Cheshire West & Chester Council

Statement of Accounts

2021-22

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Cheshire West and Chester

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Narrative Report

Introduction
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 Council's activities and challenges and how these impact on its financial resources.

The narrative report is structured as follows:

1. About Cheshire West and Chester
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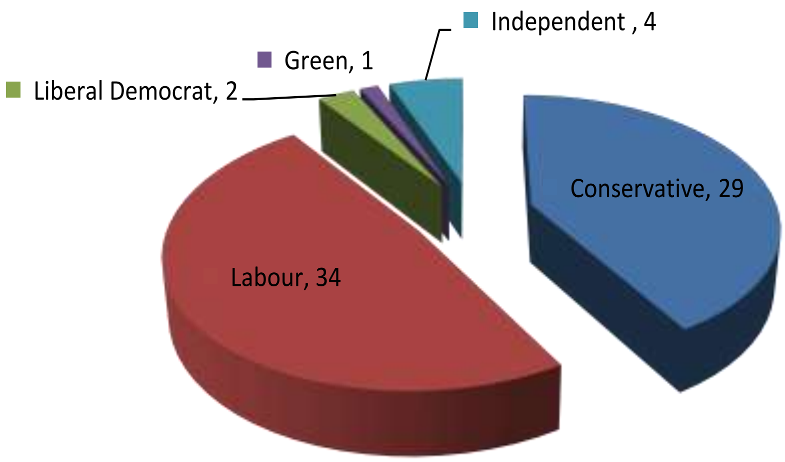
1. About Cheshire West and Chester

Cheshire West and Chester is a unitary authority with a population of 343,823 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 on 31 March 2022 is shown below.



2. Strategic Principles and Priorities

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

In February 2020 Cheshire West and Chester Council approved a Council Plan for 2020-2024 called ‘Play Your Part To Thrive’. This plan is supported by the Stronger Futures Recovery and Renewal plan which was published in December 2020 which enabled the Council to refresh its plans in light of the opportunities and challenges arising from the pandemic. The Council Plan set out the Council's vision, what it wants to achieve, and the way its staff will work. The plan originally set out six priorities, but following the Council’s declaration of a poverty emergency in October 2020 the Stronger Futures Plan added this as a seventh priority:

1. Tackling the climate emergency
2. A Fairer Future – tackling the poverty emergency
3. Growing the local economy and delivering good jobs with fair wages for our residents
4. Supporting children and young people to have the best start in life and reach their full potential
5. More adults live longer, healthier, happier lives
6. Making our neighbourhoods even better places to call home
7. Delivering a more efficient and empowering Council

The Council Plan is fully joined-up with other key plans and strategies across the borough and is monitored through a performance management framework - 79 performance indicators reported regularly through an online dashboard. The plan was developed alongside a four year budget plan to ensure that resources are in place to deliver the focus areas.

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.

Whilst the Spending Review in October 2021 provided headline funding allocations for local government for the three year period to 2024-25, the 2021 Financial Settlement announced in December again provided only a one year funding settlement for 2022-23. Although the continuation of a number of funding streams and new funding allocations were announced for 2022-23, there remains continued uncertainty in respect of funding allocations for future years.

Due to this uncertainty the Council approved a single year Budget in February 2022 for 2022-23, coupled with an indicative budget for the following two years. The Council is currently facing a funding gap of £67.4m over the period 2022-25. At this stage it is anticipated that this shortfall will be met through a combination of savings and locally generated income. In total, the budget package for the next three years requires the delivery of £30.8m of savings, with £14.3m required in 2022-23. The budget also assumes an increase of £35.3m from locally generated income over the three year period.

Despite the savings identified and funding from locally generated income, there was still an estimated budget gap of £1.3m remaining for 2023-25 at the time of setting the Budget in

February 2022. Since then, the inflationary pressures impacting the UK economy have escalated significantly and the estimated budget gap is currently being updated.

Whilst bridging a gap of this size may not appear to present the significant challenge the Council has faced in previous years' it should be noted that this position could be impacted by a number of factors:

- The actual level of Government Funding;
- The delivery rate of savings proposed within this budget package;
- Changes in demand for Council services higher than anticipated as has been the case for Adults and Children's services in recent years;
- Impact of the new Adult Social Care white paper;
- Impact of the Developing Integrated Social Care proposals across Cheshire and Merseyside;
- On-going impact of Covid-19;
- Inflationary and energy costs;
- Performance of Council Companies and significant regeneration schemes

Any changes to these assumptions could result in a significant increase to this gap. Each year the ability for the Council to make savings has become more difficult and any variation to this position is likely to impact on the Council's overall financial sustainability and reserve levels. Should this position change, the Council may well face further difficult choices over the coming years with regard to delivering a balanced budget. This position is regularly monitored by officers and financial modelling will be regularly conducted to monitor the position.

3. Summary of Performance

The following table highlights key areas of Council performance during 2021-22.

People
○ Within Adult Social Care, the number of carers assessment undertaken last year increased slightly to 438. However, activities being undertaken to improve the number of carers assessments taking place have yet to impact. A Carers Partnership Board has been created to oversee development of the All Age Carers Strategy Action Plan and this, along with carers assessments having moved online, is expected to improve performance. In the longer term a greater priority will be given to carers assessments in the commissioning arrangements for the new Carers Service. ○ Reablement service outcomes have improved on previous years with almost 71% of new clients not requiring ongoing support. Performance has been impacted on by a number of factors, including having to deliver services of last resort due to the high number of domiciliary care service hand backs and the lack of available domiciliary care in the borough. A new integrated reablement service approach is being piloted in Ellesmere Port with a view to making further improvements. Despite pressures to discharge people from hospital and challenges around domiciliary care in the borough, the target for permanent admissions of older people into residential / nursing care has been achieved (454 per 100,000). ○ There is continued pressure on children and family services, reflecting national trends on children's services. Despite this, the rate of children in need (290 per 10,000 of 0-17 population) remains lower than comparator rates for the country, the region and for statistical neighbours. The number of children becoming subject to a child protection plan for a second or subsequent time has reduced to just under 22% and reflects regional averages. An audit is underway of those cases where

domestic violence is a parental factor to review interventions and responses. The percentage of referrals to children's social care within 12 months of a previous referral is almost 23% which is in line with regional averages, but much higher than pre-pandemic and continues to reflect the cumulative impact of the pandemic on families, with domestic violence remaining the most common reason for re-referrals. o There has been an increase in children in care (78 per 10,000 of 0-17 population), but also an encouraging increase in the rate of people leaving care as the exit planning process has been reinvigorated and the court backlog caused by COVID has cleared. The percentage of care-leavers in education, employment or training has increased to almost 65% but the proportion of young people who are not in education, employment or training is just below target, with 222 of 6,913 young people classed as NEET and being targeted for additional support through the 'Journey First' programme. o The percentage of referrals to domestic abuse intervention and prevention team which are re-referrals continues to fluctuate but audits continue to show that a significant proportion of re-referrals reflect individuals enacting their safety plans and requesting advice. o Work to support complex families to achieve significant and sustained outcomes has improved to meet the annual targets set by the National Supporting Families Team. The percentage of early help and prevention episodes within 12 months of a previous episode is also improving at just under 14%, with some re-referrals also being a positive response with families recognising the need for additional support. o National decisions to cancel examinations means that pupils were awarded a calculated grade for progression in Summer 2021 and there will be no attainment indicators to report for local authority areas for the 2020-21 academic year. However, the percentage of primary and secondary school pupils with special educational need or disability (SEND) who are educated in mainstream provision both continue to improve at 62% and 38% respectively.

Places
o Performance across homelessness services is improving with a fall in rough sleeping and a reduction both in the number of households (189) in temporary accommodation and the proportion of these in B&B accommodation (75%). The exception is homelessness prevention which continues to be hampered by the lack of housing options. Homelessness as an issue remains at historically high levels and continues to be a clear priority for improvement. o At 233, the number of empty homes returned to use is well above target. 450 affordable homes have also been delivered and 81% of private sector rented properties in serious disrepair have been improved. 703 new homes have been delivered through Council investment and plans are in place for an additional 140 homes in 2022-23. o The level of support being provided to local businesses remains high, although demand has fallen considerably since their COVID peak. The level of job vacancies locally also means that the Skills and Employment service are continuing to excel, supporting 644 job starts. The reported timeliness of minor planning applications remains positive but is based on 560 out of 614 having had extensions agreed. All 32 major planning applications were determined within their agreed extension period. Planning performance continues to reflect the wider national picture of significant increases in demand – at mid-year demand nationally was 45% higher than the same period in 2020. A number of local measures have been put in place to address the increased demand including recruitment, use of contractors and different ways of working.

- Waste and recycling performance is reported a period in arrears, but both are on track to achieve their respective targets. The percentage of waste sent for reuse, recycling or composting at the end of Q3 was almost 59%. Streetcare has been significantly impacted on by the pandemic, with resources diverted to pandemic support and operations impacted on by pandemic working restrictions. Over the second half of the year the subsequent build-up of detritus has been targeted, with a focus on targeted areas of the high-speed network with particularly heavy detritus. The next six months will see the focus shift to urban areas. This and new service models around grass cutting and weed control should see the number of sites that are inspected and meet acceptable standards achieve the 90% target next year.
- The proportion of fly-tips cleared within the standard of five to ten days, has improved dramatically throughout the year to almost 66%, as both back-office and frontline processes have been reviewed. The recording of mis-represented waste, rather than fly-tipping, continues to impact on performance figures.
- As in previous years, local satisfaction with highways (49%), and particularly highways maintenance (42%), remains poorer than the national average, whilst the reported condition of highways (as measured against national monitoring requirements) is better than the national average. 17 publicly available electric vehicle recharging points have now been developed by the Council.

Corporate

- The number of business miles being claimed by staff remains significantly below historic levels at just over 1.2 million miles. Business mileage claims are expected to increase again in 2022-23 as the number of face-to-face meetings increases, but the Modern Workforce Programme and the approaches to flexible and mobile working introduced means this will continue to represent a step-change from pre-pandemic levels.
- Feedback from the staff survey undertaken during the year showed that an overwhelming majority of staff (78%) feel that the Council is a great place to work and that the Council has a positive impact on society (88%). Responses to this year's survey represent good improvement since the questions were last asked of staff. The proportion of staff that feel that they are able to balance their work and personal life is a new indicator and the survey found that 79% of respondent were in agreement. The People Plan and Modern Workforce Culture Plan both look to develop further practice that supports staff wellbeing.
- During the year 11 apprenticeship qualification frameworks were successfully commissioned and undertaken by existing staff. Cumulatively, 81 existing team staff are in the process of or have successfully completed an apprenticeship qualification framework across this year. The Inclusive Employment Strategy will look to drive improved performance next year, including considering all new posts at Grade 4 or below for an apprenticeship placement. Modern apprenticeships are available at a range of levels and can include degree level training and beyond. Proposals for next year are to refine this indicator so that it focuses on entry level placements that support young people into the workplace.
- Collection rates have continued to recover with the collection of non-domestic rates now almost 98% and collection of council tax just 0.2% below target at 96.8%. The speed of processing benefit payments has improved significantly during the year with processing times during the last period reducing the cumulative average for the year from 25 days as at November 2021 to 13.6 days at year-end.
- Satisfaction with customer services also remains high at 90.77%. Satisfaction has been affected by the continued high volume of calls about changes to the Waste Service. The percentage of people accessing council services on-line rather than by phone or face-to-face has continued to increase, supported by the large volume of customers who have been encouraged to make digital requests for garden waste

collection rather than being directed to the contact centre. Work is also underway to ensure the customer experience is improved for customers not using digital channels and ensuring a more joined up front door is in place. In addition, the digital inclusion programme continues to be rolled out.

- The percentage of ICT projects delivered to agreed milestones (which reflect agreed variations to milestones within the year) was 87.5% and represents an improvement of 9.5% on the previous year. The availability of ICT services within agreed service hours was 99.4%. The proportion of council spend with suppliers registered within the borough fluctuates according to the nature of contracts let within each period and during the year averaged 50.2%.
- The proportion of stage one complaints that are responded to within timescales and the percentage of these that are unresolved at stage one and progress to stage two has deteriorated compared to the previous year. The publication of an annual complaints report from 2022-23 is expected to raise the profile of complaints and additional corporate resource will support services to be able to meet the agreed targets.

4. Summary of financial performance and main issues in 2021-22

Revenue Expenditure

The Statement of Accounts sets out the Council's spending and funding in line with accounting requirements. The Council measures financial performance against planned activity in the form of the Council's management accounts. In 2021-22 the Council reported an underspend of £2.6m against business as usual activity and achieved £17.048m of savings. The table below reflects the final budget for 2021-22 and actual income and expenditure against it.

2021-22 Revenue Budget	Budget £m	Actual £m	Variance £m
Integrated Adult Social Care & Health	139.2	138.0	-1.2
Children and Families	62.5	63.6	1.1
Places	62.0	61.3	-0.7
Corporate Services	32.3	31.5	-0.8
Capital Financing	22.1	22.1	0.0
Other	7.5	6.5	-1.0
Total Net Spend	**325.6**	**323.0**	**-2.6**

Cabinet approved (8 June 2022) that this underspend be set aside in earmarked reserves to address additional inflationary pressures that are now likely to arise in 2022-23 (£2.1m) and to fund schemes that will improve local neighbourhoods (£0.5m). The overall position inclusive of adjustments for both carry forward of budgets, and changes to earmarked reserves is therefore a balanced outturn.

2021-22 has been another exceptional year and the continued impact of the pandemic has been felt across all Council services. In response to the pandemic, a number of services, such as homelessness, economic growth and transactional services, have again seen higher than normal demand for services. The Council has also continued to provide a number of services specifically related to the pandemic such as Test & Trace.

Due to restrictions a number of services have also been delivered differently or were stopped or reduced due to building closures. The demand for some Council services has also significantly reduced. Whilst this is reflected in the outturn position for business as usual activity, it is a temporary position and an increase in demand is anticipated in 2022-23, especially in respect of social care services.

Capital Expenditure

The capital programme supports the Council's wider objective to deliver services and promote economic growth. In 2021-22 the Council invested £124.9m through its capital programme against a budget of £134.7m. This represents a delivery rate of 93%. The investment is summarised by Directorates in the table below.

Directorate	Revised Budget £m	Outturn £m	Variance £m	Delivery Rate %
Health & Wellbeing	10.848	10.958	0.110	101.0
Communities, Environment and Economy	115.807	106.572	-9.235	92.0
Corporate Services	8.087	7.369	-0.718	91.0
Total Capital Programme	**134.742**	**124.899**	**-9.843**	**93.0**

Some of the key outputs in 2021-22 were:

Schools and Education

£11m of investment in schools and education, including the completion of expansion schemes at Blacon and at Bishops Blue Coat High Schools that have delivered 300 additional permanent places, and feasibility and design works at Tarporley High School, Christleton High School and Leftwich High School in preparation for expansion schemes in 2022-23. A programme of school maintenance schemes has been completed covering 42 sites including 17 roof replacement schemes and 11 boiler/heating replacements.

Highways and Transport

£19m 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 includes completion of works on Helsby-Frodsham Corridor Active Travel Scheme, the A5117 cycle scheme and the A51 Pinch Point scheme. Carriageway resurfacing works and surface redressing schemes to improve the quality of the network, traffic signals, street lighting works and essential structural works on bridges.

Regeneration

£39.6m in significant regeneration schemes within the borough including the Northgate Development, Chester, Winsford Industrial Estate, Winsford Cross Shopping Centre, and Barons Quay.

Housing (including HRA)

£14.1m investment in housing, including improvements to the Council's own housing stock in Ellesmere Port and the completion of development works at the Verdin site which enabled the construction of 268 new homes to commence of which 152 will be affordable housing including 52 new homes for affordable rent.

Corporate Programme

Key outcomes in respect of the Corporate capital programme include: £3.6m on continued improvements to core ICT infrastructure and systems including the rollout of the new HR and finance system; £2.2m on the modern workforce programme to transform workspaces for new ways of working including hybrid meeting technology; and £1.3m on transformational activity to improve the efficiency and effectiveness of Council services.

Financing of the Capital Programme

The capital programme expenditure for 2021-22 is £124.9m. A breakdown of how this expenditure has been financed is shown in the table below. Taking this expenditure and the reprofiling of resources into future years, the overall Capital Programme for 2022-23 to 2024-25 remains affordable from within the existing financial envelope.

Capital Programme Financing	£m
Expenditure to be Financed	**124.899**
To be funded by:-	
General Capital Receipts	1.003
Specific Capital Receipts	1.032
Capital Reserves	0.711
Grants and Contributions	48.986
HRA Contributions	9.460
Revenue & Service Contributions	1.181
Sub-Total	62.373
Core Borrowing	18.531
Invest to Save Borrowing	2.986
Borrowing for Significant Regeneration Schemes	41.009
Total Funding	**124.899**

Overall impact on the General Fund Reserve

Taking into account the position set out above, the General Fund reserve was £25.8m at the end of the year, which is within the risk assessed range.

Changes in Earmarked Reserves during the year are provided in detail in Note 9 on page 101, and in summary in the Core financial statement – Movement in Reserves Statement.

5. Summary of Significant Items 2021-22

Coronavirus

2021-22 was another incredibly challenging financial year; the Council continued to play a crucial role in helping our communities navigate a safe route through restrictions and other challenges. The Council continued to re-deploy many staff in order to maintain a number of new services that had been established during the previous year to help manage the impact of Covid-19 as effectively as possible.

Our Public Health Team was central to the COVID-19 response. They helped us to better understand local risks, the fast-developing information being shared at a national level and ensured the plans we put in place have been as effective as they possibly can be in protecting the health and wellbeing of our residents.

During the year, the Council distributed grants and support to local community business, as detailed in the table below;

Grant Type	Amount Awarded £000
Additional Restrictions Grant	6,564
Local Restrictions Support Grant	180
Omicron Grants	3,224
Restart Grants	17,694
Total	**27,662**

The Council faced additional financial pressures of £38.7m in 2021-22 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 restrictions.

The Council's involvement in the response and its financial impact have come from a number of strands:

- the Council passporting funds to various residents and businesses;
- the provision of new and additional services;
- a change in the scope to deliver scheduled savings;
- the loss of income received though Council and Business Rates;
- loss of budgeted income from existing and new regeneration projects, and
- loss of income received for services provided directly or through the subsidiary companies e.g. leased property, car parking, and services to clients.

Financial pressures in relation to 2022-23 and beyond are currently estimated at £7.6m. This estimate reflects the lifting of restrictions and reduced ongoing test and trace requirements. No government funding has been announced beyond 2021-22, so it is assumed that any unallocated funding will be required to fund future costs identified for 2022-23.

The table below shows a breakdown of the estimated financial impact in 2022-23:

Category	Current Estimated Impact 2022-23 £m
Cost pressures	4.9
Income pressures	2.2
Council companies	0.5
Total	**7.6**

6. Explanation of the financial statements

The Statement of Accounts sets out details of the Council's income and expenditure for the financial year 2021-22 and its Balance Sheet as at 31 March 2022. These statements cover the General Fund, the Collection Fund, Housing Revenue Account and the Pension Fund.

Core Financial Statements reflect Council activities including maintained schools:

- 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 Councils accounting policies and items contained in the statements.

Additional Financial Statements:

- **The Statement of Responsibilities for the Statement of Accounts** explains the Council's responsibilities and the responsibilities of the S151 Officer.
- **The Annual Governance Statement** comprises the systems and processes that enable the authority to monitor the achievement of its strategic objectives. This includes the system of internal control used to manage risk. It sets out the main features of this system and its effectiveness.
- The **Housing Revenue Account** is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants**.**
- The **Collection Fund** is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.
- The **Group Accounts** provide details of the Council's overall financial interests including consideration of its interests in other companies and how their value has changed over the year.
- The **Pension Fund accounts** summarise the income and expenditure and the Balance Sheet position as at 31 March 2022 of the Cheshire Pension Fund, which is administered by Cheshire West and Chester Council.

Statement of Responsibilities for the Statement of Accounts

Our responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Operating Officer who is named as the Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

The Statement of Accounts was approved by the Audit and Governance Committee on 23rd January 2024.

Date: 23rd January 2024	Signed by: Councillor Bissett Chair of Audit and Governance

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 2022.

Date: 23rd January 2024	Signed by: Simon Riley Chief Operating Officer

Annual Governance Statement 2021-22

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 2021-22 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://www.cheshirewestandchester.gov.uk/your-council/policies-and-performance/council-plans-policies-and-strategies/corporate-governance

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 four-year Council Plan (Play your part to thrive) 2020-24 sets out the Council's strategic priorities including 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. 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.
- A seventh priority was added further to the Council declaring a poverty emergency for the borough in October 2020. This declaration sets poverty alongside climate change in providing a framework for a fairer, greener recovery. The Council's poverty team leads on embedding an organisation-wide approach to tackling poverty in all forms across the borough, including facilitating multi agency working and ensuring that those with lived experience of poverty play and active role in shaping local policies and services.
- In response to the impact of the Covid-19 pandemic the Cabinet approved a recovery and renewal plan ('Stronger Futures: A four-year plan for Recovery and Renewal following Covid-19') in December 2020. The plan is largely focused on the medium to long term, mirroring the four-year Council Plan, and includes a series of actions outlining how the Council could work with its communities and its partners to deliver a stronger future for everyone.
- For 2021-22 the Council's intention was to set a four-year budget plan, linked to the Council Plan. However, this was constrained by the central government one-year funding announcement, repeated again in 2022-23, and a lack of clarity over the

financial position in future years. The budget for 2021-22 and indicative budget plans for 2022-2025 carefully considered the impact of any decisions on the Council's priorities to avoid any detrimental impact and ensure resources were in place to deliver. The Council was able to manage the financial impact of the pandemic during 2021-22 with minimal impact on its resources.

- The Council Plan is 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 seven 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 allows transparent analysis and challenge of outcomes. The indicators and targets are refreshed on an annual basis to take account of latest circumstances.

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, four 'Leader's Champions' provide advocacy and act as an enabler and facilitator across four key priority and cross-cutting areas of climate emergency, poverty and inequality, mental health and refugees. The climate emergency champion role has now been incorporated into the Cabinet role of one member.

- The Council has the appropriate statutory chief officers in place as follows. The three principle statutory officers are:
    - 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; and
    - Monitoring Officer is the Director of Governance, who is responsible for ensuring legality and promoting high standards of public conduct.
- Other key statutory officers include:
    - Director of Children and Families' 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 Council's 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, reviewed and updated during 2021-22 further to a member survey and public consultation, 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, also updated during 2021-22, 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 (also updated during 2021-22 and incorporated within the Constitution), 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 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. The Strategy is referenced within the Council's Modern Slavery Transparency Statement on its website. Both the Statement and Strategy are under review for update in 2022-23.
- 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. The Board played a key role in developing the Council's first Place Plan, which was formally approved in October 2019. The Plan represents the Council's vision for residents' health and wellbeing for the next five years and is its Health and Wellbeing Strategy.
- The Covid-19 Outbreak Board was established in December 2020 to oversee the delivery of the Council's Outbreak Management Plan. It includes the Leader, Deputy Leader and equivalents from the Conservative Group as well as the Cabinet Member for Adult Social Care and Public Health and the Chief Executive and Director of Public Health. In addition, there are a number of co-opted members for various sectors of the community including, health, business, community and education.
- In preparation for the introduction of Integrated Care Systems from July 2022, the Council established a "Place Executive", chaired by the Council's Chief Executive, with partners from the NHS and community sector, to ensure Cheshire West and Chester had in place the governance and operational arrangements for the new system. Proposals were agreed and established to take effect from July 2022.
- 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.
- The Council Management Board comprises the Chief Executive, Deputy Chief Executives and Chief Operating Officers as well as the Director for Public Service Reform and meets up to three times a week. All Directors are invited to attend for matters relevant to their responsibilities and meet together monthly as the Extended Management Board.
- Eight standing cross-directorate governance boards were established in 2020-21, each chaired by a member of the Council Management Board, to facilitate more joined-up ways of working that align to the key priorities set out in the Council Plan and to guide cross cutting priorities such as responding to the climate emergency and building stronger communities. The boards include a Compliance and Assurance Board, chaired by the Chief Executive, which has a remit of proactively ensuring a Council-wide overview of assurances that the Council's statutory responsibilities and

governance are effective and well managed, to address specific issues, and to ensure that statutory officers are enabled and supported to exercise their functions.

- A number of officer groups operate across the Council, responsible for the governance of specific areas of risk. These include the following:
    - Joint Officer Board
    - Commissioning Board
    - Capital Investment Board
    - Capital Operations Group
    - Strategic Assets Board

- As the new officer governance arrangements are embedded, further steps will be taken to rationalise and simplify the governance structures and clarify accountabilities and reporting lines.

- 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.
- The Council's digital engagement platform – Participate Now – allows local people to participate in consultation and engagement activities. The Participate Panel is the Council's online citizens' panel and comprises a cross section of approximately 1,300 residents, broadly reflective of the local adult population, who are invited to take part in regular, online engagement with the Council. The Council consulted with the public and partners on the budget, changes to the constitution and other major policy decisions during 2021-22.

- 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. 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 seven priority outcomes set out in the Council 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, and Qwest Services). The Head of Companies, Compliance and Assurance is the senior accountable officer, reporting to the Section 151 Officer.
- They are 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.
- The Framework for Engagement with Council Companies was approved by the Council as part of the 2020-21 budget – this statement sets out the Council's approach to its companies. The outcome of the review of the framework and future strategy was approved by Management Board in December 2020 and Cabinet in April 2021 to agree the direction of travel for each company.
- Oversight of shareholder interests is exercised via the Section 151 Officer, who supports the Portfolio Holder.
- The Cabinet and 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. There has also been bespoke reporting during 2021-22 relating to the ongoing impacts and business recovery arising from Covid-19. A standing task group of the Overview and Scrutiny Committee has terms of reference that include review of companies' performance and the effectiveness of the Council and companies in developing and implementing their respective strategies.
- There are Cabinet member leads for each company including attendance at company boards as non-voting observers. There is also officer attendance, either as appointed Non-Executive Directors or non-voting observers.

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 have resulted in an assurance opinion on the Council's risk management, governance and internal control environment of 'No Assurance' or 'Limited Assurance' 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 i.e. management and supervisory controls
- Second line of defence – functions that oversee the risks e.g. performance management arrangements, Council committees.
- Third line of defence – independent assurances on the management of risk

CHESHIRE WEST AND CHESTER COUNCIL - OVERALL ASSURANCE PROCESS MAP

Internal Control Framework: Key policies / procedures include:

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

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

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

Statutory Officers / Management Board / Governance Boards
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
  - Council companies

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 strategic, service and council companies' risk registers and business continuity plans
- Financial control
- Functional compliance (Information governance, HR, Legal Services, Health and Safety, Commercial and Financial Management)

Third Line of Defence

Independent challenge and assurance

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

Business and Operational Management Assurance

The Internal Audit team distributed Statements of Assurance to Service Directors, containing a series of questions on key areas of governance, risk management and internal control, and seeking confirmation that a robust governance framework had been in place and working effectively during 2021-22. This included the follow up of issues raised in the previous Annual Governance Statement. All Service Directors completed and returned their Statement of Assurance, with their responses providing overall assurance that effective management control has been exercised during the year, including those in regard to significant partnerships and the Council's companies.

No significant areas of concern with management control arrangements were identified, though in some cases the returns highlighted the need for updates of key documentation (schemes of financial delegation, risk registers and business continuity plans) as noted in relevant sections below and some initial difficulties experienced with recruitment processes via the Council's new Enterprise Resource Planning system (Unit 4). These matters are in hand in the relevant services. The process also facilitated the updating of significant governance issues highlighted in the 2020-21 Annual Governance Statement as well as the identification of an additional significant governance issue in regard to Adult Social Care reforms. Further details are provided in section 5 below.

It was further noted that a review and refresh of council company governance arrangements was undertaken during 2021-22. This was a result of changes in internal management arrangements and consequential impact on resources; as well as the Council governance stocktake presented to Audit and Governance Committee in July 2021. A report to Management Board in March 2022 identified opportunities to improve existing arrangements, taking into account findings from a review by Internal Audit "The Shareholder Role in the Governance of Council Companies". This included clarification of roles and responsibilities, establishing a competency framework for company board chairs, identification of lead officers to engage with company boards and improved decision-making processes relating to reserved matters for council companies.

Statements of Assurance are 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 2020-21 and 2021-22 accounts will be sought in due course.

Oversight and Support Arrangements

Senior Management Functions

In response to the pandemic, which began to impact in March 2020, to ensure an effective response and deliver robust and timely decision making, the Council established the Cheshire Emergency Management and Response Team (CEMART), chaired by the Director of Public Health, to co-ordinate the Council's operational response. These arrangements operated successfully throughout the pandemic before ending in March 2022 as restrictions were eased nationally.

One of the eight standing cross-directorate governance boards established in 2020-21 is the Compliance and Assurance Board, chaired by the Chief Executive, which has a remit of proactively ensuring a Council-wide overview of assurances that the Council's statutory responsibilities and governance are effective and well managed, to address specific issues, and to ensure that statutory officers are enabled and supported to exercise their functions. This Board meets every two months and has received a wide range of reports in exercising this oversight. Reports received by the Board in 2021-22 include those relating to the Council's revitalisation of its approach to the management of health and safety; the approach to the review of the Constitution; compliance reporting including schemes of financial delegation, risk registers, data protection incidents and data guardian assurance statements; updates from Internal Audit and Corporate Fraud and in regard to the management of insurance claims, complaints, fire safety and security; as well as briefings on the exercise of statutory officers' responsibilities.

As reported in the Head of Internal Audit's Annual Report and Opinion for 2021-22, led by the Director Governance, the Council undertook a high-level stocktake of its governance arrangements in the light of a series of recent Public Interest Reports by local authority external auditors. The report, received by Audit and Governance Committee in July 2021, concluded that the Council had appropriate safeguards in place and a good level of assurance on their operation to avoid issues highlighted in those reports. Some potential improvement opportunities were identified and are being taken forward in 2022-23, for example strengthening scrutiny arrangements.

Financial Control

The latest 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.

Directors' Statements of Assurance for 2021-22 highlighted that for a number of Council Services there had been delays in the update of schemes of financial delegation to reflect changes to business processes and some approval levels related to the move to the Unit 4 Enterprise Resource Planning system. In some cases, the planned updates also needed to incorporate changes in service responsibilities following respective restructures. Notwithstanding the need for these reviews and updates all services have operated to their established, 2020-21, schemes of financial delegation during the year. The Statements provided assurance that control procedures have operated effectively during 2021-22, and no evidence to the contrary has been identified. It was further noted that the process of updating schemes of financial delegation for 2022-23 was actively in progress at the time of writing this statement.

In October 2019 the Chartered Institute for Public Finance and Accountancy (CIPFA) published the Financial Management Code. The Code provides guidance on good and sustainable financial management in local authorities and compliance to provide assurance that an authority is managing its resources effectively. It covers standards that are considered necessary to financially manage short, medium and long-term finances of a local authority; to meet unforeseen demands on services; and manage unexpected shocks in their financial circumstances. Local authorities are required to be able to demonstrate compliance with the Code from 2021-22. A self-assessment has been undertaken against the principles in the

Financial Management Code with no areas of non-compliance identified. As such, the assessment is that the Council is compliant with the Code.

Performance Management

Under the revised performance management framework, implemented with the Council Plan 2020-24, the reporting approach was updated to provide a more concise and visual dashboard of key performance data outlining the key headlines for financial performance, covering revenue and capital budgets, as well as the assessment of performance against the Council Plan indicators. There are now 79 indicators compared to 160 under the previous performance management framework.

In regard to financial performance, the review of Council performance for 2021-22, reported to Cheshire West and Chester Overview and Scrutiny Committee and to Cabinet in June 2022, identified an underspend of £2.6m on business as usual activity, compared to a forecast underspend of £0.3m at the third review reported in January 2022. It was agreed that the £2.6m underspend would be used to fund inflationary pressures in 2022-23 (£2.1m) as a result of current inflation rates and a neighbourhood pride fund, (£0.5m) focusing on minor streetcare improvements to improve local neighbourhoods.

With regards to performance against the Council Plan indicators, it was noted that of the 79 indicators, 40 were assessed as ‘green’ and performing well against target, 5 were ‘amber’, and 17 were ‘red’, performing below target. A further 17 indicators relate to areas such as educational attainment, delayed transfers of care, and quality of life reporting, where reporting has not been possible during the pandemic. Performance in relation to tree planting, increases in new job starts, and support to homeless households was assessed as positive. However, there continue to be challenges around children’s social care (for example, the percentage of referrals received) which are reflective of national trends. Overall, however, performance is strong with two thirds of indicators reporting as performing well against target.

The indicators are refreshed on an annual basis, to ensure that they remain aligned with priorities and are ambitious. For 2022-23, the targets for 47 of the indicators will remain as they are,13 will be amended to be made more realistic, whilst 8 will be made more challenging.

The Council’s performance was reported to Cabinet four times during 2021-22 and details also appear on the Council’s website.

Performance report | Cheshire West and Chester Council

The Council undertook surveys of its ‘Participate Panel’ in March and October 2021 and included questions regarding the way the Council operates, the value for money of its services and satisfaction with different services. In addition, there were specific questions on the themes of the impact of the coronavirus pandemic and how the Council can support the local community and economy to recover and on the actions the Council is taking to support those suffering financial hardship as part of its anti-poverty Fairer Future Strategy. Those responding to the survey were generally positive about the Borough but highlighted some areas for the Council to work on, including key services such as highways, waste and streetcare and being more responsive to residents’ views and concerns. Actions are being taken forward to address the feedback provided. In 2022-23 a series of focus groups will be established, drawn from the panel, to gain further insight. The Council will also be recruiting ‘mystery shoppers’ from the panel to provide feedback on their customer experience. Gathering this more in-depth feedback will enable the Council to target resources and make better informed decisions on any improvements needed.

Risk Management

All Council services have established risk registers which have operated during the year and the key risks are incorporated into the Corporate Risk Register, that is subject to review by the Management Board. The focus on the Council’s response to the pandemic deflected from the usual quarterly review of the respective registers for many services. However, individual key risks continued to be monitored across services and in regard to major projects, such as the Northgate development, the respective project risk registers continued to be maintained and updated as normal. As reported in the Head of Internal Audit’s Annual Report and Opinion for 2021-22, the Council has conducted an external review of its risk management reporting arrangements during the year and, further to the appointment of the Risk and Business Continuity Advisor in January 2022, services are being supported in updating their risk registers, with details of key emerging risks to be incorporated into an updated strategic risk register. Updates on progress are being provided to Compliance and Assurance Board on a regular basis.

All Council services delivering critical activities have business continuity plans in place. However, as in the case of risk registers, the pandemic has deflected from their usual regular review and updating in some services. Nevertheless, the plans were effectively deployed during the year in response to the need for continued remote working. They also facilitated a prompt response to central government requirements and supported changes to some business processes in response to changed working arrangements. Again, further to the appointment of the Risk and Business Continuity Advisor, services are being supported to update their plans with progress updates taken to Compliance and Assurance Board on a regular basis.

Functional compliance

Health and Safety

During the year the Council has made progress in updating its approach to the governance and management of health and safety. A revitalisation programme was established in November 2020, which has continued during 2021-22, the development of an updated health and safety policy; undertaking a baselining exercise, with external consultancy support, and taking forward actions arising; establishing new governance and reporting arrangements, and the development of a health and safety compliance framework with effect from April 2022. Further work will be taken forward in 2022-23 to embed new compliance arrangements and report against key performance indicators. Regular progress updates on the revitalisation programme are provided to Compliance and Assurance Board and Audit and Governance Committee.

Information Governance

In regard to information governance, 235 security incidents were reported to the Data Protection and Compliance Team during 2021-22. This represents an increase from the 185 incidents reported during 2020-21. However, 2020-21 was more impacted by Covid-19 with a reduction in activity in sending out information in some services. The incident level in 2021-22 is comparable to pre-Covid years. Of the 235 incidents, 23 were classified as data protection breaches. However, the vast majority of these breaches were assessed as low risk in that information was recovered with no ongoing concerns, was not exposed to unauthorised access or there was no loss of control. Emails being sent to the wrong recipient and failure to blind copy personal address details were the main causes for these breaches. Recommendations to address these issues have been made by the Data Protection Officer (DPO) to the Compliance and Assurance Board.

A total of 11 incidents were reported to the Information Commissioner's Office (ICO) for review either directly notified by the Council where incidents met the legal threshold for reporting or where complaints were made direct to the ICO by members of the public. These incidents included: exposure of a confidential address, deliberate unauthorised access of Council systems for 'personal gain', banking details published online and several incidents of confidential personal data being sent to the wrong recipient. In one case the ICO has ruled the Council to be in breach of its data protection responsibilities in relation to Article 5 (c) (Data minimisation) for failing to ensure only the minimum amount of required personal data was disclosed during child protection proceedings. In all other cases, the ICO has accepted that the incidents have occurred despite appropriate controls being present and accepted the remedial steps and recommendations made by the DPO in relation to preventing any reoccurrence and have taken no enforcement action.

Eight compensation claims for data protection incidents have been settled during 2021-22 to the value of £102,732, with the biggest single settlement being a payment of over £75,000 where a confidential address was passed to an ex-partner in error. This incident occurred in 2020 but has only recently been settled. To date there have been 12 claims for compensation since 2018 resulting in payments of £112,232, with six claims still to be settled. The ICO has recently announced that for a two-year period it will not issue any further fines to public authorities for data protection incidents but will instead 'name and shame' organisations. This may lead to an increase in compensation claims.

The Data Protection Officer continues to raise awareness of the Data Protection Act 2018 through targeted training. During 2021-22 all staff were required to undertake data protection training through the Council's i-learn platform. In addition, 551 staff working with high-risk data, received enhanced virtual training, via Microsoft teams. In March 2021 the DPO requested annual assurance statements from the Council's 47 Senior Managers (Data Guardians). The statements were requested in order to provide assurances around the level of compliance by services with Data Protection legislation and the Council's associated policies and procedures and to identify any gaps in accountability and governance. All assurance statements were returned by the Data Guardians. No significant issues were identified though some areas for improvement have been identified, for example, in regard to service specific training for high-risk data areas; reviewing privacy processes to ensure clients are aware of their data protection rights at point of contact; and in regard to the inspection, monitoring and audit of contracts with some suppliers.

Contract Management

The Commercial Management Service adopts a standardised contract management approach focusing on the principles of accountability, value for money, robust performance management and reporting and health and safety compliance. The Service prepares quarterly reports on the performance of the Council's 13 major strategic contracts it manages (including all Council companies except Edsential). The reports consider, for each contract, performance against the performance management framework, financial performance, health and safety compliance, risk and reputational damage and performance against contract outcomes. The final quarter review identified that for eight of 13 contracts there were no concerns regarding contract performance or service delivery. Of the remaining five contracts only one highlighted any issues of significance where a reportable health and safety incident had occurred that could have been avoided and where the documentation was not as complete as it should have been. The Commercial Management Service noted that the provider usually has good health and safety processes and procedures in place. As such, the incident is not considered indicative of a general control failing.

Commissioning

The Council has an established Commissioning Board which meets monthly. 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. During the year the Board has worked to identify gaps in the resourcing of the commissioning programme and provides challenge around service design, specification and procurement strategies.

Committee Functions

Council

The Council met on six occasions in 2021-22 and received / approved reports and verbal updates, including those relating to appointments to Committees, Climate Emergency Response Plan Update, Independent Remuneration Panel Recommendations, the 2022-23 Budget Report and Medium-Term Financial Strategy, Council Tax Setting 2022-23; as well as debates on petitions and various notices of motion. The Council also received a number of the reports highlighted below from Cabinet and Audit and Governance Committee for approval.

Agendas and reports are accessible here: Council meetings

Cabinet

The Cabinet met on nine occasions in 2021-22 and received reports on a range of matters including Welfare Services Review and Commissioning of Social Welfare and Advice Services, Waste Management Strategy 2021-31, Council Performance 2020-21 and 2021-22, Digital Programme 2021-25, Flood Risk Management Progress, Compact for West Cheshire 2021-24, Social Value Policy 2021-25, Commission on the future of Adult Social Care, Childcare Sufficiency, Health and Safety Policy, Future Delivery Model for Vivo Care Choices Limited, Bus Service Improvement Plan, Domestic Abuse Strategy 2021-25, Fairer Future Strategy 2022-32. The Committee also confirmed appointments to sub-committees, panels and working groups and representation on outside bodies

Agendas and reports are accessible here: Cabinet meetings

Audit & Governance Committee

The Audit & Governance Committee met on five occasions during 2021-22 and received / approved reports including those related to the Committee’s Annual Report; the Council’s Draft Statement of Accounts 2020-21; Treasury Management 2020-21 Annual Report, 2021-22 Update Reports, and 2022-23 Strategy; the Head of Internal Audit Annual Report and Opinion 2020-21, and progress reports against the Internal Audit Plan 2021-22; External Audit

Progress Report and Sector Update, Audit Findings Reports for the Council and Cheshire Pension Fund 2020-21; Governance Stocktake; Update Reports on the Constitution Review; Health and Safety Update Reports; and outside body appointments.

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

Covid-19 Outbreak Board
The Board was established in December 2020 to oversee the delivery of the Council's Outbreak Management Plan. It met 13 times during 2021-22.

Agenda and further details are accessible here: Covid-19 Outbreak Board meetings

Overview & Scrutiny Committees

Cheshire West and Chester Overview and Scrutiny Committee
The Committee met on seven occasions during 2021-22 and scrutinised items including 2020-21 and 2021-22 Performance, Approach to Consultation Feedback, Modern Workforce Programme, Call In on the Future Delivery Model for Vivo Care Choices Limited, Digital Programme, Business Rates Discount and the Protocol for Decisions made under Localism Act Powers and Draft Assets Management Plan.

The Committee also undertook in-depth annual scrutiny reviews of Flood Management and Council Companies.

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 2021-22 and its work programme included scrutinising Youth Provision, Draft Youth Work Strategy, Short-term/respite care at Sutton Beeches, Curzon House and Leftwich Green, Adult Social Care and Safeguarding, Children and Families Safeguarding and Performance, Recommendation 41 Visits, Domestic Abuse Strategy, Firmstep Complaint Management System, Independent Review Officers Annual Report for Children in Care, Children's Centre Visits.

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

Places Overview and Scrutiny Committee
The Committee met on six occasions during 2021-22 and its work programme included scrutinising: Environmental Management Strategy, Waste Management Strategy 2021-31, Housing Delivery, Development of an Inclusive Economy, Public Rights of Way and Greenspaces, Support to Business, Proposed Empty Homes Strategy.

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

Health Overview and Scrutiny Committee
The Committee met on five occasions and its work programme included consideration of Cheshire and Wirral Partnership NHS Trust Draft Quality Care Accounts 2020-21, Countess of Chester Hospital Trust Vision Strategy, 2020-21 Quality Accounts Cheshire and Wirral Partnership and Countess of Chester Hospital services, the Impact of the Coronavirus Pandemic on NHS Services, Accident and Emergency Services, Dental Services.

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 Operating (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.

The recommendations from the independent review were largely implemented with some reserved to be progressed alongside outcomes from the national Good Governance review commissioned by the LGPS Scheme Advisory Board. The Scheme Advisory Board review's final recommendations were published in February 2021 and a response from the Government is awaited, including how these will be brought into regulatory effect. In the meantime, the Fund has implemented those actions (e.g. a Fund specific Conflicts of Interest policy), which can be implemented in advance of the regulatory changes. Further guidance from the Department for Levelling Up, Housing and Communities is now promised in the summer / autumn of 2022.

Members' Training
Throughout 2021-22, Members' training sessions have continued to take place remotely, due to the associated benefits. Remote training sessions have continued to attract greater attendance, and the ability to record training sessions, has increased Members' involvement, by enabling access to training material at a time convenient to each Member.

Members have been provided with a raft of training opportunities, with regular sessions hosted by internal staff, focusing on key workstreams and major programmes. Several training events have also been delivered by external providers, such as scrutiny skills training, chairing skills: and training around the new Code of Conduct. During 2020-21, a Member i-learn package was developed to allow Members to undertake training in their own time by completing individual online training modules. This package was initially tested with a Member working group and the initial courses have now been rolled out to all Members. It is anticipated that further courses will be added periodically and will include a mixture of off the shelf and bespoke modules. The ICT Team and Democratic Services have also held regular Microsoft Teams Training sessions to upskill Members as new features are rolled out. Planning also commenced around the new Member Induction Programme, which will be implemented following the council-wide elections in May 2023.

Independent challenge and assurance

Internal Audit and Counter Fraud

Internal Audit has continued to work to the UK Public Sector Internal Audit Standards, that the team were externally assessed as fully conforming to in their 2018 external review. The Internal Audit Team completed 70% (against a target of 85%) of the Internal Audit Plan, approved by Audit and Governance Committee in March 2021, within year. As noted in the Head of Internal Audit's Annual Report and Opinion for 2021-22 the main reason for the shortfall against planned delivery is that available resource for audit and corporate fraud activity was 17% less than planned, principally due to two members of the team being on secondment during the year and their posts not backfilled. The main effect was that less days were spent on counter fraud activity than planned but the impact as joint working with the Department of Work and Pensions could not be undertaken as their staff were seconded to Covid-19 related duties during the year.

The delivery of the plan in 2021-22 equated to 15 reports where an assurance opinion was delivered on Council activities (with an additional four finalised in the first quarter post year-end) with 43 other pieces of consultancy work undertaken and 10 reports issued related to schools where an opinion was provided. The work undertaken reflects the increased role played by Internal Audit in an advisory and consultancy capacity, with all work undertaken contributing to improving the Council's governance, risk management and control arrangements.

Of the 15 reports where an assurance opinion was delivered, four were assessed as 'limited' or 'no' assurance on the system of governance, risk management and control for the areas examined. Whilst these low assessments identify areas of control weakness, they relate in the main to areas where controls were known to be at risk and where an independent review and opinion from Internal Audit was actively sought, with a view to identifying areas for improvement. Internal Audit is satisfied that appropriate action is being taken to address the issues raised, though in some cases capacity within the service means that actions are taking longer to implement than first projected.

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, 160 (85%) of agreed actions were identified as having been implemented during the financial year, in line with the target for the year. During 2021-22 Internal Audit introduced a process of monthly reporting to Directors to highlight overdue actions related to audits in their services, with a view to ensuring their awareness and, where possible, to expedite the implementation of the actions. Internal Audit is satisfied that the vast majority of overdue actions are either in progress or have needed to be rescheduled where delay has been unavoidable. Internal Audit will continue to monitor, and report on response rates in 2022-23, escalating where appropriate to ensure actions raised are implemented on a timely basis.

During 2021-22 the Counter Fraud Team largely continued to support the administration of central government grants to businesses impacted by the pandemic during the year, undertaking pre-payment checks as part of this process. However, the fraud and whistleblowing hotlines have remained open during this period for concerns to be reported and the Team has monitored and followed-up where matters have been raised through this route or via direct referrals from senior managers within the Council, undertaking more formal investigations where necessary. No issues of significance were raised during the year. The Team also supported the Council's Direct Payment Audit Team, 'auditing' the spend of direct payments made to service users with personal budgets for their care needs. This has proved successful in contributing to the recovery of £1m during 2021-22.

Based on the work undertaken during the year and other assurances, as identified in this Annual Governance Statement, the Head of Internal Audit's Annual Report for 2021-22 will include the opinion that "the Council has in place an adequate and effective framework for governance, risk management and internal control".

External Audit

The Accounts and Audit (Amendment) Regulations 2021 require that the 2020-21 audited accounts and opinion are published by 30 September 2021. However, the external auditors were unable to meet this deadline and the audit remains in progress. As part of the audit issues have been identified with the council's valuation of its land and buildings assets which are being addressed and responded to as they are raised. Changes in the valuation process are being discussed to address the issues going forward. The final annual auditor's report is awaited at the time of writing this statement (July 2022).

In June 2022, the external auditors reported their value for money findings for 2020-21, stating that they have not identified any significant weaknesses in the Council's arrangements for value for money and have not made any key recommendations. Three improvement recommendations were made with steps already taken to address the points raised.

Housing Benefit assessments are tested annually by external audit on behalf of the Department for Work and Pensions to ensure that housing subsidy has not been overclaimed. No weaknesses were identified in internal control arrangements in this area.

Other Inspections / Sources of Assurance

Key sources of assurance regarding the Council's governance framework during 2021-22 are noted in the paragraphs below:

SEND Provision

In February 2022 a joint Ofsted and Care Quality Commission inspection of the Council's provision for children and young people with special educational needs and disabilities (SEND) was undertaken. The inspection examined the effectiveness with which the Council identifies the needs of children and young people with SEND; and meets the needs of these children and young people so that their outcomes and chances of participating in society improve. The Inspectors spoke with a broad range of council and health staff, parents and carers, children and young people, teachers, nurses and psychologists amongst others as part of their five-day visit.

Many strengths were identified by the inspectors, including praise for the Council's ambition for children and young people with SEND and management's understanding and knowledge of the area and what works and needs to improve, need being identified in young people at an early age, collaborative partnership working amongst health, social care and education colleagues and a strong training programme for staff supporting young people with SEND. Areas for development identified included improving the number of children who receive key developmental checks, improving wait times for need identification in some localities and updating care plans in a timely manner consistently.

The Council has plans in place to make the improvements required, with an action plan developed in partnership with health colleagues that sets out how the Council and NHS will work as a partnership to address the areas of development outlined in the inspection feedback.

Children's Services – Front Door Services
In December 2021 Ofsted undertook a focused visit reviewing the Council's arrangements for the front door and their response to contacts and referrals through to early help, child in need, domestic abuse and contextual safeguarding services. The review found that there is "strong political leadership and cross-party support for children's services which means that the needs of vulnerable children are prioritised. Children and their families benefit from access to comprehensive early help provision and a strong, well co-ordinated domestic abuse service." The review noted that the front door provided a timely response to both contacts and referrals and that there is "robust management oversight, which ensures that children's safeguarding and welfare needs are well understood, that they receive the right help at the right time". Some areas for improvement were identified such as formalising safety planning, strengthening quality assurance arrangements to ensure that actions are completed and recording actions and timescales in supervision records. These actions are being taken forward.

Rough Sleeping
The Council commissioned a comprehensive independent review of rough sleeper services to ensure that measures to prevent and address rough sleeping are best tailored to meet client needs and that there are sufficient accommodation and support services in place to meet their needs. The review undertaken between July and December 2021 by an external housing consultancy, noted the Council's ambition to end rough sleeping in the borough and identified many examples of strong partnership working to address the homelessness issue during the Covid-19 pandemic. In particular, the establishment of the Multi-Agency Rough Sleeping group was seen to be an effective partnership approach to working with the most entrenched rough sleepers. The findings and recommendations from this review were shared with the Homelessness Reduction Board and a wide group of partners at a stakeholder event in March 2022. The event provided an opportunity for partners to strengthen relationships and co-design an implementation plan to deliver actions over the next three years aimed at ending rough sleeping in the Borough.

ICT Controls
The Council's ICT systems are 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. A number of enhancements to further improve the security landscape are being implemented and the security integrity of the estate is continually reviewed.

Other key sources of assurances on the robustness of the control framework that operated in 2021-22, were:

- Ofsted inspection visits of Arden (July 2021) and Woodlea (November 2021) Children's Homes and Pinewood Children's Centre (January 2022). Both children's homes were assessed as 'good' in regard to the overall experiences and progress of children and young people taking into account, how well children and young people are helped and protected and the effectiveness of leaders and managers. The Pinewood Children's Centre was assessed 'outstanding' in these areas, contributing to "significantly improved outcomes and positive experiences".
- Overall rating of 'good' further to an inspection of Cheshire Youth Justice Service by Her Majesty's Inspectorate of Probation in July 2021. The inspection covered the arrangements for organisational delivery of the service, the quality of work done with children sentenced by the courts, and the quality of out of court disposal work. The inspection highlighted effective partnership working and generally sound operational delivery. The Inspectorate stated that the assessment was the "highest score of any of the joint inspections undertaken with colleague inspectors from the police, health, social care and education that we have completed to date."
- Independent Regulation 44 visits to care homes, subject to review by the Home Improvement Board, Director of Children and Families and Chief Executive.
- Recommendation 41 visits undertaken by Elected Members to frontline Children's Social Care teams and reported to People Overview and Scrutiny Committee.
- Department for Levelling Up, Housing and Communities assurance visit to confirm reported outcomes meet the requirements of the national supporting families programme.
- CQC inspections of registered services.
- Quality assurance visits to providers of concern.
- 'Substantial' assurance opinion on the effectiveness of the Council's arrangements for ensuring compliance with the grant conditions for the Low Carbon Skills Fund, including the mitigation of fraud risk, further to a review by Salix Finance, a non-departmental public body, in April 2021.
- 'Positive' assurance on the Trees for Climate programme managed by Mersey Forest, further to an independent external review.
- Lexcel accreditation of Legal Services, confirming compliance with practice management standards. As part of a three-year accreditation process, a full assurance review was undertaken in 2019-20 with an annual refresh via an external assessor in October 2021. No areas of non-compliance were identified.
- 'Substantial' assurance opinion on the arrangements for the control of investments by Local Government Pension Scheme (LGPS) Central Limited further to a review issued in May 2022 by Nottinghamshire County Council Internal Audit on behalf of the LGPS Central Pool partner funds of which the Cheshire Pension Fund is one; also the external auditors' 'Internal Controls Report' for LGPS Central Limited which highlighted compliance with all but one of 57 control objective areas examined by the external auditors. The exception was a technical qualification relating to a new control objective focusing on third party access to data. LGPS Central Limited noted that there were several other controls that provided assurance that the data had not been corrupted,

that no concerns had arisen over the security of data, and that the administrative improvements needed were in hand.

Following the year-end, in July 2022, the Council received a Local Government Association peer review focusing on its policies and processes, with interviews undertaken with over 120 councillors, officers, partners and residents. The review considered the Council's progress and performance and examined in detail work on health and social care integration and engagement with local communities. The initial feedback was very positive, stating that the Council was "highly impressive with a well-established reputation and big ambitions to deliver at pace". A formal report will follow which will confirm the visit findings and outline some areas where the Council can make further improvements. This will be referenced in further detail in the Annual Governance Statement for 2022-23 but does provide a measure of assurance as to the governance framework that would have been operating during 2021-22.

5. What were the significant governance issues arising in 2021-22?

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

- Significant uncertainty about the level of the Council's future funding
- Exposure to financial risk from major projects
- Council companies and financial pressures
- Climate change
- Adult social care funding reforms
- Cyber threat and business continuity

Full details of the issues and of the proposed actions to address them in 2021-22 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: 15th January 2024	**Date: 15th January 2024**

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.

Simon Riley
Chief Operating Officer
Dated: 23rd January 2024

Significant Governance Issues 2021-22 **Appendix A**

Issue	Action
1. 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: • The national financial picture for Local Government remains extremely challenging, particularly given the additional challenges presented by the impact of and recovery from Covid-19 pandemic. • A three year Spending Review was announced in October 2021 giving headline funding allocations for local government at a national level up to 2024-25. This was followed by only a single year funding settlement for 2022-23, confirming the continuation of a number of temporary funding streams and the addition of new funding streams in 2022-23 but giving no certainty for future years. • Future year funding allocations are not expected to be announced until the Provisional Settlement in December, but it has recently been announced that this will be a two-year settlement. • There have been repeated delays to national funding reforms, including the move to 75% Business Rates Retention which has now been cancelled, and the Fair Funding Review which is now due in Spring 2022 with local impacts unknown. • There are significant cost pressures facing Adults and Children's Social Care. The long awaited white paper on Adult Social Care Funding Reforms has now been	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. This includes the financial implications associated with the implementation of the Adult Social Care Funding Reforms. A three year Medium Term Financial Strategy and budget plan has been developed, aligned to the Council Plan and the Stronger Futures Plan for Recovery and Renewal. Further options to bridge the remaining gap will be developed during the summer of 2022. The Council will continue to respond to published consultation documents on the proposed changes to funding and ensure the financial scenario is updated accordingly. The Council will continue to take a lead role in supporting the recovery from Covid-19, as set out in the Stronger Futures Plan. The financial challenge going forward is likely to be significant given the funding uncertainty and current inflationary pressures. The Council will therefore need to ensure a culture of continual budget management and will need to develop a demand management strategy to manage the costs of demand led budgets.

Issue	Action
published but the local impact of these reforms is yet to be confirmed so there remains continued uncertainty regarding the future funding for social care. • The Council has continued to successfully manage the financial impact of the Covid-19 pandemic in 2021-22 using Government grant funding. It is clear however, that the impact will continue to be felt in 2022-23 and future years, both by vulnerable residents and local businesses, and the Council will continue to take a lead role to support the recovery. In 2022-23 the Council faces a funding gap of £26.9m. This funding gap is being bridged by the generation of additional income of £12.6m and budget savings of £14.3m. The Council has developed a three year Medium Term Financial Strategy and associated budget plan. At the time the Council's budget was set, in February 2022, it was estimated that the funding gap over the period 2023-25 would be £40.5m. The Council has already identified savings proposals of £16.5m and is forecasting additional income of £22.7m for this period. This leaves an estimated residual gap of £1.3m remaining for 2023-25. Allocations of Government funding for future years are unconfirmed and this position assumes that that two key government grants, totalling £7.1m, will continue in some form over this period. There is therefore a risk that the budget gap could potentially increase to £8.4m should this funding not continue. Given the current inflationary pressures this gap is being updated and proposals are being developed to bridge the gap. 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.	

Issue	Action
2. Exposure to financial risk from major projects Cheshire West & Chester Council regularly undertakes significant capital projects as part of its capital programme and in some of those schemes (e.g. Northgate, Winsford Town Centre) the Council takes on the role of primary developer to maintain control of the pace, costs and outputs. This increases exposure to a number of risks (planning, insurance, financial, balance sheet, governance). This has been recognised by the Council and monitoring arrangements have been established as follows: • Risks are considered for each major capital project. • A multi-disciplinary team of design and development consultants are in place to advise on delivery of major projects and specialist appointments of client side Project Managers are undertaken to ensure there is a clear governance structure in place. • 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 monitors the financial risks on the Council's balance sheet and to ensure actions are taken to minimise the financial risk faced by the Council.	Significant capital projects continue to be managed in-house with monitoring arrangements in place by relevant Officer groups and reported to Members on a regular basis. The largest project that the Council is progressing as "developer" is Northgate for which construction contracts were issued in June 2020 and building work is due to complete in late 2022. The scheme continues to be managed through a dedicated project board and oversight is provided by a member working group. Despite the complications of Covid and the impacts of high inflation within the construction industry the total cost of the scheme remains in line with the approved programme and approved budget. The main construction elements are now complete with only final fit out and public realm works remaining. The drainage tunnel to support the development was delivered within budget and completed in March 2022. The primary risks that the Council still holds in relation to this scheme are the future income (£5m from rentals, market lettings, car parking) that the site is expected to generate. While most units have now been let there remain a number of food and beverage and office shop units to be let, although there is still strong interest in the remaining units. Car parking and market income will only be confirmed once the site opens (November 2022). In recognition of the risks that this income carries the Council determined before the construction programme that it would be inappropriate to fund Northgate as a development where the ability to repay borrowing would be dependent on the surpluses the scheme generates. The scheme was therefore progressed as a traditional Council capital scheme, with all borrowing requirements needing to fit within the established prudential borrowing limits. The delivery of income targets will be managed in the same manner as any other Council income as part of the mainstream revenue budget

Issue	Action
	monitoring and budget setting process. In addition, the Council has developed specific resilience monitoring tools for Northgate (and other similar schemes) which seeks to identify the risk carried against each element of the scheme. This tool flagged the potential for a shortfall of approximately £1m against the income targets, primarily due to uncertainties of markets and commercial income, in a post Covid setting. In recognition of this the Council has incorporated a £1m contingency budget against the risks associated with this scheme within its future budget. This prudent provision helps ensure the Council is not put at undue risk of unexpected funding shortfalls in future years. Outside of Northgate the next major project that will require similar controls and monitoring is the delivery of enhancements to Winsford Town Centre, funded through the Council and Future High Street funding. This project is at Stage 3 design development and will shortly be in position to appoint a contractor to deliver the works to deliver new retail space, a community hub and public realm improvements. This project is being managed through the same delivery model as Northgate, using its Board and advisors to ensure risks are understood, captured and mitigated, with oversight from Member Working Groups and Capital Investment Board. Other than the above, the Council has not taken on significant new commercial risks during 2021-22, and this is likely to remain the case in the immediate future. As well as considering its individual project risks the Council continues to monitor its overall exposure to risk and this is reported to the Capital Investment Board and as part of the Budget report. In 2021-22 there was a recognition of increased risk of shortfalls against income targets from existing regeneration sites (Barons Quay and Winsford Cross) as a result of Covid after-effects. The Council has increased its budget contingencies by £0.8m to mitigate against these risks.

Issue	Action
	The latest balance sheet risk assessment identified a significant scale of potential risk but also demonstrated that the Council has already recognised it and set aside budgets accordingly to mitigate any impact. The residual unfunded risks following those mitigations were assessed at £5m, no material change from previous years. Internal Audit continues to provide ongoing risk management support in regard to the Northgate development.
3. 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 £70m 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 costs to the Council, or indirectly as the Council partially underwrites losses and pension deficits in the companies. Like the previous year, in 2021-22 the Council's exposure to losses being made within its companies remained high due to Covid. The pandemic significantly reduced the ability of Brio and Edsential to trade and generate income, leaving both companies with operating losses. The Council has provided financial support to both these companies in 2021-22 (£2.1m and £0.8m respectively) to help mitigate the losses incurred and ensure that services could re-open again after covid restrictions were lifted. In the case of Brio these additional income losses added to existing cost pressures caused 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 Management Board 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 main focus in 2021-22 has continued to be on addressing the additional financial pressures experienced by the companies due to Covid-19. This had a significant impact on those companies (Brio and Edsential) that rely on generating income from the public or schools as facilities have had to be closed and these income sources have greatly reduced. The Council worked with these companies to help them manage these pressures and where necessary support them in remaining viable until services can re-open. This support included a mix of grant support and long-term loans. The pre-existing (non-Covid) deficits within Brio have been partially addressed through a service re-design agreed by Cabinet in November 2020 which saw a contraction of Brio services at some sites, a revised focus on public health outcomes and an increased level of Council funding for the delivery of those services. However, a combination of pre-existing cost pressures, rising energy costs, a need to enhance ICT infrastructure and the fact usage of leisure sites has not yet returned to pre-pandemic levels, there remains concern

Issue	Action
	over the financial sustainability of Brio. The Council continues to work closely with Brio through a Joint Transformation Board to manage these risks and ensure the Council is not exposed to avoidable costs. The capital programme contains allocations to support refurbishment of a number of leisure assets and address the deteriorating fabric in key sites such as Northgate Arena. An initial phase of work (£0.6m) was completed in 2021 with a further £13m scheduled over the next four years. The main element of work at Northgate is currently undergoing Stage 3 design and costing work to inform a business case for consideration in 2022. The losses experienced in 2020-21 by the Council's waste collection company (CWR), did not repeat in 2021-22. A much stronger level of income from sale of recycled materials enabled the company to return a £0.5m surplus, fully offsetting the losses made the previous year. In September 2021 the Council decided to return the activities provided through Vivo Care Choices back to be directly delivered by the Council. This transition took effect in April 2022 and Vivo will be formally wound down during 2022. This transition process ran smoothly and did not expose the Council to any material risks/costs. The Council has continued to develop its Company Strategy to ensure that it retains a clear view of why it holds interests in companies and what it seeks to achieve through them. Further work is being undertaken early in 2022 to revisit the rationale for each company and ensure they remain fit for purpose. The Council has recently strengthened governance at its wholly owned companies, building closer links between company Boards and the Council to ensure that strategic plans and priorities are joined up. Further steps are also being taken to grow the role of the Cheshire West Overview and Scrutiny Committee (and its task group) with more targeted reviews of some of the relevant company risk areas to complement the existing top-down approach.

Issue	Action
4. 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 via the increasing frequency of extreme weather, the impacts of climate change are significant and disruptive, and they fall disproportionately on vulnerable communities. 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.	The Council has published two key plans that set out how it will mitigate climate risks. These are the Climate Emergency Response Plan, which sets out how the borough will be supported to achieve carbon neutrality by 2045, and the Carbon Management Plan, which sets out how the Council will achieve carbon neutrality by 2030. The Plans have been shaped by the cross-party Climate Emergency Taskforce, and were approved at Cabinet in February 2021, and are available to read at: https://www.cheshirewestandchester.gov.uk/your-council/councillors-and-committees/the-climate-emergency/the-climate-emergency.aspx The Climate Emergency Response Plan contains 64 actions to reduce carbon emissions or adapt to the detrimental effects of climate change, that will be tracked between 2021-24. The Plan has been updated and a revised version presented to Cabinet in February 2022. A Climate Emergency Governance Board, chaired by the Deputy Chief Executive for Environment, Communities and Economy meets on a monthly basis to support the response. Transparency and communication has been central to the Climate Emergency Response. The Council issues a monthly Climate Emergency newsletter with more than 2000 subscribers. There is a need to ensure that the Council's Climate Emergency response is aligned with the delivery of a sustainable and inclusive recovery from COVID-19. The Council is committed to the principles of green economic growth, active travel and green infrastructure, these principles will be central throughout the recovery process.
5. Adult Social Care Funding Reforms On 7 September 2021, the Government set out its new plan for adult social care reform in England. This included a lifetime cap on the amount anyone in England will need to spend on their personal care, alongside a more generous means-test for local authority financial support – which are due to be implemented from October 2023.	 The Council has established a programme board to oversee the implementation of the reforms, with the Director of Adult Social Care as the Senior Responsible Officer (SRO) and Director of Finance as Deputy SRO. The programme is made up of various workstreams that will consider the financial, capacity / resource, technology implications of the

Issue	Action
These reforms will result in many more individuals being eligible for local authority funded support towards their eligible care needs, and many more people contacting the Council to request needs and financial assessments in order to count the cost of their care towards the cap. As a result, the cost and resource implications of these reforms will be significant, including additional care costs that the Council will incur, loss of income from client contributions and significant additional resource requirements, both to implement the reforms but also on an ongoing basis to meet the additional ongoing demand on both Adult Social Care and Client Finance arising as a result of the reforms. An independent review by the County Council Network suggests that nationally, the cost of reforms will be significantly more than the costs estimated by the Government, and therefore there is a risk that additional funding from the Government (nationally £5.4bn funded from the social care levy) will be insufficient to cover the additional costs incurred by local authorities. There is also a risk that given the current workforce capacity challenges facing adult social care and supporting services, it will be difficult secure the additional resource required.	reform as well as the communication and stakeholder engagement considerations and will work as a project team to implement the reforms. The initial task is to undertake high level modelling to estimate the financial impact of the reforms for the Council, using methodology provided by the Local Government Association. The Council is part of the North West Association of Directors of Adults Serviced (ADASS) charging reform task and finish group which allows it to share knowledge and information on the reforms and is engaged in other national or regional working groups, as well as responding to all relevant consultations and surveys to help influence and shape the operational guidance associated with the reforms.
6. Cyber Threat and Business Continuity Following increased levels of threats to the public sector and the recognition by government for local authorities to focus and invest in cyber defence there is a risk that the Council has not sufficiently resourced its defences. Furthermore, that if such a critical incident occurs whether internal or external service delivery would be adversely affected if sufficient and comprehensive business continuity plans are not adequately adopted. Services are reflecting on major risks and lessons learnt from the covid pandemic and making necessary updates to documented business continuity plans, there is however a need for continuous improvement to reflect global, national and local trends.	The Council has established a programme to modernise infrastructure, networks and operating systems to improve the foundation for a more secure and resilient estate. As part of the programme legacy infrastructure and systems are being decommissioned. Ongoing training and sessions for users on how to be more cyber aware is planned to be in place. Further reviews of the Council’s cyber defence position and cases for investment will be planned in accordingly. The Council is actively monitoring the risk to business continuity through its Management Board, Compliance and Assurance Board and Audit and Governance Committee. The Compliance and Assurance function ensure regular reviews and updates of risk registers and business continuity plans are conducted, with a clear route for escalation of risks to the Council-wide strategic risk register, if appropriate. Advice is provided by various support services to ensure services’ business continuity plans include practical steps for establishing alternative service provision and managers are trained to ensure adoption when required.

Issue	Action
	Regular one-to-one support is being offered by the Compliance and Assurance function within the Council to ensure services are well equipped with the right resources to complete their business continuity plans effectively. The Council has rolled out training through drop-in sessions and mandatory learning videos for senior managers to ensure continual improvement of business continuity plans and to ensure services are prepared to respond to critical incidents effectively.

Appendix B

<u>Issues raised in the previous Annual Governance Statement (2020-21) that are now considered lower risk</u>

(Action has been taken and / or the issue is no longer significant)

Issue	Action
1. COVID-19 Pandemic and Emergency Response In line with all local authorities COVID-19 has posed a serious health risk to Council residents, service users and workforce. Almost all of the Council's services were affected by the pandemic in some way since March 2020, including the transition to social distancing, use of protective measures including PPE and Test and Trace, and working from home requirements. The pandemic affected the Council's resource allocation profoundly as it responded to meets its responsibilities, particularly in relation to the wellbeing of residents, service users and staff. There has been 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 was a risk of	During 2021-22, the Council continued to respond effectively to COVID through the governance mechanisms and operational services it had established in the previous year. Key services such as COVID outbreak management and the Council's testing service continued and throughout this period, the overall response continued to evolve and adapt in line with national policies. As the winter surge of Omicron cases abated, all elements of the COVID response were reviewed and ultimately scaled back in line with the Government's 'Living with COVID Plan', including the local authorities' role in providing community asymptomatic testing following the removal of national policy and associated funding. The Council assessed the local public health COVID response that would still be required going forwards as well as wider health and public protection issues, developing a service model that would embed these elements into the Council's 'business as usual'. As a result, the Cheshire

Issue	Action
higher levels of unemployment and under-employment compared to directly before the pandemic. These factors were 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 changed how people interact with Council services and some of these behaviours are anticipated to continue beyond the pandemic, including a greater desire for digital services.	West and Chester Public Protection Service was established. This Service has absorbed the essential arrangements that are still required to respond to COVID and to embed the joint working across Council's health protection services. In addition, the service has incorporated regulatory services and functions; community safety; events planning; Chester against business crime; and Emergency Planning. The Council's financial position in relation to Covid-19 response and recovery has been monitored closely throughout the pandemic and continued in 2021-22. The financial forecast was reported monthly to Financial Resilience Board and on to Management Board as appropriate, with the latest position reported in each of the quarterly performance reports to Cabinet. Government grant funding was sufficient to meet identified pressures in 2021-22. Any known permanent impacts of Covid-19 have been built into the 2022-23 budget, approved in February 2022, totalling £3.1m to reflect the impact of the 'new normal'. These include significant investment in homelessness (£2.2m), continuation of £0.5m temporary funding for enhanced streetcare services and a new allocation of £0.5m temporary funding to support economic recovery across the borough. Whilst the above action has been taken, there remains some uncertainty around the scale of future financial pressures and at March 2022 the estimated additional impact in 2022-23 and beyond was estimated at £7.6m. The Council has £8.5m of un-allocated government grant funding (£2.3m ringfenced and £6.2m un-ringfenced) available to fund these estimated costs. In addition to the un-allocated government grant funding, £6.8m of Council funding is held in an earmarked Covid-19 reserve and is available to support any additional Covid-19 related pressures, if required. By the end of the reporting period, whilst still a live issue, COVID no longer represented a significant governance issue for the Council.

Issue	Action
2. 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 new system will provide a modern system that supports a flexible workforce and is anticipated to generate business efficiencies across the Council. In February 2021 the finance modules went live and the Council will using the new system to produce the 2020-21 year end accounts. During 2021-22 the Human Resources and Payroll modules will go live. 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 HR and Payroll modules of Unit4 ERP went live in November 2021 (supported by a positive assurance statement from Internal Audit), and the year financial year end closure process was once again carried out using the new system. Post go live issues were tracked during hypercare and have been transferred to business as usual. Any risks or issues relating to the new system will be captured as part of normal Transactional Services activity.

Independent auditor's report to the members of Chester West and Chester

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Cheshire West and Chester (the ‘Authority’) and its subsidiaries (the ‘group’) for the year ended 31 March 2022, which comprise the Group core financial statements of the Group Comprehensive Income and Expenditure Statement, Group Movement in Reserves Statement, Group Balance Sheet, Group Cash Flow Statement and Group Notes to the core financial statements, the Core Financial Statements of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and the notes to the core financial statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the Collection Fund Statement, 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 2021/22.

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 2022 and of the group’s expenditure and income and the Authority’s expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; 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, as required by the Code of Audit Practice (2020) (“the Code of Audit Practice”) approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Operating Officer’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

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 2021/22 that the Authority and group’s financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Operating Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Operating Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Operating Officer and Those Charged with Governance for the financial statements' section of this report.

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 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 the 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 in April 2020 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 '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 matters 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, 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 in the Statement of Responsibilities, 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 2021/22, 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 and the group'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 and the group 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, the Local

Government Act 1972, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.

- We enquired of senior officers and the Audit and Governance committee, concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Governance committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to management override of control, in particular journals, management estimates and transactions outside the course of business.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Chief Operating Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus on the material year end transactions and manual journals posted during the year with high risk characteristics;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority and group including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

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

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter except for on 11 January 2024, we identified a significant weakness in the Authority’s arrangements for governance. This was in relation to arrangements to report strategic risks in 2021/22. We recommend that the Authority improves its risk reporting and wider risk management framework, and to manage the inherent risks in its arrangements.

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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit Certificate

We certify that we have completed the audit of Cheshire West and Chester Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

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.

Sarah L Ironmonger

Sarah Ironmonger, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

21 May 2024

Cheshire West and Chester Council

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 2022

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

2020-21			Group CIES	2021-22		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
182,313	-34,506	147,807	Adults Directorate	203,067	-42,443	160,624
319,845	-252,522	67,323	Children's Directorate	360,054	-266,732	93,322
142,415	-36,269	106,146	Community, Environment & Economy Directorate	171,483	-63,425	108,058
108,547	-69,788	38,759	Corporate Services Directorate	113,933	-66,550	47,383
13,546	-22,720	-9,174	HRA	14,061	-23,261	-9,200
26,111	-39,406	-13,295	Other	22,117	-40,308	-18,191
236	0	236	Capital Financing	247	0	247
793,013	**-455,211**	**337,802**	**Cost of Services**	**884,962**	**-502,719**	**382,243**
10,067	-12,139	-2,072	Other Operating Income & Expenditure	4,630	-3,251	1,379
32,428	-11,971	20,457	Financing & Investment Income and Expenditure	34,585	-12,738	21,847
18,338	-412,668	-394,330	Taxation & Non-Specific Grant Income & Expenditure	21,128	-420,997	-399,869
853,846	**-891,990**	**-38,144**	**(Surplus)/Deficit on Provision of Services**	**945,305**	**-939,705**	**5,600**
		2	Share of the SDPS by Joint Ventures and Associates (Profit)/Loss			6
			Tax expenses of Joint Ventures and Associates			0
		-63	Tax expenses of Subsidiaries			-498
		-38,205	**Group (Surplus)/Deficit**			**5,108**
		-56,920	Surplus on Revaluation of Assets			-20,553
		250,401	Re-measurement (gain)/loss on pension assets/liabilities			-403,961
		0	(Surplus)/deficit on revaluation of available for sale assets			0
			Others			
		-1,747	Deferred tax on actuarial gains			1,337
		88	Share of Other Comprehensive Income & Expenditure of Associates			3
		191,822	**Other Comprehensive Income & Expenditure**			**-423,174**
		153,617	**Total Comprehensive Income and Expenditure**			**-418,066**

Group Movement in Reserves Statement for the year ended 31 March 2022

This schedule shows the movement in the year of the Council's single entity usable and unusable reserves as well as the Council's share of the group reserves.

Cheshire West and Chester Council Group 2021-22	Usable Reserves						Unusable Reserves				Total Group Reserves
	Council Single Entity £000	Intra-group transactions £000	Council Group £000	Subsidiaries £000	Joint Venture/ Associate £000	Group Total £000	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Group Total £000	£000
Balance at 31 March 2021	**277,994**	**0**	**277,994**	**-23,817**	**155**	**254,332**	**527,882**		**128**	**528,010**	**782,342**
Final Balance Adjustment			0		0	0				0	**0**
Balance at 31 March 2021	**277,994**		**277,994**	**-23,817**	**155**	**254,332**	**527,882**		**128**	**528,010**	**782,342**
Surplus or (deficit) on provision of services (accounting basis)	-1,077	28,454	27,377	-32,479	-6	-5,108	0	0	0	0	**-5,108**
Other Comprehensive Expenditure and Income	0			11,002	0	11,002	412,175	0	-3	412,172	**423,174**
Total Comprehensive Expenditure and Income	**-1,077**	**28,454**	**27,377**	**-21,477**	**-6**	**5,894**	**412,175**	**0**	**-3**	**412,172**	**418,066**
Adjustments between group accounts and Council's accounts		-28,454	-28,454	28,454		0		0	0	0	**0**
Adjustments between accounting basis & funding basis under regulations	-9,921		-9,921	0	0	-9,921	9,921	0	0	9,921	**0**
Increase / (Decrease) in Year	**-10,998**	**0**	**-10,998**	**6,977**	**-6**	**-4,027**	**422,096**	**0**	**-3**	**422,093**	**418,066**
Balance at 31 March 2022	**266,996**	**0**	**266,996**	**-16,840**	**149**	**250,305**	**949,978**	**0**	**125**	**950,103**	**1,200,408**

*These adjustments relate to the purchase of goods and services from the Council's subsidiary companies, Vivo Care Choices, Brio Leisure and Cheshire West Recycling.

Group Movement in Reserves Statement 2020-21 Comparative figures

This schedule shows the movement in reserves for the comparative financial year 2020-21.

Consolidated MIRS 2020-21	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 Unusable Reserves £000	Total Reserves of the Council £000	Council's share of Group Company Reserves £000	Total Reserves £000
Balance at 1 April 2020	**24,726**	**8,295**	**124,310**	**157,331**	**651**	**10,923**	**16,392**	**16,746**	**202,043**	**741,099**	**943,142**	**-9,006**	**934,136**
Final Reserves Adjustment				**0**					**0**		**0**	**1,823**	**1,823**
Balance at 31 March 2020	**24,726**	**8,295**	**124,310**	**157,331**					**202,043**	**741,099**	**943,142**	**-7,183**	**935,959**
Surplus or (deficit) on provision of services	61,488	0	0	61,488	6,562	0	0	0	68,050	0	68,050	-29,845	**38,205**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	-176,947	-176,947	-14,875	**-191,822**
Total Comprehensive Income and Expenditure	**61,488**	**0**	**0**	**61,488**	**6,562**	**0**	**0**	**0**	**68,050**	**-176,947**	**-108,897**	**-44,720**	**-153,617**
* Adjustments between group accounts and the Council's accounts	-28,369	0	0	-28,369	0	0	0	0	-28,369	**0**	**-28,369**	**28,369**	**0**
Adjustments between accounting basis & funding basis under regulations	33,165	0	0	33,165	-6,483	1,383	335	7,870	36,270	-36,270	0	0	**0**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**66,284**	**0**	**0**	**66,284**	**79**	**1,383**	**335**	**7,870**	**75,951**	**-213,217**	**-137,266**	**-16,351**	**-153,617**
Transfers (to)/from Earmarked Reserves	**-66,284**	**7,210**	**59,141**	**67**	**-67**	**0**	**0**	**0**	0	**0**	**0**	**0**	**0**
Increase/(Decrease) in Year	**0**	**7,210**	**59,141**	**66,351**	**12**	**1,383**	**335**	**7,870**	**75,951**	**-213,217**	**-137,266**	**-16,351**	**-153,617**
Balance at 31 March 2021	**24,726**	**15,505**	**183,451**	**223,682**	**663**	**12,306**	**16,727**	**24,616**	**277,994**	**527,882**	**805,876**	**-23,534**	**782,342**

*These adjustments relate to the purchase of goods and services from the Council's subsidiary companies, Vivo Care Choices, Brio Leisure and Cheshire West Recycling.

Group Balance Sheet as at 31 March 2022

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 2022 £000	31 March 2021 £000
Non-Current Assets		
- Property, Plant and Equipment	1,485,520	1,417,490
- Heritage Assets	29,761	29,374
- Investment Properties	138,052	139,244
- Intangible Assets	8,784	8,064
Long Term Investments	9,414	8,224
Investments in Associates	274	284
Deferred Taxation Asset	0	0
Long Term Debtors	22,663	23,829
Long Term Assets	**1,694,468**	**1,626,509**
Short Term Investments	28,300	51,800
Assets held for Sale	6,188	5,365
Current Intangible Assets		0
Inventories	530	349
Short Term Debtors	67,426	80,843
Cash and Cash Equivalents	121,473	89,393
Current Assets	**223,917**	**227,750**
Short Term Borrowing	-30,719	-57,116
Short Term Creditors	-192,672	-174,246
Provisions < 1 yr	-1,125	-2,063
Current Liabilities	**-224,516**	**-233,425**
Provisions	-26,408	-31,365
Long Term Borrowing	-243,239	-231,806
Pension Fund Liability	-175,579	-530,127
Other Long Term Liabilities	-24,013	-25,167
Capital Grant Receipts in Advance	-24,222	-20,027
Long Term Liabilities	**-493,461**	**-838,492**
Net Assets	**1,200,408**	**782,342**
Usable Reserves	250,305	254,332
Unusable Reserves	950,103	528,010
Total Reserves	**1,200,408**	**782,342**

The group companies for year ending 31 March 2021 have been restated to recognise the audited accounts for those entities.

Group Cash Flow Statement for the year ended 31 March 2022

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 2022 £000	31 March 2021 £000
Net (surplus) or deficit on the provision of services	5,600	(38,144)
Adjust net surplus or deficit on the provision of services for non cash movements	(141,690)	(105,808)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	22,418	44,946
Net cash flows from Operating Activities	**(113,672)**	**(99,006)**
Investing Activities	58,254	76,226
Financing Activities	23,338	(2,371)
Net increase in cash and cash equivalents	**(32,080)**	**(25,151)**
Cash and cash equivalents at the beginning of the reporting period	89,393	64,242
Cash and cash equivalents at the end of the reporting period	121,473	89,393
Net increase in cash and cash equivalents	**(32,080)**	**(25,151)**

The group companies for year ending 31 March 2021 have been restated to recognise the audited accounts for those entities.

Notes to the group core financial statements

Group Audit Costs for the year ended 31 March 2022

Fees Payable for Audit Work	2021-22 £000	2020-21 £000
Fees payable for external audit services in regards to Cheshire West and Chester Council	204	274
Fees payable for external audit services in regards to certification of grant claims and other services for Cheshire West and Chester Council	35	27
Fees payable for external audit services in regards to subsidary companies in group	24	32
Total	**263**	**333**

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 five organisations have been identified as being within the Council's group for financial reporting purposes and these are summarised below by the relevant group category under which they fall.

- Subsidiaries - where the Council either wholly or by majority controls an entity. Subsidiaries of the Council included in the 2021-22 group accounts are Vivo Care Choices, Cheshire West and Chester Leisure CIC (Brio Leisure) and Cheshire West Recycling (CWR). Vivo Care Choices ceased trading on 31 March 2022, although the actual termination of the company is expected to be the end of September 2022. Consequently, in order to facilitate the clearance of its balance sheet, Vivo Care Choices final trading period will be 18 months.
- 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 is treated as a joint operation, this company is jointly controlled with Equans Services Limited.
- Associates – where the Council exercises a significant influence and has a participating interest. Avenue Services is the only Associate company included in the 2021-22 group accounts.

The Council has business interests in 20 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 2021-22 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 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 has reported losses in the year. The losses have been treated in accordance with IAS 28, which states where the losses reduce the carrying amount to zero deductions are suspended, therefore the Edsential CIC losses have been excluded from the consolidated group accounts for 2021-22.

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 2022

Group CIES by Entity type 2021-22	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Intra-group transactions £000	Group Results £000
Adults Directorate	158,049	-12,184		14,759	160,624
Children's Directorate	93,322				93,322
Community, Environment & Economy Directorate	103,916	-9,553		13,695	108,058
Corporate Services Directorate	47,383				47,383
HRA	-9,200				-9,200
Other	-18,191				-18,191
Capital Financing	247				247
Cost of Services	**375,526**	**-21,737**	**0**	**28,454**	**382,243**
Other Operating Income & Expenditure	4,298	-2,919			1,379
Financing & Investment Income and Expenditure	21,122	725			21,847
Taxation & Non-Specific Grant Income & Expenditure	-399,869				-399,869
(Surplus)/Deficit on Provision of Services	**1,077**	**-23,931**	**0**	**28,454**	**5,600**
Share of the SDPS by Joint Ventures and Associates (Profit)/Loss			6		6
Tax expenses of Joint Ventures and Associates			0		0
Tax expenses of Subsidiaries		-498			-498
Group (Surplus)/Deficit	**1,077**	**-24,429**	**6**	**28,454**	**5,108**
Surplus on Revaluation of Assets	-20,009	-544			-20,553
Re-measurement Gain/-loss on pension assets/liabilities	-392,166	-11,795			-403,961
Surplus / Deficit on revaluation of available for sale assets	0				0
Other					
Deferred tax on actuarial gains		1,337			1,337
Share of Other Comprehensive Income & Expenditure of Associates			3		3
Share of the CIES of Joint Ventures			0		0
Other Comprehensive Income & Expenditure	**-412,175**	**-11,002**	**3**	**0**	**-423,174**
Total Comprehensive Income and Expenditure	**-411,098**	**-35,431**	**9**	**28,454**	**-418,066**

Group Expenditure and Funding Analysis for the year ended 31 March 2022

This schedule shows how expenditure is allocated for decision making purposes between the Council's directorates Income and Expenditure.

Expenditure and Funding Analysis	2021-22						
	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	Net Expenditure in the CIES Subsidairies	Net Expenditure in the CIES Group Total
	£000	£000	£000	£000	£000	£000	£000
Adults Directorate	138,068	12,923	150,991	7,058	158,049	2,575	160,624
Children's Directorate	63,568	1,750	65,318	28,004	93,322		93,322
Community, Environment, & Economy Directorate	61,296	10,956	72,252	31,664	103,916	4,142	108,058
Corporate Services Directorate	31,474	5,049	36,523	10,860	47,383		47,383
HRA	0	-13,788	-13,788	4,588	-9,200		-9,200
Central Services	45,151	-75,602	-30,451	12,260	-18,191		-18,191
Capital Financing	21,202	-20,955	247	0	247		247
Net Cost of Services	**360,759**	**-79,667**	**281,092**	**94,434**	**375,526**	**6,717**	**382,243**
Other Income and Expenditure	0	-246,466	-246,466	-127,983	-374,449	-2,194	-376,643
Joint Ventures and Associates					0	6	6
Tax expenses of Subsidiaries					0	-498	-498
(Surplus)/Deficit on Provision of Services	**360,759**	**-326,133**	**34,626**	**-33,549**	**1,077**	**4,031**	**5,108**
Opening General Fund and HRA Balances at 31 March 2021			-224,345				
Add Surplus on General Fund and HRA Balance in Year			34,626				
Closing General Fund and HRA Balances at 31 March 2022			**-189,719**				

Cheshire West and Chester

Movement in Reserves Statement as at 31 March 2022

Consolidated MIRS 2021-22	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 Unusable Reserves £000	Total Reserves of the Council £000	Council's share of Group Company Reserves £000	Total Reserves £000
Balance at 31 March 2021	**24,726**	**15,505**	**183,451**	**223,682**	**663**	**12,306**	**16,727**	**24,616**	**277,994**	**527,882**	**805,876**	**-23,534**	**782,342**
Final Reserves Adjustment				**0**					**0**		**0**	**0**	**0**
Balance at 31 March 2021	**24,726**	**15,505**	**183,451**	**223,682**					**277,994**	**527,882**	**805,876**	**-23,534**	**782,342**
Surplus or (deficit) on provision of services	20,455	0	0	20,455	6,922	0	0	0	27,377	0	**27,377**	-32,485	-5,108
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	412,175	**412,175**	10,999	423,174
Total Comprehensive Income and Expenditure	**20,455**	**0**	**0**	**20,455**	**6,922**	**0**	**0**	**0**	**27,377**	**412,175**	**439,552**	**-21,486**	**418,066**
* Adjustments between group accounts and the Council's accounts	-28,454	0	0	-28,454	0	0	0	0	-28,454	0	**-28,454**	**28,454**	**0**
Adjustments between accounting basis & funding basis under regulations	-26,703	0	0	-26,703	-6,846	4,113	-1,076	20,591	-9,921	9,921	**0**	0	0
Net Increase/(Decrease) before transfers to Earmarked Reserves	**-34,702**	**0**	**0**	**-34,702**	**76**	**4,113**	**-1,076**	**20,591**	**-10,998**	**422,096**	**411,098**	**6,968**	**418,066**
Transfers (to)/from Earmarked Reserves	**35,802**	**-661**	**-35,072**	**69**	**-69**	**0**	**0**	**0**	0	**0**	**0**	**0**	**0**
Increase/(Decrease) in Year	**1,100**	**-661**	**-35,072**	**-34,633**	**7**	**4,113**	**-1,076**	**20,591**	**-10,998**	**422,096**	**411,098**	**6,968**	**418,066**
Balance at 31 March 2022	**25,826**	**14,844**	**148,379**	**189,049**	**670**	**16,419**	**15,651**	**45,207**	**266,996**	**949,978**	**1,216,974**	**-16,566**	**1,200,408**

Balance Sheet as at 31 March 2022

Group Balance Sheet by Entity type as at 31 March 2022	Council Single Entity £000	Subsidiaries £000	Joint Venture/ Associate £000	Intra-group transactions £000	Group Results £000
Non-Current Assets	1,651,798	1,535			1,653,333
Intangible Assets	8,784				8,784
Long Term Investments	9,414				9,414
Investments in Associates	0		274		274
Deferred Taxation Asset	0				0
Long Term Debtors	23,613			-950	22,663
Long Term Assets	**1,693,609**	**1,535**	**274**	**-950**	**1,694,468**
Short Term Investments	28,300				28,300
Assets held for Sale	6,188				6,188
Current Intangible Assets	0				0
Inventories	114	416			530
Short Term Debtors	64,117	3,919		-610	67,426
Cash and Cash Equivalents	118,747	2,726			121,473
Current Assets	**217,466**	**7,061**	**0**	**-610**	**223,917**
Short Term Borrowing	-30,719				-30,719
Short Term Creditors	-187,063	-6,219		610	-192,672
Provisions < 1 yr	-1,125	0			-1,125
Current Liabilities	**-218,907**	**-6,219**	**0**	**610**	**-224,516**
Provisions	-26,408				-26,408
Long Term Borrowing	-243,239				-243,239
Pension Fund Liability	-158,015	-17,564			-175,579
Other Long Term Liabilities	-23,310	-1,653		950	-24,013
Capital Grant Receipts in Advance	-24,222				-24,222
Long Term Liabilities	**-475,194**	**-19,217**	**0**	**950**	**-493,461**
Net Assets	**1,216,974**	**-16,840**	**274**	**0**	**1,200,408**
Usable Reserves	266,996	-16,840	149		250,305
Unusable Reserves	949,978		125		950,103
Total Reserves	**1,216,974**	**-16,840**	**274**	**0**	**1,200,408**

The Pension Liability of £175.6m does not include any IAS19 liabilities for Joint Ventures of £6.2m.

Cash Flow Statement for the year ended 31 March 2022

Group Cash Flow by Entity type 2021-22	Council Single Entity £000	Subsidiaries £000	Intra-group transactions £000	Group Results £000
Net cash flows from Operating Activities	(114,597)	925		(113,672)
Investing Activities	58,089	165		58,254
Financing Activities	23,338			23,338
Net increase in cash and cash equivalents	**(33,170)**	**1,090**	**0**	**(32,080)**
Cash and cash equivalents at the beginning of the reporting period	85,577	3,816		89,393
Cash and cash equivalents at the end of the reporting period	118,747	2,726		121,473
Net increase in cash and cash equivalents	**(33,170)**	**1,090**	**0**	**(32,080)**

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 -------------->					Teachers Unfunded	LGPS Unfunded	Total
	CW&C	Vivo	Brio Leisure	CWR	Group	2021-22	2021-22	2021-22
	£000	£000	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement								
Service cost comprising:								
Current service cost	64,239	4,273	2,361	281	**71,154**			**71,154**
Past service costs and curtailments	558	0	0	0	**558**			**558**
(Gain) from settlements	-616	0	0	0	**-616**			**-616**
Financing and Investment Income and Expenditure								
Net Interest Cost	10,043	375	185	25	**10,628**	383	22	**11,033**
Total post-employment benefits charged to Surplus or Deficit on the Provision of Services (SDPS)	74,224	4,648	2,546	306	**81,724**	383	22	**82,129**
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)	-84,609	-1,905	-1,038	-250	**-87,802**	0	0	**-87,802**
Actuarial Gains / Losses arising on changes in demographic assumptions	4,384	-332	-169	-36	**3,847**	-171	-10	**3,666**
Actuarial Gains / Losses arising on changes in financial assumptions	-133,858	-4,936	-2,826	-507	**-142,127**	-517	-22	**-142,666**
Other experience	-177,246	136	59	9	**-177,042**	-145	28	**-177,159**
Total post-employment benefit charged to the CIES	**-317,105**	**-2,389**	**-1,428**	**-478**	**-321,400**	**-450**	**18**	**-321,832**
Movement in Reserves Statement								
Reversal of net charges made to the SDPS for post-employment	-74,224	-4,648	-2,546	-306	**-81,724**	-383	-22	**-82,129**
Actual amount charged against the General Fund								
Employers' contributions	29,013	1,724	944	121	**31,802**	0	0	**31,802**
Retirement Benefits Payable					**0**	1,561	134	**1,695**

Pensions and Liabilities Recognised in the Balance Sheet

Pensions and Liabilities in the Group Balance Sheet	CW&C 2021-22 £000	Vivo 2021-22 £000	Brio Leisure 2021-22 £000	CWR 2021-22 £000	LGPS Group 2021-22 £000	Teachers Unfunded 2021-22 £000	LGPS Unfunded 2021-22 £000	Total 2021-22 £000
Present value of obligations	-2,069,896	-55,376	-28,050	-6,027	-2,159,349	-17,924	-1,073	-2,178,346
Fair value of plan assets	1,930,878	42,457	22,066	5,531	2,000,932	0	0	2,000,932
Deferred Taxation on losses	0	1,835	0	0	1,835	0	0	1,835
Net Pension Liability	**-139,018**	**-11,084**	**-5,984**	**-496**	**-156,582**	**-17,924**	**-1,073**	**-175,579**

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	CWR £000	Group £000	Teachers Unfunded 2021-22 £000	LGPS Unfunded 2021-22 £000	Total 2021-22 £000
Opening Balance	**2,114,897**	**55,138**	**27,935**	**6,115**	**2,204,085**	**19,935**	**1,188**	**2,225,208**
Adjustments Note 1	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Adjusted Opening Balance	**2,114,897**	**55,138**	**27,935**	**6,115**	**2,204,085**	**19,935**	**1,188**	**2,225,208**
Current Service Costs	64,239	4,273	2,361	281	**71,154**	0	0	71,154
Interest Cost	42,453	1,172	597	129	**44,351**	383	22	44,756
Contribution by Scheme Members	7,986	499	284	36	**8,805**	0	0	8,805
Remeasurement (gains) and losses:					**0**			
Actuarial gains/losses arising from changes in demographic assumptions	4,384	-332	-169	-36	**3,847**	-171	-10	3,666
Actuarial (gains)/losses arising from changes in financial assumptions	-133,858	-4,936	-2,826	-507	**-142,127**	-517	-22	-142,666
Other experience	22,944	136	59	9	**23,148**	-145	28	23,031
Benefits Paid	-51,173	-574	-191	0	**-51,938**	-1,561	-134	-53,633
Entity Combinations					**0**			0
Past Service Costs & curtailments	558	0	0	0	**558**	0	0	558
Exceptional Past Service Costs					**0**			0
Liabilities Extinguished on Settlement	-2,534	0	0	0	**-2,534**	0	0	-2,534
Closing balance at 31 March 2022	**2,069,896**	**55,376**	**28,050**	**6,027**	**2,159,349**	**17,924**	**1,073**	**2,178,346**

Movement in Fair Value of Assets	<------------- LGPS -------------> CW&C £000	Vivo £000	Brio Leisure £000	CWR £000	Group £000	Teachers Unfunded 2021-22 £000	LGPS Unfunded 2021-22 £000	Total 2021-22 £000
Opening Balance	**1,629,761**	**38,106**	**19,579**	**5,020**	**1,692,466**	**0**	**0**	**1,692,466**
Actuaries Adjustment - Estimated to Final	0	0	0	0	0	0	0	0
Adjusted Opening Balance	**1,629,761**	**38,106**	**19,579**	**5,020**	**1,692,466**	**0**	**0**	**1,692,466**
Interest income	32,410	797	412	104	**33,723**	0	0	33,723
Remeasurement (gains) and losses:								
Return on plan assets, excluding the amounts included in net interest	84,609	1,905	1,038	250	**87,802**	0	0	87,802
Other								
Administration expenses								
Employer Contributions	29,013	1,724	944	121	**31,802**	0	0	31,802
Contribution by scheme members	7,986	499	284	36	**8,805**	0	0	8,805
Contributions - unfunded benefits						1,561	134	1,695
Benefits paid	-51,173	-574	-191	0	**-51,938**	0	0	-51,938
Unfunded benefits paid						-1,561	-134	-1,695
Other Experience	200,190				**200,190**			200,190
Assets distributed on Settlement	-1,918	0	0	0	**-1,918**	0	0	-1,918
Closing balance at 31 March 2022	**1,930,878**	**42,457**	**22,066**	**5,531**	**2,000,932**	**0**	**0**	**2,000,932**

Total Surplus/Deficit	**-139,018**	**-12,919**	**-5,984**	**-496**	**-158,417**	**-17,924**	**-1,073**	**-177,414**
Deferred Taxation on losses	**0**	**1,835**	**0**	**0**	**1,835**	**0**	**0**	**1,835**
Net liability at 31 March 2022	**-139,018**	**-11,084**	**-5,984**	**-496**	**-156,582**	**-17,924**	**-1,073**	**-175,579**

Cheshire West and Chester

Local Government Pension Scheme Assets

Group Pension Scheme assets	Quoted Prices in active markets 2021-22 £000	Quoted Prices not in active markets 2021-22 £000	Total 2021-22 £000	Share of Total Assets %	Quoted Prices in active markets 2020-21 £000	Quoted Prices not in active markets 2020-21 £000	Total 2020-21 £000
Cash & Cash Equivalents		118,699	**118,699**	**6%**		75,271	**75,271**
Equity Securities:							
By industry type:							
Consumer	29,931		29,931	1%	27,416	0	27,416
Manufacturing	25,001		25,001	1%	32,845	0	32,845
Energy and Utilities	1,446		1,446	0%	1,404	0	1,404
Financial Institutions	13,359		13,359	1%	17,152	0	17,152
Health and Care	11,830		11,830	1%	12,194	0	12,194
IT	107,921		107,921	5%	123,870	0	123,870
Other	15,900		15,900	1%	11,319	0	11,319
	205,388	**0**	**205,388**	**10%**	**226,200**	**0**	**226,200**
Private equity:		99,417	**99,417**	**5%**		65,123	**65,123**
Real Estate:							
UK	0	139,102	139,102	7%	0	119,971	119,971
Overseas	0	2,313	2,313	0%		2,140	2,140
	0	**141,415**	**141,415**	**7%**	**0**	**122,111**	**122,111**
Investment funds and unit							
Equities	412,522	0	412,522	21%	321,198	0	321,198
Bonds	615,921	214,603	830,524	41%	593,813	117,368	711,181
Hedge Funds	0	117,065	117,065	6%		103,841	103,841
Infrastructure		241	241	0%		0	0
Other	0	75,661	75,661	4%		67,541	67,541
	1,028,443	**407,570**	**1,436,013**	**72%**	**915,011**	**288,750**	**1,203,761**
Total Assets	**1,233,831**	**767,101**	**2,000,932**	**100%**	**1,141,211**	**551,255**	**1,692,466**

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

Actuarial assumptions	LGPS 2021-22	LGPS 2020-21
Financial Assumptions		
Rate of increase in salaries	3.9%	3.6%
Rate of increase in pensions	3.2%	2.9%
Discount rate used		
Rate used to Discount liabilities	2.7%	2.0%
Demographic Mortality Assumptions		
Longevity at 65 for current pensioners		
Men	21.3 years	21.4 years
Women	24 years	24.0 years
Longevity at 65 for future pensioners		
Men	22.2 years	22.4 years
Women	25.5 years	25.7 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)	82,796			-82,796		
Salary inflation (change by 0.1%)	4,315			-4,315		
Pension inflation (change by 0.1%)	32,859	386	17	-32,859	-386	-17
Discount rate (change by 0.1%)	37,469	386	17	-37,469	-386	-17

Liability split	CW&C Liability Split %	Vivo Liability Split %	Brio Liability Split %	Edsential Liability Split %	CWR Liability Split %
Active members	42.7%	69.7%	86.8%	71.9%	100.0%
Deferred members	19.9%	17.6%	6.7%	17.8%	0.0%
Pensioner members	37.4%	12.7%	6.5%	10.3%	0.0%
Weighted Average	100.0%	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
Cheshire West Recycling – 23 years

Cheshire West and Chester Council

Financial Statements

Comprehensive Income and Expenditure Statement (CIES)

for the year ended 31 March 2022

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.

2020-21			Comprehensive Income and Expenditure Account	2021-22		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
181,010	-33,606	147,404	Adults Directorate	199,394	-41,345	158,049
319,845	-252,522	67,323	Children's Directorate	360,054	-266,732	93,322
130,204	-32,913	97,291	Community, Environment & Economy Directorate	154,858	-50,942	103,916
108,547	-69,788	38,759	Corporate Services	113,933	-66,550	47,383
13,546	-22,720	-9,174	HRA	14,061	-23,261	-9,200
26,111	-39,406	-13,295	Other	22,117	-40,308	-18,191
236	0	236	Capital Financing	247	0	247
779,499	**-450,955**	**328,544**	**Cost of Services**	**864,664**	**-489,138**	**375,526**
10,067	-4,181	5,886	Other Operating Income & Expenditure (Note 11)	4,630	-332	4,298
32,198	-11,979	20,219	Financing & Investment Income and Expenditure (Note 12)	33,859	-12,737	21,122
18,338	-412,668	-394,330	Taxation & Non-Specific Grant Income and Expenditure (Note 13)	21,128	-420,997	-399,869
840,102	**-879,783**	**-39,681**	**(Surplus)/Deficit on Provision of Services**	**924,281**	**-923,204**	**1,077**
		-56,920	Surplus on Revaluation of Assets (Note 14)			-20,009
		233,867	Remeasurement of the pension liability / (asset) (Note 14)			-392,166
		176,947	**Other Comprehensive Income & Expenditure**			**-412,175**
		137,266	**Total Comprehensive Income and Expenditure**			**-411,098**

Movement in Reserves Statement for the year ended 31 March 2022

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

Movement in reserves statement	**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 Reserve £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Opening Balance at 1st April 2021	**24,726**	**15,505**	**183,451**	**223,682**	**663**	**12,306**	**16,727**	**24,616**	**277,994**	**527,882**	**805,876**
Surplus or (deficit) on provision of services	-7,999			-7,999	6,922				-1,077		**-1,077**
Other Comprehensive Income and Expenditure (Note 14)										412,175	**412,175**
Total Comprehensive Income and Expenditure	**-7,999**	**0**	**0**	**-7,999**	**6,922**	**0**	**0**	**0**	**-1,077**	**412,175**	**411,098**
Adjustments between accounting basis & funding basis under regulations (Note 8)	-26,703			-26,703	-6,846	4,113	-1,076	20,591	**-9,921**	**9,921**	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**-34,702**	**0**	**0**	**-34,702**	**76**	**4,113**	**-1,076**	**20,591**	**-10,998**	**422,096**	**411,098**
Transfers to / from Earmarked Reserves	35,802	-661	-35,072	69	-69						
Increase / (Decrease) in Year	1,100	-661	-35,072	-34,633	7	4,113	-1,076	20,591	-10,998	422,096	411,098
Balance at 31 March 2022	**25,826**	**14,844**	**148,379**	**189,049**	**670**	**16,419**	**15,651**	**45,207**	**266,996**	**949,978**	**1,216,974**

2020-21 Comparative figures

Restated Movement in reserves statement	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 Reserve £000	Unusable Reserves £000	Total Authority Reserves £000
Opening Balance at 1st April 2020	**24,726**	**8,295**	**124,310**	**157,331**	**651**	**10,923**	**16,392**	**16,746**	**202,043**	**741,099**	**943,142**
Surplus or (deficit) on provision of services	33,119			33,119	6,562				39,681		39,681
Other Comprehensive Income and Expenditure (Note 14)										-176,947	-176,947
Total Comprehensive Income and Expenditure	**33,119**	**0**	**0**	**33,119**	**6,562**	**0**	**0**	**0**	**39,681**	**-176,947**	**-137,266**
Adjustments between accounting basis & funding basis under regulations (Note 8)	33,165			33,165	-6,483	1,383	335	7,870	**36,270**	**-36,270**	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**66,284**	**0**	**0**	**66,284**	**79**	**1,383**	**335**	**7,870**	**75,951**	**-213,217**	**-137,266**
Transfers to / from Earmarked Reserves	-66,284	7,210	59,141	67	-67						
Increase / (Decrease) in Year	0	7,210	59,141	66,351	12	1,383	335	7,870	75,951	-213,217	-137,266
Balance at 31 March 2021	**24,726**	**15,505**	**183,451**	**223,682**	**663**	**12,306**	**16,727**	**24,616**	**277,994**	**527,882**	**805,876**

Balance Sheet as at 31 March 2022

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

Balance Sheet	Note	31 March 2022 £000	31 March 2021 £000
Non-Current Assets			
- Property, Plant and Equipment	15	1,483,985	1,417,248
- Heritage Assets	16	29,761	29,374
- Investment Properties	17	138,052	139,244
- Intangible Assets	18	8,784	8,064
Long Term Investments	20	9,414	8,224
Long Term Debtors	20	23,613	24,779
Long Term Assets		**1,693,609**	**1,626,933**
Short Term Investments	20	28,300	51,800
Assets held for Sale	19	6,188	5,365
Inventories		114	113
Short Term Debtors	21	64,117	78,419
Cash and Cash Equivalents	22	118,747	85,577
Current Assets		**217,466**	**221,274**
Short Term Borrowing	20	-30,719	-57,116
Short Term Creditors	23	-187,063	-168,736
Provisions < 1 yr	24	-1,125	-2,063
Current Liabilities		**-218,907**	**-227,915**
Provisions	24	-26,408	-31,365
Long Term Borrowing	20	-243,239	-231,806
Pension Fund Liability	44	-158,015	-506,259
Other Long Term Liabilities	20	-23,310	-24,959
Capital Grant Receipts in Advance	36	-24,222	-20,027
Long Term Liabilities		**-475,194**	**-814,416**
Net Assets		**1,216,974**	**805,876**
Usable Reserves	25	266,996	277,994
Unusable Reserves	26	949,978	527,882
Total Reserves		**1,216,974**	**805,876**

Cash Flow Statement for the year ended 31 March 2022

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

Cash Flow Statement	31 March 2022 £000	31 March 2021 £000
Net (surplus) or deficit on the provision of services	1,077	(39,681)
Adjust net surplus or deficit on the provision of services for non cash movements	(138,302)	(100,617)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	22,628	45,025
Net cash flows from Operating Activities	**(114,597)**	**(95,273)**
Investing Activities	58,089	76,101
Financing Activities	23,338	(3,979)
Net increase in cash and cash equivalents	**(33,170)**	**(23,151)**
Cash and cash equivalents at the beginning of the reporting period	85,577	62,426
Cash and cash equivalents at the end of the reporting period	118,747	85,577
Net increase in cash and cash equivalents	**(33,170)**	**(23,151)**

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

1. Significant Accounting policies

1.1 General principles

The Statement of Accounts summarises the Council's transactions for the 2021-22 financial year and its position at the year end of 31 March 2022. 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 mis-represent 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 the materialities within comparative information. There were no required changes to prior periods for 2021-22.

There are several amendments to the Code of Practice for 2021-22 and these are listed below;

- The accounting treatment of DSG deficits has been changed. Where a local authority has a deficit in respect of its schools' budget for a financial year beginning on or after 1 April 2020, it must charge the amount of the deficit to an account established, charged and used solely for the purpose of recognising deficits in respect of its schools' budget.
- The code's provisions on estimation uncertainty have been extended to comply with the additional provisions in IAS 1 (Presentation of Financial Statements).
- The subsequent measurement of financial assets and liabilities has been amended to reflect changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform. None of the financial instruments currently used by the Council make reference to LIBOR and therefore it is anticipated that this change will have no impact on the Council's financial statements.
- Amendments have been made to requirements relating to financial instruments to reflect the additional disclosures affected by interest rate benchmark reform. None of the financial instruments used by the Council make reference to LIBOR and therefore it is anticipated that this change will have no impact on the Council's financial statements.

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 accruals 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 good 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. Any residual deficit on the Collection Fund may be spread over the following three year period in order to prevent material movements in the position.

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 re-payments 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. Any residual shortfall in the income may be spread over the following three year period in order to prevent material movements in the position.

The Government operate equalisation arrangements whereby funding is top-sliced from Councils with a large NDR income base and transferred to those with a lower income base. Under this scheme Cheshire West is required to transfer approximately 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. 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. Consequently, the non-current assets of Church Owned schools are not recognised on the Balance Sheet.

When a maintained school converts to an Academy, the school's 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 re-imbursed 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 (or short term) 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:

- tangible assets (property plant and equipment, heritage, investment property)
- intangible assets
- long term investments
- investments in group companies
- long term debtors
- provisions
- pension fund liability / asset

- capital receipts in advance
- long term borrowing

Generally, the following are classified as current assets or liabilities:

- cash and cash equivalents (comprises cash balances held and cash equivalents with three or less months to maturity)
- inventories
- assets held for sale
- short term investments
- short term debtors
- short term borrowing
- short term creditors
- provisions of less than 1 year

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 consists of cash in hand and deposits with financial institutions re-payable without penalty on notice of no more than twenty four hours. Cash equivalents are highly liquid investments that mature in no more than one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. This category includes cash on call and instant access Money Market Funds.

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 long term liability reserve.

Post-employment benefits (Pensions)

The LGPS provides defined benefits based on a member's career average salary in the form of lump sums and pensions based on scheme membership earned during employment.

Any fundamental amendments to the Pension Plan will require comparator values to be included in the Accounts to establish any resultant gain or loss.

(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 ceases 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 – the 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) Re-measurements 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 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 un-observable 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 (un-adjusted) 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 – un-observable 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 re-payment.

Where the early re-payment involves the exchange of an existing loan for a new replacement loan (modification), then the cost of any penalty for the early re-payment 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 re-payment 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.

There are no early loan repayments in 2021-22.

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 re-payment 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 or 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 Department for Levelling Up, Housing and Communities (DLUHC) 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 re-valued 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 re-imbursed 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 measured at cost and therefore an approximation of valuation. Due to the historic or unique nature of heritage assets it is not 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
- Property/land (non-specialised) – Existing use value
- 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 capacity for number of pupils that could be educated at the existing school. As such the value of a school is determined by 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 fixtures. 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 de-recognition. 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 de-recognised 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 re-payment 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 de-recognised assets is transferred to the Capital Adjustment Account through the Movement in Reserves Statement.

In relation to Highways Network Infrastructure Assets, where part of the network is replaced, an adaptation provided in a separate update to the Code assumes that from the introduction of the IFRS based Code, when parts of an asset are replaced or restored the carrying amount of the de-recognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

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 carrying value 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 of 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 re-valued 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.

Expenditure and Funding Analysis	2021-22				
	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	138,068	12,923	150,991	7,058	158,049
Children's Directorate	63,568	1,750	65,318	28,004	93,322
Community, Environment, & Economy Directorate	61,296	10,956	72,252	31,664	103,916
Corporate Services Directorate	31,474	5,049	36,523	10,860	47,383
HRA	0	-13,788	-13,788	4,588	-9,200
Central Services	45,151	-75,602	-30,451	12,260	-18,191
Capital Financing	21,202	-20,955	247	0	247
Net Cost of Services	**360,759**	**-79,667**	**281,092**	**94,434**	**375,526**
Other Income and Expenditure	0	-246,466	-246,466	-127,983	-374,449
(Surplus)/Deficit on Provision of Services	**360,759**	**-326,133**	**34,626**	**-33,549**	**1,077**
Opening General Fund and HRA Balances at 31 March 2021			-224,345		
Add Surplus on General Fund and HRA Balance in Year			34,626		
Closing General Fund and HRA Balances at 31 March 2022			**-189,719**		

2020-21 Comparative Figures

Restated Expenditure and Funding Analysis	2020-21				
	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	130,833	12,593	143,426	3,978	147,404
Children's Directorate	57,344	-6,237	51,107	16,216	67,323
Community, Environment, & Economy Directorate	56,360	19,370	75,730	21,561	97,291
Corporate Services Directorate	29,746	3,752	33,498	5,261	38,759
HRA	0	-13,212	-13,212	4,038	-9,174
Central Services	57,270	-61,891	-4,621	-8,672	-13,293
Capital Financing	20,776	-20,540	236	0	236
Net Cost of Services	**352,329**	**-66,165**	**286,164**	**42,382**	**328,546**
Other Income and Expenditure	0	-352,527	-352,527	-15,698	-368,225
(Surplus)/Deficit on Provision of Services	**352,329**	**-418,692**	**-66,363**	**26,684**	**-39,679**
Opening General Fund and HRA Balances at 31 March 2020			-157,982		
Add Surplus on General Fund and HRA Balance in Year			-66,363		
Closing General Fund and HRA Balances at 31 March 2021			**-224,345**		

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	2021-22			
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
Adults Directorate	2,967	4,011	80	7,058
Children's Directorate	11,193	17,118	-307	28,004
Community, Environment, & Economy Directorate	24,005	7,843	-184	31,664
Corporate Services Directorate	5,248	5,658	-46	10,860
HRA	4,588	0	0	4,588
Other	13,565	-1,305	0	12,260
Capital Financing	0	0	0	0
Cost of Services	**61,566**	**33,325**	**-457**	**94,434**
Other Income and Expenditure	-108,479	10,597	-30,101	-127,983
Difference between General Fund (Surplus) and CIES (Surplus) or Deficit	**-46,913**	**43,922**	**-30,558**	**-33,549**

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. These adjustments mainly relate to the Collection Fund deficit movement funded by the Council (£31m).

2020-21 Comparative Figures

Adjustments between funding and accounting basis	2020-21			
	Adjustments for Capital Purposes	Net Change for the Pensions	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
Adults Directorate	3,306	720	-48	3,978
Children's Directorate	13,586	1,446	1,184	16,216
Community, Environment, & Economy Directorate	20,129	1,431	1	21,561
Corporate Services Directorate	4,222	1,026	13	5,261
HRA	4,038	0	0	4,038
Other	-8,028	-644	0	-8,672
Capital Financing	0	0	0	0
Cost of Services	**37,253**	**3,979**	**1,150**	**42,382**
Other Income and Expenditure	-68,239	6,108	46,433	-15,698
Difference between General Fund (Surplus) and CIES (Surplus) or Deficit	**-30,986**	**10,087**	**47,583**	**26,684**

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 2021-22	Adults Directorate	Childrens Directorate	Community, Environment, & Economy Directorate	Corporate Services Directorate	HRA	Central Services	Capital Financing	Total
Expenditure	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Employee benefits expenses	26,460	223,210	41,757	26,176	0	548	0	318,151
Other services expenses	171,148	126,042	95,047	82,513	9,583	44,970	-1,647	527,656
Support service recharges	0	0	0	0	0	0	0	0
Depreciation, amortisation, impairment	2,967	11,193	24,005	5,247	4,588	16,136	-2,614	61,522
Interest payments	896	753	2,096	0	2,193	0	5,530	11,468
Precepts and levies	0	0	337	0	0	4,371	0	4,708
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	776	776
Gain on the disposal of assets	0	0	0	0	0	0	0	0
Total expenditure	201,471	361,198	163,242	113,936	16,364	66,025	2,045	924,281
Income			.					
Fees, charges and other service income								
Over time	-37,831	-12,204	-38,358	-7,337	-23,261	-3,348	0	-122,339
At a point in time	0	0	0	0	0	0	0	0
Interest and investment income	-50	-33	-27	-3	-25	0	-1,344	-1,482
Income from Council Tax, Non Domestic Rates, BID Income	0	0	0	0	0	-273,474	0	-273,474
Support service recharges	0	0	0	0	0	0	0	0
Government grants and contributions	-2,278	-252,009	-23,069	-59,213	0	-126,091	-63,249	-525,909
Total income	-40,159	-264,246	-61,454	-66,553	-23,286	-402,913	-64,593	-923,204
(Surplus) or Deficit on the Provision of Services	**161,312**	**96,952**	**101,788**	**47,383**	**-6,922**	**-336,888**	**-62,548**	**1,077**

2020-21 Comparative Figures

Restated Expenditure and Income Analysis by Directorate 2020-21	Adults Directorate	Childrens Directorate	Community, Environment, & Economy Directorate	Corporate Services Directorate	HRA	Central Services	Capital Financing	Total
Expenditure	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Employee benefits expenses	19,039	200,730	34,123	23,153	81	5,832	0	282,958
Other services expenses	159,890	105,869	81,854	81,333	11,268	59,583	236	500,033
Support service recharges	0	0	0	0	0	0	0	0
Depreciation, amortisation, impairment	3,306	13,691	20,340	4,222	4,038	-4,092	-850	40,655
Interest payments	917	727	2,321	1	2,225	0	5,362	11,553
Precepts and levies	0	0	330	0	0	3,955	0	4,285
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	593	593
Gain on the disposal of assets	0	0	0	0	0	0	25	25
Total expenditure	183,152	321,017	138,968	108,709	17,612	65,278	5,366	840,102
Income			.					
Fees, charges and other service income								
Over time	-33,457	-10,268	-33,961	-7,540	-24,168	-295	-2,731	-112,420
At a point in time	0	0	0	0	0	0	0	0
Interest and investment income	-21	-4	-1	-5	-6	0	-1,289	-1,326
Income from Council Tax, Non Domestic Rates, BID Income	0	0	0	0	0	-227,183	0	-227,183
Support service recharges	0	0	0	0	0	0	0	0
Government grants and contributions	-1,853	-242,254	-9,607	-62,248	0	-169,472	-53,420	-538,854
Total income	-35,331	-252,526	-43,569	-69,793	-24,174	-396,950	-57,440	-879,783
(Surplus) or Deficit on the Provision of Services	**147,821**	**68,491**	**95,399**	**38,916**	**-6,562**	**-331,672**	**-52,074**	**-39,681**

3. Accounting Standards issued, but not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2021-22 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 1 April 2022.

- IFRS 16 *Leases* (but **only** for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year).

Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

Some changes may need to be adopted retrospectively meaning that on adoption 2021-22 information included within these accounts could be restated in the 2022-23 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 has been agreed to delay this implementation until 1 April 2024 for the 2024-25 financial year. However, both the 2022-23 and the 2023-24 Codes will allow for adoption as of 1 April 2022 or 2023. 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. In the event that the Council decides to adopt the standard from 1 April 2022, the estimated impact of bringing current operating lease non-cancellable obligations onto the balance sheet in 2022-23 is £8.5m, 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 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 five 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 with 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.

- **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.

  School governing bodies are separate entities to the Council but (with the exception of academies and free schools), for the purpose of preparing financial statements, they are within the group boundary and their activities must be reported. In recognition of the unique nature of the relationship, Councils are required to report any material expenditure, income, assets and liabilities of these schools within its primary statements (not just its Group statements). Specific consideration has to be given as to whether the assets from which these schools operate meet the necessary criteria (in terms of access to services and control) to be recognised as Council assets under IAS16. The Council has judged that faith schools (voluntary aided or controlled) which are not sited on

Council land, over which it has no long term guarantees of availability, do not meet the criteria for recognition as an asset under IAS16.

The Council has entered into a Private Finance Initiative (PFI) for five schools in the Borough of which two were within Council control in 2021-22.

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

	Total schools	Council Controlled			Outside Council Control		
		Owned by CWAC	Leased to Governors	Restrictive Covenant	Owned by NHS/Other	Owned by Church	Leased to Academies
Community Schools	63	62		1			
Foundation Schools	5		5				
Voluntary Controlled	19			2		17	
Voluntary Aided	29			2		27	
Academies	40						40
Community - Pupil Referral unit	2	1			1		
Studio	1				1		
Free school	2				2		
	161	**63**	**5**	**5**	**4**	**44**	**40**
		73	**on Balance Sheet**		**88**	**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 primarily 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 primarily held for the purposes of regeneration and the promotion of economic growth in an area they are treated as PPE assets, otherwise they are investment assets.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates take into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could materially differ from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2022 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. This risk of property values being understated in 2021-22 is greater than in recent years due to the rate of inflation prevailing across the construction sector during this period (Building Cost Information Service index increased by 6.4%). This risk is however mitigated by the fact that over 60% of the Councils property assets by value were re-valued in 2021-22.	A 1% fluctuation in property values would amount to £12.06m being added to or reduced from the Non-Current Assets value on the Balance Sheet. Should remaining asset lives fall by an average of 10%, then there would be a corresponding 10% increase in relevant annual depreciation charges, approx. £1.39m across operational and housing assets.
Pensions Liability	The value of the Council's net pension liability is estimated by professional actuaries based on complex and interdependent	The pensions' liability and reserve will vary significantly should any of the assumptions prove inaccurate. For instance, a 0.5% decrease in discount

Item	Uncertainties	Effect if Results Differ from Assumptions
	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 2022, the actuaries advised that the net pension liability on the Local Government Pension Scheme was £311.3m, which includes a £186.0m reduction based on changes in financial and demographic assumptions since 2020-21.	rate would increase the pension liability by £39.0m or a one year increase in pensioner lifespans by £81.8m. 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.
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 +/- £22m.
Business Rate Appeals	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 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). A historical trend of appeals to the charge is assessed and provided for within the relevant Collection Fund accounts.	Appeals have been received over a period of years and an historical analysis of the relative success of the appeals has been prepared accordingly. Should the rate of successful appeals deviate from this trend, the results of this will be factored into the appropriate 3 year spread of any deficit to the overall Collection Fund. For example, a 10% fluctuation in the estimated value of successful appeals would result in either an increase or decrease of £1.86m in the Council's share of business rates.

Item	Uncertainties	Effect if Results Differ from Assumptions
Expected Credit Loss	As part of IFRS 9, the Council is required to use the expected losses approach to calculate the impairment loss allowance. Using this approach provides a more accurate impairment charge to the CIES. Following the implementation of IFRS 9 in 2017-18 a risk assessment was agreed to determine the levels of ‘estimated unrecoverable debt’ which is predicted by applying a sliding scale percentage to all debt irrespective of age.	The actual credit loss experienced, if divergent from the expected level will create either a charge or benefit to the income level secured by the Council. For example, if the actual impairment rate fluctuated by 5% +/- it would increase or reduce the level of income collected by £2.9m. Any fluctuation will therefore be accommodated in the following charging period to ensure integrity to the financial position.

6. Material Items of Income and Expense

Exceptional items are ones that fall within the ordinary activities of the Council but are material in terms of the Council's overall expenditure and not expected to recur frequently or regularly. Exceptional items are included on the face of the Comprehensive Income and Expenditure Statement (CIES) where it is felt that the costs are so significant as to warrant a separate disclosure.

The Council has reported on the impact of Covid-19 in the Narrative and in other relevant Notes (especially Notes 9,13 and 36). A further two schools became Academies during 2021-22, with a loss on disposal of £4.8m (Note 12)

7. Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Council’s S151 officer on 23rd January 2024. 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 31st March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Where events do not require an adjustment to the Accounts but do offer additional contextual information they are included in this note.

During the intervening period between the publication of the draft and final accounts, A new Chief Executive has been appointed. In addition, there has been a change in S151 Officer. The new postholder has been in post since 3rd April 2023.

During the Audit of the draft accounts for 2020-21, a material amendment was made to the Property Plant and Equipment values which has been brought forward to future years accordingly and amends have been made to appropriate opening balances.

Following the Triennial Actuarial valuation review of the Pension Fund, a significant movement in the IAS 19 report has been made and the appropriate amendments have been made to all relevant Statements and Notes to this set of published accounts. Further detail and analysis is given in Note 10 and Note 44.

It should also be noted that Vivo Care Choices Limited was formally dissolved on the 1st August 2023. The company ceased trading as at 31st March 2022 and the care services previously delivered by the company are now delivered in-house.

There are no other significant events after the Balance Sheet Date for 2021-22.

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 2021-22	Usable reserves					Movement in Unusable reserves
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	£000
Adjustments to the Revenue Resources						
Pension costs (transferred to/from the Pension Reserve)	-43,922					**43,922**
Council tax and NDR (transfers to/from the Collection Fund Adjustment Account)	31,362					**-31,362**
Financial instruments (transferred to the Financial Instruments Adjustments Account)	144	3				**-147**
Financial Instrument Revaluation Reserve Pooled Investments - Statutory override	1,190					**-1,190**
Holiday pay (transferred to the Accumulated Absences Account)	335					**-335**
Reversal of entries included in the surplus or Deficit on the provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)						**0**
Depreciation of Non Current Assets	-41,182	-4,218				**45,400**
Impairment and Revaluation of Assets	-8,251	-370				**8,621**
Amortisation of Intangible Assets	-2,230					**2,230**
Movements in the fair value of investment properties	-954					**954**
Revenue expenditure funded from capital under statute	-5,315					**5,315**
Net assets written off to the CIES upon disposal or sale	-10,208	-1,870				**12,078**
Total Adjustments to Revenue Resources	**-79,031**	**-6,455**	**0**	**0**	**0**	**85,486**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve/Deferred Capital Receipts Reserve	6,368	2,072	-5,400			**-3,040**
Non-current asset disposal costs funded from the CRR	-9		9			**0**
Statutory provision for the repayment of debt	35,322					**-35,322**
Posting of HRA resources from Revenue to the Major Repairs Reserve		11,229		-11,229		**0**
Payments to the government housing receipts pool (funded by a transfer from CRR)	-776		776			**0**
Capital expenditure charged against general fund	1,581					**-1,581**
Capital grants and contributions unapplied credited to the CIES	28,158				-28,158	**0**
Capital Grants and Contributions through the CIES	35,090					**-35,090**
Total Adjustments between Revenue and Capital resources	**105,734**	**13,301**	**-4,615**	**-11,229**	**-28,158**	**-75,033**
Adjustments to Capital Resources						
Use of Capital Receipts Reserve to finance capital expenditure			502			**-502**
Use of Major Repairs Reserve to finance capital expenditure				12,305		**-12,305**
Cash payments in relation to deferred capital receipts						**0**
Application of capital grants to finance capital expenditure					7,567	**-7,567**
Total Adjustments to Capital Resources	**0**	**0**	**502**	**12,305**	**7,567**	**-20,374**
Total Adjustments	**26,703**	**6,846**	**-4,113**	**1,076**	**-20,591**	**-9,921**

Restated Adjustments between accounting basis and funding basis 2020-21	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						
Pension costs (transferred to/from the Pension Reserve)	-10,088					10,088
Council tax and NDR (transfers to/from the Collection Fund Adjustment Account)	-46,559					46,559
Financial instruments (t/f to the Financial Instruments Adjustments Account)	122	3				-125
Financial Instrument Revaluation Reserve Pooled Investments - Statutory override	670					-670
Holiday pay (transferred to the Accumulated Absences Account)	-1,147					1,147
Reversal of entries included in the surplus or Deficit on the provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)						0
Depreciation of Non Current Assets	-40,268	-3,997				44,265
Impairment and Revaluation of Assets	5,876	-42				-5,834
Amortisation of Intangible Assets	-1,185					1,185
Movements in the fair value of investment properties	3,804					-3,804
Revenue expenditure funded from capital under statute	-2,872					2,872
Net assets written off to the CIES upon disposal or sale	-16,281	-1,510				17,791
Total Adjustments to Revenue Resources	**-107,928**	**-5,546**	**0**	**0**	**0**	**113,474**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	2,911	1,450	-4,361			0
Non-current asset disposal costs funded from the CRR	-25		25			0
Statutory provision for the repayment of debt	14,816					-14,816
Posting of HRA resources from Revenue to the Major Repairs Reserve		10,579		-10,579		0
Payments to the government housing receipts pool (funded by a transfer from CRR)	-593		593			0
Capital expenditure charged against general fund	4,235					-4,235
Capital grants and contributions unapplied credited to the CIES	8,246				-8,246	0
Capital Grants and Contributions through the CIES	45,173					-45,173
Total Adjustments between Revenue and Capital resources	**74,763**	**12,029**	**-3,743**	**-10,579**	**-8,246**	**-64,224**
Adjustments to Capital Resources						
Use of Capital Receipts Reserve to finance capital expenditure			2,359			-2,359
Use of Major Repairs Reserve to finance capital expenditure				10,244		-10,244
Cash payments in relation to deferred capital receipts						0
Application of capital grants to finance capital expenditure					376	-376
Total Adjustments to Capital Resources	**0**	**0**	**2,359**	**10,244**	**376**	**-12,979**
Total Adjustments	**-33,165**	**6,483**	**-1,383**	**-335**	**-7,870**	**36,270**

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 2021-2022 and 2020-21.

Revenue Earmarked Reserves	Balance at 31 March 2020 £000	Transfers Out 2020-21 £000	Transfers In 2020-21 £000	Balance at 31 March 2021 £000	Transfers Out 2021-22 £000	Transfers In 2021-22 £000	Balance at 31 March 2022 £000
Council Wide Reserves							
Long Term Liability	**45,272**	-4,713	7,581	**48,140**	-21,088	5,891	**32,943**
Insurance	**10,528**	-3,211	774	**8,091**	-527	1,004	**8,568**
Covid-19	**10,833**	-735	4,196	**14,294**	-4,350	2,458	**12,402**
Collection Fund Deficit	**1,170**		41,390	**42,560**	-37,094	17,709	**23,175**
Community Benefits	**141**	-5		**136**	-36		**100**
Discretionary Business Rate Grants	**0**		3,507	**3,507**	-3,507		**0**
Directorate Reserves							
Unapplied Revenue Grants	**8,218**		6,659	**14,877**		6,587	**21,464**
PFI	**6,699**		237	**6,936**		89	**7,025**
Revenue Budget Carry Forwards	**1,438**	-1,438	9,997	**9,997**	-9,997	7,281	**7,281**
HRA Pension Contingency	**533**		67	**600**		69	**669**
S106 Developer Contributions	**532**	-36		**496**		306	**802**
Local Authority Elections	**242**		142	**384**		194	**578**
Local Plan	**160**			**160**			**160**
Adoption Support Fund	**134**	-9	18	**143**	-12	29	**160**
Care Act	**90**	-90		**0**			**0**
Deprivation of Liberty Safeguarding	**57**			**57**	-57		**0**
SEND/DSG	**0**			**0**		1,969	**1,969**
HS2	**0**			**0**		385	**385**
Transformation Reserves							
HR & Finance System Replacement	**1,625**	-1,540	353	**438**	-271	394	**561**
Renewable Energy	**1,325**	-1,489	538	**374**	-374		**0**
ICT Transformation	**1,563**	-532	141	**1,172**	-1,137	2,400	**2,435**
Delivering Council Priority Outcomes	**1,241**	-753		**488**	-93		**395**
Invest to Save	**1,024**	-1,000		**24**			**24**
Flexible and Mobile Working	**396**	-36		**360**	-57		**303**
New Ways of Working	**158**			**158**	-130		**28**
Economic Growth Reserves							
Northgate Development	**1,639**	-1,000		**639**	-431	86	**294**
Winsford Cross Development Account	**1,314**		430	**1,744**		605	**2,349**
Partnership Reserves							
Health Integration	**625**	-298		**327**	-327		**0**
Mersey Forest	**398**		38	**436**		241	**677**
Council Company Reserves							
Waste Collection Contract Exit Arrangements	**22,934**	-4,020		**18,914**	-3,564	683	**16,033**
Council Company Reserves	**1,234**	-398	4,020	**4,856**	-800	2,001	**6,057**
Other Reserves and Balances	**2,787**		356	**3,143**	-1,601		**1,542**
Total	**124,310**	**-21,303**	**80,444**	**183,451**	**-85,453**	**50,381**	**148,379**

Significant movements during the year were:

- A net appropriation of £15m from the long-term liabilities reserve, which includes £4.4m added to the reserve due to the capital financing underspend whilst £20.0m was used to repay debt.
- The net appropriation of £1.9m from the Covid-19 reserve. This relates to the element of the reserve that has been funded by Central Government and it has been used to fund some of the Covid pressures experienced by services in 2021-22.
- The net appropriation of £19.4m from the collection fund deficit reserve. This is funded mainly from S31 grant. This is as a result of a timing difference between when the grant is received and when it is used to fund the deficit.
- The appropriation of £3.5m from a reserve for discretionary business rate grants. The grants have been used to support businesses in 2021-22.

- The net appropriation of £6.6m to the unapplied grant reserve. This includes £7.7m added to the reserve for the Covid Additional Relief Fund (CARF).
- The net appropriation of £2.7m to the reserve for revenue budget carry forwards. This is the drawdown of £10m carry forwards in 2021-22, and the addition of £7.3m carry forwards to fund expected budget pressures in 2022-23.
- The creation of a new £2m reserve for Special Education Needs and Disabilities (SEND). This is to match the current deficit on the Dedicated Schools Grant reserve.
- The creation of a new £0.4m reserve for HS2. This is to fund the cost of preparing and presenting a petition against the bill, as agreed by Cabinet on 20 April 2022.
- The net appropriation of £1.3m to the ICT transformation reserve. This includes the transfer of £2m into the ICT Transformation reserve to meet the costs of an ICT recovery plan.
- The drawdown of £2.9m from the waste collection reserve, to fund the ongoing costs the Council inherited on the hand back of the waste collection service from the previous service provider.
- The net appropriation of £1.2m to the council company reserve, including £2m added to the reserve to support potential pressures in 2022-23, and long-term recovery.

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 re-payment and the pension fund deficit.
Insurance	Funds insurance liabilities relating to Cheshire West & Chester functions.
Covid 19	This reserve is comprised of both unspent un-ringfenced Covid-19 Government grant and Council resources. This reserve is to be used to fund Covid pressures. The Council resources are to provide a safeguard in the event that Covid pressures exceed the funding received from Central Government.
Collection Fund Deficit	Equalisation fund to mitigate volatility in Business Rates income.

Directorate reserves

Unapplied revenue grants	Enable 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.

Local Authority Elections	This reserve is used to contribute towards the cost of the Local Authority Elections.
SEND/DSG	Reserve set-up to match the DSG / SEND deficit.
Transformation reserves	
HR & Finance System	Funding in relation to the HR and Finance System Replacement to cover costs that potentially will not be able to be treated as Capital expenditure.
ICT transformation	Funds to meet the cost of an ICT Recovery Plan.
Economic growth reserves	
Winsford Cross development	Funds available for working capital, as needed.
Partnership reserves	
Mersey Forest	Partnership agreement between 7 contributing local authorities co-ordinated by the Mersey Forest Team to invest in long-term tree planting programmes to improve the local environment.
Council company reserves	
Former waste collection contract	Reserve linked to long term debtor depends on receipts for funds to be available.
Council company	Funds available to manage pressures in Council companies.

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 spend (expenditure less income) has increased from £329m to £376m; an increase of £47m.

This mainly reflects an increase of £22.4m relating to the IAS 19 Charge in respect of pension liabilities and is based upon the actuarial assumptions relating to pay inflation, interest rates and life expectancy that were in place at the start of the year. The Pension Fund's Actuary has advised that the projected charge to the CIES for 2022-23 is likely to decrease compared to the charge for this year, as a result of the higher net discount rate at the accounting date.

The remaining increase is primarily attributable to higher costs incurred by the Council in providing both Adults and Children's social care services. These higher costs are reflective of both increasing demand and the cost of securing care services.

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	2021-22 £000	2020-21 £000
Loss / (Gain) on disposal of Non-current assets	-1,134	1,008
Parish Precepts	3,988	3,955
Levies	720	330
Housing Capital Receipts to National Pool	776	593
Other income and expenditure	-52	0
	4,298	**5,886**

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	2021-22 £000	2020-21 £000
Interest payable and similar charges	11,468	11,553
Unrealised gains or losses on financial assets held at fair value through profit and loss transferred to Unusable Reserve	-1,190	-3,804
Net interest on pension assets and liabilities	10,449	6,074
Interest receivable and similar income	-1,482	-1,326
Expected Credit Loss Allowance	1,506	1,472
Loss on transfer of schools to Academy status	4,780	9,674
Income and expenditure in relation to investment Properties and changes in their fair value	-4,559	-3,652
Trading Accounts not related to Services	150	228
	21,122	**20,219**

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	2021-22 £000	2020-21 £000
Income:		
Council Tax	-210,646	-197,709
Non Domestic Rates	-62,828	-29,474
Covid-19 Emergency Grant	-8,550	-15,667
Other COVID-19 Grants	-16,791	-29,681
Revenue Support Grant	-3,358	-3,340
Capital Grants and Contributions	-63,248	-53,519
PFI Grants	-3,092	-3,092
Local Services Support Grant	-530	-428
New Homes Bonus	-6,646	-10,178
S31 Non Domestic Rates Grant Funding	-35,909	-64,968
Other Grants	-9,399	-4,612
Expenditure:		
Non Domestic Rates - Tariff and Levy Payment	21,128	18,338
	-399,869	**-394,330**

The significant increase and decrease in both non-domestic rates and S31 non-domestic rates grant funding is primarily due to the cessation of business rates relief funded by Government to support retail hospitality and leisure businesses during the pandemic.

14. Other Comprehensive Income and Expenditure (CIES)

The Other Comprehensive Income and Expenditure section of the CIES recognises increases and decreases to the value of assets and liabilities which have yet to be realised by the Council. As these gains and losses were unrealised at 31 March 2022 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)	2021-22 £000	2020-21 £000
Property Revaluation (Gains)	-20,009	-56,920
Pension Deficit Remeasurement Losses/(Gains)	-392,166	233,867
	-412,175	**176,947**

- 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 decreased liability in 2021-22 reflects an increase in the discount rate used for pension liabilities and a decrease in the longevity assumptions used by the Actuary.

15. Property, Plant and Equipment

Property,Plant and Equipment Movements in 2021-22	Non-Current Assets						
	Council Houses £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Value as at 31 March 2021	210,888	829,519	85,852	19,461	3,687	63,734	1,213,141
Additions	8,204	22,513	4,977	2,381	0	45,178	83,253
Revaluation Gain/(Loss) to Revaln Res	-7,804	12,915	0	0	0	0	5,111
Reval/Impair Losses to SDPS	-452	-17,806	0	0	0	0	-18,258
Reverse Reval/Impair to SDPS	0	7,846	0	0	0	0	7,846
Derecognition - Disposals	-1,870	-8,501	-352	0	0	0	-10,723
Derecognition - Other	0	0	0	0	0	0	0
Re-classification of assets	1,317	13,767	0	4,530	-2,949	-16,665	0
Reclass (to)/from Held for Sale		1,072	0	0	0	0	1,072
Reclass (to)/from Heritage		0	0	0	0	0	0
Reclass (to)/from Investment		0	0	0	0	0	0
Reclass (to)/from Intangible							
Value as at 31 March 2022	**210,283**	**861,325**	**90,477**	**26,372**	**738**	**92,247**	**1,281,442**
Depreciation							
Accum Depn at 31 March 2021	-355	-2,029	-68,326	-76	0	-65	-70,851
Charges for the year	-4,218	-17,827	-6,083	0	0	0	-28,128
Revaluation Gain/(Loss) to Revaln Res	4,490	8,257	0	0	0	0	12,747
Reval/Impair Loss to SDPS	82	818	0	0	0	0	900
Reverse Reval/Impair to SDPS	0	706	0	0	0	0	706
Derecognition - Disposals	1	1	333	0	0	0	335
Derecognition - Other	0	0	0	0	0	0	0
Re-classification of assets	0	380	0	-380	0	0	0
Reclass to/from Held for Sale	0	0	0	0	0	0	0
Reclass to/from Heritage	0	0	0	0	0	0	0
Accum Depn at 31 March 2022	0	-9,694	-74,076	-456	0	-65	-84,291
Net Book Value at 31 March 2022	**210,283**	**851,631**	**16,401**	**25,916**	**738**	**92,182**	**1,197,151**
Net Book Value at 31 March 2021	210,533	827,490	17,526	19,385	3,687	63,669	1,142,290
Nature of Asset Holding							
Owned	210,283	829,002	14,952	25,916	738	92,182	1,173,073
PFI		22,629					22,629
Leased			1,449				1,449
Total	**210,283**	**851,631**	**16,401**	**25,916**	**738**	**92,182**	**1,197,151**

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 2021-22 include £0.9m of assets which are held in partnership with Cheshire East Council at a 50% shared ownership agreement.

Restated Movements in 2020-21	Non-Current Assets						
	Council Houses £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Value as at 31 March 2020	197,551	796,646	81,431	19,074	4,886	44,823	1,144,411
Additions	3,399	10,946	5,256	387	0	32,733	52,721
Revaluation Gain/(Loss) to Revaln Res	11,066	28,297	0	0	0	0	39,363
Reval/Impair Losses to SDPS	-143	-7,436	0	0	0	-4,026	-11,605
Reverse Reval/Impair to SDPS	32	7,587	0	0	0	0	7,619
Derecognition - Disposals	-1,516	-10,044	-835	0	-1,199	0	-13,594
Derecognition - Other	0	0	0	0	0	0	0
Re-classification of assets	499	0	0	0	0	-499	0
Reclass (to)/from Held for Sale	0	1,015	0	0	0	0	1,015
Reclass (to)/from Heritage	0	0	0	0	0	0	0
Reclass (to)/from Investment	0	2,508	0	0	0	-9,297	-6,789
Reclass (to)/from Intangible	0	0	0	0	0	0	0
Value as at 31 March 2021	**210,888**	**829,519**	**85,852**	**19,461**	**3,687**	**63,734**	**1,213,141**
Depreciation							
Accum Depn at 31 March 2020	-271	-2,420	-63,290	-76	0	-257	-66,314
Charges for the year	-3,997	-20,159	-5,856	0	0	0	-30,012
Revaluation Gain/(Loss) to Revaln Res	3,837	10,577	0	0	0	0	14,414
Reval/Impair Loss to SDPS	4	1,610	0	0	0	0	1,614
Reverse Reval/Impair to SDPS	66	8,140	0	0	0	0	8,206
Derecognition - Disposals	6	223	820	0	0	192	1,241
Derecognition - Other	0	0	0	0	0	0	0
Re-classification of assets	0	0	0	0	0	0	0
Reclass to/from Held for Sale	0	0	0	0	0	0	0
Reclass to/from Heritage	0	0	0	0	0	0	0
Accum Depn at 31 March 2021	-355	-2,029	-68,326	-76	0	-65	-70,851
Net Book Value at 31 March 2021	**210,533**	**827,490**	**17,526**	**19,385**	**3,687**	**63,669**	**1,142,290**
Net Book Value at 31 March 2020	197,280	794,226	18,141	18,998	4,886	44,566	1,078,097
Nature of Asset Holding							
Owned	210,533	804,994	15,869	19,385	3,687	63,669	1,118,137
PFI		22,496					22,496
Leased			1,657				1,657
Total	**210,533**	**827,490**	**17,526**	**19,385**	**3,687**	**63,669**	**1,142,290**

Infrastructure Assets

In accordance with the Temporary Relief offered by the update to the CIPFA Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Movements on Balances	2021-22 £000
Net Book Value (Modified historic cost) at 1st April 2021	274,958
Additions	28,915
Derecognition	0
Depreciation	-17,039
Impairment	0
Other Movement in Cost	0
Net Book Value (Modified historic cost) at 31 March 2022	**286,834**

In order to show a true and fair view of the overall position on PPE for 2021-22, the table below demonstrates the total Net Book Value balance of these assets.

Summary of Assets	31 March 2022 £000
Infrastructure Assets	286,834
PPE	1,197,151
Total PPE Assets	**1,483,985**

In order to show a true and fair view of the overall position on PPE for 2020-21 as a comparator, the tables below demonstrate the total Net Book Value balance of these assets.

Restated Movements on Balances	2020-21 £000
Net Book Value (Modified historic cost) at 1st April 2020	261,002
Additions	27,977
Derecognition	0
Depreciation	-14,021
Impairment	0
Other Movement in Cost	0
Net Book Value (Modified historic cost) at 31 March 2021	**274,958**

Restated Summary of Assets	31st March 21 £000
Infrastructure Assets	274,958
PPE	1,142,290
Total PPE Assets	**1,417,248**

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 %
Operational Buildings	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 re-values 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.

For 2021-22 a de-minimis of £20,000 has been applied to operational properties, this does not have a material impact on the property valuations.

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 2022.

Operational properties of a specialised nature are valued on the basis of what it would cost to re-instate 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 on a five year cycle 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 2021-22. 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
Revaluation Year Of Net Book Value:				
31 March 2022	210,283	374,747		585,030
31 March 2021	0	422,321	0	422,321
31 March 2020	0	35,245	0	35,245
31 March 2019	0	13,067	738	13,805
31 March 2018	0	6,149	0	6,149
31 March 2017	0	102	0	102
Total	**210,283**	**851,631**	**738**	**1,062,652**

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 2022, totals £28.7m (£51.8m at 31 March 2021).

There have been new commitments included during 2021-22 including replacement of waste vehicles and Christleton High School expansion.

Capital Project	Contract Total 2021-22 £000	Amount paid to date 2021-22 £000	Outstanding balance 2021-22 £000	Restated Outstanding balance 2020-21 £000
HRA Housing Management Contract	20,735	7,979	12,756	1,930
ICT Transformation	0	0	0	1,000
HR & Finance System Replacement	0	0	0	623
A51 Pinch Point	0	0	0	1,931
Ellesmere Port Public Sector Hub	0	0	0	7,945
Northgate Development Phase 1	49,829	45,767	4,062	32,336
Waste Strategy	10,376	115	10,261	0
Christleton High School	1,612	0	1,612	0
Chester City Centre Infrastructure	0	0	0	4,561
School Basic Need	0	0	0	1,472
Total	**82,552**	**53,861**	**28,691**	**51,798**

16. Heritage assets

Movements in 2021-22	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 2021	11,750	3,095	10,625	500	4,032	593	30,595
Additions	454	166					620
Revaluation Gains/Losses							0
Reclassification to/from INV Assets							0
Value as at 31 March 2022	**12,204**	**3,261**	**10,625**	**500**	**4,032**	**593**	**31,215**
Depreciation							
At 31st March 2021	-1,216	-5					-1,221
Charges for the year	-233						-233
Revaluation Gains/Losses							0
Reclassification to/from INV Assets							0
Accumulated Depn at 31 March 2022	**-1,449**	**-5**	**0**	**0**	**0**	**0**	**-1,454**
Net Book Value at 31 March 2022	**10,755**	**3,256**	**10,625**	**500**	**4,032**	**593**	**29,761**

Movements in 2020-21	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 2020	11,730	3,074	10,525	500	4,032	593	30,454
Additions	20	21	100	0	0	0	141
Revaluation Gains/Losses	0	0	0	0	0	0	0
Reclassification to/from INV Assets	0	0	0	0	0	0	0
Value as at 31 March 2021	**11,750**	**3,095**	**10,625**	**500**	**4,032**	**593**	**30,595**
Depreciation							
At 31st March 2020	-984	-5	0	0	0	0	-989
Charges for the year	-232	0	0	0	0	0	-232
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 2021	**-1216**	**-5**	**0**	**0**	**0**	**0**	**-1,221**
Net Book Value at 31 March 2021	**10,534**	**3,090**	**10,625**	**500**	**4,032**	**593**	**29,374**

Historic buildings

The Council's historic buildings are currently held at Fair Value based on depreciated 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	2021-22 £000	2020-21 £000
Rental Income from Investment Property	-8,587	-7,980
Direct Expenditure Arising from Properties	3,074	3,983
Net Cost/(Income) in the Year	**-5,513**	**-3,997**

The movements in the value of investment properties during 2021-22 are analysed below:

Investment Assets Movements in Year	2021-22 £000	2020-21 £000
Balance at Start of Year	139,244	131,238
Additions		
- Acquisitions	1,193	366
- Subsequent Expenditure		
Disposals		
- Outright Disposals	-1,431	-2,953
Impairments		
Fair Value Adjustments		
- Increases in Fair Value	2,625	12,970
- Decreases in Fair Value	-3,579	-9,166
Transfers (to) or from other asset categories	0	6,789
Value as at 31 March	**138,052**	**139,244**

Details of investment properties and information about the fair values hierarchy as at 31 March 2022 are as follows:

Investment Properties Fair Value heirarchy 2021-22	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair Value as at 31 March 2022	Restated Fair Value as at 31 March 2021
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000	Total £000
Recurring fair value measurement using:					
Residential properties		106		106	105
Commercial units		80,586		80,586	83,216
Industrial units		44,979		44,979	44,191
Land (including Car Parks)		11,156		11,156	10,539
Other		1,225		1,225	1,193
Total	**0**	**138,052**	**0**	**138,052**	**139,244**

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 external 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 are 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.

18. Intangible Assets

Intangible Assets	Other Assets 2021-22 £000	Assets Under Construction 2021-22 £000	Total Assets 2021-22 £000	Total Assets 2020-21 £000
Balance at start of year:				
Gross carrying amount	10,529		10,529	6,561
Accumulated amortisation	-2,465		-2,465	-1,629
Net carrying amount at start of year	**8,064**	**0**	**8,064**	**4,932**
Purchases & Asset under Construction:				
Additions	2,953		2,953	4,319
Reclassification	0		0	0
Disposals:				
Gross carrying amount	-196		-196	-351
Accumulated amortisation	193		193	349
Amortisation for the Period	-2,230		-2,230	-1,185
Net carrying value at end of year	**8,784**	**0**	**8,784**	**8,064**
Comprising:				
Gross Carrying Amount	13,286		13,286	10,529
Accumulated Amortisation	-4,502		-4,502	-2,465
Total	**8,784**	**0**	**8,784**	**8,064**

19. Assets Held for Sale

The balance of Assets Held for Sale has increased by £0.8m during 2021-22. The assets within this category are currently being marketed and expected to sell within the next 12 months.

Assets held for sale	2021-22 £000	2020-21 £000
Balance at Start of Year	5,365	5,750
Assets Transferred into Assets Held for Sale:		
Property, Plant and Equipment	720	1,118
Additions	0	0
Valuation Changes:		
- Revaluation Gains/Losses	2,151	3,143
Assets Transferred out of Assets Held for Sale:		
Property, Plant and Equipment	-1,792	-2,133
Assets sold	-256	-2,513
Balance at end of the year	**6,188**	**5,365**

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	Measurement
	2021-22 and 2020-21	2021-22 and 2020-21
Cash	Amortised cost	Amortised cost
Bank current and deposit accounts	Amortised cost	Amortised cost
Fixed term deposits with banks	Amortised cost	Amortised cost
Loans to other local councils	Amortised cost	Amortised cost
Trade receivables	Amortised cost	Amortised cost
Shares in UK Municipal Bond Agency (UKMBA)	Fair Value Through other Comprehensive Income (FVOCI)	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)	Fair Value through Profit and Loss (FVTPL)
Units in instant access pooled money market funds	Fair Value through Profit and Loss (FVTPL)	Fair Value through Profit and Loss (FVTPL)

Prior to the introduction of IFRS 9 the Council's shareholding in the UK Municipal Bond Agency was classified as being held at fair value through profit and loss (FVTPL). On the introduction of IFRS 9 the Council elected to treat the Council's shareholding in the UK Municipal Bond Agency (350,000 ordinary 1p shares) as being classified at fair value through other comprehensive income (FVOCI).

The following investment are classified as Fair Value Through Profit and Loss by regulation:

Type of Investment	Units Held
Income units in CCLA Local Authorities Mutual Investment Trust Property Fund	1,545,356
Income units in Schroders Income Maximiser Fund	9,681,318

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

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 and HM Treasury, notice accounts with banks and investments in instant access accounts.

Cash and cash equivalents are reported on the Balance Sheet as £118.7 million which includes balance at bank of £1.303 million reported within the financial assets table.

Financial Assets	Long Term		Short Term	
	31 March 2022 £000	Restated 31 March 2021 £000	31 March 2022 £000	Restated 31 March 2021 £000
Assets at amortised cost				
Principal amount			28,300	51,800
Loss allowance			0	0
Assets at fair value through other comprehensive income (FVOCI)				
Equity investments elected FVOCI	0	0	0	0
Assets at fair value through profit and loss				
Pooled Property and Equity Funds	9,414	8,224		
Total Investments	**9,414**	**8,224**	**28,300**	**51,800**
Assets at amortised cost				
Principal amount			9,164	9,162
Loss allowance			-2	-5
Balance at Bank			5,043	2,771
Assets at fair value through profit and loss				
Pooled Property and Equity Funds				
Money Market Funds			108,282	76,048
Total Cash and Cash Equivalents	**0**	**0**	**122,487**	**87,976**
Total Financial Assets	**9,414**	**8,224**	**150,787**	**139,776**

Reconciliation to Balance Sheet	Long Term		Short Term	
	31 March 2022 £000	Restated 31 March 2021 £000	31 March 2022 £000	Restated 31 March 2021 £000
Assets at amortised cost				
Trade receivables/Debtors	23,613	24,779	46,997	44,311
Total	**23,613**	**24,779**	**46,997**	**44,311**
Other Debtors	0	0	17,120	34,108
Total Debtors	**23,613**	**24,779**	**64,117**	**78,419**
Amount Included in Debtors	**23,613**	**24,779**	**46,997**	**44,311**
Total All Financial Assets	**33,027**	**33,003**	**197,784**	**184,087**

Equity Instruments

Equity Instruments elected to fair value through other comprehensive income	Fair Value		Dividends	
	31 March 2022 £000	31 March 2021 £000	2021-22 £000	2020-21 £000
UKMBA 1p ordinary shares	0	0	0	0
Total Equity Instruments	**0**	**0**	**0**	**0**

The UKMBA investment is carried at zero value as a result of impairments in previous years.

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 Department for Levelling Up, Housing & Communities (DLUHC) has permitted a temporary (5 year) statutory override to English Local Authorities to mitigate the impact of these changes in valuations. The Council has utilised the statutory override to account for any changes in the value of these investments.

Details of the investments are as follows:

Instruments at fair value through profit and loss	Fair Value		Dividends	
	31 March 2022 £000	31 March 2021 £000	2021-22 £000	2020-21 £000
Schroder Income Maximiser Fund Class Z Units	4,163	3,757	267	233
CCLA LAMIT Property Fund Income Units	5,251	4,467	170	198
Money Market Funds	108,282	76,048	68	86
Total Instruments at fair value	**117,696**	**84,272**	**505**	**517**

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	Classficiation
	2021-22 and 2020-21	2021-22 and 2020-21
Long term loans from the Public Works Loans Board (PWLB)	Amortised cost	Amortised cost
Long term loans from banks and other commercial organisations	Amortised cost	Amortised cost
Loans from other councils	Amortised cost	Amortised cost
Payments due under finance leases	Amortised cost	Amortised cost
Private Finance Initiative (PFI) contracts	Amortised cost	Amortised cost

Financial Liabilities	Long Term		Short Term	
	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000
Loans at amortised cost				
Principal Amount	243,239	231,806	28,031	54,463
Accrued Interest			2,688	2,653
Total Borrowing	**243,239**	**231,806**	**30,719**	**57,116**
Loans at amortised cost				
Bank Overdraft			3,740	2,399
Total Cash Overdrawn	**0**	**0**	**3,740**	**2,399**
Long Term Liabilities at amortised cost				
Finance Leases	765	1,170		
PFI contracts	22,130	23,190		
Amounts owed to Cheshire East Council	415	599		
Total Other Long Term Liabilities	**23,310**	**24,959**	**0**	**0**
Short Term Liabilities at amortised cost				
Finance Leases			934	716
PFI contracts			1,060	1,208
Amounts owed to Cheshire East Council				
Trade Creditors			93,240	123,786
Total	**0**	**0**	**95,234**	**125,710**
Non financial instrument creditors	0	0	91,829	43,026
Total Creditors	**0**	**0**	**187,063**	**168,736**
Amount Included in Creditors	**0**	**0**	**95,234**	**125,710**
Total All Financial Liabilities	**266,549**	**256,765**	**129,693**	**185,225**

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 liability). This is the case for arrangements such as the pay over of deductions for tax and national insurance to Government, receipts in advance or prepayments. These are not contractual arrangements whereby the Council is giving or receiving credit so they are not classed as financial instruments.

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

Offsetting Financial Assets and Liabilities	31 Mar 2022			31 Mar 2021		
	Gross assets (liabilities) £000	(Liabilities) assets set off £000	Net position on balance sheet £000	Gross assets (liabilities) £000	(Liabilities) assets set off £000	Net position on balance sheet £000
Trade receivables	0	0	0	0	0	0
Bank accounts in credit	18,595	-18,595	0	31,569	-31,569	0
Total financial assets	**18,595**	**-18,595**	**0**	**31,569**	**-31,569**	**0**
Trade payables	0	0	0	0	0	0
Bank overdrafts	-22,335	18,595	-3,740	-33,968	31,569	-2,399
Total financial liabilities	**-22,335**	**18,595**	**-3,740**	**-33,968**	**31,569**	**-2,399**

Income, expense, gains and losses

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

Financial Instruments Gains and Losses	Financial Liabilities	Financial Assets			Total 2021-22 £000	Total 2020-21 £000
	Amortised Cost £000	Amortised Cost £000	Elected to Fair Value through Other Comprehensive Income £000	Fair Value through Profit & Loss £000		
Interest payable	11,449				11,449	11,574
Loss on de-recognition	0				0	-48
Fees paid	19				19	27
Interest payable and similar charges	**11,468**	**0**	**0**	**0**	**11,468**	**11,553**
Interest receivable		-977			-977	-809
Dividend income				-505	-505	-517
Interest receivable and investment income	**0**	**-977**	**0**	**-505**	**-1,482**	**-1,326**
Net impact on surplus / deficit on provision of services	**11,468**	**-977**	**0**	**-505**	**9,986**	**10,227**
(Gains)/Losses on revaluation		0	0	-1,190	-1,190	-670
Impact on other comprehensive income	**0**	**0**	**0**	**-1,190**	**-1,190**	**-670**
Net (Gain) / Loss for the Year	**11,468**	**-977**	**0**	**-1,695**	**8,796**	**9,557**

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:

- Interest rates at 31 March 2022 of between 0.45% and 2.49% 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 re-payment 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;
- 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	Restated Balance Sheet Value	Fair Value
		31 March 2022 £000	31 March 2022 £000	31 March 2021 £000	31 March 2021 £000
Financial assets held at fair value					
Money market funds	1	108,282	108,282	76,048	76,048
Pooled equity funds	1	4,163	4,163	3,757	3,757
Shares in listed companies	3			0	0
Pooled property funds	1	5,251	5,251	4,467	4,467
Financial assets held at amortised cost					
Bank deposits and notice accounts	2	9,962	9,962	9,957	9,957
Loans to other local councils	2	27,500	27,500	51,000	51,000
Short term debtors	2	46,997	46,751	44,311	43,411
Long term debtors	2	23,613	23,859	24,779	25,679
Balance at Bank		1,303	1,303	372	372
Total Financial Assets		**227,071**	**227,071**	**214,691**	**214,691**
Recorded on the balance sheet as					
Long term investments		9,414		8,224	
Long term debtors		23,613		24,779	
Short term investments		28,300		51,800	
Short term debtors		46,997		44,311	
Cash and cash equivalents		118,747		85,577	
Total Financial Assets		**227,071**		**214,691**	

The financial assets whose recurring fair value is determined using level 1 inputs (the ex-div share price on 31 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 DLUHC statutory override.

Instant access pooled money market funds are valued using level 1 inputs namely the ex-dividend share price on 31 March 2022.

The financial assets held by the Council at amortised cost on the balance sheet date, and whose fair value is determined using level 2 bases, comprise of short term fixed rate deposits with UK local councils and HM Treasury, instant access accounts with UK banks, notice accounts with UK banks. Trade receivables for goods and services supplied have their fair value determined using level 3 bases. 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 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 having incurred significant set up costs.

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 30 November 2021.

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	Restated Balance Sheet Value	Fair Value
		31 March 2022 £000	31 March 2022 £000	31 March 2021 £000	31 March 2021 £000
Long and short term loans from PWLB	2	224,576	254,657	233,225	294,594
Long term LOBO loans	2	7,368	9,650	7,374	10,118
Other long and short term loans	2	42,014	46,011	48,323	55,929
PFI contracts	2	23,190	28,904	24,398	33,386
Finance leases and other long term liabilities	2	2,114	2,122	2,485	2,485
Short term creditors	2	93,240	93,240	123,786	123,786
Guarantees issued					
Total Financial Liabilities		**392,502**	**434,584**	**439,591**	**520,298**
Recorded on the balance sheet as					
Long term borrowing		243,239		231,806	
Other long term liabilities		23,310		24,959	
Long term creditors					
Long term provisions					
Short term liabilities		1,994		1,924	
Short term borrowing		30,719		57,116	
Short term creditors		93,240		123,786	
Short term provisions					
Total Financial Liabilities		**392,502**		**439,591**	

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 re-payments 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 2 inputs.
- 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 2022 is:

Current Debtors	31 March 2022 £000	31 March 2021 £000
Trade receivables	46,997	44,311
Prepayments	2,705	2,631
Local Taxation	6,708	5,877
Other receivable amounts	7,707	25,600
Total	**64,117**	**78,419**

Overall, there has been a reduction in outstanding debt of £14.3m when compared to 31 March 2021. The largest movement is in Other receivable amounts which increased significantly in 2020-21 (£18m) and related to indebtedness with DLUCH due to the impact of the Coronavirus Pandemic and associated support initiatives. This value has now decreased accordingly.

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

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

Debtors for Local Taxation

Historic total sums due for council tax and non-domestic rates are:

Debtors for Local Taxation	31 March 2022 £000	31 March 2021 £000
Less than twelve months	9,088	9,710
More than one year	14,953	10,752
Total	**24,041**	**20,462**

An expected credit loss (bad debt provision) of £15.8m (2020-21 £14.5m) has been provided for. The increase is due to the continued impact of Covid-19 on the collection of debt, and the subsequent increase in debt outstanding.

22. Cash and cash equivalents

The following table shows the balance of cash and cash equivalents as of 31 March 2022.

	31 March 2022 £000	31 March 2021 £000
Bank Current Accounts	5,043	2,771
Bank Overdraft	-3,740	-2,399
Short Term Deposits	117,444	85,205
Total	**118,747**	**85,577**

The Council holds current balances for processing payroll, payment and income transactions as well as a Council Fund account to ensure there are sufficient funds available to meet all short term commitments. Where payments have been initiated on the last working day of March, the current account balance shows them as if they have already been made, even though they will not physically leave the account until the next working day.

The Council 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 2022 £000	31 March 2021 £000	Legal right to set off
Council fund account	18,595	31,569	Yes
Payables account	-22,330	-32,654	Yes
Payroll account	-5	-1,314	Yes
Instant access account	9,162	9,157	
Money market funds	108,282	76,048	
School bank accounts	4,479	2,281	
Imprest bank accounts	38	38	
Other	526	452	
Total	**118,747**	**85,577**	

23. Creditors

The Council's creditor position as at 31 March 2022 is analysed as follows:

Creditors	31 March 2022 £000	31 March 2021 £000
Trade payables	95,234	125,710
Receipts in advance	63,090	28,082
Other payables	28,739	14,944
Total	**187,063**	**168,736**

Overall, the Council's creditors have increased by £18.3m compared to 31 March 2021. The movement reflects increases in Receipts in Advance £35.0m and Other Payables £13.8m, which have been partially offset by a decrease in Trade Payables (£30.5m).

The reduction in Trade Payables is mainly attributable to the amount of Non-Domestic Rates Section 31 grant due to be paid back to Government, which has reduced from £35.2m in 2020-21 to £14.5m in 2021-22 (largely relating to relief awarded to retail, hospitality, and leisure businesses). There has also been a reduction of £9.8m in 2021-22 in respect of the potential repayment to Government of Non-Discretionary Grants. The significant reduction in grant creditors largely reflects the fact that most of the schemes to support businesses through the pandemic have either been reduced or are not continuing into 2022-23.

The significant increase in the value of Receipts in Advance at the end of 2021-22 is mainly due to the Energy Bills Rebate Grant £19.1m that the Council has received from Government to distribute to residents in 2022-23. The £12.1m growth in funding received from Mersey Forest for tree planting is the other key contributor to the increase seen in Receipts in Advance in 2021-22.

The main increase in Other Payables is due to a creditor for business rates relating to other bodies £10.4m; this is due to the significant reduction in the deficit on the business rates collection fund as a result of changes to reliefs to help support businesses through the pandemic.

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 2020	**80**	**0**	**678**	**464**	**712**	**1,934**
Amounts used in year	-31	0	0	-448	-400	**-879**
Unused amount released	-49	0	0	-2	-205	**-256**
Additional provisions made	30	0	0	804	430	**1,264**
Balance at 31 March 2021	**30**	**0**	**678**	**818**	**537**	**2,063**
Amounts used in year	-30	0	0	-818	-112	**-960**
Unused amount released	0	0	0	0	-326	**-326**
Additional provisions made	195	0	8	0	145	**348**
Balance at 31 March 2022	**195**	**0**	**686**	**0**	**244**	**1,125**

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

- **Redundancy** - Sums held to fund the costs of redundancy payments to individuals which have been agreed in advance of 31 March but will take place in the following financial year.

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

	Long Term Provisions						
	Insurance Provision £000	Closed Landfill £000	Business Rates £000	Care Contingency £000	Council Companies £000	Other LT Provisions £000	**Long Term Total £000**
Balance at 31 March 2020	**2,461**	**2,673**	**16,173**	**180**	**1,750**	**1,895**	**25,132**
Amounts used in year	-920	-121	-1,457	-180	-395	-333	**-3,406**
Unused amount released	-402	0	0	0	0	0	**-402**
Additional provisions made	2,210	0	6,731	0	0	1,100	**10,041**
Balance at 31 March 2021	**3,349**	**2,552**	**21,447**	**0**	**1,355**	**2,662**	**31,365**
Amounts used in year	-1,527	0	-1,590	0	0	0	**-3,117**
Unused amount released	-422	-165	-1,220	0	-605	-1,530	**-3,942**
Additional provisions made	1,900	0	0	0	101	101	**2,102**
Balance at 31 March 2022	**3,300**	**2,387**	**18,637**	**0**	**851**	**1,233**	**26,408**

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.
- **Council Companies –** This provision is held in recognition of costs the Council may face as a result of its ownership of arms-length companies. Specifically, the provision reflects potential exposure to costs from underwriting losses that have been made by those companies, and the risk from pension fund guarantees the Council has provided
- **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 movement in reserves of £11.0m during 2021-22. This largely reflects decreases to Earmarked Reserves, the Schools Reserve, and an increase to the Capital Grants Unapplied Reserve. Further explanations for major variances follow the table.

Usable reserves	31 March 2022 £000	31 March 2021 £000
Held for Revenue Purposes		
General Fund	25,826	24,726
School Reserves	14,844	15,505
Housing Revenue Account	670	663
Earmarked General Fund Reserves	147,710	182,851
Earmarked HRA Reserves	669	600
	189,719	**224,345**
Held for Capital Purposes		
Capital Receipts Reserve	16,419	12,306
Capital Grants Unapplied Reserve	45,207	24,616
Major Repairs Reserve	15,651	16,727
	77,277	**53,649**
Total	**266,996**	**277,994**

Revenue Reserves

General Fund – The General Fund has increased by £1.1m to £25.8m. This reflects the decision to re-instate £1.1m of general reserve funding that was utilised to meet Covid-19 costs in 2019-20. The re-imbursement was funded from Covid-19 Emergency Grant. Following a risk assessment of the level of general reserves required by the Council, the decision was taken as part of 2022-23 budget setting process to release £1.1m from general reserves in 2022-23 to contribute towards bridging the Council's funding gap.

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 2021-22 there was a net increase of £4.1m in the balance of the reserve. This increase reflects a combination of £8.8m of additional income from new receipts and the utilisation of £4.7m of the reserve to fund capital projects in 2021-22. The new capital receipts received related to commercial property re-investment receipts (£1.4m), Right to Buy receipts (£1.8m), specific capital receipts (£4.6m) and general capital receipts (£1m).

Capital Grants Unapplied Reserve - The increase in the capital grants unapplied reserve of £20.6m relates to the transfer of prior year grants in order to fund schemes in 2022-23. The movement primarily relates to an increase the school basic need grant added to reserve (£21.4m).

Major Repairs Reserve – The Major Repair Reserve holds all the balances that the HRA has set aside to fund the future re-payment 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 2021-22 the balance decreased by £1.1m due to a planned increase in capital expenditure funded from the reserve. 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 2022 £000	31 March 2021 £000
Revaluation Reserve	421,557	411,395
Capital Adjustment Account	702,396	674,780
Financial Instruments Adjustments Account	-1,354	-1,501
Deferred Capital Receipts Reserve	3,040	0
Pensions reserve	-158,015	-506,259
Collection Fund Adjustment Account	-8,843	-40,205
Accumulated Absences Account	-7,911	-8,246
Financial Instrument Revaluation Reserve	-892	-2,082
Total	**949,978**	**527,882**

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 re-value amount, then the excess impairment is charged to the CIES.

Revaluation Reserve Movements	2021-22 £000	2020-21 £000
Balance at 1 April	**411,395**	**372,234**
Upwards Revaluation of assets	26,110	57,995
Downward revaluations and impairment losses	-6,101	-1,075
Deficit on revaluation of non-current assets	**20,009**	**56,920**
Difference fair value and historic cost depreciation	-8,215	-8,821
Accumulated gains on assets sold or scrapped	-1,632	-8,938
Written off to the Capital Adjustment Account	**-9,847**	**-17,759**
Balance at 31 March	**421,557**	**411,395**

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	2021-22 £000	2020-21 £000
Balance at 1 April	**674,780**	**636,293**
Capital funded items charged to CIES		
Charges for depreciation	-45,400	-44,265
Amortisation of Intangible assets	-2,230	-1,185
Revaln and impairment losses on non current assets	-8,805	5,834
Revaluation/Impairment of capital creditors/debtors	184	0
REFCUS (Rev exp funded from capital under statute	-5,315	-2,872
Assets written off to the CIES on disposal	-12,078	-17,791
Change in market value of investment properties charged to CIES	-954	3,804
Subtotal	**-74,598**	**-56,475**
Values released from revaluation reserve		
Depreciation costs funded from revaluation reserve	8,215	8,821
Revalued assets disposed of in year	1,632	8,938
	9,847	**17,759**
Net cost of non-current assets used in the year	**-64,751**	**-38,716**
Capital financing applied in the year		
Application of capital receipts	502	2,359
Transfer from Major Repairs Reserve	12,305	10,244
Capital grants and contributions from CIES	35,090	45,173
Funding from capital grants unapplied reserve	7,567	376
Statutory revenue provision for capital financing	35,322	14,816
Revenue contributions to capital costs	1,581	4,235
Subtotal	**92,367**	**77,203**
Balance at 31 March	**702,396**	**674,780**

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	2021-22 £000	2020-21 £000
Balance at 1 April	**-1,501**	**-1,626**
Adjustment to Opening Balance		
Premiums/discounts incurred in previous years released to CIES	-4	-4
Proportion of premiums/discounts incurred in previous financial years to be charged to against the General Fund Balance in accordance with statutory requirements	17	18
Amounts by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	134	111
Difference between costs charged to CIES and costs chargeable under statutory requirements	**147**	**125**
Balance at 31 March	**-1,354**	**-1,501**

Deferred Capital Receipt

The deferred capital receipt relates an asset disposal in 2021-22 for which cash has not yet been received.

Deferred Capital Receipts Movement	2021-22 £000	2020-21 £000
Balance at 1 April	**0**	**0**
Deferred Capital Receipts from disposals where cash has not yet been received	3,040	0
Balance at 31 March	**3,040**	**0**

Pensions Reserve

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

The deficit balance on the Pensions Reserve therefore shows a shortfall between the benefits earned by past and current employees and the resources the Council has, to date, set aside to meet them. The Pension Fund received its triennial valuation for the year-ending 31st March 2002 which has resulted in a significant movement in the pension reserve to a reduced deficit of £158.015m. Statutory arrangements ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve Movement	2021-22 £000	2020-21 £000
Balance at 1 April	**-506,259**	**-262,304**
Adjustments (see Note 44)		**0**
Remeasurement of the net defined benefit liability	392,166	-233,867
Reversal of items Charged to CIES		
-Current Service Costs	-64,239	-41,087
- Past Service Costs, Settlements and Curtailments	58	176
- Net Interest Costs	-10,449	-6,074
Actual Pension Contribs Charged to General Fund	30,708	36,897
Balance at 31 March	**-158,015**	**-506,259**

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	2021-22 £000	2020-21 £000
Leave Entitlement		
- School Based Staff	-6,105	-6,589
- Non School Staff	-1,806	-1,657
Balance at 31 March	**-7,911**	**-8,246**

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	2021-22 £000	2020-21 £000
Balance at 1 April	**-2,082**	**-2,752**
Downward revaluation of investments	1,190	670
Balance at 31 March	**-892**	**-2,082**

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	2021-22			2020-21		
	Council Tax	Non-Domestic Rates	Total	Council Tax	Non-Domestic Rates	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	-1,712	-38,493	-40,205	3,422	2,932	6,354
Share of Collection Fund Surplus /(Deficit)	3,495	27,867	31,362	-5,134	-41,425	-46,559
Balance at 31 March	**1,783**	**-10,626**	**-8,843**	**-1,712**	**-38,493**	**-40,205**
Billed Income for in year activities	-203,674	-71,036	-274,710	-195,557	-69,549	-265,106
Council Tax Collected for Parish Precepts	-3,988	0	-3,988	-3,955	0	-3,955
CWaC Contribution to (Surplus)/Deficit	510	36,978	37,488	-3,331	0	-3,331
Actual Collection Fund (Surplus)/Deficit	-3,495	-27,867	-31,362	5,134	41,425	46,559
Income in CIES	**-210,647**	**-61,925**	**-272,572**	**-197,709**	**-28,124**	**-225,833**
Less Actual Surplus/(Deficit)	3,495	27,867	31,362	-5,134	-41,425	-46,559
Income Credited to General Fund	**-207,152**	**-34,058**	**-241,210**	**-202,843**	**-69,549**	**-272,392**

The reserve holds a surplus of £1.7m for Council Tax which will be available to the Council from 2022-23. This is a movement of £3.5m from last year's deficit and reflects the funding of £0.5m of the brought forward deficit by the Council and an in year surplus (Council share) of £3m. The in year surplus is largely the result of lower than anticipated costs of the Council Tax Reduction Scheme.

The reserve holds a deficit of £10.6m for Non-Domestic Rates which will need to be funded from Council budgets in 2022-23. The Council has been re-imbursed during 2021-22 for the cost of the reliefs which caused the majority of the deficit, this re-imbursement has been placed in a reserve to part fund this deficit.

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	2021-22 £000	2020-21 £000
Depreciation and amortisation of non current assets	-47,630	-45,450
Impairments and downward valuations	-8,806	5,834
Revaluation Gains on Investment Assets	-954	3,804
Reduction in fair value of soft loans	-134	-111
Pension Fund Adjustments	-43,921	-10,088
Other non cash Financial Instrument adjustments	0	0
(Increase)/ Decrease in Provisions	-20,415	-25,681
Increase/(Decrease) in Inventories	-2	-25
Increase/(Decrease) in Debtors	-16,444	7,531
(Increase)/Decrease in Creditors	11,750	-17,464
Carrying value of assets which have been sold	-12,078	-17,820
Other non cash movements	332	-1,147
Adjustments for Non Cash Items	**-138,302**	**-100,617**

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	2021-22 £000	2020-21 £000
Proceeds from sale or disposal of non current assets	8,840	4,098
Capital grant income credited to SDPS	15,576	40,654
Income from Trading Operations	-6,934	-4,118
Other adjustments for financing activities	5,146	4,391
Net cash flows from investing/financing activities in SDPS	**22,628**	**45,025**

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

Interest and Investment Income in Operating Activites	2021-22 £000	2020-21 £000
Interest received	-1,482	-1,326
Interest paid	11,468	11,553

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	2021-22 £000	2020-21 £000
Purchase of property, plant and equipment, investment property and intangible assets	114,155	80,379
Purchase of short-term and long-term investments	812,390	458,870
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-8,840	-4,098
Proceeds from short-term and long-term investments	-834,700	-411,500
Capital grants received	-19,770	-43,159
Other receipts from investing activities	-5,146	-4,391
Net cash flows from investing activities	**58,089**	**76,101**

A large increase in 2020-21 due to the Council holding higher levels of cash balances than it had in previous years was mainly due to items influenced by the Coronavirus Pandemic which has steadily reduced in 2021-22.

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	2021-22 £000	2020-21 £000
Cash receipts of short- and long-term borrowing	32,214	22,238
Other receipts from financing activities	688	-4,992
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	716	2,088
Repayments of short- and long-term borrowing	-17,214	-27,432
Other payments for financing activities	6,934	4,119
Net cash flows from financing activities	**23,338**	**-3,979**

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 2021-22 £000	Property Disposals / Valuations 2021-22 £000	Income 2021-22 £000	(Surplus)/ Deficit 2021-22 £000	Expenditure 2020-21 £000	Property Disposals / Valuations 2020-21 £000	Income 2020-21 £000	(Surplus)/ Deficit 2020-21 £000
Industrial & Commercial Properties	3,074	-315	-8,587	-5,828	3,983	-1,032	-7,980	-5,029
Transport Management Organisation	2,815	0	-2,665	150	2,602	0	-2,376	226
Grounds Maintenance	76	0	-76	0	85	0	-83	2
Total	**5,965**	**-315**	**-11,328**	**-5,678**	**6,670**	**-1,032**	**-10,439**	**-4,801**

- The Industrial and Commercial Properties trading account lets Council owned business premises to small and medium size enterprises across the Borough. Expenditure for the year has remained similar to previous years, whilst income levels have improved as we moved into the recovery phase of the pandemic. Valuations for 2021-22 were done on all investment properties, with an increase of £320k in the valuation of the properties compared with 2020-21. This gain was however offset by a loss of £5k (relative to the balance sheet value of the asset) on properties disposed of during the year.
- The Transport Management Organisation (TMO) operates as a trading account for the provision of cars and commercial vehicles to meet the Council's transport requirements. Increased expenditure and offsetting income due to the procurement of fuel and leasing on behalf of Cheshire West Recycling.
- An element of the Grounds Maintenance trading operations was retained in year for school maintenance costs.

31. Agency Services

Cheshire West and Chester Council undertakes some activities on behalf of other bodies. Only those costs and balances that relate to the Council's own share are reflected in the CIES and Balance Sheet. During 2021-22, the Council acted as an agent in respect of the following:

Non-Domestic Rates Collection Fund

The Council collects Business Rates on behalf of Central Government, itself and Cheshire Fire Authority. This is distributed based on the following shares – Central Government (50%), Cheshire West and Chester Council (49%) and Cheshire Fire Authority (1%). The table below shows the balances on 31 March 2022 relating to each of these bodies.

Non-Domestic Rates Collection Fund – Balances at 31 March	2021-22 Collection Fund £000	CWAC £000	Central Government £000	Cheshire Fire £000	2020-21 Collection Fund £000
Arrears	5,987	2,934	2,993	60	8,070
Impairment Allowance	-5,080	-2,489	-2,540	-51	-6,510
Appeals Provision	-38,035	-18,637	-19,018	-380	-43,769
Receipts in Advance	-4,891	-2,396	-2,446	-49	-2,954
(Surplus)/Deficit	21,683	10,625	10,841	217	78,555
Amount owing (to)/from other bodies	0	10,371	-10,168	-203	0

The significant reduction in deficit relates to a reduction in the value of reliefs awarded to businesses to help them through the pandemic that were announced after local authorities had submitted their estimates for the year.

Council Tax Collection Fund

The Council collects Council Tax on behalf of itself, Cheshire Police Authority and Cheshire Fire Authority. This is distributed based on each body's share of the total Council Tax requirement, and in 2021-22 this was as follows – Cheshire West and Chester Council (84.67%), Cheshire Police Authority (11.28%), Cheshire Fire Authority (4.05%). The table below shows the balances on 31 March 2022 relating to each of these bodies.

Council Tax Collection Fund – Balances at 31 March	2021-22 Collection Fund £000	CWAC £000	Cheshire Police £000	Cheshire Fire £000	2020-21 Collection Fund £000
Arrears	21,213	17,941	2,423	849	17,595
Impairment Allowance	-14,315	-12,107	-1,635	-573	-12,013
Receipts in Advance	-5,536	-4,682	-632	-222	-5,357
(Surplus)/Deficit	-2,108	-1,784	-240	-84	2,020
Amount owing (to)/from other bodies	0	114	-84	-30	0

The move from a deficit of £2.0m to a surplus of £2.1m is largely due to a reduction in the number of Council Tax Reduction Scheme claimants.

Business Support Grants

Throughout 2021-22, the Council has acted as an agent of the Department for Business, Energy and Industrial Strategy, administering a number of different grant schemes to support local businesses through the pandemic. The following payments have been made to local businesses during 2021-22 through these schemes:

Grant Type	Amount awarded £000
Local restrictions support grant	180
Restart grants	17,694
Omicron grants	3,224
	21,098

The Council has also distributed grants over which it has had a degree of discretion. These grants and the associated income have been accounted for within the comprehensive statement of income and expenditure and the balance sheet.

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 2021-22, 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 or owed by the management company.

Business Improvement District	2021-22 Net Debit £000	Amount Paid £000	Other Transactions £000	Cash Balance Awaiting Payment £000	2020-21 Net Debit £000
Winsford	110	-110	24	24	109
Gadbrook Park	219	-190	21	50	209
Northwich	173	-145	-6	22	132
CH1	388	-321	30	97	395
West Chester	100	-102	18	16	100
Total	**990**	**-868**	**87**	**209**	**945**

32. Members' Allowances

In accordance with the Local Authorities (Member's Allowances) Regulations 2003, the total amount spent on member's allowances in 2021-22 was £1.20m. The payments include basic allowance, special responsibility allowance, travel and accommodation expenses and members National Insurance costs. The current level of allowances was established following an independent review.

	2021-22 £000	2020-21 £000
Basic Allowance	885	855
Special Responsibility Allowance	206	207
Travel and Accommodation expenses	2	2
Member NI	67	67
Total Members' Allowances	**1,160**	**1,131**

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

33. Officers' Remuneration

The table below shows the number of employees (excluding Senior Officers) who were paid more than £50,000 but less than £119,999 in 2021-22. Pay includes salary costs, taxable travel costs and any redundancy payments. It does not include employers' pension or national insurance contributions.

Employee Pay Band	2021-22	2020-21
£50,000 - £54,999	202	199
£55,000 - £59,999	115	91
£60,000 - £64,999	72	73
£65,000 - £69,999	45	59
£70,000 - £74,999	41	24
£75,000 - £79,999	12	11
£80,000 - £84,999	3	9
£85,000 - £89,999	6	3
£90,000 - £94,999	3	2
£95,000 - £99,999	4	2
£100,000 - £104,999	2	3
£105,000 - £109,999	2	2
£110,000 - £114,999	0	0
£115,000 - £119,999	1	0
Total	**508**	**478**

The number of staff paid above £50,000 has increased due to incremental rises and the annual pay award which has taken more staff over the threshold.

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, appear on the senior management structure 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 2021-22 £**
2021-22 Current structure:			
Mr A Lewis - Chief Executive	162,607	37,850	200,457
Deputy Chief Executive - Places	137,827	32,078	169,905
Deputy Chief Executive - People	137,675	32,078	169,753
Chief Operating Officer	131,254	30,581	161,835
Director of Children & Families	111,527	25,986	137,513
Director of Public Health	102,121	23,558	125,679
Director of Place Commercial Management and Delivery	101,648	23,558	125,206
Director of Environment and Communities	101,109	23,558	124,667
Director of Economy and Housing	101,109	23,558	124,667
Director of Finance	101,109	23,558	124,667
Director of Adult Social Care and Health	101,109	23,558	124,667
Director of Governance - Monitoring Officer	101,105	23,558	124,663
Director of Public Services Reform	101,069	23,558	124,627
Director of Transport and Highways - from 13/09/2021	54,256	12,633	66,889
Director of Integration - left 31/03/2022	58,726	-	58,726
Director of Education and Inclusion - reduced pay	15,874	-	15,874
Director Children Services - left 11/04/2021	3,408	794	4,202
Total	**1,623,533**	**360,464**	**1,983,997**
Number of posts in management structure as at 31 March 2022 - **15** Total contractual value of salary for the year - **£1.56m**			

The Director of Children's Services and the Director of Integration left on 11/04/2021 and 31/03/2022 respectively.

The Director of Education & Inclusion received a reduced salary during 2021-22 due to a period of unpaid leave.

A new Director of Transport & Highways started in post on 13/09/2021.

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 Police and Crime Commissioner (PCC), Returning Officer for the Borough elections, Town and Parish Elections and Neighbourhood Plan Referendums. The payments relating to these roles was £14.7k; the level of payment is set in line with nationally agreed rates for elections. The PCC election fee is fully funded by the electoral commission and the Borough Election fee is funded by Cheshire West and Chester Council.

In addition, there were also payments to Directors for the duties of: Deputy Returning officers (PCC Election), Polling Station Inspectors (Local and PCC elections), Clerical roles (Local & PCC Election) and Head Verification (Local & PCC Election).

These payments totalled £2k of which £1.9k was funded by the electoral commission and £0.1k is funded by Cheshire West and Chester Council.

Post holder information (Post title)	**Salary, Fees & Allowances £**	**Employer Pension Contributions £**	**Total Remuneration including Pension Contributions 2020-21 £**
2020-21 Current structure:			
Mr A Lewis - Chief Executive	162,448	39,475	201,923
Deputy Chief Executive - Places	137,675	33,455	171,130
Deputy Chief Executive - People	138,125	33,564	171,689
Chief Operating Officer - Corporate Services	126,193	30,665	156,858
Director of Children's Social Care	111,527	27,101	138,628
Director of Integrated Adult Social Care & Health	100,184	24,345	124,529
Director of Commercial Management & Delivery	101,109	24,570	125,679
Director of Public Service Reform	101,559	24,679	126,238
Director of Environment & Communities	107,011	26,004	133,015
Director of Public Health	100,890	24,576	125,466
Director of Early Intervention and Commissioning	101,502	24,665	126,167
Director of Finance	98,095	23,837	121,932
Director of Economy & Housing - from 01/09/20	58,980	14,332	73,312
Director of Integrated Commissioning	60,665	-	60,665
Director of Governance/Monitoring Officer - Full time from 01/10/2020	51,676	12,559	64,235
Director of Governance/Monitoring Officer - Job share until 30/09/2020	40,995	9,963	50,958
Director of Governance/Monitoring Officer - Job share until 30/09/2020	40,624	9,871	50,495
Director of Education - Job Share to 31/08/2020	24,761	-	24,761
Director of Education - Job Share to 31/08/2020	26,487	-	26,487
Director of Education & Inclusion - Full time from 01/09/2020	45,553	-	45,553
Director of Places Strategy - left 26/04/2020	8,239	1,727	9,966
Total	**1,744,298**	**385,388**	**2,129,686**
Number of posts in management structure as at 31 March 2021 - **16** Total contractual value of salary for the year - **£1.67m**			

Cheshire West and Chester

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	
	2021-22 People	2020-21 People	2021-22 People	2020-21 People	2021-22 People	2020-21 People	2021-22 £000	2020-21 £000
£0 - £20,000	49	22	10	4	59	26	424	161
£20,001 - £40,000	12	6	5	3	17	9	460	266
£40,001 - £60,000	2	0	3	2	5	2	242	105
£60,001 - £80,000	2	0	0	0	2	0	134	0
£80,001 - £100,000	3	0	0	0	3	0	253	0
£100,001 - £150,000	1	0	1	0	2	0	251	0
£150,001 - £200,000	0	0	1	0	1	0	183	0
£200,001 - £250,000	0	0	0	0	0	0	0	0
Total	**69**	**28**	**20**	**9**	**89**	**37**	**1,947**	**532**

34. Audit Costs

The Council auditors are Grant Thornton and will incur audit fees of £204k relating to external audit activities, in addition to £35k for grant certification for Housing Benefit Subsidy claim, Teachers Pension Certificate and Housing Receipts Capital Pooling.

Fees Payable for Audit Work	2021-22 £000	2020-21 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	204	274
Fees payable to Grant Thornton in respect of certification of grant claims and other services	35	27
Total	**239**	**301**

35. Dedicated Schools Grant (DSG)

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 £301.174m in 2021-22. This initial allocation is reduced by £79.517m 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 allocation has been further adjusted in year for changes to early years funding based on participation (£0.222m) to give a reported allocation of £221.435m.

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 2021-22 were as follows:

Overspends on central expenditure are carried forward by the Council as part of its Earmarked Reserves, this amount equated to a deficit of £0.938m (£1.458m in 2020-21) as at the end of 2021-22. Unspent ISB is retained by the individual schools and recorded on the Balance Sheet in the School Balances reserve (£14.844m) at 31 March 2022 (£15.505m 31 March 2021).

DSG for 2021-22	**Central Expenditure £000**	**Individual Schools Budget £000**	**Total £000**
Final DSG for 2021-22 before academy and high needs recoupment			301,174
Academy and high needs figure recouped for 2020-21			-79,517
Total DSG for 2021-22 (after Academy and high needs recoupment)			**221,657**
Plus Brought forward from 2020-21			0
Less Carry forward to 2022-23 agreed in advance			0
Agreed initial budgeted distribution in 2021-22	**37,139**	**184,518**	**221,657**
In year adjustments	-122	-100	-222
Final budgeted distribution for 2021-22	**37,017**	**184,418**	**221,435**
Less: Actual Central Expenditure	-37,955	0	-37,955
Less: Actual ISB deployed to Schools	0	-184,418	-184,418
Local authority contribution 2021-22			0
Carry Forward 2021-22	**-938**	**0**	**-938**
Total Carry Forward to 2022-23			**0**
DSG Unusable reserve at the end of 2020-21			**-1,032**
Addition to unusable reserve at the end of 2021-22			**-938**
Total of DSG Unusable reserve at the end of 2021-22			**-1,970**

DSG for 2020-21	**Central Expenditure £000**	**Individual Schools Budget £000**	**Total £000**
Final DSG for 2020-21 before academy and high needs recoupment			278,596
Academy and high needs figure recouped for 2020-21			-70,478
Total DSG for 2020-21 (after Academy and high needs recoupment)			**208,118**
Plus Brought forward from 2019-20			1,018
Less Carry forward to 2021-22 agreed in advance			-426
Agreed initial budgeted distribution in 2020-21	**44,794**	**163,916**	**208,710**
In year adjustments	-146	36	-110
Final budgeted distribution for 2020-21	**44,648**	**163,952**	**208,600**
Less: Actual Central Expenditure	-46,106	0	-46,106
Less: Actual ISB deployed to Schools	0	-163,952	-163,952
Carry Forward 2020-21	**-1,458**	**0**	**-1,458**
Total carry forward to 2021-22			**-1,032**

36. Grant Income

The following grants, contributions and donations were credited to the CIES in 2021-22.

Grant income	2021-22 £000	2020-21 £000
Credited to Taxation and Non Specific Grant Income		
Used to finance Council activities in year		
Local Taxation:		
Council Tax	210,646	197,709
Non-Domestic Rate	62,828	29,474
Non Specific Grant Income:		
S31 Non Domestic Rates Grant Funding	35,909	64,968
Revenue Support Grant	3,358	3,340
Local Services Support Grant	530	428
New Homes Bonus	6,646	10,178
PFI Grant	3,092	3,092
Housing and Council Tax Benefit Administration Subsidies	842	850
Covid Emergency Grant	8,550	15,667
Household Support Fund	2,290	0
Covid Local Support	1,089	0
Local Tax Support Scheme	3,130	0
Outbreak Management	2,206	8,038
Infection Control	3,994	7,529
Income Compensation	1,072	7,137
Test and Trace/Self Isolation/Rapid Testing/Community Testing	6,140	3,501
Covid Hardship Fund	0	2,424
Home to School Transport	153	1,052
Other Core Revenue Grants	5,274	3,762
Used to finance Capital Expenditure		
Capital Grants Utilised in Year	35,090	45,173
Capital Contributions Utilised in Year	2,669	970
Donated assets	0	100
Set aside for future Capital Financing		
Capital Grants Set Aside for Future Usage	25,489	7,276
Total	**420,997**	**412,668**

Credited to Services		
Dedicated Schools Grant (DSG)	221,298	207,572
Public Health Grant	16,718	16,538
Mandatory and HRA Rebates	7,163	7,537
Independent Living Fund	1,499	1,499
Sixth Forms Funding (Young Peoples Learning Agency)	6,090	5,558
Mandatory Rent Allowances: subsidy	51,319	54,390
Adult and Community Learning	2,254	820
Pupil Premium Grant	9,438	9,329
Improved Better Care Fund/Adult Social Care Support Grant	19,058	18,393
PE and Sports Grant	1,875	1,966
Disabled Facilities Grant	2,940	2,717
Universal Infant Free School Meals	2,846	3,085
Other Grants	35,888	23,965
Total	**378,386**	**353,369**

The main increase in Capital set aside for Future Usage relates to the Department for Education Grant for School Basic Need and the increase Other Grants relates to additional resource for the Mersey Forest Project (£13m).

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

Capital Grants and Contributions Receipts in Advance	2021-22 £000	2020-21 £000
Devolved Formula Capital	1,185	1,348
Other Grants	682	850
Special Educational Needs Grant	1,687	0
Transport Funding	3,139	4,351
s106 and other Contributions	17,529	13,478
Total	**24,222**	**20,027**

Revenue Grants Receipts in Advance	2021-22 £000	2020-21 £000
Dept of Education - Various	446	407
Department of Housing, Communities and Local Government	19,128	35
Learning and Skills Council - Adult Education Funding	0	1,174
Other Govt Bodies	16,471	9,233
Other	5,518	520
Total	**41,563**	**11,369**

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 (2020-21 comparators in brackets).

- Funding from Government - (Note 36) - £526m (£539m)
- Non-Domestic Rates Share Payable Collection Fund - £72.2m (£70.7m)

Since 2016, the Non-Domestic rates tariff and levy payments have been payable to Manchester City Council due to our membership of the Greater Manchester and Cheshire business rates pool. However, from 1 April 2021 the Council left the pool; consequently, the tariff and levy are now payable to DLUHC. The total payment due to DLUHC in 2021-22 in relation to the tariff and levy is £21.1m

The Council undertakes significant transactions with Cheshire Police Authority and Cheshire Fire Authority. These relate to the payment of Council Tax income collected on behalf of both bodies and Non-Domestic Rates collected on behalf of Cheshire Fire Authority. These transactions are disclosed in the Collection Fund account and amount to payments of £27.7m (Police) and £9.9m (Fire) in respect of Council Tax precepts and shares of a prior year deficit and £0.7m (Fire) in respect of its share of Non-Domestic Rates income.

Other Public Bodies

The Pension Fund is administered and governed independently of the Council to avoid the potential for undue influence to be exerted. The Council undertakes transactions with the Pension Fund in the form of contributions to fund future pension payments of Council employees, valued at £29.7m (2020-21 £35.1m). The year-end amount due to the Pension Fund for payments made by the Council was £141.3k. The year-end amount owed to the Fund is £2.7m, primarily relating to pension contributions payable in April 2022 but relating to March 2022.

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 2021-22 this figure was £17.4m (2020-21 £18.2m).

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 2021-22 amounted to £5.5m (2020-21 £6.4m).

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 2021-22 is shown in Note 32.

During 2021-22 there were no reported material transactions with related parties advised by members or Chief Officers (Senior Management Team).

The following Members and Officers of the Council held interests in the following companies, which had transactions with the Council during 2021-22:

Organisation	Member/Officer
ASPIRE Academy Trust (Victoria Road Primary School)	Cllr Cooper
Castle Park Trust	Cllr Basey Cllr Deynem Cllr Bowers Cllr Riley
Chapter (West Cheshire) Limited	Cllr Delaney
Cheshire Fire Authority	Cllr Daniels Cllr S Parker Cllr Delaney Cllr Rudd Cllr Houlbrook Cllr Wheeler Cllr Lewis Cllr Wright
Cheshire Police & Crime Panel	Cllr Bisset Cllr Riley Cllr Delaney
Cheshire & Wirral Partnership NHS Foundation Trust	Cllr Gould Cllr Millar
Cheshire West Voluntary Action	Cllr Denson
Chester Aid to the Homeless (CATH)	Cllr Rudd
Chester Bluecoat Charity	Cllr Bisset Cllr Dixon
Chester Cathedral	Cllr Bisset
Concordia Multi Academy Trust (Childer Thornton Primary School)	Cllr Hogg
Countess of Chester NHS Foundation Trust	Cllr Collings Cllr B Jones
Fifield Glyn Limited	Cllr Fifield
ITS Technology Group Ltd	Cllr M Jones
Malpas Community Link	Cllr R Williams
Malpas Victoria Jubilee Hall	Cllr R Williams
Manchester Port Health Authority	Cllr Herbert Cllr Wheeler Cllr Riley
Mid Cheshire Community Rail Partnership	Cllr Cooper
Mid Cheshire Foodbank	Cllr Pardoe
Mid Cheshire Hospitals NHS Foundation Trust (MCHT)	Cllr Lewis
Neston Community Youth Centre Limited	Cllr Gittins
Neston High School (Academy)	Cllr Gittins
North West Academies Trust Limited (Oak View Academy)	Cllr Baynham
North West Inshore Fisheries Conservation Authority	Cllr P Williams
Pantry for Blacon (Blacon Beacon)	Cllr Little
PATROL	Cllr Blackmore
Platform for Life	Cllr Richards
The Queens School	Cllr Daniels
Rudheath Senior Academy	Cllr Naylor
Sanctuary Group Chester and District Committee	Cllr Board Cllr Little
Tattenhall Community Association	Cllr M Jones
Transport for the North	Cllr Cernik, K Cllr Gittins Cllr Cooper Cllr Shore
Warrington & Vale Royal College	Cllr Naylor
Weaverham Community Association	Cllr Edwards Cllr Fifield
West Cheshire Foodbank	Cllr Beacham
Winsford Youth Forum	Cllr Blackmore
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 2021-22 in which the Council also has an interest:

Organisation	Member/Officer
Avenue Services (NW) Limited	Cllr Board Cllr Little Cllr Richards
Cheshire & Warrington Local Enterprise Partnership	Cllr Beacham Cllr Donovan Cllr Gittins Cllr Shore
Cowest Services Ltd	Officer C Seward
Edsential CIC	Officer H Brackenbury
ENTEP Properties Ltd	Cllr Denson
HQ Management Company Ltd	Officer H Job Officer G Joyce
Public Sector PLC LLP (PSP LLP)	Cllr Beacham Cllr Gahan Cllr Gibbon
Vivo Care Choices Ltd	Cllr Armstrong Officer D Curtis

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 2021-22.

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, Vivo Care Choices, Edsential CIC, Avenue Services Limited and Cheshire West Recycling. The Council's relationship with Qwest is that of a joint operation which is 'outside the scope' of group accounts. Information is included below on these entities and any others the Council has a material interest in.

Interest in Companies 2021-22	Details of Arrangement	2021-22 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). During the year the Council had expenditure with Avenue Services totalling £0.6m and income totalling £0.008m. Included in the Council's accounts was £0.001m of trade debtors.	1,170	-865	305	2,206	-8	0	-13
	2020-21	1,586	-1,269	317	2,189	-1	0	-5
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 £6.0m pension liability and the Council is guarantor for this should the company cease trading. During the year the Council had expenditure with Brio totalling £1.1m and income totalling £0.2m. Included in the Council's accounts was £0.05m of trade debtors and £0.4m of trade creditors .	3,141	-3,050	91	8,908	42	3,974	0
	2020-21	1,833	-10,098	-8,265	2,780	-82	-5,685	-475
Vivo Care Choices Limited	These organisations have been in operation since December 2013 delivering the Council's non-residential adult social care services. The Council owns a 100% stake in a management company (Cheshire Provider Services Trading Company) which in turn owns 100% of Vivo Care Choices, the ultimate care provider. The company is contracted to provide services until the end of March 2020. The accounts include a £12.9m 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 £14.9m and income totalling £0.14m. At the year end the Council included £0.4m of trade debtors and £2m of trade creditors.	1,382	-13,685	-12,303	16,166	-2,584	7,037	-2,403
	2020-21	3,062	-19,444	-16,382	16,162	-351	-9,865	-436

Interest in Companies 2021-22	Details of Arrangement	2021-22 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
Subsidiaries								
Cheshire West Recycling	Cheshire West Recycling Limited was incorporated on 12th October 2019 and started to operate in March 2020. CWR is a wholly owned subsidiary of the Council and its primary role is to provide a domestic waste collection service for more than 140,000 households across the borough. The company provides these services under a contract from the Council that runs until March 2026. The accounts include a £0.5m pension liability and the Council is guarantor for this should the company cease trading. During the year the Council had expenditure with CWR totalling £13.7m and income totalling £0.9m. At the year end the Council included £0.940m of debtors. Included within the	3,552	-3,579	-27	19,491	629	784	421
		2,269	-3,991	-1,722	14,896	-599	-1,064	-626
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 2022 the Council had expenditure with Qwest of £27.1m and income of £0.9m. At the year end the Council included £0.4m of trade debtors and £1m of trade creditors.	13,504	-12,779	725	25,756	610	2,591	610
	2020-21	11,695	-11,823	-128	17,915	843	-3,486	542
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 £6.6m pension liability, £6.2m 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 £6.9m and income totalling £0.75m, £0.3m of trade debtors, included within the Council's creditors is £0.24m of trade creditors.	3,982	-12,338	-8,356	14,361	-287	3,875	-403
	2020-21	4,293	-15,784	-11,491	10,159	-1,496	-4,887	-1,496

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. 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. The board of UKMBA recently issued a statement saying that because the UKMBA has not yet completed its first combined transaction as a proof of concept, "it is not yet certain that the company will be able to price its debt competitively".

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). For 2021-22 the Partnership reviewed the payment and notified the Council that no payment was required for the year (comparatively the same in 2020-21). As a minority General Partner, Cheshire West and Chester Council is not required to include the financial activities of Evergreen in its group accounts.

Chester Renaissance Limited

The company is limited by guarantee and wholly owned by the council. This organisation is no longer active, and the intention of the Council is to liquidate the company in the next 12 months. Net assets are £0.05m.

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 2021-22 group accounts. Turnover can vary significantly from year to year depending on the timing of disposals. In 2021-22 turnover is expected to be less than £1m and net assets £2.4m (£2.0m turnover and £2.4m assets 2020-21).

HQ Management Company Limited

The Council holds a 50% interest in HQ Management Company Limited. The company continues to be dormant. At 30 September 2021, the company had net assets of £16.

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 company has net assets of £1.5m.

LGPS Central Limited

LGPS Central was created in 2017-18 to manage the investment funds of several local government pension schemes across the Midlands and North West, this included the funds of the Cheshire Pension Fund. Cheshire West and Chester Council is the administering authority of the fund and therefore hold a shareholding in the company. As the Council is the administering authority of the Cheshire Pension Fund, the Council makes payments on behalf of the fund throughout the year. The amount due to the Council or the fund each month is paid via an intercompany cross balance payment. The pooled arrangements for the management of the pension fund assets took effect from the 3 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 1 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 2021-22 the Cheshire West and Chester BCF combined the required minimum pooling of £30.7m of existing resources through a pooled budget, held by each Commissioning Partner; Cheshire West and Chester Council, and the Cheshire Clinical Commissioning Group.

Funding of £1.832m brought forward from the previous year was also available, and of this a total of £13k was used in year. Additional underspends of £1.183m throughout 2021-22 added to this, ultimately resulting in the BCF carrying forward £3.002m into 2022/23. Of this £3.002m, £1.928m is Disabled Facilities Grant funding and therefore ringfenced, whilst the remaining £1.074m is available to be used in line with the agreed plan and underpinning Section 75 agreement.

Funding was utilised to deliver several schemes which aim to improve outcomes across a range of national conditions. These include managing avoidable admissions, reducing length of stay, discharge to normal place of residence, reducing residential care admissions, and improving the effectiveness of reablement.

The local BCF pooled budget is underpinned by a Section 75 agreement. Under IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements, all partners agree that they have joint control of the allocation of resources. As part of this agreement partners in the main are responsible for the risks associated with schemes for which they are the commissioning partner. As the reporting partner for the BCF, the Council collates and reports the overall position to its partners. Planned and actual expenditure for 2021-22 is shown below:

Minimum Pooling 2021-22	Cheshire West and Chester Council		Cheshire Clinical Commissioning Group		Total	
	Plan £000	Actual £000	Plan £000	Actual £000	Plan £000	Actual £000
BCF Funding B/Fwd from 2020/21		-1,698		-134	0	-1,832
Income	-13,945	-13,960	-16,781	-16,781	-30,726	-30,741
Expenditure	13,945	12,800	16,781	16,771	30,726	29,571
Total	**0**	**-2,858**	**0**	**-144**	**0**	**-3,002**
BCF Funding C/Fwd to 2021/22	0	-2,858	0	-144	0	-3,002

The Council does not act as the lead commissioner for the BCF as a whole but is lead commissioner of its own element, which is reported in the Council's statement of accounts.

Minimum Pooling 2020-21	Cheshire West and Chester Council		Cheshire Clinical Commissioning Group		Total	
	Plan £000	Actual £000	Plan £000	Actual £000	Plan £000	Actual £000
BCF Funding B/Fwd from 2019/20	0	-698	0	-21	0	-719
Income	-12,742	-13,317	-16,662	-18,383	-29,404	-31,700
Expenditure	12,742	12,317	16,662	18,270	29,404	30,587
Total	**0**	**-1,698**	**0**	**-134**	**0**	**-1,832**
BCF Funding C/Fwd to 2020/21	0	-1,698	0	-134	0	-1,832

In 2021-22 the Council received income of £10.26m from the CCG to deliver the elements of schemes for which it is responsible. In addition, the Council received capital grant funding from the Disabled Facilities Grant of £3.69m. There has been slippage in certain schemes resulting in the need to carry forward an element of this funding. Depending on the scheme, some of this will already be committed for planned activity in 2022-23 and some will be discussed as part of the BCF Governance Group meetings throughout 2022-23. All the expenditure incurred by the Council has been charged in accordance with individual scheme specifications.

Additionally, in 2021-22 the Local Authority received the Improved Better Care Fund grant. The value of the grant was £10.51m and has been fully spent. This was pooled within the BCF. This grant value also includes what was previously labelled Winter Funding, totalling £1.467m.

39. Capital Expenditure and Financing

The Council's Capital Financing Requirement has risen by £29m in year as capital costs of £122.1m were greater than funding set aside of £92.6m. The overall Capital Financing Requirement will be funded from a combination of future revenue contributions, capital receipts and external funding.

	2021-22 £000	2020-21 £000
Opening Capital Financing Requirement	**517,408**	**506,321**
Capital Investment		
- Expenditure on capital assets		
- Property, plant and equipment	112,168	80,698
- Heritage assets	620	141
- Investment assets	1,193	366
- Intangible assets	2,953	4,319
- Assets Held for Sale	0	0
Loans transferred to Long Term Debtors	0	0
- REFCUS - expenditure of a capital nature	12,068	7,492
- Change in value of capital creditor	-185	-2
Total	**128,817**	**93,014**
Sources of Finance		
- Capital Receipts applied	-502	-2,359
- Govt grants and contributions applied	-35,090	-45,173
- Tfr from unapplied grants and contributions	-7,567	-376
- Revenue contributions	-1,581	-4,235
- Income from repayment of capital debtors	-220	-74
- Release of surplus capital creditors	0	-30
- Use of other Capital Reserves	-12,305	-10,244
- Revenue provision for debt repayment	-35,322	-14,816
Total	**-92,587**	**-77,307**
REFCUS income	-6,753	-4,620
Closing Capital Financing Requirement	**546,885**	**517,408**
Explanations of Movement in Year		
Increase in underlying need to borrow (unsupported)	28,543	9,969
Assets acquired under finance leases	750	884
Assets acquired / Disposed under PFI/PPP contracts	184	234
Increase in Capital Financing Requirement	**29,477**	**11,087**

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 2021-22 £000	Vehicles, Plant and Equipment 2020-21 £000
Net Book Value at 1 April	1,658	1,453
New Leases	750	884
Depreciation	-946	-668
Disposals	-13	-12
Value at 31 March	**1,449**	**1,657**

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	2021-22 £000	2020-21 £000
Current (payable within 1 year)	934	716
Non Current	765	1,170
Finance costs payable in future years	80	119
Minimum lease payments	**1,779**	**2,005**

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

Age Profile of Finance Lease Payments	Minimum Lease Payment		Finance Lease Liabilities	
	2021-22 £000	2020-21 £000	2021-22 £000	2020-21 £000
No later than one year	988	765	934	716
Between one and five years	791	1,234	765	1,164
Later than five years	0	6	0	6
	1,779	**2,005**	**1,699**	**1,886**

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 2021-22, no contingent rent payments were payable by the Council.

Embedded Leases

In 2012-13 the Council entered into a new long-term contractual arrangement for 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.

Authority as Lessee: Operating Leases

Commitments under Operating Leases

The Council was committed at 31 March 2022 to making payments of £8.5m 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 2021-22 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 2021-22 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. The annual cost in 2021-22 was £0.3m and as at 31 March 2022, there were 48 employees participating in the scheme. 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	2021-22 £000	2020-21 £000
No later than one year	1,048	1,178
Between one and five years	2,996	2,840
Later than five years	4,499	4,769
	8,543	**8,787**

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 2022 the outstanding income linked to future usage of these properties was as below.

Age Profile of Sub-lease payments receivable	2021-22 £000	2020-21 £000
No later than one year	113	119
Between one and five years	0	5
Later than five years	0	0
	113	**124**

The lease payments payable and sublease income receivable in 2021-22 is:

Lease payments and Sub-lease receivable	2021-22 £000	2020-21 £000
Minimum Lease payments	137	137
Sublease Payments Receivable	-113	-119
	24	**18**

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	2021-22 £000	2020-21 £000
No later than one year	12,106	15,415
Between one and five years	27,555	32,272
Later than five years	164,102	164,399
	203,763	**212,086**

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 2021-22 no contingent rents were received by the authority.

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 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 (£22.6m) 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.

This judgement is based on the respective financial models for the PFIs as approved by the Council at the inception of the programme.

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	2021-22			Restated 2020-21		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Net Book Value	8,862	13,634	**22,496**	8,432	19,650	**28,082**
Additions/Disposal	25	159	**184**	70	164	**234**
Revaluations	0	697	**697**	528	-5,362	**-4,834**
Depreciation	-177	-571	**-748**	-168	-818	**-986**
Closing Net Book Value	**8,710**	**13,919**	**22,629**	**8,862**	**13,634**	**22,496**

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 2021-22
- 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	2021-22			2020-21		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Service Costs	1,042	160	**1,202**	1,024	164	1,188
Financing Costs	589	776	**1,365**	615	810	1,425
Contingent Rents	152	120	**272**	103	107	210
Liability Repayment	422	786	**1,208**	322	741	1,063
Lifecycle Costs	61	159	**220**	176	164	340
Total	**2,266**	**2,001**	**4,267**	**2,240**	**1,986**	**4,226**

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 2021-22 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	2021-22			2020-21		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Liability	-7,488	-16,910	**-24,398**	-7,810	-17,651	**-25,461**
Payments made in year	422	786	**1,208**	322	741	**1,063**
Closing Liability	**-7,066**	**-16,124**	**-23,190**	**-7,488**	**-16,910**	**-24,398**

Future Payments under the PFI Contracts	Service Costs £000	Principal Payments £000	Capital Costs £000	Interest £000	Total £000
Schools					
Obligations Payable in 2022-23	850	351	234	556	**1,991**
Due between 2023-24 and 2026-27	2,679	1,494	298	1,479	**5,950**
Due between 2027-28 and 2031-32	5,128	3,094	911	1,578	**10,711**
Due between 2032-33 and 2033-34	2,566	2,127	304	284	**5,281**
Total	**11,223**	**7,066**	**1,747**	**3,897**	**23,933**
Extra Care					
Obligations Payable in 2022-23	176	709	256	740	**1,881**
Due between 2023-24 and 2026-27	704	2,067	1,061	2,026	**5,858**
Due between 2027-28 and 2031-32	1,122	4,461	1,561	2,679	**9,823**
Due between 2032-33 and 2036-37	1,571	5,153	2,154	1,621	**10,499**
Due between 2037-38 and 2038-39	818	3,734	718	332	**5,602**
Total	**4,391**	**16,124**	**5,750**	**7,398**	**33,663**

PFI Funding

The Unitary Payments are primarily funded from grants received from the Department for Levelling Up, Housing and Communities (DLUHC) 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 in the following table.

Movement in Equalisation Reserves during the year	2021-22			2020-21		
	Schools £000	Extra Care £000	Total £000	Schools £000	Extra Care £000	Total £000
Opening Balance	5,465	1,471	6,936	5,368	1,331	**6,699**
In Year Additions	87	2	89	97	140	**237**
Closing Balance	**5,552**	**1,473**	**7,025**	**5,465**	**1,471**	**6,936**

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 2021-22 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 2021-22, the Council paid £19.1m (2020-21, £18.8m) to Teachers' Pension in respect of teachers' retirement benefits, representing 23.68% (2020-21, 23.65%) of pensionable pay. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefits basis and are detailed in Note 44.

Public Health transferred from Clinical Commissioning Groups in 2013-14, and the Council inherited a small number of workers who are Members of the NHS Pension Scheme. This scheme is a defined benefit scheme but similarly to the Teachers’ Pension Scheme must be treated as a defined contribution scheme. Contributions made in 2021-22 equated to £25k (2020-21 £27k) representing 14.38% of pensionable pay.

44. Defined Benefit Pension Scheme

Participation in Pension Scheme

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

Accounting Treatment

The Council participates in the Local Government Pension Scheme (LGPS) and Discretionary Pensions for Teachers under the 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.

The Cheshire Pension Fund operates four investment strategies each with different allocations to growth assets and diversifying and matching assets reflecting the differing pension liabilities and funding positions of employers. At 1 April 2021 the four strategies were as follows:

	Growth	Diversifying and Matching
Open Employers	50%	50%
Academies	50%	50%
Exiting/Closed Employers	50%	50%
Exited Employers	0%	100%

The net return on investments for the Fund for the 2021-22 year was a gain of £455m (2020-21 gain of £1,055m).

The fund achieved a return on its investments of 6.9% (2020-21 – 18.2%), against a tailored benchmark of 5.8% (2020-21 - 10%). For the three years ending 31 March 2022 (2021) the Fund achieved an annualised return of 7.7% (7.2%) per annum against the Fund's benchmark return of 4.9% (4.8%) per annum.

Teachers Discretionary Payments

The Council also funds discretionary early retirement benefits for teachers and this scheme is unfunded. The Council paid £4.3m in 2021-22 (£4.5m in 2020-21) in relation to this scheme, of which £2.8m (£2.9m in 2020-21) has been recovered from Cheshire East, Halton and Warrington Borough Councils.

Transactions Relating to Post-employment Benefits

The costs of retirement benefits are recognised in the CIES as they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charges that are required to be made against council tax are based on the cash paid to the Pension Fund in the year; to reconcile the 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 2021-22 £000	Teachers Unfunded Scheme 2021-22 £000	LGPS Unfunded Scheme 2021-22 £000	Total 2021-22 £000	LGPS 2020-21 £000	Teachers Unfunded Scheme 2020-21 £000	LGPS Unfunded Scheme 2020-21 £000	Total 2020-21 £000
Service cost comprising:								
Current service cost	64,239	0	0	64,239	41,087	0	0	41,087
Past service costs and curtailments	558	0	0	558	115	0	0	115
(Gain) from settlements	-616	0	0	-616	-291	0	0	-291
Financing and Investment Income and Expenditure								
Net Interest Cost (Note 12)	10,043	383	22	10,449	5,621	427	26	6,074
Total post-employment benefits charged to SDPS	74,224	383	22	74,630	46,532	427	26	46,985
Other post-employment benefits charged to the CIES	`				`			
Remeasurement of the net defined benefit liability								
Return on plan assets (excluding the amount included in the net interest expense)	-84,609	0	0	-84,609	-194,341	0	0	-194,341
Actuarial Gains / Losses arising on changes in demographic assumptions	4,384	-171	-10	4,203	28,882	1,924	15	30,821
Actuarial Gains / Losses arising on changes in financial assumptions	-133,858	-517	-22	-134,397	428,093	211	85	428,389
Other experience	-177,246	-145	28	-177,363	-18,443	-366	2	-18,807
Total post-employment benefit charged to the CIES	-317,105	-450	18	-317,536	290,723	2,196	128	293,047
Reversal of net charges made to the SDPS for post-employment benefits	-74,224	-383	-22	-74,630	-46,532	-427	-26	-46,985
Employers' contributions	29,013	0	0	29,013	35,093	0	0	35,093
Retirement Benefits Payable	0	1,561	134	1,695	0	1,665	139	1,804

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 2021-22 £000	Teachers Unfunded 2021-22 £000	LGPS Unfunded 2021-22 £000	Total 2021-22 £000	LGPS 2020-21 £000	Teachers Unfunded 2020-21 £000	LGPS Unfunded 2020-21 £000	Total 2020-21 £000
Present value of obligations	-2,069,896	-17,924	-1,073	-2,088,893	-2,114,897	-19,935	-1,188	-2,136,020
Fair value of plan assets	1,930,878	0	0	1,930,878	1,629,761	0	0	1,629,761
Net Pension Liability	**-139,018**	**-17,924**	**-1,073**	**-158,015**	**-485,136**	**-19,935**	**-1,188**	**-506,259**

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilitites	LGPS 2021-22 £000	Teachers Unfunded 2021-22 £000	LGPS Unfunded 2021-22 £000	Total 2021-22 £000	LGPS 2020-21 £000	Teachers Unfunded 2020-21 £000	LGPS Unfunded 2020-21 £000	Total 2020-21 £000
Opening Balance 2020-21 Accounts	2,114,897	19,935	1,188	2,136,020	1,641,417	19,404	1,199	1,662,020
Current Service Costs	64,239	0	0	64,239	41,087	0	0	41,087
Interest Cost	42,453	383	22	42,858	37,697	427	26	38,150
Contribution by Scheme Members	7,986	0	0	7,986	7,750	0	0	7,750
Remeasurement gains and losses:				0				
Actuarial gains/losses arising from changes in demographic assumptions	4,384	-171	-10	4,203	28,882	1,924	15	30,821
Actuarial gains/losses arising from changes in financial assumptions	-133,858	-517	-22	-134,397	428,093	211	85	428,389
Other experience	22,944	-145	28	22,827	-18,443	-366	2	-18,807
				0				
Benefits Paid	-51,173	-1,561	-134	-52,868	-49,873	-1,665	-139	-51,677
				0				
Past Service Costs & Curtailments	558	0	0	558	115	0	0	115
Liabilities Extinguished on Settlement	-2,534	0	0	-2,534	-1,828	0	0	-1,828
Closing balance at 31 March	**2,069,896**	**17,924**	**1,072**	**2,088,893**	**2,114,897**	**19,935**	**1,188**	**2,136,020**

Movement in Fair Value of Assets	LGPS 2021-22 £000	Teachers Unfunded 2021-22 £000	LGPS Unfunded 2021-22 £000	Total 2021-22 £000	LGPS 2020-21 £000	Teachers Unfunded 2020-21 £000	LGPS Unfunded 2020-21 £000	Total 2020-21 £000
Opening Balance	1,629,761	0	0	1,629,761	1,399,716	0	0	1,399,716
Interest income	32,410	0	0	32,410	32,076	0	0	32,076
Remeasurement gains and (losses):	84,609	0	0	84,609	206,536	0	0	206,536
Employer Contributions	29,013	0	0	29,013	35,093	0	0	35,093
Contribution by scheme members	7,986	0	0	7,986	7,750	0	0	7,750
Contributions - unfunded benefits	0	1,561	134	1,695	0	1,665	139	1,804
Benefits paid	-51,173	0	0	-51,173	-49,873	0	0	-49,873
Unfunded benefits paid	0	-1,561	-134	-1,695	0	-1,665	-139	-1,804
Other experience	200,190	0	0	200,190				
Assets distributed on Settlement	-1,918	0	0	-1,918	-1,537	0	0	-1,537
Closing balance at 31 March	**1,930,878**	**0**	**0**	**1,930,878**	**1,629,761**	**0**	**0**	**1,629,761**

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 2021-22 £000	Quoted Prices not in active markets 2021-22 £000	Total 2021-22 £000	Share of Total Assets %	Quoted Prices in active markets 2020-21	Quoted Prices not in active markets 2020-21	Total 2020-21	Share of Total Assets %
Cash & Cash Equivalents	**0**	**114,543**	**114,543**	**6%**	**0**	**72,469**	**72,469**	**4%**
Equity Securities:								
By industry type:								
Consumer	28,883	0	28,883	1%	26,395	0	26,395	2%
Manufacturing	24,125	0	24,125	1%	31,622	0	31,622	2%
Energy and Utilities	1,395	0	1,395	0%	1,352	0	1,352	0%
Financial Institutions	12,891	0	12,891	1%	16,514	0	16,514	1%
Health and Care	11,416	0	11,416	1%	11,740	0	11,740	1%
IT	104,143	0	104,143	5%	119,259	0	119,259	7%
Other	15,344	0	15,344	1%	10,897	0	10,897	1%
	198,197	**0**	**198,197**	**10%**	**217,779**	**0**	**217,779**	**14%**
Private equity:	**0**	**95,936**	**95,936**	**5%**	**0**	**62,992**	**62,992**	**4%**
Real Estate:								
UK	0	134,232	134,232	7%	0	115,505	115,505	7%
Overseas		2,232	2,232	0%		2,060	2,060	0%
	0	**136,464**	**136,464**	**7%**	**0**	**117,565**	**117,565**	**7%**
Investment funds and unit trusts:								
Equities	398,079	0	398,079	21%	309,242	0	309,242	19%
Bonds	594,358	207,090	801,448	41%	571,710	113,000	684,710	42%
Hedge Funds		112,966	112,966	6%		99,976	99,976	6%
Infrastructure	0	232	232	0%	0	0	0	
Other	0	73,013	73,013	4%	0	65,027	65,027	4%
	992,437	**393,301**	**1,385,738**	**72%**	**880,952**	**278,003**	**1,158,955**	**71%**
Total	**1,190,634**	**740,244**	**1,930,878**	**100%**	**1,098,731**	**531,029**	**1,629,761**	**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 2019. Since this date, a revised report was requested from the Actuary and has been based on the 2022 valuation of the scheme as at 31 March 2022 which accounted for prior period adjustments made in the 2020-21 financial statements.

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:

	LGPS 2021-22	Teachers Unfunded Liabilities 2021-22	LGPS Unfunded Liabilities 2021-22	LGPS 2020-21	Teachers Unfunded Liabilities 2020-21	LGPS Unfunded Liabilities 2020-21
Financial Assumptions						
Rate of increase in salaries	3.90%	n/a	n/a	3.55%	n/a	n/a
Rate of increase in pensions	3.20%	3.20%	3.20%	2.85%	2.85%	2.85%
Discount rate used						
Rate used to Discount liabilities	2.70%	2.70%	2.70%	2.00%	2.00%	2.00%
Demographic Mortality Assumptions						
Longevity at 65 for current pensioners						
Men	21.3 years	21.2 years	21.2 years	21.4 years	21.4 years	21.4 years
Women	24 years	23.8 years	23.8 years	24.0 years	24.0 years	24.0 years
Longevity at 65 for future pensioners						
Men	22.2 years	n/a	n/a	22.4 years	n/a	n/a
Women	25.5 years	n/a	n/a	25.7 years	n/a	n/a

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

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

Sensitivity analysis - impact on the defined benefit obligation in the scheme	Increase in assumption	Increase in assumption	Increase in assumption	Decrease in assumption	Decrease 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)	82,796			-82,796		
Salary inflation (change by 0.1%)	4,315			-4,315		
Pension inflation (change by 0.1%)	32,859	386	17	-32,859	-386	-17
Discount rate (change by 0.1%)	37,469	386	17	-37,469	-386	-17

Impact on the Council's Cash Flows

A key objective of the Pension Fund is to keep employers' contributions as stable and affordable as possible, whilst also ensuring the solvency of the Pension Fund.

The Council has agreed a funding plan with the Pension Fund that targets to achieve a funding level of 100% over the next 20 years.

Funding plans and contribution rates are formally reviewed on a triennial basis. The prior review was 31 March 2019 and applies for the period from 1 April 2020 to 31 March 2023. The most recent review used was 31 March 2022 and applies for the period from 1 April 2023 to 31 March 2026.

The estimated LGPS pension contribution to be made by Cheshire West and Chester in 2022-23 is £27m.

45. Contingent Liabilities

At 31 March 2022, 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. Whilst significant remedial works have recently been completed it is not possible to estimate the impact on future dilapidations. At the most recent review future costs were estimated at £3m and this figure is still considered appropriate. 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. As at 31 March 2022 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 2022, the Council had no material contingent assets.

47. Risks Arising from Financial Instruments

The Council complies with the CIPFA Code of Practice on treasury management and with the Prudential Code for Capital Finance in Local Authorities both of which were revised in December 2021.

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 each financial year. The TMS sets out the broad framework for the use of financial instruments. For the year 2021-22 the TMS allowed the Council to deposit up to £10 million 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 limit of £10 million is increased to £12.5 million 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 set out below:

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 2021-22 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 and HM Treasury during the year. The Council does not expect any losses from its dealings with any of these counterparties except in the most exceptional of circumstances. IFRS 9 does, however, 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 2022 was £2,000 (31 March 2021 £5,000).

Form of Financial Asset Held	Credit rating	31st March 2022		31st March 2021	
		Long Term £000	Short Term £000	Long Term £000	Short Term £000
Fixed Term Deposits	A+				
Call Accounts	A+		9,964		9,962
Fixed Term Deposits	A				
Call Accounts	A				
Fixed Term Deposits	Unrated local councils		27,500		51,000
Sub-total		**0**	**37,464**	**0**	**60,962**
UKMBA Shareholding	n/a				
Pooled Equity and Property Funds	n/a	9,414		8,224	
Money Market Funds	n/a		108,282		76,048
		9,414	**145,746**	**8,224**	**137,010**

The Council has provided working capital loans to four Council owned companies during the year 2021-22. The maximum amount available to the four companies totals £6.5 million. At the balance sheet date just two of the companies were making use of the facility. The amount of this facility in use was £2.5 million gross, £2.3 million net of expected credit losses of £0.2 million.

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 2021		31st March 2021	
		Balance Sheet £000	Risk Exposure £000	Balance Sheet £000	Risk Exposure £000
Council owned company	Interest free rates		2,500	0	2,500
Council owned company	Market rates	2,300	4,000	764	4,000
Total		**2,300**	**6,500**	**764**	**6,500**

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 within the Comprehensive Income and Expenditure Statement when they are deemed unrecoverable, steps are taken to collect sums owing including pursuit through legal means, courts and the use of bailiffs.

Accounts Receivable

Period	Impairment allowance rate £000	Trade Receivables £000	Impairment Loss £000	31 March 2022 £000
Current	8.7%	43,591	-3,793	39,798
Past due < 3 months	0.0%	3,069	-1	3,068
Past due 3 - 6 months	16.2%	1,288	-209	1,079
Past due 6 - 12 months	84.5%	1,686	-1,424	262
Past due 12+ months	88.3%	3,432	-3,030	402
Deferred Debt	13.5%	1,682	-227	1,455
Total		**54,748**	**-8,684**	**46,064**

Period	Impairment allowance rate £000	Trade Receivables £000	Impairment Loss £000	31 March 2021 £000
Current	9.7%	39,667	-3,850	35,817
Past due < 3 months	2.3%	2,899	-68	2,831
Past due 3 - 6 months	6.2%	1,797	-112	1,685
Past due 6 - 12 months	89.5%	2,124	-1,901	224
Past due 12+ months	82.1%	2,772	-2,278	495
Deferred Debt	13.2%	1,813	-240	1,573
Total		**51,072**	**-8,449**	**42,625**

Housing Revenue Account

Period	Impairment allowance rate %	HRA Tenant Arrears £000	Impairment Loss £000	31 March 2022 £000
Up to 28 days	2.8%	177	-5	172
29 - 60 days	4.0%	273	-11	262
61 - 90 days	10.0%	220	-22	198
91 - 120 days	70.3%	185	-130	55
121 to 150 days	70.1%	117	-82	35
151 to 180 days	69.1%	81	-56	25
181 - 365 days	75.9%	390	-296	94
Debt over 365 days	93.3%	1,367	-1,275	92
Total		**2,810**	**-1,877**	**933**

Period	Impairment allowance rate %	HRA Tenant Arrears £000	Impairment Loss £000	31 March 2021 £000
Up to 28 days	3.0%	118	-4	114
29 - 60 days	4.0%	195	-8	187
61 - 90 days	10.0%	158	-16	142
91 - 120 days	70.0%	119	-83	36
121 to 150 days	70.0%	97	-68	29
151 to 180 days	70.0%	79	-56	23
181 - 365 days	73.3%	195	-143	52
Debt over 365 days	87.4%	1,624	-1,419	205
Total		**2,585**	**-1,797**	**788**

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 5 working days. In addition, the Council can also borrow from banks and other commercial organisations. There is also an active intra-local authority loans market through which Councils can borrow from and lend to each other on a short term (up to 5 years) basis.

There is a risk, however, that when loans or other forms of borrowing fall due to be repaid the Council will be unable to re-finance 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 (i.e. greater than 1 year) such that, where possible, no more than £10 million of loans will mature in any given financial year. A separate limit of £10 million applies to the General Fund loans portfolio and the Housing Revenue Account loans portfolio. The £10m limit excludes variable rate loans and short-term loans paid within one year.

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

Profile of Borrowing in relation to General Fund activities	Public Works Loan Board £000	Salix Loans £000	Banks £000	Other Local Authorities £000	Total 2021-22 £000
In the next financial year	1,676	935	277		2,888
In the following financial year		942			942
In 2 to 5 years	983	2,152			3,135
In 5 to 10 years	16,715	266			16,981
In 10 to 15 years	16,289				16,289
In 15 to 20 years	24,215				24,215
In 20 to 25 years	9,828		12,433		22,261
In 25 to 30 years	20,693				20,693
In 30 to 40 years	22,113		5,192		27,305
Total	**112,512**	**4,295**	**17,902**	**0**	**134,709**

Profile of Borrowing in relation to HRA activities	Public Works Loans Board £000	Salix Loans £000	Banks £000	Other Local Authorities £000	Total 2021-22 £000
In the next financial year	2,698		90		2,788
In the following financial year					0
In 2 to 5 years	2,689				2,689
In 5 to 10 years	8,535				8,535
In 10 to 15 years	15,925				15,925
In 15 to 20 years	18,343				18,343
In 20 to 25 years	21,150		5,096		26,246
Total	**69,340**	**0**	**5,186**	**0**	**74,526**

Profile of Borrowing in relation to Northgate and Barons Quay	Public Works Loan Board £000	Salix Loans £000	Banks £000	Other Local Authorities £000	Total 2021-22 £000
In the next financial year	3,043			22,000	25,043
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	4,960				4,960
Total	**42,723**	**0**	**0**	**22,000**	**64,723**

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 payable 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 'live' regeneration scheme that carries the greatest risk to the Council is Chester Northgate Phase 1. This is a mixed use scheme in the centre of the city incorporating a Multi Storey Car Park, Cinema, Market and Restaurants. This scheme is on site and near completion with most facilities due to open in autumn 2022.

The Council is also undertaking re-development in Winsford Town Centre and was awarded £10 million of Future High Street Funding for a package of measures that will begin the transformation of the town centre. The Council has matched the external funding to create a £22m development fund, which will be used to deliver new retail units, a coffee shop and a community hub, reduce the number of empty retail units and make public realm improvements. Works on the site are due to start in 2022-23

The Council's first town centre regeneration scheme was in Northwich. Barons Quay was completed in 2018 and the Council now has the role of managing the asset for the long term.

The Council has implemented a robust financial risk management process to ensure that it always makes provision within its budget for the running of these schemes, and to ensure that the Council's long term contribution towards the financing, operational and maintenance costs is sustainable. Every 6 months the long term financial assumptions for each major scheme is reviewed and the Council's budget adjusted accordingly annually. This ensures that the Council's financial position is robust and reflects a realistic long term forecast position for these assets.

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 2021-22 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	-1,968
Increase in interest payable on variable rate loans	138
Impact on Income and Expenditure Statement	-1,830
Reduction in the fair value of fixed rate borrowing (notional impact only)	-32,002
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	204
Impact of a 5.0% fall in commercial property prices	**£000**
Reduction in the fair value of pooled fund investments	249

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 £10 million. A 5% fall in commercial property prices at 31 March 2022 would result in a £249,000 (31 March 2021: £218,000) 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 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 £10 million. A 5% fall in share prices at 31 March 2022 would result in a £204,000 (2021: £184,000) 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 2021-22, 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.

Trust Funds	2021-22				
	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	-132,934	106,979	804,601	-1,259	-803,342
The Grosvenor Park A park for the enjoyment and recreation of the inhabitants of the city	-12,883	12,883	3,172,260	0	-3,172,260
Johnston Recreation Ground Held for the general benefit of the residents of Willaston	-515	0	3,017	0	-3,017
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

Trust Funds	2020-21				
	Income £	Expenditure £	Assets £	Liabilities £	Reserves £
Castle Park Trust	-106,624	117,392	689,446	-3,905	-685,541
The Grosvenor Park	-8,000	8,000	3,172,260	0	-3,172,260
Johnston Recreation Ground	-588	0	2,502	0	-2,502
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

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	**2021-22 £000**	**2020-21 £000**
Expenditure		
Repairs and Maintenance	5,029	5,074
Supervision & Management	4,344	4,333
Special Services	96	97
Depreciation & impairment of non-current assets	4,588	4,038
Total Expenditure	**14,057**	**13,542**
Income		
Dwelling Rents	-22,636	-22,131
Non-dwelling rents	-419	-459
Charges for services and facilities	-91	-14
Contributions towards expenditure	-115	-116
Total Income	**-23,261**	**-22,720**
Net cost of HRA Services as included in the CIES	**-9,204**	**-9,178**
HRA services' share of Corporate and Democratic Core	4	4
Net Income/Expenditure for HRA Services	**-9,200**	**-9,174**
HRA share of the operating income and expenditure included in the CIES		
(Gain) or Loss on sale of HRA non-current assets	-202	60
Interest payable and similar charges	2,193	2,225
Interest and Investment Income	-25	-6
Movement in the allowance for bad debts	312	333
(Surplus) or deficit for the year on HRA Services	**-6,922**	**-6,562**

Movement on the Housing Revenue Account Statement 2021-22

Movement on the HRA	2021-22 £000	2020-21 £000
Balance of HRA at the end of the previous year	-663	-651
(Surplus) for the year on the HRA Income and Expenditure Account	-6,922	-6,562
Adjustments between accounting basis and funding under statute	6,846	6,483
Net (increase) or decrease before transfers to reserves	**-76**	**-79**
Transfer to (from) reserves	69	67
(Increase) or decrease on the HRA	-7	-12
Balance on the HRA at the end of the year	**-670**	**-663**

Notes to the Housing Revenue Account

Adjustments between accounting basis and funding under statute

Adjustments between accounting basis and funding under statute	2021-22 £000	2020-21 £000
Difference between interest payable and similar charges including amortisation of premiums and discounts	3	3
Differences relating to other items of income and expenditure:		
(Gain) or loss on the sale on non current HRA assets		
- Sale proceeds	2,072	1,450
- Carrying amount of assets	-1,870	-1,510
Differences relating to changes in property values:		
- Reversal of revaluation (losses)/gains on HRA Properties	-370	-42
- Funding of depreciation from Capital Adjustment Account	-4,218	-3,997
Transfers to the Major Repairs Reserve		
- Funding set aside for capital expenditure	6,132	4,006
- Funding for future debt repayment /MRA equivalent sum	5,097	6,573
Total Adjustments	**6,846**	**6,483**

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

Housing Stock	2021-22 No.	2020-21 No.
Houses	2,946	2,988
Flats	1,771	1,765
Bungalows	627	626
Maisonettes	83	83
Total Dwellings	**5,427**	**5,462**
Garages	**1,318**	**1,328**

2. Housing stock valuations at 31 March

Housing Stock Valuations	2021-22 £000	2020-21 £000
Property Plant and Equipment		
- Dwellings	206,448	206,669
- Garages	3,835	3,864
Total	**210,283**	**210,533**

3. Vacant possession value of dwellings at 31 March

Dwellings Value	2021-22 £000	Restated 2020-21 £000
Market value - Vacant possession	513,004	513,807
Existing use value for social housing - per Balance Sheet	204,370	204,752
Shared Ownership - per Balance Sheet	2,078	1,917
Difference between Market Value and Balance Sheet Value	**306,556**	**307,138**

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 2021-22.

4. Major Repairs Reserve for the year ending 31 March

Major Repairs Reserve	2021-22 £000	2020-21 £000
Balance brought forward	-16,727	-16,392
Debt repayment	4,608	6,099
Set aside voluntary debt repayment	489	474
Transfer of MRA equivalent sum	-4,218	-3,997
Revenue contribution to capital	-7,011	-6,582
Less capital expenditure financed from Reserve	7,208	3,671
Balance Carried Forward	**-15,651**	**-16,727**

5. Housing repairs expenditure for the year ending 31 March

Housing repairs	2021-22 £000	2020-21 £000
Housing repairs	5,029	5,074
Total	**5,029**	**5,074**

6. Capital expenditure in the year ending 31 March

Capital work	2021-22 £000	2020-21 £000
Existing Dwellings	8,204	3,580
Assets under construction	0	364
Total	**8,204**	**3,944**
Funded by:		
Borrowing	0	0
Usable capital receipts, grants & contributions	-996	-272
Major Repairs Reserve	-7,208	-3,672
Total Funding	**-8,204**	**-3,944**

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

Capital receipts	2021-22 £000	2020-21 £000
Disposal of dwellings	2,072	1,450
Total from disposals	**2,072**	**1,450**

8. Depreciation in the year ending 31 March

Depreciation	2021-22 £000	2020-21 £000
Property, Plant and Equipment	4,218	3,997
Total	**4,218**	**3,997**

9. Rent Arrears at 31 March

Rent Arrears	2021-22 £000	2020-21 £000
Current tenants	1,443	1,225
Former tenants	1,367	1,360
Total arrears	**2,810**	**2,585**
Deduct - impairment allowance	-1,877	-1,797
Net arrears	**933**	**788**

Cheshire West and Chester Council

Supplementary Financial Statement

Collection Fund

Supplementary Financial Statements - Collection Fund

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

Collection fund for the year ended 31 March 2022

Collection Fund Statement	2021-22			2020-21		
	Non Domestic Rates £000	Council Tax £000	Total £000	Non Domestic Rates £000	Council Tax £000	Total £000
Income						
Council Tax Receivable	0	-251,267	-251,267	0	-234,983	-234,983
Non Domestic Rates Receivable	-128,445	0	-128,445	-80,038	0	-80,038
Transitional Relief	7,547	0	7,547	7,121	8	7,129
	-120,898	**-251,267**	**-372,165**	**-72,917**	**-234,975**	**-307,892**
Prior Year Surplus/(Deficit)						
Central Government	-37,733	0	-37,733	0	0	0
Cheshire West and Chester	-36,978	-510	-37,488	0	3,331	3,331
Police Authority	0	-67	-67	0	439	439
Fire Authority	-754	-25	-779	0	170	170
	-75,465	**-602**	**-76,067**	**0**	**3,940**	**3,940**
Precepts Demands and Shares						
Central Government	72,225	0	72,225	70,717	0	70,717
Cheshire West and Chester	71,036	203,674	274,710	69,549	195,557	265,106
Police Authority	0	27,667	27,667	0	26,034	26,034
Fire Authority	1,450	9,925	11,375	1,419	9,809	11,228
Town and Parish Councils	0	3,988	3,988	0	3,955	3,955
	144,711	**245,254**	**389,965**	**141,685**	**235,355**	**377,040**
Charges to Collection Fund						
Write offs	289	351	640	-69	426	357
More/(less) Bad Debt Provision	-1,431	2,302	871	2,983	3,105	6,088
More/(less) Appeals Provision	-5,734	0	-5,734	10,762	0	10,762
Disregarded amounts	1,163	-166	997	1,601	-1,783	-182
Cost of Collection	493	0	493	495	0	495
	-5,220	**2,487**	**-2,733**	**15,772**	**1,748**	**17,520**
In Year Movement on Fund Balance	**-56,872**	**-4,128**	**-61,000**	**84,540**	**6,068**	**90,608**
Opening Fund Balance	78,555	2,020	80,575	-5,985	-4,048	-10,033
Closing Fund Balance (surplus) / deficit	**21,683**	**-2,108**	**19,575**	**78,555**	**2,020**	**80,575**

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 of 31 March 2022 is £385.3m. 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	2021-22 multiplier
Up to £51,000	0.499
Over £51,000	0.512

The following table shows how the deficit on the non-domestic rates collection fund on 31 March 2022 is due to be reimbursed by partners in 2022-23. The 3 year spread relates to an element of the 2020-21 deficit that must be spread over three years in accordance with legislation.

NNDR	Central Govt £000	CW&C £000	Cheshire Fire £000	Total £000
Surplus/(Deficit) at 31 March 2022	-10,841	-10,625	-217	-21,683
To be distributed 2022-23 (from prior year)	14,983	14,683	300	29,966
To be funded 2022-23 (3 year spread)	539	550	11	1,100
Remaining Surplus/(Deficit)	4,681	4,608	94	9,383

The remaining surplus of £9.383m will be available for distribution in 2023-24.

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 2021-22, the tax base was estimated as 122,722.3 band D equivalent properties. The table below shows the number of band D equivalent properties in each valuation band.

Band	Number of Properties (after discounts)	Band Ratio	Band D Equivalent 2021-22	Band D Equivalent 2020-21
Disabled A	80	5/9	44	47
A	25,692	6/9	17,128	17,382
B	35,558	7/9	27,656	27,984
C	29,789	8/9	26,479	26,694
D	19,194	9/9	19,194	19,275
E	12,335	11/9	15,076	15,094
F	6,455	13/9	9,324	9,392
G	4,372	15/9	7,287	7,313
H	267	18/9	534	534
	133,742		**122,722**	**123,713**

The following table shows how the surplus on the council tax collection fund on 31 March 2022 is due to be allocated to partners in 2022-23. The 3-year spread relates to an element of the 2020-21 deficit that must be spread over three years in accordance with legislation.

Council Tax	CW&C £000	Cheshire Police £000	Cheshire Fire £000	Total £000
Surplus/(Deficit) at 31 March 2022	1,784	240	84	2,108
To be distributed 2022-23 (from prior year)	-2,001	-266	-96	-2,363
To be funded 2022-23 (3 year spread)	602	79	29	710
Remaining Surplus/(Deficit)	385	53	17	455

The remaining surplus of £0.455m will be available for distribution in 2023-24.

Cheshire Pension Fund Accounts

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Cheshire West and Chester

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

Opinion

We have audited the financial statements of Cheshire Pension Fund (the ‘Pension Fund’) administered by Cheshire West and Chester Council (the ‘Authority’) for the year ended 31 March 2022 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 2021/22.

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 2022 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 2021/22; 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, as required by the Code of Audit Practice (2020) (“the Code of Audit Practice”) approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund’s financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Operating Officer’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

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 2021/22 that the Pension Fund’s financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Operating Officer's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Chief Operating Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Operating Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chief Operating Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Pension Fund Accounts Reporting Requirement, 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 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 the 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 (2020) 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 Statement of Accounts and the Pension Fund Accounts Reporting Requirement for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

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

- we 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 in relation to the Pension Fund**.**

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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Operating Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit and Governance Committee is Those Charged with Governance for the Pension Fund. 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations.
- We enquired of senior officers and the Pension Fund Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Pension Fund Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - Journals, in particular with regard to manual journals, posted after the year end date which have an impact on the Fund's financial position, as well as any journals made by infrequent posters or senior management personnel;
  - The appropriateness of assumptions applied by management in determining significant accounting estimates, such as the valuation of level 2 and 3 investments as well as the valuation of directly held investment properties.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Chief Operating Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus on manually posted journals which have a significant impact on the financial position, journals which were posted by infrequent or unusual users, journals posted after the year-end, and journals which are individually material, and any journals posted by senior financial reporting personnel;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 and 3 investments and directly held investment property;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of level 2 and 3 investments and directly held investment property.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

21 May 2024

Cheshire Pension Fund - Fund Account for the year ended 31 March 2022

	Notes	2021-22 £000	2020-21 £000
Contributions and Benefits			
Contributions Receivable			
From Employers		152,219	160,387
From Employees		41,507	39,862
Total Contributions Receivable	6/6a	**193,726**	**200,249**
Transfers in from Other Schemes	7	12,877	12,244
Benefits Payable			
Pensions		-165,183	-161,135
Lump Sums		-30,891	-24,692
Death Benefits		-3,974	-5,092
Total Benefits Payable	8	**-200,048**	**-190,919**
Payments to and on account of Leavers			
Refund of Contributions		-562	-466
Transfers to Other Schemes		-15,036	-14,075
	9	**-15,598**	**-14,541**
Net Additions / (withdrawals) from dealing with members		**-9,043**	**7,033**
Management Expenses	10/10a	-27,585	-26,788
Returns on Investments			
Investment Income	11	31,873	30,128
Taxes on Income	12	-172	-115
Profits and losses on disposal of investments and changes in the market value of investments	13f	423,669	1,024,651
Net Returns On Investments		**455,370**	**1,054,664**
Net Increase in the Fund During the Year		418,742	1,034,909
Opening Net Assets of the Scheme		6,549,238	5,514,329
Closing Net Assets of the Scheme		**6,967,980**	**6,549,238**

Cheshire Pension Fund - Net Assets Statement as at 31 March 2022

	Notes	2021-22 £000	2020-21 £000
Investment Assets	13/f, 17/18/19	6,958,758	6,539,874
Long Term Debtors	22	578	617
Current Assets	23	20,990	20,492
Current Liabilities	24	-12,346	-11,745
Total Net Assets		**6,967,980**	**6,549,238**

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.

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 Fund 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. The Council has delegated responsibility for the Fund's affairs to the Chief Operating Officer, who is also the Section 151 Officer. The Chief Operating Officer is advised, by the Pension Fund Committee with external advice from Mercer the Fund's appointed investment consultant and Hymans Robertson the appointed actuary. The Council's Audit and Governance Committee oversees the Council's arrangements for the Fund.

The Local Pension Board was established with effect from the 1 April 2015 in accordance with the Public Service Pensions Act 2013. 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 Fund. 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 reflecting the differing pension liabilities and funding positions of employers . At 1 April 2021 the four strategies were as follows:

	Growth	Diversifying and Matching
Open Employers	50%	50%
Academies	50%	50%
Exiting/Closed Employers	50%	50%
Exited Employers	0%	100%

To manage the Fund's assets in accordance with its investment strategy, the Council had twelve appointed external investment managers as at 31 March 2022 who each have specific responsibility for part of the Fund's investment portfolio in addition to the LGPS Central asset pool.

As part of investment pooling, the Fund is continuing to transfer assets to LGPS Central Ltd, its jointly owned pooling delivery company. As at the 31 March 2022 LGPS Central Ltd managed £1,348m of the Fund's assets with additional private market commitments of £671m to be drawn down.

The Council uses the services of Bank of New York Mellon Asset Servicing to independently monitor the performance of the investment strategy as a whole 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 Mellon Asset Servicing reported that for the year ending 31 March 2022 the Fund achieved a return from its investments of 6.9% (18.2% in 2020-21) compared with the Fund's tailored benchmark return of 5.8% (10.0% in 2020-21). For the three years ending 31 March 2022 the Fund achieved an annualised return of 7.7% per annum against the Fund's benchmark return of 4.9% 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 after auto enrolment employees are able to choose whether 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.

In the year to 31 March 2022 a total of 321 employer organisations including the Administering Authority itself, contributed into the Fund. The membership figures shown in the table as at 31 March 2022 are reflective of the triennial valuation results. The membership figures as at 31 March 2021 are a snapshot the Funds pensions administration database at this date and the categorisation of members between the active, deferred and pensioner categories is subject to change as the Fund completes backlog casework and receives information from members and employers to complete processes in progress as at this date.

Cheshire Pension Fund	**31-Mar-22**	**31-Mar-21**
Number of employers making contributions into the fund	**321**	**308**
Number of employees in the scheme		
Cheshire West and Chester Council	7,704	8,032
Other employers	24,178	33,035
Total	**31,882**	**41,067**
Number of pensioners		
Cheshire West and Chester Council	3,393	3,077
Other employers	28,747	28,007
Total	**32,140**	**31,084**
Number of Deferred pensioners		
Cheshire West and Chester Council	5,251	4,968
Other employers	36,734	26,430
Total	**41,985**	**31,398**
Undecided Leavers	2,388	2,145
Total Membership	**108,395**	**105,694**

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 2022.

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 Fund's website.

Benefits

From 1 April 2014, the LGPS became a career average revalued earnings (CARE) 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	Pension
Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Lump Sum
Automatic lump sum of 3 x pension.	No automatic lump sum
In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Note 2 – Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2021-22 financial year and its position as at year ending 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

The Code requires the disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2024. This new accounting standard largely removes the distinction between operating and finance leases. However, the implementation of IFRS 16 is not expected to have a material impact on the Fund because it does not hold any assets as a lessee.

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

The accounts contain one restatement; to restate Note 10b External Audit Costs to reflect the final fee proposed for the 2020/21 audit of the statement of the accounts.

Note 3 – Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

Normal (primary) contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate of pensionable pay set in regulations or recommended by the Fund actuary in the payroll period to which they relate.

Employer deficit (secondary) 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.

Employers' 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 within investment income 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. Any other income from pooled investments is automatically reinvested within the fund and reflected in the unit price and resultant market value of these investments.

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
- Pantheon
- Darwin Property Investment

Performance related fees amounted to £3.4m in 2021-22 (£4.4m in 2020-21) for managers who outperformed their target.

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 2021-22 was £6m relating to fees due for the quarter ending 31 March 2022 (2020-21: £5m).

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. As a wholly owned company of the Partner Funds its shares are not traded. The Fund's view is that the market value of this investment at 31 March 2022 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 LGPS Central Ltd 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 six issuers.

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

In addition, LGPS Central Ltd operate a stock lending programme in respect of their pooled 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. As shown in Note 13f the Fund has not used any derivatives in either 2020-21 or 2021-22.

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.

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.

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 members. 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 2021-22.

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 2022 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
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 £855m. • A 0.5% increase in pensions increase rate would increase the value of the liabilities by approximately £765m. • A 0.5% increase in the salaries increase rate would increase the value of the liabilities by approximately £85m.

The items in the net assets statement at 31 March 2022 include the following items of estimation uncertainty which are significant but not material to the accounts.

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Private equity	It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Private equity investments are valued at fair value in accordance with International Private Equity and British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £409m (£296m 2020-21). 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 £40.9 m increase or decrease to the market value of these investments.
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 £398m (£417m in 2020-21). 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.
Property valuations	The Scheme's freehold and leasehold investment properties are valued by an external valuer, Savills, who operate entirely independently from the Fund's appointed property manager Patrizia. The valuations are made in accordance with the requirements of the RICS Valuation-Professional Standards. The valuer's opinion of Fair Value is primarily derived using comparable recent market transactions and therefore involves a degree of judgement and estimation.	The total value of direct property investments in the financial statements is £441m (£392m in 2020-21). 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 £44.1m increase or decrease to the market value of these investments.

See Note 18 for a full list of possible market movements.

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).

Non adjusting events after the reporting period

Following the end of the year the Fund has continued with investing activities in line with the Fund's investment strategy and the government initiative for asset pooling. In the period following 31 March 2022 the global financial markets experienced a high amount of volatility and as a result of this the value of the Funds investment assets have decreased. At 31 December 2023 the value of the Funds investment assets was £6.4bn (Note: the December 2023 value has not been audited). The Fund has a well diversified portfolio and many of its investments are held for the medium to long term. Further information on the Fund's investment holdings and values can be found on its website at www.cheshirepensionfund.org.

Note 6 – Contributions Receivable	**2021-22 £000**	**2020-21 £000**
Employees Normal Contributions	41,507	39,862
Employers Normal Contributions	133,488	129,010
Employers Deficit Funding	16,018	28,634
Employers Cost of Early Retirements (pension strain)	2,713	2,743
Total Employers Contributions	**152,219**	**160,387**
Total Employees and Employers Contributions	**193,726**	**200,249**

The employers deficit funding decrease is due to Halton Borough Council and Warrington Borough Council paying their year deficit contributions in one lump sum in 2020-21 rather than over the three-year post valuation period. Cheshire East Council and Cheshire West and Chester Council are paying their deficit over the three year period.

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 the scheme member left the scheme regardless of whether scheme employers have the option of paying over more than one year.

Note 6a – Analysis of Contributions Receivable	2021-22		2020-21	
	Employers £000	Employees £000	Employers £000	Employees £000
Scheme Employers	107,333	29,312	114,865	28,033
Cheshire West & Chester Council	29,312	8,065	29,443	7,782
Community Admission Bodies	13,102	3,455	13,116	3,345
Transferee Admission Bodies	2,472	675	2,963	702
Total	**152,219**	**41,507**	**160,387**	**39,862**

Note 7 – Transfers in from other Pension Funds	2021-22 £000	2020-21 £000
Transfers from other Local Authorities	10,100	10,251
Transfers from other pension funds	2,777	1,993
Total	**12,877**	**12,244**

Note 8 – Benefits payable	2021-22 £000	2020-21 £000
Scheme Employers	125,485	119,852
Cheshire West & Chester Council	53,213	51,725
Community Admission Bodies	16,417	14,440
Transferee Admission Bodies	4,933	4,902
Total	**200,048**	**190,919**

Note 9 – Payment to and on account of leavers	2021-22 £000	2020-21 £000
Individual transfers out	15,036	14,075
Refunds to Members leaving service	562	466
Total	**15,598**	**14,541**

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	2021-22 £000	2020-21 £000
Investment management expenses	23,102	22,532
Administration costs	2,627	2,226
Oversight and governance costs	1,856	2,030
Total	**27,585**	**26,788**

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

Note 10a – Investment Management Expenses 2021-22	Total £000	Management Fees £000	Performance related fees £000	Transaction Costs £000
Equities	7,738	4,524	3,057	157
Pooled Investments	8,631	8,631	0	0
Pooled Property	923	608	315	0
Private Equity	4,414	4,393	21	0
Private Debt	30	30	0	0
Property	1,211	1,211	0	0
	22,947	**19,397**	**3,393**	**157**
Custody fees	**155**			
Total	**23,102**			

Note 10a – Investment Management Expenses 2020-21	Total £000	Management Fees £000	Performance related fees £000	Transaction Costs £000
Equities	7,247	3,864	3,383	0
Pooled Investments	8,116	7,933	183	0
Pooled Property	697	444	253	0
Private Equity	5,205	4,673	532	0
Property	1,122	1,122	0	0
	22,387	**18,036**	**4,351**	**0**
Custody fees	**145**			
Total	**22,532**			

Note 10b – External Audit Costs	2021-22 £000	2020-21 Restated £000
Payable in respect of external audit	54	42
Payable in respect of other services	13	7
Total	**67**	**49**

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	2021-22 £000	2020-21 £000
Net Rents from Properties	19,936	17,495
Income from Fixed Interest Securities	5,830	6,882
Dividends from Equities	4,599	3,597
Other	801	129
Interest from Cash Deposits	301	444
Income from Pooled Property	268	1,508
Stock Lending	138	73
Total	**31,873**	**30,128**

No investment income has been recognised for Private Equity investments. Calls and distributions in relation to these investments are accounted for within the private equity sales and purchases figures in Note 13f.

Note 12 – Taxes on income	2021-22 £000	2020-21 £000
Withholding tax - Equities	172	115
Total	**172**	**115**

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 2021-22 amounts to £172k and is shown as a tax charge, compared to £115k in 2020-21.

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	2021-22 £000	2020-21 £000
Equities	**607,359**	**855,025**
Pooled Investments		
UK Government Index Linked Gilts	1,860,668	1,774,514
Fixed Income - Multi Strategy	1,248,434	1,117,406
UK Equity Listed	1,431,577	1,305,226
Infrastructure	26,263	0
Hedge Funds	397,689	416,772
	4,964,631	**4,613,918**
Other Investments		
Pooled Property Investments	90,152	81,378
Directly Managed Property	441,300	391,850
Private Equity	408,520	296,417
Private Debt	6,054	0
	946,026	**769,645**
Cash Deposits	436,921	297,131
Loans	686	686
Other investment balances:		
Outstanding dividends entitlements and withholding tax claims	3,135	3,469
Total	**6,958,758**	**6,539,874**

During the year the Fund invested £10m in the Darwin K Class Fund, increasing the Fund's investments within Pooled Property.

The Fund redeemed £204m from Baillie Gifford (included in the equities) and £68m from the LGPS Central Global Active Equity Fund (included in the Pooled Investments - UK Listed equity) in the year. The increased cash balances from these redemptions are held in the Fund's money market accounts pending investment into the Fund's new commitments to Private Debt and Infrastructure as part of its investment strategy detailed below.

In line with the Fund's investment strategy and the government initiative for asset pooling the Fund also made the following investments with LGPS Central:

- Investment of £150m into the LGPS Central Multi Asset Credit Fund- funded from existing cash balances
- Commitment of £170m to the LGPS Central Credit Partnership II Fund which is a Private Debt Lower Return Fund
- Commitment of £340m to the LGPS Central Credit Partnership III Fund which is a Private Debt Stable Return Fund
- Commitment of £130m to LGPS Central Infrastructure Funds split £10m to the Value Add/Opportunistic sleeve, £80m to the Core/Core Plus sleeve and £40m to the Single Asset sleeve.

Calls and distributions to the LGPS Central Private Debt and Infrastructure Funds are included in Note 26 Related Parties.

Note 13a – Fixed Income Multi Strategy

The Fund has invested in five pooled fixed income investment vehicles managed separately by Janus Henderson Investors, BlueBay, M&G and LGPS Central. The market value of investments with each manager as at the 31 March 2022 was:

- £242m in Janus Henderson Investors (2020-21: £245m),
- £457m (2020-21: £462m) in BlueBay,
- £268m in M&G Alpha Opportunities Fund (2020-21: £265m).
- £137m in LGPS Central Emerging Market Debt Fund (2020-21: £145m)
- £145m in LGPS Central Multi Asset Credit Fund (2020-21 £Nil)

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**	**2021-22 £000**	**2020-21 £000**
Blackstone	Hedge Fund of Funds	397,689	379,497
Arrowgrass Capital Partners	Multi Strategy Hedge Fund	0	37,275
Total		**397,689**	**416,772**

At the end of March 2022 the balance held by Arrowgrass as shown in Note 17 related to cash balances which will be paid to the Fund post year end following the finalisation of the wind down of the hedge fund.

Note 13c – Private Equity	**Number of Funds**	**2021-22 £000**	**2020-21 £000**
Pantheon Ventures	13	218,542	157,013
Adam Street Partners	19	170,943	129,782
LGPS Central Ltd	3	18,787	8,978
Lexington	1	248	644
Total	**36**	**408,520**	**296,417**

Note 13d – Loans

The Fund has a £685k loan advanced to LGPS Central Ltd in January 2018. The interest accrued on the loan for the year is £32k. The loan is held at amortised cost in the statement of accounts at a value of £717k at 31 March 2022 (31 March 2021: £717k).

Note 13e – Cash	2021-22 £000	2020-21 £000
Cash Instruments	402,103	273,144
Cash Deposits	34,818	23,987
Total	**436,921**	**297,131**

Note 13f – Reconciliation of movements in Investments

	Fair Value at 31 March 2021	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair value	**Fair Value at 31 March 2022**
	£000	£000	£000	£000	**£000**
Equities	**855,025**	120,175	-311,462	-56,379	**607,359**
Pooled Investments	**4,613,918**	404,958	-331,705	277,460	**4,964,631**
Pooled Property Investment	**81,378**	10,000	-7,510	6,284	**90,152**
Directly Managed Property	**391,850**	3,104	-11,940	58,286	**441,300**
Private Equity	**296,417**	55,282	-80,360	137,181	**408,520**
Private Debt	**0**	6,118	-30	-34	**6,054**
Loans	**686**	0	0	0	**686**
	6,239,274	599,637	-743,007	422,798	**6,518,702**
Derivatives	**0**				**0**
Cash and Cash Equivalents	**297,131**	138,919		871	**436,921**
	6,536,405	**738,556**	**-743,007**	**423,669**	**6,955,623**
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	**3,469**	0	0	**0**	**3,135**
Net Investments	**6,539,874**	**738,556**	**-743,007**	**423,669**	**6,958,758**

	Fair Value at 31 March 2020	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair value	Fair Value at 31 March 2021
	£000	£000	£000	£000	£000
Equities	587,450	189,495	-340,065	418,145	855,025
Pooled Investments	3,793,579	769,556	-493,198	543,981	4,613,918
Pooled Property Investment	78,916	0	-708	3,170	81,378
Directly Managed Property	397,950	1,335	0	-7,435	391,850
Private Equity	225,375	48,503	-41,367	63,906	296,417
Loans	686			0	686
	5,083,956	1,008,889	-875,338	1,021,767	6,239,274
Derivatives	0	2	0	-2	0
Cash and Cash Equivalents	413,485	0	-119,240	2,886	297,131
	5,497,441	1,008,891	-994,578	1,024,651	6,536,405
Outstanding dividend entitlements, accrued interest and recoverable withholding tax	4,282	0	0	0	3,469
Net Investments	5,501,723	1,008,891	-994,578	1,024,651	6,539,874

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 2022 the Fund earned £138k (2020-21: £73k) of income from its stock lending activities.

At the balance sheet date, the value of aggregate stock on loan was £12.1m (2020-21: £34m) and the value of collateral held was £13.2m (2020-21: £35.9m).

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 income from these directly owned properties are below:

Note 15a – Property Income	2021-22 £000	2020-21 £000
Rental Income	21,883	19,931
Direct Operating Expenses	-1,947	-2,436
Balance at the end of the year	**19,936**	**17,495**

Note 15b – Fair Value of Investment Properties	2021-22 £000	2020-21 £000
Balance at the start of the year	391,850	397,950
Purchases	0	0
Disposals	-9,565	0
Capital Expenditure	3,104	1,334
Net gain/loss on fair value	55,911	-7,434
Balance at the end of the year	**441,300**	**391,850**

During the year the Fund did not purchase any investment properties. Disposals are made up of three disposals in the year.

Investment properties were independently valued by Savills as at 31 March 2022.

At the year-end there were no restrictions on the Fund's ability to realise investment property or the remittance of proceeds of disposals.

Contractual obligations for development, repairs and maintenance amounted to £4m (2020-21: £1.5m).

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	2021-22 £000	2020-21 £000
No later than one year	21,465	19,974
Between one and five years	82,549	74,612
Later than five years	118,867	123,245
Total	**222,881**	**217,831**

The above disclosure for 2021-22 has been reduced by a credit loss allowance of 5% for income due within one year and 3% for the second year onwards reflecting the Fund's expected loss from late or non-recovery of rents from tenants.

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	2021-22 £000	2021-22 %	2020-21 £000	2020-21 %
Investments managed by LGPS Central Ltd Asset Pool:				
All World Equity Climate Multi Factor Fund	701,248	10.1	610,251	9.3
Global Equity Active Multi Manager Fund				
- Schroders	118,866	1.7	127,486	2.0
- Union	104,695	1.5	111,759	1.7
- Harris	88,588	1.3	95,364	1.5
Multi Asset Credit Fund	144,765	2.1	0	0.0
Emerging Market Debt Fund	136,500	2.0	144,990	2.2
Infrastructure Core / Core Plus Fund	24,784	0.4	0	0.0
Infrastructure Value Add/Opportunistic	1,480	0.0	0	0.0
Private Equity Funds	18,787	0.3	8,978	0.1
Credit Partnership II (Private Debt) Fund	6,054	0.1	0	0.0
LGPS Central Ltd Asset Pool	2,032	0.0	2,032	0.0
Total	**1,347,799**	**19.5**	**1,100,860**	**16.8**
Investments managed outside of LGPS Central Ltd Asset Pool:				
Legal & General	2,278,847	32.7	2,134,880	32.6
Baillie Gifford & Co	613,821	8.8	868,679	13.3
Bluebay	457,493	6.6	461,527	7.1
Patrizia	445,480	6.4	401,784	6.1
Blackstone	397,689	5.7	379,497	5.8
Deutsche Bank (Money Market)	339,742	4.9	203,555	3.1
M&G Investments	269,291	3.9	267,146	4.1
Janus Henderson	241,726	3.5	245,356	3.8
Pantheon Ventures	218,542	3.1	157,013	2.4
Adams Street Partners	170,943	2.5	129,782	2.0
Darwin	87,797	1.3	73,472	1.1
Fidelity (Money Market)	49,500	0.7	49,666	0.8
Bank of New York Mellon	36,393	0.4	28,719	0.4
Arrowgrass Capital Partners	3,434	0.0	37,275	0.6
Lexington Capital Partners	248	0.0	644	0.0
GMO	13	0.0	19	0.0
Total	**5,610,959**	**80.5**	**5,439,014**	**83.2**
Total	**6,958,758**	**100.0**	**6,539,874**	**100.0**

Key movements in assets during the year are detailed in Note 13.

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. Four investments fall into this category as follows:

Security Description	Market Value 31-Mar-22 £000	% of Total Fund	Market Value 31-Mar-21 £000	% of Total Fund
Legal & General - Over 5 Yr Index Linked Gilts	1,860,668	26.74%	1,774,514	27.13%
LGPS Central Ltd - All World Equity Climate Multi Factor Fund	701,248	10.08%	610,251	9.33%
Bluebay - Total Return Diversified Fund	457,493	6.57%	461,527	7.06%
Blackstone Partners - Class A1 Initial Series	397,689	5.71%	379,497	5.80%
LGPS Central Ltd - Global Active Equity Multi Manager Fund	312,149	4.49%	334,609	5.12%

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
Pooled investments-property 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	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

Description of Assets	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting valuations provided
Private Debt	Level 3	Valued at fair value in accordance with International Valuation Standards and investment managers valuation policy	Comparable valuation of similar assets EBITDA multiple Revenue multiple Discounted cash flows Enterprise value estimation	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 cash flows, and by any differences between audited and unaudited accounts
Infrastructure	Level 3	At the price or net asset value advised by the manager using the latest financial information available from the respective manager, adjusted for drawdowns and distributions to the final date of the accounting period, if the latest financial information is not produced at that date.	EBITDA multiple Revenue multiple Discount for lack of marketability Discounted cash flows	Valuations could be impacted by material events occurring between the date of the financial statements provided and the year end, by changes to expected cash flows, and any differences between the audited and unaudited accounts

Sensitivity of Assets Valued at Level 3

The values reported in the Level 3 (see explanation of Level 3 below) valuations represent the most accurate estimation of the portfolio value as at 31 March 2022. 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 and absolute return funds

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, absolute return funds, pooled property, private debt and unlisted infrastructure investments which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

Valuations for private equity, private debt and infrastructure are usually undertaken annually at the end of December. Estimated market values or cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

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

The following table provides an analysis of the assets and liabilities of the Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Note 18a – Assets carried at fair value

Assets carried at Fair Value:

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial Assets at fair value through profit and loss				
Equities	606,044	0	0	606,044
Pooled investments	0	4,083,185	881,446	4,964,631
Pooled Property	0	2,355	87,797	90,152
Private Equity	0	0	408,520	408,520
Private Debt	0	0	6,054	6,054
Loans	0	685	1	686
Cash	436,921	0	0	436,921
Accrued Investment Income	3,135	0	0	3,135
Net investment assets	**1,046,100**	**4,086,225**	**1,383,818**	**6,516,143**
Non-financial assets at fair value through profit and loss				
Property	0	0	441,300	441,300
Total	**1,046,100**	**4,086,225**	**1,825,118**	**6,957,443**

Assets carried at cost:

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Investments in LGPS Central Ltd			1,315	1,315
Investments held at cost	**0**	**0**	**1,315**	**1,315**

Assets carried at Fair Value:

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial Assets at fair value through profit and loss				
Equities	853,710	0	0	853,710
Pooled investments	0	3,735,617	878,301	4,613,918
Pooled Property	0	7,907	73,471	81,378
Private Equity	0	0	296,417	296,417
Loans	0	685	1	686
Cash	297,131	0	0	297,131
Accrued Investment Income	3,469	0	0	3,469
	1,154,310	**3,744,209**	**1,248,190**	**6,146,709**
Non-financial assets at fair value through profit and loss				
Property	0	0	391,850	391,850
Total	**1,154,310**	**3,744,209**	**1,640,040**	**6,538,559**

Assets carried at cost:

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Investments in LGPS Central Ltd			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 2021	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised Gains/ (Losses)	Realised Gains	Market Value 31 March 2022
	£000	£000	£000	£000	£000	£000	£000	£000
Absolute return funds	416,773				- 37,220	14,605	3,532	397,690
Direct Property	391,850			3,104	- 9,565	55,911		441,300
Private equity	296,417			55,283	- 80,361	112,830	24,351	408,520
Pooled Property	73,471			10,000	- 922	4,324	922	87,795
Fixed income	461,528			1,647	- 2,187	- 5,681	2,187	457,494
Secured Loans	1							1
Infrastructure	-			26,413	- 177	- 149	177	26,264
Private debt	-			6,119	- 30	- 65	30	6,054
	1,640,040	**-**	**-**	**102,566**	**- 130,462**	**181,775**	**31,199**	**1,825,118**

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 2022			31 March 2021		
	£000	£000	£000	£000	£000	£000
Financial Assets						
Equities	607,359			855,025		
Pooled Investments	4,964,631			4,613,918		
Pooled Property	90,152			81,378		
Private Equity and Joint Venture	408,520			296,417		
Private Debt	6,054					
Loans	1	717		1	717	
Cash		435,316			295,263	
Other Investment balances		2,883			3,256	
Debtors		19,164			21,109	
	6,076,717	**458,080**	**0**	**5,846,739**	**320,345**	**0**
Financial Liabilities						
Creditors			-10,046			-10,031
TOTAL	**6,076,717**	**458,080**	**-10,046**	**5,846,739**	**320,345**	**-10,031**

Note 18e – Net Gains and Losses on Financial Instruments

	2021-22 £000	2020-21 £000
Financial Assets		
Fair value through profit and loss	364,513	1,029,202
Amortised cost- unrealised gains	871	2,886
Financial Liabilities		
Fair value through profit and loss	0	0
Amortised cost- unrealised losses	0	0
Total	**365,384**	**1,032,088**

Cheshire West & Chester as administering authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

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

Risk and risk management

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce risk exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet 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 2021-22 reporting period:

Asset Type	Potential market movements
	% (+ / -)
Private Equity	24.9
Global Equities - Emerging	25.3
Global Equities - Developed	17.8
UK Equities	15.9
Property Unit Trusts	14.7
High Yield	11.1
Absolute Return Funds	7.0
Corporate Bonds	6.7
Government Bonds	9.8
Cash	0.0

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 2022	Percentage Change	Change in Value on increase	Change in Value on decrease
	£000	%	£000	£000
Government Bonds	2,143,413	9.8	210,054	-210,054
Global Equities - Developed	1,789,243	17.8	318,485	-318,485
Corporate Bonds	622,256	6.7	41,691	-41,691
High Yield	457,494	11.1	50,782	-50,782
Cash	443,253	0.0	0	0
Private Equity	414,573	24.9	103,229	-103,229
Absolute Return Funds	397,689	7.0	27,838	-27,838
Global Equities - Emerging	180,186	25.3	45,587	-45,587
UK Equities	60,255	15.9	9,581	-9,581
Investment Income Due	2,883	0.0	0	0
Property Unit Trusts	2,356	14.7	346	-346
Equities - LGPS Central Ltd	1,315	0.0	0	0
Loans - LGPS Central Ltd	717	0.0	0	0
Total assets available to pay benefits	**6,515,633**		**807,593**	**-807,593**

The above table excludes direct property due to the illiquidity 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 assets which have direct exposure to interest rate movements as at 31 March 2022 and 31 March 2021 are set out below. These disclosures present interest rate risk based on the underlying financial asset at fair value:

Asset Type	2021-22	2020-21
	£000	£000
Corporate and Government Bonds	3,109,102	2,746,929
Cash balances	389,127	253,220
Cash and cash equivalents	47,794	43,912
Total	**3,546,023**	**3,044,061**

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 £3,109m fair value of the bond mandates managed by M&G Alpha Opportunities Fund, Janus Henderson Investors, BlueBay, Legal and General and the Emerging Market Debt Fund and Multi Asset Credit Fund managed by LGPS Central are particularly sensitive to movements in interest rates. This sensitivity is measured by their duration of 3.19, 3.25, 3.15, 22.97, 6.38 and 3.81 years respectively.

A 100BPS increase in the prevailing level of interest rates would decrease the aggregate fair value of these mandates by £472.6m (£461.3m in 2020-21). 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 2022	Effect of Asset Values	
		£000	+100 BPS	-100 BPS
Cash and Cash Equivalents		47,794		
Cash Balances		389,127		
Fixed Income - M&G	3.19	267,950	- 8,548	8,548
Fixed Income - Janus Henderson	3.25	241,726	- 8,033	8,033
Fixed Income - BlueBay	3.15	457,493	- 14,411	14,411
Fixed Income - Legal and General	22.97	1,860,668	- 427,395	427,395
Fixed Income - LGPSC EMD Fund	6.38	136,500	- 8,709	8,709
Fixed Income - LGPSC MAC Fund	3.81	144,765	- 5,516	5,516
Total change in assets available		**3,546,023**	**-472,612**	**472,612**

Asset Type	Duration	Carrying amount at 31 March 2021	Effect of Asset Values	
		£000	+100 BPS	-100 BPS
Cash and Cash Equivalents		43,912		
Cash Balances		253,220		
Fixed Income - M&G	3.2	265,530	- 8,497	8,497
Fixed Income - Janus Henderson	5.58	245,357	- 13,691	13,691
Fixed Income - BlueBay	3.26	461,527	- 15,046	15,046
Fixed Income - Legal and General	23.9	1,774,514	- 424,109	424,109
Total change in assets available		**3,044,060**	**- 461,343**	**461,343**

The tables below illustrate the impact of a change in the interest rate of 1%.

Income Source	Duration	Interest receivable 2021/22	Effect of Asset Values	
		£000	+100 BPS	-100 BPS
Cash deposit / cash and cash equivalents	0.25	301	-1	1
Fixed Income Securities		5,830		
Total change in assets available		**6,131**	**-1**	**1**

Income Source	Duration	Interest receivable 2020/21	Effect of Asset Values	
		£000	+100 BPS	-100 BPS
Cash deposit / cash and cash equivalents	0.25	444	-1	1
Fixed Income Securities		6,882		
Total change in assets available		**7,326**	**-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 2022 and 31 March 2021:

Currency Exposure - Asset Type	Gross Exposure	Hedging Exposure	Net Exposure
2021-22	**£000**	**£000**	**£000**
Overseas Listed Equities	596,957		596,957
Overseas Unquoted Securities	389,733		389,733
Overseas Unit Trusts	2,531		2,531
Total	**989,221**	**0**	**989,221**

Currency Exposure - Asset Type	Gross Exposure	Hedging Exposure	Net Exposure
2020-21	**£000**	**£000**	**£000**
Overseas Listed Equities	838,934		838,934
Overseas Unquoted Securities	287,439		287,439
Overseas Unit Trusts	8,082		8,082
Total	**1,134,455**	**0**	**1,134,455**

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 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	
	2021-22	+13%	-13%
	£000	£000	£000
Overseas Listed Equities:	**596,957**	**77,604**	**-77,604**
Of which from United States Dollar	422,057	54,867	-54,867
Of which from Japanese Yen	15,264	1,984	-1,984
Of which from Hong Kong Dollar	49,410	6,423	-6,423
Of which from Swedish Krona	5,477	712	-712
Of which from Swiss Franc	3,229	420	-420
Of which from Danish Krone	2,079	270	-270
Of which from South African Rand	2,136	278	-278
Of which from other currencies	97,305	12,650	-12,650
Overseas Unquoted Securities:	**389,733**	**50,666**	**-50,666**
Of which from United States Dollar	377,821	49,117	-49,117
Of which from Euro	11,912	1,549	-1,549
Absolute Return Funds Overseas:			
Of which from United States Dollar	0	0	0
Overseas Unit Trusts:			
Of which from Euro	2,531	329	-329
Total	**989,221**	**128,599**	**-128,599**

Net Currency Exposure - Asset Type	Asset Values	Change to net Assets available to pay benefits	
	2020-21	+13%	-13%
	£000	£000	£000
Overseas Listed Equities:	**838,935**	**109,062**	**-109,062**
Of which from United States Dollar	590,267	76,735	-76,735
Of which from Japanese Yen	26,236	3,411	-3,411
Of which from Hong Kong Dollar	75,604	9,829	-9,829
Of which from Swedish Krona	7,042	915	-915
Of which from Swiss Franc	2,660	346	-346
Of which from Danish Krone	2,033	264	-264
Of which from South African Rand	13,614	1,770	-1,770
Of which from other currencies	121,479	15,792	-15,792
Overseas Unquoted Securities:	**287,438**	**37,367**	**-37,367**
Of which from United States Dollar	274,713	35,713	-35,713
Of which from Euro	12,725	1,654	-1,654
Absolute Return Funds Overseas:			
Of which from United States Dollar	0	0	0
Overseas Unit Trusts:			
Of which from Euro	8,082	1,051	-1,051
Total	**1,134,455**	**147,480**	**-147,480**

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 Janus Henderson Investors, BlueBay, M & G Alpha Opportunities Fund and LGPS Central. 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 six mandates as measured by the credit rating of external agencies is summarised in the table below:

S&P Quality Rating	Fair Value 2021-22	% of Fair Value of Fixed Income Assets
	£000	£000
AAA	65,087	2.0
AA	1,891,595	61.0
A	59,763	2.0
BBB+	267,950	9.0
BBB	150,579	5.0
Below BBB	547,306	17.0
Cash	97,241	3.0
NR	29,581	1.0
Total	**3,109,102**	**100.0**

S&P Quality Rating	Fair Value 2020-21	% of Fair Value of Fixed Income Assets
	£000	£000
AAA	36,460	1.0
AA	1,795,323	65.0
A	36,960	1.0
BBB+	0	0.0
BBB	388,142	14.0
Below BBB	400,997	15.0
Cash	72,608	3.0
NR	16,439	1.0
Total	**2,746,929**	**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 to date. The Fund's cash holding under its treasury management arrangements as at 31 March 2022 was £389.1m (31 March 2021 £253.2m) 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.

2021-22 Counterparty	Moodys Rating	£000	% of cash balances
Bank of New York Mellon (Money Market Cash / Cash Accounts)	P-1	46,189	10.6
Fidelity Worldwide Investment (Money Market)	Aaa-mf	49,500	11.3
Deutsche Bank Advisors (Money Market)	A2	339,627	77.7
Cash in Transit	NR	1,605	0.4
Total		**436,921**	**100.0**

2020-21 Counterparty	Moodys Rating	£000	% of cash balances
Bank of New York Mellon (Money Market Cash / Cash Accounts)	P-1	42,044	14.2
Fidelity Worldwide Investment (Money Market)	Aaa-mf	49,666	16.7
Deutsche Bank Advisors (Money Market)	A3	203,554	68.5
Cash in Transit	NR	1,868	0.6
Total		**297,132**	**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 2022 the value of illiquid assets was £392m, which represented 5.64% of the total fund assets (31 March 2021 £296m which represented 4.52% of the total fund assets).

In terms of liquidity risk, the Fund had £436.9m (2020-21 £297.1m) of cash balances as at 31 March 2022 and net current assets of £8.7m (£8.8m in 2020-21). The Fund's net cash flow, before taking account of investments and excluding management expenses, as at 31 March 2022 was -£9.0m (+£7.0m in 2020-21). 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 regular 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.

	Fair Value of collateral 31 March 2022	% of Fair Value of collateral 31 March 2022	Fair Value of collateral 31 March 2021	% of Fair Value of collateral 31 March 2021
Moody's rating	**£000**	**%**	**£000**	**%**
Aaa	8,224	62.2	16,990	47.3
Aa1	599	4.5	160	0.5
Aa2	4,410	33.3	18,741	52.2
Grand Total	**13,233**	**100**	**35,891**	**100**
Value of Stock on Loan	**12,114**		**34,009**	

During the year ended 31 March 2022 the Fund earned £138k (2020-21: £73k) of income from its stock lending activities. At the balance sheet date the value of aggregate stock on loan was £12.1m (2020-21: £34m) and the value of collateral held was £13.2m (2020-21: £35.9m).

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 is 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 each employer's payment period 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

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

*Aged 45 at the valuation date

Note 21 – Actuarial value of promised retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2021-22 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	**2021-22 £000**	**2020-21 £000**
Long Term Debtors:		
Reimbursement of lifetime tax allowances	578	617
Total	**578**	**617**

Note 23 – Current Assets	2021-22 £000	2020-21 £000
Current Debtors and cash:		
Contributions due - Employers	13,048	15,343
Contributions Due - Employees	3,439	3,332
Sundry Debtors	4,374	3,735
Provision for Doubtful Debt	-2,275	-2,009
Cash balances	2,404	91
Total	**20,990**	**20,492**

Note 24 – Current Liabilities	2021-22 £000	2020-21 £000
Sundry Creditors	5,926	6,826
Benefits Payable	4,120	3,205
Receipts in Advance	2,300	1,714
Total	**12,346**	**11,745**

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 and Utmost for the year to 31 March 2022 is shown below, along with a prior year comparator.

	Scottish Widows £000	Standard Life £000	Utmost £000	Total £000
Contributions received in year 2022	135	585	1	**721**
Contributions received in year 2021	204	442	1	**647**
Fair value at 31 Mar 2022	2,318	4,210	451	**6,979**
Fair value at 31 Mar 2021	2,645	3,730	492	**6,867**

Note 26 – Related Party Transactions

Cheshire West & Chester Council

The Fund is administered by Cheshire West and Chester Council. During the reporting period, the Council incurred costs of £4.097m (2020-21: £4.26m) in relation to the administration and management of the fund and was reimbursed by the fund for these expenses. The Fund repays cash due to the Council for such transactions plus any interest charges on a monthly basis. In 2021-22 the Fund paid £992 (2020-21: £805) to the Council for interest accrued on these balances.

The Council is one of the largest participating employers and contributed £29.7m into the Fund in 2021-22 (2020-21: £35.1m). At the year end, a balance of £2.692m (2020-21: £2.767m) was due to the Fund from the Council, primarily relating to contributions which were paid in April but became due in March. A balance of £141.3k was owed to the Council (2020-21: £258.6k was owed to the Pension Fund) for recharges from the Council in relation to the administration and management of the Fund.

The Fund has not made any employer related investment at any time during the period.

Pension Fund Committee and Local Pensions Board

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.

Investment Pooling

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 2021-22 interest of £32k (2020-21: £32k) accrued on the loan balance to give a balance at the end of the year of £0.717m (2020-21: £0.717m), 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 2022 are disclosed in Note 17 to the accounts.

During the year the Fund incurred charges for the running costs of LGPS Central Ltd totalling £1.095m (2020-21: £1.164m) and joint pool governance costs of £13k (2020-21: £18k).

The Fund increased its commitment to the LGPS Central Private Equity Funds in 2021-22 by £60m to give a total commitment of £82m, during the year the Fund paid £6.8m calls to these funds and received £1.9m in distributions. (£4.2m calls were made and £0.295m distributions were received in 2020-21).

During 2021-22 the Fund Committed £170m to the LGPS Central Credit Partnership II Fund which is a Private Debt Lower Return Fund and £340m to the LGPS Central Credit Partnership III Fund which is a Private Debt Stable Return Fund. During the year the Fund made calls of £6m to the Credit Partnership II Fund, no calls were made to the Credit Partnership III Fund and no distributions were received from either fund in the year.

The Fund also made a commitment of £130m to LGPS Central Infrastructure Funds in 2021-22 split £10m to the Value Add/Opportunistic sleeve, £80m to the Core/Core Plus sleeve and £40m to the Single Asset sleeve. During the year the Fund made calls to these funds totalling £26.4m, no distributions were received in the year.

The market values at the end of the year of all investments with LGPS Central are shown in Note 17.

Investment management fees of £3.7m (2020-21: £2.4m) were incurred on the Fund's investments managed by LGPS Central Ltd.

<u>Governance</u>

Responsibility for managing the Fund lies with the full Council of Cheshire West and Chester Council. The Council has delegated responsibility to the Chief Operating Officer who is also the s151 officer. The Chief Operating Officer is advised, by the Pension Fund Committee and external advice from Mercer the appointed investment consultant. 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 Paul Matthews). In addition, Committee member Councillor Corcoran has a deferred pension, Councillor Dennett was an active member of the Fund as at 31 March 2022.

There are three members of the Local Pension Board who were active members of the Fund as at 31 March 2022; 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.

Further information on Fund governance can be found in the Fund's Governance Compliance Statement available on the Fund's website at www.cheshirepensionfund.org**.**

Key Management Personnel

The key management personnel of the Fund are the Chief Operating Officer and the Head of Pension Fund. During the year the Head of Pension Fund retired and is therefore excluded from the long term/post-retirement benefits disclosure as at 31 March 2022. A recruitment exercise took place post year end for this position and the new Head of Pension Fund will be included in this disclosure for the year ended 31 March 2023.

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

	31-Mar-22 £000	31-Mar-21 £000
Short term benefits	87	110
Long term/post-retirement benefits	183	1,251
Total	**270**	**1,361**

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 £824m (2020-21 £733m) in private equity funds.

During 2021-22 the Fund made new commitments to private equity funds of £60m. A commitment of £50m was into LGPS Centrals PE Primary Partnership 2021 LP and £10m into LGPS Centrals PE Co-Investments Partnership 2021 LP.

As at 31 March 2022 the Fund had actually invested £587.6m (2020-21 £544.5m). 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.

During 2021-22 the Fund committed £170m to the LGPS Central Credit Partnership II Fund which is a Private Debt Lower Return Fund and £340m to the LGPS Central Credit Partnership III Fund which is a Private Debt Stable Return Fund. During the year the Fund made calls of £6m to the Credit Partnership II Fund, no calls were made to the Credit Partnership III Fund and no distributions were received from either fund in the year.

The Fund also made a commitment of £130m to LGPS Central Infrastructure Funds in 2021-22 split £10m to the Value Add/Opportunistic sleeve, £80m to the Core/Core Plus sleeve and £40m to the Single Asset sleeve. During the year the Fund made calls to these funds totalling £26.4m, no distributions were received in the year.

There are 16 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 12 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.

Note 28 – Impairment of Financial Assets

During 2021-22 the Fund has recognised expected credit losses of £2.3m (2020-21: £2m) for possible and actual non-recovery of rental income on its investment properties.

Note 29 – 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 30 – 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 2022.

*Employers who joined the fund during 2021-22

Major Scheme Employers	Strategy
Cheshire West & Chester Council	OPEN
Cheshire East Council	OPEN
Cheshire Fire Authority	OPEN
Halton Borough Council	OPEN
Police & Crime Commissioner	OPEN
Warrington Borough Council	OPEN

Admitted Bodies	Strategy
Active Cheshire	OPEN
Adoption Matters	OPEN
ANSA Enviromental Services	OPEN
Aramark - St Thomas Moore	OPEN
Aspens Svcs Ltd - BrLeas	OPEN
Belong Limited	Closed
Bridgewater High School Trading	OPEN
Bulloughs - Lymm	OPEN
Bulloughs Collegiate	OPEN
Canal & River Trust	Closed
Care Quality Commission	Closed
Catalyst Choices	OPEN
Caterlink (Ruskin)	OPEN
Caterlink (Sandbach)	OPEN
CG Cleaning - Great Sankey	OPEN
Chartwell - Elworth	OPEN
Cheshire Community Action	Closed
Cheshire Peaks and Plains Housing Trust	OPEN
Cheshire West Recycle Ltd	OPEN
Churchill Services Ltd	OPEN
Compass (Chartwells Ltd) - Middlewich High School*	OPEN
Compass (Chartwells Ltd) - St Barts Multi Academy Trust	OPEN
Crossroads Together	OPEN
Culture Warrington	OPEN
CWP NHS Trust	OPEN
Dataspire	OPEN
David Lewis Centre	Closed
Deafness Support Network	Closed
ForHousing	OPEN
Hall Cleaning Services	OPEN
Halton Housing Trust	OPEN
Hochtief	OPEN
HQ Theatres Limited	OPEN
Hutchison Catering*	OPEN
Innovate Ltd Tytherington	OPEN
ISS Facility Services Ltd	OPEN
Kings School Chester	Closed
Livewire	OPEN
Market Asset Management*	OPEN

Admitted Bodies - Continued	Strategy
Mellors - St Basils	OPEN
Mellors - St Michael & St Thomas*	OPEN
Mellors Learning for Life*	OPEN
Mellors Frank Field Trust*	OPEN
Midshire Catering Ltd	OPEN
Midshire Catering Services Ltd - Hartford High School	OPEN
Midshire Signature Services - Tarvin and Eaton*	OPEN
Nirvana Managed Services - Dee Banks School*	OPEN
Norton Priory Museum Trust	OPEN
Orbitas Bereavement Service	OPEN
Orian Solutions Ltd*	OPEN
Plus Dane (Cheshire) Housing Association	OPEN
Reed Wellbeing Limited	OPEN
Ringway Infrastructure	OPEN
Ringway Jacobs	OPEN
RM Estates Ltd	OPEN
Sanctuary Housing Association	Closed
SMC Premier Cleaning Ltd	OPEN
Starcare	OPEN
Tarmac Trading Limited	OPEN
The Guinness Partnership	OPEN
Torus 62	OPEN
Torus 62 Foundation	OPEN
University Of Chester	OPEN
Verve People	OPEN
Warrington Housing Association	OPEN
Warrington Voluntary Action	Closed
Weaver Vale Housing Trust	OPEN
Westminster Drug Project	OPEN

Other Employers	Strategy
Alderley Edge Parish Council	OPEN
Alsager Town Council	OPEN
Appleton Parish Council	OPEN
Avenue Services (NW) Ltd	OPEN
Barnton Parish Council	OPEN
Birchwood Town Council	OPEN
Bollington Town Council	OPEN
Brereton Parish Council	OPEN
Brio Leisure (CWaC CIC)	OPEN
Catering Academy - COE Academy	OPEN
Catering Academy - Warrington	OPEN
Chelford Parish Council*	OPEN
Cheshire College South & West	OPEN
Congleton Town Council	OPEN
Crewe Town Council	OPEN
Cuddington Parish Council*	OPEN
Delamere and Oakmere Parish Council	OPEN
Disley Parish Council	OPEN
Edsential	OPEN
ENGIE	OPEN
Everybody Sport + Recreation	OPEN
Frodsham Town Council	OPEN
Grappenhall and Thelwell Parish Council	OPEN
Handforth Parish Council	OPEN
Hartford Parish Council	OPEN
Holmes Chapel Parish Council	OPEN
Kingsmead Parish Council	OPEN
Knutsford Town Council	OPEN
Lymm Parish Council	OPEN
Macclesfield College	OPEN
Macclesfield Town Council	OPEN
Mersey Gateway Crossing Board	OPEN
Middlewich Town Council	OPEN
Nantwich Town Council	OPEN
Neston Town Council	OPEN
Nether Alderley Parish Council	OPEN
Northwich Town Council	OPEN
NW Fire Control Limited	OPEN
Odd Rode Parish Council	OPEN
Penketh Parish Council	OPEN
Poulton with Fearnhead Parish Council	OPEN
Poynton with Worth Parish Council	OPEN
QWest Services Ltd	OPEN
Reaseheath College	OPEN
Riverside College	OPEN
Sandbach Town Council	OPEN
Stockton Heath Parish Council	OPEN

Other Employers - Continued	Strategy
Torus 62 (LMH)	OPEN
Transport Services Solutions Limited	OPEN
Vivo Care Choices Ltd	OPEN
Warrington & Vale Royal College	OPEN
Warrington Transport	OPEN
West Cheshire Facilities Management	OPEN
Wilmslow Town Council	OPEN
Winsford Town Council	OPEN
Winwick Parish Council	OPEN
Wistaston Parish Council	OPEN
Your Housing Group	OPEN
Youth Federation	Closed

Free Schools	Strategy
Grosvenor Park CoE Academy	ACADS
Sandbach School	ACADS
Sandymoor School	ACADS
St Martins Academy	ACADS

Academies	Strategy
Acresfield Primary School	ACADS
Acton CE Primary Academy	ACADS
Adelaide School	ACADS
Adlington Primary Academy	ACADS
Alderman Bolton Comm PS	ACADS
All Hallows Catholic College	ACADS
Alsager Highfield Comm Primary School	ACADS
Alsager School	ACADS
Ash Grove Academy	ACADS
Astbury St Mary's CoE Primary School	ACADS
Audlem St James CE Primary*	ACADS
Axis School	ACADS
Barnton Primary School	ACADS
Beamont Primary School	ACADS
Beaumont Collegiate Academy	ACADS
Belgrave Academy*	ACADS
Bexton Primary School	ACADS
Birchwood High School	ACADS
Bishops Blue Coat CofE High School	ACADS
Black Firs Primary School	ACADS
Bosley St Marys CE Primary School*	ACADS
Boughton Heath Academy	ACADS
Brereton CoE Primary School	ACADS
Bridgewater High School	ACADS
Bridgewater Park Primary School	ACADS
Brine Leas School	ACADS
Broken Cross Primary Academy	ACADS
Brookfields School	ACADS
Broomfields Junior School	ACADS
Bruche Primary School	ACADS
Bunbury Aldersey CofE Primary School	ACADS
Burtonwood Comm Primary School	ACADS
Calveley Primary Academy	ACADS
Cavendish High Academy	ACADS
Chapelford Village Primary School	ACADS
Childer Thornton Primary School	ACADS
Christleton High School	ACADS
Cloughwood School	ACADS
Clutton CoE Primary School	ACADS
Comberbach Primary School	ACADS
Congleton High School	ACADS
Cornerstone Academy*	ACADS
County High School Leftwich	ACADS
Cranberry Academy	ACADS
Crewe Engineering UTC	ACADS
Croft Primary School	ACADS
Cuddington Primary School	ACADS

Academies - Continued	Strategy
Daresbury Primary School	ACADS
Daven Primary School	ACADS
Delamere Primary School	ACADS
Disley Primary School	ACADS
Ditton Primary School	ACADS
Eaton Bank School	ACADS
Eaton Primary School	ACADS
Egerton Primary School	ACADS
Evelyn Street Primary School	ACADS
Excalibur Primary School	ACADS
Gawsworth Primary School	ACADS
Glazebury Primary School	ACADS
Gorse Covert Primary School	ACADS
Gorseybank Primary School	ACADS
Grange Community & Primary School	ACADS
Great Sankey High School	ACADS
Great Sankey Primary School	ACADS
Handforth Grange Community Primary School	ACADS
Haslington Primary*	ACADS
Highfields Community Primary School	ACADS
Hollinhey School	ACADS
Hollins Green St Helens CoE Primary School	ACADS
Holmes Chapel Comprehensive School	ACADS
Holmes Chapel Primary School	ACADS
Hungerford Primary	ACADS
Ivy Bank Primary School	ACADS
Kelsall Primary School	ACADS
Kings Leadership Academy	ACADS
Knutsford Academy	ACADS
Lacey Green Primary Academy	ACADS
Leftwich Primary*	ACADS
Leighton Academy	ACADS
Little Bollington Primary School	ACADS
Little Leigh Primary	ACADS
Little Sutton CoE Primary School	ACADS
Lostock Hall Primary	ACADS
Lymm High School	ACADS
Macclesfield Academy	ACADS
Manor Park Primary School	ACADS
Marlborough Primary School	ACADS
Marlfields Primary Academy	ACADS
Meadowside Community Primary School	ACADS
Middlewich High School*	ACADS
Mill View Primary School	ACADS
Monks Coppenhall Academy	ACADS
Mossley CE Primary School	ACADS
Mottram St Andrew Primary Academy	ACADS

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2021/22 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 2022	31 March 2021
Active members (£m)	3,152	4,049
Deferred members (£m)	1,801	1,803
Pensioners (£m)	3,113	2,818
Total (£m)	**8,066**	**8,669**

As requested, the promised retirement benefits at 31 March 2022 are based on the results of the 31 March 2022 funding valuation using the Fund's membership as at 31 March 2022.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2022 and 31 March 2021. I estimate that the impact of the change in financial assumptions to 31 March 2022 is to decrease the actuarial present value by £645m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £87m.

Financial assumptions

Year ended	31 March 2022	31 March 2021
	% p.a.	% p.a.
Pension Increase Rate (CPI)	3.20%	2.85%
Salary Increase Rate	3.90%	3.55%
Discount Rate	2.70%	2.00%

Demographic assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.3 years	24.0 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	22.2 years	25.5 years

Please note that the longevity and other demographic assumptions are in line with 31 March 2022 funding valuation. The assumptions have changed since the previous IAS26 disclosure for the Fund as at 31 March 2021.

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 obligations are set out below:

Change in assumption at 31 March 2022	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	154
1 year increase in member life expectancy	4%	323
0.1% p.a. increase in the Salary Increase Rate	0%	18
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	135

Professional notes

This paper accompanies the ‘Accounting Covering Report – 31 March 2022’ which 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.

Gemma Sefton FFA

16 May 2023

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
Services the Council provides for other organisations, or services other organisations provide for the Council.

Amortisation
The process of charging capital expenditure, usually on intangible non-current assets, to the accounts over a suitable period of time.

Amortised cost
Amortised cost is the real amount at which the financial instrument is measured rather than the payments made under a contract.

Appropriations
Amounts transferred between the Comprehensive Income and Expenditure Statement and revenue or capital reserves.

Assets held for sale
Property (land or a building, or part of a building) which is expected to be sold within the next 12 months and is therefore held primarily as a means of generating a capital receipt.

Associate
Where the Council exercises a significant influence and has a participating interest in a company.

Balance Sheet
The Balance Sheet is a summary of an authority's financial position at the year end. It shows the balances and reserves at an authority's disposal and its long-term indebtedness, and the non-current and net current assets employed in its operations, together with summarised information on non- current assets held.

Better Care Fund (BCF)
The BCF is a pooled budget between the Council and the Clinical Commissioning Group (CCG).

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

Capital Adjustment Account
The Capital Adjustment Account is made up of amounts set aside from revenue resources or capital receipts to pay for spending on non-current assets or for repaying external loans and certain other capital financing transactions.

Capital Assets
See Non-current Assets.

Capital expenditure
Expenditure on the acquisition of a Non-current asset or expenditure that extends the useful life or operational capability of an existing asset.

Capital financing
The means by which capital expenditure incurred by the Council is funded. Usually such funding comprises grants, contributions from third parties, receipts from the sale of assets, contributions from Council reserves and borrowing.

Capitalisation
The classification of expenditure as capital rather than revenue, subject to the condition that the expenditure yields a benefit to the Council for a period of more than one year.

Capital receipts
Proceeds received from the sale of capital assets. The proceeds are set aside in the Capital Receipts Reserve in order to repay the Council's borrowings or to finance new capital expenditure.

Capital Receipts Reserve
A reserve held to provide an alternative source for financing future capital expenditure, and to ensure some stability in the level of capital programmes that can be financed.

Cash Flow Statement
Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes. It provides a link between the Balance Sheet at the beginning of the year, the Comprehensive Income and Expenditure Statement for the year and the Balance Sheet at the end of the year.

CIPFA
The Chartered Institute of Public Finance and Accountancy is the accountancy body which recommends accounting practice for the preparation of local authority accounts.

Collection Fund
This is a statutory fund kept separate from the main accounts of the Council. It records all income due from the Council Tax, Business Rates and remaining Community Charge and shows the precept payments due to Cheshire West and Chester Council, Cheshire Police Authority and Cheshire Fire Authority.

Community assets
Assets that the local authority intends to hold forever, that have no determinable useful life and that may have restrictions on their disposal. (e.g. parks).

Comprehensive Income and Expenditure Statement (CIES)
This statement consolidates all the gains and losses experienced by the Council during the financial year. The statement has two sections:

- Surplus or Deficit on the Provision of Services (SDPS) – the increase or decrease in net worth as a result of incurring expenditure and generating income.
- Other Comprehensive Income and Expenditure – any changes in net worth not reflected in the surplus or deficit on the provision of services.

This statement shows the accounting cost in year of providing services in accordance with accounting practice rather than the amount to be funded from taxation.

Consistency
The principle that the same accounting treatments are used from year to year so that useful comparisons can be made. Any significant change in policies must be declared in the accounting statements.

Contingencies
Sums set aside to meet either the potential costs of activities expected to occur during the year, over and above those costs included in the services budgets (pay and price), or items which are difficult to predict in terms of financial impact or timing (uncertain items).

Corporate and Democratic Core
Corporate and Democratic Core represents costs associated with democratic representation and management and corporate management. Democratic representation and management include 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 costs of any particular service.

Corporate Governance
The authoritative rules and controls in place within an organisation required to promote openness, inclusivity, integrity and accountability.

Council Tax
The means of raising money locally to pay for local authority services. This is a property-based tax where the amount levied depends on the valuation of each dwelling.

Council Fund / General Fund
The Council's main revenue fund to which all revenue receipts are credited, and from which revenue liabilities are discharged. The movement on the fund in year represents the excess of income over expenditure once notional charges and credits have been replaced by the amounts required to be funded from Council Tax.

Creditors
Amounts owed by the Council for goods or services that it has received but for which payment had not been made by 31 March 2022.

Credit Adjusted Interest Rate
The rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.

Current Assets and Liabilities
Current assets are cash and items that can be readily converted into cash. Current liabilities are items that are due for payment immediately or in the short term. By convention these items are ordered by reference to the ease that the asset can be converted into cash, and the timescale in which the liability falls due.

Current Service Cost (IAS 19 term)
Employer pension contributions charged during the year have been removed from the Comprehensive Income and Expenditure Statement and replaced with an amount (i.e. current service cost) which reflects the increase in the scheme liabilities expected to arise from employee membership of the Scheme in the year of account.

Current Value
The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

Debtors
Amounts owed to the Council at 31 March 2022, where services have been delivered but payment has not been received.

Deferred capital receipts
Amounts derived from asset sales, which will be received in instalments over a period of years. (e.g. mortgages on the sale of council houses).

Deferred liabilities
An amount already received by the Council that is being credited to the Comprehensive Income and Expenditure Statement over a number of years.

Defined Benefits Pension Scheme
A pension scheme which is constructed to provide pre-determined pension benefits for retired members, with employers' and employees' contribution rates being calculated based on actuarial assumptions.

Delegated budgets
Budgets for which schools and other services have complete autonomy in spending decisions.

Depreciation
The measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use, age or obsolescence through technological or other changes. There are different ways to attribute the cost of the asset over its economic life, of which the most common are straight line method and reducing balance method.

- Straight line depreciation method – the useful life of the asset is estimated, for instance at 3 years for IT equipment or 5 years for a vehicle, and the cost of the asset is divided equally over that number of financial years.
- Reducing balance method – the value of the asset is reduced by a non-current percentage each year, reflecting a greater loss of value in earlier years.

Depreciated historic cost
The value of an asset shown in the Balance Sheet calculated from the original cost less depreciation to date.

Derecognition
The removal of an asset or liability from the Balance Sheet as it has been extinguished, for example, the settling of a liability by paying the creditor.

Discounting
Process of determining the present value of a payment or a stream of payments that is to be received in the future.

Discretionary benefits
Retirement Benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers.

Donated assets
Assets transferred at nil value or acquired at less than fair value.

Earmarked Reserves
These reserves represent monies set aside that can only be used for a specific usage or purpose.

Effective interest rate
The rate of interest that would discount expected cash flows throughout the life of the financial instrument down to the fair value of the asset calculated at initial measurement.

Emoluments
All sums paid to or receivable by an employee and sums due by way of taxable expense allowances.

Entity
For accounting purposes, an 'entity' is a business, division or other aspect of an organisation that requires its own financial reporting structure for legal or tax purposes.

Events after the Balance Sheet date
Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional items
Items that derive from the ordinary activities of the Council and are material in terms of the Council's overall expenditure but not expected to recur frequently or regularly.

Expected Credit Losses
Defined as the weighted average of credit losses with the respective risks of a default occurring as the weights.

12 Month Expected Credit Loss
The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Lifetime Expected Credit Losses
The expected credit losses that result from all possible default events over the expected life of a financial instrument.

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

Expenditure and Funding Analysis (EFA)
The Expenditure and Funding Analysis links the Comprehensive Income and Expenditure Statement by demonstrating how available funding has been used to provide services. Whilst still reported in accordance with accounting practice, the analysis shows how the expenditure has been allocated by directorates for decision making purposes rather than legislative purposes.

Fair value
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction between unrelated parties at the measurement date.

Fair Value Through Profit and Loss

Classification is dependent on the contractual terms (i.e. solely payments of principle and interest (SPPI) on the principle outstanding), if any other kind of payment is included the instrument will fail the test and fall into the FVTPL class. The primary objective is to hold the financial asset by any other means than to collect contractual cash flows.

Fair Value Through Other Comprehensive Income

Objective is to receive contractual cash flows and sell the financial asset. The terms give rise to specified cash flow on specific dates and must be solely principal and interest (SPPI) on outstanding balance. Election can be made where changes to the value can be reported in Other Comprehensive Income and Expenditure.

Finance lease
An arrangement whereby the owner of an asset (the lessor) accepts a rental in return for allowing another party (the lessee) use of an asset for a specified period, such that substantially all of the risks and rewards associated with ownership are transferred to the lessee.

Financial Instrument
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities and includes trade debtors, investments, trade creditors and borrowings.

Financial Instrument Revaluation Reserve
Unusable Reserve that holds financial instrument unrealised gains and losses. These amounts will only become available to provide services once the gain/loss has been realised and the financial asset has either been disposed of or reached maturity.

General reserves
These are amounts set aside for use in future years, not earmarked for any specific purpose.

Government grants
Amounts received from central Government towards funding the Council's activities. Revenue grants and contributions are credited to the appropriate service revenue account. Capital grants and contributions are recognised in the Comprehensive Income and Expenditure Statement, unless there are conditions attached which have not been satisfied. Capital grants and contributions recognised in year are not a credit against the General Fund balance and are reversed out via the Movement in Reserves Statement.

Government grants and contributions unapplied
Capital grants and contributions that have been recognised in the Comprehensive Income and Expenditure Statement not yet applied to finance capital expenditure.

Heritage Assets
Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art.

Housing Revenue Account (HRA)
Local authorities are required to maintain a separate account. This sets out expenditure and income arising from the provision of Council housing.

Impairment
A reduction in the value of a non-current asset arising from physical damage to the asset, dilapidation or obsolescence.

Impairment Allowance
A provision held on the balance sheet as a result of the raising of a charge against profit for the inherent expected 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. Amounts which the Council receives, or expects to receive, from any source. Income includes fees, charges, sales, capital receipts, government grants, the precept on Council Tax collection funds, Revenue Support Grant and National Non-Domestic Rates.

Infrastructure
The Council's network of roads, pavements and bridges**.**

Infrastructure assets
Non-current assets that are held by the Council in perpetuity and cannot be given or taken away. Spending on these assets is recoverable only by continued use of the asset created (e.g. highways and footpaths).

Intangible Non-current Assets
Expenditure incurred on those non-current assets that do not have physical substance but which are separately identifiable and provide the Council with a right of use for a period in excess of one year.

Interest Cost (IAS 19 term)
A financing charge reflecting the increases in the present value of scheme liabilities.

International Financial Reporting Standards (IFRS)
International Financial Reporting Standards form a principles based set of standards that establish broad rules and dictate specific accounting treatments. The Code of Practice on Local Authority Accounting in the UK (the Code), interprets IFRS accounting principles for local government and recognises the following hierarchy of standards on which accounting treatment and disclosures should be based:

- International Financial Reporting Standards (IFRS)
- International Public Sector Accounting Standards (IPSAS)
- UK Generally Accepted Accounting Practice (UK GAAP)

Inventories
Raw materials and consumable goods bought but not yet used at the end of the accounting period.

Investments
Short term investments comprise deposits of temporary surplus funds with banks or similar institutions. Long term investments comprise similar funds held for a period of more than one year.

Investment properties
Assets that are available for immediate sale, where there is a committed plan to sell the asset, an active marketing programme and where the sale is highly probable within 12 months.

Joint Control
Where decisions about the relevant activities of an arrangement require the unanimous consent of all the parties sharing control.

Joint Operation
Where the Council and another party have joint control of an arrangement and have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators.

Joint Venture

Where the Council and another party exercise joint control over a company.

Lifetime Probability
The likelihood of accounts entering default during the expected remaining life of the asset.

Loans and receivables
Assets that have fixed or determinable payments but are not quoted in an active market.

Long term borrowing
The main element of long-term borrowing comprise of loans that have been raised to finance capital expenditure projects.

Market value
The monetary value of an asset determined by current market conditions at the Balance Sheet date.

Materiality
The concept that any omission from or inaccuracy in the Statement of Accounts should not be so large as to affect the understanding of those statements by a reader.

Minimum Revenue Provision (MRP)
The minimum amount (as laid down in statute) that the Council must charge to the accounts each year in order to meet the costs of repaying amounts borrowed.

Movement in Reserves Statement
This statement shows the movement in the year on the different reserves held by the Council, analysed into usable and unusable reserves. The statement reconciles the surplus or deficit on the provision of services, in the Comprehensive Income and Expenditure Statement, to the movement in the General Fund balance for the year.

Non-Domestic Rate (NDR)
The government levies a standard rate on all properties used for commercial purposes and cannot increase it by any more than the Retail Price Index. The rates are collected by Councils, and are then shared between Central Government, the Billing Authority (Council) and other bodies in proportion to prescribed shares.

Net book value
The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net current replacement cost
The estimated cost of replacing or recreating an asset in its existing condition and existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the condition of the existing asset.

Net debt
This comprises short term investments plus cash in hand less cash overdrawn and long-term borrowing.

Net realisable value
The expected proceeds from the sale of an asset when sold on the open market between a willing buyer and a willing seller less all the expenses incurred in selling the asset.

Non-current Asset
An asset which is intended to be in use for several years such as a building or a vehicle. These may be tangible or intangible.

Non-Distributed Costs
Costs which cannot be specifically applied to a service or services and are held centrally, comprising certain pension costs and the costs of unused shares of IT facilities and other assets.

Operating lease
An arrangement similar to a finance lease where the risks and rewards associated with ownership remain with the lessor.

Operational assets
Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Cost (IAS 19 term)
The increase in the scheme liabilities arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept
Amounts the Council is required to raise from Council Tax on behalf of other authorities.

Prepayments
Amounts paid by the Council in 2021-22 in relation to goods and services not received until 2022-23.

Prior year adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors. They do not include minor corrections or adjustments of accounting estimates made in prior years.

Private Finance Initiative (PFI)
A means of securing new assets and associated services in partnership with the private sector.

Projected Unit Method (IAS 19 term)
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

Provisions
Amounts set aside to meet costs that are likely or certain to be incurred but where the amount of cost or timing of payment is uncertain.

Receipts in advance
Amounts received by the Council during 2021-22 relating to goods or services delivered in 2022-23.

Related party
A person or organisation which has influence over another person or organisation.

Remeasurements (IAS19 term)
For a defined benefit pension scheme, the changes in the value of a schemes assets and liabilities as a result of the changes to the underlying assumptions concerning their value, as opposed to any performance or activity in year.

Reserves
Specific amounts set aside for future policy purposes or to cover contingencies. There are two types of reserve: usable reserves which are available to meet current expenditure, and unusable

reserves which are not. Most revenue reserves are capable of being used, but the Revaluation Reserve, Capital Adjustment Account, and the Financial Instruments Adjustment Account cannot be used to meet current expenditure.

Retirement benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revaluation Reserve
Revaluation Reserve is intended to hold surpluses or deficits arising from the regular revaluation of non-current assets.

Revenue expenditure
Revenue expenditure is spending on the day to day running costs of the Council. It includes expenditure on employees, premises, transport and supplies and services.

Revenue Expenditure Funded from Capital under Statute (REFCUS)
Certain expenditure can be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a Non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax.

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

Scheme liabilities
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

Section 151 Officer
The Officer designated to assume overall responsibility for the administration of the financial affairs of the Council and for the preparation of the Council's Statement of Accounts.

Service concession
An arrangement under which the Council passes to a third party an obligation to deliver a service to the public on its behalf. Organisations delivering services under a service concession arrangement are effectively doing so as an extension of the Council so any assets employed by them to deliver the contracted services are reported on as if they were the Council's own. This is commonly the case for Private Finance Initiative contracts.

Settlements and Curtailments (IAS 19 term)
Settlements are liabilities settled at a cost materially different to the IAS 19 reserve during the year. Curtailments represent the cost arising from early payment of accrued pensions in respect of any redundancies during the year.

Short period
In terms of non-current assets this is interpreted to mean that assets are normally revalued once every five years for each class of assets, provided that carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.

Short Term Accumulating Paid Absences
Benefits that employees receive as part of their contract of employment, the entitlement to which is built up as they provide services to the Council, e.g. annual leave, flexi leave.

Slippage
This is when delays occur in capital works and therefore payments are not made in the financial year originally anticipated.

Solely Payments of Principle and Interest
The classification of a financial asset depends on whether its contractual terms give rise on specific dates to cash flows that are solely payments of principle and interest.

Subsidiary
Where the Council either wholly or by majority controls a company.

Tangible Non-current Assets
Non-current assets of 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.