Chester

Contents **Page**

Cheshire West and Chester

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:

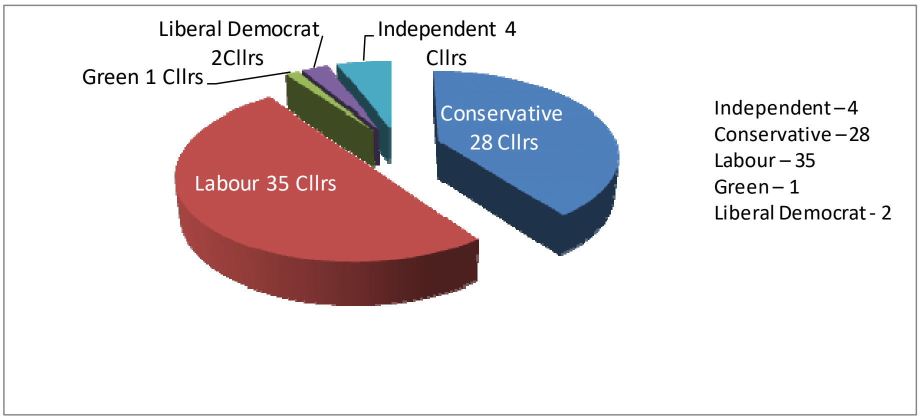
1. About Cheshire West and Chester
2. Strategic principles and priorities
3. Key achievements
4. Summary of financial performance and main issues in 2019-20
5. Main issues impacting on the 2019-20 accounts (including the anticipated financial impact of Covid-19)
6. Explanation of the financial statements

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 70 elected members representing 45 wards across the Borough. The political make-up of the Council as at 31 March 2020 is as follows, and as shown in the pie chart below:-



Since 31 March 2020 the following changes have occurred: -

- Independent – reduced to 3
- Conservative – increased to 29
- Labour – reduced to 34
- One vacancy

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.

2019-20 is the final year of the Council's four year 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 across the three key focus areas of Residents, Communities and Economy, and ten key outcomes.

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 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 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, reflected in 55 performance indicators monitored in a dashboard. The plan was developed alongside a four year budget plan to ensure that resources are in place to deliver the focus areas.

In April 2020 a new four year Council Plan was implemented for the period 2020-24 called “Play Your Part to Thrive.” The plan supports the delivery of Council services to address the borough’s key challenges: -

- Tackle the climate emergency;
- Grow a local economy that delivers good local jobs;
- Support more children and young people to make the best start in life;
- Enable more adults to live longer, healthier and happier lives;
- Make all neighbourhoods even better places to call home; and
- An efficient and empowering Council.

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. 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 was the final year of the Government’s four year funding settlement and was expected to be the final year that Councils would receive any Revenue Support Grant. The Spending Round 2019 covered spending for 2020-21 only, but was the first since 2010 not to impose significant reductions in Local Government funding. It announced the continuation of a number of temporary funding streams into 2020-21 and a number of additional grant funding allocations at a national level. It did not, however, provide any information on these funding streams post 2020-21 and therefore the Council only has certainty for one year. Whilst it was hoped that the Comprehensive Spending Review in 2020 would result in a multi-year settlement and therefore give more certainty around funding for future years, it is now unclear whether the impact of COVID-19 on Central Government plans will result in another one year settlement for 2021-22 only. Consequently there was and remains considerable uncertainty about the funding for all Councils in future years.

Due to this uncertainty the Council approved a budget in February 2020 for 2020-21, together with an indicative budget for the following three years. The Council is currently facing a funding gap of £31m over the period 2021-24, despite £15.7m of savings being identified for that period and £21m of locally generated income. The Council's budget, due to the way Government announcements have been made, and the subsequent uncertainty on the Council's funding, includes significant elements of temporary funding. If this temporary funding (i.e. Revenue Support Grant, Improved Better Care Fund, Winter Pressures, Social Care Grant) is made permanent this gap could reduce to around £22m. As a result of the anticipated fall out of temporary funding in 2021-22 there is a significant budget gap forecast of between £9m and £19m in that year.

Bridging a gap of this scale will be challenging, even given the Council's track record of financial management. It will necessitate further savings proposals being developed and further rigorous review of all areas of the Council's budget, ensuring all areas of spend are linked to its key priorities and maximising the impact on them. In light of the uncertainty around future funding, and due to the scale of the challenge to bridge the 2021-22 funding gap, the Council is considering a range of options to deliver further savings including: -

- Identifying opportunities to reduce the cost of demand led services, focusing on Adults and Children's Social Care and continuing to reduce the need for costly reactive services by focusing on early intervention and prevention to prevent increasing demand;
- Ensuring that resources are targeted to areas of greatest need and all the Council's resources have a positive impact on the six challenges in the Council Plan;
- Ensuring all assets work for the Council and are facilitating local growth and maximising revenue;
- Identifying opportunities for service redesign and transformation by optimising the use of technology and delivering service improvements and efficiencies;
- Identifying opportunities for income generation and external funding;
- Ensuring a modern, flexible and fit for purpose workforce;
- Identifying alternative ways to deliver services, through collaboration and different delivery vehicles or providers;
- Continuing to explore opportunities for health integration; and
- Identifying opportunities for the development of the Council companies.

3. Key Achievements and Challenges

The following table highlights key areas of Council performance during 2019-20. Due to the reallocation of staff resources to support the Council's response to the Covid-19 crisis, as well as specific issues with collecting certain data during the lockdown restrictions, a number of performance indicators are not currently available to be reported.

Thriving Residents	
• All of our families, children and young people are supported to get the best start in life	• The number of complex families achieving significant and sustained outcomes is continuing to grow, having increased from 1,331 in 2018/19 to 1,826 this year. • The proportion of children eligible for free school meals who achieve a good level of development at the Early Years Stage has been maintained.
• Vulnerable adults and children feel safe and are protected	• The numbers of children in need per 10,000 population has continued to show strong improvement throughout the life of the Council Plan and has now fallen to 237 against a target of 300. This also compares well against the most recently available benchmark rate of 297. • In 95.4% of cases dealt with by adult's safeguarding services, action was taken that subsequently reduced or removed the risk to the individual, an increase from last year.
• Older people and vulnerable adults are compassionately supported to lead fulfilled and independent lives	• The number of older people having a permanent admission to a residential or nursing care home has improved significantly, falling from 497 in 2018/19 to 343 during the current year. • The proportion of adults with a learning disability who live in their own home or with family is being maintained at around 88%, slightly below target but significantly better than the England average of 75.4%. • The quality of life being reported by users of social care has been maintained at 19.4 (out of 24), better than both the national and regional averages.

Challenge • The number of Delayed Transfers of Care from hospital where the responsibility for the delay was social care only	• Performance on reducing delayed transfers of care has been a long standing issue. This has been due to vacancies in the re-ablement service reducing capacity to support re-ablement at home and a subsequent waiting list. This had been worsened by significant recruitment issues in the domiciliary care market which in turn means that a number of services users could not be moved on from the reablement service to domiciliary care.
Thriving Communities	
• Cleanest, safest and most sustainable neighbourhoods in the country	• The amount of residual household waste (waste that cannot be recycled or composted) per household has fallen from 425kg last year to 341kg during 2019/20. • Performance on cleaner streets is showing strong improvement with 98% of inspected sites meeting cleanliness standards for litter and detritus, compared to 86.5% at the mid year point.
• Good quality and affordable housing that meets the needs of our diverse communities	• Homeless prevention has improved on the previous year, with 836 households at risk of homeless being supported to avoid homelessness during the last twelve months. However, the number of people accepted as being homeless has also increased, from 90 in 2018/19 to 171 this year. • The proportion of Council tenants who are satisfied with housing management services has improved from 88% to 92%.
• Vibrant and healthy communities with inclusive leisure, heritage and culture opportunities	• The number of visits to libraries has increased by over 48,000 on last year with just short of 1.9million visits during 2019/20. • The number of visitors to the borough continues to increase year on year, with 36.4 million visits in the past year.
• Our resources are well managed and reflect the priorities of our residents	• The Council has successfully delivered a balanced revenue outturn position. • The proportion of ICT projects delivered to the agreed milestones has improved on the previous year, with almost 80% delivered successfully.

	• The proportion of Council services that people are accessing digitally has been increasing throughout the year, but was impacted on by the large number of people contacting the Council in Autumn 2019 with specific General Election queries that had to be dealt with by phone.
Challenge • Rough Sleeping estimate	• There has been a significant and long term increase in homelessness throughout the country. Rough sleeping locally has been exacerbated by a shortage of one bedroom flats and suitable move-on accommodation within west Cheshire that means that people moving into temporary accommodation have remained there creating blockages in the system. Whilst rough sleeping has fallen in early 2020 this reflected the response to the Coronavirus.

Thriving Economy	
• People are well educated, skilled and earn a decent living	• The average earnings of west Cheshire residents (as measured by the average gross weekly pay for full time workers) has increased from £562 at the end of 2018/19 to £611. • The proportion of young people who are in employment, education or training at 17 has increased from 86.1% in 2018/19 to 88.8% in the current year.
• A great place to do business	• At mid-year 648 businesses had already received support against an annual target of 700. Whilst the year end figures are not available, this compares to 794 businesses for the whole of 2018-19, showing strong performance for 2019-20. • The employment rate has increased on last year, to 77.6%, whilst unemployment has fallen to 3.2%. The number of job starts being supported through the Council's Work Zones continues to perform well against the target. • Regarding commercial floor space, the amount that has been created is above the target that was set and occupation levels remain above target at 90%.

• A well connected and accessible borough	• The overall condition of local roads has improved with a lower proportion of A roads and U roads in need of repair.
Challenge • Proportion of secondary school age children with special educational needs or a disability who are taught in mainstream schools	• As a result of the slow progress in this area the Council began a High Needs Strategic review of SEND services. The school that a child attends can obviously be a matter of serious concern for both parents and pupils and as such this review has included significant consultation with local people during 2019. The results of this consultation are being used to inform work with all stakeholders on how to best support children with SEND to successfully transition and access local secondary mainstream school, while also benefitting from specialist support on site.

4. Summary of financial performance and main issues in 2019-20

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. The following table reflects the final budget for 2019-20 and actual income and expenditure.

2019-20 Revenue Budget	Budget £m	Actual £m	Variance £m
Adults Social Care and Health	120.3	122.9	2.6
Children & Families	52.3	53.1	0.8
Places	58.9	59.3	0.4
Corporate Services	29.5	29.4	-0.1
Capital Financing	26.9	26.9	0
Other	11.6	6.5	-5.1
Total Net Spend	**299.5**	**298.1**	**-1.4**

During 2019-20 the Council met services pressures that required spend above budgets, especially in integrated adult social care and health £3.0m, and children's social care £0.7m. These pressures were more than offset at year end by scope from reserves and contingency allocations that led to these using £5.1m less than the budgeted amounts.

Overall the Council reported an underspend of £1.4m against planned activity of £299.5m. The underspend will be used to create a new reserve (£1.4m) to support financial pressures in 2020-21 due to Covid-19. Given the considerable financial challenges to the Council, this was a significant achievement and reflected the strong financial management in place across the Council. The main budget pressures continued to be in adult and children's social care.

The Council faced additional financial pressures of £0.650m in 2019-20 due to Covid-19, relating to additional costs incurred as a result of the Council's Covid-19 response, and a reduction in income due to "stay at home" restrictions. A provision for £0.5m has also been made to fund the potential Council company losses as a result of Covid-19 impacts. These pressures have been absorbed in the outturn position. A more detailed report outlining the financial impact of Covid-19 was reported to Cabinet at its meeting on 10 June 2020.

Capital Expenditure

The capital programme supports the Council's wider objective to deliver services and support economic growth. In 2019-20 the Council invested £61.9m through its capital programme against a budget of £75.3m. This represents a delivery rate of 82%.

Some of the key outputs in 2019-20 included:

- Highways and Transport infrastructure
  There was a £17m investment on highways and transport infrastructure across the Borough to significantly improve both safety and driving conditions and extend the life of the road network. This included surface dressing and treatment across 45.5 km of the highways network and carriageway resurfacing and major patching on approximately 45 other roads in the Borough. Other schemes included significant maintenance works on bridges across the borough and ongoing works on the restoration of Northgate Steps on the city walls along with improvement works commencing along the A51, Chester;
- School improvements
  School improvement schemes cost included the construction phase at 4 High schools replacing 210 temporary with permanent additional Secondary places, plus 30 additional places per year group at 2 other high schools;
- Housing
  A £6.8m investment in housing, including the HRA programme in Ellesmere Port and the borough wide Housing delivery programme; and
- Trade and Business Parks
  An investment of £2.4m in the commercial portfolio including the completion of Phase 3 Dee View Trade and Business Park, Bumpers Lane, Chester.

Funding capital expenditure

A breakdown of how the capital programme expenditure has been financed is shown in the following table.

Analysis of 2019-20 Capital Programme Financing

Capital Programme Financing	£m
Expenditure to be Financed	**61.922**
Funded by:-	
General Capital Receipts	5.651
Specific Capital Receipts	3.037
Capital Reserve	1.282
Grants and Contributions	29.711
HRA Contributions	4.786
Revenue & Service Contributions	2.638
Sub-Total	**47.105**
Core Borrowing	8.095
Invest to Save Borrowing	0.248
Borrowing for Significant Regeneration Schemes	6.474
Total Funding	**61.922**

5. Main issues impacting on the 2019-20 accounts

There have been a number of developments in 2019-20 which have influenced the presentation of the 2019-20 Accounts and the reported financial position of the Council:

- Impact of Covid-19
- Better Care Fund
- Waste Contract exit agreement
- Changes in pension estimates
- Group accounts
- Government funding reductions

Impact of Covid-19

The impact of Covid-19 has already been profound and dramatic, and the Council has been at the forefront of the response.

Operationally the Council reacted both positively and proactively, with the Leader of the Council, making a public statement on 20 March 2020 outlining a five point plan for the Council’s response:

1. Protecting our most vulnerable residents
2. Working with our communities

3. Supporting our local businesses and their employees
4. Keeping priority Council services running
5. Communicating with our residents

Financially, the impact of Covid-19 is currently estimated at £30.4m which includes new and additional costs as a result of the response, impacts on planned income, the non delivery or slippage of previously planned savings in 2020-21, the potential impact on future income assumed from regeneration projects and the impact on Council companies. However, the current situation is without precedent and highly volatile, and is therefore possible that this figure could increase further. Whilst there has been some financial impact in 2019-20 (£1.1m), the most significant impact on the financial position will be in 2020-21.

The impact on the collection of Council Tax and Business Rates is not included in the figure above. The Council has a strong track record for the collection of Council Tax and expects to collect 98.5% of bills raised in any given year. Indicatively, each 2% reduction in the collection rates would lead to a loss of income of around £3.8m for Council Tax and £0.7m for Business Rates.

The government has currently provided Emergency COVID-19 grant totaling £18.9m to meet additional costs and lost income. Taking this and other Council funding identified into account, the Council is currently forecasting a requirement to use £3.8m of General Fund reserves in order to meet the projected cost pressures of £30.4m. In the event that further Government funding is received, this requirement will reduce.

COVID-19 will inevitably impact on the Council’s performance. Whilst the pandemic has impacted on a number of indicators in 2019-20, both in terms of performance and data availability, the most significant impact will be in 2020-21 against the performance management framework approved as part of the 2020-24 Council Plan, “Play Your Part to Thrive.”

From the outset of the pandemic, the Council has been capturing learning and developing its thinking on recovery. A principle of ‘building back better’ has been established, and moving to a ‘new normal’ suited to the needs and aspirations of the future rather than moving back entirely to the situation before the pandemic. A dedicated recovery team has been established to support this work.

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 £12.1m from the pooled budget and this was used to fund a number of activities. Further details are provided in Note 38.

Waste contract exit agreement

On 29 March 2020 the Council exited its long term waste contract and set up a Council company (Cheshire West Recycling) to provide waste collection and recycling services. A settlement payment of £27m has been negotiated to be paid by the previous contractor, of which £1m was received in 2019-20. The remaining £26m will be paid to the Council over the next six years. The impact of this settlement is: -

- The creation of a debtor to reflect the payment due to the Council (adjusted to reflect the risk of non payment);
- The creation of a reserve to fund the annual costs of the service; and
- An increase in Cost of Services "Other" within the Comprehensive Income and Expenditure Statement.

Further details are provided in Notes 10 and 21.

A seamless transfer of responsibilities occurred, with the service continuing with minimal disruption despite the lockdown due to Covid-19 being implemented shortly beforehand.

Changes in Local Government Pension Scheme (LGPS) estimates

The LGPS is a statutory pension scheme funded over the long term to meet pension promises to scheme members and their beneficiaries . The Council participates in the LGPS through the Cheshire Pension Fund. The Fund publishes its Funding Strategy which sets out how pension liabilities are measured and funded.

The Accounts show an annual snapshot of the LGPS assets and liabilities. Due to the scale of the LGPS pension assets (£1.4bn) and liabilities (£1.6bn) in the Accounts, any changes in assumptions used to calculate their value can have a large impact on the reported position. In 2019-20 the net pension liability (deficit) reported in the Accounts has reduced by £167m. The majority of this movement relates to a reduction in the actuary's expectations relating to the rate of annual pension increases (pensions inflation), and a reduction in life expectancy (demographic changes).

Group Entities

The total number of companies, associates, joint ventures and minority interest companies within the group rose to 17 in 2019-20 with the addition of Cheshire West Recycling Ltd on 29 March 2020. 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 2019-20 the Revenue Support Grant reduced by £8.0m. In order to set a balanced budget the Council identified gross savings proposals of £8.5m in 2019-20.

These funding reductions will continue and as previously mentioned a funding gap of £31m is anticipated to 2024. Whilst the Council has a good track record of financial management, a funding gap of this size will be extremely challenging, especially in the current climate of financial uncertainty.

6. Explanation of the financial statements

The Statement of Accounts sets out details of the Council's income and expenditure for the financial year 2019-20 and its Balance Sheet as at 31 March 2020. These statements cover the General Fund, the Housing Revenue Account, Collection Fund and the Pension Fund.

Core Financial Statements reflect Council activities including maintained schools:

- 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.
- **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 **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 Council's accounting policies and items contained in the Core 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 2020 of the Cheshire Pension Fund, which is administered by Cheshire West and Chester Council.

There is also an extensive Glossary of terms.

Supplementary Statement
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 Chief Operating Officer in consultation with the Chair of the Audit & Governance Committee, in line with the delegation approved by the Audit and Governance Committee on 25th November 2020.

Date: 16th December 2020

Signed by:
Councillor R. Bissett
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 2020.

Date: 16th December 2020

Signed by:
Mark Wynn
Chief Operating Officer

Annual Governance Statement 2019-20

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 contributes 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 2019-20 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 has established a new four year Council Plan (2020-24) which contains its strategic priorities. The Plan sets out the six 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. In addition to the feedback from the public, the Council also considered the needs of the communities, political priorities, areas for improvement, partner views, resources available, priorities of neighbouring councils, national objectives and good practice when developing the Council Plan.

- The Council's intention was to set a four year Budget linked to the Council Plan. Considerable progress has been made but has been constrained by the one year central government funding announcement and a lack of clarity over the financial position in future years. The budget for 2020-21 and indicative budget plans for 2021-24 have carefully considered the impact of any decisions on the six priorities to avoid any detrimental impact and ensure resources are in place to deliver.

- The Plan is also aligned with other key plans and strategies across the Borough including the Medium Term Financial Plan; Place Plan (which sets out a vision for residents' health and well being); Cheshire and Warrington sub-regional plans; and the Local Plan.

- Each of the six priorities has accompanying Key Performance Indicators identified in a revised Performance Management Framework. These indicators were arrived at after a lengthy process, including a significant contribution from a cross party Scrutiny Task Group. Reporting of this performance data will allow transparent analysis and challenge of outcomes. Whilst the revised Performance Management Framework will formally report on performance against the plan on a quarterly basis, the Council will also review the plan at the end of its second year to ensure that it remains ambitious, appropriate and relevant.

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 seven 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. In addition, three 'Leader's Champions' were appointed in 2019-20 to provide advocacy and act as an enabler and facilitator across three key priority and cross-cutting areas of climate emergency, poverty and inequality and mental health.
- Following the Council elections in May 2019 an intensive induction programme was undertaken for new and returning councillors. This initially focused on strategic oversight, governance (including GDPR) and code of conduct matters and specific training to allow members to undertake roles on committees such as planning and licensing. The training programme has since been focused on providing information on specific services and major policy initiatives and personal skills such as chairing meetings, ICT usage, media communications etc.
- The Council has the appropriate statutory chief officers in place as follows:
  - Head of Paid Service is the Chief Executive, who is responsible for all council staff;
  - 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;
  - Monitoring Officer is the Director of Governance, who is responsible for ensuring legality and promoting high standards of public conduct;
  - Director of Children's Services, who is responsible for securing the provision of services which address the needs of all children and young people, including the most disadvantaged and vulnerable, and their families and carers;
  - Director of Adult Social Services, who is responsible for assessing, planning and commissioning adult social care and wellbeing services to meet the needs of all adults with social care needs; and
  - Director of Public Health, who has overall responsibility for the Council's duties to assess, protect and improve the health and wellbeing of the people in its area, exercise its functions in planning for, and responding to, emergencies that present a risk to the public's

health; and co-operating with the police and criminal justice partners in securing safer communities, including the commissioning of services and developing a public health approach to crime and disorder.

- The Senior Leadership Team has overall responsibility for the vision and culture of the organisation and for delivery against the Council's priorities.
- 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 new Council Plan 2020-24, 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, and the Whistle-blowing, Bribery and Anti-Money Laundering Policies.
- 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 four Overview and Scrutiny Committees – Cheshire West and Chester Overview and Scrutiny Committee, People Overview and Scrutiny Committee, Places Overview and Scrutiny Committee and Health 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 has a wide membership including strategic decision makers from the Council and NHS and senior leaders from other interests such as Healthwatch, Police, Fire and the voluntary sector. The Board's main aim is to work 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 and social media channels.
- 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 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 six priority outcomes set out in the Council Plan.
- The Council consulted with the public and partners on changes that could impact them, including the budget and major policy decisions throughout 2019-20. 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 developed a new four-year Council Plan, which was subject to major consultation with residents, partners and businesses. 3,200 people took part in a residents' survey and a new Council engagement website received over 3,100 visits and more than 600 contributions to the Council's proposed plan.

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.
- The Council has 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, Cheshire West Recycling Limited, Edsential, LGPS Central Limited, 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 name of the Local Government Pension Scheme in Cheshire). 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 Section151 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.

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

In view of the significant impact of the coronavirus pandemic on Council Services at the year end, and into 2020-21, assurance on the effective operation of the internal control framework and governance arrangements during the year was obtained via the Council's Departmental Finance Managers, in consultation with the respective Directors. This included the identification of any significant governance issues and follow up of issues raised in the previous Annual Governance Statement.

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 2018-19 accounts were provided in July 2019, with the 2019-20 assurances due July 2020.

Oversight and Support Arrangements

Senior Management Functions

For the majority of 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 Investment Board
- Capital Appraisal Panel
- Strategic Assets Board
- Information Governance Strategy Group

The coronavirus (Covid-19) pandemic, which significantly impacted Council operations at the end of the year, and into 2020-21, also led to major changes in management arrangements to ensure an effective response. The key aspects to these arrangements to deliver robust and timely decision making arrangements are as follows:

- Daily meetings of CLT to determine the Council's strategic response to the pandemic and to raise issues of concern, including liaison with and review of reports / briefings from the multi-agency Local Resilience Forum.
- Regular contact between CLT and members (daily contact between Chief Executive and Leader) to maintain awareness of the developing situation and to obtain formal approval for decisions where necessary.

- Exception reporting to CLT by the Council's newly established Cheshire Emergency Management and Response Team (CEMART), chaired by the Director of Public Health, and responsible for co-ordinating the Council's operational response.
- The establishment of 15 programme cells, each led by a Director and, in a number of cases, also including the respective Cabinet portfolio holder. The cells met on a daily basis to oversee various aspects of the Council's response, reporting to CEMART on key issues, risks and resource requirements on a daily basis.

These arrangements appear to have operated successfully in facilitating a timely and effective local response to the pandemic. A process is in place to capture the experience of the Council's response and its effectiveness will be subject to review by Internal Audit in the autumn of 2020-21.

The CLT structure in place will be subject to change in 2020-21 and will include the establishment of eight new governance boards. These changes have been delayed due to the impact of Covid-19.

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 third review of financial performance reported to Cheshire West and Chester Overview and Scrutiny Committee and to Cabinet (in January 2020) reported a forecast balanced revenue budget for 2019-20, with 71% of policy option savings on target to be delivered in year. Council Services continued to operate to their established Schemes of Financial Delegation, these are due to be updated in 2020-21, in some cases to reflect recent significant structural changes.

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 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.

The Council's performance data is reported to Cabinet twice a year and also appears on the www.performancecheshirewest.co.uk website. Of the 160 indicators in place for 2019-20, performance against 36 could not be reported on primarily due to the impact of the Covid-19 pandemic on data and staff availability. Covid-19 also impacted on performance in the final quarter of the year for a number of indicators. At the year-end, of 124 performance measures where a performance status could be reported, 50% of performance indicators were shown as performing well against target, with 13% reported to be within 5% of their target. 81% of all indicators were either being maintained or were showing an improving direction of travel.

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. In addition, services' business continuity plans were updated during the year with further changes made as necessary in regard to Covid-19.

Functional compliance

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

The Council now has established a strategic recommissioning board and it has been successfully operating over the past 12 months. The board has the remit of ensuring a consistent and best practice approach to all strategic commissioning activity that exceeds £1m in contract value. It works across all directorates and has cross directorate representation so that commissions are not managed in silos. The board has already done considerable work to identify gaps in the resourcing of the recommissioning programme and is offering robust challenge around service design, specification and procurement strategies. It has recently supported a number of commissioners in re-profiling those services affected by Covid-19.

265 Security Incidents have been reported to the Data Protection and Compliance Team during 2019-2020. While the majority of these incidents were assessed as low risk, six were reported to the Information Commissioner's Office. Four of these six incidents are now resolved with no further action being taken. To raise awareness of and ensure compliance with the Data Protection Act, all staff were required to undertake a data protection quiz, relevant ilearn modules and staff managing high risk data were required to undertake enhanced face to face training.

Committee Functions

Council

The Council met on six occasions in 2019-20 and received / approved reports, including those relating to the 2020-21 Annual Budget and Setting of Council Tax; Annual Scrutiny Report; Election of the Leader of the Council; Council Plan 2020-24; 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 eight occasions in 2019-20 and received reports on a range of matters including Council Plan Performance; Reviews of Financial Performance; 2020-21 Budget Report; Medium Term Financial Strategy; Cheshire West Place Plan; Chester Northgate Development and Chester City Gateway updates; Future

Delivery of Waste Collection Service; Scrutiny reviews of Home to School Transport Policy and Homelessness Strategy; Recommissioning of Care at Home Services and Community Transport Services; Establishment of Climate Emergency Taskforce; New contract awards for Avenue Services and Vivo Care Choices and review of Special Educational Needs and Disabilities (SEND) High Needs. The Cabinet also met on an informal basis in regard to the impact of Covid-19 and the preparation for and implementation of lockdown.

Agendas and reports are accessible here: Cabinet meetings

Audit & Governance Committee

During 2019-20 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, and this is currently being undertaken by the Committee, with support from an external facilitator. A training session for the Committee, facilitated by CIPFA, was undertaken in July 2019 to brief the new Committee on the updated CIPFA guidance to help ensure it remains effective and operates in line with best practice.

The Audit & Governance Committee met on four occasions during 2019-20 and received / approved reports including those related to the Committee's Annual Report; the Council's Statement of Accounts; Internal Audit Progress Reports and the Head of Internal Audit Annual Report and Opinion; External Audit Plan, Progress Reports, Audit Findings Reports for the Council and Cheshire Pension Fund and Annual Audit Letter; Treasury Management Update Reports, Annual Report and 2020-21 Strategy; Health and Safety Annual Report; and Outside body appointments.

Due to the Covid-19 pandemic, the Audit and Governance meeting scheduled for 24 March 2020 was postponed. The Internal Audit Plan (2020-21) was distributed however, as the meeting was postponed, there was no opportunity to review and approve this document. A revised Internal Audit Plan that takes account of the impact of Covid-19 will be brought to a future meeting of the Committee in 2020-21 for approval.

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 2019-20 and scrutinised items including the Annual Budget Report and Finance and Performance Management Reports. The Committee also received a report in relation to a 'Call In' regarding the former Blacon Library.

The Committee also undertook a statutory review of flood management and has undertaken other in-depth scrutiny reviews throughout the year including covering Council Companies; Planning Application Process, Local Plan; Performance Framework, Council Assets, Digital Customer Service Programme; 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 six occasions during 2019-20 (five formal meetings and one informal meeting) and its work programme included scrutinising: Local Safeguarding Adults / Children's Annual Reports, Updates on the status of the recommendations from the scrutiny reviews of Care Leavers and Domestic Abuse; Permanent Admissions to Residential and Nursing Care; Council Safeguarding Duties; Annual Report of Children in Care; Parenting Strategy; High Needs Strategy Review Report; OFSTED Summary of School Performance; Educational Performance; Children's Centre Scrutiny Visits; Adults and Children's Social Care Compliments, Complaints Annual Reports; Recommendation 41 Visits; Adult Social Care Performance and Activity.

The Committee also undertook in depth scrutiny reviews including Managing Illegal Encampments, Youth Service Provision; Care Leavers (Phase 2) and School Attainment. Agendas and reports are accessible here: People Overview and Scrutiny meetings

Places Overview and Scrutiny Committee

The Committee met on five occasions during 2019-20 (four formal meetings and one informal meeting) and its work programme included scrutinising: Broadband Roll Out Update; Cheshire and Warrington Local Industrial Strategy; Performance of Household Waste Recycling Centres; 20mph Speed Limit Programme; Housing Allocations Policy; Local Cycling and Walking Infrastructure Plan; Parking Strategy; The Council's Support to Business; Implications of current Bus Legislation;

The Committee undertook in depth scrutiny reviews including Homelessness and Rough Sleeping Strategy;

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

Health Overview and Scrutiny Committee

The Committee was established in 2019-20 and met on two occasions, which included consideration of the following: the Committee's work programme; report on Improving Access to Psychological Therapies; Countess of Chester Clinical Services Strategy 2019-2024; outcome of Joint Scrutiny Review with Wirral BC on Urgent Care Consultation; and the Transforming Care Programme.

Agendas and reports are accessible here: Health Overview and Scrutiny Committee meetings

Pension Fund Committee

Cheshire West and Chester Council is the statutory Administering Authority for the Cheshire Pension Fund (the name of the Local Government Pension Scheme in Cheshire). The Council has delegated decision making responsibility for the Fund's affairs to the Chief Finance (S151) Officer who in turn has decided to appoint an advisory panel known as the Pension Fund Committee.

The Council, as Administering Authority, publishes an Annual Report including the Statement of Accounts for the Fund each year and includes a "Governance Compliance Statement". The 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 jointly established by the administering authorities of Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire pension funds, in response to statutory requirements. Pooled investments are 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 Council commissioned an independent review of the Fund's governance arrangements. The findings and recommendations from the review were considered by the Pension Fund 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 was developed to address the improvement opportunities highlighted by the independent review, intended to be progressed alongside outcomes from the national Good Governance review commissioned by the LGPS Scheme Advisory Board. This review is ongoing but timelines have been impacted by the need to respond to the Covid-19 pandemic, the Scheme Advisory Board hope to conclude the review during 2020.

Independent challenge and assurance

Internal Audit

The team completed 80% (against a target of 85%) of the Internal Audit Plan in 2019-20, the shortfall against target is not considered significant, and audits not completed have been carried forward into 2020-21, although their prioritisation and timing will now need to be evaluated in light of the impact of the Covid-19 pandemic and in consultation with Directors . The delivery of the plan in 2019-20 equated to 63 audits / consultancy activity, 25 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 25 scored reports, nine were assessed as ‘2’ (significant improvement in control framework required) or ‘1’ (urgent system revision needed), with four of the nine 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, 197 (74%) of Internal Audit’s recommendations were identified as having been implemented during the financial year. This compared to a target of 87.5% implementation. Performance was close to target until March 2020 with the eventual shortfall primarily reflecting the decision by Internal Audit not to follow up progress on a number of actions that were due for implementation at year-end in view of the impact of Covid-19 on the delivery of services and on staff resources across Council Services. For these actions their true status could not be confirmed and, as such, reported performance may be understated. In these circumstances the reported shortfall against target is not considered significant in regard to the impact on the overall control environment. Internal Audit plan to follow-up progress for all actions identified as not implemented from September 2020 and will escalate to senior management where they remain overdue.

As part of the delivery of the 2019-20 Plan, Internal Audit undertook a major review of the robustness of the ethical framework in place to deliver good governance in the Council and the effectiveness of its operation in practice. The review, which was reported in May 2020, identified a strong ethical structure in place, with robust policies and procedures that provide a generally sound framework which should ensure transparency of decision making, demonstrate integrity and facilitate compliance with ethical standards. Some areas for improvement were identified and a series of actions to address these issues were agreed with senior management. Progress against these actions will be followed up and the report further updated in 2020-21 to reflect the ethical issues involved in the Council’s Covid-19 response and lessons learnt from this experience.

Based on the work undertaken during the year, the Head of Internal Audit’s Annual Report for 2019-20 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”.

Internal Audit continue to work to the UK Public Sector Internal Audit Standards, that the team were assessed as fully conforming to in their 2018 external review.

External Audit

The Audit Findings Report was presented to Audit & Governance Committee in July 2019. The external auditors reported an unqualified opinion on the Council’s annual accounts for 2018-19, and concluded that the Council has adequate arrangements to secure value for money. The report noted that “the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources”. The Annual Audit Letter was presented to Audit & Governance Committee in September 2019. 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 with appropriate financial planning in place.

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 January 2020, summarises the findings from their scrutiny of relevant claims relating to funding claimed for the 2018-19 financial year. This provides assurance regarding the accuracy of the claims submitted and adequacy of the controls underpinning the process. Only one error was identified, amounting to £1,131 out of a total of £71.8m claimed.

Other Inspections / Sources of Assurance

The Council's ICT systems were subject to review through 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.

In January 2020 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 the Council's earned autonomy work "connects well with the wider transformation" to integrate and create a sustainable Early Help system, and commented that they were "particularly impressed with the new ways of working programme co-produced by partners and embedding culture change through a multi-faceted approach." The MHCLG invited the Council to submit an updated document setting out its aims for 2020-21 in respect of available funding to deliver an additional year of the Troubled Families Programme.

The Council's Health and Wellbeing Board was amongst a sample of 22 boards highlighted as operating effectively by the Local Government Association (LGA) in its report
"What a difference a place makes: the growing impact of health and wellbeing boards," issued in July 2019. The report referred to the achievements of the boards and gave examples of how they are working flexibly and proactively to improve outcomes in health, care and wellbeing. The report referenced the development of an Integrated Care Partnership which is a collaboration of NHS providers, GP federations and the Council's adult social care and public health services, as a means of providing integrated health and social care services through its care model based on nine 'care communities'. The Health and Wellbeing Board has played a key role in developing the Council's first Place Plan, which was subject to public consultation in the summer of 2019, prior to review by Cabinet and formal approval by the Board in October 2019. The Plan represents the Council's vision for residents' health and wellbeing for the next five years and will become its new Health and Wellbeing Strategy. In 2019-20, the Board had six formal (public) and three informal (non-public) sessions reflecting the Board's vigilance in highlighting and scrutinising areas of particular concern such as homelessness and long length of stay in hospitals. The Board produces a detailed annual report.

Other key sources of assurances on the control framework that operated in 2019-20, were:

- Recommendation 41 visits undertaken quarterly by Elected Members to frontline Children's Social Care teams and reported to People Overview and Scrutiny Committee.
- Independent casework audits by the safeguarding unit.
- Independent Regulation 44 visits to care homes, subject to review by the Home Improvement Board, Director of Children's Social Care and Chief Executive.
- Special Educational Needs and Disability Peer Review by the North West Association of Directors of Children's Services in March 2020 - no issues of concern identified, with the main area for improvement being to better evidence impact and outcomes.
- CQC Inspection of Sutton Beeches Residential Home in September 2019, which assessed the service overall as 'good' as well as for each of the component elements of being safe, effective, caring, responsive and well-led.
- Lexcel accreditation of Legal Services, confirming compliance with practice management standards. As part of a 3 year accreditation process, a full assurance review was undertaken in 2019-20 and annual health checks will be completed over the next 2 years.

5. What were the significant governance issues arising in 2019-20?

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

- Covid-19 pandemic and emergency response
- Significant uncertainty about the level of the Council's future funding
- Exposure to financial risk from major projects
- Replacement of core financial systems
- Council companies and financial pressures
- Climate change

Full details of the issues and of the proposed actions to address them in 2020-21 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 lower risk 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: 2nd September 2020	**Date: 2nd September 2020**

Review of Annual Governance Statement

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

Mark Wynn
Chief Operating Officer
Dated: 16th December 2020

Appendix A

Significant Governance Issues 2019-20

Issue	Action
1. COVID-19 Pandemic and Emergency Response COVID-19 poses a serious, ongoing health risk to our residents, service users and workforce. Almost all of the Council's services have been affected by the pandemic in some way since March 2020, including the transition to social distancing, use of protective measures including PPE, and working from home requirements. The pandemic has affected the Council's resource allocation profoundly as it responds in order to ensure it meets its responsibilities, particularly in relation to the wellbeing of residents, service users and staff. There is an ongoing risk that the resources provided to the Council by central government may not match the Council's expenditure incurred in responding to the emergency and the recovery. Severe economic uncertainty may lead to high levels of business failure and also increased demand on services that support vulnerable people. There is likely to be higher levels of unemployment and under-employment compared to directly before the pandemic. These factors are projected to cause a significant loss of income to the Council at the same time as an increase in demand for some services, which creates a challenging context for service delivery. The pandemic has changed how people interact with services and some of these behaviours are anticipated to continue beyond the pandemic, including a greater desire for digital services.	Since January 2020, the Council has established a coordinated formal emergency response to COVID-19. This response has been guided by Cabinet as detailed in the 13 May Cabinet Report item 109. This involved establishing the Council Emergency Management and Response Team in line with the Council's Emergency Plan. Corporate Leadership Team (CLT), in consultation with Cabinet, has provided oversight of this response throughout. In addition, the Cheshire Local Resilience Forum, covering Cheshire East and Cheshire West, Halton and Warrington, has mobilised all key public services to provide sub-regional coordination and a link to central government. The Council has rapidly scaled up effective infrastructure to respond to COVID-19 in collaboration with partners and the community. This has involved extensive changes to service delivery, redeployment of staff and financial resources to support the response. New services have been created, such as a food distribution hub for vulnerable residents. There has been a wide-ranging community response to support vulnerable individuals and organisations, including support to shielded individuals. This has included setting up new mechanisms to access support, such as the Community Response Fund. The Council has prioritised support to care homes and the social care provider market in light of the exceptional pressure placed on that sector at this time. In addition, support to schools and education settings has been an important area of focus to ensure that key workers are enabled to keep working. Supporting businesses and the local economy has been at the forefront of the response, and the Council has also been effective in distributing business support grants, providing more than £70m in support to approximately 6,000 businesses.

Issue	Action
	This coordinated response mitigates a proportion of the immediate risk associated with COVID-19 but the longer-term impact on the Council and the borough remains high for the reasons stated in the issue section. Managing the recovery from the pandemic will be central to the Council's priorities for the foreseeable future, in order to deliver on the aims of the Council Plan. Working with partners and the community will continue to be key. A coordinated recovery approach has been developed at both the sub-regional and local level to ensure risks are mitigated as far as possible.
2. **Significant uncertainty about the level of the Council's future funding** 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 was the last year of the agreed four year settlement with Government; • The comprehensive spending review which will be announced in the Autumn will set out the prospects for future years funding; • The 'Fair Funding Review' will also change the way that the total amount of money for Local Authorities is allocated (inevitably creating gainers 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 long term impact of Covid-19 is unknown. In 2020-21 the Council may have to draw down on general reserves if	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 has been developed and further options to bridge the remaining gap will be developed during the summer of 2020. The Council will continue to respond to published consultation documents on the proposed changes to funding and ensure the financial scenario is updated accordingly.

Issue	Action
the COVID-19 funding is insufficient to cover the overall cost. In addition, the permanent impact of COVID-19 is not yet known as this may result in new costs and lower income levels. In 2020-21 the Council faces a funding gap of £23.5m. This funding gap is being bridged by the generation of additional income of £16.3m and budget savings of £7.2m. The funding gap is subject to constant review given the impact of Covid-19. It is estimated that the funding gap over the period 2021-24 could be in the region of between £22m - £31m (depending on whether temporary funding is made permanent) and, as a result of this and the level of funding uncertainty going forward, the Council has developed a four year Council and budget plan. The Council has already identified savings proposals of £15.7m for the period 2021 -2024 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.	
3. Exposure to financial risk from major projects Cheshire West & Chester Council is currently undertaking some significant capital projects as part of its capital programme. There has been a change in the Council's role in delivering these projects (Northgate / Barons Quay) by undertaking work in-house which increases exposure to a number of risks (planning, insurance, financial, balance sheet, governance). This has been recognised by the Council and monitoring arrangements have been established as follows: • Risks are considered for each major capital project. • A multi-disciplinary team of design and development consultants	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
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. • 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. Replacement of core financial systems The Council is currently implementing a replacement for its current ERP system (Oracle), together with Cheshire East Council who share the same system. 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 and an external partner to support the programme management. • 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 to ensure the final product provides services that meet the Councils' requirements and ensures business continuity and improvement at go-live. A split go live has also been agreed, with Finance/Core HRP going live in February 21 and Payroll/HRP going live in March 21. Internal Audit will continue to provide support by reviewing and providing

Cheshire West and Chester

Issue	Action
	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.
5. Council Companies and Financial Pressures The Council owns or part owns a number of arms-length companies who deliver services to or on behalf of the Council. These companies have been set up gradually over the last decade, for a variety of reasons, and are now responsible for delivering in excess of £50m of services each year. A number of different ownership models have been utilised but in all cases the Council retains some degree of financial risk in relation to each company's performance. Where the Council is the sole shareholder this risk is higher, where it acts in partnership with others the risk is shared. These risks can manifest directly as pressures are reflected in increased contractual charges to the Council, or indirectly as the Council partially underwrites losses and pension deficits in the companies. In 2019-20 the Council's exposure to losses being made within its companies increased significantly as a result of deficits within its leisure provider, Brio. By late in 2019-20 the company was forecasting in year losses of approximately £1.7m. This built on losses of £1.1m in 2018-19. This loss is principally driven by inflationary pressures, a drop off in usage of the sites and increasing maintenance costs from an ageing property portfolio.	The Council has always ensured it recognises any exposure to financial losses as a result of any shareholdings in Council owned companies. Regular reports are presented to CLT on the performance and financial position of its companies and key information is included in the quarterly monitoring reports to Cabinet. The companies are also scrutinised through a dedicated scrutiny task group which reports to the CW&C Overview and Scrutiny Committee The rising cost pressures within Brio have been closely monitored throughout 2019-20 and a Joint Transformation Board was created to oversee the development of a new service model to return the company to financial stability in the future. Initial proposals as to a future model of provision will be considered by Cabinet in July 2020. The Council recognised the financial challenges faced by Brio and built capacity into its 2020-21 budgets to allow it to address these in the future. Council risks arising from losses incurred in 2019-20 have been fully provided for within the Council's balance sheet. Alongside stabilising the revenue position, allocations have been included in the 2020-24 capital programme to support refurbishment of a number of leisure assets and address the deteriorating fabric in key sites such as Northgate Arena. The Council has also developed a new Company Strategy which was approved in February. This strategy will continue to be developed during

Issue	Action
	2020-21 but currently provides a framework setting out why the Council holds interests in companies and what it seeks to achieve through them.
6. Climate Change There is a risk that not rapidly progressing work to tackle the Climate Emergency will increase the degree of risk posed to residents' health, livelihoods and wellbeing, due to the impacts of climate change. As shown in this winter's flood events, the impacts of climate change are significant and disruptive, and they fall disproportionately on vulnerable communities. As demonstrated in data published in a recent study in the journal Nature Communications, sea level rise as a result of carbon emissions commensurate with an increase of two degrees Celsius presents a risk to a range of settlements within Cheshire West, including Ellesmere Port and its surrounds, Frodsham and Chester. Climate risks are also closely linked to Air Quality issues, which are widely recognised as a key driver of health inequalities. If action is not accelerated in order to support the delivery of carbon neutrality and adaptation to the effects of climate change, this will also pose a risk to the Council's reputation, given the priority residents and partners place on responding to the climate emergency. Furthermore, given national legislative commitments to achieve carbon neutrality by 2050, in the long-term areas which do not demonstrate appropriate action may be subject to additional government scrutiny and intervention.	A range of actions have been taken to mitigate this risk, this includes the development of a Climate Emergency Taskforce, and an expert Climate Advisory Panel. The Climate Emergency Taskforce is a cross-party working group of Councillors established to support the Council's response to the declaration of a Climate Emergency in May 2019. This group met four times in 2019-20 to develop an initial response, consider national and local evidence, and approve the commissioning of research to inform local priorities. In order to further develop our evidence base, the Council commissioned Anthesis, a sustainability consultancy. Anthesis have worked closely with BEIS and the Tyndall Centre for Climate Change research in recent years, and Councils such as Manchester and Nottingham. The Taskforce received the report from Anthesis, held a workshop to consider the findings, and collectively determined that 2045 represented an appropriately challenging target for Cheshire West and Chester to achieve carbon neutrality. The discussions of the Taskforce, accompanied by Anthesis' findings and a local evidence gathering process, were developed in to a report to Council in January 2020. The recommendations were as follows: (i) Reaffirms its commitment to take rapid action to tackle the Climate Emergency, to support the borough as a whole to achieve carbon neutrality in light of the threat that Climate Change poses to the world; ii) Notes that, due to our unique industrial base, Cheshire West and Chester is one of the local authority areas with the highest carbon footprints in the UK; and that this creates an additional responsibility for action; (iii) Notes that Cheshire West and Chester has a strong foundation on which to build a comprehensive action plan; including strong community support, mature and productive relationships with the borough's energy-intensive industries, and well-established environmental programmes; including

Issue	Action
	its position as one of the UK's highest-performing waste and recycling authorities; (iv) Agrees the process set out in the paper for the development of a Climate Emergency Response Plan; The recommendations were unanimously approved by Council and work is underway to develop a Climate Emergency Response Plan. The Council has also established a Climate Advisory Panel made up of expert representatives from the public, private and voluntary sectors. This group met three times during 2019-20 to consider key issues and advise the Taskforce. Transparency has been at the centre of the Council's approach to the Taskforce and, to support this, the Taskforce and Advisory Panel meetings are open to the public and their minutes published on a dedicated Climate Emergency webpage. The Council also issues a monthly Climate Emergency newsletter, and has also held a webcast session to receive public evidence submissions, with more than 100 written submissions and a variety of in-person contributions. In order to further broaden the developing consensus on the need to tackle rapid action locally to tackle climate change, the Council also held West Cheshire Action on Climate Change, a conference which brought together representatives from the public, private, third sectors and our communities to share our learning and ensure that the passion and expertise in our area was aligned behind a common goal. The development of the Climate Emergency Response Plan is ongoing, and there is a need to ensure that this is aligned with the Council's response to the COVID-19 pandemic. The Council is committed to the principle of green economic growth, active travel and green infrastructure, these principles will be central throughout the recovery process.

Appendix B

Issues raised in the previous Annual Governance Statement (2018-19) that are now considered lower risk
(Action has been taken and / or the issue is no longer significant)

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 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	A prioritised approach to DoLS continues to be employed using a rag rated system. Any new arrangements are 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. Any cases which the team may feel could be subjected to challenge are dealt with via legal gateway meetings, and where it is possible to reduce restrictions even further or explore alternatives the Council and any relevant partners aim to do this. There is legal oversight of these cases. New legislation in this area came into effect in May 2020, however the expected implementation date of October 2020 will now be delayed due to the Covid 19 pandemic. A new date is yet to be announced. The Council along with key partners had started to meet to look at the process for implementation however this work has been put on hold due to Covid-19. **Issue regarded as lower risk but its status will be reviewed after the implementation of the new legislation.**

<table>
<tr><th>Issue</th><th>Action</th></tr>
<tr><td>deprived of their liberty.

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.</td><td></td></tr>
<tr><td>2. Potential impact of exiting the European Union

The Government's Withdrawal Agreement Act was given Royal Assent on 23 January 2020, following approval in the House of Commons and House of Lords. This initiated an 11-month transition period, meaning that the UK would remain within the single market and customs union throughout that time, but would leave the European Union on 31 December 2020 - or earlier if agreed by the UK and the EU. This remains the case.

There are uncertainties regarding the specific nature of the future relationship between the UK and the EU - and between the UK and other countries - but it is accepted that leaving the EU will impact on the operations of the Council, as well as residents and businesses within Cheshire West and Chester. Some of the potential implications include, but are not limited to:
Local economy: Impact of changes in trade terms and labour migration on the economic health of the borough.
European Union Funding: received by the Council from the EU through the ESF and ERDF.
Regulations and Rules: including likely impact on issues including Procurement, State Aid, as well as the standards and approaches t which underpin our approach to Regulatory Services.
Citizenship and Democracy: A number of issues which the Council is responsible for in relation to citizenship; including the right of non-UK EU nationals to vote in EU elections and the administration of the Settled Status Scheme.
In addition, there remains a possibility that the UK could leave the</td><td>A number of actions have been taken by the Council to mitigate the identified risks. These include:
A cross-party working group of Councillors (referred to as a Policy Commission) to support the Council's planning for Brexit. This group met five times to consider national information, local evidence and input from experts and residents; ultimately developing 26 recommendations for the local authority to progress. These were agreed by Cabinet in March 2019 and shared with the LGA to support its conversations with central government on behalf of local Councils.
It was agreed by Cabinet Members that the existing Brexit Officer Working Group of the Council - chaired by the Director of Public Service Reform - would support the delivery of the 26 recommendations in the short and medium term, and this group has met on an increasingly frequent basis. Given the breadth of potential impact, this group includes representation from across the Council, including; Regulatory Services, Legal Services, Finance, Economic Development, Procurement, Emergency Planning, Social Care and others, and considers a broad range of challenges on an operational level. Progress to date has included:
Business Continuity Workshops held with all Council Directors, MDs of Council Companies, and Business Continuity Plans updated to include any additional Brexit-related risks.
Brexit planning and tailored support for local businesses.
Regular and ongoing dialogue with, and support for, local care</td></tr>
</table>

Issue	Action
European Union without an agreed deal. It has recognised both nationally and locally that this would likely create short-term disruption, and would require a co-ordinated approach from across Council services to ensure continuity of services within this context.	providers. o Additional capacity and training provided to the Council's Regulatory Services and Legal Services teams. o Plans to mitigate any impact on food, medicine and fuel supplies, and Data Access - particularly in the event of No Deal o Regular promotion of the EU Settlement Scheme (EUSS) to protect the rights of EU citizens living and working within the UK, and the launch of a new EU Settlement ID Verification Scheme for local residents. o Regular communications with residents and organisations in line with the Government's Communication Toolkit, and a new dedicated Brexit webpage on the Council's website. o Regular dialogue with the Local Resilience Forum (LRF) to support the management of any immediate risks. • A total of c£310k has been allocated to Cheshire West and Chester Council by Central Government to support the most effective possible preparedness for Brexit at a local level. A process has been established which allows Council services to bid for elements of this funding, in line with any identified additional needs arising from Brexit. These are routinely considered by the group and allocation from the Contingency Fund agreed as appropriate. Progress updates have been shared with Councillors through member briefings, and updates and escalations shared with CLT as and when required. **Issue currently regarded as lower risk but its status will be reviewed when it becomes clearer if government planning has progressed sufficiently when the Covid-19 crisis lessens and the Brexit deadline comes closer.**

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

Opinion

We have audited the financial statements of Cheshire West and Chester Council (the 'Authority') and its subsidiaries, associates and joint ventures (the 'group') for the year ended 31 March 2020 which comprise 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 Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the group accounts, 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 2019/20.
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 2020 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 2019/20; 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 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Chief Operating Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements. Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

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 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.

In our evaluation of the Chief Operating Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020. As disclosed in note 5 to the financial statements, the outbreak of the COVID-19 virus has had an impact on market activity in the real estate sector, and as such the Council's valuers feel that less weight may be attached to previous market evidence for comparison purposes, to inform opinions of value. The valuers are faced with an unprecedented set of circumstances on which to base a judgement and so values they have provided are reported on the basis of a "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. This declaration means that, in the current circumstances, less certainty, and a higher degree of caution, should be placed on the valuation of these assets than would otherwise be the case. Likewise, in respect of the net pension liability, the current response to COVID-19 means pooled property valuations are reported on the basis of 'material valuation uncertainty' as set out in VPGA 10 of the RICS Valuation Global Standards. Consequently, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case.

Our opinion is not modified in respect of this matter.

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 financial statements and our auditor's report thereon and our auditor's report on 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 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 Edition' 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 17, 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 2019/20, 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 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 April 2020, 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 2020.

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 April 2020, 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 2020.

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 2020. 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 2020.

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.

Jon Roberts, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

21st December 2020

Cheshire West and Chester Council

Supplementary Statements

Group Accounts

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.

Group Comprehensive Income and Expenditure Statement
for the year ended 31 March 2020

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

Group CIES	2019-20 Expenditure £000	2019-20 Income £000	2019-20 Net £000	2018-19 £000
Adults Directorate	163,103	-32,746	130,357	121,222
Children's Directorate	325,622	-249,876	75,746	68,910
Places Directorate	138,679	-45,098	93,581	87,239
Corporate Services Directorate	109,002	-73,460	35,542	31,941
HRA	16,913	-22,882	-5,969	-6,779
Other	21,534	-67,680	-46,146	-9,941
Capital Financing	295	-8	287	243
Cost of Services	**775,148**	**-491,750**	**283,398**	**292,835**
Other Operating Income & Expenditure	16,527	-14,613	1,914	8,935
Financing & Investment Income and Expenditure	53,914	-16,157	37,757	17,711
Taxation & Non-Specific Grant Income & Expenditure	18,816	-315,871	-297,055	-284,763
(Surplus)/Deficit on Provision of Services	**864,405**	**-838,391**	**26,014**	**34,718**
Share of the SDPS by Joint Ventures and Associates (Profit)/Loss			-4	-4
Tax expenses of Joint Ventures and Associates				
Tax expenses of Subsidiaries			-406	-237
Group (Surplus)/Deficit			**25,604**	**34,477**
Surplus on Revaluation of Assets			-113,518	-74,653
Re-measurement (gain)/loss on pension assets/liabilities			-204,253	97,661
(Surplus)/deficit on revaluation of available for sale assets			0	0
Others				
Deferred tax on actuarial gains			1,312	-583
Share of Other Comprehensive Income & Expenditure of Associates			2	2
Other Comprehensive Income & Expenditure			**-316,457**	**22,427**
Total Comprehensive Income and Expenditure			**-290,853**	**56,904**

Cheshire West and Chester

Group Movement in Reserves Statement for the year ended 31 March 2020

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.

Consolidated MIRS 2019-20	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 1 April 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**
Final Reserves Adjustment				**0**					**0**	**-320**	**-320**			**0**	**-320**
Balance at 31 March 2020	**24,726**			**131,378**					**169,321**	**-13,022**	**156,299**	**572,761**		**572,980**	**729,279**
Surplus or (deficit) on provision of services	-12,474	0	0	-12,474	3,684	0	0	0	-8,790	-16,814	**-25,604**				**-25,604**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	7,405	**7,405**	309,054	-2	309,052	**316,457**
Total Comprehensive Income and Expenditure	**-12,474**	**0**	**0**	**-12,474**	**3,684**	**0**	**0**	**0**	**-8,790**	**-9,409**	**-18,199**	**309,054**	**-2**	**309,052**	**290,853**
* Adjustments between group accounts and the Council's accounts	-13,209	0	0	-13,209	0	0	0	0	-13,209	13,209	**0**	**0**	**0**	**0**	**0**
**Adjustments between accounting basis & funding basis under regulations	51,567	0	0	51,567	-3,619	2,931	3,135	707	54,721	0	**54,721**	-54,721	0	-54,721	**0**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**25,884**	**0**	**0**	**25,884**	**65**	**2,931**	**3,135**	**707**	**32,722**	**3,800**	**36,522**	**254,333**	**-2**	**254,331**	**290,853**
Transfers (to)/from Earmarked Reserves	**-25,884**	**-665**	**26,618**	**69**	**-69**				0		**0**			**0**	**0**
Increase/(Decrease) in Year	**0**	**-665**	**26,618**	**25,953**	**-4**	**2,931**	**3,135**	**707**	**32,722**	**3,800**	**36,522**	**254,333**	**-2**	**254,331**	**290,853**
Balance at 31 March 2020	**24,726**	**8,295**	**124,310**	**157,331**	**651**	**10,923**	**16,392**	**16,746**	**202,043**	**-9,222**	**192,821**	**827,094**	**217**	**827,311**	**1,020,132**

*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 2018-19 Comparative figures

This schedule shows the movement in reserves for the comparative financial year 2018-19.

Cheshire West and Chester Council Consolidated MIRS 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

Group Balance Sheet as at 31 March 2020

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

Group Balance Sheet	31 March 2020 £000	31 March 2019
Non-Current Assets		
- Property, Plant and Equipment	1,426,577	1,342,944
- Heritage Assets	29,465	29,374
- Investment Properties	129,964	137,922
- Intangible Assets	4,932	2,087
Long Term Investments	7,554	9,242
Investments in Associates	367	366
Deferred Taxation Asset	0	0
Long Term Debtors	27,948	11,585
Long Term Assets	**1,626,807**	**1,533,520**
Short Term Investments	5,100	9,999
Assets held for Sale	5,750	10,900
Current Intangible Assets	0	0
Inventories	184	184
Short Term Debtors	68,708	52,263
Cash and Cash Equivalents	64,242	38,071
Current Assets	**143,984**	**111,417**
Short Term Borrowing	-19,739	-21,748
Short Term Creditors	-125,478	-114,444
Provisions < 1 yr	-1,934	-2,072
Current Liabilities	**-147,151**	**-138,264**
Provisions	-25,132	-23,302
Long Term Borrowing	-264,028	-266,967
Pension Fund Liability	-270,274	-441,160
Other Long Term Liabilities	-26,552	-27,902
Capital Grant Receipts in Advance	-17,522	-17,743
Long Term Liabilities	**-603,508**	**-777,074**
Net Assets	**1,020,132**	**729,599**
Usable Reserves	192,821	156,619
Unusable Reserves	827,311	572,980
Total Reserves	**1,020,132**	**729,599**

The group companies for year ending 31 March 2019 have not been restated to recognise the audited accounts for those entities, and are as stated in last year’s CWAC Group accounts.

Cheshire West and Chester

Group Cash Flow Statement for the year ended 31 March 2020

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.

Group Cash Flow	31 March 2020 £000	31 March 2019 £000
Net (surplus) or deficit on the provision of services	26,014	34,718
Adjust net surplus or deficit on the provision of services for non cash movements	-109,962	-106,697
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	49,028	40,942
Net cash flows from Operating Activities	**-34,920**	**-31,037**
Investing Activities	7,492	14,400
Financing Activities	1,256	8,735
Net increase in cash and cash equivalents	**-26,172**	**-7,902**
Cash and cash equivalents at the beginning of the reporting period	38,070	30,168
Cash and cash equivalents at the end of the reporting period	64,242	38,070
Net increase in cash and cash equivalents	**-26,172**	**-7,902**

The group companies for year ending 31 March 2019 have not 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 March 2020

Fees Payable for Audit Work	2019-20 £000	2018-19 £000
Fees payable for external audit services in regards to Cheshire West and Chester Council	141	118
Fees payable for external audit services in regards to certification of grant claims and other services for Cheshire West and Chester Council	23	23
Fees payable for external audit services in regards to subsidary companies in group	28	24
Total	**192**	**165**

Group Audit Costs for subsidiary companies consolidated on a line by line basis. Details for the Council are in Note 34 of the Single Entity accounts.

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 2019-20 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 2019-20 group accounts.

The Council has business interests in 17 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 the Council's 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.

Group CIES by Entity type for the year ended 31 March 2020

Group CIES by Entity type 2019-20	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Intra-group transactions £000	Group Results £000
Adults Directorate	128,585	1,772			130,357
Children's Directorate	75,746				75,746
Places Directorate	91,773	1,808			93,581
Corporate Services Directorate	35,542				35,542
HRA	-5,969				-5,969
Other	-46,146				-46,146
Capital Financing	287				287
Cost of Services	**279,818**	**3,580**	**0**	**0**	**283,398**
Other Operating Income & Expenditure	1,921	-7			1,914
Financing & Investment Income and Expenditure	37,315	442			37,757
Taxation & Non-Specific Grant Income & Expenditure	-297,055				-297,055
(Surplus)/Deficit on Provision of Services	**21,999**	**4,015**	**0**	**0**	**26,014**
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		-406			-406
Group (Surplus)/Deficit	**21,999**	**3,609**	**-4**	**0**	**25,604**
Surplus on Revaluation of Assets	-113,518				-113,518
Re-measurement Gain/-loss on pension	-195,536	-8,717			-204,253
Surplus / Deficit on revaluation of available for sale					0
Other					
Deferred tax on actuarial gains		1,312			1,312
Share of Other Comprehensive Income & Expenditure of Associates			2		2
Share of the CIES of Joint Ventures					0
Other Comprehensive Income & Expenditure	**-309,054**	**-7,405**	**2**	**0**	**-316,457**
Total Comprehensive Income and Expenditure	**-287,055**	**-3,796**	**-2**	**0**	**-290,853**

Movement in Reserves Statement as at 31 March 2020

Group MIRS by Entity type 2019-20	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 1 April 2019	**169,321**	**0**	**169,321**	**(12,849)**	**147**	**156,619**	**572,761**		**219**	**572,980**	**729,599**
Final Reserves Adjustment			**0**	**(320)**		**(320)**				**0**	**(320)**
Balance at 31 March 2020	**169,321**		**169,321**	**(13,169)**	**147**	**156,299**	**572,761**		**219**	**572,980**	**729,279**
Surplus or (deficit) on provision of services (accounting basis)	(21,999)	13,209	(8,790)	(16,818)	4	(25,604)					**(25,604)**
Other Comprehensive Expenditure and Income				7,405	0	7,405	309,054	0	(2)	309,052	**316,457**
Total Comprehensive Expenditure and Income	**(21,999)**	**13,209**	**(8,790)**	**(9,413)**	**4**	**(18,199)**	**309,054**	**0**	**(2)**	**309,052**	**290,853**
Adjustments between group accounts and Council's accounts		(13,209)	(13,209)	13,209		0				0	**0**
Adjustments between accounting basis & funding basis under regulations	54,721		54,721	0	0	54,721	(54,721)	0	0	(54,721)	**0**
Increase / (Decrease) in Year	**32,722**	**0**	**32,722**	**3,796**	**4**	**36,522**	**254,333**	**0**	**(2)**	**254,331**	**290,853**
Balance at 31 March 2020	**202,043**	**0**	**202,043**	**(9,373)**	**151**	**192,821**	**827,094**	**0**	**217**	**827,311**	**1,020,132**

Balance Sheet as at 31 March 2020

Group Balance Sheet by Entity type as at 31 March 2020	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Intra-group transactions £000	Group Results £000
Non-Current Assets	1,585,797	206			1,586,003
Intangible Assets	4,932				4,932
Long Term Investments	7,554				7,554
Investments in Associates			367		367
Deferred Taxation Asset					0
Long Term Debtors	28,191			-243	27,948
Long Term Assets	**1,626,474**	**206**	**367**	**-243**	**1,626,804**
Short Term Investments	5,100				5,100
Assets held for Sale	5,750				5,750
Current Intangible Assets					0
Inventories	138	49			187
Short Term Debtors	68,586	1,757		-1,635	68,708
Cash and Cash Equivalents	62,426	1,816			64,242
Current Assets	**142,000**	**3,622**	**0**	**-1,635**	**143,987**
Short Term Borrowing	-19,739				-19,739
Short Term Creditors	-122,483	-4,630		1,635	-125,478
Provisions < 1 yr	-1,934				-1,934
Current Liabilities	**-144,156**	**-4,630**	**0**	**1,635**	**-147,151**
Provisions	-25,132				-25,132
Long Term Borrowing	-264,028				-264,028
Pension Fund Liability	-262,304	-7,970			-270,274
Other Long Term Liabilities	-26,195	-600		243	-26,552
Capital Grant Receipts in Advance	-17,522				-17,522
Long Term Liabilities	**-595,181**	**-8,570**	**0**	**243**	**-603,508**
Net Assets	**1,029,137**	**-9,372**	**367**	**0**	**1,020,132**
Usable Reserves	202,043	-9,372	150		192,821
Unusable Reserves	827,094		217		827,311
Total Reserves	**1,029,137**	**-9,372**	**367**	**0**	**1,020,132**

The Pension Liability of £270.3m does not include any IAS19 liabilities for Joint Ventures of £2.8m.

Cash Flow Statement for the year ended 31 March 2020

Group Cash Flow by Entity type 2019-20	Council Single Entity £000	Subsidiaries £000	Intra-group transactions £000	Group Results £000
Net cash flows from Operating Activities	-35,593	668	5	-34,920
Investing Activities	7,090	407	-5	7,492
Financing Activities	1,407	-151		1,256
Net increase in cash and cash equivalents	**-27,096**	**924**	**0**	**-26,172**
Cash and cash equivalents at the beginning of the reporting period	35,330	2,740		38,070
Cash and cash equivalents at the end of the reporting period	62,426	1,816		64,242
Net increase in cash and cash equivalents	**-27,096**	**924**	**0**	**-26,172**

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.

Group Pension CIES and MIRS	<----------LGPS -------------->			Group	Teachers Unfunded 2019-20	LGPS Unfunded 2019-20	Total 2019-20
	CW&C	Vivo	Brio Leisure				
	£000	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement							
Service cost comprising:							
Current service cost	52,520	3,667	1,808	**57,995**			**57,995**
Past service costs and curtailments	775	0	133	**908**			**908**
(Gain) from settlements	-1,128			**-1,128**			**-1,128**
Financing and Investment Income and Expenditure							
Net Interest Cost	9,925	284	89	**10,298**	531	33	**10,862**
Total post-employment benefits charged to Surplus or Deficit on the Provision of Services (SDPS)	62,092	3,951	2,030	**68,073**	531	33	**68,637**
Other post-employment benefits charged to the CIES							
Remeasurement of the net defined benefit liability comprising:							
Return on plan assets (excluding the amount included in the net interest expense)	19,589	2,337	640	**22,566**			**22,566**
Actuarial Gains / Losses arising on changes in demographic assumptions	-73,153	-1,830	-887	**-75,870**	-1,497	-116	**-77,483**
Actuarial Gains / Losses arising on changes in financial assumptions	-140,231	-5,198	-1,674	**-147,103**	-801	-36	**-147,940**
Other experience	755	-2,215	110	**-1,350**	-86	40	**-1,396**
Total post-employment benefit charged to the CIES	**-130,948**	**-2,955**	**219**	**-133,684**	**-1,853**	**-79**	**-135,616**
Movement in Reserves Statement							
Reversal of net charges made to the SDPS for post-employment	-62,092	-3,951	-2,030	**-68,073**	-531	-33	**-68,637**
Actual amount charged against the General Fund							
Employers' contributions	28,086	1,812	920	**30,818**			**30,818**
Retirement Benefits Payable				**0**	1,735	148	**1,883**

Pensions and Liabilities Recognised in the Balance Sheet

Pensions and Liabilities in the Group Balance Sheet	LGPS 2019-20 £000	Teachers 2019-20 £000	LGPS 2019-20 £000	Total 2019-20 £000	LGPS 2018-19 £000	Teachers 2018-19 £000	Total 2018-19 £000
Present value of obligations	-1,696,604	-19,404	-1,199	-1,717,207	-1,861,569	-28,234	-1,889,803
Fair value of plan assets	1,446,384	0	0	1,446,384	1,447,189	0	1,447,189
Net Pension Liability	**-250,220**	**-19,404**	**-1,199**	**-270,823**	**-414,380**	**-28,234**	**-442,614**

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilitites	<------------- LGPS CW&C £000	Vivo £000	Brio Leisure £000	-------------> Group £000	Teachers Unfunded 2019-20 £000	LGPS Unfunded 2019-20 £000	Total 2019-20 £000
Opening Balance	**1,801,957**	**41,657**	**17,955**	**1,861,569**	**28,234**	**0**	**1,889,803**
Adjustments Note 1	**0**	**0**	**0**	**0**	**-5,242**	**1,426**	**-3,816**
Adjusted Opening Balance	**1,801,957**	**41,657**	**17,955**	**1,861,569**	**22,992**	**1,426**	**1,885,987**
Current Service Costs	52,520	3,667	1,941	**58,128**	0	0	58,128
Interest Cost	43,440	1,046	474	**44,960**	531	33	45,524
Contribution by Scheme Members	7,513	477	267	**8,257**			8,257
Remeasurement (gains) and losses:				**0**			
Actuarial gains/losses arising from changes in demographic assumptions	-73,153	0	0	**-73,153**	-1,497	-116	-74,766
Actuarial (gains)/losses arising from changes in financial assumptions	-140,231	-9,243	-2,451	**-151,925**	-801	-36	-152,762
Other experience	755			**755**	-86	40	709
Benefits Paid	-49,859	-439	-164	**-50,462**	-1,735	-148	-52,345
Entity Combinations				**0**			0
Past Service Costs & curtailments	775			**775**			775
Exceptional Past Service Costs				**0**			0
Liabilities Extinguished on Settlement	-2,300			**-2,300**			-2,300
Closing balance at 31 March 2020	**1,641,417**	**37,165**	**18,022**	**1,696,604**	**19,404**	**1,199**	**1,717,207**

Movement in Fair Value of Assets	<------------- LGPS CW&C £000	Vivo £000	Brio Leisure £000	-------------> Group £000	Teachers Unfunded 2019-20 £000	LGPS Unfunded 2019-20 £000	Total 2019-20 £000
Opening Balance	**1,401,222**	**27,395**	**15,219**	**1,443,836**	**0**	**0**	**1,443,836**
Actuaries Adjustment - Estimated to Final	0	3,353	-342	3,011	0	0	3,011
Adjusted Opening Balance	**1,401,222**	**30,748**	**14,877**	**1,446,847**	**0**	**0**	**1,446,847**
Interest income	33,515	762	385	**34,662**			34,662
Remeasurement (gains) and losses:				**0**			
Return on plan assets, excluding the amounts included in net interest	-19,589	-2,337	-640	**-22,566**			-22,566
Other				**0**			
Administration expenses				**0**			
Employer Contributions	28,086	1,812	920	**30,818**			30,818
Contribution by scheme members	7,513	477	267	**8,257**			8,257
Contributions - unfunded benefits				**0**	1,735	148	1,883
Benefits paid	-49,859	-439	-164	**-50,462**			-50,462
Unfunded benefits paid				**0**	-1,735	-148	-1,883
Assets distributed on Settlement	-1,172			**-1,172**			-1,172
Closing balance at 31 March 2020	**1,399,716**	**31,023**	**15,645**	**1,446,384**	**0**	**0**	**1,446,384**

Total Surplus/Deficit	**-241,701**	**-6,142**	**-2,377**	**-250,220**	**-19,404**	**-1,199**	**-270,823**
Deferred Taxation on losses	**0**	**549**	**0**	**549**	**0**	**0**	**549**
Net liability at 31 March 2020	**-241,701**	**-5,593**	**-2,377**	**-249,671**	**-19,404**	**-1,199**	**-270,274**

Cheshire West and Chester

Local Government Pension Scheme Assets

Group Pension Scheme assets	Quoted Prices in active markets 2019-20 £000	Quoted Prices not in active markets 2019-20 £000	Total 2019-20 £000	Share of Total Assets %	Quoted Prices in active markets 2018-19 £000	Quoted Prices not in active markets 2018-19 £000	Total 2018-19 £000
Cash & Cash Equivalents		42,318	**42,318**	**2%**		28,299	**28,299**
Equity Securities:							
By industry type:							
Consumer	18,294	0	18,294	2%	17,631		17,631
Manufacturing	14,686	0	14,686	1%	10,951		10,951
Energy and Utilities	2,134	0	2,134	0%	2,315		2,315
Financial Institutions	20,343	0	20,343	2%	20,514		20,514
Health and Care	8,860	0	8,860	0%	6,441		6,441
IT	72,634	0	72,634	5%	68,241		68,241
Other	5,240	0	5,240	0%	4,537		4,537
	142,191	**0**	**142,191**		**130,630**	**0**	**130,630**
Debt Securities							
By Sector:							
Other			0				0
	0	**0**	**0**		**0**	**0**	**0**
Private equity:		54,451	**54,451**	**3%**	0	50,275	**50,275**
Real Estate:							
UK	0	115,856	115,856	8%	0	118,679	118,679
Overseas		2,019	2,019	0%	0	2,106	2,106
	0	**117,875**	**117,875**		**0**	**120,785**	**120,785**
Investment funds and unit							
Equities	221,800	0	221,800	14%	207,443	0	207,443
Bonds	536,228	106,634	642,862	45%	551,403	103,851	655,254
Hedge Funds		165,168	165,168	14%	0	194,749	194,749
Other		59,719	59,719	4%	0	59,754	59,754
	758,028	**331,521**	**1,089,549**		**758,846**	**358,354**	**1,117,200**
Total Assets	**900,219**	**546,165**	**1,446,384**	**100%**	**889,476**	**557,713**	**1,447,189**

The principal assumptions used by the actuary have been
The estimation is assessed on a actuarial basis by Hymans for all group companies.

Actuarial Assumptions	LGPS 2019-20	LGPS 2018-19
Financial Assumptions		
Rate of increase in salaries	2.6%	2.8%
Rate of increase in pensions	1.9%	2.5%
Discount rate used		
Rate used to Discount liabilities	2.3%	2.4%
Demographic Mortality Assumptions		
Longevity at 65 for current pensioners		
Men	21.2 years	22.3 years
Women	23.6 years	24.5 years
Longevity at 65 for future pensioners		
Men	21.9 years	23.9 years
Women	25.0 years	26.5 years

Sensitivity analysis - impact on the defined benefit obligation in the scheme	Increase in assumption LGPS £000	Increase in assumption Teachers Unfunded £000	Increase in assumption LGPS Unfunded £000	Decrease in assumption LGPS £000	Decrease in assumption Teachers Unfunded £000	Decrease in assumption LGPS Unfunded £000
Longevity (change by 1 year)	65,657	776	48	-65,657	-776	-48
Salary inflation (change by 0.5%)	15,123	0	0	-15,123	0	0
Pension inflation (change by 0.5%)	136,400	2,160	102	-136,400	-2,160	-102
Discount rate (change by 0.5%)	-152,865	-2,160	-102	152,865	2,160	102

Liability Split	CW&C	Vivo	Brio	Edsential
Active members	34.9%	62.4%	83.0%	64.9%
Deferred members	19.1%	19.8%	7.6%	20.5%
Pensioner members	46.0%	17.8%	9.4%	14.6%
Weighted Average	100.0%	100.0%	100.0%	100.0%

The average duration of the employers funded liabilities are as follows:-

Cheshire West and Chester Council – 17 years
Vivo Care Services Limited – 25 years
Brio Leisure – 28 years
Edsential – 23 years

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.

Group CIES	2018-19		
	Expenditure £000	Income £000	Net £000
Adults Directorate	153,097	-31,875	121,222
Children's Directorate	313,176	-244,266	68,910
Places Directorate	132,586	-45,347	87,239
Corporate Services Directorate	111,885	-79,944	31,941
HRA	15,410	-22,189	-6,779
Other	23,969	-33,910	-9,941
Capital Financing	251	-8	243
Cost of Services	**750,374**	**-457,539**	**292,835**
Other Operating Income & Expenditure	23,705	-14,770	8,935
Financing & Investment Income and Expenditure	30,873	-13,162	17,711
Taxation & Non-Specific Grant Income & Expenditure	17,700	-302,463	-284,763
(Surplus)/Deficit on Provision of Services	**822,652**	**-787,934**	**34,718**
Share of the SDPS by Joint Ventures and Associates (-Profit/Loss)			-4
Tax expenses of Joint Ventures and Associates			
Tax expenses of Subsidiaries			-237
Group (Surplus)/Deficit			**34,477**
Surplus on Revaluation of Assets			-74,653
Re-measurement (gain)/loss on pension assets/liabilities			97,661
Others			
Deferred tax on actuarial gains			-583
Share of Other Comprehensive Income & Expenditure of Associates			2
Other Comprehensive Income & Expenditure	**0**	**0**	**22,427**
Total Comprehensive Income and Expenditure			**56,904**

The group companies for year ending 31 March 2019 have not been restated to recognise the audited accounts for those entities.

Cheshire West and Chester Council Financial Statements

Comprehensive Income and Expenditure Statement (CIES)
for the year ended 31 March 2020

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, which may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (Note 2) and the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement	2019-20			2018-19
	Expenditure £000	Income £000	Net £000	Net £000
Adults Directorate	160,645	-32,060	128,585	120,048
Children's Directorate	325,622	-249,876	75,746	68,910
Places Directorate	126,887	-35,114	91,773	85,471
Corporate Services	109,002	-73,460	35,542	31,941
HRA	16,913	-22,882	-5,969	-6,779
Other	21,534	-67,680	-46,146	-9,941
Capital Financing	295	-8	287	243
Cost of Services	**760,898**	**-481,080**	**279,818**	**289,893**
Other Operating Income & Expenditure (Note 11)	16,527	-14,606	1,921	8,940
Financing & Investment Income and Expenditure (Note 12)	53,491	-16,176	37,315	17,400
Taxation & Non-Specific Grant Income and Expenditure (Note 13)	18,816	-315,871	-297,055	-284,763
(Surplus)/Deficit on Provision of Services	**849,732**	**-827,733**	**21,999**	**31,470**
Surplus on Revaluation of Assets			-113,518	-74,653
Remeasurement of the pension liability / (asset)			-195,536	93,980
Other Comprehensive Income & Expenditure (Note 14)			**-309,054**	**19,327**
Total Comprehensive Income and Expenditure			**-287,055**	**50,797**

The full breakdown of the 2018-19 comparative expenditure and income is included at Note 49.

RB/MW
14/12/2020

Cheshire West and Chester

Movement in Reserves Statement for the year ended 31 March 2020

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 the 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.

Movement in reserves statement	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
Opening Balance at 1st April 2019	**24,726**	**8,960**	**97,692**	**131,378**	**655**	**7,992**	**13,257**	**16,039**	**169,321**	**572,761**	**742,082**
Surplus or (deficit) on provision of services	-25,683			-25,683	3,684				**-21,999**		**-21,999**
Other Comprehensive Income and Expenditure (Note 14)									**0**	309,054	**309,054**
Total Comprehensive Income and Expenditure	**-25,683**	**0**	**0**	**-25,683**	**3,684**	**0**	**0**	**0**	**-21,999**	**309,054**	**287,055**
Adjustments between accounting basis & funding basis under regulations (Note 8)	51,567			51,567	-3,619	2,931	3,135	707	**54,721**	-54,721	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**25,884**	**0**	**0**	**25,884**	**65**	**2,931**	**3,135**	**707**	**32,722**	**254,333**	**287,055**
Transfers to / from Earmarked Reserves	-25,884	-665	26,618	69	-69				**0**	0	**0**
Increase / (Decrease) in Year	0	-665	26,618	25,953	-4	2,931	3,135	707	32,722	254,333	287,055
Balance at 31 March 2020	**24,726**	**8,295**	**124,310**	**157,331**	**651**	**10,923**	**16,392**	**16,746**	**202,043**	**827,094**	**1,029,137**

RB/MW
14/12/2020

Movement in Reerves Statement 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 £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**
SDPS Surplus or (Deficit) on Provision of Services	-37,061			-37,061	5,591				**-31,470**		**-31,470**
Other Comprehensive Income and Expenditure (Note 14)									**0**	-19,327	**-19,327**
Total Comprehensive Income and Expenditure	**-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

Balance Sheet as at 31 March 2020

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 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 8).'

Balance Sheet	Note	31 March 2020 £000	31 March 2019 £000
Non-Current Assets			
- Property, Plant and Equipment	15	1,426,368	1,342,855
- Heritage Assets	16	29,465	29,374
- Investment Properties	17	129,964	137,922
- Intangible Assets	18	4,932	2,087
Long Term Investments	20	7,554	9,242
Long Term Debtors	20	28,191	11,828
Long Term Assets		**1,626,474**	**1,533,308**
Short Term Investments	20	5,100	9,999
Assets held for Sale	19	5,750	10,900
Inventories		138	128
Short Term Debtors	21	68,586	52,088
Cash and Cash Equivalents	22	62,426	35,330
Current Assets		**142,000**	**108,445**
Short Term Borrowing	20	-19,739	-21,748
Short Term Creditors	23	-122,483	-111,325
Provisions < 1 yr	24	-1,934	-2,072
Current Liabilities		**-144,156**	**-135,145**
Provisions	24	-25,132	-23,302
Long Term Borrowing	20	-264,028	-266,967
Pension Fund Liability	44	-262,304	-428,969
Other Long Term Liabilities	20	-26,195	-27,545
Capital Grant Receipts in Advance	36	-17,522	-17,743
Long Term Liabilities		**-595,181**	**-764,526**
Net Assets		**1,029,137**	**742,082**
Usable Reserves	25	202,043	169,321
Unusable Reserves	26	827,094	572,761
Total Reserves		**1,029,137**	**742,082**

RB/MW
14/12/2020

Cheshire West and Chester

Cash Flow Statement
for the year ended 31 March 2020

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.

Operating activities – this 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.

Financing activities - are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Cashflow Statement	**31 March 2020 £000**	**31 March 2019 £000**
Net (surplus) or deficit on the provision of services	21,999	31,935
Adjust net surplus or deficit on the provision of services for non cash movements	-106,747	-103,805
Adjust for items included in the SDPS that are investing and financing activities	49,155	41,004
Net cash flows from Operating Activities	**-35,593**	**-30,866**
Investing Activities	7,090	14,370
Financing Activities	1,407	8,696
Net increase in cash and cash equivalents	**-27,096**	**-7,800**
Cash and cash equivalents at the beginning of the reporting period	35,330	27,530
Cash and cash equivalents at the end of the reporting	62,426	35,330
Net increase in cash and cash equivalents	**-27,096**	**-7,800**

Further details are provided in Notes 27, 28, and 29.

RB/MW
14/12/2020

1. Significant Accounting policies

1.1 General principles

The Statement of Accounts summarises the Council's transactions for the 2019-20 financial year and its position at the year end of 31 March 2020. 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.

1.2 Changes to accounting policies, presentation, disclosure and comparative information

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

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

There are a number of minor amendments to the Code of Practice for 2019-20; the accounting of the Apprenticeship Levy, IFRS 9 Financial Instruments for the prepayment features where negative compensation arises, clarity on IFRS 5 Non-current Assets Held for Sale and the adoption of IFRIC 22 and 23.

1.3 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.

1.4 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.

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

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.

1.6 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.

1.7 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, Gadbrook Park, West Chester, and Winsford 1-5 and paying the sums over to Groundwork or CH1 for the provision of security and environmental services.

1.8 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

1.9 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.

1.10 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.

1.11 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.

1.12 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 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.

(iii) Teachers' Unfunded Scheme

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.

1.13 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.

1.14 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.

1.15 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 (i.e. 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 prior to 31 March 2018. The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserve as at 1 April 2018.

1.16 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.

1.17 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;
- The Capital Adjustment Account (after costs have been incurred).

1.18 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 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.

1.19 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.

1.20 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 the sale of Council housing 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.

1.21 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.

1.22 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).

1.23 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.

1.24 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.

1.25 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.

1.26 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.

1.27 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 12, 13 and 14.

Expenditure and Funding Analysis	2019-20				
	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 CIES
	£000	£000	£000	£000	£000
Adults Directorate	122,848	2,291	125,139	3,446	128,585
Children's Directorate	53,075	4,562	57,637	18,109	75,746
Places Directorate	59,227	2,155	61,382	30,391	91,773
Corporate Services Directorate	29,486	-1,119	28,367	7,175	35,542
HRA	0	-13,560	-13,560	7,591	-5,968
Other	7,946	-75,319	-67,373	21,226	-46,147
Capital Financing	26,921	-26,634	287	0	287
Net Cost of Services	**299,503**	**-107,624**	**191,879**	**87,939**	**279,818**
Other Income and Expenditure	0	-217,828	-217,828	-39,991	-257,819
(Surplus)/Deficit on Provision of Services	**299,503**	**-325,452**	**-25,949**	**47,948**	**21,999**
Opening General Fund and HRA Balances at 31 March 2019			-132,033		
Add Surplus on General Fund and HRA Balance in Year			-25,949		
Closing General Fund and HRA Balances at 31 March 2020			**-157,982**		

2018-19 Comparative Figures

	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 CIES
	£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**		
Add Surplus on General Fund and HRA Balance in Year			-17,501		
Closing General Fund and HRA Balances at 31 March 2019			**-132,032**		

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.

Adjustments between funding and accounting basis	2019-20			
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
Adults Directorate	1,056	2,425	-34	3,446
Children's Directorate	13,778	4,547	-216	18,109
Places Directorate	25,320	5,057	14	30,391
Corporate Services Directorate	3,730	3,434	11	7,175
HRA	7,591	0	0	7,591
Other	18,437	2,789	0	21,226
Capital Financing	0	0	0	0
Cost of Services	**69,913**	**18,251**	**-224**	**87,939**
Other Income & Expenditure	-48,556	10,620	-2,055	-39,991
Difference between General Fund (Surplus) and CIES (Surplus) or Deficit	**21,356**	**28,871**	**-2,279**	**47,948**

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.

2018-19 Comparative Figures

Adjustments between funding and accounting basis	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 CIES (Surplus) or Deficit	**12,444**	**31,945**	**4,582**	**48,971**

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

Movements from Outturn to net chargeable amount 2019-20	Adults Directorate	Children's Directorate	Places Directorate	Corporate Services	HRA	Central Services	Capital Financing	In Outturn aligned to below NCS subtotal	Below Net Cost of Services Position	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Outurn Position (A)	122,848	53,075	59,227	29,486	0	7,946	26,921			299,503
Adjustments for items:	**In Net Cost of Services but not in Outturn**									
Budgeted grant income						-34,961		**-34,961**		
Financed costs included within Outturn						871		**871**		
Schools' Balance Carried Forward		666				-666		**0**		
Building Maintenance costs for trading operations			-737					**-737**		
Final Appropriation to Reserve for Surplus or (Deficit) on HRA					4			**4**		
Total position for Net Cost of Services - Adjustment to Outturn Position (B)	**2,290**	**4,560**	**2,156**	**-1,120**	**-13,560**	**-65,888**	**-26,634**	**-98,195**	**63,372**	**-98,195**

2019-20 continued on next page

Movements from Outturn to net chargeable amount 2019-20 (continued)	Adults Directorate	Children's Directorate	Places Directorate	Corporate Services	HRA	Central Services	Capital Financing	In Outturn aligned to below NCS subtotal	Below Net Cost of Services Position	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Outurn Position (A)	**122,848**	**53,075**	**59,227**	**29,486**	**0**	**7,946**	**26,921**			**299,503**
Adjustments for items:	**In Net Cost of Services but not in Outturn**									
Budgeted grant income						-34,961		**-34,961**		
Financed costs included within Outturn						871		**871**		
Schools' Balance Carried Forward		666				-666		**0**		
Building Maintenance costs for trading operations			-737					**-737**		
Final Appropriation to Reserve for Surplus or (Deficit) on HRA					4			**4**		
Total position for Net Cost of Services - Adjustment to Outturn Position (B)	**2,290**	**4,560**	**2,156**	**-1,120**	**-13,560**	**-65,888**	**-26,634**	**-98,195**	**63,372**	**-98,195**
Net Expenditure chargeable to the General Fund and HRA Balance (A+B)	**125,138**	**57,635**	**61,383**	**28,366**	**-13,560**	**-57,942**	**287**	**-98,195**		**201,308**
Items in SDPS but not in Outturn									39,992	
Other Operating Income and Expenditure									1,921	
Financing and Investment Income and Expenditure									37,314	
Council Tax and Business Rate Income									-245,161	
Non Specific Grant Income									-25,261	
Capital Grant Income and Contributions									-26,633	
(Surplus)/Defict on the Provision of Services	**125,138**	**57,635**	**61,383**	**28,366**	**-13,560**	**-57,942**	**287**		**-217,828**	**-16,520**

Cheshire West and Chester

2018-19 Comparative Figures

Movements from Outturn to net chargeable amount 2018-19	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 (Net cost of services, to surplus or deficit on provision of services) (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**	

2018-19 Comparative Figures continued

Movements from Outturn to net chargeable amount 2018-19	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**
	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**

Cheshire West and Chester

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

Expenditure and Income Analysis by Directorate 2019-20	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	19,284	199,660	37,496	24,241	45	2,278	0	283,005
Other services expenses	140,861	112,751	70,188	81,067	11,457	53,330	295	469,949
Support service recharges	0	0	0	0	0	0	0	0
Depreciation, amortisation, impairment	1,056	13,778	25,571	3,730	7,591	26,355	0	78,081
Interest payments	963	801	2,467	6	2,367	0	7,158	13,762
Precepts and levies	0	0	324	0	0	3,767	0	4,091
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	780	780
Gain on the disposal of assets	0	0	0	0	0	0	64	64
Total expenditure	162,163	326,990	136,047	109,044	21,460	85,730	8,297	849,732
Income			.					
Fees, charges and other service income								
Over time	-31,896	-20,449	-40,110	-7,916	-25,106	-23,276	-17,941	-166,694
At a point in time	0	0	0	0	0	0	0	0
Interest and investment income	-17	-49	-4	-5	-38	0	-1,909	-2,022
Income from Council Tax, Non Domestic Rates, BID Income	0	0	0	0	0	-263,977	0	-263,977
Support service recharges	0	0	0	0	0	0	0	0
Government grants and contributions	-1,836	-229,428	-5,862	-65,544	0	-69,320	-23,050	-395,040
Total Income	-33,749	-249,926	-45,976	-73,465	-25,144	-356,573	-42,900	-827,733
(Surplus) or Deficit on the Provision of Services	**128,414**	**77,064**	**90,071**	**35,579**	**-3,684**	**-270,843**	**-34,603**	**21,999**

2018-19 Comparative Figures

Expenditure and Income Analysis by Directorate 2018-19	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	19,254	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
Income from Council Tax, Non Domestic Rates, District Rate	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**

3. Accounting Standards issued, but not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2019-20 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 2020.

- IAS 28 Investment in Associates
- IFRS 7, 9 and IAS 39 01/01/20
- IFRS 3 Business Combinations 01/01/20
- IAS 19 Employee benefits 01/01/19
- Annual improvements to IFRS Standards 2015-17 cycle
    - IFRS 7 Financial Instrument Disclosures 01/01/16
    - IFRS 11 Joint arrangements 01/01/19
    - IFRS 12 Disclosure of Interest in Other Entities 01/01/17

Some changes may need to be adopted retrospectively meaning that on adoption 2019-20 information included within these accounts could be restated in the 2020-21 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 - was due to be implemented in April 2020 but it was agreed to delay this implementation until 1st April 2021 for the 2020-2021 financial year. This standard will bring the majority of leases on balance sheet thereby removing the distinction between finance and operating leases; there will be a recognition that low-value (value to be confirmed) and short-term leases (leases less than 12 months in length) will be exempt. The estimated impact based on current operating lease non cancellable obligations is £8.4m which will be brought onto the balance sheet for 2020-2021, see Note 40. This is applicable when either the authority or group companies are the lessee.

The various changes for other Standards as mentioned above IFRS 7, 9, IAS 39, IAS 28, IFRS 3, IAS 19 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. The two CCGs merged on 1st April 2020 to become Cheshire Clinical Commissioning Group.

- **Treatment of Schools**

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

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

The Council has 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:

Schools within the Council's boundary	Total schools	Council Controlled			Outside Council Control		
		Owned by CWAC	Leased to Governors	Restrictive Covenant	Owned by NHS/Other	Owned by Church	Leased to Academies
Community Schools	70	69		1			
Foundation Schools	5		5				
Voluntary Controlled	20			2		18	
Voluntary Aided	29			2		27	
Academies	34						34
Community - Pupil Referral unit	2	1			1		
Studio	1				1		
Free school	2				2		
	163	**70**	**5**	**5**	**4**	**45**	**34**
		80	**on Balance Sheet**		**83**	**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 operate 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 2020 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 and schools), with one fifth of these assets being reviewed each year, all investment properties annually and schools on a two year rolling programme. 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. Covid19: The RICS has published the following text for Valuers to incorporate in their reports during this time of uncertainty:	A 1% fluctuation in property values would amount to £12.09m 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. £0.79m across operational and housing assets.

<table>
<tr><th>Item</th><th>Uncertainties</th><th>Effect if Results Differ from Assumptions</th></tr>
<tr><td colspan="3">RICS text:
The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of these assets under frequent review if appropriate for your purpose.</td></tr>
<tr><td>Pensions Liability</td><td>The value of the Council’s net pension liability is estimated by professional actuaries based on complex and interdependent assumptions, such as life expectancy, long-term salary and pension inflation, and the discount rate used. Any variation in these assumptions will lead to a change in the value of the net pension liability.

At 31 March 2020, the actuaries advised that the net pension liability was £ 241.7m, which includes a £159m decrease based on changes in financial and demographic assumptions since 2018/19.

The current response to COVID-19 means direct property valuations are reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuations than would normally</td><td>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 £152.9m or a one year increase in pensioner lifespans £65.7m.
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.</td></tr>
</table>

Item	Uncertainties	Effect if Results Differ from Assumptions
Pensions Liability (cont)	be the case. The value of assets impacted, and a sensitivity analysis based on the principal actuarial assumptions, are shown in note 44.	
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 +/- £23m.

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 CIES where it is felt that the costs are so significant as to warrant a separate disclosure.

The Council has reported on the impact of the changes relating to the termination of the Waste contract and setting up Cheshire West recycling with effect from 29 March 2020 in the Narrative and in other relevant Notes (especially 20, 21, and 37). A further four schools became Academies during 2019-20, with a loss on disposal of £10.9m (Note 12).

7. Events after the Balance Sheet Date

The Draft Statement of Accounts were authorised for issue on to the Council's website by the Council's S151 officer on 30 June 2020. These accounts are subject to audit by Grant Thornton.

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 2020, 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 further 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:

- Coronavirus

The Narrative at the start of the Statement of Accounts includes an update of the Coronavirus impact on the Council's financial position. Reports have been taken to the Cabinet covering an overview across all aspects in May 2020, and a more detailed review of financial considerations in June 2020.

Whilst it has been possible to estimate a number of financial implications at this time, for the purposes of this Note it is confirmed that insufficient time has elapsed in the 2020-21 financial year to estimate the potential financial impact in relation to collection of Business Rates and Council Tax. The longer term impact of the pandemic is also unknown at this time.

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.

Adjustments between accounting basis and funding basis 2019-20	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 CIES are different from revenue for the year calculated in accordance with statutory requirements						
Pension costs (transferred to/from the Pension Reserve)	-28,871					28,871
Council tax and NDR (transfers to/from the Collection Fund)	2,024					-2,024
Financial instruments (transferred to the Financial Instruments Adjustments Account)	30	2				-32
Financial Instrument Revaluation Reserve Pooled Investments - Statutory override	-1,688					1,688
Holiday pay (transferred to the Accumulated Absences Account)	225					-225
Depreciation of Non Current Assets	-43,608	-3,917				47,525
Impairment and Revaluation of Assets	-11,473	-3,674				15,147
Amortisation of Intangible Assets	-915					915
Movements in the fair value of investment properties	-7,880					7,880
Revenue expenditure funded from capital under statute	-1,441					1,441
Net assets written off to the CIES upon disposal or sale	-22,710	-1,859				24,569
Total Adjustments to Revenue Resources	**-116,307**	**-9,448**	**0**	**0**	**0**	**125,755**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	15,678	2,224	-17,902			0
Non-current asset disposal costs funded from the CRR	-64		64			0
Statutory provision for the repayment of debt	22,059					-22,059
Posting of HRA resources from Revenue to the Major Repairs Reserve		10,843		-10,843		0
Payments to the government housing receipts pool (funded by a transfer from CRR)	-780		780			0
Capital expenditure charged against general fund	2,586					-2,586
Capital grants and contributions unapplied credited to the CIES	1,851				-1,851	0
Capital Grants and Contributions through the CIES	23,410					-23,410
Total Adjustments between Revenue and Capital resources	**64,740**	**13,067**	**-17,058**	**-10,843**	**-1,851**	**-48,055**
Adjustments to Capital Resources						
Use of Capital Receipts Reserve to finance capital expenditure			14,127			-14,127
Use of Major Repairs Reserve to finance capital expenditure				7,708		-7,708
Application of capital grants to finance capital expenditure					1,144	-1,144
Total Adjustments to Capital Resources	**0**	**0**	**14,127**	**7,708**	**1,144**	**-22,979**
Total Adjustments	**-51,567**	**3,619**	**-2,931**	**-3,135**	**-707**	**54,721**

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 2019-2020 and 2018-19.

Revenue Earmarked Reserves	Balance at 31 March 2018	Transfers Out 2018-19	Transfers In 2018-19	Balance at 31 March 2019	Transfers Out 2019-20	Transfers In 2019-20	Balance at 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
Council Wide Reserves							
Long Term Liability	**23,938**	-1,636	13,107	**35,409**	-4,301	14,164	**45,272**
Insurance	**7,098**	-21	1,500	**8,577**	-395	2,346	**10,528**
Covid-19	**0**			**0**		10,833	**10,833**
Collection Fund Deficit	**1,732**	-562		**1,170**	0	0	**1,170**
Community Benefits	**560**	-253		**307**	-166		**141**
Growth Fund	**0**		6,000	**6,000**	-6,000		**0**
Energy Efficiencies	**15**	-5		**10**	-10		**0**
Directorate Reserves				**0**			**0**
Unapplied Revenue Grants	**9,207**	-2,635	3,496	**10,068**	-5,111	3,261	**8,218**
PFI	**6,117**		289	**6,406**		293	**6,699**
Revenue Budget Carry Forwards	**3,863**	-3,863	3,385	**3,385**	-3,385	1,438	**1,438**
HRA Pension Contingency	**395**		69	**464**		69	**533**
S106 Developer Contributions	**507**	-431	434	**510**	-386	408	**532**
Local Authority Elections	**479**		111	**590**	-567	219	**242**
Local Plan	**0**			**0**		160	**160**
Adoption Support Fund	**254**	-131	4	**127**	-14	21	**134**
Care Act	**987**			**987**	-897		**90**
Deprivation of Liberty Safeguarding	**366**	-159		**207**	-150		**57**
Adult Social Care and Health Improvements	**895**	-182		**713**	-713		**0**
Looked After Children	**1,500**	-1,742	1,634	**1,392**	-2,392	1,000	**0**
Maternity Cover - Special Schools	**34**	-23		**11**	-11		**0**
Fluctuation in School Days	**260**	-260		**0**			**0**
Transformation Reserves							
HR & Finance System Replacement	**1,300**		1,000	**2,300**	-675		**1,625**
Renewable Energy	**390**		585	**975**	-134	484	**1,325**
ICT Transformation	**2,000**		241	**2,241**	-678		**1,563**
Delivering Council Priority Outcomes	**2,638**	-547		**2,091**	-850		**1,241**
Invest to Save	**2,000**	-210		**1,790**	-766		**1,024**
Flexible and Mobile Working	**2,022**	-800		**1,222**	-826		**396**
New Ways of Working	**957**	-103		**854**	-696		**158**
Service Review	**108**	-108		**0**			**0**
Economic Growth Reserves							
Northgate Development	**3,198**	-856		**2,342**	-703	0	**1,639**
Winsford Cross Development Account	**153**		717	**870**		444	**1,314**
Barons Quay	**343**	-343		**0**			**0**
Partnership Reserves							
Health Integration	**1,000**	-114		**886**	-261		**625**
Mersey Forest	**357**	-181	189	**365**	-105	138	**398**
Council Company Reserves							
Waste Collection Contract Exit Arrangements	**0**			**0**		22,934	**22,934**
Waste Company Mobilisation	**0**		1,315	**1,315**	-1,081	1,000	**1,234**
Shareholder Fund	**500**			**500**	-500		**0**
Other Reserves and Balances	**3,135**	-716	1,189	**3,608**	-1,225	404	**2,787**
Total	**78,308**	-15,881	35,265	**97,692**	-32,998	59,616	**124,310**

Significant movements during the year were:

- A net appropriation of £2m to the Insurance reserve to fund potential future claims.
- The creation of a new £1.4m reserve to support budget pressures due to Covid-19 and £9.4m relates to a revenue grant from MHCLG as a Covid-19 Local Authority Support Grant, although this relates to 2020/21 it has been designated an earmarked reserve for 2019/20 under instruction
- The drawdown of £2.4m from the Looked After Children's reserve for budget pressures in Children's Social Care in 2019-20.
- A net appropriation of £9.9m to the Long Term Liabilities Reserve. This includes £10.1m planned reimbursement following the utilisation of this reserve in 2016-17 to fund the upfront Pension Deficit payment. £4.1m has also been added due to the capital financing underspend. The reserve has been used to fund the trading deficit at Barons Quay (£1.5m), the transfer of pension liabilities linked to the new waste collection arrangements (£2m), and early retirement costs (£0.8m).
- The creation of a new £22.9m reserve to manage the waste company exit arrangements.
- The use of £6m from the growth fund reserve to repay borrowing in 2019-20.

Reasons for the earmarked reserves over £500k
Council wide reserves

Long term liability	funds set aside to smooth the impact of long term liabilities, such as debt repayment and the pension fund deficit.
Insurance	funds insurance liabilities relating to Cheshire West & Chester functions. £3m is budgeted to be released in 2020-21.
Covid 19	to meet additional costs in 2020-21, as required
Collection Fund	equalisation fund to mitigate volatility in Business Rates income

Directorate reserves

Unapplied revenue grants	enables grants to be used when needed, avoiding year end 'forced' spend
PFI	balances spend and income across life of contract
Revenue budget carry forwards	agreed, committed spend not accrued funding
HRA pension contingency	provides funding for future pensions linked to HRA
S106 developer contributions	funding earmarked for specific work per S106

Transformation reserves

HR & Fin system replacement	funds for a key project
Renewable energy	energy-saving and climate change projects
ICT transformation	enables changes needed for cloud based ICT
Council Priority Outcomes	to improve outcomes for residents. £0.5m budgeted to be released in 2020-21
Invest to Save	funds available to realise opportunities

Economic growth reserves

Northgate development	funds available for working capital, as needed
Winsford Cross development	funds available for working capital, as needed

Partnership reserves

Health Integration	match funding enabling service improvement

Council company reserves

Former waste collection contract	reserve linked to long term debtor depends on receipts for funds to be available
Waste company mobilisation	enables committed spend not accrued to be funded

10. Material Changes within the Comprehensive Income and Expenditure Statement

Within the Cost of Services in the top half of the CIES (Comprehensive Income and Expenditure Statement), the net service cost for 'Other' area of the council has moved to (£46.14600m) from (£9.941m) in 2018-19, a favourable movement of £36.2m.

This movement is predominately due to a creation of a debtor with the former provider following the cessation of the Waste contract and subsequent set up of a new Waste Company to provide the service.

The 1st instalment of COVID-19 emergency grant funding for 2020-21 from Central Government is also within this movement. This instalment has been immediately moved to an earmarked reserve for expenditure in 2020-21 to fund the council's response to the Covid-19 crisis.

The remainder is mainly due to a decreased IAS19 charge for unfunded pensions due to a change in the apportionment of the charge that the relevant councils incur. This is now spread across all of the four former Cheshire councils instead of just Cheshire East, and Cheshire West and Chester.

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:

Other Operating Income & Expenditure	2019-20 £000	2018-19 £000
Loss / (Gain) on disposal of Non-current assets	-3,950	2,750
Parish Precepts	3,767	3,492
Levies	324	315
Housing Capital Receipts to National Pool	780	1,020
Cheshire West and Chester Share of Pension Guarantees and Loans	1,000	1,363
	1,921	**8,940**

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.

Financing & Investment Income & Expenditure	2019-20 £000	2018-19 £000
Interest payable and similar charges	12,075	13,384
Unrealised gains or losses on financial assets held at fair value through profit and loss transferred to Unusable Reserve	1,688	714
Net interest on pension assets and liabilities	10,489	8,447
Interest receivable and similar income	-2,022	-1,580
Expected Credit Loss Allowance	1,205	696
Loss on transfer of schools to Academy status	10,854	9,659
Income and expenditure in relation to investment Properties and changes in their fair value	2,894	-14,041
Trading Accounts not related to Services	132	121
	37,315	**17,400**

13. Taxation and non-specific grant income and expenditure

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

Taxation and Non-specific Grant Income & Expenditure	2019-20 £000	2018-19 £000
Income:		
Council Tax	-191,036	-179,733
Non Domestic Rates	-72,941	-67,522
Revenue Support Grant	-3,286	-11,271
Capital Grants and Contributions	-25,261	-23,358
PFI Grants	-3,061	-3,039
Local Services Support Grant	-383	-338
New Homes Bonus	-10,254	-8,871
S31 Non Domestic Rates Grant Funding	-8,033	-5,893
Other Grants	-1,616	-2,438
Expenditure:		
Non Domestic Rates - Tariff and Levy Payment	18,816	17,700
	-297,055	**-284,763**

14. Other Comprehensive Income and Expenditure

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 2020 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.

Other Comprehensive Income and Expenditure (CIES)	2019-20 £000	2018-19 £000
Property Revaluation (Gains)	-113,518	-74,653
Pension Deficit Remeasurement Losses/(Gains)	-195,536	93,980
	-309,054	**19,327**

- 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 reduced liability in 2019-20 reflects reduced inflation and a reduction in life expectancy in the financial assumptions used by the Actuary.

15. Property, plant and equipment

Movements in 2019-20	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 2019	194,005	816,740	85,804	416,663	18,251	4,722	41,705	1,577,890
Additions	3,252	10,531	6,511	18,661	809	0	10,631	50,395
Revaluation Gain/Loss to RR	-508	86,686	0	0	0	37	0	86,215
Reval/Impair Losses to SDPS	-4,006	-15,448	0	0	0	-273	0	-19,727
Reverse Reval/Impair to SDPS	259	1,665	0	0	0	0	0	1,924
Derecognition - Disposals	-1,859	-13,941	-10,884	0	0	0	0	-26,684
Derecognition - Other	0	0	0	0	0	0	0	0
Re-classification of assets	6,408	705	0	0	0	400	-7,513	0
Reclass to/from Held for Sale	0	-2	0	0	0	0	0	-2
Reclass to/from Heritage	0	0	0	0	0	0	0	0
Reclass to/from Investment	0	-1,400	0	0	0	0	0	-1,400
Reclass to/from Intangible	0	0	0	0	0	0	0	0
Value as at 31 March 2020	**197,551**	**885,536**	**81,431**	**435,324**	**19,060**	**4,886**	**44,823**	**1,668,611**
Depreciation								
Accum Depn at 31 March 2019	-198	-10,695	-66,870	-156,939	-76	0	-257	-235,035
Charges for the year	-3,917	-19,738	-6,257	-17,383	0	0	0	-47,295
Revaluation Gain/Loss to RR	3,771	23,595	0	0	0	0	0	27,366
Reval/Impair Loss to SDPS	26	2,062	0	0	0	0	0	2,088
Reverse Reval/Impair to SDPS	47	556	0	0	0	0	0	603
Derecognition - Disposals	0	193	9,837	0	0	0	0	10,030
Derecognition - Other	0	0	0	0	0	0	0	0
Re-classification of assets	0	0	0	0	0	0	0	0
Accum Depn at 31 March 2020	-271	-4,027	-63,290	-174,322	-76	0	-257	-242,243
Net Book Value at 31 March 2020	**197,280**	**881,509**	**18,141**	**261,002**	**18,984**	**4,886**	**44,566**	**1,426,368**
Net Book Value at 31 March 2019	193,807	806,045	18,934	259,724	18,175	4,722	41,448	1,342,855
Nature of Asset Holding								
Owned	197,280	852,853	16,688	261,002	18,984	4,886	44,566	1,396,259
PFI		28,656						28,656
Leased			1,453					1,453
Total	**197,280**	**881,509**	**18,141**	**261,002**	**18,984**	**4,886**	**44,566**	**1,426,368**

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 2019-20 include £1.5m of assets which are held in partnership with Cheshire East Borough Council - Chester archivist Duke Street building and Education Library store in Woodford The Council will ultimately need to buy out the Cheshire East Borough Council interest in these assets so an offsetting long term liability of £0.7m is included in the Balance Sheet.

The depreciation charge in year for Infrastructure includes a one-off charge of £3.7m relating to a technical adjustment. The recurring depreciation for Infrastructure in 2019-20 was £13.7m

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
Valuation 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
Derecognition - Other								0
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
Other Movements	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								
At 31st 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
Derecognition - Other								0
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**

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 2020.

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 2019-20. 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.

Valuations	Council Dwellings £000	Operational Land and Buildings £000	Surplus Assets £000	Total PPE Assets £000
Valued at Historic Cost	**151,997**	**378,792**	**965**	**531,754**
Revaluation Year Of Net Book Value:				
31 March 2020	193,038	725,848	165	919,051
31 March 2019	0	55,824	4,611	60,435
31 March 2018	0	58,586	110	58,696
31 March 2017	4,242	35,954	0	40,196
31 March 2016	0	5,297	0	5,297
Total	**197,280**	**881,509**	**4,886**	**1,083,675**

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 2020, totals £7.4m (£10.9m at 31 March 2019).

The Council has a commitment of £3.75m for the Highways and Transport Contract for works up to October 2020. This is an annual minimum agreement despite already exceeding the overall value of the contract.

Significant commitments under capital contracts	Contract Total 2019-20 £000	Amount paid to date 2019-20 £000	Outstanding balance 2019-20 £000	Outstanding balance 2018-19 £000
HRA Housing Management Contract	3,500	2,343	1,157	
ICT Transformation	2,700	2,118	582	
HR & Finance System Replacement	5,029	3,092	1,937	1,831
HRA new build - Whitby Rd				1,181
DisabledFacilities Grant				504
Commercial units Bumpers Lane Chester				1,957
Highways and Transport - Term Maintenance Contract	15,000	20,037	3,750	5,452
Total	**26,229**	**27,590**	**7,426**	**10,925**

16. Heritage assets

Heritage Assets Movements in 2019-20	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 2019	11,461	3,043	10,525	500	4,011	593	30,133
Additions	250	31	0	0	21	0	302
Revaluation Gains/Losses	3	0	0	0	0	0	3
Reclassification to/from INV Assets	16	0	0	0	0	0	16
Value as at 31 March 2020	**11,730**	**3,074**	**10,525**	**500**	**4,032**	**593**	**30,454**
Depreciation							
At 31st March 2019	-754	-5	0	0	0	0	-759
Charges for the year	-230	0	0	0	0	0	-230
Revaluation Gains/Losses	0	0	0	0	0	0	0
Reclassification to/from INV Assets	0	0	0	0	0	0	0
Accumulated Depn at 31 March 2020	**-984**	**-5**	**0**	**0**	**0**	**0**	**-989**
Net Book Value at 31 March 2020	**10,746**	**3,069**	**10,525**	**500**	**4,032**	**593**	**29,465**

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**

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 Income and Expenditure	2019-20 £000	2018-19 £000
Rental Income from Investment Property	-8,601	-8,540
Direct Expenditure Arising from Properties	3,370	2,803
Net Cost/(Income) in the Year	**-5,231**	**-5,737**

The movements in the value of investment properties during 2019-20 were:

Investment Assets Movements in Year	2019-20 £000	2018-19 £000
Balance at Start of Year	137,922	111,548
Additions		
- Acquisitions	1,700	2,928
- Subsequent Expenditure		0
Disposals		
- Outright Disposals	-3,122	-1,100
Impairments	-40	0
Fair Value Adjustments		
- Increases in Fair Value	5,377	17,271
- Decreases in Fair Value	-13,257	-8,819
Transfers to or from other asset categories	1,384	16,094
Value as at 31 March	**129,964**	**137,922**

Details of investment properties and information about the fair values hierarchy as at 31 March 2020 are:

Investment Properties Fair Value heirarchy 2019-20	Quoted prices in active markets for identical assets	Other signicant observable inputs	Significant unobservable inputs	Fair Value as at 31 March 2020	Fair Value as at 31 March 2019 [all Level 2]
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000	Total £000
Recurring fair value measurement using:					
Residential properties		410		410	74
Commerical units		76,901		76,901	88,221
Industrial units		36,767		36,767	36,555
Land (incuding Car Parks)		14,266		14,266	11,125
Other		1,620		1,620	1,947
Total	**0**	**129,964**	**0**	**129,964**	**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 Councils investment properties the highest and best use is their current use.

All the Council's investment properties have been value assessed as Level 2 in the Fair Value hierarchy for valuation. 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

Intangible Assets	Other Assets 2019-20 £000	Assets Under Construction 2019-20 £000	Total Assets 2019-20 £000	Total Assets 2018-19 £000
Balance at start of year:				
Gross carrying amount	2,836		2,836	4,284
Accumulated amortisation	-749		-749	-437
Net carrying amount at start of year	**2,087**	**0**	**2,087**	**3,847**
Purchases & Asset under Construction:				
Additions	668	3,092	3,760	1,608
Reclassification	0		0	0
Disposals:				
Gross carrying amount	-35		-35	-3,056
Accumulated amortisation	35		35	242
Amortisation for the Period	-915		-915	-554
Net carrying value at end of year	**1,840**	**3,092**	**4,932**	**2,087**
Comprising:				
Gross Carrying Amount	3,469	3,092	6,561	2,836
Accumulated Amortisation	-1,629	0	-1,629	-749
Total	**1,840**	**3,092**	**4,932**	**2,087**

19. Assets Held for Sale

The balance of Assets Held for Sale has decreased by £5.2m during 2019-20. This is due to £5.1m of the assets being sold within the year. The assets within this category are currently being marketed and expected to sell within the next 12 months.

Assets held for sale	2019-20 £000	2018-19 £000
Balance at Start of Year	10,900	13,175
Assets Transferred into Assets Held for Sale:		
Property, Plant and Equipment	2	1,193
Investment Assets	0	0
Additions	37	33
Valuation Changes:		
- Revaluation Gains/Losses	-65	4,442
Assets Transferred out of Assets Held for Sale:		
Council Housing	0	-915
Assets sold	-5,124	-7,028
Balance at end of the year	**5,750**	**10,900**

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	Classficiation and Measurement 2019-20 and 2018-19
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 (FVTPL)
Units in instant access pooled money market funds	Fair Value through Profit and Loss (FVTPL)

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.

The following categories of financial instrument are carried in the balance sheet:

Financial Assets	Long Term		Short Term	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Assets at amortised cost				
Principal amount			5,100	10,000
Loss allowance			0	-1
Total Investments	**0**	**0**	**5,100**	**9,999**
Assets at amortised cost				
Principal amount			860	6,202
Loss allowance			-1	-2
Assets at fair value through profit and loss				
Pooled Property and Equity Funds	7,554	9,242		
Money Market Funds - liquidity market			61,639	31,190
Total Cash and Cash Equivalents	**7,554**	**9,242**	**62,498**	**37,390**
Assets at amortised cost				
Trade receivables/Debtors	28,191	11,828	49,248	27,085
Total	**28,191**	**11,828**	**49,248**	**27,085**
Other Debtors and Prepayments	0	0	19,338	25,003
Total Debtors	**28,191**	**11,828**	**68,586**	**52,088**
Amount Included in Debtors	**28,191**	**11,828**	**49,248**	**27,085**
Total All Financial Assets	**35,745**	**21,070**	**116,846**	**74,474**

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 other local councils, notice accounts with banks and investments in instant access money market funds.

Cash and cash equivalents are reported on the Balance Sheet as £62.4m which is net of the overdraft of £0.072m reported within the financial liabilities table.

Equity Instruments

Equity Instruments elected to fair value through other comprehensive income	Fair Value		Dividends	
	31 March 2020 £000	31 March 2019 £000	2019-20 £000	2018-19 £000
UKMBA 1p ordinary shares	0	0	0	0
Total Equity Instruments	**0**	**0**	**0**	**0**

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

Pooled Investments

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 used 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 2020 £000	31 March 2019 £000	2019-20 £000	2018-19 £000
Schroder Income Maximiser Fund Class Z Units	3,055	4,576	370	167
CCLA LAMIT Property Fund Income Units	4,499	4,666	203	166
Money Market Funds - liquidity market	61,639	31,190	443	328
Total Instruments at fair value	**69,193**	**40,432**	**1,016**	**661**

The significant increase in money market funds was due to £18.2m being received from the government on 27th March 2020. This was £8.8m in relation to business rate relief grants, and £9.4m towards additional costs due to Coronavirus.

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 2019-20 and 2018-19
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

Financial Liabilities	Long Term 31 March 2020 £000	Long Term 31 March 2019 £000	Short Term 31 March 2020 £000	Short Term 31 March 2019 £000
Loans at amortised cost				
Principal Amount	264,028	266,967	17,047	18,922
Accrued Interest			2,692	2,826
Total Borrowing	**264,028**	**266,967**	**19,739**	**21,748**
Loans at amortised cost				
Bank Overdraft			72	2,060
Total Cash Overdrawn	**0**	**0**	**72**	**2,060**
Long Term Liabilities at amortised cost				
Finance Leases	1,197	1,482		
PFI contracts	24,399	25,462		
Amounts owed to Cheshire East Council	599	601		
Total Other Long Term Liabilities	**26,195**	**27,545**	**0**	**0**
Short Term Liabilities at amortised cost				
Finance Leases			577	917
PFI contracts			1,063	1,127
Amounts owed to Cheshire East Council				0
Trade Creditors			66,413	68,920
Total Trade Creditors	**0**	**0**	**68,053**	**70,964**
Non financial instrument creditors	0	0	56,070	42,405
Total Creditors	**0**	**0**	**122,483**	**111,325**
Amount Included in Creditors	**0**	**0**	**66,413**	**68,920**
Total All Financial Liabilities	**290,223**	**294,512**	**87,864**	**94,772**

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 a permitted right of set off.

Offsetting Financial Assets and Liabilities	31 Mar 2020 Gross assets (liabilities) £000	31 Mar 2020 (Liabilities) assets set off £000	31 Mar 2020 Net position on balance sheet £000	31 Mar 2019 Gross assets (liabilities) £000	31 Mar 2019 (Liabilities) assets set off £000	31 Mar 2019 Net position on balance sheet £000
Trade receivables	0	0	0	0	0	0
Bank accounts in credit	27,083	-27,083	0	30,470	-30,470	0
Total financial assets	**27,083**	**-27,083**	**0**	**30,470**	**-30,470**	**0**
Trade payables	0	0	0	0	0	0
Bank overdrafts	-29,393	27,083	-2,310	-34,443	30,470	-3,973
Total financial liabilities	**-29,393**	**27,083**	**-2,310**	**-34,443**	**30,470**	**-3,973**

Income, expense, gains and losses

The gains and losses recognised in the CIES in relation to financial instruments comprise of the following:

Financial Instruments Gains and Losses	Financial Liabilities	Financial Assets				
	Amortised Cost £000	Amortised Cost £000	Elected to Fair Value through Other Comprehensive Income £000	Fair Value through Profit & Loss £000	Total 2019-20 £000	Total 2018-19 £000
Interest payable	12,046				12,046	13,360
Loss on de-recognition	0				0	
Fees paid	28				28	24
Interest payable and similar charges	**12,074**	**0**	**0**	**0**	**12,074**	**13,384**
						0
Interest receivable	0	-749	0	0	-749	-919
Dividend income	0	0	0	-1,273	-1,273	-661
Interest receivable and investment income	**0**	**-749**	**0**	**-1,273**	**-2,022**	**-1,580**
Net impact on surplus / deficit on provision of services	**12,074**	**-749**	**0**	**-1,273**	**10,052**	**11,804**
Losses on revaluation		0	0	1,688	1,688	714
Impact on other comprehensive income	**0**	**0**	**0**	**1,688**	**1,688**	**714**
Net (Gain) / Loss for the Year	**12,074**	**-749**	**0**	**415**	**11,740**	**12,518**

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 2020 of between 0.25% and 2.18% 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 recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount;
- All loans issued are relatively short term (less than one year) and therefore fair value will not vary significantly from carrying value;
- The fair value of unquoted equity is calculated by reference to the estimated amount of equity attributable to the owners of the company as shown in the company's most recent set of published accounts; and

- 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 of Financial Assets	Fair Value Level	Balance Sheet Value	Fair Value	Balance Sheet Value	Fair Value
		31 March 2020 £000	31 March 2020 £000	31 March 2019 £000	31 March 2019 £000
Financial assets held at fair value					
Money market funds	1	61,639	61,639	31,190	31,190
Pooled equity funds	1	3,055	3,055	4,576	4,576
Pooled property funds	2	4,499	4,499	4,666	4,666
Financial assets held at amortised cost					
Bank deposits and notice accounts	2	959	959	11,199	11,199
Loans to other local councils	2	5,000	5,000	5,000	5,000
Short term debtors	3	49,248	49,248	27,028	27,028
Long term debtors	3	28,191	28,191	11,828	11,828
Bank overdraft		-72	-72	-2,060	-2,060
Total Financial Assets		**152,519**	**152,519**	**93,427**	**93,427**
Recorded on the balance sheet as					
Long term investments		7,554		9,242	
Long term debtors		28,191		11,828	
Short term investments		5,100		9,999	
Short term debtors		49,248		27,028	
Cash and cash equivalents		62,426		35,330	
Total Financial Assets		**152,519**		**93,427**	

The financial assets whose recurring fair value is determined using level 1 inputs (the ex-div share price on 31st March) comprise of a long term strategic shareholding in the CCLA Local Authorities Property Fund and the Schroders Income Maximiser Fund. The Council view this shareholding as being a long term strategic shareholding. Changes in the fair value of the shareholding 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.

The long term strategic shareholding in the CCLA Local Authorities Property Fund of £4.499m has been moved from level 1 to level 2 of the hierarchy for the year 2019-20. This move reflects the fact that there is no longer an active market in these instruments. Fund managers have suspended redemptions reflecting market conditions for underlying properties caused by the economic consequences of the Coronavirus pandemic.

Instant access pooled money market funds are valued using level 1 inputs, namely the ex-dividend share price on 31st March 2020.

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 UK local councils, 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 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 incurred significant set up costs over the years, and started to make loans in early 2020.
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	Fair Value	Balance Sheet Value	Fair Value
		31 March 2020 £000	31 March 2020 £000	31 March 2019 £000	31 March 2019 £000
Long and short term loans from PWLB	2	237,617	300,121	252,046	313,620
Long term LOBO loans	2	7,382	10,619	7,388	10,425
Other long and short term loans	2	38,767	46,171	29,280	35,815
PFI contracts	2	25,463	31,905	26,589	35,878
Finance leases and other long term liabilities	3	2,373	2,373	2,999	2,999
Short term creditors	3	66,413	66,413	68,920	68,920
Total Financial Liabilities		**378,015**	**457,602**	**387,222**	**467,657**
Recorded on the balance sheet as					
Long term borrowing		264,028		266,967	
Other long term liabilities		26,195		27,544	
Long term creditors					
Long term provisions					
Short term liabilities		1,640		2,044	
Short term borrowing		19,739		21,747	
Short term creditors		66,413		68,920	
Short term provisions					
Total Financial Liabilities		**378,015**		**387,222**	

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 councils. 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 Councils long-term loans have a fair value well in excess of the carrying value. This is not unsurprising given that the rate of interest payable on the Council's existing fixed rate long term loans are significantly higher than the interest rates prevailing at the balance sheet date. This is a consequence of raising fixed rate loans many years ago 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 2020 is:

Current Debtors	31 March 2020 £000	31 March 2019 £000
Trade receivables	49,248	27,085
Prepayments	11,679	11,972
Local Taxation	4,951	4,812
Other receivable amounts	2,708	8,219
Total	**68,586**	**52,088**

The increase in trade receivables is mainly due to the settlement relating to the Waste contract and a large debtor relating to capital work. Further details on the Waste contract are available in the Narrative Report.

Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

Debtors for Local Taxation	31 March 2020 £000	31 March 2019 £000
Less than twelve months	6,552	6,373
More than one year	8,649	8,116
Total	**15,201**	**14,489**

An expected credit loss (bad debt provision) of £10.2m (2019-20 £9.7m) has been provided for.

22. Cash and cash equivalents

The following table shows the balance of cash and cash equivalents as at 31 March 2020.

	31 March 2020 £000	31 March 2019 £000
Bank Current Accounts	-72	-2,060
Short Term Deposits	62,498	37,390
Total	**62,426**	**35,330**

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. Excluding such transactions from the current account balance would show the current accounts to be firmly in credit which is reflective of the actual position shown by the bank statement on 31st March 2020

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.

	31 March 2020 £000	31 March 2019 £000	Legal right to set off
Council fund account	27,083	30,470	Yes
Payables account	-27,787	-33,056	Yes
Payroll account	-1,606	-1,387	Yes
Instant access account	859	6,200	
Money market funds	61,639	31,191	
School bank accounts	1,833	1,216	
Imprest bank accounts	38	41	
Other	367	655	
Total	**62,426**	**35,330**	

23. Creditors

The Council's creditor position as at 31 March 2020 compared is analysed as follows:

Creditors	31 March 2020 £000	31 March 2019 £000
Trade payables	66,413	68,920
Receipts in advance	23,282	14,552
Other payables	32,788	27,853
TOTAL	122,483	111,325

The increase in receipts in advance includes £8.8m for Section 31 Grants.

24. Provisions

The Council holds 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 CIES 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	**Shot Term Total £000**
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**
Amounts used in year	-365	0	-144	-474	-148	**-1,131**
Unused amount released	0	0	0	-3	-11	**-14**
Additional provisions made	31	0	0	464	512	**1,007**
Balance at 31 March 2020	**80**	**0**	**678**	**464**	**712**	**1,934**

Short Term (i.e. 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 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	**Long Term Total £000**
Balance at 31 March 2018	**3,175**	**2,954**	**12,183**	**500**	**1,732**	**20,544**
Opening Balance adjustment	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**
Amounts used in year	-681	-146	-14,208	-70	0	**-15,105**
Unused amount released	-1,176	0	0	0	0	**-1,176**
Additional provisions made	1,089	0	16,173	0	849	**18,111**
Balance at 31 March 2020	**2,461**	**2,673**	**16,173**	**180**	**3,645**	**25,132**

Long Term Provisions include:

- **Insurances –** The Council holds insurance provisions for the cost of known claims up to the excess level on its insurance policies. The value of this provision is based on the individual claim reserves set by either external claims handlers or internal insurance staff.
- **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 £23.3m during 2019-20. This largely reflects increases to Earmarked Reserves, the Capital Receipts Reserve, and the Major Repairs Reserve. Further explanations for major variances follow the table.

Usable reserves	31 March 2020 £000	31 March 2019 £000
Held for Revenue Purposes		
General Fund	24,726	24,726
School Reserves	8,295	8,960
Housing Revenue Account	651	655
Earmarked General Fund Reserves	123,779	97,229
Earmarked HRA Reserves	531	463
	157,982	**132,033**
Held for Capital Purposes		
Capital Receipts Reserve	10,923	7,992
Capital Grants Unapplied Reserve	16,746	16,039
Major Repairs Reserve	16,392	13,257
	44,061	**37,288**
Total	**202,043**	**169,321**

Revenue Reserves

General Fund – The General Fund has not changed and remains at £24.7m.

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 2019-20 the reserve was topped up with £17.8m of receipts /income. This included general capital receipts (£5.7m), commercial property re-investment receipts (£3.3m), Right to Buy receipts (£2.6m) and specific capital receipts (£6.2m). £9.9m of the reserve was used to fund capital projects in 2019-20 and £4.2m was used to reduce the Council's ringfenced borrowing in relation to Winsford Shopping Centre.

Capital Grants Unapplied Reserve - The increase in the capital grants unapplied reserve of £0.7m relates to funds released from prior year specific grants in order to meet statutory obligations. School Basic Need grant (£0.3m) will be used to ensure there is capacity for sufficient school places in the appropriate areas and Disabled Facilities Grant (£0.4m) to provide assistance to residents with disabilities to enable safe and independent living at home. These funds had not been used by the end of 2019-20 and carry forward into 2020-21.

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 Financial Model. In 2019-20 the balance increased by £3.1m due to the planned additional revenue contribution from the HRA. Further details on the use of this reserve are contained in the Housing Revenue 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 are not 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 purchase; 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.

Unusable reserves	31 March 2020 £000	31 March 2019 £000
Revaluation Reserve	480,647	382,291
Capital Adjustment Account	613,874	625,155
Financial Instruments Adjustments Account	-1,626	-1,658
Pensions reserve	-262,304	-428,969
Collection Fund Adjustment Account	6,354	4,330
Accumulated Absences Account	-7,099	-7,324
Financial Instrument Revaluation Reserve	-2,752	-1,064
Total	**827,094**	**572,761**

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 CIES.

Revaluation Reserve Movements	2019-20 £000	2018-19 £000
Balance at 1 April	**382,291**	**321,562**
Upwards Revaluation of assets	117,201	83,733
Downward revaluations and impairment losses	-3,683	-9,082
Surplus on revaluation of non-current assets	**113,518**	**74,651**
Difference fair value and historic cost depreciation	-9,258	-7,822
Accumulated gains on assets sold or scrapped	-5,904	-6,100
Written off to the Capital Adjustment Account	**-15,162**	**-13,922**
Balance at 31 March	**480,647**	**382,291**

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 not yet used 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	2019-20 £000	2018-19 £000
Balance at 1 April	**625,155**	**619,529**
Capital funded items charged to CIES		
Charges for depreciation	-47,525	-43,491
Amortisation of Intangible assets	-915	-554
Revaln and impairment losses on non current assets	-15,149	-14,734
Revaluation/Impairment of capital creditors/debtors	2	8
REFCUS (Rev exp funded from capital under statute)	-1,441	-886
Assets written off to the CIES on disposal	-24,569	-28,182
Change in market value of investment properties charged to CIES	-7,880	8,452
Subtotal	**-97,477**	**-79,387**
Values released from revaluation reserve		
Depreciation costs funded from revaluation reserve	9,258	7,822
Revalued assets disposed of in year	5,904	6,100
	15,162	**13,922**
Net cost of non-current assets used in the year	**-82,315**	**-65,465**
Capital financing applied in the year		
Application of capital receipts	14,127	15,678
Transfer from Major Repairs Reserve	7,708	6,630
Capital grants and contributions from CIES	23,410	22,113
Funding from capital grants unapplied reserve	1,144	8,190
Statutory revenue provision for capital financing from CIES	22,059	15,651
Revenue contributions to capital costs from CIES	2,586	2,829
Subtotal	**71,034**	**71,091**
Balance at 31 March	**613,874**	**625,155**

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	2019-20 £000	2018-19 £000
Balance at 1 April	**-1,658**	**-802**
Adjustment to Opening Balance		**107**
Premiums/discounts incurred in previous years released to CIES	-3	-5
Proportion of premiums/discounts incurred in previous financial years to be charged to against the General Fund Balance in accordance with statutory requirements	15	15
Amounts by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	20	-973
Difference between costs charged to CIES and costs chargeable under statutory requirements	**32**	**-963**
Balance at 31 March	**-1,626**	**-1,658**

Pensions Reserve

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

The deficit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources the Council has, to date, set aside to meet them. A decrease in the deficit by £166.6m to a net liability of £262.3m has been reported in 2019-20 by the Fund's Actuaries. This is mainly due to a reduction in the projected pension liabilities due to lower inflation and shorter life duration assumptions. Statutory arrangements ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve Movement	2019-20 £000	2018-19 £000
Balance at 1 April	**-428,969**	**-303,044**
Adjustments (see Note 44)	3,815	
Remeasurement of the net defined benefit liability	195,536	-93,980
Reversal of items Charged to CIES		
-Current Service Costs	-52,520	-43,480
- Past Service Costs, Settlements and Curtailments	353	-4,333
- Net Interest Costs	-10,489	-8,447
Actual Pension Contribs Charged to General Fund	29,970	24,315
Balance at 31 March	**-262,304**	**-428,969**

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	2019-20 £000	2018-19 £000
Leave Entitlement		
- School Based Staff	-5,276	-5,528
- Non School Staff	-1,823	-1,796
Balance at 31 March	**-7,099**	**-7,324**

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	2019-20 £000	2018-19 £000
Balance at 1 April	**-1,064**	**-350**
Downward revaluation of investments	-1,688	-714
Balance at 31 March	**-2,752**	**-1,064**

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 Adjustment Account	2019-20			2018-19		
	Council Tax	Non Domestic Rates	Total	Council Tax	Non Domestic Rates	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	4,986	-656	4,330	6,409	783	7,192
Share of Collection Fund Surplus /(Deficit)	-1,564	3,588	2,024	-1,423	-1,439	-2,862
Balance at 31 March	**3,422**	**2,932**	**6,354**	**4,986**	**-656**	**4,330**
Billed Income for in year activities	-185,081	-69,607	-254,688	-171,585	-68,355	-239,940
Council Tax Collected for Parish Precepts	-3,767	0	-3,767	-3,492	0	-3,492
CWaC Contribution to (Surplus)/Deficit	-3,753	652	-3,101	-6,079	0	-6,079
Actual Collection Fund (Surplus)/Deficit	1,564	-3,588	-2,024	1,423	1,439	2,862
Income in CIES	**-191,037**	**-72,543**	**-263,580**	**-179,733**	**-66,916**	**-246,649**
Less Actual Surplus/(Deficit)	-1,564	3,588	2,024	-1,423	-1,439	-2,862
Income Credited to General Fund	**-192,601**	**-68,955**	**-261,556**	**-181,156**	**-68,355**	**-249,511**

The reserve holds a surplus of £3.4m for Council Tax which will be available to support Council budgets from 2020-21. This is a reduction of £1.6m and reflects the distribution of £3.8m of the brought forward balance to the Council and an in-year surplus of £2.2m. The in-year surplus reflects the stable cost of the Council Tax Reduction Scheme (against an expectation of growth) and strong new housing completion.

The reserve holds a surplus of £2.9m for Non-Domestic Rates which will be available to fund Council budgets from 2020-21 (dependent on future year collection fund experience). This is an increase of £3.5m which is largely the result of the value of backdated refunds in 2019-20 being significantly lower than expected based on prior experience.

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	2019-20 £000	2018-19 £000
Depreciation and amortisation of non current assets	-48,440	-44,045
Impairments and downward valuations	-15,152	-14,734
Revaluation Gains on Investment Assets	-7,880	8,452
Reduction in fair value of soft loans	-112	1,065
Pension Fund Adjustments	-32,687	-31,945
Other non cash Financial Instrument adjustments	0	-714
(Increase)/ Decrease in Provisions	-17,743	-9,161
Increase/(Decrease) in Inventories	7	19
Increase/(Decrease) in Debtors	32,020	10,452
(Increase)/Decrease in Creditors	4,095	5,509
Carrying value of assets which have been sold	-24,900	-28,193
Other non cash movements	4,045	-45
Adjustments for Non Cash Items	**-106,747**	**-103,340**

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	2019-20 £000	2018-19 £000
Proceeds from sale or disposal of non current assets	15,375	14,504
Capital grant income credited to SDPS	23,562	21,485
Income from Trading Operations	5,496	5,539
Other adjustments for financing activities	4,722	-524
Net cash flows from investing/financing activities in SDPS	**49,155**	**41,004**

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

Interest and Investment Income in Operating Activites	2019-20 £000	2018-19 £000
Interest received	-2,022	-1,580
Interest paid	12,074	13,384

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	2019-20 £000	2018-19 £000
Purchase of property, plant and equipment, investment property and intangible assets	57,889	64,435
Purchase of short-term and long-term investments	69,881	64,955
Other payments for investing activities	0	-131
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-15,375	-14,504
Proceeds from short-term and long-term investments	-76,468	-70,000
Capital grants received	-23,341	-24,846
Other receipts from investing activities	-5,496	-5,539
Net cash flows from investing activities	**7,090**	**14,370**

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	2019-20 £000	2018-19 £000
Cash receipts of short- and long-term borrowing	-14,031	-7,442
Other receipts from financing activities	-488	-1,130
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,804	2,112
Repayments of short- and long-term borrowing	18,844	14,632
Other payments for financing activities	-4,722	524
Net cash flows from financing activities	**1,407**	**8,696**

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:

Trading operations	Expenditure 2019-20 £000	Property Disposals / Valuations 2019-20 £000	Income 2019-20 £000	(Surplus)/ Deficit 2019-20 £000	Expenditure 2018-19 £000	Property Disposals / Valuations 2018-19 £000	Income 2018-19 £000	(Surplus)/ Deficit 2018-19 £000
Industrial & Commercial Properties	3,370	7,706	-8,601	2,475	2,803	-8,500	-8,540	-14,237
Transport Management Organisation	2,189	0	-2,067	122	2,245	0	-2,114	131
Grounds Maintenance	98	0	-88	10	144	0	-154	-10
Total	**5,657**	**7,706**	**-10,756**	**2,607**	**5,192**	**-8,500**	**-10,808**	**-14,116**

- The Industrial and Commercial Properties trading account reflects lets of 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.
  From 2018-19 all investment properties were required to be valued on an annual basis, compared to previous years where investment properties were valued on a 5 year cycle. In 2019-20, the valuations therefore represent a year on year movement.
  The reason for the reduction of £7.7m is lower valuations placed on industrial and commercial properties.

- 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. These costs remain in line with previous years.

- An element of the Grounds Maintenance trading operations was retained in year for school maintenance costs.

31. Agency Services

The only Agency Service run by the Council is for business rates and council tax. All details relating to this are included in the Collection Fund.

32. Members' Allowances

In accordance with the Local Authorities (Members' Allowances) Regulations 2003, the total amount spent on members' allowances in 2019-20 was £1.1m. The payments include basic allowance, special responsibility allowance and national insurance costs. It does not include the direct reimbursement of costs incurred. The current level of allowances was established following an independent review.

Members' Allowances	2019-20 £000	2018-19 £000
Basic Allowance	854	875
Special Responsibility Allowance	198	225
Members National Insurance Contributions	63	66
Total Members' Allowances	**1,115**	**1,166**

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 2019-20. Pay includes salary costs, taxable travel costs and any redundancy payments. It does not include employers' pension or national insurance contributions.

Employee Pay Band	2019-20	2018-19
£50,000 - £54,999	184	180
£55,000 - £59,999	67	71
£60,000 - £64,999	70	55
£65,000 - £69,999	40	36
£70,000 - £74,999	21	19
£75,000 - £79,999	11	8
£80,000 - £84,999	5	5
£85,000 - £89,999	3	2
£90,000 - £94,999	4	4
£95,000 - £99,999	3	3
£100,000 - £104,999	1	1
£105,000 - £109,999	3	1
£110,000 - £114,999	1	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	1
Total	**413**	**386**

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 £
2019-20 Current structure:			
Mr A Lewis - Chief Executive	158,100	39,999	198,099
Deputy Chief Executive - Places	133,991	33,900	167,891
Deputy Chief Executive - People	133,991	33,900	167,891
Chief Operating Officer - Corporate Services	117,614	29,756	147,370
Director of Children's Social Care	108,821	27,532	136,353
Director of Place Commissioning and Commercial Management	99,382	25,010	124,392
Director of Public Services Reform	98,853	25,010	123,863
Director of Places Strategy	98,403	24,896	123,299
Director of Place Operations	96,548	24,427	120,975
Director of Public Health	94,045	24,170	118,215
Director of Integrated Early Support	91,429	23,132	114,561
Director of Integrated Adult Social Care and Health (until 15/3/20)	90,435	19,146	109,581
Director of Finance	88,741	22,452	111,193
Director of Governance/Monitoring Officer - Job share	83,412	21,480	104,892
Director of Education - full time until 31/08/2019, Job Share from 01/09/2019	75,892	10,487	86,379
Director of Governance/Monitoring Officer - Job share	39,541	10,004	49,545
Director of Education (interim job share) from 1/9/2019 to 31/12/19	12,756	3,227	15,983
Director of Education (job share) from 01/01/2020	18,546	-	18,546
Director of Integrated Adult Social Care and Health (from 16/3/20 - unpaid)	-	-	-
Total	**1,640,500**	**398,528**	**2,039,028**
Number of posts in management structure as at 31 March 2020 - **15**.			
Total contractual value of salary for the year - **£1.63m**			

The Director of Education became part time from 01/09/2019 and an interim job share was put in place until 31/12/2019. A new officer was appointed to a permanent job share from 01/01/2020.

A new Director of Adult Social Care and Health started in post on 16/03/2020, but was not paid in year.

In addition to the costs shown in the table above, the Chief Executive has also received payments for undertaking the duties of Acting Returning Officer for Parliamentary Election, Returning Officer for the Borough elections and Local Returning Officer for the European Election. The payments relating to these roles total £31.4k; the level of payment is set in line with nationally agreed rates for elections. The Parliamentary Election and European election fee is fully funded by the electoral commission and the Borough Election fee is funded by CW&C.

There were also payments to Directors and other officers for the duties of: Deputy Returning officers (Borough Elections and Parish election), Deputy Local Returning officers (European Elections), Deputy Counting officers (Neighbourhood Plan Referendums) and Deputy Acting Returning officers (Parliamentary Election). These payments totalled £12k, of which £6k was funded by the electoral commission and £6k is funded by CW&C.

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**			

Termination Costs

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

Exit package cost band (incl special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
	People	Restated People	People	Restated People	People	Restated People	£000	Restated £000
£0 - £20,000	24	24	25	15	49	39	324	210
£20,001 - £40,000	5	2	7	8	12	10	353	284
£40,001 - £60,000	2	4	1	3	3	7	150	337
£60,001 - £80,000	3	1	0	2	3	3	206	196
£80,001 - £100,000	0	0	1	1	1	1	97	83
£100,001 - £150,000	0	2	0	2	0	4	0	463
£150,001 - £200,000	0	0	1	1	1	1	176	191
£200,001 - £250,000	0	0	0	1	0	1	0	210
Total	**34**	**33**	**35**	**33**	**69**	**66**	**1,305**	**1,974**

34. Audit Costs

The Council auditors are Grant Thornton and will incur audit fees of £141k 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	2019-20 £000	2018-19 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	141	118
Fees payable to Grant Thornton in respect of certification of grant claims and other services	23	23
Total	**164**	**141**

35. Dedicated Schools Grant (DSG)

This is a ring-fenced grant and can only be used to meet expenditure properly included in the Schools Budget as defined by the School and Early Years Finance Regulations. The grant is therefore credited to the Children's Directorate in the CIES. 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 2019-20 were as follows:

DSG FOR 2019-20	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2019-20 before Academy recoupment			266,516
Academy figure recouped for 2019-20			-64,770
Total DSG (after Academy recoupment)			**201,746**
Balance brought forward from 2018-19			2,131
Carry forward to 2020-21 agreed in advance			-984
Agreed initial budgeted distribution in 2019-20	**44,787**	**158,106**	**202,893**
In year adjustments	148	92	240
Final budgeted distribution for 2019-20	**44,935**	**158,198**	**203,133**
Less: Actual Central Expenditure	-44,901		-44,901
Less: Actual ISB deployed to Schools		-158,198	-158,198
Carry Forward 2020-21	**34**	**0**	**34**
Total carry forward to 2020-21			**1,018**

The primary source of funding for schools is provided by the Education and Skills Funding Agency via the Dedicated Schools Grant which was allocated at £266.5m in 2019-20. This initial allocation is reduced by £64.8m as funding relating to academies and high needs provisions not maintained by the Local Authority is passed directly to those establishments, and is not reflected in the accounts. This was further adjusted in year for changes to early years funding based on participation. This allocation, plus funding brought forward from previous years and available to fund services in 2019-20, and after allowing for funds carried forward to 2020-21, provided funds of £202.9m.

Unspent central expenditure is carried forward by the Council as part of its Earmarked Reserves, this amount equated to (£1.0m) as at the end of 2019-20 [(£2.1m) in 2018-19)]. Unspent individual school balances are retained by the individual schools and recorded on the Balance Sheet in the School Balances reserve (£8.3m) at 31 March 2020 [(£9.0m) 31 March 2019].

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**

36. Grant Income

The following grants, contributions and donations were credited to the CIES in 2019-20:

Grant income	2019-20 £000	2018-19 £000
Credited to Taxation and Non Specific Grant Income		
Used to finance Council activities in year		
Council Tax	191,036	179,733
Non-Domestic Rate	72,941	67,522
S31 Non Domestic Rates Grant Funding	8,033	5,893
Revenue Support Grant	3,286	11,271
Local Services Support Grant	383	338
New Homes Bonus	10,254	8,871
PFI Grant	3,061	3,039
Housing and Council Tax Benefit Administration Subsidies	793	850
Other Core Revenue Grants	823	1,588
Used to finance Capital Expenditure		
Capital Grants Utilised in Year	21,121	18,629
Capital Contributions Utilised in Year	2,289	3,484
Set aside for future Capital Financing		
Capital Grants Set Aside for Future Usage	1,851	1,245
Total	**315,871**	**302,463**
Credited to Services		
Dedicated Schools Grant (DSG)	201,672	198,455
Public Health Grant	15,825	16,254
COVID-19 Grant	9,430	0
Mandatory and HRA Rebates	8,043	8,589
Independent Living Fund	1,499	1,546
Sixth Forms Funding (Young Peoples Learning Agency)	5,283	6,025
Mandatory Rent Allowances: subsidy	56,461	62,331
Adult and Community Learning	918	791
Pupil Premium Grant	9,422	9,461
Improved Better Care Fund/Adult Social Care Support Grant	13,013	9,936
PE and Sports Grant	2,049	2,087
Devolved Formula Capital	215	0
Disabled Facilities Grant	2,569	1,838
Universal Infant Free School Meals	3,275	3,249
Other Grants	15,711	10,243
Total	**345,385**	**330,805**

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:

Long term Liabilities

Capital Grants and Contributions Receipts in Advance	2019-20 £000	2018-19 £000
Devolved Formula Capital	1,355	2,159
Other Grants	749	834
Transport Funding	2,116	4,117
s106 and other Contributions	13,303	10,633
Total	**17,523**	**17,743**

Current Liabilities

Revenue Grants Receipts in Advance	2019-20 £000	2018-19 £000
Dept of Education - Various	365	130
Dept of Transport - Various	0	21
Ministry of Housing, Communities and Local Government	8,840	345
Learning and Skills Council - Adult Education Funding	864	744
Other Govt Bodies	532	393
Other	343	369
Total	**10,944**	**2,002**

The increase of revenue grants receipts in advance is due to grants from MCHLG of £8.8m for Section 31 Grants.

37. Related Parties

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

- Central Government
- Elected Members of the Council
- Senior Officers
- Other Public Bodies
- 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 (2018-19 comparators in brackets).

- Funding from Government Note 36 £397m (£386m)
- Non Domestic Rates Share Payable Collection Fund £70.8m (£69.6m)

From 1 April 2016 the Council became a member of the Greater Manchester and Cheshire business rates pool. See Collection Fund notes for further details.

The Council also paid precepts to Cheshire Police Authority, Cheshire Fire Authority, and local parish and town councils.

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 £28.1m (2018-19 £22.1m). The year-end amount due from the Pension Fund for payments made by the Council was £1.6m. The year-end amount owed to the Fund is £8.3m, primarily relating to early retirement costs which are repaid over more than one year, and pension contributions payable in April 2020 but relating to March 2020.

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 2019-20 this figure was £14.2m (2018-19 £13.7m).

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 2019-20 amounted to £6.3m (2018-19 £6.6m).

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 2019-20 is shown in Note 32.

During 2019-20 works and services to the value of £861k (£2.1m in 2018-19) were commissioned from companies and £204k (£131k in 2018-19) was charged to companies in which Members had an interest. The year-end creditors balance owed to these companies is £27k (£4k in 2018-19) and the debtors balance owed from the companies is £67k (£41k in 2018-19). 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 2019-20:

Organisation	Member/Officer
Chester Aid to the Homeless	Cllr Bisset Cllr Rudd
Chester Blue Coat Church of England Educational Foundation	Cllr Eardley
Countess of Chester Health	Cllr Collings
Hoole Community Development Trust	Cllr Watson
Manchester Port Health Authority	Cllr Riley
Neston Community Youth Centre Limited	Cllr Gittins
Neston High School (Academy)	Cllr Gittins
NW Firecontrol Limited	Cllr Rudd
North West Academies Trust Limited (Oak View Academy)	Cllr Baynham
ASPIRE Academy Trust (Victoria Road Primary School)	Cllr Cooper
Weaverham Community Association (Centre)	Cllr Edwards
Youth Federation	Cllr Langan

The following Members and Officers of the Council held interests in the following companies, which had transactions with the Council during 2019-20 in which the Council also has an interest:

Organisation	Member/Officer
Avenue Services (NW) Limited	Cllr Board Cllr Beacham Cllr Gahan Cllr Delaney Cllr Little Cllr Richards
Brio Leisure CIC	Cllr Beacham
Cheshire & Warrington Local Enterprise Partnership	Cllr Dixon (resigned 2/5/19) Cllr Gittins (appointed 2/5/19)
Cheshire West Recycling Ltd	Officer C Seward Officer M Byrne Officer G Pink Officer K McIlwaine
Cowest Services Limited	Officer M Wynn (resigned 19/08/19) Officer C Seward
Edsential Community Interest Company	Officer M Parkinson
HQ Management Company Limited	Officer H Job (appointed 9/1/20) Officer G Joyce (appointed 14/1/20) Officer R Wojtan (resigned 9/1/20) Officer J Powell (resigned 24/12/19)
Vivo Care Choices Limited	Officer Alistair Jeffs (seconded)
Cheshire Provider Services Trading Company Limited	Officer Alistair Jeffs (seconded)

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 2019-20

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 2019-20	Details of Arrangement	2019-20 Total Assets	Total Liabilities	Total Equity	Turnover	Operating Profit/ (Loss)	Actuarial gains/ (losses)	Total Profit/(Loss) for the year
		£000	£000	£000	£000	£000	£000	£000
Associates								
Avenue Services (Blacon Asset Management Company) Limited	The company has been operational since 1 April 2012 providing services and facilities for the benefit of residents of Blacon and the wider community. The company is jointly owned by the Council (49%) and CDHT (51%) (under the banner of Sanctuary Housing).	1,332	-1,026	-306	2,237	5	0	8
	2018-19	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 £2.4m 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 £0.5m of trade debtors.	1,423	-5,608	-4,184	12,533	-1,833	1,811	-1,934
	2018-19	1,599	-5,318	-3,719	12,707	-1,781	-610	-2,491

Interest in Companies 2019-20	Details of Arrangement	2019-20 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 2025. 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 £14.4m and income totalling £0.3m. At the year end included in the Council's debtors is a balance of £0.6m working capital loan advanced to Vivo and £0.2m of trade debtors, included in the Council's creditors is £1.3m of trade creditors.	2,405	-7,594	-5,189	15,842	-1,773	6,906	-1,674
	2018-19	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 2020 the Council had expenditure with Qwest of £7.5m and income of £400k. A net pension gain of £203k exists and the Council is guarantor for this should the company cease trading.	8,975	-10,067	-1,092	16,246	383	-1,231	330
	2018-19	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 councils have a 50% share. The company has been set up to provide a 'one stop shop' approach for schools to buy services such as music services, outdoor education, governor services, catering, cleaning, school development and learning outside the classroom. The CIC has a £6.5m pension liability, £2.8m of this is in relation to Cheshire Pensions and the Council is guarantor for this element should the company cease trading. During the year the Council had expenditure with Edsential totalling £9.2m and income totalling £0.8m. At the year end included in the Council's debtors is a £0.6m loan advanced to Edsential and £0.3m of trade debtors, included within the Council's creditors is £1m of trade creditors.	4,791	-13,915	-9,124	18,740	323	0	197
	2018-19	4,729	-13,903	-9,174	19,658	328	-1,526	-2,408

Cheshire West and Chester

The following items are not consolidated into the accounts for reasons stated and are included here for completeness.

Local Capital Finance Company

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

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 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 2019) 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.

During the year 2019-20 the UKMBA issued its first bond. The proceeds from issuing the bond were lent to a single UK local Council. Further bond issues are planned to take place in 2020-21.

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

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

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

In joining the partnership as a County Area Limited Partner the Authority is expected to advance annually to the Fund (as a loan) an index-linked amount equal to £250k divided by the number of County Area Limited Partners, to meet the ongoing expenses of the fund (Cheshire West and Chester holding is £42k). Since a review of contributions by the Partnership in 2017-18 the Council has not been required to make any annual contributions. The payments in 2019-20 are therefore nil (2018-19 nil). 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.

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 2019-20 group accounts, (turnover of £0.9m and net assets of £1.4m) (£2m and £0.7m 2018-19).

HQ Management Company Limited

The Council holds 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 insufficient to have a material impact on the Council's 2019-20 group accounts.

ENTEP Properties Limited

ENTEP Properties was established in 1983 with the Council holding a minority shareholding limited by guarantee. Currently the Council leases 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, reporting date 30th September 2018.

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. CWAC is 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 2019-20 the Cheshire West and Chester BCF combined the required minimum pooling of £27.7m of existing resources held by each Commissioning Partner namely; Cheshire West and Chester Council, West Cheshire Clinical Commissioning Group and Vale Royal Clinical Commissioning Group through a pooled budget. In 1 April 2020 West Cheshire CCG and Vale Royal CCG merged to become Cheshire Clinical Commissioning Group.

Funding of £933k carried forward from the previous year was also available, and of this a total of £455k was used. Additional underspends of £241k throughout 2019-20 have resulted in £719k being made available in future years (£698k for the Council).

Funding was used 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 Agency, 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 2019-20 is shown below:

Minimum Pooling 2019-20	**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 2018/19	-	-933	-	-	-	-	-	-933
Income	-11,908	-12,133	-11,411	-11,438	-4,396	-4,807	-29,182	-28,377
Expenditure	11,908	12,367	11,411	11,438	4,396	4,785	29,182	28,591
Total	**-**	**-698**	**-**	**-**	**-**	**-21**	**-**	**-719**
BCF Funding C/Fwd to 2020/21	-	-698	-	-	-	-21	-	-719

Minimum Pooling 2018-19	**Cheshire West and Chester Council**		**West Cheshire Clinical Commissioning Group**		**Vale Royal Clinical Commissioning Group**		**Total**	
	Plan	**Actual**	**Plan**	**Actual**	**Plan**	**Actual**	**Plan**	**Actual**
BCF Funding B/Fwd from 2017-18	-	-309	-	-	-	-	-	-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	**-**	**-933**	**-**	**-**	**-**	**-**	**-**	**-933**
BCF Funding C/Fwd to 2019-20	-	-933	-	-	-	-	-	-933

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 (and the Community Equipment Scheme on behalf of the Local Authority and West Cheshire CCG), which is reported in the Council statement of accounts.

In 2019-20 the Council received income of £8.7m 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 £3.25m 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 individual scheme specifications.

Additionally in 2019-20 the Local Authority received the Improved Better Care Fund grant. The value of the grant was £9.040m with expenditure of £9.052m. This was pooled within the BCF.

The Local Authority also received the Winter Funding grant to aid service delivery over the winter period. The value of this grant was £1.467m and was fully spent in year (associated expenditure totalled £4.358m, with the difference having been met by the Local Authority's base budget). This was also pooled within the BCF.

39. Capital Expenditure and Financing

The Council's Capital Financing Requirement has fallen in year as capital costs of £57.6m were less than funding sources of £71.0m. The overall Capital Financing Requirement will be funded from a combination of future revenue contributions, capital receipts and external funding.

Capital expenditure and financing	2019-20 £000	2018-19 £000
Opening Capital Financing Requirement	**520,133**	**521,853**
Capital Investment		
- Expenditure on capital assets		
- Property, plant and equipment	50,395	59,298
- Heritage assets	302	500
- Investment assets	1,700	2,928
- Intangible assets	3,760	1,608
- Assets Held for Sale	37	33
Loans transferred to Long Term Debtors	71	122
- REFCUS - expenditure of a capital nature	6,583	9,171
- Change in value of capital Creditor/Debtor	-2	-8
Total	**62,846**	**73,652**
Sources of Finance		
- Capital Receipts applied	-14,127	-15,678
- Govt grants and contributions applied	-23,410	-22,113
- Tfr from unapplied grants and contributions	-1,144	-8,190
- Revenue contributions	-2,586	-2,829
- Income from repayment of capital debtors	-151	-178
- Release of surplus capital creditors	-331	-11
- Use of other Capital Reserves	-7,708	-6,630
- Revenue provision for debt repayment	-22,059	-15,651
Total	**-71,516**	**-71,280**
Refcus income	-5,142	-4,092
Closing Capital Financing Requirement	**506,321**	**520,133**
Explanations of Movement in Year		
Decrease in underlying need to borrow (unsupported)	-14,773	-3,094
Assets acquired under finance leases	788	1,141
Assets acquired under PFI/PPP contracts	173	233
Decrease in Capital Financing Requirement	**-13,812**	**-1,720**

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 2019-20 £000	Vehicles, Plant and Equipment 2018-19 £000
Net Book Value at 1 April	2,271	3,276
New Leases	788	1,141
Depreciation	-785	-2,138
Disposals	-821	-8
Value at 31 March	**1,453**	**2,271**

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	2019-20 £000	2018-19 £000
Current (payable within 1 year)	577	917
Non Current	1,197	1,482
Finance costs payable in future years	206	236
Minimum lease payments	**1,980**	**2,635**

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

Age Profile of Finance Lease Payments	Minimum Lease Payment		Finance Lease Liabilities	
	2019-20 £000	2018-19 £000	2019-20 £000	2018-19 £000
No later than one year	679	1,024	577	917
Between one and five years	1,269	1,456	1,165	1,333
Later than five years	32	155	32	149
	1,980	**2,635**	**1,774**	**2,399**

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 2019-20, 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. In 2019-20 the contractual arrangement for the waste collection has been terminated as the service has transferred to a Council owned company.

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 used have be recognised on the balance sheet (£405K) as Council Assets and the future contractual payments linked to the assets as a liability (£466K).

Authority as Lessee: Operating Leases

Commitments under Operating Leases
The Council was committed at 31 March 2020 to making payments of £8.3m under operating leases, comprising the following elements:

Land and Buildings
The Council leases various buildings on a long term basis, these are accounted for as operating leases. The lease payments for 2019-20 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 2019-20 was £0.5m.

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 66 employees who are part of this scheme with an annual cost of £0.3m. 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	2019-20 £000	2018-19 £000
No later than one year	995	1,054
Between one and five years	2,778	2,794
Later than five years	4,546	4,546
	8,319	**8,394**

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 2020 the outstanding income linked to future usage of these properties was as below.

Age Profile of Sub-lease payments receivable	2019-20 £000	2018-19 £000
No later than one year	153	153
Between one and five years	146	156
Later than five years	34	63
	333	**372**

The lease payments payable and sublease income receivable in 2019-20 was:

Lease payments and Sub-lease income receivable	2019-20 £000	2018-19 £000
Minimum Lease payments	127	127
Sublease Payments Receivable	-153	-153
	-26	**-26**

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	2019-20 £000	2018-19 £000
No later than one year	15,895	14,098
Between one and five years	33,755	24,750
Later than five years	170,087	165,865
	219,737	**204,713**

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 2019-20 £266K contingent rents were receivable by the authority (in 2018-19 the authority received £273K).

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 were originally 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. Since then three schools have become academies, leaving two schools and additional facilities within the Council's ownership. 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, although one of these three sites was subject to extensive fire damage during 2019-20. 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.

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 £28.7m 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, or 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 operational running 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	2019-20			2018-19		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Net Book Value	6,248	12,448	**18,696**	9,592	12,903	**22,495**
Additions/Disposals	21	152	**173**	-5,413	160	**-5,253**
Revaluations	2,866	7,669	**10,535**	2,275	0	**2,275**
Depreciation	-130	-619	**-749**	-206	-615	**-821**
Closing Net Book Value	**9,006**	**19,650**	**28,656**	**6,248**	**12,448**	**18,696**

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 five separate components reflecting what is being funded:

- Service Costs — Reflecting the net cost of services delivered in 2019-20
- 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	2019-20			2018-19		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Service Costs	1,013	69	**1,082**	1,130	96	**1,226**
Financing Costs	644	845	**1,489**	664	875	**1,539**
Contingent Rents	139	118	**257**	88	90	**178**
Liability Repayment	371	756	**1,127**	262	672	**934**
Lifecycle Costs	53	152	**205**	73	160	**233**
Total	**2,220**	**1,940**	**4,160**	**2,217**	**1,893**	**4,110**

The spread of the Unitary Payment and the liability balances reflect 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 2019-20 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.

Movement in Liability during the year	2019-20			2018-19		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Liability	-8,181	-18,407	**-26,588**	-8,443	-19,079	**-27,522**
Payments made in year	371	756	**1,127**	262	672	**934**
Closing Liability	**-7,810**	**-17,651**	**-25,461**	**-8,181**	**-18,407**	**-26,588**

Future Payments under the PFI Contracts	Service Costs £000	Principal Payments £000	Capital Costs £000	Interest £000	Total £000
Schools					
Obligations Payable in 2020-21	809	322	175	615	1,921
Due between 2021-22 and 2024-25	3,442	1,686	571	2,168	7,867
Due between 2025-26 and 2029-30	4,956	3,035	600	1,817	10,408
Due between 2030-31 and 2034-35	3,652	2,767	637	502	7,558
Total	**12,859**	**7,810**	**1,983**	**5,102**	**27,754**
Extra Care					
Obligations Payable in 2020-21	101	741	164	810	1,816
Due between 2021-22 and 2024-25	713	2,879	1,077	2,898	7,567
Due between 2025-26 and 2029-30	1,123	4,208	1,581	2,872	9,784
Due between 2030-31 and 2034-35	1,604	4,838	2,229	1,843	10,514
Due between 2035-36 and 2039-40	1,051	4,984	1,021	561	7,617
Total	**4,592**	**17,651**	**6,073**	**8,983**	**37,298**

PFI Funding

The Unitary Payments are primarily funded from grants received from the Ministry of Housing, 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. As time elapses this leads to an imbalance between 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.

Equalisation Reserves movement in year	2019-20			2018-19		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Balance	5,138	1,268	**6,406**	4,926	1,191	**6,117**
In Year Additions	230	63	**293**	212	77	**289**
Closing Balance	**5,368**	**1,331**	**6,699**	**5,138**	**1,268**	**6,406**

42. Capitalisation of Borrowing Costs

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

During 2019-20 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 is therefore accounted for on the same basis as a defined contribution scheme.

In 2019-20, the Council paid £16.2m (2018-19, £12.5m) to Teachers' Pension in respect of teachers' retirement benefits, representing 20.7% (2018-19, 16.5%) of pensionable pay. The difference was funded by the Department for Education.

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 2019-20 equated to £26k (2018-19 £28k) representing 14.1% of pensionable pay.

44. Defined Benefit Pension Scheme

Participation in Pension Scheme

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

Accounting Treatment

The Council participates in the Local Government Pension Scheme (LGPS) and Discretionary Pensions for Teachers under the Teachers' 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 (Hymans Robertson LLP) 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 2019 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 2019-20 year was a loss of (£34.0m) (2018-19 gain of £296.0m). The fund achieved a return on its investments of -1.35% (2018-19 5.5%), against a tailored benchmark of -0.8% (2018-19 5.5%). For the three years ending 31 March 2020 (2019) the Fund achieved an annualised return of 3.4% (10.2%) per annum against the Fund's benchmark return of 2.2% (7.6%) per annum.

Teachers Discretionary Payments
The Council also funds discretionary early retirement benefits for teachers and this scheme is unfunded. The Council paid £4.7m in 2019-20 (£4.8m in 2018-19) in relation to this scheme, of which £3.0m (£3.0m in 2018/19) has been recovered from Cheshire East, Halton and Warrington Borough Council.

LGPS discretionary payments
The Council also funds discretionary benefits for LGPS female staff who were subject to a modification reduction when they returned after maternity and this scheme is unfunded. The Council paid £0.4m in 2019-20 in relation to this scheme, of which £0.3m has been recovered from Cheshire East, Halton and Warrington Borough Council. From 2019-20 onwards, this is accounted for separately.

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 MIRS (Movement in Reserves Statement) and replaced by the payments made.

The following transactions occurred during the year:

CIES and Movement in Reserves Statement	**LGPS 2019-20 £000**	**Teachers Unfunded Scheme 2019-20 £000**	**LGPS Unfunded Scheme 2019-20 £000**	**Total 2019-20 £000**	**LGPS 2018-19 £000**	**Teachers Unfunded Scheme 2018-19 £000**	***LGPS Unfunded Indicative 2018-19 £000***	**Statement of Accounts 2018-19 £000**
Comprehensive Income and Expenditure Statement (CIES)								
Service cost comprising:								
Current service cost	52,520	0	0	52,520	43,480	0	*0*	43,480
Past service costs and curtailments	775	0	0	775	5,845	0	*0*	5,845
(Gain) from settlements	-1,128	0	0	-1,128	-1,512	0	*0*	-1,512
Financing and Investment Income and Expenditure								
Net Interest Cost (Note 12)	9,925	531	33	10,489	7,706	741	*43*	8,447
Total post-employment benefits charged to SDPS	62,092	531	33	62,656	55,519	741	*43*	56,260
Other post-employment benefits charged to the CIES	`							
Remeasurement of the net defined benefit liability comprising:								
Return on plan assets (excluding the amount included in the net interest expense)	19,589	0	0	19,589	-36,395	0	*0*	-36,395
Actuarial Gains / Losses arising on changes in demographic assumptions	-73,153	-1,497	-116	-74,766	0	0	*0*	0
Actuarial Gains / Losses arising on changes in financial assumptions	-140,231	-801	-36	-141,068	130,283	746	*-47*	131,029
Other experience	755	-86	40	709	0	-654	*-120*	-654
Total post-employment benefit charged	-130,948	-1,853	-79	-132,880	149,407	833	*-124*	150,240
Movement in Reserves Statement								
Reversal of net charges made to the SDPS for post-employment benefits	-62,092	-531	-33	-62,656	-55,519	-741	*-43*	-56,260
Actual charged to the General Fund								
Employers' contributions	28,086	0	0	28,086	22,145	0	*0*	22,145
Retirement Benefits Payable	0	1,735	148	1,883	0	2,171	*159*	2,171

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;

Balance Sheet entries	**LGPS 2019-20 £000**	**Teachers Unfunded 2019-20 £000**	**LGPS Unfunded 2019-20 £000**	**Total 2019-20 £000**	**LGPS 2018-19 £000**	**Teachers Unfunded 2018-19 £000**	**LGPS Unfunded Indicative 2018-19 £000**	**Statement of Accounts Total 2018-19 £000**
Present value of obligations	-1,641,417	-19,404	-1,199	-1,662,020	-1,801,957	-28,234	*0*	-1,830,191
Fair value of plan assets	1,399,716	0	0	1,399,716	1,401,222	0	*0*	1,401,222
Net Pension Liability	**-241,701**	**-19,404**	**-1,199**	**-262,304**	**-400,735**	**-28,234**	***0***	**-428,969**

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilitites	LGPS 2019-20 £000	Teachers Unfunded 2019-20 £000	LGPS Unfunded 2019-20 £000	Total 2019-20 £000	LGPS 2018-19 £000	Teachers Unfunded 2018-19 £000	*LGPS Unfunded Indicative 2018-19* £000	Statement of Accounts Total 2018-19 £000
Opening Balance 2018-19 Accounts	1,801,957	28,234	0	1,830,191	1,620,721	29,572	1,710	1,650,293
Adjustments (note 1)		-5,242	1,426	-3,816				
Revised Opening balance	1,801,957	22,992	1,426	1,826,375				
Current Service Costs	52,520	0	0	52,520	43,480	0	0	43,480
Interest Cost	43,440	531	33	44,004	43,785	741	43	44,526
Contribution by Scheme Members	7,513	0	0	7,513	7,133	0	0	7,133
Remeasurement (gains) and losses:								
Actuarial (gains)/losses arising from changes in demographic assumptions	-73,153	-1,497	-116	-74,766	0	0	0	0
Actuarial (gains)/losses arising from changes in financial assumptions	-140,231	-801	-36	-141,068	130,283	746	-47	131,029
Other experience	755	-86	40	709	0	-654	-120	-654
Benefits Paid	-49,859	-1,735	-148	-51,742	-45,559	-2,171	-159	-47,730
Past Service Costs & Curtailments	775	0	0	775	5,845	0	0	5,845
Liabilities Extinguished on Settlement	-2,300	0	0	-2,300	-3,731	0	0	-3,731
Closing balance at 31 March	**1,641,417**	**19,404**	**1,199**	**1,662,020**	**1,801,957**	**28,234**	**1,426**	**1,830,191**

Note 1.
The Teachers' discretionary unfunded pension scheme was changed during 2019-20 to be funded between all four instead of two former Cheshire Councils, with Halton and Warrington being added to Cheshire East, and Cheshire West and Chester (CWAC). This reduced the share payable by CWAC from 45.73% to 37.24%. This required a reduction in the opening balance of the present value of the scheme liabilities of £5.242m.

The LGPS discretionary unfunded pension scheme was introduced and will be reported separately from 2019-20. A column has been added to 2018-19 to provide indicative figures that would have applied then. This scheme is funded by all four Councils in Cheshire, and CWAC pays 35.43% of the total sum due.

Movement in Fair Value of Assets	LGPS 2019-20 £000	Teachers Unfunded 2019-20 £000	LGPS Unfunded 2019-20 £000	Total 2019-20 £000	LGPS 2018-19 £000	Teachers Unfunded 2018-19 £000	LGPS Unfunded Indicative 2018-19 £000	Statement of Accounts 2018-19 £000
Opening Balance	**1,401,222**	**0**	**0**	**1,401,222**	1,347,249	0	0	1,347,249
Interest income	33,515	0	0	33,515	36,079	0	0	36,079
Remeasurement gains and (losses):								
Return on plan assets, excluding the amounts included in net interest	-19,589	0	0	-19,589	36,395	0	0	36,395
Employer Contributions	28,086	0	0	28,086	22,144	0	0	22,144
Contribution by scheme members	7,513	0	0	7,513	7,133	0	0	7,133
Contributions - unfunded benefits		1,735	148	1,883		2,171	159	2,171
Benefits paid	-49,859	0	0	-49,859	-45,559	0	0	-45,559
Unfunded benefits paid		-1,735	-148	-1,883	0	-2,171	-159	-2,171
Assets distributed on Settlement	-1,172	0	0	-1,172	-2,219	0	0	-2,219
Closing balance at 31 March	**1,399,716**	**0**	**0**	**1,399,716**	**1,401,222**	**0**	**0**	**1,401,222**

An allowance has been made in the formal valuation so that the impact of the McCloud judgement continues to be included within the Balance Sheet at 31 March 2020.

Local Government Pension Scheme Assets

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

Local Government Pension Scheme assets	Quoted Prices in active markets 2019-20 £000	Quoted Prices not in active markets 2019-20 £000	Total 2019-20 £000	Share of Total 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 %
Cash & Cash Equivalents	**0**	**40,953**	**40,953**	**3%**	**0**	**27,336**	**27,336**	**2%**
Equity Securities:								
By industry type:								
Consumer	17,704	0	17,704	1%	17,012	0	17,012	1%
Manufacturing	14,212	0	14,212	1%	10,531	0	10,531	1%
Energy and Utilities	2,065	0	2,065	0%	2,232	0	2,232	0%
Financial Institutions	19,687	0	19,687	1%	19,787	0	19,787	1%
Health and Care	8,574	0	8,574	1%	6,218	0	6,218	0%
IT	70,290	0	70,290	5%	65,881	0	65,881	5%
Other	5,071	0	5,071	0%	4,374	0	4,374	0%
	137,603	**0**	**137,603**	**10%**	**126,035**	**0**	**126,035**	**8%**
Private equity:	**0**	**52,694**	**52,694**	**4%**	**0**	**48,621**	**48,621**	**4%**
Real Estate:								
UK	0	112,118	112,118	8%	0	114,856	114,856	8%
Overseas		1,954	1,954	0%	0	2,038	2,038	0%
	0	**114,072**	**114,072**	**8%**	**0**	**116,894**	**116,894**	**8%**
Investment funds and unit trusts:								
Equities	214,644	0	214,644	15%	201,518		201,518	15%
Bonds	518,926	103,193	622,119	45%	533,974	100,538	634,512	45%
Hedge Funds	0	159,839	159,839	11%		188,473	188,473	14%
Other	0	57,792	57,792	4%		57,833	57,833	4%
	733,570	**320,824**	**1,054,394**	**75%**	**735,492**	**346,844**	**1,082,336**	**78%**
Total Assets	**871,173**	**528,543**	**1,399,716**	**100%**	**861,527**	**539,695**	**1,401,222**	**100%**

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.

This report and note do not address any risks to the Fund itself e.g. due to coronavirus. Such advice would generally be given to the Administering Authority by the Fund's Actuary through the actuarial valuation process.

The principal assumptions used by the actuary have been:

Assumptions	LGPS 2019-20	Teachers Unfunded Liabilities 2019-20	LGPS Unfunded Liabilities 2019-20	LGPS 2018-19	Teachers Unfunded Liabilities 2018-19	LGS Unfunded Liabilities 2018-19
Financial Assumptions						
Rate of increase in salaries	2.6%	n/a	n/a	2.8%	n/a	n/a
Rate of increase in pensions	1.9%	1.9%	1.9%	2.5%	2.5%	2.5%
Discount rate used						
Rate used to Discount liabilities	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
Demographic Mortality Assumptions						
Longevity at 65 for current pensioners						
Men	21.2 years	22.2 years	22.3 years	22.3 years	22.3 years	22.3 years
Women	23.6 years	23.6 years	24.5 years	24.5 years	24.5 years	24.5 years
Longevity at 65 for future pensioners						
Men	21.9 years			23.9 years		
Women	25.0 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 - defined benefit obligation in the scheme costs more / (less)	Increase in assumption			Decrease in assumption		
	LGPS £000	Teachers Unfunded £000	LGPS Unfunded £000	LGPS £000	Teachers Unfunded £000	LGPS Unfunded £000
Longevity (change by 1 year)	65,657	776	48	-65,657	-776	-48
Salary inflation (change by 0.5%)	15,123	0	0	-15,123	0	0
Pension inflation (change by 0.5%)	136,400	2,160	102	-136,400	-2,160	-102
Discount rate (change by 0.5%)	-152,865	-2,160	-102	152,865	2,160	102

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 to March 2020. The scheme offered protections whereby any increases in Council pension contributions were capped to 0.5% per year as long as this will still achieved the balanced fund in the planning period.

The estimated LGPS pension contribution to be made by Cheshire West and Chester in 2020-21 is £28.2m.
The weighted average duration of the defined benefit obligation is 17 years. This reflects the fact that on average there is an expectation that each person in the fund will receive pension payments for a 17 year period once eligible.

45. Contingent Liabilities

At 31 March 2020, the Council had the following material contingent 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.

46. Contingent Assets

At 31 March 2020, 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 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 financial year. The TMS sets out the broad framework for the use of financial instruments. For the year 2019-20 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 2019-20 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 (i.e. they have as a minimum a long term credit rating of A-). The Council also lent monies to other local councils 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 31 March 2020 was £1,000 (31 March 2019 £3,000).

Form of Financial Asset Held	Credit rating	31st March 2020		31st March 2019	
		Long Term £000	Short Term £000	Long Term £000	Short Term £000
Fixed Term Deposits	A+			0	5,000
Call Accounts	A+		866	0	6,114
Fixed Term Deposits	A			0	0
Call Accounts	A		94	0	88
Fixed Term Deposits	Unrated local councils		5,000	0	5,000
Sub-total		**0**	**5,960**	**0**	**16,202**
UKMBA Shareholding	n/a			0	0
Pooled Equity and Property Funds	n/a	7,554		9,242	0
Money Market Funds	n/a		61,639	0	31,190
		7,554	**67,599**	**9,242**	**47,392**

The Council has provided working capital loans to four Council owned companies. The maximum amount available to the four companies totals £6m. The amount of this facility that was in use at the balance sheet date was £3.175m.

Loss allowances on these working capital loans has been calculated on an individual basis taking account of the circumstances impacting on each of the companies at the balance sheet date. The loss allowance takes account of the fact that all of the companies have a relatively short trading history and have no credit rating assigned to them.

Borrower	Exposure Type - loan commitments	31st March 2020		31st March 2019	
		Balance Sheet £000	Risk Exposure £000	Balance Sheet £000	Risk Exposure £000
Council owned company	Interest free rates	750	2,000	0	0
Council owned company	Market rates	1,664	4,000	761	3,000
Total		**2,414**	**6,000**	**761**	**3,000**

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

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.

Accounts receivable

Period	Impairment allowance rate %	Trade Receivables £000	Impairment Loss £000	31 March 2020 £000
Current	10.9%	46,444	-5,072	41,372
Past due < 3 Months	1.8%	3,392	-60	3,332
Past due 3-6 Months	10.4%	1,163	-120	1,043
Past due 6-12 Months	73.8%	848	-626	222
Past due 12+ Months	75.6%	1,816	-1,373	443
Deferred Debt	10.8%	2,216	-240	1,976
Total		**55,879**	**-7,491**	**48,388**

Period	Impairment allowance rate %	Trade Receivables £000	Impairment Loss £000	31 March 2019 £000
Current	21.4%	25,582	-5,607	19,975
Past due < 3 Months	1.5%	3,126	-48	3,078
Past due 3-6 Months	9.2%	1,040	-95	945
Past due 6-12 Months	78.6%	745	-586	159
Past due 12+ Months	72.9%	1,567	-1,143	424
Deferred Debt	13.6%	2,205	-299	1,906
Total		**34,265**	**-7,778**	**26,487**

Housing Revenue Account

Period	Impairment allowance rate %	HRA Tenant Arrears £000	Impairment Loss £000	31 March 2020 £000
Up to 28 days	3.0%	138	-4	134
29 - 60 days	4.0%	191	-7	184
61 - 90 days	10.0%	163	-16	147
91 - 120 days	70.0%	122	-85	37
121 - 150 days	70.0%	101	-71	30
151 - 180 days	70.0%	62	-43	19
181 - 365 days	70.0%	150	-108	42
Former Debt	84.0%	1,652	-1,385	267
Total		**2,579**	**-1,719**	**860**

Period	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**

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 councils, is able to borrow at favourable rates from the Public Works Loans Board and other local councils. 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	Other Local Authorities £000	Total 2019-20 £000
In the next financial year	1,670	601	279	5,070	7,620
In the following financial year		600		5,000	5,600
In 2 to 5 years		753			753
In 5 to 10 years	8,374	4			8,378
In 10 to 15 years	23,146				23,146
In 15 to 20 years	17,199		12,455		29,654
In 20 to 25 years	11,913				11,913
In 25 to 30 years	14,742				14,742
In 30 to 40 years	35,429		5,197		40,626
Total	**112,473**	**1,958**	**17,931**	**10,070**	**142,432**

Profile of Borrowing HRA	Public Works Loans Board £000	Salix Loans £000	Banks £000	Other Local Authorities £000	Total 2019-20 £000
In the next financial year	1,919		90		2,009
In the following financial year	20,073			4,000	24,073
In 2 to 5 years	6,254				6,254
In 5 to 10 years	11,833				11,833
In 10 to 15 years	13,854				13,854
In 15 to 20 years	16,222		5,100		21,322
In 20 to 25 years	7,240				7,240
Total	**77,395**	**0**	**5,190**	**4,000**	**86,585**

Profile of Borrowing Northgate and Barons Quay	Public Works Loans Board £000	Salix Loans £000	Banks £000	Other Local Authorities £000	Total 2019-20 £000
In the next financial year	3,110			7,000	10,110
In the following financial year	2,480				2,480
In 2 to 5 years	7,440				7,440
In 5 to 10 years	12,400				12,400
In 10 to 15 years	12,400				12,400
In 15 to 20 years	9,920				9,920
Total	**47,750**	**0**	**0**	**7,000**	**54,750**

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 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 its scheduled maturity date except in those years preceding the next available option date. In those years the LOBO loan is shown as an amount repayable within one year.

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

During 2019-20, the Council undertook a full review of the leasing process on Barons Quay and the likely future financial position. This was in order that the Council could make any necessary allowance for shortfalls through its budget setting process. The subsequent resetting of the income target for Barons Quay should give the development an achievable income target (given current market conditions) going forward, and a baseline by which its performance can be effectively monitored.

In terms of the Council's historic investment in Northgate, which totals c£40m, the Council takes a prudent approach by ensuring that this expenditure has funding from one or both sources:

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

In May 2020 the Council resolved to the build out Phase 1 of the Northgate scheme based on a revised financial package which reflects the risks in the current economic climate. It has been resolved that this is now fully funded from within the Council's core capital programme. This is a more prudent approach which makes the Council less reliant on the new income streams to fund the capital costs. The total cost of Northgate Phase 1 and the associated infrastructure drainage works is £72 million.

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 1% higher during 2019-20 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	-676
Increase in interest payable on variable rate loans	91
Impact on Income and Expenditure Statement	-585
Reduction in the fair value of fixed rate borrowing (notional impact only)	-32,931
Reduction in the fair value of fixed rate investments (notional impact only)	n/a
Impact of a 5.0% fall in equity prices	**£000**
Reduction in the fair value of pooled fund investments	145
Impact of a 5.0% fall in commercial property prices	**£000**
Reduction in the fair value of pooled fund investments	219

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 2020 would result in a £219,000 (2019: £233,000) 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 2020 would result in a £145,000 (2019: £229,000) 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 2019-20, 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.

Please note values are £, not £000.

	2019-20				
	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	-98,152	107,106	699,514	-888	-698,626
The Grosvenor Park A park for the enjoyment and recreation of the inhabitants of the city	-52,776	52,776	3,172,260	0	-3,172,260
Johnston Recreation Ground Held for the general benefit of the residents of Willaston	-525	1,000	1,914	0	-1,914
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

	2018-19				
	Income £	Expenditure £	Assets £	Liabilities £	Reserves £
Castle Park Trust	-101,858	108,098	708,568	-4,319	-704,249
The Grosvenor Park	-85,967	85,967	3,172,260	0	-3,172,260
Johnston Recreation Ground	-525	574	2,389	0	-2,389
Little Sutton Reading and Recreation Rooms	0	0	2,479	0	-2,479
Fred Venables Literary Trust	0	0	12,099	0	-12,099
Reg Chrimes Trust for the Arts	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 Mathews and John Monk
- The Mayor of Chester Charity Fund

49. Comparative Information

The comparative 2018-19 information shown on the face of the CIES is only shown as net expenditure to avoid overcrowding the statement. The full breakdown showing gross expenditure and income is shown below.

CIES for the year ended 31 March 2019	2018-19		
	Expenditure £000	Income £000	Net £000
Adults Directorate	150,926	-30,878	120,048
Children's Directorate	313,176	-244,266	68,910
Places Directorate	120,607	-35,136	85,471
Corporate Services	111,885	-79,944	31,941
HRA	15,410	-22,189	-6,779
Other	23,969	-33,910	-9,941
Capital Financing	251	-8	243
Cost of Services	**736,224**	**-446,331**	**289,893**
Other Operating Income & Expenditure (Note 11)	23,705	-14,765	8,940
Financing & Investment Income and Expenditure (Note 12)	30,593	-13,193	17,400
Taxation & Non-Specific Grant Income & Expenditure (Note 13)	17,700	-302,463	-284,763
	808,222	**-776,752**	**31,470**
Surplus on Revaluation of Assets			-74,653
Re-measurement Gain/-loss on pension assets/liabilities			93,980
Other Comprehensive Income & Expenditure (Note 14)			**19,327**
Total Comprehensive Income and Expenditure			**50,797**

The 2018-19 CIES has not been restated.

Cheshire West and Chester Council

Supplementary Financial Statement

Housing Revenue Account

Supplementary Financial Statements – Housing Revenue Account

The Housing Revenue Account (HRA) 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 HRA Statement.

Housing Revenue Account (HRA) Income and Expenditure Statement	2019-20 £000	2018-19 £000
Expenditure		
Repairs and Maintenance	5,016	5,022
Supervision & Management	4,145	4,208
Special Services	96	97
Depreciation & impairment of non-current assets	7,591	5,988
Total Expenditure	**16,848**	**15,315**
Income		
Dwelling Rents	-22,249	-21,587
Non-dwelling rents	-458	-418
Charges for services and facilities	-25	-100
Contributions towards expenditure	-147	-46
Total Income	**-22,879**	**-22,151**
Net cost of HRA Services as included in the CIES	**-6,031**	**-6,836**
HRA services' share of Corporate and Democratic Core	62	62
Net Income/Expenditure for HRA Services	**-5,969**	**-6,774**
HRA share of the operating income and expenditure included in the CIES		
(Gain) or Loss on sale of HRA non-current assets	-365	-1,209
Interest payable and similar charges	2,367	2,401
Interest and Investment Income	-38	-3
Movement in the allowance for bad debts	321	30
Pensions interest cost and expected return on pension assets	0	0
Capital Grants & Contributions Receivable	0	-36
(Surplus) or deficit for the year on HRA Services	**-3,684**	**-5,591**

Movement on the Housing Revenue Account Statement 2019-20

Movement on the HRA	2019-20 £000	2018-19 £000
Balance of HRA at the end of the previous year	-655	-660
(Surplus) for the year on the HRA Income and Expenditure Account	-3,684	-5,591
Adjustments between accounting basis and funding under statute	3,619	5,527
Net (increase) or decrease before transfers to reserves	**-65**	-64
Transfer to (from) reserves	69	69
(Increase) or decrease on the HRA	4	5
Balance on the HRA at the end of the year	**-651**	**-655**

Notes to the Housing Revenue Account

Adjustments between accounting basis and funding under statute

Adjustments between accounting basis and funding under statute	2019-20 £000	2018-19 £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	0
(Gain) or loss on the sale on non current HRA assets		
- Sale proceeds	2,224	3,510
- Carrying amount of assets	-1,859	-2,301
Differences relating to changes in property values:		
- Reversal of revaluation (losses)/gains on HRA Properties	-3,674	-2,106
- Funding of depreciation from Capital Adjustment Account	-3,917	-3,882
Transfers to the Major Repairs Reserve		
- Funding set aside for capital expenditure	7,670	7,444
- Funding for future debt repayment /MRA equivalent sum	3,173	2,860
Total Adjustments	**3,619**	**5,527**

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

Housing Stock	2019-20 No.	2018-19 No.
Houses	3,011	2,998
Flats	1,758	1,760
Bungalows	626	628
Maisonettes	83	83
Total Dwellings	**5,478**	**5,469**
Garages	**1,427**	**1,428**
Assets Held for Sale - Houses	**0**	**0**

2. Housing stock valuations at 31 March

Housing Stock Valuations	2019-20 £000	2018-19 £000
Property Plant and Equipment		
- Dwellings	193,038	189,468
- Garages	4,242	4,339
Total	**197,280**	**193,807**

3. Vacant possession value of dwellings at 31 March

Dwellings Value	2019-20 £000	2018-19 £000
Market value - Vacant possession	478,052	469,103
Existing use value for social housing	191,221	187,641
Shared Ownership	1,817	1,827
Difference	**671,090**	**658,571**

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 2019-20 (40% in 2018-19).

4. Major Repairs Reserve for the year ending 31 March

Major Repairs Reserve	2019-20 £000	2018-19 £000
Balance brought forward	-13,257	-9,583
Debt repayment	2,713	2,415
Set aside voluntary debt repayment	459	445
Transfer of MRA equivalent sum	-3,827	-3,723
Revenue contribution to capital	-7,016	-6,581
Less capital expenditure financed from Reserve	4,536	3,770
Balance Carried Forward	**-16,392**	**-13,257**

5. Housing repairs expenditure for the year ending 31 March

Housing repairs	2019-20 £000	2018-19 £000
Housing repairs	5,016	5,022
Total	**5,016**	**5,022**

6. Capital expenditure in the year ending 31 March

Capital work	2019-20 £000	2018-19 £000
Existing Dwellings	3,252	3,476
Assets under construction	1,702	2,945
Total	**4,954**	**6,421**
Funded by:		
Borrowing	0	-2,381
Usable capital receipts, grants & contributions	-418	-270
Major Repairs Reserve	-4,536	-3,770
Total Funding	**-4,954**	**-6,421**

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

Capital receipts	2019-20 £000	2018-19 £000
Disposal of dwellings	2,224	3,510
Total from disposals	**2,224**	**3,510**

8. Depreciation in the year ending 31 March

Depreciation	2019-20 £000	2018-19 £000
Property, Plant and Equipment	3,917	3,882
Total	**3,917**	**3,882**

9. Rent Arrears at 31 March

Rent Arrears	2019-20 £000	2018-19 £000
Current tenants	1,005	838
Former tenants	1,366	1,490
Total arrears	**2,371**	**2,328**
Deduct - impairment allowance	-1,728	-1,720
Net arrears	**643**	**608**

Cheshire West and Chester Council

Supplementary Financial Statement

Collection Fund

COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund 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 2020

Collection Fund Statement 2019-20	2019-20			2018-19		
	Non Domestic Rates £000	Council Tax £000	Total £000	Non Domestic Rates £000	Council Tax £000	Total £000
Income						
Council Tax Receivable	0	-226,494	-226,494	0	-211,527	-211,527
Non Domestic Rates Receivable	-162,035	0	-162,035	-153,732	0	-153,732
Transitional Relief	7,137	-1	7,136	10,862	2	10,864
	-154,898	**-226,495**	**-381,393**	**-142,870**	**-211,525**	**-354,395**
Prior Year Surplus/(Deficit)						
Central Government	-665	0	-665	0	0	0
Cheshire West and Chester	-652	3,753	3,101	0	6,079	6,079
Police Authority	0	457	457	0	725	725
Fire Authority	-13	196	183	0	323	323
	-1,330	**4,406**	**3,076**	**0**	**7,127**	**7,127**
Precepts Demands and Shares						
Central Government incl Pool	70,808	0	70,808	69,558	0	69,558
Cheshire West and Chester	69,607	185,081	254,688	68,355	171,585	239,940
Police Authority	0	24,405	24,405	0	20,910	20,910
Fire Authority	1,421	9,465	10,886	1,395	8,945	10,340
Town and Parish Councils	0	3,767	3,767	0	3,492	3,492
	141,836	**222,718**	**364,554**	**139,308**	**204,932**	**344,240**
Charges to Collection Fund						
Write offs	2,456	509	2,965	28	425	453
More/(less) Bad Debt Provision	-484	860	376	1,059	778	1,837
Increase in Appeals Provision	4,009	0	4,009	4,135	0	4,135
Disregarded amounts	617	-181	436	797	-88	709
Cost of Collection	471	0	471	479	0	479
	7,069	**1,188**	**8,257**	**6,498**	**1,115**	**7,613**
In Year Movement on Fund Balance	**-7,323**	**1,817**	**-5,506**	**2,936**	**1,649**	**4,585**
Opening Fund Balance	1,338	-5,865	-4,527	-1,598	-7,514	-9,112
Closing Fund Balance (surplus) / deficit	**-5,985**	**-4,048**	**-10,033**	**1,338**	**-5,865**	**-4,527**

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 2020 was £387.7m (£386.1m 31 March 2019). 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	2019-20 Multiplier
Up to £51,000	0.491
Over £51,000	0.504

The following table shows how the surplus on the non-domestic rates collection fund at 31 March 2020 is due to be distributed in future years:

NNDR	Central Govt £000	CWAC £000	Cheshire Fire £000	Total £000
Surplus/(Deficit) at 31 March 2020	2,992	2,933	60	**5,985**
To be funded 2020-21	0	0	0	**0**
Remaining Surplus/(Deficit)	2,992	2,933	60	**5,985**

Changes due to Coronavirus in 2020-21

There are five significant changes to NDR in 2020-21 due to coronavirus.

1. Retail discount increased to 100% for all retail, leisure and hospitality businesses, and registered child nurseries.
2. Grants to small businesses of £10k.
3. Grants to retail, leisure and hospitality businesses of £10k or £25k, depending on the value of the rates payable. Grants of £66.6m were paid during April, May and up to 22 June 2020 (nil in March).
4. Covid-19 discretionary grant for small businesses not previously eligible for grants, to cover fixed monthly property overheads. A total of £3.76m is available from June 2020.

Business Rates Pool

From 1 April 2016 the Council became a member of the Greater Manchester and Cheshire business rates pool. Consequently, the tariff and levy are now payable to Manchester City Council as the administrator of the pool. The main benefit to the Council of this arrangement is that the levy payable of £1.1m 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 2019-20 in relation to the tariff and levy was £18.8m (2018-19 £17.7m).

Business Improvement Districts

The Council also collects income from a Business Rates levy in relation to five Business Improvement Districts (BIDs). The table below shows the amount of levy billed for in 2019-20, the amount paid to the BID management company, other transactions (write-offs, receipts in advance, outstanding arrears, and any surplus or deficit brought forward from the previous year) and any cash balances yet to be paid to the management company.

Business Improvement District	Net Debit 2019-20 £000	Amount Paid £000	Other Trans-actions £000	Cash Balance Awaiting Payment £000	Net Debit 2018-19 £000
Winsford	109	-111	16	14	108
Gadbrook Park	223	-214	-17	-8	217
Northwich	190	-183	9	16	210
CH1	391	-393	16	14	393
West Chester	95	-90	10	15	90
Total	**1,008**	**-991**	**34**	**51**	**1,018**

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 2019-20, the tax base was estimated as 121,758 band D equivalent properties (118,511.5 Band D 2018-19). 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 2019-20	Band D Equivalent 2018-19
Disabled A	85	5/9	47	39
A	25,965	6/9	17,310	17,082
B	35,222	7/9	27,395	22,410
C	29,446	8/9	26,175	22,012
D	18,975	9/9	18,975	17,262
E	12,168	11/9	14,872	16,252
F	6,376	13/9	9,209	11,803
G	4,350	15/9	7,249	10,722
H	263	18/9	526	929
	132,850		**121,758**	**118,511**

The following table shows how the surplus on the Council Tax collection fund as at 31 March 2020 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 2020	3,422	451	175	**4,048**
To be distributed 2020-21	3,331	439	170	**3,940**
Remaining Surplus/(Deficit)	91	12	5	**108**

The remaining surplus of £108k will be considered for distribution in 2021-22. The amount distributed will depend on the forecast performance of the Collection Fund during 2020-21.

Cheshire Pension Fund

Independent auditor's report to the members of Cheshire West & 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 & Chester Council (the 'Authority') for the year ended 31 March 2020 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 2019/20.

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 2020 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 properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; 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.

The impact of macro-economic uncertainties on our audit

Our audit of the pension fund financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Chief Operating Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events.

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.

In our evaluation of the Chief Operating Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the pension fund financial statements shall be prepared on a going concern basis, we considered the risks associated with the Fund's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Fund will continue in operation.

Emphasis of Matter - effects of Covid-19 on the valuation of Investment Properties

We draw attention to note 4.2 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund’s property investments as at 31 March 2020. As disclosed in note 4.2 to the financial statements, there are uncertainties in the financial markets caused by the outbreak of Covid-19, with market activity being impacted in all sectors and, as at the valuation date, it is not considered that valuers can rely upon previous comparable market evidence to fully inform opinions of value. Valuations are therefore reported on the basis of material valuation uncertainty. Our opinion is not modified in respect of this matter.

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 and group’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 2019/20, 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 & 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

Liverpool

24 December 2020

Cheshire Pension Fund - Fund Account for the year ended 31 March 2020

	Notes	2019-20 £000	2018-19 £000
Contributions and Benefits			
Contributions Receivable			
From Employers		129,193	123,153
From Employees		38,300	36,829
Total Contributions Receivable	6/6a	**167,493**	**159,982**
Transfers in from Other Schemes	7	12,411	15,638
Benefits Payable			
Pensions		-155,723	-148,638
Lump Sums		-30,230	-28,388
Death Benefits		-5,323	-4,065
Total Benefits Payable	8	**-191,276**	**-181,091**
Payments to and on account of Leavers			
Refund of Contributions		-618	-489
Transfers to Other Schemes		-17,394	-13,547
	9	**-18,012**	**-14,036**
Net Additions / (withdrawals) from dealing with members		**-29,384**	**-19,507**
Management Expenses	10/10a	-26,110	-27,825
Returns on Investments			
Investment Income	11	40,327	34,389
Taxes on Income	12	-271	-419
Profits and losses on disposal of investments and changes in the market value of investments	13f	-74,043	261,953
Net Returns On Investments		-33,987	295,923
Net Increase/ (Decrease) in the Fund During the Year		-89,481	248,591
Opening Net Assets of the Scheme		5,603,810	5,355,219
Closing Net Assets of the Scheme		**5,514,329**	**5,603,810**

Cheshire Pension Fund - Net Assets Statement as at 31 March 2020

	Notes	2019-20 £000	2018-19 £000
Long Term Investments		1,315	1,315
Investment Assets			
Pooled Investment Vehicles	13/f, 18/19	3,498,589	3,566,402
Equities	13/f, 18/19	586,135	540,459
Absolute Return Funds	13b/f, 18/19	373,906	770,621
Investment Properties	16	397,950	396,370
Private Equity	13c/f 18/19	225,375	194,995
Loans	13d/f, 18/19	686	2,375
		5,083,956	**5,472,537**
Cash	13e/f, 18/19	413,485	112,070
Other Investment Balances	13f	4,282	4,504
Total Net Investments	13/f, 17/18/19	**5,501,723**	**5,589,111**
Long Term Debtors	22	457	6,317
Current Assets	23		
Cash at Bank		91	2,440
Debtors		22,593	18,959
Current Liabilities	24		
Creditors		-8,980	-10,157
Receipts In Advance		-1,555	-2,860
Net Current Assets		12,149	8,382
Total Net Assets		**5,514,329**	**5,603,810**

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, defined benefit 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 of Cheshire 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 for the Fund's affairs to the Chief Operating Officer, also the Section 151 Officer. 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 Council's Audit and Governance Committee oversees the Council's arrangements for the Fund.

The Local Pension Board was established in accordance with the Public Service Pensions Act 2013 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 Representatives (including one Cheshire West and Chester nominated Councillor), two Scheme 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 2019 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 had 12 appointed external investment managers as at 31 March 2020 who each have specific responsibility for part of the Fund's investment portfolio.

The Fund is continuing to transfer assets into its asset pool LGPS Central Ltd, at the 31 March 2020 LGPS Central Ltd managed £684m of the Fund's assets.

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 2020 the Fund achieved a return from its investments of -1.3% (+5.5% in 2018-19) compared with the Fund's tailored benchmark return of -0.8% (+5.5% in 2018-19). For the three years ending 31 March 2020 the Fund achieved an annualised return of 3.4% per annum against the Fund's benchmark return of 2.2% per annum.

Membership

In accordance with the Government's 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 2020 a total of 305 employer organisations including the Administering Authority itself, contributed into the Fund.

Cheshire Pension Fund	31-Mar-20	31-Mar-19
Number of employers making contributions into the fund	**305**	**290**
Number of employees in the scheme		
Cheshire West and Chester Council	8,436	8,073
Other employers	33,703	31,404
Total	**42,139**	**39,477**
Number of pensioners		
Cheshire West and Chester Council	2,819	2,568
Other employers	27,225	26,250
Total	**30,044**	**28,818**
Number of Deferred pensioners		
Cheshire West and Chester Council	4,348	4,340
Other employers	24,412	24,838
Total	**28,760**	**29,178**
Undecided Leavers	2,543	2,375
Total Membership	**103,486**	**99,848**

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 2020. In addition to employee contributions, employers pay contributions into the Fund which are set through triennial actuarial valuations. The last such valuation was at 31 March 2019 which set employer contribution rates for the 3 year period commencing 1 April 2020 and ending 31 March 2023, details of employer rates can be found in the Fund valuation report available on the Funds website

Benefits

From 1 April 2014, the LGPS became a career average revalued earnings scheme, whereby members accrue benefits based on their pensionable pay each 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, LGPS pension benefits were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	**Service post 31 March 2008 to 31 March 2014**
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	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free

	one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	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 2019-20 financial year and its position as at year ending 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 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 Statement of Accounts include the following restatements:

Investments held with Darwin totalling £65.5m have been reclassified in Note 18 from level 1 to level 3. As listed property they had previously been classified as level 1 as stock could be bought and sold on the Guernsey stock exchange. However the investment has been more accurately classified as level 3 as the value of the share is determined by a discounted cash flow model.

Within Note 13 Investments, the 2018-19 figure has been restated to reclassify £250m of overseas listed equity as UK listed equity. The currency risk notes within Note 19 have also been restated to reflect this adjustment.

The disclosure note for minimum lease income receivable has been updated by our property manager to show the full lease income receivable whereas previously it only showed the lease income receivable for the following 12 month period.

Within the disclosure for key management personnel the long term/post -retirement benefits figure has been restated to reflect the proportion of time that the key management personnel spend on work in relation to the Pension Fund.

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 employers, are accounted for on an accruals basis at the percentage rate of pensionable pay 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 £2.5m in 2019-20 (£3.6m in 2018-19) 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 2019-20 was £2.2m relating to fees due for the quarter ending 31 March 2020 (£1.7m in 2018-19).

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

Cheshire West and Chester Council jointly owns an asset pooling company, LGPS Central Ltd, along with seven other Partner Funds, the Council's shareholding in the asset pool company is valued at £1.315m which is the transaction price i.e. cost of the investment. LGPS Central Ltd began to trade on 3 April 2018 and consequently there are only limited trading results available. The pension fund's view is that the market value of this investment at 31 March 2020 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 valuer's 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 2019-20 Scottish Widows, Standard Life and Equitable Life (taken over by Utmost 1 January 2020) were the Fund's AVC providers.

Individual member's AVC contributions are paid directly to the AVC provider by their respective employers and are specifically for providing additional benefits for individual contributors. AVC contributors receive an annual statement showing the amount held in their account and the movements in the year.

AVCs 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

There were no material critical judgements in 2019-20.

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 2020 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. Due to the uncertainties in the financial markets caused by the current Coronavirus pandemic, there is a further risk that the valuation of these	The total private equity investments in the financial statements are £225m (£195m 2018-19). Although Fund Managers have tried to incorporate the impact of COVID-19 on the valuations There is a risk that this investment may be under or overstated in the accounts. A potential under or over statement of the value of these investments of 5% would equate to £22.5 m increase or decrease to the market value of these investments.

	investments may have an increased level of uncertainty and the estimated valuations may be misstated. Estimations have been updated for 2019-20 to try and reflect the impact of COVID-19 based on information available at 31 March 2020. There is an extremely wide range of possible outcomes, resulting in a particularly high degree of uncertainty about the ultimate trajectory of the pandemic and the path and time needed to a return to a "steady state."	
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 £374m (£771m in 2018-19). There is a risk that this investment may be under or overstated in the accounts. A potential under or over statement of the value of these investments of 10% would equate to £37.4m increase or decrease to the market value of these investments.
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 £646m. • A 0.5% increase in pensions increase rate would increase the value of the liabilities by approximately £572m. • A 0.5% increase in the salaries increase rate would increase the value of the liabilities by approximately £68m

Property valuations	There are uncertainties in the financial markets caused by the current Coronavirus pandemic. Market activity is being impacted in all sectors and, as at the valuation date, it is not considered that valuers can rely upon previous comparable market evidence to fully inform opinions of value. Due to these uncertainties, there is a risk that the estimated values may be under or overstated. The current response to COVID-19 means that valuers are faced with an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as set out in VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case.	The total value of direct property investments in the financial statements is £398m (£396m in 2018-19). There is a risk that this investment may be under or overstated in the accounts. A potential under or over statement of the value of these investments of 10% would equate to £39.8m increase or decrease to the market value of these investments.

Note 5 – Events after the Balance Sheet date

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:
a) Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and
b) Those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

COVID-19 - Non-adjusting event

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in all sectors by the efforts and restrictions being made to reduce the spread of the virus.

There have been a number of material factors which make it difficult to quantify what the outcome could be on financial markets: How long will the pandemic last? Will there be a second flare-up? How deep will its economic impacts be? There has been unprecedented government support through stimulus policies including support via the furlough scheme, central banks have reacted by immediately reducing the base rate and have embarked on substantial asset purchase programs. Both the short and long-term implications of the shut-down and the affect it will have on companies remain uncertain and longer-term performance will ultimately be impacted by how long the recovery takes.

For a pension scheme, a non-adjusting event could be the significant decline in the value of investments. As a result of Covid-19, the future investment values may be more volatile, at least over the short to medium term, until a vaccine or other successful cure is found for Covid-19.

However, following the year end the total value of the Funds investment assets has increased significantly from 31 March to 30 June. The Fund has a well diversified portfolio of assets to help reduce the risk of the impact COVID-19.

Other- Non adjusting events

Following the 31 March 2020 the Fund has received a further £20.4m in proceeds from the liquidation of Arrowgrass, further proceeds are expected in 2020-21 as the winding up process continues.

As part of implementing the Funds new Investment Strategy which came into effect 1 April 2020, in June 2020 the Fund also made a £150m investment from cash balances into the FTSE Developed Core Infrastructure Index Fund managed by Legal and General.

Note 6 – Contributions Receivable	2019-20 £000	2018-19 £000
Employees Normal Contributions	38,300	36,829
Employers Normal Contributions	114,600	110,210
Employers Deficit Funding	10,619	8,596
Employers Cost of Early Retirements (pension strain)	3,974	4,347
Total Employers Contributions	**129,193**	**123,153**
Total Employees and Employers Contributions	**167,493**	**159,982**

The cost of early retirements represents the contributions from Employers to meet the capitalised costs of discretionary early retirements. The Fund recharges 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 employers for early retirement contributions based on the date of leaving of the scheme member regardless of whether scheme employers have the option of paying over more than one year.

Note 6a – Analysis of Contributions Receivable	2019-20		2018-19	
	Employers	Employees	Employers	Employees
	£000	£000	£000	£000
Scheme Employers	89,795	26,676	85,143	25,887
Cheshire West & Chester Council	23,296	7,512	21,610	7,141
Community Admission Bodies	13,076	3,301	13,244	2,937
Transferee Admission Bodies	3,026	811	3,156	864
Total	**129,193**	**38,300**	**123,153**	**36,829**

Cheshire West and Chester

Note 7 – Transfers in from other Pension Funds	2019-20 £000	2018-19 £000
Transfers from other Local Authorities	9,892	12,631
Transfers from other pension funds	2,519	3,007
Total	**12,411**	**15,638**

Note 8 – Benefits payable	2019-20 £000	2018-19 £000
Scheme Employers	119,380	112,470
Cheshire West & Chester Council	52,399	49,693
Community Admission Bodies	14,279	13,987
Transferee Admission Bodies	5,218	4,941
Total	**191,276**	**181,091**

Note 9 – Payment to and on account of leavers	2019-20 £000	2018-19 £000
Individual transfers out	17,394	13,547
Refunds to Members leaving service	618	489
Total	**18,012**	**14,036**

The transfer out 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 service relates to members who opted out of the scheme within two years of joining.

Note 10 – Management Expenses	2019-20 £000	2018-19 £000
Investment management expenses	21,978	24,366
Administration costs	2,151	2,188
Oversight and governance costs	1,981	1,271
Total	**26,110**	**27,825**

No costs have been included for carried interest. Included within the investment management expenses and oversight and governance costs are fees paid to LGPS Central Ltd, further details of these fees paid and the amounts are included in Note 26- Related Party Transactions.

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	2019-20 £000	2018-19 £000
Management fees and expenses	19,276	20,372
Performance related fees	2,532	3,619
Custody fees	98	113
Transaction costs	72	262
Total	**21,978**	**24,366**

Note 10b – External Audit Costs	2019-20 £000	2018-19 £000
Payable in respect of external audit	27	23
Payable in respect of other services	8	2
Total	**35**	**25**

Fees in respect of other services relates to work completed in respect of the IAS19 process which is an audit related non-audit service.

Note 11 – Investment Income	2019-20 £000	2018-19 £000
Dividends from Equities	11,421	8,555
Net Rents from Properties	20,677	19,161
Income from Fixed Interest Securities	5,982	5,291
Income from Pooled Investment Vehicles:		
Property	422	421
Stock Lending	516	581
Interest from Cash Deposits	983	366
Other	326	14
Total	**40,327**	**34,389**

Note 12 – Taxes on income	2019-20 £000	2018-19 £000
Withholding tax - Equities	271	412
Withholding tax - Private Equity	0	7
Total	**271**	**419**

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 2019-20 amounts to £271k and is shown as a tax charge, compared to £419k in 2018-19.

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	2019-20 £000	2018-19 Restated £000
Equities		
Overseas Quoted	576,355	527,397
UK Quoted	9,780	13,062
UK Unquoted	1,315	1,315
Pooled Investments		
UK Government Index Linked Gilts	1,642,936	1,605,662
Fixed Income - Multi Strategy	963,750	996,010
UK Equity Listed	812,987	890,315
UK Property	70,954	65,500
Overseas Unit Trusts - Property	7,962	8,915
Absolute Return Funds	373,906	770,621
Investment Properties	397,950	396,370
Private Equity	225,375	194,995
Cash Deposits	413,485	112,070
Loans	686	2,375
Other investment balances:		
Outstanding dividends entitlements and withholding tax claims	4,282	4,504
Total	**5,501,723**	**5,589,111**

The 2018-19 figure has been restated to reclassify £250m of overseas listed equity as UK listed equity.

In September 2019, Arrowgrass notified the Fund that it was liquidating its investments. During the year the Fund received £184.9m in redemption proceeds, the remaining value of £48m is due to be returned in 2020-21.

In December 2019, the Pension Fund Committee endorsed the decision to redeem funds from Winton Capital, the full redemption proceeds of £167m were received in February 2020.

The above proceeds from the Arrowgrass liquidation and Winton redemptions have led to the reduction of Absolute Return Funds and are held in the Fund's Money Market accounts (Fidelity and Deutsche Bank) leading to an increase in cash balances at the end of the year. These balances will be reinvested in 2020-21 in line with the Fund's strategic asset allocation model.

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. The market value of investments with each manager as at the 31 March 2020 was:

- £363m in Janus Henderson Investors (£352m in 2018-19),
- £375m (£410m in 2018-19) in BlueBay and,
- £227m in M&G Alpha Opportunities Fund (£236m in 2018-19).

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, each manager may use derivative instruments to manage their exposure to specific risks arising from its investment activities.

Note 13b – Absolute Return Funds	Strategy	2019-20 £000	2018-19 £000
Blackstone	Hedge Fund of Funds	325,503	346,058
Arrowgrass Capital Partners	Multi Strategy Hedge Fund	48,403	260,424
Winton Capital	Multi Strategy Hedge Fund	0	164,139
Total		**373,906**	**770,621**

Note 13c – Private Equity	Number of Funds	2019-20 £000	2018-19 £000
Adam Street Partners	18	98,492	81,995
Pantheon Ventures	12	122,666	111,580
LGPS Central Limited	2	3,208	0
Lexington	1	1,009	1,420
Total	**33**	**225,375**	**194,995**

Note 13d – Loans

The Fund has committed £32m to the M&G UK Financing Fund which is a limited partnership whose investment objective is to take advantage of difficulties in the UK banking sector and lend monies to UK FTSE350 companies through senior debt and equity linked instruments. As at the 31 March 2020, £32m of this commitment had been drawn down and the Fund had received £39m in distributions. The market value following any gains/losses on the investment as at 31 March 2020 was £1k (31 March 2019 £1.660m).

The Fund has 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 2020 the full £30m of the commitment had been drawn down and the Fund has received £44m in distributions. The market value following any gains/losses on the investment as at 31 March 2020 was £Nil (31 March 2019 £29,768).

Also included in loans is £685k loan advanced to LGPS Central Ltd and interest accrued on the loan for the year totalling £36k. The loan is held at amortised cost in the statement of accounts at a value of £721k at 31 March 2020 (31 March 2019 £728k).

Note 13e – Cash	2019-20 £000	2018-19 £000
Cash Deposits	20,768	20,193
Cash Instruments	392,717	91,877
Total	**413,485**	**112,070**

Note 13f – Reconciliation of movements in Investments

	Fair Value at 31 March 2019	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair value	**Fair Value at 31 March 2020**
	£000	£000	£000	£000	**£000**
Pooled Investment Vehicles	**3,566,402**	1,222,196	-1,217,463	-72,546	**3,498,589**
Equities	**541,774**	78,532	-64,828	31,972	**587,450**
Absolute Return Funds	**770,621**	226	-357,866	-39,075	**373,906**
Investment Properties	**396,370**	48,859	-22,632	-24,647	**397,950**
Private Equity	**194,995**	56,694	-42,086	15,772	**225,375**
Loans	**2,375**	0	-1,739	50	**686**
	5,472,537	1,406,507	-1,706,614	-88,474	**5,083,956**
Cash and Cash Equivalents	**112,070**	286,984		14,431	**413,485**
	5,584,607	**1,693,491**	**-1,706,614**	**-74,043**	**5,497,441**
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	**4,504**				**4,282**
Net Investments	**5,589,111**	**1,693,491**	**-1,706,614**	**-74,043**	**5,501,723**

	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**
Forward currency contracts	**0**				**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**

Note 14 – 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 2020 the Fund earned £516k (£581k 2018-19) of income from its stock lending activities. At the balance sheet date, the value of aggregate stock on loan was £39.5m (£61.9m 2018-19) and the value of collateral held was £43m (£66m 2018-19).

Note 15 Property Holdings

The fund’s investment in property 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 15a – Property Income	2019-20 £000	2018-19 £000
Rental Income	24,129	22,536
Rental Income Accruals	-131	-15
Rental Adjustment on Sale	-523	-121
Direct Operating Expenses	-2,798	-3,239
Balance at the end of the year	**20,677**	**19,161**

Note 15b – Fair Value of Investment Properties	2019-20 £000	2018-19 £000
Balance at the start of the year	396,370	352,701
Additions	38,029	40,272
Disposals	-30,150	0
Net gain/loss on fair value	-6,299	3,397
Balance at the end of the year	**397,950**	**396,370**

During the year the Fund purchased two properties; an airport car park and a hotel. Investment properties were independently valued by Savills as at 31 March 2020.

The Fund also sold three properties, two industrial estates and an office building

At the year-end there were no restrictions on the Fund's ability to realise investment property or the remittance of proceeds of disposals, however it should be noted that due to the impact of COVID-19 on the property market there will have been a reduction in potential purchasers as at 31 March 2020.

Contractual obligations for development, repairs and maintenance amounted to £3.5m (£3.9m in 2018-19).

Note 16 – 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	2019-20 £000	2018-19 Restated £000
No later than one year	13,927	19,641
Between one and five years	60,820	59,479
Later than five years	100,547	57,732
Total	**175,294**	**136,852**

The above disclosure for 2019-20 has been reduced by a credit loss allowance of 33% for income due within one year, 10% for the second year and 3% for the following years reflecting the Fund's expected loss from late or non-recovery of rents from tenants. The credit loss allowance in 2019-20 has been increased for years one and two to reflect the expected impact on lease income receivable resulting from COVID-19. The 2018-19 figures have been restated to show the total amount of lease income due under non-cancellable leases as at 31 March 2019 adjusted for a 3% loss allowance. As a result of the restatement the 2018-19 figures have been increased by the following amounts: No later than one year by £18m, between one and five years by £55m and later than five years by £47m.

With regards to the properties owned and leased by the Fund, all are leased to 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	2019-20 £000	2019-20 %	2018-19 £000	2018-19 %
Investments managed by LGPS Central Limited Asset Pool:				
All World Equity Climate Multi Factor Fund	452,892	8.2	0	0.0
Global Equity Active Multi Manager Fund				
- Union	78,954	1.4	84,077	1.5
- Schroders	74,565	1.4	77,721	1.4
- Harris	72,710	1.3	88,431	1.6
Private Equity Funds	3,208	0.1	0	0.0
LGPS Central Limited Asset Pool	2,036	0.0	2,043	0.0
Total	**684,365**	**12.4**	**252,272**	**4.5**
Investments managed outside of LGPS Central Limited Asset Pool:				
Legal & General	1,776,802	32.3	2,245,747	40.2
Baillie Gifford & Co	592,730	10.9	549,518	9.8
Patrizia	407,797	7.4	407,008	7.3
Bluebay	375,008	6.8	409,743	7.3
Janus Henderson	362,923	6.6	352,271	6.3
Blackstone	325,503	5.9	346,058	6.2
M&G Investments	227,339	4.1	237,245	4.2
Fidelity (Money Market)	191,558	3.5	38,264	0.7
Deutsche Bank (Money Market)	192,615	3.5	40,578	0.7
Pantheon Ventures	122,666	2.2	111,580	2.0
Adams Street Partners	98,492	1.8	81,995	1.5
Darwin	70,954	1.3	65,500	1.2
Arrowgrass Capital Partners	48,403	0.9	260,424	4.7
Bank of New York Mellon	23,510	0.4	25,207	0.5
Lexington Capital Partners	1,009	0.0	1,420	0.0
GMO	49	0.0	142	0.0
Winton Capital	0	0.0	164,139	2.9
Total	**4,817,358**	**87.6**	**5,336,839**	**95.5**
Total	**5,501,723**	**100.0**	**5,589,111**	**100.0**

During 2019-20, as part of the government's asset pooling initiative, the Fund disinvested £500m from Legal and General and transferred it to the LGPS Central All World Equity Climate Multi Factor Fund which tracks the FTSE All-World Climate Balanced Comprehensive Factor Index.

At the December 2018 meeting, Pension Fund Committee endorsed the decision to commit £22m to the LGPS Central Private Equity Funds, during the year the Fund made £3.9m calls to these funds and received £0.189m in dividends, the fair value at end of March 2020 was £3.2m.

In September 2019, Arrowgrass notified the Fund that it was liquidating its investments, during the year the Fund received £184.9m in redemption proceeds, the remaining value of £48m is due to be returned in 2020-21.

In December 2019 the Pension Fund Committee endorsed the decision to redeem funds from Winton Capital, the full redemption proceeds of £167m were received in February 2020.

The above proceeds from the Arrowgrass liquidation and Winton redemption are held in the Fund’s Money Market accounts (Fidelity and Deutsche Bank) where they are earning interest pending reinvestment in 2020-21.

Note 17a – Concentration 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. Five investments fall into this category as follows:

Security Description	Market Value 31-Mar-20 £000	% of Total Fund	Market Value 31-Mar-19 £000	% of Total Fund
Legal & General - Over 5 Yr Index Linked Gilts	1,325,516	24.09%	1,605,661	28.73%
LGPS Central Limited - All World Equity Climate Multi Factor Fund	452,892	8.23%	0	0.00%
Bluebay - Total Return Diversified Fund	375,008	6.82%	409,743	7.33%
Janus Henderson - Total Return Bond	362,923	6.60%	352,271	6.30%
Blackstone Partners - Class A1 Initial Series	325,503	5.92%	346,058	6.19%

Note 18 – Fair Value – Basis of Valuation

The basis of the valuation of each 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 occurring 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 Savills in accordance with the RICS valuation professional standards	Existing lease terms and rentals Independent 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 occurring 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 2020. 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 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 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. For the year ended 31 March 2020 private equity managers have also tried to incorporate the impact of COVID-19 into the estimated market values by looking at movements within relevant market indexes to help reflect the potential change in value the Fund’s private equity investments.

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

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

Note 18a – Assets carried at fair value

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial and Non-financial Assets				
Fair value through profit and loss	1,632,691	2,638,598	810,667	5,081,956
Total Assets	**1,632,691**	**2,638,598**	**810,667**	**5,081,956**
Financial Liabilities				
Financial Liabilities at fair value through profit and loss	0	0	0	0
Total Financial Liabilities	**0**	**0**	**0**	**0**
Net Assets	**1,632,691**	**2,638,598**	**810,667**	**5,081,956**

The following assets have been carried at cost:

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2020	**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**

Values at 31 March 2019	Quoted Market Price Level 1 Restated £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 Restated £000	Total £000
Financial and Non-financial Assets				
Fair value through profit and loss	1,317,889	3,380,434	772,214	5,470,537
Total Assets	**1,317,889**	**3,380,434**	**772,214**	**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	**1,317,889**	**3,380,434**	**772,214**	**5,470,537**

Investments held with Darwin totalling £65.5m have been reclassified from level 1 to level 3. As listed property they had previously been classified as level 1 as stock could be bought and sold on the Guernsey stock exchange. However the investment has now been more accurately classified as level 3 as the value is determined by a discounted cash flow model.

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**

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 2019 Restated	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised Gains /(Losses)	Realised Gains /(Losses)	Market Value 31 March 2020
	£000	£000	£000	£000	£000	£000	£000	£000
Fixed income	35,648					5,078		40,726
Secured Loans	1,690				- 1,690	1		1
Absolute return funds	81,670					- 1,271		80,399
Private equity	191,335					29,301		220,636
Indirect Property	65,500					5,454		70,954
Direct Property	396,371			38,029	- 30,150		- 6,299	397,951
	772,214	**-**	**-**	**38,029**	**- 31,840**	**38,563**	**- 6,299**	**810,667**

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 instruments 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 2020			31 March 2019		
	£000	£000	£000	£000	£000	£000
Financial Assets						
Pooled Investments	3,498,589			3,566,402		
Equities	587,450			541,774		
Absolute Return Funds	373,906			770,621		
Private Equity	225,375			194,995		
Loans	1	721		1,690	728	
Cash		412,135			111,042	
Other Investment balances		3,932			4,147	
Debtors		23,141			27,716	
	4,685,321	**439,929**		**5,075,482**	**143,633**	
Financial Liabilities						
Creditors			-8,980			-10,117
TOTAL	**4,685,321**	**439,929**	**-8,980**	**5,075,482**	**143,633**	**-10,117**

Note 18e – Net Gains and Losses on Financial Instruments

	2019-20 £000	2018-19 £000
Financial Assets		
Fair value through profit and loss	-63,877	258,208
Amortised cost- unrealised gains	14,481	
Financial Liabilities		
Fair value through profit and loss	0	-1
Amortised cost- unrealised losses	0	-468
Total	**-49,396**	**257,739**

The Council 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 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 Fund's 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 Council 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	24.2
Global Equities - Emerging	28.7
Global Equities - Developed	18.4
UK Equities	16.8
Property Unit Trusts	14.1
High Yield	9.6
Absolute Return Funds	7.3
Corporate Bonds	3.3
Government Bonds	8.8
Cash	3.3

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 2020	Percentage Change	Change in Value on increase	Change in Value on decrease
	£000	%	£000	£000
Government Bonds	2,017,944	8.8	177,579	-177,579
Global Equities - Developed	1,166,538	18.4	214,643	-214,643
Absolute Return Funds	373,906	7.3	27,295	-27,295
Corporate Bonds	433,878	3.3	14,318	-14,318
Global Equities - Emerging	192,205	28.7	55,163	-55,163
High Yield	225,819	9.6	21,678	-21,678
Private Equity	225,375	24.2	54,541	-54,541
Cash	417,094	3.3	13,764	-13,764
UK Equities	35,420	16.8	5,951	-5,951
Property Unit Trusts	7,962	14.1	1,123	-1,123
Investment Income Due	3,932	0.0	0	0
Equities - LGPS Central Ltd	1,315	0.0	0	0
Loans - LGPS Central Ltd	721	0.0	0	0
Total assets available to pay benefits	**5,102,109**		**586,055**	**-586,055**

The above table excludes direct property due to the liquidity of this asset type.

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 of 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 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial asset at fair value:

Asset Type	2019-20	2018-19
	£000	£000
Corporate and Government Bonds	2,606,685	2,603,230
Cash and cash equivalents	29,402	33,254
Cash balances	384,083	78,816
Total	**3,020,170**	**2,715,300**

Cheshire West and Chester

Interest rate risk sensitivity analysis

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 £2,607m fair value of the bond mandates managed by M&G Alpha Opportunities Fund, Janus Henderson Investors, BlueBay and Legal and General are particularly sensitive to movements in interest rates. This sensitivity is measured by their duration of 5.31, 3.76, 4.14 and 24.4 years respectively.

A 100BPS increase in the prevailing level of interest rates would decrease the aggregate fair value of these mandates by £442.0m (£444.9m in 2018-19). Likewise a 100BPS decrease in the level of interest would be expected to increase the fair value of these mandates by a similar amount.

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 2020**	**Effect of Asset Values**	
		£000	**+100 BPS**	**-100 BPS**
Cash and Cash Equivalents		29,402		
Cash Balances		384,083		
Fixed Income - M&G	5.31	225,818	11,991	- 11,991
Fixed Income - Janus Henderson	3.76	362,923	13,646	- 13,646
Fixed Income - BlueBay	4.14	375,009	15,525	- 15,525
Fixed Income - Legal and General	24.4	1,642,935	400,876	- 400,876
Total change in assets available		**3,020,170**	**442,038**	**- 442,038**

Asset Type	**Duration**	**Carrying amount at 31 March 2019**	**Effect of Asset Values**	
		£000	**+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**

Income Source	Duration	Carrying amount at 31 March 2020	Effect of Asset Values	
		£000	+100 BPS	-100 BPS
Cash deposit / cash and cash equivalents	0.25	983	2	-2
Fixed Income Securities		5,291		
Total change in assets available		**6,274**	**2**	**-2**

Income Source	Duration	Carrying amount at 31 March 2019	Effect of Asset Values	
		£000	+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**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but could 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 GBP 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 2020 and 31 March 2019:

Currency Exposure - Asset Type	Gross Exposure	Hedging Exposure	Net Exposure
2019-20	**£000**	**£000**	**£000**
Overseas Listed Equities	582,747		582,747
Overseas Unquoted Securities	222,167		222,167
Absolute Return Funds Overseas Fixed Interest	0	-9	-9
Overseas Unit Trusts	8,127		8,127
Total	**813,041**	**-9**	**813,032**

Currency Exposure - Asset Type	Gross Exposure Restated	Hedging Exposure	Net Exposure Restated
2018-19	**£000**	**£000**	**£000**
Overseas Listed Equities	531,969		531,969
Overseas Unquoted Securities	194,995		194,995
Absolute Return Funds Overseas Fixed Interest	0	-4	-4
Overseas Unit Trusts	9,076		9,076
Total	**736,040**	**-4**	**736,036**

The 2018-19 figures have been restated for a reclassification of £250m of equities from overseas to UK.

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 risk 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 GBP 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	
	2019-20	+13%	-13%
	£000	£000	£000
Overseas Listed Equities:	**582,747**	**75,757**	**-75,757**
Of which from United States Dollar	389,494	50,634	-50,634
Of which from Japanese Yen	27,381	3,560	-3,560
Of which from Hong Kong Dollar	55,079	7,160	-7,160
Of which from Swedish Krona	4,357	566	-566
Of which from Swiss Franc	4,424	575	-575
Of which from Danish Krone	1,443	188	-188
Of which from South African Rand	8,508	1,106	-1,106
Of which from other currencies	92,061	11,968	-11,968
Overseas Unquoted Securities:	**222,167**	**28,881**	**-28,881**
Of which from United States Dollar	209,288	27,207	-27,207
Of which from Euro	12,879	1,674	-1,674
Absolute Return Funds Overseas:			
Of which from United States Dollar*	-9	0	0
Overseas Unit Trusts:			
Of which from Euro	8,127	1,056	-1,056
Total	**813,032**	**105,694**	**-105,694**

Net Currency Exposure - Asset Type	Asset Values	Change to net Assets available to pay benefits	
	2018-19	+13%	-13%
	Restated	Restated	Restated
	£000	£000	£000
Overseas Listed Equities:	**531,969**	**69,155**	**-69,155**
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	84,594	10,997	-10,997
Overseas Unquoted Securities:	**194,995**	**25,349**	**-25,349**
Of which from United States Dollar	178,161	23,161	-23,161
Of which from Euro	16,834	2,188	-2,188
Absolute Return Funds Overseas:			
Of which from United States Dollar*	-4	0	0
Overseas Unit Trusts:			
Of which from Euro	9,076	1,180	-1,180
Total	**736,036**	**95,684**	**-95,684**

The 2018-19 figures have been restated for a reclassification of £250m of equities from overseas to UK.

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 risk 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 Fund’s 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 four mandates as measured by the credit rating of external agencies is summarised in the table below:

S&P Quality Rating	Fair Value 2019-20	% of Fair Value of Fixed Income
	£000	£000
AAA	143,827	6.0
AA	1,669,106	64.0
A	79,930	3.0
BBB+	225,818	9.0
BBB	126,831	5.0
Below BBB	239,451	9.0
Cash	89,191	3.0
NR	19,612	1.0
Loans	12,920	0.0
Total	**2,606,686**	**100.0**

S&P Quality Rating	Fair Value 2018-19	% of Fair Value of Fixed Income
	£000	£000
AAA	135,147	5.0
AA	1,639,968	64.0
A	86,634	3.0
BBB+	0	0.0
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**

Deposits were not made with banks and financial institutions unless they were rated independently and met the Fund's credit criteria. The Fund also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, the Fund invests an agreed percentage of its assets 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 2020 was £384.1m (31 March 2019 £78.8m) 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.

2019-20 Counterparty	Moodys Rating	£000	% of cash balances
Bank of New York Mellon (Money Market Cash / Cash Accounts)	P-1	28,051	6.8
Fidelity Worldwide Investment (Money Market)	Aaa-mf	191,558	46.3
Deutsche Bank Advisors (Money Market)	A3	192,526	46.6
Cash in Transit	NR	1,350	0.3
Total		**413,485**	**100.0**
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**

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 2020 the value of illiquid assets was £230m, which represented 4.19% of the total fund assets (31 March 2019 £204m which represented 3.65% of the total fund assets).

In terms of liquidity risk, the Fund had £413.5m (2018-19 £112.1m) of cash balances as at 31 March 2020 and net current assets of £12.1m (£8.3m in 2018-19). The Fund's net cash flow, before taking account of investments and excluding management expenses, as at 31 March 2020 was -£29.4m (-£19.5m in 2018-19). Income from investments supports the 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.

Other risks

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 2020	% of Fair Value of collateral 31 March 2020	Fair Value of collateral 31 March 2019	% of Fair Value of collateral 31 March 2019
Moody's rating	**£000**	**%**	**£000**	**%**
Aaa	8,851	21	22,395	34
Aa1	2,263	5	2,370	4
Aa2	32,005	74	41,230	62
Grand Total	**43,119**	**100**	**65,995**	**100**
Value of Stock on Loan	**39,532**		**61,928**	

During the year ended 31 March 2020 the Fund earned £516k (£581k 2018-19) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £39.5m (£61.9m 2018-19) and the value of collateral held was £43m (£66m 2018-19).

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 2019. The next valuation will take place as at 31 March 2022.

The key elements of the funding policy are:

- To ensure long-term solvency of the Fund;
- 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 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 2019 valuation, the fund was assessed as 97% funded (90% at the March 2016 valuation). This corresponded to a deficit of £156m (2016 valuation: £467m) 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 employer's contributions for the period 1 April 2020 to 31 March 2023 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	3.20%
Salary increase assumption	3.00%
Benefit Increase assumption (CPI)	2.30%

Longevity assumptions (*Aged 45 at the valuation date)

Assumed life expectancy at age 65	**Current Pensioners** **Male**	**Female**
Current Pensioners	21.2 Years	23.6 Years
Future Pensioners*	21.9 Years	25 Years

Cheshire West and Chester

Note 21 – Actuarial value of promised retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2019-20 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

	2019-20 £000	2018-19 £000
Long Term Debtors:		
Contributions due - Employers	0	5,828
Reimbursement of lifetime tax allowances	457	254
Sundry Debtors	0	235
Total	**457**	**6,317**

The Fund's long term debtor for early retirement contributions was in relation to scheme employers who had the option of paying over five years, all are now currently paying early retirement contributions as they fall due. The sundry debtors figure relates to a settlement from Magistrates Courts of £2.351m which is being paid in equal instalments over 10 years discounted at 3.76%, the final payment is due in 2020-21 and is included in current assets below.

Note 23 – Current Assets	2019-20 £000	2018-19 £000
Current Debtors and cash:		
Contributions due - Employers	18,484	15,114
Contributions Due - Employees	3,122	2,950
Sundry Debtors	1,622	1,262
Provision for Doubtful Debt	-635	-367
Cash balances	91	2,440
Total	**22,684**	**21,399**

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	2019-20 £000	2018-19 £000
Sundry Creditors	6,247	7,530
Benefits Payable	2,733	2,587
Provisions	0	40
Receipts in Advance	1,555	2,860
Total	**10,535**	**13,017**

Note 25 – Additional Voluntary Contributions (AVCs)

From the 1 April 2019 Standard Life were appointed as the sole AVC provider for the Fund. Prior to 1 April 2019 the AVC providers to the members of the Fund were Scottish Widows, Standard Life and Utmost who took over Equitable Life on 1 January 2020.

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, Utmost and Equitable Life for the year to 31 March 2020 is shown below, along with a prior year comparator.

	Scottish Widows £000	Standard Life £000	Equitable Life £000	Utmost £000	Total £000
Contributions received in year 2020	189	929	-	2	**1,120**
Contributions received in year 2019	723	308	2	-	**1,033**
Fair value at 31 Mar 2020	2,146	3,406	-	507	**6,059**
Fair value at 31 Mar 2019	3,210	3,023	509	-	**6,742**

Note 26 – Related Party Transactions

The Fund is administered by Cheshire West and Chester Council. 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 Council 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 2019-20 the Fund paid £6,100 to the Council for interest accrued on these balances.

The Council is one of the largest participating employers and contributed £28.1m into the Fund in 2019-20 (2018-19 £22.1m). At the year end, a balance of £8.276m (2018-19 £12.999m) was due to the Fund from the Council, primarily relating to early retirement strain costs which will be repaid over more than one year and contributions which were paid in April but became due in March. A balance of £1.6m was owed to the Council (2018-19 £1.5m) for Fund transactions processed through the Council's accounts payable and receivable systems.

LGPS Central Ltd has been established to manage investment assets on behalf of eight Local Government Pension Scheme (LGPS) administering authorities 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 £1.315m in share capital and granted a loan of £685k to LGPS Central Ltd. In 2019-20 interest of £36,023 (2018-19 £42,972) accrued on the loan balance to give a balance at the end of the year of £0.721m (2018-19 £0.728m), the share capital was valued at cost at the end of the year at £1.315m. Investments managed by LGPS Central Ltd as at 31 March 2020 are disclosed in Note 17 to the accounts.

During the year the Fund incurred charges for the running costs of LGPS Central Ltd totalling £0.927m (2018-19: £0.861m) and joint pool governance costs of £15,833 (2018-19 Nil).

The Fund has made a £22m commitment to the LGPS Central Private Equity Funds, during the year the paid £3.9m calls to these funds and received £0.189m in dividends. No calls or distributions were made in 2018-19. The market value of the private equity funds is shown in Note 17 to the accounts.

Investment management fees of £1m (2018-19 £45,901) were incurred on the Fund's investments managed by LGPS Central Ltd.

The Council as Administering Authority incurred costs of £1.981m to administer the Fund in 2019-20 (2018-19 £2.188m) as well as £2.151m for oversight and governance costs (2018-19 £1.271m) 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 participating employer in the 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 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. 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 Council's Audit and Governance Committee has oversight of the Council's governance arrangements for the Fund.

The Local Pension Board was established 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 1 April 2014. As a consequence all councillors ceased membership of the scheme from 12 May 2015 including those members of the Pension Fund Committee who had been active members of the Scheme.

There are three members of the Committee who are in receipt of pension benefits from the Fund (Councillor M. Hogg, 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 2020.

There are three members of the Local Pension Board who were active members of the Fund as at 31 March 2020; 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 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, Director of Finance 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-20 £000	31-Mar-19 Restated £000
Short term benefits	94	112
Long term/post-retirement benefits	902	1,128
Total	**996**	**1,240**

The long term/post-retirement benefits figure for 31 March 2019 figure has been restated to reflect the proportion of time that the key management personnel spend on work in relation to the Pension Fund, The result of this is a reduction in the 31 March 2019 long term benefits figure by £1.2m.

The long term/post-retirement benefits are calculated on an IAS19 basis and will be affected by the assumptions 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 £764m (2018-19 £679m) in private equity funds.

During 2019-20 the Fund made new commitments to Pantheon private equity funds of $65.5m. These commitments were split $45.5m to the Global Select 2019 Fund, $10m to the Global Co-Investments 2019 Fund and $10m to the Global Secondary Fund VI. 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 2020 the Fund had actually invested £496m (2018-19 £409m) and therefore had an outstanding commitment of £224m (2018-19 £270m). 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 21 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 2019-20 the Fund has recognised expected credit losses of £0.635m (£0.367m in 2018-19) 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 ISS also includes the Fund's Responsible Investment Policy which sets out the Fund's approach to the governance and stewardship of its investment assets.

A full copy of the ISS can be obtained is available on 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 is available on 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 2020.

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
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
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
Dataspire	B
Ringway Infrastructure	B
HQ Theatres	B

Admitted Bodies - Continued	Strategy
Bulloughs Collegiate	B
Catalyst Choices	B
Sanctuary Housing Association	C
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
CWP NHS Trust	B
A M Services	A
Caterlink (Witton)	B
Caterlink (Sandbach)	A
Caterlink (Ruskin)	A
Aspens Services - Upton by Chester	B
Chartwell - Leighton	B
Chartwell - Elworth	B
Midshire Catering Services Limited - Tarporley High School*	B
Mellors Catering Services Limited - St Winefrides*	B
Verve People	B
Starcare*	B
Torus 62	C
Torus 62 (ComMutual)	C

Cheshire West and Chester

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
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
Warrington Collegiate	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
Cheshire and Warrington Enterprise Commission	C
Catering Academy - Warrington	B
Catering Academy - CoE Academy	B
Catering Academy - Weaverham	B
Liverpool Mutual Homes (Torus 62 LMH)	B
Civicance Ltd	A
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
Barnton Parish Council	B
Kingsley Parish Council*	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 Primaryn 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
Cuddington Primary School*	B

Academies - Continued	Strategy
Little Leigh Primary School*	B
Sandiway Primary School*	B
Bexton Primary School*	A
Grange Community Nursery and Primary School	B
Astbury St Marys CoE Primary School	A
Handforth Grange Community Primary School	A
Hollinhey Primary School*	A
Daven Primary School*	A
Ditton Primary School	B
St Michael with St Thomas CoE Primary School*	A
Croft Primary School*	B
Gorse Covert Primary School*	B
Oakwood Avenue Primary School*	B
Woolston Community Primary School*	B
Acresfield Primary School*	B
Broomfields Junior School*	B
Meadowside Community Primary & Nursery School*	B

*Employers who joined the fund during 2019-20

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2019/20 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 2020	31 March 2019
Active members (£m)	2,625	3,854
Deferred members (£m)	1,278	1,220
Pensioners (£m)	2,590	2,373
Total (£m)	**6,493**	**7,447**

The promised retirement benefits at 31 March 2020 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. 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.

Note that the above figures at 31 March 2020 include an allowance for the “McCloud ruling”, i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

The 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 2020 and 31 March 2019. I estimate that the impact of the change in financial assumptions to 31 March 2020 is to decrease the actuarial present value by £586m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £266m.

Financial assumptions

Year ended (% p.a.)	31 March 2020	31 March 2019
Pension Increase Rate	1.9%	2.5%
Salary Increase Rate	2.6%	2.8%
Discount Rate	2.3%	2.4%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and 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	21.2 years	23.6 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	21.9 years	25.0 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

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

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2020	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	572
0.5% p.a. increase in the Salary Increase Rate	1%	68
0.5% p.a. decrease in the Real Discount Rate	10%	646

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 2020 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

16 April 2020

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 (CIES) and revenue or capital reserves.

Assets held for sale
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.

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 Cheshire Clinical Commissioning Group (CCG).

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

BID (Business Improvement District)
A geographic area within the Borough where Businesses agree to levy a supplementary business rate. Funds from this are ring fenced for use towards the purposes of the BID, and reported as a note to the Collection Fund.

Capital Adjustment Account
The Capital Adjustment Account is made up of amounts set aside from revenue 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 for more than one year.

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, requires the expenditure to yield 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 CIES for the year and the Balance Sheet at the end of the year.

CIES - Comprehensive Income and Expenditure Statement
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).

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 and Business Rates 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 in perpetuity, that have no determinable useful life and may have restrictions on their disposal. (e.g. parks).

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 financial pressures of activities expected to occur during the year, over and above those costs/income streams included in the services budgets, 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 payable depends on the notional valuation of each dwelling in April 1991, and the factor (band ratio) and poundage applied.

Creditors
Amounts owed by the Council for goods or services received but not paid for by year end i.e. 31 March 2020 for 2019-20.

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 within the next financial year. Current liabilities are items that are due for payment immediately or in the next financial year. 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 are removed from the CIES and replaced with an amount (i.e. the current service cost) which reflects the increase in the pension scheme liabilities expected to arise from employees' membership of the Scheme in the (year of the) accounting period.

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 2020, where services have been delivered but payment has not been received. These may be gross or after impairment i.e. reduced amount allowing for expected credit losses (bad debt provision).

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 CIES 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
A sum to reflect reduced value due to 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 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. Group accounts reflect the position of a number of entities.

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
The weighted average of credit losses, with the respective risks of a default reflected in the weightings applied.

- **Lifetime Expected Credit Losses**

The expected credit losses that result from all possible default events on a financial instrument over its full expected life.

- **12 Month Expected Credit Loss**

The expected credit losses that result from default events on a financial instrument that are possible in the 12 months after the reporting date.

Expected return on assets (IAS 19 term)
The average rate of return expected on the actual assets held by the pension scheme.

Expenditure and Funding Analysis (EFA)
The Expenditure and Funding Analysis links the CIES by demonstrating how funds available have 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 Other Comprehensive Income (FVOCI)
This is applied when the 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.

Fair Value Through Profit and Loss (FVTPL)

This classification is dependent on the contractual terms (i.e. solely payments of principal and interest (SPPI) on the principal 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.

.**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
This is an 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 Fund
This is the Council's main revenue fund. All revenue receipts are credited to this and all revenue liabilities are discharged from it. The movement on the fund in year represents the difference of income over expenditure once notional charges and credits have been replaced by the amounts required to be funded from Council Tax.

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 CIES 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 CIES but which have not yet been applied to finance capital expenditure.

Heritage Assets
Assets that are held 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, ring fenced account. This sets out expenditure and income arising from the provision of Council housing. The Council may not provide a subsidy to the HRA from the General Fund.

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 to reflect the expected credit loss .

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 i.e. 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 e.g. ICT software.

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
A non-operational (non-current) asset held solely for the purposes of deriving an income stream or capital gain.

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. The amounts where this might occur in these accounts is included in the external Audit Plan taken to the Audit and Governance Committee prior to the Statement of Accounts being compiled (usually January of the concluding financial year).

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 CIES, 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, as 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 cost of pension scheme liabilities arising in the current period as a result of the retirement benefits accrued.

Precept
Amounts the Council is required to raise from Council Taxpayers on behalf of other authorities and organisations.

Prepayments
Amounts paid by the Council in 2019-20 in relation to goods and services not received until 2020-21.

Prior year adjustments
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 2019-20 relating to taxation or goods or services to be delivered in 2020-21.

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 e.g. payments through Disability Facilities grant which improve a home the council does not own.

Revenue Support Grant (RSG)
Central Government grant support towards local government expenditure.

Scheme liabilities
The liabilities of a defined benefit pension 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, as required in Section 151 of the Local Government Act 1972.

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 Principal 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 principal 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.