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To members of the
Audit and Governance Committee

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DATE: 31 July 2018

Dear Councillor

AUDIT AND GOVERNANCE COMMITTEE - TUESDAY, 31ST JULY, 2018

I am now able to enclose, for consideration at next Tuesday, 31st July, 2018 meeting of the Audit and Governance Committee, the following reports that were unavailable when the agenda was printed.

Agenda Item 5: External Audit Findings and Action Plan 2017/18 (Pages 3 - 40)

Agenda Item 6: Annual Statement of Accounts 2017/18 (Pages 47 - 210)

Yours sincerely

Rachel Graves
Democratic Services Officer

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Audit & Governance Committee

Date of Meeting: 31 July 2018

Report Title: External Audit Findings & Action Plan 2017/18

Portfolio Holder: Cllr Paul Bates

Senior Officer: Jan Willis, Interim Executive Director of Corporate Services

1. Report Summary

1.1. The Audit Findings Report will be presented to the Committee by Grant Thornton, the Council's external auditors. The report, appended to this paper summarises the findings from the 2017/18 Audit. It identifies the key issues that have been considered by Grant Thornton before issuing their opinion on the Council's financial statements and its arrangements for securing economy, efficiency and effectiveness in the use of resources.

2. Recommendation/s

2.1. That members receive and comment on the Audit Findings Report for 2017/18.

2.2. That members note the management response to the recommendations contained within the Audit Findings Report Action Plan.

2.3. That members approve the letter of representation to be signed by the Interim Executive Director of Corporate Services.

3. Reasons for Recommendation/s

3.1. The appointed auditors are required to report to those charged with governance. The Audit Findings Report presents the findings, conclusions and recommendations from audit work undertaken relating to the financial year 2017/18.

4. Other Options Considered

4.1. Not applicable

5. Background

5.1. The auditors are responsible for giving an opinion on:

- Whether the accounts present a true and fair view of the financial position of the authority and its expenditure and income for the year in question;
- Whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards;
- Whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

5.2. The findings in relation to these areas are set out in the Audit Findings Report attached as Appendix A.

5.3. The management response to the recommendations set out in the Action Plan attached as Appendix B.

5.4. As the Council's appointed auditors, representatives of Grant Thornton will attend the Committee to report their findings directly to Members.

6. Implications of the Recommendations

6.1. **Legal Implications**

- There are no legal implications identified.

6.2. **Finance Implications**

- As covered in the report.

6.3. **Policy Implications**

- There are no policy implications identified.

6.4. **Equality Implications**

- There are no equality implications identified.

6.5. **Human Resources Implications**

- There are no human resources implications identified.

6.6. **Risk Management Implications**

- The Local Government Act 2003 and the Local Government and Housing Act 1989 require the Statement of Accounts to be produced in line with recommended accounting practices.

6.7. **Rural Communities Implications**

- There are no direct implications for rural communities.

6.8. **Implications for Children & Young People**

- There are no direct implications for children and young people.

6.9. **Public Health Implications**

- There are no direct implications for public health.

7. Ward Members Affected

7.1. Not applicable.

8. Access to Information

8.1. The full reports provided by Grant Thornton are appended to this covering report.

9. Contact Information

9.1. Any questions relating to this report should be directed to the following officer:

Name: Joanne Wilcox

Job Title: Financial Strategy and Reporting Manager

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Audit Findings

Year ending 31 March 2018

Cheshire East Council

July 2018

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Your key Grant Thornton team members are:

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Headlines

This table summarises the key issues arising from the statutory audit of Cheshire East Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion the group and Council's financial statements give; • a true and fair view of the group's and Council's financial position and of the group and Council's expenditure and income for the year, and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed on site during June and July. We have identified a number of adjustments to the financial statements that have resulted in adjustments to the Statement of Comprehensive Income and Expenditure and the Balance Sheet. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Audit adjustments are detailed in Appendix C. Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting on 31 July 2018, as detailed in Appendix E. These outstanding items include: - completion of procedures over the consideration of accounting for defined benefit pension liabilities - receipt of management representation letter; and - review of the final set of financial statements. We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Cheshire East has proper arrangements to secure economy, efficiency and effectiveness in its use of resources, except in relation to some specific governance issues: The Council has operated throughout the year of audit with interim senior management arrangements in place as a result of ongoing disciplinary proceedings involving the statutory officers (Chief Executive/Head of Paid Service, Monitoring Officer and S151 Officer). Investigations by the Council's internal audit team have provided evidence of a number of historic weaknesses in the Council's arrangements for informed decision making and acting in the public interest through demonstrating and applying the principles and values of good governance. Until these matters are resolved they raise the risk of weaknesses in the Council's arrangements for implementing and sustaining sufficient and appropriate governance arrangements throughout the organisation. Until the Council is able to demonstrate it has put these matters behind it we consider that there is evidence of weaknesses in proper arrangements for informed decision making in acting in the public interest, through demonstrating and applying the principles and values of good governance. We therefore anticipate issuing a qualified "except for" value for money conclusion, as detailed in Appendix E. Our findings are summarised from page 13.

Headlines

Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • certify the closure of the audit	We have not exercised any of our additional statutory powers or duties. We do not expect to be able to certify the conclusion of the audit yet as: • the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2018 remains to be completed • Other matters raised with the auditor have yet to be considered. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Acknowledgements

The Council has responded well to the challenge presented by early close of the financial statements and meeting the challenge to ensure audit completion of the financial statements by the 31 July 2018. We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- an evaluation of the components of the group based on a measure of materiality considering each as a percentage of total group assets and revenues to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that a comprehensive audit response was required for Cheshire East Council component and an analytical approach was required for the following components;
  - Cheshire East Residents First (CERF) Ltd
  - Ansa Environmental Services Ltd
  - Alliance Environmental Services Ltd (subsidiary of Ansa Environmental Services Ltd incorporated in 2017/18)
  - Orbitas Bereavement Services Ltd
  - Transport Service Solutions Ltd
  - Engine of the North Ltd
  - Civicance Ltd
  - The Skills and Growth Company Ltd
- an evaluation of the group's internal controls environment including its IT systems and controls; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting on 31 July 2018, as detailed in Appendix E. These outstanding items include:

- completion of our work regarding defined benefit pensions
- receipt of management representation letter and
- review of the final set of financial statements.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have adjusted our materiality calculations based on draft financial statements for the year ending 31 March 2018. We detail in the table below our assessment of materiality for Cheshire East Council.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	11,638,000	11,638,000	We have deemed the final financial statement materiality to be 1.8% of gross expenditure, the same benchmark we used in the prior year.
Performance materiality	8,729,000	8,729,000	We have applied a performance materiality of 75% of materiality.
Trivial matters	437,000	437,000	Triviality has been calculated at 5% of materiality
Materiality for specific transactions, balances or disclosures	59,000	59,000	We have calculated a specific materiality for Senior Officer remuneration based on 1.8% of total senior officer remuneration.

Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

From our review of the Council’s financial outturn, medium term financial plan and your own assessment and consideration of going concern we are satisfied that there is no audit risk of material uncertainty in relation to the Council.

The Council has achieved a balanced budget and retained general reserves at £10.3m. The Council has updated its forecasting for 2019/20 and noted a budget gap. However, the Council has identified efficiencies from service lines and anticipates that further savings from budget assumptions made in its People, Place and Corporate Services will be made. The Council is therefore planning to have a balanced budget for 2018/19 and considers that there will be no requirement to draw down from reserves.

Significant audit risks

	Risks identified in our Audit Plan	Commentary
1	**Improper revenue recognition** Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. We did not identify improper revenue recognition of revenue as a risk requiring special audit consideration	**Auditor commentary** Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Cheshire East Council, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Cheshire East Council.
2	**Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We identified management override of controls as a risk requiring special audit consideration.	**Auditor commentary** We have completed the following procedures to gain assurance over this risk – review of accounting estimates, judgements and decisions made by management – testing of journal entries – review of unusual significant transactions and any changes in accounting policy. Our audit work has not identified any instances of management override of controls.

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Significant audit risks

	Risks identified in our Audit Plan	Commentary
3	**Valuation of property, plant and equipment** The Council revalues its land and buildings every five years, to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements. We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.	**Auditor commentary** We have: • reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • considered the competence, expertise and objectivity of any management experts used. • discussed with the valuer about the basis on which the valuation is carried out and challenge the key assumptions. • reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding. • tested revaluations made during the year to ensure they are input correctly into the Council's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. An external desktop valuation of assets not valued in the year was carried out, which noted that there was a material difference between the carrying value of assets and their value. As a result the Council completed a full revaluation of some of these assets which were not valued, and was able to demonstrate that the difference between the carrying value and fair value was £6.8m, which is below materiality thresholds. From the audit procedures carried out we have gained sufficient assurance to conclude that the valuation of property, plant and equipment is free from material misstatement.
4	**Valuation of pension fund net liability** The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements. We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.	**Auditor commentary** We have: • identified the controls put in place by management to ensure that the pension fund liability is not materially misstated and assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement • evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation • gained an understanding of the basis on which the valuation is carried out • undertaken procedures to confirm the reasonableness of the actuarial assumptions made • checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. From the audit procedures carried out we have gained sufficient assurance to conclude that the valuation of pension fund net liability is free from material misstatement.

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Reasonably possible audit risks

	Risks identified in our Audit Plan	Commentary
5	**Employee remuneration** Payroll expenditure represents a significant percentage - approximately 33% - of the Council's operating expenses. As the payroll expenditure comes from a number of individual transactions and an interface between the payroll and ledger systems, there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention	**Auditor commentary** We have • evaluated the Council's accounting policy for recognition of payroll expenditure for appropriateness • gained an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls • reviewed year-end payroll reconciliation and check that amounts in the accounts are reconciled to ledger and through to payroll reports • agreed payroll related accruals (e.g. unpaid leave accrual) to supporting documents. • completed substantive analytical procedures on payroll data From the audit procedures completed we are satisfied that employee remuneration balances disclosed in the financial statements are free from material misstatement.
6	**Operating expenses** Non-pay expenses on other goods and services also represents a significant percentage 67% of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. We identified completeness of non- pay expenses as a risk requiring particular audit attention:	**Auditor commentary** We have: • evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness • gained an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls • documented the accruals process and challenge underlying assumptions, source date and basis for calculation • tested a sample of payments and ensure that they have been charged in the appropriate year • reviewed the year end accounts payable reconciliation and investigate significant reconciling items. From the audit procedures completed we are satisfied that operating expenses disclosed in the financial statements are free from material misstatement.

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Other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

	Issue	Commentary	Auditor view
1	**Consideration of accounting for defined benefit pension liabilities** Where a service organisation becomes a scheme employer or admission body to the LGPS, the pension liability will sit with the new employer unless a tripartite agreement is in place to restrict the new employer's obligations to the scheme to making fixed contributions. It is this tripartite agreement that sets out the shared understanding between the company, Local Authority and also the Administering Authority of the Pension Scheme, of where the actuarial/investment risk lies. It demonstrates which party is considered responsible by the Pension Fund, for any obligations to meet a shortfall expected in the plan assets to cover the post employment benefit obligations.	Cheshire East Council has a number of wholly owned companies who are each separate employers in the Cheshire Local Government Pension Scheme. When the companies were first set up, a pension settlement was negotiated under which the Companies were not responsible for the past service pension liability at the time of the transfer. The Council allocated assets to the company sufficient to cover the past service liabilities at the point of formation. The Council and Companies put together a revised arrangement with the intent of transferring the actuarial and investment risk back to the Council with effect from 1 April 2015. This was actioned through a Deed of Variation for each company that was an agreement between each Company and the Council. From 2015/16 onwards each company accounted for their pension transactions as a defined contribution scheme and the Council accounted for the combined defined benefit pension liability for the Council and its wholly owned companies in its single entity accounts. Accounting for the defined benefit pension liability under IAS 19, the Council applied the statutory override to replace the IAS costs in the CIES with the actual contributions (for the Council and the Companies) as a charge against the general fund. Our review has found that a tripartite agreement does not exist which would formalise this arrangement between the Council, the Companies and the Pension Fund. The Council used the Deeds of Variation to amend the terms of the various Agency Agreements between each Company and the Council. The terms were such that the Company would pay the pension fund the rates as determined on triennial valuation, but that any additional costs levied by the Regulations and payable by the Company to the pension fund would be the responsibility of the Council. In this way the Company would only be exposed to a fixed rate of contribution. The Council therefore considers that actuarial and investment risk is retained by the Council and is accounting for the defined benefit pension liability for the wholly owned companies along with the Council's own liability as part of the single entity accounts.	• We have considered the evidence the Council has presented to us in respect to this arrangement and we can see that there was clear intent to put in place a legally enforceable arrangement that transferred the actuarial and investment risk relating to the defined benefit pension scheme back to the Council with effect from 1 April 2015. • The pension fund was privy to the arrangement which has been documented through various communication between the Council and the administering authority and through their part in ensuring that a consolidated actuarial report was provided for the Council and its wholly owned companies • We recommend that the Council regularises this arrangement ensuring that there is a tripartite agreement in place between the Council, the companies and the pension fund.

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Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Government grants and contributions are recognised in the Comprehensive Income an Expenditure Account when there is reasonable assurance that the payment will be received and conditions will be satisfied. • Revenue is included in the accounts on an accruals basis, apart from minor cash income which is shown when the income is incurred. • Sales, fees, charges and rend due from customers are accounted for as income at the date the Council provides the relevant goods and services. • Where income has been recognised but cash has not been received a debtor is recorded in the Balance Sheet. Where it is doubtful he debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.	We are satisfied that the policy is appropriate and in line with sector guidance, the CIPFA Code of Practice and Industry norms.	
Judgements and estimates	• Key estimates and judgements include – Useful life of PPE – Revaluations – Impairments – Accruals – Valuation of pension fund net liability – Provision for NNDR appeals – Other provisions	We have reviewed the adequacy and implementation of the key estimates and judgements included in the Council's financial statements and are satisfied that the policies are in line with sector guidance, CIPFA Code of Practice and industry norms.	
Other critical policies		We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	

Assessment

- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit and Governance Committee who confirmed there to be no material fraud. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
2	**Matters in relation to related parties**	• We are not aware of any related parties or related party transactions which have not been disclosed
3	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	**Written representations**	• A standard letter of representation has been requested from the Council, including specific representations in respect of the Group
5	**Confirmation requests from third parties**	• We obtained positive direct confirmations from PWLB, and other banks for loans and investment balances
6	**Disclosures**	• Our review found no material omissions in the financial statements. The Council have made a number of changes to reflect the matters identified by our audit work and the details of these are detailed from page 22 onwards.

Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Other information**	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect – refer to appendix E
2	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
3	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold of we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. • Note that work is not yet completed and the planned timescale for the work will be completed when we received the updated consolidation pack for examination. We will bring any matters arising from our review to the attention of the Audit and Governance Committee.
4	**Certification of the closure of the audit**	We do not expect to be able to certify the completion of the 2017/18 audit of Cheshire East Council in our auditor’s report, as detailed in Appendix E as matters relevant to the financial statements have been raised which are yet to be resolved.

Value for Money

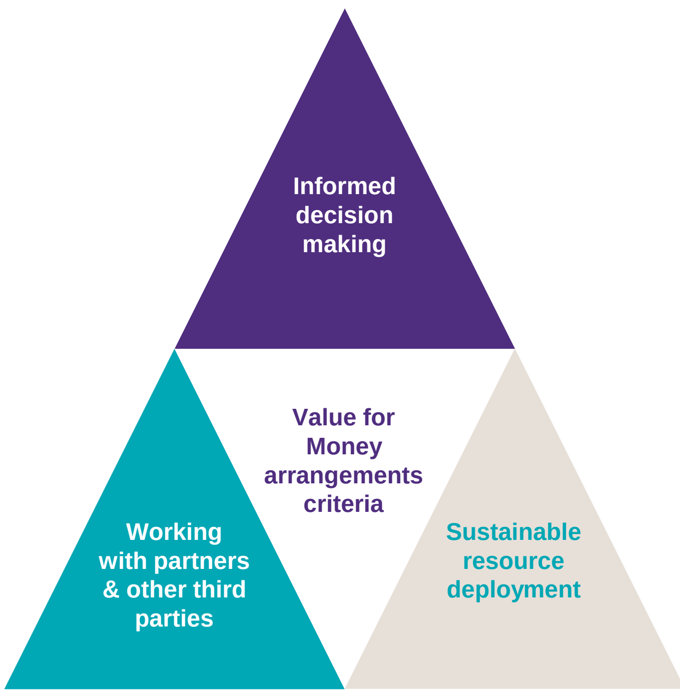
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated March 2018.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council continues to operate under temporary senior management arrangements affecting the statutory posts of Chief Executive as Head of Paid Service, the S151 Officer, the Monitoring Officer, as a neutral act, whilst proper procedures are being followed for an independent investigation
- The Council is also investigating a number of weakness in the operation of its decision making arrangements identified in reviews conducted by internal Audit.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 15 to 17.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that except for the matter we identified in respect of inadequate arrangements for demonstrating and applying the principles and values of good governance to support informed decision-making, the Council had proper arrangements in all significant respects. We therefore propose to give a qualified 'except for' conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The text of our proposed report can be found at Appendix E.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
1	**Impact of historic governance matters** During 2017/18 the Council has embarked on a number of reviews of its governance arrangements in specific areas. These are reflected in the prior years' AGS and the update report to the Audit and Governance Committee. During the year, the Council put temporary senior management arrangements in place affecting the statutory posts of Chief Executive as Head of Paid Service, the S151 Officer, the Monitoring Officer whilst proper procedures were followed for independent investigation regarding these officers. The underlying governance issues that gave rise to these reviews is not relevant to the 2017/18 VFM conclusion. However the actions being taken to move forward, to ensure weakness are identified and appropriately addressed are relevant to this consideration. The Council needs to demonstrate that it has addressed these historic governance matters, whilst not being distracted from the necessary focus on the delivery of its strategic objectives and its financial plans which presents a challenge to the current management team. We propose to review the Council's understanding of the underlying issues and the actions being taken to mitigate these risks, through review of reports and discussion with key officers.	• In 2017/18 the Council had an Executive Leadership Team (ELT) in place which was composed of an acting Chief Executive Officer, an acting Deputy Chief Executive Officer, an Interim Executive Director/S151 Officer and an acting Executive Director for People. • The Council is not in a position to make permanent appointments to these roles until current investigations are concluded or until individuals involved in these investigations resign. • Although Chief Executive has resigned in July 2018, the Council will have to go though a process of appointment to fulfil this role on a permanent basis. • The Chair of the IDC was asked to step down following certain matters. • Furthermore, In April 2018 a number of potential data breaches were reported to the Information Commissioners Office. • Discussions with the Monitoring Officer have noted that during the year there were 3 statutory officers and a former cabinet member who have disciplinary procedures against them and 5 matters have been referred to the police. • In addition to these investigations there are other historic matters that have been brought to our attention that Internal Audit are investigating.	The current level of investigations from prior years and experiences from this year are sufficient evidence of weaknesses in the Council's arrangements for acting in the public interest and a basis for us to qualify our VFM conclusions. We have concluded that given the issues facing the Council, arrangements for demonstrating and applying the principles and values of good governance to support informed decision-making are inadequate

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Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
2	**Planning finances effectively** The Council has historically managed its finances well and has consistently achieved financial targets. The quarterly reviews reported to the Corporate Overview & Scrutiny Committee and Cabinet detail potential financial deficits in 2017/18. The overspends are prevalent in relation to Social Care. A range of measures to reduce the outturn position against the 2017/18 have been introduced, along with a forecast transfer from earmarked reserves to maintain general reserves at the required risk based level (in accordance with the Reserves Strategy approved in February 2017). We propose to review the Council's understanding of the underlying issues and the actions being taken to mitigate these risks, through review of budgetary information, subsequent monitoring reports and discussion with key officers.	As reported in September 2017 financial outturn reports, financial pressures could have led to a deficit of £17m for the Council. However, the Council was able to introduce actions which enabled them to deliver a balanced outturn. The financial pressures originated mainly from the People Directorate, where Children and Adult service demands exceeded original forecasts, and also increased financial pressures in Waste Services, Planning and Transport. Although it was a challenging year for the Council, like all local authorities due to pressures of rising inflation, increased demand for services and continuing reductions in government funding, the financial outturn for the Council is balanced for 2017/18 with gross income matching gross expenditure meaning general reserves remain unchanged at £10.3M. In June 2018 the Council has updated its forecasting for 2019/20, it increased the budget gap and has also now identified further efficiencies to address this deficit based on reducing budgets for some service lines, using contingency funds, receipts and additional funding from Business Rates, Council tax and New Homes Bonus. The Council has also revised budget assumptions so that the People, Place and Corporate services will identify further savings and following these measures the Council is now planning to achieve a balanced budget for 2019/20 and does not intend to use any of its general reserves to mitigate any shortfall. For 2020/21 the Council is still to refresh the budget position but is confident of reducing the remaining unidentified budget requirement to have an in year balanced budget.	From our review of the financial out turn of the Council and plans for 2019/20 and 2020/21 we are satisfied that the Council has adequate plans to manage its financial risks and there are no material financial uncertainties which impact the Council to operate as a going concern.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
3	**Working effectively with its partners** The local health organisations and local authorities have worked together to agree three key improvement priorities to jointly deliver in order to drive forward the necessary transformation and improvement of the health and care services across Cheshire. The three priorities are integrated commissioning, integrated provisions and sustainable hospital services across Cheshire. The work to design and implement an integrated health and care commissioning and delivery system is taking place against the backdrop of significant financial challenges in the local health economy and continuing demand pressures on social care services. Working with partners from different organisations and service areas with potentially conflicting priorities, and particular financial challenges means that projects are increasingly complex and high profile. This represents a continuing risk to the VFM conclusion as we need to understand the arrangements that the Council has to contribute to this process and to mitigate the risks to its resources. We propose to gain an understanding of the role that the Council is playing to contribute to change in the local health economy and to move forward with the effective integration of health and social care. We will discuss this with key officers and review the project management and assurance frameworks established by the Council to establish how it is identifying, managing and monitoring these risks.	The NHS Cheshire and Merseyside STP acts as the system manager for monitoring arrangements across health services within Cheshire and Merseyside. The role of the system manger is to hold organisations and partnerships accounts for delivery, with a focus of the development and implementation of integrated care, looking at the cross working of Council and third sector bodies. Within the Cheshire East geography, Cheshire East Health and Care Place Based partnership has been formed through the merger of the Caring Together and Connecting Care Transformation Programmes, this was established in February 2018. The Council has representation on the board meetings for these working programmes, which include attendance of meetings by the acting Chief Executive, acting Executive Director of People and other officers from the Council. The Audit and Governance Committee is updated with the progression of health and care arrangements by the Corporate Manger Health Improvement. Currently there are no STP out-turn reports to review, with the first report to be issued after August 2018. However, the system management board programme review group receive updates from the work-stream leads. The Health and Wellbeing Board also receives regular updates on key activity. In 2017/18 the Council has contributed to the process and continues to reflect on any risks to it and how it will mitigate and manage these. However, in the future it is critical that the Council continues to be effectively involved and influence the further developments in the STP and wider health economy.	We are satisfied that the Council continues to make arrangements around its involvement in the wider health economy. We are satisfied that there is a clearly indication of governance and oversight arrangements being incorporated by the Council and proper arrangements for working effectively with partners towards the sustainability of adult health and social care services.

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Independence and ethics

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified.

The amounts detailed on the subsequent page are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.
None of the services provided are subject to contingent fees.

Independence and ethics

Service	£	Threats	Safeguards
Audit related			
Reasonable assurance report for teachers pension return	4,800	Self Interest Threat	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,800 in comparison to the total fee for the audit of £154,590 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
CFO Insights (3 year Subscription from 2017/18)	27,000	Self Interest and Self Review	Nature of the service presents low threat to independence as CFO Insights is an online software service offering that enables users to rapidly analyse, segment and visualise all the key data relating to the financial performance of a local authority. The financial data, revenue outturn and budget data is provided by CIPFA and the socio-economic data is drawn from Place Analytics. The data is contextualised using a range of socio-economic indicators enabling the Council to understand its relative performance. No value for money opinion threat.
Post liquidation services connected with the members voluntary liquidation of Cosocius (50% of the fee as it relates to the Joint Venture between the Council and Cheshire West and Chester Council)	1,893	Management and Self Review Threat	The entity had already asked for the service to be provided before the NAO issued Auditor Guidance Note 01. Our assessment of threats to independence demonstrated that it was permitted under ethical requirements applicable when we commenced the work, and the safeguards continue to be applied.
Corporate tax compliance services for work relating to 2016/17, carried out during the financial year 2017/18.	8,950	Self-Interest (because this was a recurring fee, this being the final year) and self-review	The Cheshire East companies had engaged this service before the NAO reissued Auditor Guidance Note (AGN) 01 and so this service is provided for the year ended 31 March 2017 only. The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £8,950 in comparison to the total fee for the audit of £154,590 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level. A separate engagement team from the corporate tax team is used in undertaking the audit to reduce the self review threat to an acceptable level. The work carried out is not deemed material to the group audit.

Action plan

We have identified recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	● Low	• We have identified that in preparation of the Comprehensive Income and Expenditure Statements (CIES) there have been errors in the reporting of internal recharges. This was also an issue in 2016/17. • In addition, we identified that adjustments to remove internal recharges from the CIES are made as manual adjustments outside the Oracle ledger, which presents a risk that incorrect gross income and expenditure figures are reported.	• We recommend that the Council looks at its process of identifying internal recharges and the manner by which these are adjusted for in producing the Comprehensive Income and Expenditure Statement, to ensure it correctly reflects and eliminates recharges in subsequent years.
2	● Medium	• The Council undertook a process of completing a desktop revaluation of assets which were not formally valued in year to ascertain whether their valuation was materially different from their carrying value per the balance sheet. It was identified that there were material differences, which resulted in the Council having to carry out further valuations in the year. Once procedures were completed the Council was able to demonstrate that a difference of £6.8m remained which is below our materiality.	• We recommend that the Council considers the results of desktop valuations early and where it identifies material differences engages valuation of assets promptly.
3	● Medium	• Our review of data sent to the pension actuary for valuation identified that four schools that transferred and became academies at or before the balance sheet date of 31/03/2018 were not treated as bulk transfers out by the actuarial report. We noted that there was a similar issues in 2016/17.	• We recommend that the Council improves its process in regards to the reporting of bulk transfers out of the pension scheme, to ensure the correct updated data is sent to the actuary.
4	● Medium	IT Control - Segregation of duties conflicts • We performed a review of the access rights, known as responsibilities, assigned to users within Oracle E-Business Suite. High risk segregation of duties conflicts were identified. A full report has been provided to IT and security for review.	• A review of configuration of all responsibilities in use within Oracle EBS should be undertaken. This review should be driven by the business with IT support. We have provided the Oracle system administrator with the detailed outputs of our work to facilitate this. Responsibilities should be redesigned to reduce the number of segregation of duties conflicts within the system (Inherent conflicts). • Where management have decided to accept the risk of the segregation of duties conflicts, this should be formally documented. • From last year's audit results we have seen an improvement in the reduction of users with conflicts.

Controls
- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

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Action plan (continued)

	Assessment	Issue and risk	Recommendations
5	●	In establishing its pensions 'pass through' arrangements with its companies the Council and each of its companies used a 'bipartite' deed of variation to document their agreement. The pensions Fund was aware of and involved with this process at the time the arrangements were established. Recent evidence at other councils suggests a greater degree of agreement should be put in place between all parties, ideally through a 'tripartite agreement'.	More formal recognition should be obtained from the Pensions Fund that it accepts the full retention of actuarial and investment risk by the Council regarding the employees of the Council's various companies.

Controls
- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of Cheshire East Council's 2016/17 financial statements, which resulted in recommendations being reported in our 2016/17 Audit Findings report.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	• In 2016/17 we found that the approval for two termination packages were not signed by the relevant Portfolio Holder, Director of Finance and Head of HR. The approval reports were however signed by the Service Manager, Finance Lead and Head of service. Management assert the forms were signed by the relevant Portfolio Holder, Director of Finance and Head of HR, but that these copies cannot be located or were no retained. This indicates a procedural weakness in the lack of retention of key council documents; in this case those approving termination benefits, which should have been retained for business purposes. • The reports provided do confirm that the amounts of termination benefits disclosed in the accounts are fairly stated.	• We have noted through are testing in 2017/18 that all termination benefits sample tested were adequately supported and authorised.
2	✓	• Our audit testing for unrecorded liabilities identified a transaction where although the invoice is dated early March and the goods were received in 2016/17 the Council did not identify this as a liability at the year end, through the usual mechanisms. • We consider that this is a lapse in the processes and controls that the Council has in place to identify those transactions where goods have been received but no yet paid for at the year end.	• In our testing for 2017/18 we did not identify any similar issues.

Assessment
✓ Action completed
X Not yet addressed

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Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
1	The Council had included a forward payment made to the Pension fund in respect of its employer pension contributions for the 18/19 and 19/20 financial years in its accounts, amounting to £31.84m. This amount was recognised as a debtor (prepayment) on the Council's balance sheet. However, as the Council cannot demand to receive the money back, the forward payment is not a valid debtor/prepayment.		**Cr Debtors** 31,840 **Dr Net Pension Liability** 31,840	
2	For assets which had not been formally valued in year the Council engaged a desktop valuation to be carried out by external valuers to ascertain where the fair value of assets of assets not valued in the year were materially different from their carrying value per the balance sheet. The results of the desktop valuation showed that there was a material difference between the fair value and carrying value of assets of £16m. The Council subsequently engaged a further full valuation of some of these assets which resulted in changes to the asset valuations. As a result of the procedures carried out there was a £6.8m difference between the carrying value of assets and the fair value of assets which is below our materiality thresholds, and therefore does not require any further adjustments or consideration.		**Dr Fixed Assets** 10,868 **Dr Capital Adjustment Account** 2,577 **Cr Revaluation Reserve** 13,445	
3	Audit procedures carried out identified that there were errors in relation to internal recharges, which had been overstated by £6.1m and consequently this amount was erroneously removed from the Comprehensive Income and Expenditure Statements. This resulted in both gross income and expenditure reported in the Group and Council accounts being understated by £6.1m. Overall there was no impact on the net position of the statements.	**Cr Income** 6,000 **Dr Expenditure** 6,000		
	Overall impact	£nil	£nil	£nil

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Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Note 20 Officer's Remuneration – Senior Employees	Audit testing identified errors in the non-school staff numbers disclosed in specific remuneration bands. - £55k to £60k incorrectly disclosed as 22 officers instead of 21 - £70k to £75k incorrectly disclosed as 5 officers instead of 6 - £90k to £95k incorrectly disclosed as 3 officers instead of 4	• We recommend that the Council amends the note so that the bandings are presented in line supporting records	✓
Note 21 Termination Benefits	In our testing of Note 21 Termination Benefits disclosures we identified a difference of £2k between the total severance costs per the client's working papers which was £212k and the figure disclosed in the Note of £210k	• We recommend that the Council amends the note to be consistent with underlying records and calculations in respect of the termination.	✓
Note 24 Grant Income	A balance relating to Revenue Support Grant Income of £13,415k was omitted from the disclosure note, however, was correctly included in the Comprehensive Income and Expenditure Statement	• We recommend that the Council amends the note to include the Revenue Support Grant	✓
Note 24 Grant Income	We noted through our testing that the Capital Grants Receipts in Advance of £16,696k were not disclosed in the note, however, was correctly included in the Comprehensive Income and Expenditure Statement	• We recommend that the Council amends the note to include Capital Grants Receipts in Advance	

Audit Adjustments

Presentation and Disclosure Errors	We have carried out a detailed review of the financial statements and have made recommendations for the council to expand and/or remove extraneous information in the financial statements. These areas include • Introduction to the group statement of accounts • Narrative report • Group statements • Note 7 financial instruments • Note 12 Provision (had been excluded in draft accounts) • Note 14 - Cashflow statement - operating activities • Note 17 - Nature of Expenses (Segmental Reporting) • Note 21 - Termination Benefits • Note 26 - Defined Benefit Pension Scheme • Note 29 - Related Parties • Note 30 - Interest in Other Companies and Entities • Note 36 - Accounting Standards • Note 39 Pooled Budgets	• We recommend that the Council amends the narrative in these notes and remove any extraneous information which is not required in the financial statements.	✓

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Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit Fees	Proposed fee	Final fee
Council Audit Fee	£154,590	£154,590
Variation to scale fee in respect to Sleep in Payments	£9,135	TBC Fee Subject to PSAA approval
Grant Certification	£13,608	£13,608
External audit fees for the wholly owned companies		
- Cheshire East Residents First (CERF) Ltd	£3,500	£3,500
- Ansa Environmental Services Ltd	£12,250	£12,600
- Alliance Environmental Services Ltd (subsidiary of Ansa Environmental)	£6,500	£6,700
- Orbitas Bereavement Services Ltd	£6,500	£6,700
- Transport Service Solutions Ltd	£10,500	£10,800
- Engine of the North Ltd	£6,500	£6,700
- Civicance Ltd	£6,500	£6,700
- The Skills and Growth Company Ltd	£6,500	£8,500
Total audit fees (excluding VAT)	**£222,475**	**£TBC**

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA) Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'. The council were granted an in year refund from PSAA of £23,000 for the Council audit fee.

Non Audit Fees Fees for other services	Fees £'000
Audit related services:	
Non-audit services	
• Reasonable Assurance report for teachers pension return	£4,800
• CFO Insights, 3 year subscription from 2017/18	£27,000
• Post liquidation services connected with Cosocious (50% of the fee)	£1,893
• Corporate tax compliance services for work relating to 2016/17, carried out in 2017/18	£8,950

We note that there are some differences presented in Note 23 in the single entity and Note 5 of the group financial statements, which we do not consider material, see below;

- CFO Insights should be listed in the council accounts as well as group accounts
- The £10k 'fees payable for additional work commissioned by the Council', this relates to the scale fee as part of the audit
- The grant fees include £14k and the £5k for teacher's pension work

Audit opinion

We anticipate we will provide the Group with an unqualified opinion on its accounts but a qualified 'expect for' conclusion on its Value for Money arrangements

Independent auditor's report to the members of Cheshire East Council

Report on the Audit of the Financial Statements

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Who we are reporting to

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

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

- the Interim Executive Director of Corporate Services (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Interim Executive Director of Corporate Services (Section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Interim Executive Director of Corporate Services (Section 151 Officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the group and Authority financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard..

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

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

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We have nothing to report in this regard.

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

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

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Interim Executive Director of Corporate Services (Section 151 Officer) and Those Charged with Governance for the financial statements

As explained more fully 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 Interim Executive Director of Corporate Services (Section 151 Officer). The Interim Executive Director of Corporate Services (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Interim Executive Director of Corporate Services (Section 151 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 Interim Executive Director of Corporate Services (Section 151 Officer) is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Authority.

The Audit and Governance Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Qualified Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller & Auditor General in November 2017, except for the effects of the matters described in the basis for qualified conclusion section of our report, we are satisfied that, in all significant respects, Cheshire East Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018

Basis for qualified conclusion

In considering the Authority's arrangements for securing efficiency, economy and effectiveness we identified the following matters:

The Authority has operated throughout the year of audit with interim senior management arrangements in place as a result of ongoing disciplinary proceedings involving senior officers.

Investigations by the Authority's internal audit team have provided evidence of a number of historic weaknesses in the Authority's arrangements for implementing and sustaining sufficient and appropriate governance processes throughout the organisation.

These matters are evidence of weaknesses in proper arrangements for acting in the public interest, through demonstrating and applying the principles and values of sound governance.

Responsibilities of the Authority

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

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

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

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

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

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed;

- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2018.
- our consideration of matters brought to our attention

We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

JD Roberts
Jonathan Roberts
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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31 July 2018

Grant Thornton

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Appendix B – Action Plan Management Response

Recommendation	Response
We recommend that the Council looks at its process of identifying internal recharges and the manner by which these are adjusted for in producing the Comprehensive Income and Expenditure Statement, to ensure it correctly reflects and eliminates recharges in subsequent years.	Agreed. The Council is working on a revised Chart of Accounts as part of the implementation of Business World which will improve the process of identifying internal recharges.
We recommend that the Council considers the results of desktop valuations early and where it identifies material differences engages valuation of assets promptly.	Agreed. This will be built into the timetable.
We recommend that the Council improves its process in regards to the reporting of bulk transfers out of the pension scheme, to ensure the correct updated data is sent to the actuary.	Agreed. The process for reporting the transfers out of the pension scheme for academy conversions will be reviewed.
A review of configuration of all responsibilities in use within Oracle EBS should be undertaken. This review should be driven by the business with IT support. We have provided the Oracle system administrator with the detailed outputs of our work to facilitate this. Responsibilities should be redesigned to reduce the number of segregation of duties conflicts within the system (Inherent conflicts). •Where management have decided to accept the risk of the segregation of duties conflicts, this should be formally documented. •From last year's audit results we have seen an improvement in the reduction of users with conflicts.	Agreed. The Council is working on user responsibilities as part of the implementation of Business World.
More formal recognition should be obtained from the Pensions Fund that it accepts the full retention of actuarial and investment risk by the Council regarding the employees of the Council's various companies.	This has been noted and will be given further consideration.

Appendix B – Action Plan Management Response

Cheshire East Council

Chief Executive's Office
Westfields
c/o Municipal Buildings
Earle Street
Crewe
Cheshire
CW1 2BJ

Tel: 01270 686644
jan.willis@cheshireeast.gov.uk
www.cheshireeast.gov.uk

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

DATE: 31 July 2018

Dear Sirs

Cheshire East Council
Group Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of Cheshire East Council and its subsidiary undertakings, shown in appendix 1 of this letter, for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the group and parent Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Group Financial Statements

i We have fulfilled our responsibilities for the preparation of the group and parent Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the group and parent Council financial statements are fairly presented in accordance therewith.

ii We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group and parent Council financial statements.

iii The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.

iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi Except as disclosed in the group and parent Council financial statements:
a there are no unrecorded liabilities, actual or contingent
b none of the assets of the group and parent Council has been assigned, pledged or mortgaged
c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix All events subsequent to the date of the group and parent Council financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached in Appendix 2. We have not adjusted the group and parent Council financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and parent Council and its financial position at the year.

The group and parent Council financial statements are free of material misstatements, including omissions.

xii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.

xiv We believe that the group and parent Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent Council's needs. We believe that no further disclosures relating to the group and parent Council's ability to continue as a going concern need to be made in the financial statements.

xv The Council retains all investment actuarial risk in relation to the defined benefit pension liabilities for the employees of the subsidiary companies.

Information Provided

xvi We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the group and parent Council financial statements such as records, documentation and other matters;
b. additional information that you have requested from us for the purpose of your audit; and
c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xvii We have communicated to you all deficiencies in internal control of which management is aware.

xviii All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.

xix We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.

xx We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and parent Council and involves:

a. management;
b. employees who have significant roles in internal control; or
c. others where the fraud could have a material effect on the group and parent Council financial statements.

xxi We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, analysts, regulators or others.

xxii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii We have disclosed to you the identity of the group and parent Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Council financial statements.

Annual Governance Statement

xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

i The disclosures within the Narrative Report fairly reflect our understanding of the group and parent Council's financial and operating performance over the period covered by the group and parent Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 31 July 2018.

Yours faithfully

Name. JAN WILLIS

Position. INTERIM EXECUTIVE DIRECTOR CORPORATE SERVICES

Date. 31-7-2018

Name. GORDON BAXENDALE

Position. CHAIRMAN of AUDIT & GOVERNANCE COMMITTEE

Date. 31-7-2018

Signed on behalf of the Governing Body

Appendix 1

Cheshire East Council Subsidiaries

ANSA Environmental services Limited

Cheshire East First Limited

Civicance Limited

Engine of the North Limited

Orbitas Bereavement Services Limited

Tatton Park Limited

The Skills and Growth Company Limited

Transport Service Solutions Limited

Appendix 2

Unadjusted misstatements

In relation to assets not valued during the year, audit procedures carried out identified there was a residual £6.8m difference between the carrying value of these assets and their estimated fair value.

Audit & Governance Committee

Date of Meeting: 31 July 2018

Report Title: Statement of Accounts 2017/18

Portfolio Holder: Cllr Paul Bates

Senior Officer: Jan Willis, Interim Executive Director of Corporate Services

1. Report Summary

1.1. The 2017/18 Statement of Accounts provides information on the financial assets and transactions of the Cheshire East Group for the period 1st April 2017 to 31st March 2018.

1.2. At the Audit and Governance Committee meeting on 31st May 2018 Members received a presentation setting out the key elements of the Council's pre-audit Statement of Accounts for 2017/18. The external audit of these Accounts is now complete and the external auditors, Grant Thornton anticipate providing an unqualified opinion.

2. Recommendation/s

2.1. That member receive the report and note the changes to the draft Accounts in accordance with the Audit Findings Report.

2.2. That the Chairman of Audit and Governance Committee be given delegated authority to sign off the final Accounts on behalf of the Committee.

3. Reasons for Recommendation/s

3.1. To ensure compliance with the Accounts and Audit Regulations 2015.

4. Other Options Considered

4.1. Not applicable

5. Background

5.1. The amendments reported in Appendix C of the Audit Findings Report have been agreed and reflected in the final Statement of Accounts.

5.2. The main changes affect the Council's Comprehensive Income and Expenditure Statement (CIES) relating in the main to the additional asset valuations that were commissioned during the audit and the Balance sheet that now reflects the correct accounting for the Pension Deficit prepayment.

5.3. The amendments affected the deficit on the provision of services but no change to the movement in the General Fund Balances.

Next Steps

5.4. The final audited version of the Statement of Accounts will be published on the Cheshire East website in accordance with the statutory deadline of 31st July 2018 following receipt of the necessary approvals.

6. Implications of the Recommendations

6.1. **Legal Implications**

- There are no legal implications identified.

6.2. **Finance Implications**

- As covered in the report.

6.3. **Policy Implications**

- There are no policy implications identified.

6.4. **Equality Implications**

- There are no equality implications identified.

6.5. **Human Resources Implications**

- There are no human resources implications identified.

6.6. **Risk Management Implications**

- The Local Government Act 2003 and the Local Government and Housing Act 1989 require the Statement of Accounts to be produced in line with recommended accounting practices.

6.7. **Rural Communities Implications**

- There are no direct implications for rural communities.

6.8. **Implications for Children & Young People**

- There are no direct implications for children and young people.

6.9. **Public Health Implications**

- There are no direct implications for public health.

7. Ward Members Affected

7.1. Not applicable.

8. Access to Information

8.1. The Statement of Accounts 2017/18 will be made available on the Cheshire East website.

9. Contact Information

9.1. Any questions relating to this report should be directed to the following officer:

Name: Joanne Wilcox

Job Title: Financial Strategy and Reporting Manager

Email: Joanne.wilcox@cheshireeast.gov.uk

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Contents

Introduction to the 2017/18 Group Statement of Accounts

Welcome to the consolidated group accounts for Cheshire East Council, and its operating subsidiaries.

The Group has had another successful year in 2017/18, providing much needed services to Cheshire East residents and operating within a tight budgetary framework. Achievements against the Council's Corporate Plan and the wider group business plans have helped continue to keep Cheshire East a great place to live, work and visit.

The Council achieved a balanced outturn for 2017/18, meaning the general reserve closed at an unchanged level of £10.3m. This is despite the fact that 2017/18 presented a challenging year as revenue budgets came under severe pressure due to the combined effects of rising inflation, increased demand for services and continuing reductions in government funding.

The Council's companies produced an overall profit of £0.8m in 2017/18, prior to contractual profit sharing. This was made up of surpluses achieved on the efficient delivery of services to the Council (£0.6m) and commercial returns from services supplied to external customers (£0.2m).

The 2017/18 accounts show gross expenditure of £702.0m with usable revenue reserves decreasing overall by £2.2m. The Group's capital expenditure was £88.2m, which included spend on key schemes such as the Best4Business programme (£3.5m), Schools Improvement Programme (£8.5m) and the Highways Investment Programme (£10m).

The strength and creative design of the Group's delivery arrangements is reflected in the Group's excellent operational achievements that benefit residents, businesses and visitors. These include:

Schools – The percentage achieving English and Maths GCSEs (grade 5 to 9) in 2017/18 was above the national average and second in the North West.

HS2 – The Council undertook a consultation on the Crewe HS2 Masterplan Vision, and continues to work collaboratively with Government and Network Rail to develop a preferred concept for an enhanced Hub station.

Carers – We launched the Cheshire East Carers & Young Carers Hub; a new information and support service to help carers of all ages fulfil their caring responsibilities and still enjoy a healthy life.

Waste – The Environmental Hub is now fully open and as a result we have ended landfilling waste as the primary means of disposal.

National awards - The Council's parks once again secured 'Green Flag' awards, and Tatton Park and Queens Park in Crewe also received the Green Heritage Award.

Looking ahead, the Group's ambition is to become 'self-financing' and independent of central government support. Reforms to business rates, which are currently being considered by Government, could in fact make this position a reality in the medium term. Strong economic performance, backed with high growth in housing, has helped attract Government funding for infrastructure and the Council's ambitious capital programme will see several major highway schemes commence in 2018-2021.

The Council will also be reviewing the arrangements for its wholly owned companies, as the companies have now been operation for several years it appears timely to reflect on the effectiveness of the current structure.

The statements and supporting material demonstrate effective governance and good stewardship of public funds. The statements are subject to an independent review and external audit by Grant Thornton UK LLP, the audit is due to be completed by the end of July in accordance with the revised statutory deadline.

These statements will help the reader understand the Group's finances and allow them to be compared with other local authorities. This report should give electors, local residents, Members, partners, other stakeholders and interested parties confidence that public money received and spent by the Council is properly accounted for and that its financial standing is secure and resilient for the future.

The narrative report covers:

- General information on the Group, the Council and a financial overview;
- Information on where expenditure was incurred and sources of income in 2017/18;
- Commentary on the financial statements; and
- Future opportunities and challenges for the Group and the Council.

Paul Bates

Cllr Paul Bates
Finance Portfolio Holder

Jan Willis

Jan Willis MBA CPFA
Interim Executive Director of Corporate Services

Narrative Report

An introduction to Cheshire East, the place

Cheshire East Council is an all-purpose 'unitary' local authority providing key public services to over 370,000 local residents in Northwest England. The borders include the towns of Macclesfield, Congleton and Crewe. The area lies within the historic County of Cheshire between the urban areas of Manchester to the North and Stoke-on-Trent to the South.

Cheshire East covers a largely rural area of approximately 117,000 hectares, this makes the Council one of the largest local authorities in England; maintaining the area as a green and sustainable place is one of the Council's planned outcomes.

The Council operates a commissioning model which matches the best fit provider in terms of quality and cost to meet the needs of residents. The Group now consists of the Council and its wholly owned companies and associate. The accounts for all these organisations, where significant, are combined with the Council's accounts to produce the Cheshire East Group accounts.

The Group is focused on achieving outcomes, in line with the Corporate Plan 2017 to 2020, by providing quality local services, within a commercially focused ethos that maximises value for money for local taxpayers.

Cheshire East Council is a multifunctional and complex organisation; its policies are developed by elected Councillors and implemented by professional officers.

The vast majority of services delivered by the Group focus on local residents and businesses.

During 2017/18 one company, partially owned by the Council, – Cheshire and Warrington Local Enterprise Partnership Limited - also provided services to residents of Cheshire West and Chester and Warrington and are jointly owned with those Councils.

The most significant services provided by the Group are:

- Social Care
- Education
- Planning
- Highways
- Waste Management
- Economic Regeneration

Cheshire East, the people

Population: Office for National Statistics Mid-Year Estimates for 2016 shows an estimated population of 377,100. Cheshire East has a relatively older population than average, with 28.3% of the population aged 60+. This figure is much higher than the national average of 23.4% and is reflected in the Council's targeted outcome to support people to live well and for longer.

Economy: Having a strong local economy is key to the Council's ambition to build economic growth; as is developing life skills to help people thrive and reach their potential. Economic data tells us:

- Cheshire East's current unemployment rate is significantly below the regional and national averages. In 2017, 5,600 of Cheshire East residents were unemployed (not in work, but available and actively looking for work). This equates to 3.1% of the economically active population aged 16 and above and compares to 4.4% for the North West and also 4.4% for

Great Britain, for the same time period. It is also lower than in Cheshire West & Chester (3.8%).

- Claim rates are also relatively low, with 3,440 of Cheshire East's residents claiming out-of-work benefits as at March 2018 which equates to only 1.5% of the Borough's working-age (16-64 year-olds) population. This is significantly lower than the levels for Cheshire West & Chester, the North West and the UK (1.9%, 2.7% and 2.1% respectively). For the Borough's 18-24 year-olds, the claimant rate is 2.4%. This is higher than for other age groups (0.2% for 16-17 year-olds, 1.6% for 25-49s and 1.2% for 50-64s), but is below the current rates for Cheshire West & Chester (3.0%), the North West (3.8%) and the UK (3.0%).

- Cheshire East's median household income was estimated to be £35,800, or 16.2% above the UK median (£30,800) and 31.7% higher than the North West (£27,200). At settlement level, income is below the UK median in two of the Borough's 24 main towns and settlements: Crewe (£26,300, or 14.7% below the UK and 26.6% below the Cheshire East median) and Handforth (£30,300, or 1.8% less than the UK and 15.5% short of the Cheshire East median). At the other end of the spectrum, median household income exceeds £55,000 in three of these 24 towns and settlements: Prestbury (£65,100), Alderley Edge (£59,000) and Goostrey (£56,200).

Government changes to business rate retention and council tax support schemes directly affect the financial health of the Group, and local economic results show how increased commercial development and reduced unemployment help put the Group in a strong position.

The Political Structure of the Council

As a politically led organisation Cheshire East has 82 elected members selected from 52 wards. The electorate in Cheshire East is one of the largest in the UK with almost 300,000 registered voters. Council Elections take place every four years.

Elections last took place in May 2015 and are due again in 2019. The Council is led by a Conservative overall majority.

	2017/18
Conservative	51
Labour	16
Liberal Democrat	2
Independent or Other	13

The Council operates a Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The requirements of the Act are such that the Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of portfolios and the delegation of executive functions.

Councillor Rachel Bailey is the Leader of the Council and heads a Cabinet which consists of seven portfolio holders. The Council also has an annually appointed Mayor for civic functions; the Mayor for the period up to 31st March 2018 was Councillor Arthur Moran.

The Cheshire East Council Group Structure

Cheshire East Borough Council is by far the largest service provider of the Group. It is important to recognise that the Council is a Local Authority whereas the other members of the Group are limited companies which are either wholly or partially owned by the Council. The Council must produce a balanced annual budget and aims to spend within that total. The private companies on the other hand are able to focus on providing a profit. Residents of Cheshire East benefit from this approach as any profit shares retained by the subsidiaries are also retained by the Group and can increase overall value for money.

Cheshire East Residents First Limited (CERF) is the largest shareholder for Ansa Environmental Services Limited, Transport Service Solutions Limited, Engine of the North Limited, Orbitas Bereavement Services Limited, Civicance Limited and The Skills and Growth Company. CERF owns an 80% shareholding in these companies with the remaining 20% being retained by Cheshire East Council. CERF is wholly owned by Cheshire East Council and acts as a holding company for the council owned companies.

The Group Management Structure (2017/18)

The 2017/18 management structure is based on a commissioning model. The Council owns the companies within the Group either wholly or in part, but each company is a single entity with its own governance arrangements which then reports in to the Council's governance arrangements.

Supporting the work of elected Members is the organisational structure of the Council headed by the Executive Leadership Team (ELT). This is made up of the Council's most senior officers and ensures that the key Statutory Officers are represented at the most senior level of the Council.

Company	Role	Name
Cheshire East Council (Gross Revenue Spend £605m; Capital Spend £88m)	**Acting Chief Executive** (Head of Paid Service)	**Kathryn O'Dwyer**
	Executive Directors:	
	• **People** (Acting) • **Place** (and Acting Deputy Chief Executive)	**Mark Palethorpe** **Frank Jordan**
	• **Corporate** (Interim)	**Jan Willis**
	• **Acting Director of Legal Services and Monitoring Officer**	**Dan Dickinson**
Wholly Owned Subsidiaries: 2017/18 position		
Cheshire East Residents First (CERF)	**Chairman**	**Cllr David Brown**
Ansa Environment Services Limited (Turnover £34.5m)	**Chairman** **Managing Director**	**Cllr John Hammond** **Kevin Melling**
Transport Service Solutions Limited (Turnover £16.4m)	**Chairman** **Managing Director**	**Cllr Gail Wait** **Kevin Melling**
Engine of the North Limited (Turnover £1.4m)	**Chairman** **Managing Director**	**Cllr Jamie Macrae** **Mark Thompson**
Orbitas Bereavement Services Limited	**Chairman** **Managing Director**	**Cllr David Marren** **Kevin Melling**

Company	Role	Name
(Turnover £1.8m)		
Civicance Limited (Turnover £1.8)	**Chairman** **Managing Director**	**Cllr Andrew Kolker** **Ian Bunn**
The Skills and Growth Company (Turnover £2.2m)	**Chairman** **Managing Director**	**Cllr George Hayes** **Julian Cobley**
Tatton Park Enterprise Limited[1] (Turnover £1.1m)	**Chair** **Directors**	**Cllr Jamie Macrae** **Cllr George Walton** **Brendan Flanagan**
Associate:		
Cheshire & Warrington Local Enterprise Partnership Limited[1]	**Chair** **Chief Executive**	**Christine Gaskell, MBE, DL** **Philip Cox**

Note 1: Accounts for TPE & C&WLEP are not consolidated in 2017/18 on the grounds of materiality.

With effect from 25th May 2017 the Executive Leadership Team consisted of Kath O'Dwyer (Acting CEO), Frank Jordan (ED for Place and acting Deputy CEO), Peter Bates (COO), Mark Palethorpe (Acting ED for People) and Jan Willis (Director of Finance & Procurement and CFO). Dan Dickinson is also Acting Director of Legal Services and Monitoring Officer. With effect from 4th December 2017 Jan Willis was temporarily appointed as Interim Executive Director of Corporate Services following the suspension of the Chief Operating Officer.

On the 9th July 2018 the council's Chief Executive, Mike Suarez, tendered his resignation with immediate effect. The current interim management arrangements remain in place.

The subsidiary companies are led by management boards. These consist of a Managing Director, a Chairman and Directors. The Chairman and two directors are appointed from the elected representatives of the Council. The subsidiary Companies report regularly to the CERF board which holds public meetings at least twice a year.

For a more complete list of appointments and further details on each organisation within the Cheshire East Group please refer to the following websites:

Cheshire East Borough Council	www.cheshireeast.gov.uk
Ansa Environmental Services Limited	www.ansa.co.uk
Engine of the North Limited	www.Engine of the North.co.uk
Civicance Limited	www.civicance.co.uk
The Skills and Growth Company	www.skillsandgrowth.co.uk
Cheshire & Warrington Enterprise Partnership Limited	Cheshire & Warrington LEP

Accounts for Tatton Park Enterprise Limited will be published on the Tatton Park website: www.tattonpark.org.uk

Everybody Sport and Leisure Trust (ESAR) was established in 2014/15 through a formation of a trust that took over the leisure service functions previously provided by the Council. ESAR, with its trust status, is not a subsidiary of the Council and has been excluded from the group. For more information please refer to the following website: www.everybody.org.uk/

Accounts for each of the private companies within the Cheshire East Group will also be provided to Companies House as required.
(website: https://www.gov.uk/government/organisations/companies-house)

The Group has appropriate governance and control arrangements in place to support the proper management of resources. Each year the Council provides an Annual Governance Statement that highlights how effective the processes and controls are during the year. The Audit and Governance Committee receive the Statement and consider any actions put in place in response to any issues being highlighted. It is important to read this Statement, which can be found on the Council's website alongside the Group Statement of Accounts to appreciate the proportionate level of control being exercised over the resources of the Group.

Group Employees

The Group employs a total of 4,100 people (excluding school based employees).

	No.*	%
Cheshire East Council	3,588	87.5
Ansa Environmental Services Limited (ANSA)	349	8.5
Transport Service Solutions Limited (TSS)	62	1.5
Civicance Limited	42	1.0
Orbitas, Bereavement Services Limited	33	0.8
The Skills and Growth Company (SAGC)	26	0.7
Total	**4,100**	**100.0**

**No. represents an average workforce for the year*

Engine of the North (EOTN) does not directly employ staff; its human resources including management are provided by Cheshire East Borough Council and by commissioning the services of development surveyors and other professionals from the external market.

The Corporate Plan

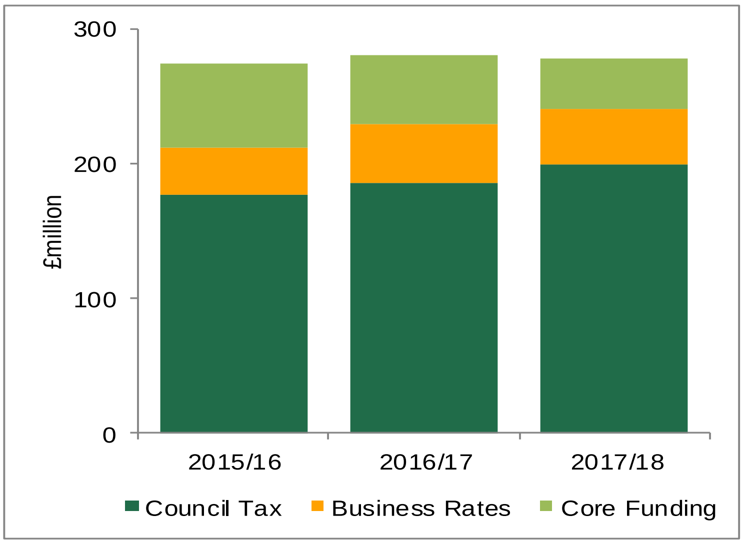
The Corporate Plan 2017-2020 sets out five clear residents focused outcomes, underpinned by a sixth outcome based on delivering a responsible and efficient way of working.

The corporate plan was approved by Council, in February 2017. Measurable achievements within each outcome are reported to members and published on a quarterly basis. Quarterly reports were provided to Cabinet and can be found on the Council's website: www.cheshireeast.gov.uk

Financial Overview

In common with the rest of local government, the Council has seen a steady reduction in its core funding from Central Government, however compared to most other English authorities, Cheshire East is less reliant on government revenue grant as local businesses and residents provide a high proportion of the overall funding.

Chart A: Most of the Council's funding comes from local tax payers

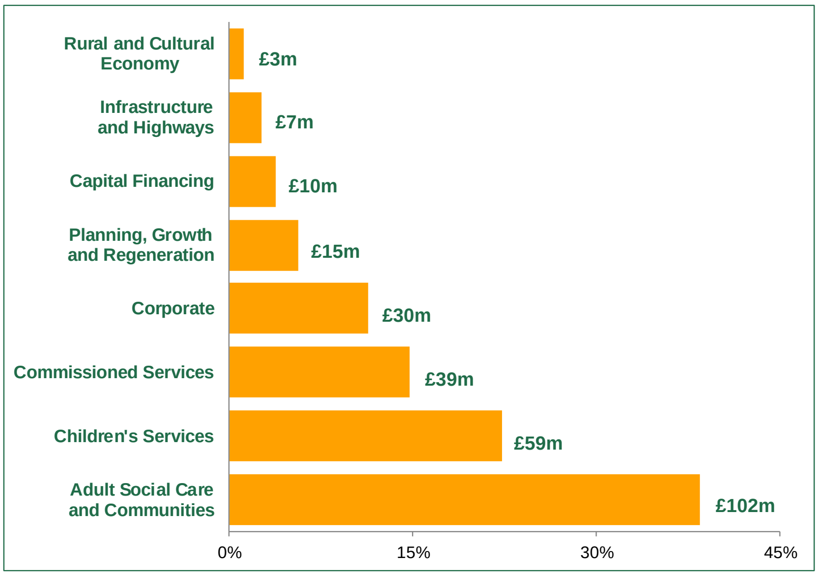


Most of the Council's £265m Net Budget is allocated to Social Care

The Council invests in a wide range of service providers. Most of the money is spent on achieving social care and community outcomes. The difficult decisions to prioritise and allocate resources to commissioned services mainly rests with elected Members.

The significant majority of education funding however, is passed directly to maintained schools and payment of welfare benefits, although administered by the Council, are claimed back from the government. At present public health expenditure is also ring-fenced for spending on public health services.

Chart B: Services for Children and Adults make up over 60% of the Council's expenditure



Revenue Outturn position

The Group's strong financial position as at 31st March 2018 reflects its innovative delivery arrangements and effective stewardship of public money. Controlled spending during the year provided the flexibility to create earmarked reserves and fund additional capital investment.

The overall financial outturn includes:

- A net nil variance against budget by commissioning and enabling services of Cheshire East Council. This is an improved position of £0.1m against the forecast published at the Third Quarter, which informed the budget setting for 2017/18; and

- a net profit of £0.833m from the wholly owned subsidiary companies of the Cheshire East Group. This shows a consolidated strong performance from the Council's wholly owned companies, with most companies recording profits and increasing the strength of their respective balance sheets.

Overall revenue reserves of the Group have decreased from £64.6m to £62.4m. This is made up primarily from:

- General reserves for Cheshire East Council of £10.3m, which remain at the same position as reported at 31st March 2017.

- Earmarked reserves for Cheshire East Council of £47.0m.

- Schools reserves and balances of £4.4m.

The overall value of reserves is at a level that is sufficient to continue to protect the Group against its assessed financial risks and also to provide opportunities for future investment.

In 2017/18 the Council opted to utilise flexibility in the use of Capital Receipts to support the revenue position. A number of transformational projects were funded from receipts including the reconfiguration of the commissioning and operations staffing teams in Adults Services and the setting up of a Joint Venture (Alliance) which has been created in partnership with Ansa, High Peak Borough Council and Staffordshire Moorlands District Council. Associated set up costs of Alliance will be paid back on a commercial basis over the duration of the contract.

Each of the single entities of the Group will be separately audited by Grant Thornton UK LLP. Any findings will be reported to the relevant board or the Audit and Governance committee and reported on the website of each part of the Group.

The Council produces an Outturn Report for the year that reflects the Council's financial and non-financial performance. The report which includes the narrative to the Statement of Accounts, alongside additional information, reported to Cabinet on 12th June 2018 can be found on the Council's website: www.cheshireeast.gov.uk

Summary details of the relative management accounts for each entity within the Group are as follows:

Cheshire East Council reported a final outturn position of £265.2m.

2017/18 FINAL OUTTURN (Gross Revenue Budget £605.2m)	Revised Budget (net) £m	Final Outturn Position £m	Over / (Under) spend £m
Service Directorates			
Adult Social Care	95.6	100.0	4.4
Children's Services	56.4	58.6	2.2
Public Health Communities	2.7	2.4	(0.3)
People	**154.7**	**161.0**	**6.3**
Growth and Regeneration	14.3	14.5	0.2
Infrastructure and Highways (incl. Car Parking)	7.5	6.7	(0.8)
Planning and Sustainable Development	0.5	0.4	(0.1)
Rural and Cultural Economy	2.6	3.1	0.5
Place Commissioning	8.8	9.0	0.2
Place	**33.7**	**33.7**	**0.0**
Corporate and Central Services	31.4	31.3	(0.1)
Corporate Commissioning	29.9	30.5	0.6
Corporate	**61.3**	**61.8**	**0.5**
Total Services Net Budget	**249.7**	**256.5**	**6.8**
Central Budgets			
Capital Financing	14.0	9.9	(4.1)
Transfer to Earmarked Reserves	(0.1)	1.3	1.4
Transfer from Earmarked Reserves (to balances)	0	(3.1)	(3.1)
Corporate Contributions / Central Budgets	1.2	0.6	(0.6)
Total Central Budgets	**15.1**	**8.7**	**(6.4)**
TOTAL NET BUDGET	**264.8**	**265.2**	**0.4**
Central Budgets			
Business Rates	(41.0)	(41.0)	0
Revenue Support Grant	(13.4)	(13.4)	0
Specific Grants	(18.0)	(18.4)	(0.4)
Council Tax	(191.1)	(191.1)	0
Sourced from Collection Fund	(1.3)	(1.3)	0
Total Central Budgets Funding	**(264.8)**	**265.2**	**(0.4)**
NET POSITION	**0**	**0**	**0**

The wholly owned subsidiaries reported an overall profit.

Company	Turnover £000	Costs £000	Operating Profit/(Loss) £000	Interest Payable & Taxation £000	Net Profit /(Loss) £000	Retained Share Accruals* £000	Shareholder Profit/ (Loss) £000
ANSA	34,518	34,094	424	155	269	96	173
TSS	16,389	16,361	28	15	13	0	13
SAGC	2,230	2,098	132	5	127	81	46
Orbitas	1,814	1,725	89	21	68	50	18
Civicance	1,841	1,471	370	(1)	371	272	99
EOTN	1,481	1,496	(15)	0	(15)	0	(15)
Total	**58,273**	**57,245**	**1,028**	**195**	**833**	**499**	**334**

*Note: The Retained Share Accruals are in accordance with contractual obligations and the funds are allocated to the Council's Trading Earmarked Reserve.

Performance Overview

The Council's outcomes, as described in the Corporate Plan, are achieved through a combination of commissioners and providers meeting and exceeding performance ambition. Some of the key issues that have affected the level of service expenditure and performance against outcomes during the year are summarised below.

People

Notable successes this year include:

A high proportion of parents/carers were given their first choice of school for their child in September. For primary applications this is a slight increase on last year's figure, with a total of 92% receiving their first choice. Secondary school first choice applications were also up on last year's figure to 94% (compared to a 2017 national average of 83.5%)

A revised Health and Wellbeing Strategy was consulted on, informing a final draft for presentation to the Health and Wellbeing Board

In 2017/18 88 organisations received £155,913 of funding contributing to £1,134,963 worth of community projects

(2016/17 94 organisations received £170,351 contributing to £2,881,992 worth of community projects)

The North West Quarterly Performance Report on adult social care showed Cheshire East performing above the North West average for adults with a learning disability in paid employment 5.9% for Cheshire East (2016/17 3.3%) and 3.3% for the North West (2016/17 3.4%) and above the NW average for service users self-directed support (92.2% for CE and 84.9% for the NW)

The People Directorate net expenditure outturn of £161.0m is £6.3m higher than budget.

The Adult Social Care (Operations and Commissioning) and Public Health and Communities budgets remains under continued pressure across the country. The pressure here in Cheshire East comes from a combination of factors, which have been building over a number of years, and relate to meeting the needs of our most vulnerable residents. This accounts for the most significant variance with an overspend against budget of £4.4m. Adult Social Care Commissioning is responding to this challenge by commissioning the care at home and care with accommodation market to ensure there is a better offer to service users and more certainly for providers. In addition to this the Adult Social Care Commissioners are also looking to introduce an Early Help Framework to support better outcomes in the Voluntary, Community and Faith sectors.

The number of cared for children stood at 473 at 31st March 2018, having stayed at broadly that level since July 2017 which is positive. This is compared to 387 in March 2016 and 422 in March 2017. This continues to place strain on existing budgets and has resulted in an overspend in this area of £3.2m. There are various smaller underspends in the Children's budget to mitigate this total down to £2.2m.

Place Directorate

Notable successes this year include:

During the year 2,270 (2016/17 1,904) home adaptations were made, and the team won the 'Home Adaptations Service of the Year' award at the annual Home Improvement Agency awards organised by Foundations, a national body funded by the Department for Communities and Local Government

A new report placed Cheshire East as the top performing area in the North West for 'economic wellbeing'. The 'Vibrant Economy Index', developed by Grant Thornton, measures economic wellbeing based on national statistics broken down into categories of: prosperity; dynamism and opportunity; inclusion and equality; health, wellbeing and happiness; resilience and sustainability; and community, trust and belonging

Latest data on the Visitor Economy in Cheshire East showed an increase since 2009 of 65% to £895m per annum. Figures also showed there were almost 16 million visitors to Cheshire East in 2016; a 36% increase since 2009

613 additional affordable homes were delivered in 2017/18, exceeding our annual target of 400. The Council's overall three-year target of achieving 1,050 affordable homes was significantly outperformed with 1,371 delivered

(2016/17 outturn of 398 delivered against annual target of 350 (with 758 delivered at end of year two towards three-year target)

The Place Directorate net expenditure outturn of £33.7m was on budget. However, within the department there have been some variances; the trading position for Tatton Park outturned with pressures of £0.4m; costs of appeals within Planning have continued to rise and are now £0.4m above budget; TSSL are reporting pressures relating to local bus services of £0.2m; and income from the investment portfolio has not been realised, creating an income shortfall of £0.3m.

Productivity and contract savings in 2017/18 totalled £2.8m for Place. £1.5m of savings against this target have been found to date and a further £1m has been covered by the use of earmarked reserves in year.

These pressures have been offset by holding staffing vacancies and reducing non essential contract spend across the directorate. Income levels have also increased particularly in Highways and Regulatory Services, to further alleviate the position.

Corporate Directorate

Notable successes this year include:

The Council achieved more awards wins and short listings than ever before in 2017/18, with 46 awards entries, 27 of which had been confirmed as shortlisted by the year-end

Considerable progress was made to support the Council's Equality and Diversity Strategy, including training of 47 Equality Champions

2017/18 was a record year for marriages in the Borough, with civil marriages/partnerships at over 2,000 (2016/17 1,919) for the first time in Cheshire East history

The Council successfully undertook the first major review of its Constitution since the Council was formed, and also reviewed all Schemes of Financial Delegation

The Corporate directorate net expenditure budget of £61.3m was overspent by £0.5m.

Corporate Commissioning reported an over spend of £0.6m. £0.5m of Ansa's identified contract savings of £0.9m have been delivered, but savings, linked to the move from landfill to waste to energy, as our main waste disposal route, have been deferred to 2018/19. There was a shortfall in market income of £0.2m due to the Crewe Town Centre Regeneration plans, and a small overspend of £0.1m within Customer Operations.

There were net underspends within Strategic Human Resources; Finance & Performance; ICT and Legal and Democratic that mitagated this position in part.

Notable Corporate Commissioning successes this year include:

Once again there was an increase in time dedicated to the crucial role of support to local sports clubs and events with 6,995 volunteer hours being given in 2017/18 against the target of 6,742 hours (2016/17 6,675 hours)

Attendances at Council leisure facilities rose by 11.7% to over 3.3 million (2016/17 3.0m)

Our annual recycling rate for 2016/17 was confirmed at 55.2%, (2015/16 55.3%) placing us in the top 10% of all authorities in England

Changes in Pension Estimates

Due to the scale of the pension assets (£1.3bn) and liabilities (£1.6bn) detailed in the Accounts, even small percentage changes in assumptions regarding their value can have a noticeable impact on the reported position.

In 2017/18 the net pension liability (deficit) reported in the Accounts has decreased by £88.6m.

Detailed actuarial valuations are carried out every three years and the formal valuations for English and Welsh LGPS Funds were concluded as at 31st March 2016. The balance sheet position and charge to Profit and Loss for 2017/18 are based on the 2016 formal valuation. To avoid potentially significant annual impacts on the levels of Council Tax, the Council continues to manage pension liabilities by agreeing longer term changes in the employer contribution rates as part of the planning for the Medium Term Financial Strategy. Three year contributions were also pre-paid in 2017 to reduce overall costs.

Council Tax

Cheshire East collects Council Tax on behalf of the Cheshire Police and Crime Commissioner, the Cheshire Fire Authority and Parish Councils in addition to its own requirement. The total budgeted collectable amount for 2017/18 was £232.2m. The carried forward surplus on the Council Tax Collection Fund at the end of 2017/18 is £2.2m.

The Council Tax in-year collection rate for 2017/18 is 98.24%, maintaining the previous year's performance. The strong economy in Cheshire East also contributed to an increase in the overall tax base of 1.4% (from 142,186.60 to 144,201.51).

Business Rates

Cheshire East collects Business Rates for the whole area and the income is split 49% to Cheshire East, 50% to the Ministry of Housing, Communities and Local Government (MHCLG) and 1% to the Cheshire Fire Authority. The total budgeted collectable amount for 2017/18 was £131.6m as per the NNDR1 return. The carried forward surplus on the Business Rates Collection Fund at the end of 2017/18 is £1.6m.

Cheshire East Council is in a pooling arrangement with the Greater Manchester (GM) Authorities (also includes Cheshire West and Chester from 2016/17) to maximise business rate retention locally and support the economic regeneration of Greater Manchester and Cheshire Councils. Pool members are entitled to retain the levy charge on growth that would normally be paid over to Central Government. Cheshire East retained 50% of this levy charge locally (£0.5m) before paying the remaining half over to the pool.

The Cheshire and GM Pool are also taking part in a pilot scheme where the pool is now able to retain locally the 50% of “additional growth” in business rates which in the usual Business Rates Retention Scheme would be paid directly to MHCLG. Cheshire East are due to receive £0.1m for this growth and this will be set aside in the Collection Fund Management Reserve.

The Business Rates in-year collection rate for 2017/18 is 98.32% which is an increase of 0.65% compared to the same period in 2016/17.

Financial Overview - Capital Programme

Capital expenditure represents money spent by the Group on purchasing, upgrading and improving assets that will be of benefit to the community over many years.

Total capital expenditure in 2017/18 was £88.2m compared to the budget of £120.4m. A further £12.9m was spent on the Council’s contribution to the South East Manchester Multi Modal Strategy, with matched grant funding from the Greater Manchester Combined Authority. The new relief road straddles Stockport MBC and Manchester City Council boundaries as well as Cheshire East: www.semmms.info/

The forecast for planned spend is updated throughout the year and published in the Quarterly Reviews of Performance. During 2017/18 a number of major projects have either completed or got under way including the Best4Business Programme (£3.5m), Schools Improvement Programme (£8.5m), Connecting Cheshire Phase 2 (£1.2m) and the Highways Investment Programme (£10m).

Since the start of 2017/18 slippage on the capital programme has been measured on schemes that are classed as committed as these schemes were forecast to incure expenditure during 2017/18. Slippage has totalled £27.0m, with the main areas being within the ICT projects (£6.7m), Highways and Infrastructure (£7.7m), Growth and Regeneration (£7.3m), Corporate Environment Commissioning Projects (£2.8m) and Schools programme (£1.0m).

Capital receipts in year amounted to £6.8m from the sale of surplus assets, including Redsands (£3.5m), Wilmslow Cemetery Lodge (£0.4m), various land sales (£0.6m) and former housing right to buy and VAT shelter receipts (£1.5m).

The Council has been very successful by attracting £37.5m of grant funding and external contributions for capital improvements. This minimises the impact of reducing the funding available for other services such as social care.

The Council has an ambitious capital programme with the highest spending in Infrastructure and Highways

	Outturn	Three Year Plan (as per MTFS)			Total
	2017/18	2018/19	2019/20	2020/21	
Expenditure	£m	£m	£m	£m	£m
Children and Families	9.6	30.9	2.2	2.2	**35.3**
Adults, Public Health & Communities	0.1	0.0	0.0	0.0	**0.0**
Infrastructure and Highways	42.8	52.3	85.7	59.3	**197.3**
Growth and Regeneration	9.0	10.3	15.1	15.6	**41.0**
Rural and Cultural Economy	1.9	1.8	1.2	0.1	**3.1**
Client Commissioning	11.3	15.8	14.0	0.0	**29.8**
ICT Services	11.4	13.0	3.6	0.0	**16.6**
Corporate	2.1	3.0	0.0	0.0	**3.0**
Total Expenditure	**88.2**	**127.1**	**121.8**	**77.2**	**326.1**
Funding					
Grants and Other Contributions	37.5	67.5	103.3	51.5	**222.3**
Capital Receipts and Reserves	0.7	4.3	4.2	10.0	**18.5**
Borrowing	50.0	55.3	14.3	15.7	**85.3**
Total Funding	**88.2**	**127.1**	**121.8**	**77.2**	**326.1**

Protecting Against Risks

The Council has a risk management framework with hierarchical risk registers forming part of the process which operate at strategic, operational and project levels. Emerging significant risks are escalated to senior members and/or officers, as appropriate, in line with the potential likelihood and impact of the risk upon objectives. Formal reports with regard to the risk management process are made throughout the year to senior officers and members.

During the year the corporate risk register has been reviewed and maintained to ensure that the corporate risks remain relevant and that risk interdependencies are understood. Operational risk registers have also been developed and included in team plans and risk management refresher training has been undertaken with officers and members as and when required.

The Council's key corporate risks recognise potential threats from increasing demand for services and overstretched resources and the Council's financial resilience. The corporate risk register includes measures for countering fraud and corruption, and risks that may arise as a result of partnership working. The risks recognise that austerity and economic conditions affecting the Council's key partners may potentially give rise to events that could have a negative impact upon the Council's ability to achieve its objectives.

Narrative Report – Expenditure and Income Commentary

Explanation of the financial statements

The Accounts and Audit (England) Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. These Statements are prepared in accordance with 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).

The group accounts have been prepared in accordance with IFRS which require that the financial statements of the reporting authority (Cheshire East Council) and its subsidiaries and associates shall be prepared as of the same date.

Subsidiaries have been consolidated into the Group Accounts on a line by line basis incorporating their income and expenditure fully in the relevant service revenue accounts. Note 31 provides further details of the various companies in which the Council has an interest. Tatton Park Enterprises Limited and Cheshire & Warrington Enterprise Partnership Limited have been excluded from Cheshire East Council group accounts on the grounds of materiality.

The statements contain a number of elements which are explained below.

The Group Financial Statements

Movement in Reserves Statement - this shows the movement in the year on the different reserves held by the Group, analysed into ‘usable reserves’ (those that can be applied to fund expenditure or reduce local taxation) and other reserves. Usable reserves include the Capital Grants Unapplied Account which are grants received but not yet utilised.

The ‘Surplus or (Deficit) on the provision of services’ line shows the true economic cost of providing the Group’s services, which is shown in more detail in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes.

The ‘Net Increase / Decrease before Transfers to Earmarked Reserves’ line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

The Group’s long term strategy is to hold appropriate levels of general reserves to provide funds for investment and to protect the Group against financial risks.

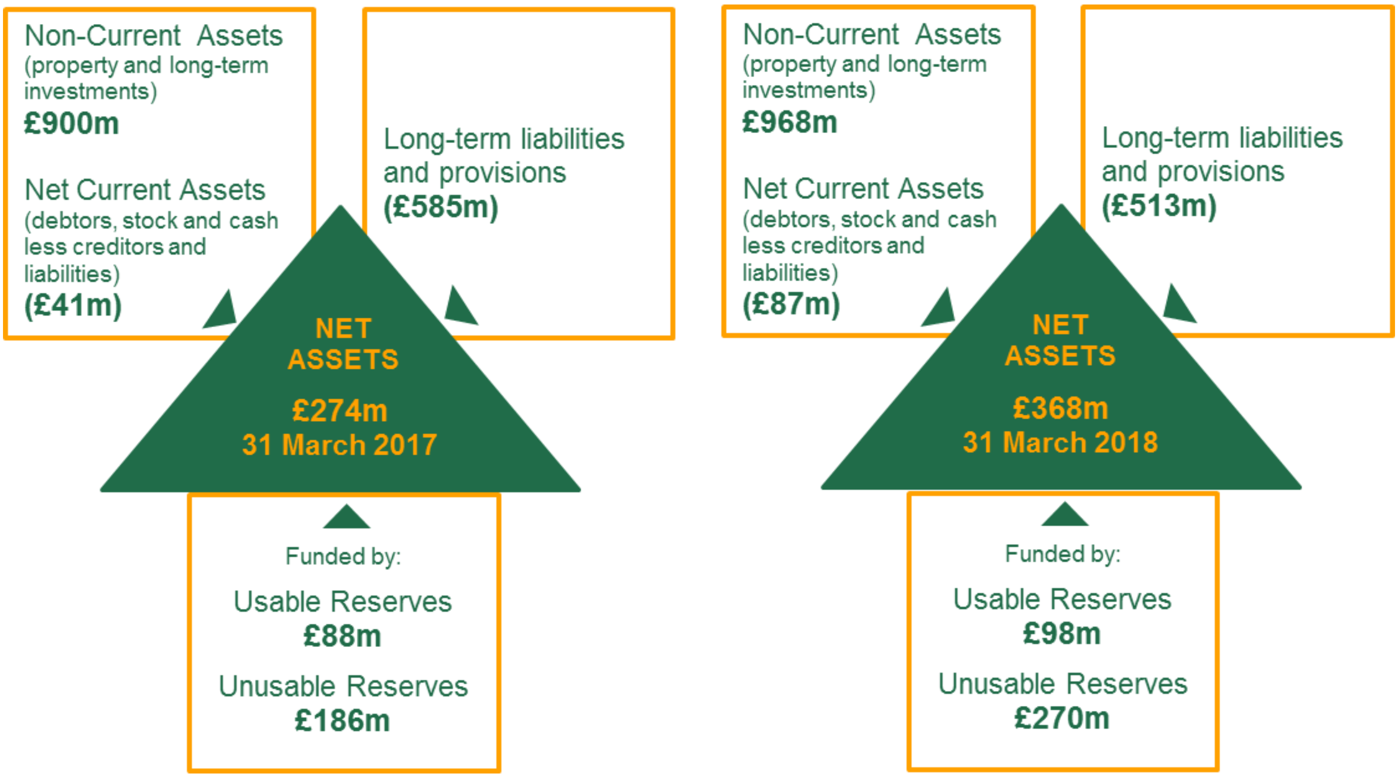
General (£10.3m) and Earmarked reserves (£51.5m including Schools) have decreased in 2017/18 to £62.4m. The overall level of reserves is adequate to continue to protect the Group against financial risks and to provide opportunities for investment in the medium term. The impact of rising demand for services, the economic climate, emerging Government policies (particularly in relation to business rates), and pressure on public services to reduce overall expenditure are relevant, and these present the potential for significant emerging risk. The minimum target level of reserves is quantified by a detailed risk assessment. This approach allows the Council to take account of local circumstances and the impact of economic forecasts.

Comprehensive Income and Expenditure Statement – this statement reflects the sum of all income, expenditure, gains and losses incurred by the Group in the last 12 months and explains how the Balance Sheet position has changed between the two financial years. This statement shows the financial position in accordance with accounting practice which means that the costs include notional charges for items such as depreciation, impairment, capital grants and capital charges.

In 2017/18 there is a surplus on the provision of services of £10.2m.

Balance Sheet – this shows the value of the Group's asset and liabilities at the balance sheet date. These are matched by reserves which are split into two categories: usable and unusable reserves. Usable reserves (e.g. General Fund and earmarked reserves) can be used to support services or to reduce local taxation. Unusable reserves arise out of the interaction of legislation and proper accounting practice, either to store revaluation gains or as adjustment accounts to reconcile accounting requirements driven by reporting standards to statutory requirements. These reserves are not resource-backed and cannot be used for any other purpose.

Chart C: The Council maintains a strong balance sheet despite the financial challenges.



Cash Flow Statement – this shows the changes in the Council's cash and cash equivalents during the reporting period. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Cash balances at the end of March 2018 have decreased by £9.3m to (£5.1m), compared to the closing balance of £14.4m at March 2017.

The level of cash balances reduced substantially during 2017/18 due to the decision to pay past service pension deficit contributions for the next three years in one advance payment of £45m in April 2017. The need for additional borrowing has therefore increased however the discount available from early payment more than offsets the costs of borrowing. The advice from our treasury advisors, Arlingclose has been to borrow short term from other local authorities, rather than take out long term loans with PWLB as short-term interest rates are currently lower than long-term rates, and it is likely to be more cost effective in the short-term to borrow short-term loans instead.

Collection Fund – this is an agent's statement that reflects the statutory obligation for Cheshire East Council, in its capacity as a billing authority, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and the distribution to local authorities and the Government.

Statement of Responsibilities - this sets out the respective responsibilities of the Authority and the Interim Executive Director of Corporate Services.

Independent Auditor's Report – gives the auditor's opinion of the financial statements and of the authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Narrative Report - Future Opportunities and Challenges

Medium Term Financial Strategy 2018/19 – 2021/22

Like most local authorities the Council had significant budget deficits to tackle over the medium term, caused by major grant reductions in local government funding. This is Central Government's clear strategy to try to deal with the scale of the national deficit. Our local response to these pressures continues to focus on innovation and creativity with a clear emphasis on improving efficiency, productivity and establishing more effective local service delivery arrangements.

The Council approved a Corporate Plan for the period 2017 to 2020 in February 2017. This has formed the basis for developing proposals within the Medium Term Financial Strategy. Progress against the Corporate Plan is monitored through quarterly reporting to Cabinet and Overview and Scrutiny Committees. The quarterly reports identify up to date financial and operational performance of the Council and show how the latest priorities are being managed to achieve the best outcomes for local residents.

Strong economic performance, backed with high growth in housing, has helped attract government funding for infrastructure, and continues to push the local authority in to a position where the cost of local authority services could be funded by local people and businesses. Reforms to business rates, which are currently being considered by government, could in fact make this position a reality in the medium term.

The Council's domestic and non-domestic tax bases are forecast to continue to grow in line with the Local Plan. The government continues to consult on the technical details for a possible move towards local government retaining 100% of the business rates collected, as opposed to the current split whereby HM Treasury retains 50% of the yield. The Provisional Local Government Finance Settlement in December 2017 announced that Local Authorities will start to retain 75% of their rates from 2020/21. The Council continues to be engaged in this consultation process, but recognises that the net impact on the local government finance sector is expected to be nil, as new responsibilities may well be transferred from other parts of the public sector if the overall funding package looks likely to increase.

In addition to changing the way some services are designed and delivered to mitigate rising costs, the Council is continuing to forecast increases in Council Tax each year over the medium term including 2018/19 (5.99%). This includes 3% ring-fenced specifically to help fund the rising costs of Adult Social Care. These increases reflect the change in national government policy that assumes Council Tax will be increased each year to 2020 as part of the medium term financial settlement for Local Government. The Council is not considering proposals that would trigger a referendum. Arranging service delivery in this climate is a challenge but the Council continues to work hard and engage residents and businesses on how services can be designed in a more affordable way to improve value for money.

The Council continues to challenge the way all services are commissioned. This relies on a strong approach to collaboration with partners, and one of the risks to the medium term provision of local services is therefore the financial stability of all parts of the public sector. Reform is essential to improve the productivity, efficiency and affordability of the overall public service offer. The Group will continue to explore opportunities for joining up public sector services, whether for the purpose of receiving more effective vital services or simply better value for money for the local tax payer.

In 2016/17 the auditors issued a qualified 'except for' conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. On the basis that:

- The Council has put in place temporary senior management arrangements affecting the statutory posts of Chief Executive as Head of Paid Service, the S151 Officer, the Monitoring Officer, as a neutral act, whilst proper procedures are being followed for independent investigations.
- The Council is also investigating a number of weakness in the operation of its historic decision making arrangements.

The internal disciplinary investigations and the results of Internal Audit's further investigations have meant that the audit certificate for the 2016/17 audit has not yet been issued. It is expected that the auditors will also issue an 'except for' conclusion in 2017/18 due to the ongoing investigations.

The Council is working on appropriate action to address these issues and we are satisfied that our plans will address the improvement areas identified in our review of effectiveness as set out in the Annual Governance Statement.

Acknowledgements

The production of the Statement of Accounts would not have been possible without the exceptional hard work and dedication of staff across the Council and its subsidiaries. I would like to express my gratitude to all colleagues, from my team and other services and organisations, who have assisted in the preparation of this document. I would also like to thank them for all their support and expertise during the 2017/18 financial year.

I hope you find this narrative and accompanying statements clear and informative. If you require any further information, please contact Cheshire East Customer Services on 0300 123 55 00 (all calls at local rates).

Jan Willis

Jan Willis MBA CPFA
Interim Executive Director of Corporate Services (Section 151 Officer)

The Group Statements

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves.

The 'Net Increase / (Decrease) before Transfers to Earmarked Reserves' line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.

Group Movement in Reserves 2017/18:

	Usable Reserves								
	General Fund Balance £000	Earmarked Reserves £000	General Fund Balances £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Subsidiary Reserves £000	**Total Usable Reserves** £000	Unusable Reserves £000	**Total Authority Reserves** £000
Opening balance at 1st April 2017	**10,316**	**54,043**	**64,359**	**0**	**23,165**	**267**	**87,791**	**186,349**	**274,140**
Movement in Reserves during 2017/18									
Group Surplus / (deficit) on provision of services	9,830	0	**9,830**	0	0	350	**10,180**	0	**10,180**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	**0**	83,999	**83,999**
Total Comprehensive Income and Expenditure	**9,830**	**0**	**9,830**	**0**	**0**	**350**	**10,180**	**83,999**	**94,179**
Adjustments between accounting basis and funding basis under regulations	(12,399)	0	**(12,399)**	4,030	8,169	0	**(200)**	200	**0**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**(2,569)**	**0**	**(2,569)**	**4,030**	**8,169**	**350**	**9,980**	**84,199**	**94,179**
Transfers to / from Earmarked Reserves	2,569	(2,569)	0	0	0	0	**0**	0	**0**
Increase / (Decrease) in Year	**0**	**(2,569)**	**(2,569)**	**4,030**	**8,169**	**350**	**9,980**	**84,199**	**94,179**
Closing Balance at 31st March 2018	**10,316**	**51,474**	**61,790**	**4,030**	**31,334**	**617**	**97,771**	**270,548**	**368,319**

Group Movement in Reserves 2016/17:

	Usable Reserves								
	General Fund Balance £000	Earmarked Reserves £000	General Fund Balances £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Subsidiary Reserves £000	**Total Usable Reserves** £000	Unusable Reserves £000	**Total Authority Reserves** £000
Opening balance at 1st April 2016	**13,006**	**61,391**	**74,397**	**0**	**19,002**	**266**	**93,665**	**268,056**	**361,721**
Movement in Reserves during 2016/17									
Group Surplus / (deficit) on provision of services	(11,875)	0	**(11,875)**	0	0	1	**(11,874)**	0	**(11,874)**
Other Comprehensive Income and Expenditure	0	0	**0**	0	0	0	**0**	(75,708)	**(75,708)**
Total Comprehensive Income and Expenditure	**(11,875)**	**0**	**(11,875)**	**0**	**0**	**1**	**(11,874)**	**(75,708)**	**(87,582)**
Adjustments between accounting basis and funding basis under regulations	1,837	0	**1,837**	0	4,163	0	**6,000**	(6,000)	**0**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**(10,038)**	**0**	**(10,038)**	**0**	**4,163**	**1**	**(5,874)**	**(81,708)**	**(87,582)**
Transfers to / from Earmarked Reserves	7,348	(7,348)	**0**	0	0	0	**0**	0	**0**
Increase / (Decrease) in Year	**(2,690)**	**(7,348)**	**(10,038)**	**0**	**4,163**	**1**	**(5,874)**	**(81,708)**	**(87,582)**
Closing Balance at 31st March 2017	**10,316**	**54,043**	**64,359**	**0**	**23,165**	**267**	**87,791**	**186,348**	**274,139**

Group Comprehensive Income and Expenditure Statement

This statement consolidates all the gains and losses experienced by the Council during the year showing the economic cost in year of providing services, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2016/17 (restated)				2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Directorate / Service	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
			People			
160,529	(55,621)	**104,908**	Adult Social Care and Health	157,032	(59,706)	**97,326**
228,578	(168,209)	**60,369**	Children's Services	219,986	(166,310)	**53,676**
3,513	(618)	**2,895**	Community and Partnerships	3,141	(864)	**2,277**
			Place			
26,104	(6,148)	**19,956**	Growth and Regeneration	27,385	(7,876)	**19,509**
32,047	(11,635)	**20,412**	Infrastructure and Highways	30,754	(10,575)	**20,179**
5,529	(6,479)	**(950)**	Planning and Sustainable Development	5,827	(7,011)	**(1,184)**
9,294	(5,816)	**3,478**	Rural and Cultural Economy	8,062	(4,912)	**3,150**
41,311	(2,935)	**38,376**	Place Commissioning	26,088	(4,153)	**21,935**
			Corporate and Central Services			
138,830	(102,526)	**36,304**	Corporate and Central Services	133,410	(96,436)	**36,974**
34,040	(11,276)	**22,764**	Corporate Commissioning	59,727	(10,559)	**49,168**
(3,854)	0	**(3,854)**	Central Budgets	(3,596)	0	**(3,596)**
675,921	**(371,263)**	**304,658**	**Cost of Services**	**667,816**	**(368,402)**	**299,414**
14,045	(2,505)	**11,540**	Other Operating Expenditure	6,908	(2,545)	**4,363**
45,603	(2,199)	**43,404**	Financing and Investment Income and Expenditure	26,227	(1,961)	**24,266**
33	0	**33**	Tax Expenses	58	0	**58**
0	(347,761)	**(347,761)**	Taxation and Non-specific Grant Income and Expenditure	995	(339,276)	**(338,281)**
735,602	**(723,728)**	**11,874**	**(Surplus) or Deficit on Provision of Services**	**702,004**	**(712,184)**	**(10,180)**
		(26,726)	(Surplus) or deficit on revaluation of non current assets			**(41,708)**
		(1,104)	(Surplus) or deficit on revaluation of available for sale financial assets			**(2,202)**
		103,413	Remeasurements of the net defined pensions benefit liability			**(40,089)**
		125	Share of other comprehensive income and expenditure of associates and joint ventures			**0**
		75,708	**Other Comprehensive Income and Expenditure**			**(83,999)**
		87,582	**Total Comprehensive Income and Expenditure**			**(94,179)**

Directorate	As reported in the Comprehensive Income and Expenditure Statement 2016/17 £000	Adjustments due to Management Restructure in 2017/18 £000	**Revised 2016/17 Position £000**
People			
Adult Social Care & Health	104,908	0	**104,908**
Children's Services	59,337	1,032	**60,369**
Community and Partnerships	4,231	(1,336)	**2,895**
Place			
Growth & Regeneration	7,306	12,650	**19,956**
Infrastructure and Highways	20,412	0	**20,412**
Planning and Sustainable Development	(2,285)	1,335	**(950)**
Rural and Cultural Economy	3,478	0	**3,478**
Place Commissioning	38,376	0	**38,376**
Corporate and Central Services			
Corporate and Central Services	49,985	(13,681)	**36,304**
Corporate Commissioning	22,764	0	**22,764**
Central Budgets	(3,854)	0	**(3,854)**
Net Cost of Services	**304,658**	**0**	**304,658**

To ensure consistency and that both financial years 2016/17 and 2017/18 are comparable we have restated 2016/17 reported figures as there was change in our management reporting and structure between Corporate and Central Services and both the People and Place Directorates during the financial year 2017/18. There was no change to the overall Net Cost of Services for 2016/17.

Group Balance Sheet as at 31st March 2018

This statement shows the Group's financial position at 31st March each year. The top part of the statement shows the assets and liabilities of the Group and the lower part shows the Group's reserves.

31st March 2017 £000		31st March 2018 £000
864,467	Property, Plant and Equipment	927,485
585	Heritage Assets	585
6,078	Investment Property	5,928
753	Intangible Assets	687
7,750	Assets held for sale	7,400
12,253	Long Term Investments	18,029
8,894	Long Term Debtors	8,349
900,780	**Long Term Assets**	968,463
10,742	Short Term Investments	11,777
775	Assets Held for Sale	925
647	Inventories	519
56,209	Short Term Debtors	60,160
14,422	Cash and Cash Equivalents	5,101
82,795	**Current Assets**	78,482
(20,886)	Short Term Borrowing	(62,306)
(95,803)	Short Term Creditors	(94,968)
(7,731)	Short Term Provisions	(8,002)
(124,420)	**Current Liabilities**	(165,276)
(4,587)	Long Term Provisions	(5,338)
(97,242)	Long Term Borrowing	(110,011)
(432,475)	Net Pensions Liability	(343,889)
(239)	Other Deferred Liabilities	(213)
(39,707)	Other Long Term Liabilities	(37,203)
(10,766)	Capital Grants Receipts in Advance	(16,696)
(585,016)	**Long Term Liabilities**	(513,350)
274,139	Net Assets	368,319

31st March 2017 £000		31st March 2018 £000
0	Capital Receipts Reserve	4,030
23,165	Capital Grants Unapplied	31,334
5,131	Earmarked Reserves and Balances held by Schools	4,443
48,912	Earmarked Reserves – General Fund	47,031
10,316	General Fund Reserve – Borough Fund	10,316
267	Profit and Loss Account	617
87,791	**Usable Reserves**	**97,771**
194,694	Revaluation Reserve	225,707
316	Available for Sale Reserve	2,518
426,742	Capital Adjustment Account	416,803
4,914	Capital Receipts Deferred	4,889
(1,441)	Financial Instrument Adjustment Account	(1,230)
(432,475)	Pensions Reserve	(375,728)
(340)	Collection Fund Adjustment Account	2,943
(6,062)	Accumulated Absences Account	(5,354)
0	Group Income and Expenditure Reserve	0
186,348	**Unusable Reserves**	**270,548**
274,139	**Total Reserves**	**368,319**

Signed

Jan Willis

Jan Willis MBA CPFA
Interim Executive Director of Corporate Services (Section 151 Officer) for Cheshire East Council

Dated: 31st July 2018

Group Cash Flow Statement for the Year ended 31st March 2018

This statement shows how the movement in resources has been reflected in cash flows.

2016/17 £000		2017/18 £000
(11,874)	Net surplus / (deficit) on the provision of services	10,180
92,018	Adjustment to surplus or deficit on the provision of services for non cash movements	5,503
(75,765)	Adjust for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	(66,230)
4,379	**Net cash flows from operating activities**	**(50,547)**
4,082	Net cash flows from investing activities	(13,664)
(7,445)	Net cash flows from financing activities	54,890
1,016	**Net increase / (decrease) in cash and cash equivalents**	**(9,321)**
13,406	**Cash and cash equivalents at the beginning of the reporting period**	**14,422**
14,422	**Cash and cash equivalents at the end of the reporting period**	**5,101**
1,016	**Net increase / (decrease) in cash and cash equivalents**	**(9,321)**

Notes to the Group Statement of Accounts

The following notes are specific to the group accounts. Additional notes are provided in the Single Entity Accounts, the index is provided on pages 42 and 43.

1. Reconciliation of Single Entity to Group Accounts

Income and Expenditure (Surplus) / Deficit

2016/17 £000	Reconciliation of Single Entity to Group (Surplus) / Deficit	2017/18 £000
11,875	**(Surplus) / Deficit in the Group Income and Expenditure attributable to the Authority**	**(9,830)**
	Add: (Surplus) / Deficit arising from other entities included in the Group Accounts	
(1)	Subsidiaries	(350)
11,874	**Group Account (Surplus) / Deficit for the Year**	**(10,180)**

Adjustment for Non Cash Items in the Group Cash Flow Statement

2016/17 £000	Reconciliation of Single Entity to Group Cash Flow Adjustment for Non Cash Items	2017/18 £000
91,904	Single Entity Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	4,114
114	Total Non Cash Adjustments included in the Group Accounts	1,389
92,018	**Group Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements**	**5,503**

Adjustment for Investing and Financing Activities in the Group Cash Flow Statement

2016/17 £000	Reconciliation of Single Entity to Group Cash Flow Adjustment for Investing and Financing Activities	2017/18 £000
(75,861)	Single Entity Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for items that are investing and financing activities	(66,230)
96	Total Investing and Financing Adjustments included in the Group Accounts	0
(75,765)	**Group Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements**	**(66,230)**

Adjustment for Net Cash Flows from Investing Activities in the Group Cash Flow Statement

2016/17 £000	Reconciliation of Single Entity to Group Cash Flow Adjustment for Net Cash Flows from Investing Activities	2017/18 £000
4,983	Single Entity Accounts: Adjustment for items that are net cash flows from investing activities	(12,760)
(901)	Total Net Cash Flows from Investing Activities Adjustments included in the Group Accounts	(904)
4,082	**Group Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements**	**(13,664)**

Adjustment for Net Cash Flows from Financing Activities in the Group Cash Flow Statement

2016/17 £000	Reconciliation of Single Entity to Group Cash Flow Adjustment for Net Cash Flows from Financing Activities	2017/18 £000
(7,262)	Single Entity Accounts: Adjustment for items that are net cash flows from financing activities	54,897
(183)	Total Net Cash Flows from Financing Activities Adjustments included in the Group Accounts	(7)
(7,445)	**Group Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements**	**54,890**

2. Group Taxation

The wholly owned subsidiaries of Cheshire East Group have been granted an exemption from corporation tax by HMRC with reference to their transactions with its council member as these transactions do not amount to trading under the requirements for Arms Length Management Organisations (ALMOs). The company is however still liable to Corporation Tax in respect of transactions with third parties or other group companies. On that basis a provision of £58,000 has been made for any potential corporation tax liability on transactions with third party and other group companies.

3. Group Contingent Liabilities

Group Pension Scheme: The Council has altered its pension arrangements with its owned and controlled companies in respect of employee benefits resulting from membership of the LGPS, by moving to a 'pass through' agreement, effective from 1st April 2015. See Note 27 to the Cheshire East Council Statement of Accounts 2017/18.

4. Directors' Remuneration

The number of directors accruing benefits under defined benefit schemes was three directors, one in each company.

Payments made to Directors in 2017/18	Salary, Fees, Allowances and Bonuses £	Expenses and Allowance £	Employer's Pension Contribution £	**Total** **£**
ANSA	106,793	1,083	18,539	**126,415**
Civicance	59,147	301	10,646	**70,094**
Skills & Growth Company	77,835	2,045	14,400	**94,280**
	243,775	**3,429**	**43,585**	**290,789**

The table below shows the 2016/17 comparative figures:

Payments made to Directors in 2016/17	Salary, Fees, Allowances and Bonuses £	Expenses and Allowance £	Employer's Pension Contribution £	**Total** **£**
ANSA	105,988	485	18,936	**125,409**
Civicance	58,601	895	13,888	**73,384**
Skills & Growth Company	74,614	2,102	16,266	**92,982**
	239,203	**3,482**	**49,090**	**291,775**

5. External Audit Fees

The Group incurred the following external audit and inspection and compliance fees, which are included in the cost of Corporate and Central Services.

2016/17 £000		2017/18 £000
155	Fees payable to the appointed auditor under the Local Audit and Accountability Act 2014 for external audit services carried out under the Code of Audit Practice	155
52	Fees payable with regard to external audit services carried out for the wholly owned companies audit of accounts	59
24	Fees payable to the appointed auditor under the Local Audit and Accountability Act 2014 for the certification of grant claims and returns	19
13	Fees payable for additional work commissioned by the Council	10
9	Fees for Assurance Services / Taxation Compliance for the wholly owned companies	9
0	CFO Insights Subscription	27
7	Fees for liquidation of CoSocius Limited	2
260	**Total External Audit Fees**	**281**

***** A refund of £23,000 was received in respect of Public Services Audit Appointment Limited 2017/18. This is not part of the external audit fee.

6. Group Pension Scheme

See Note 27 to the Cheshire East Council Statement of Accounts 2017/18.

7. Group Accounting Policies

General Principles

The group accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounting policies used in preparing the Group Accounts are generally those used by Cheshire East Council in their single entity financial statements. In order to align group entities accounting policies to those used by the Council and ensure consistency of accounting treatment across the group, the following principles have been adopted:

7 (a) Consolidation of Subsidiaries

Subsidiaries have been consolidated using the acquisition accounting basis. This is a full, line by line consolidation of the financial transactions and balances of the Council and its subsidiaries. To avoid overstating the figures within the group financial statements, all transactions and balances between members of the group (the Council and its subsidiaries) have been eliminated.

The Group Accounts include Cheshire East Council and wholly owned subsidiaries Cheshire East Residents First Limited (CERF), ANSA Environmental Services Limited, Transport Service Solutions Limited, Engine of the North Limited, Orbitas Bereavement Services Limited, Civicance Limited and The Skills and Growth Company. The wholly owned subsidiary Tatton Park Enterprise Limited and associate company Cheshire and Warrington Local Enterprise Partnership Limited are excluded from the Group Accounts on the grounds of materiality.

7 (b) Alignment of accounting framework and policies

Where group organisations use different accounting policies to the Council, their accounts have been restated to align their accounting policies with those of the Council where the effect of not doing so would be material to the reader's interpretation of the accounts.

7 (c) Unrealised profits from intra-group transactions

Any unrealised profit reflected in the carrying amount of property, plant and equipment and inventory arising from trading between the Council and its group companies will be eliminated to avoid the double counting of gains. No such adjustments have been necessary for the 2017/18 group accounts.

7 (d) Company losses Accounting Treatment

The Group Comprehensive Income and Expenditure Account includes the profits / losses arising in each of the wholly owned subsidiary companies.

Profits from wholly owned subsidiaries are included in the Group Surplus or Deficit on Provision of Services from ordinary trading activities. This amounts to £833K attributable to subsidiaries before consolidation and £350K after consolidation.

Supporting notes have only been included where the group outcome is significantly different to the disclosures in the Council's single entity accounts. The index to the Notes on the Single Entity Accounts is provided on pages 42 and 43. Note 31 discloses the Council's interest in other companies and entities including whether these have been consolidated into the group.

The Cheshire East Council Financial Statements

Cheshire East Council - Movement in Reserves Statement

This statement shows the changing value of 'usable' reserves (those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves (those which reflect accounting adjustments and are not applied to fund expenditure or reduce local taxation).

The 'Net Increase / (Decrease) before Transfers to Earmarked Reserves' line shows the statutory General Fund balance before any discretionary transfers undertaken by the Council to or from earmarked reserves.

Movement in Reserves 2017/18:

	Usable Reserves							
	General Fund Balance £000	Earmarked Reserves £000	**General Fund Balances** £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves** £000	Unusable Reserves £000	**Total Authority Reserves** £000
Opening balance at 1st April 2017	**10,316**	**54,043**	**64,359**	**0**	**23,165**	**87,524**	**186,349**	**273,873**
Movement in Reserves 2017/18								
Surplus / (deficit) on provision of services	9,830	0	9,830	0	0	**9,830**	0	**9,830**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	83,999	**83,999**
Total Comprehensive Income and Expenditure	**9,830**	**0**	**9,830**	**0**	**0**	**9,830**	**83,999**	**93,829**
Adjustments between accounting basis and funding basis under regulations (Note 2)	(12,399)	0	(12,399)	4,030	8,169	**(200)**	200	**0**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**(2,569)**	**0**	**(2,569)**	**4,030**	**8,169**	**9,630**	**84,199**	**93,829**
Transfers between Earmarked and General Reserves (Note 3)	2,569	(2,569)	0	0	0	**0**	0	**0**
Increase / (Decrease) in Year	**0**	**(2,569)**	**(2,569)**	**4,030**	**8,169**	**9,630**	**84,199**	**93,829**
Closing Balance at 31st March 2018	**10,316**	**51,474**	**61,790**	**4,030**	**31,334**	**97,154**	**270,548**	**367,702**

Movement in Reserves 2016/17:

	Usable Reserves							
	General Fund Balance £000	Earmarked Reserves £000	**General Fund Balances** £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves** £000	Unusable Reserves £000	**Total Authority Reserves** £000
Opening balance at 1st April 2016	**13,006**	**61,391**	**74,397**	**0**	**19,002**	**93,399**	**267,931**	**361,330**
<u>Movement in Reserves 2016/17</u>								
Surplus / (deficit) on provision of services	(11,875)	0	(11,875)	0	0	**(11,875)**	0	**(11,875)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	(75,583)	**(75,583)**
Total Comprehensive Income and Expenditure	**(11,875)**	**0**	**(11,875)**	**0**	**0**	**(11,875)**	**(75,583)**	**(87,458)**
Adjustments between accounting basis and funding basis under regulations (Note 2)	1,837	0	1,837	0	4,163	**6,000**	(6,000)	**0**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**(10,038)**	**0**	**(10,038)**	**0**	**4,163**	**(5,875)**	**(81,583)**	**(87,458)**
Transfers between Earmarked and General Reserves (Note 3)	7,348	(7,348)	0	0	0	**0**	0	**0**
Increase / (Decrease) in Year	**(2,690)**	**(7,348)**	**(10,038)**	**0**	**4,163**	**(5,875)**	**(81,583)**	**(87,458)**
Closing Balance at 31st March 2017	**10,316**	**54,043**	**64,359**	**0**	**23,165**	**87,524**	**186,348**	**273,872**

Cheshire East Council - Comprehensive Income and Expenditure Statement

This statement consolidates all the gains and losses experienced by the Council during the year showing the economic cost in year of providing services, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2016/17 (Restated)				2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Directorate / Service	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
			People			
160,605	(55,620)	**104,985**	Adult Social Care and Health	157,139	(59,706)	**97,433**
228,654	(168,208)	**60,446**	Children’s Services	229,449	(166,310)	**63,139**
3,625	(615)	**3,010**	Community and Partnerships	3,191	(863)	**2,328**
			Place			
26,183	(5,784)	**20,399**	Growth and Regeneration	29,244	(7,662)	**21,582**
32,175	(11,615)	**20,560**	Infrastructure and Highways	30,868	(10,575)	**20,293**
7,777	(6,333)	**1,444**	Planning and Sustainable Development	6,719	(6,764)	**(45)**
9,418	(5,758)	**3,660**	Rural and Cultural Economy	9,012	(4,784)	**4,228**
23,668	(598)	**23,070**	Place Commissioning	11,001	(459)	**10,542**
			Corporate and Central Services			
139,383	(101,220)	**38,163**	Corporate and Central Services	133,498	(95,530)	**37,968**
39,099	(6,092)	**33,007**	Corporate Commissioning	49,545	(3,457)	**46,088**
(3,854)	0	**(3,854)**	Central Budgets	(3,596)	0	**(3,596)**
666,733	**(361,843)**	**304,890**	**Cost of Services**	**656,070**	**(356,110)**	**299,960**
14,045	(2,506)	**11,539**	Other Operating Expenditure (Note 4)	6,908	(2,545)	**4,363**
45,407	(2,200)	**43,207**	Financing and Investment Income and Expenditure (Note 5)	26,090	(1,961)	**24,129**
0	(347,761)	**(347,761)**	Taxation and Non-specific Grant Income and Expenditure (Note 6)	995	(339,277)	**(338,282)**
726,185	**(714,310)**	**11,875**	**(Surplus) or Deficit on Provision of Services**	**690,063**	**(699,893)**	**(9,830)**
		(26,726)	(Surplus) or Deficit on revaluation of non-current assets (Note 14a)			**(41,708)**
		(1,104)	(Surplus) or Deficit on revaluation of available for sale financial assets			**(2,202)**
		103,413	Remeasurements of the net defined benefit liability			**(40,089)**
		75,583	**Other Comprehensive Income and Expenditure**			**(83,999)**
		87,458	**Total Comprehensive Income and Expenditure**			**(93,829)**

Cheshire East Council - Balance Sheet as at 31st March 2018

This statement shows the Council's financial position at 31st March each year. The top part of the statement shows the assets and liabilities of the Council and the lower part shows the Council's reserves.

31st March 2017 Single Entity £000		Notes	31st March 2018 Single Entity £000
861,795	Property, Plant and Equipment, and Revaluations	7	925,215
585	Heritage Assets		585
6,078	Investment Property		5,928
753	Intangible Assets		666
7,750	Assets Held for Sale		7,400
12,253	Long Term Investments	8a	18,029
10,383	Long Term Debtors		9,342
899,597	**Long Term Assets**		**967,165**
10,742	Short Term Investments	8a	11,777
775	Assets Held for Sale		925
429	Inventories		372
49,899	Short Term Debtors	9	55,682
10,054	Cash and Cash Equivalents	10	0
71,899	**Current Assets**		**68,756**
(20,069)	Short Term Borrowing	8b	(61,487)
(85,318)	Short Term Creditors	11	(85,763)
0	Cash and Cash Equivalents	10	(95)
(7,731)	Short Term Provisions	12	(8,002)
(113,118)	**Current Liabilities**		**(155,347)**
(4,564)	Long Term Provisions	12	(5,338)
(97,242)	Long Term Borrowing	8b	(110,011)
(432,475)	Net Pension Liability	27	(343,889)
(239)	Other Deferred Liabilities		(213)
(39,220)	Other Long Term Liabilities	8	(36,725)
(10,766)	Capital Grant Receipts in Advance	25	(16,696)
(584,506)	**Long Term Liabilities**		**(512,872)**
273,872	**Net Assets**		**367,702**
0	Capital Receipts Reserve		4,030
23,165	Capital Grants Unapplied	13b	31,334
5,131	Earmarked Reserves and Balances held by Schools	13c	4,443
48,912	Earmarked Reserves – General Fund	3	47,031
10,316	General Fund Reserve – Borough Fund	13a	10,316
87,524	**Usable Reserves**		**97,154**
194,694	Revaluation Reserve	14a	225,707
316	Available for Sale Financial Instruments Reserve		2,518
426,742	Capital Adjustment Account	14b	416,803
4,914	Capital Receipts Deferred		4,889
(1,441)	Financial Instrument Adjustment Account		(1,230)
(432,475)	Pensions Reserve	14c	(375,728)
(340)	Collection Fund Adjustment Account		2,943
(6,062)	Accumulated Absences Account		(5,354)
186,348	**Unusable Reserves**		**270,548**
273,872	**Total Reserves**		**367,702**

Cheshire East Council - Cash Flow Statement for the Year ended 31st March 2018

This statement shows how the movement in resources has been reflected in cash flows.

2016/17 £000		Notes	2017/18 £000
(11,875)	Net surplus / (deficit) on the provision of services		9,830
91,904	Adjustment to surplus / (deficit) on the provision of services for non cash movements		4,114
(75,861)	Adjust for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities		(66,230)
4,168	**Net cash flows from operating activities**	15	**(52,286)**
4,983	Net cash flows from investing activities	16	(12,760)
(7,262)	Net cash flows from financing activities	17	54,897
1,889	**Net increase / (decrease) in cash and cash equivalents**		**(10,149)**
8,165	**Cash and cash equivalents at the beginning of the reporting period**	10	**10,054**
10,054	**Cash and cash equivalents at the end of the reporting period**	10	**(95)**
1,889	**Net increase / (decrease) in cash and cash equivalents**		**(10,149)**

Index of Notes to the Cheshire East Council Statement of Accounts

Notes to the Cheshire East Council Statement of Accounts 2017/18

1. Expenditure and Funding Analysis

1(a) 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, 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.

2017/18	As required for resource management £000	Adjustment to arrive at the net amount chargeable to the General Fund balance (Note 1b) £000	**Net Expenditure Chargeable to the General Fund balance £000**	Adjustments between Funding and Accounting Basis (Note 1b) £000	**Net Expenditure in the Comprehensive and Income and Expenditure Statement £000**
People					
Adult Social Care and Health	100,053	508	**100,561**	(3,128)	**97,433**
Children's Services	58,611	2,523	**61,134**	2,005	**63,139**
Community and Partnerships	2,358	46	**2,404**	(76)	**2,328**
Place					
Growth and Regeneration	14,473	945	**15,418**	6,164	**21,582**
Infrastructure and Highways	6,737	(823)	**5,914**	14,379	**20,293**
Planning and Sustainable Development	400	273	**673**	(718)	**(45)**
Rural and Cultural Economy	3,084	358	**3,442**	786	**4,228**
Place Commissioning	8,994	344	**9,338**	1,204	**10,542**
Corporate and Central Services					
Corporate and Central Services	31,248	654	**31,902**	6,066	**37,968**
Corporate Commissioning	30,568	289	**30,857**	15,231	**46,088**
Central Budgets	8,684	(1,819)	**6,865**	(10,461)	**(3,596)**
Net Cost of Services	**265,210**	**3,298**	**268,508**	**31,452**	**299,960**
Other income and expenditure	(265,210)	(729)	**(265,939)**	(43,851)	**(309,790)**
Surplus or deficit	**0**	**2,569**	**2,569**	**(12,399)**	**(9,830)**
Opening General Fund Balance			**(64,359)**		
Less Deficit on General Fund Balance in Year			**2,569**		
Closing General Fund Balance at 31st March 2018			**(61,790)**		

2016/17 (Restated)	As required for resource management £000	Adjustment to arrive at the net amount chargeable to the General Fund balance (Note 1b) £000	Net Expenditure Chargeable to the General Fund balance £000	Adjustments between Funding and Accounting Basis (Note 1b) £000	Net Expenditure in the Comprehensive and Income and Expenditure Statement £000
People					
Adult Social Care and Health	99,345	5,638	**104,983**	2	**104,985**
Children's Services	46,564	4,795	**51,359**	9,087	**60,446**
Community and Partnerships	2,708	106	**2,814**	196	**3,010**
Place					
Growth and Regeneration	15,392	104	**15,496**	4,903	**20,399**
Infrastructure and Highways	7,309	(334)	**6,975**	13,585	**20,560**
Planning and Sustainable Development	386	1,113	**1,499**	(55)	**1,444**
Rural and Cultural Economy	2,997	246	**3,243**	417	**3,660**
Place Commissioning	20,217	(537)	**19,680**	3,390	**23,070**
Corporate & Central Services					
Corporate and Central Services	29,289	1,947	**31,236**	6,927	**38,163**
Corporate Commissioning	30,167	(1,440)	**28,727**	4,280	**33,007**
Central Budgets	19,496	(6,804)	**12,692**	(16,545)	**(3,854)**
Net Cost of Services	**273,870**	**4,834**	**278,704**	**26,187**	**304,890**
Other income and expenditure	(271,180)	2,514	**(268,666)**	(24,350)	**(293,015)**
Surplus or deficit	**2,690**	**7,348**	**10,038**	**1,837**	**11,875**
Opening General Fund Balance			**(74,397)**		
Less Deficit on General Fund Balance in Year			**10,038**		
Closing General Fund Balance at 31st March 2017			**(64,359)**		

Note to the Expenditure and Funding Analysis

1(b) This note provides a reconciliation of the adjustments between the authority's financial performance under the funding position and the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

2017/18	Movement in Reserves £000	Adjustment for Unring-fenced Grants £000	Other Adjustments £000	**Total to arrive at amount charged to General Fund £000**	Adjustment for Capital Purposes £000	Net change for the Pensions Adjustment and Leave Accrual £000	Other Differences £000	**Total Adjustment between funding and Accounting Basis £000**
People								
Adult Social Care and Health	508	0	0	**508**	991	(4,119)	0	**(3,128)**
Children's Services	2,523	0	0	**2,523**	12,834	(10,829)	0	**2,005**
Community and Partnerships	46	0	0	**46**	139	(215)	0	**(76)**
Place								
Growth and Regeneration	701	0	244	**945**	6,945	(781)	0	**6,164**
Infrastructure and Highways	(823)	0	0	**(823)**	14,812	(433)	0	**14,379**
Planning and Sustainable Development	273	0	0	**273**	18	(736)	0	**(718)**
Rural and Cultural Economy	358	0	0	**358**	1,307	(521)	0	**786**
Place Commissioning	344	0	0	**344**	1,538	(334)	0	**1,204**
Corporate and Central Services								
Corporate and Central Services	654	0	0	**654**	10,566	(4,500)	0	**6,066**
Corporate Commissioning	289	0	0	**289**	16,165	(936)	0	**15,230**
Central Budgets	1,036	0	(2,855)	**(1,819)**	(5,640)	(3,622)	(1,199)	**(10,461)**
Net Cost of Services	**5,909**	**0**	**(2,611)**	**3,298**	**59,676**	**(27,026)**	**(1,199)**	**31,452**
Other Income and Expenditure	(3,340)	0	2,611	**(729)**	(51,282)	10,802	(3,370)	**(43,850)**
Total	**2,569**	**0**	**0**	**2,569**	**8,394**	**(16,224)**	**(4,569)**	**(12,399)**

This analysis includes items such as the un-ringfenced grants that are reported as part of the Outturn for Central Budgets but for the production of the Statement of Accounts is reported as part of the Taxation and Non-specific grants income and expenditure on the Comprehensive Income and Expenditure Account and is therefore moved accordingly. Under the adjustment column for capital purposes includes items that are charged to the Comprehensive Income and Expenditure Account but do not have an effect on the overall General Fund balance or chargeable to the Council Tax payer such as Depreciation and Impairments £32.826m, Loss of Control of an Entity (Academy Conversions) £11.265m and the receipt of capital grants £59.559m. Other items are removed as they are chargeable under statutory provisions as they are reported in the Movement in Reserves Statement only including the Statutory Provision for financing Capital Investment £5.991m. The details for all of the adjustments reported in Note 1(b) can be seen in the Adjustments between Accounting Basis and Funding Basis (Note 2 to the accounts).

2016/17 (Restated)	Movement in Reserves £000	Adjustment for Unring-fenced Grants £000	Other Adjustments £000	**Total to arrive at amount charged to General Fund £000**	Adjustment for Capital Purposes £000	Net change for the Pensions Adjustment and Leave Accrual £000	Other Differences £000	**Total Adjustment between funding and Accounting Basis £000**
People								
Adult Social Care and Health	5,638	0	0	**5,638**	459	(457)	0	**2**
Children's Services	4,795	0	0	**4,795**	11,256	(2,169)	0	**9,087**
Community and Partnerships	106	0	0	**106**	227	(31)	0	**196**
Place								
Growth and Regeneration	(264)	0	368	**104**	5,000	(97)	0	**4,903**
Infrastructure and Highways	(334)	0	0	**(334)**	13,632	(47)	0	**13,585**
Planning and Sustainable Development	1,113	0	0	**1,113**	31	(86)	0	**(55)**
Rural and Cultural Economy	246	0	0	**246**	478	(61)	0	**417**
Place Commissioning	(537)	0	0	**(537)**	3,443	(53)	0	**3,390**
Corporate and Central Services								
Corporate and Central Services	1,947	0	0	**1,947**	7,565	(638)	0	**6,927**
Corporate Commissioning	(1,440)	0	0	**(1,440)**	4,414	(134)	0	**4,280**
Central Budgets	(3,923)	0	(2,881)	**(6,804)**	(10,080)	(5,963)	(502)	**(16,545)**
Net Cost of Services	**7,347**	**0**	**(2,513)**	**4,834**	**36,425**	**(9,736)**	**(502)**	**26,187**
Other Income and Expenditure	0	0	2,513	**2,513**	(32,430)	11,188	(3,108)	**(24,350)**
Total	**7,347**	**0**	**0**	**7,347**	**3,995**	**1,452**	**(3,610)**	**1,837**

2. Adjustments between Accounting Basis and Funding Basis under Regulations

The Comprehensive Income and Expenditure Statement (CIES) is produced in accordance with proper accounting practice. Statute, however, requires the Council to set its General Fund budget and council tax in a different manner.

This note details the adjustments made to the Comprehensive Income and Expenditure Statement to obtain the General Fund position in line with statutory provisions. The adjustments are shown as a line in the Movement in Reserves Statement.

2017/18 Adjustments	Usable Reserves					
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Adjustments Involving the Capital Adjustment Account (CAA):						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):						
Depreciation and Impairment of Non-Current Assets	32,826	0	0	**32,826**	(32,826)	**0**
Revaluation Losses on Property, Plant & Equipment	13,944	0	0	**13,944**	(13,944)	**0**
Movement in fair value of investment property	(250)	0	0	**(250)**	250	**0**
Amortisation of Intangible Assets	340	0	0	**340**	(340)	**0**
Revenue Expenditure Funded from Capital under Statute	19,977	0	0	**19,977**	(19,977)	**0**
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	3,998	0	0	**3,998**	(3,998)	**0**
Amounts of non-current assets written off as loss of control of an entity to the CIES	11,265	0	0	**11,265**	(11,265)	**0**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory Provision for financing of Capital Investment	(5,991)	0	0	**(5,991)**	5,991	**0**
Capital Expenditure Charged against General Fund	(1,421)	0	0	**(1,421)**	1,421	**0**
Adjustments Involving the Capital Grants Unapplied Account:						
Grant and contributions unapplied credited to CIES	(59,559)	0	59,559	**0**	0	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(51,390)	**(51,390)**	51,390	**0**
Adjustments Involving the Capital Receipts Reserve (CRR):						
Transfer of sale proceeds credited as part of gain / loss on disposal to CIES	(6,736)	6,736	0	**0**	0	**0**
Use of Capital Receipts Reserve to finance capital expenditure	67	(2,730)	0	**(2,663)**	2,663	**0**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	**0**	0	**0**

2017/18 Adjustments	Usable Reserves					
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Adjustments Involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the CIES	0	24	0	**24**	(24)	**0**
Adjustments Involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in accordance with statutory requirements	(211)	0	0	**(211)**	211	**0**
Adjustments Involving the Pension Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	52,658	0	0	**52,658**	(52,658)	**0**
Employer's pension contributions and direct payments to pensioners payable in the year	(69,316)	0	0	**(69,316)**	69,316	**0**
Adjustments Involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rate income accredited to the CIES is different from the amount calculated for the year in accordance with requirements	(3,282)	0	0	**(3,282)**	3,282	**0**
Adjustments Involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(708)	0	0	**(708)**	708	**0**
Total Adjustments 2017/18	**(12,399)**	**4,030**	**8,169**	**(200)**	**200**	**0**

For comparison, the 2016/17 Adjustments are shown below.

2016/17 Adjustments	Usable Reserves					
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Adjustments Involving the Capital Adjustment Account (CAA):						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):						
Depreciation and Impairment of Non-Current Assets	35,079	0	0	**35,079**	(35,079)	**0**
Revaluation Losses on Property, Plant & Equipment	2,068	0	0	**2,068**	(2,068)	**0**
Movement in fair value of investment property	(54)	0	0	**(54)**	54	**0**
Amortisation of Intangible Assets	352	0	0	**352**	(352)	**0**
Revenue Expenditure Funded from Capital under Statute	10,333	0	0	**10,333**	(10,333)	**0**
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	13,270	0	0	**13,270**	(13,270)	**0**
Amounts of non-current assets written off as loss of control of an entity to the CIES	30,063	0	0	**30,063**	(30,063)	**0**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory Provision for financing of Capital Investment	(10,244)	0	0	**(10,244)**	10,244	**0**
Capital Expenditure Charged against General Fund	(981)	0	0	**(981)**	981	**0**
Adjustments Involving the Capital Grants Unapplied Account:						
Grant and contributions unapplied credited to CIES	(67,239)	0	67,239	**0**	0	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(63,076)	**(63,076)**	63,076	**0**
Adjustments Involving the Capital Receipts Reserve (CRR):						
Transfer of sale proceeds credited as part of gain / loss on disposal to CIES	(8,689)	8,689	0	**0**	0	**0**
Use of Capital Receipts Reserve to finance capital expenditure	35	(8,712)	0	**(8,677)**	8,677	**0**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	**0**	0	**0**
Adjustments Involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the CIES		23		**23**	(23)	
Adjustments Involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in accordance with statutory requirements	(213)	0	0	**(213)**	213	**0**
Adjustments Involving the Pension Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	33,850	0	0	**33,850**	(33,850)	**0**

2016/17 Adjustments	Usable Reserves					
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Employer's pension contributions and direct payments to pensioners payable in the year	(34,123)	0	0	**(34,123)**	34,123	**0**
Adjustments Involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rate income accredited to the CIES is different from the amount calculated for the year in accordance with requirements	(3,397)	0	0	**(3,397)**	3,397	**0**
Adjustments Involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,727	0	0	**1,727**	(1,727)	**0**
Total Adjustments 2016/17	**1,837**	**0**	**4,163**	**6,000**	**(6.000)**	**0**

3. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

2017/18 Earmarked Reserves	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000
School Balances:				
Primary and Nursery Schools	**4,553**	(4,533)	3,648	**3,668**
Secondary Schools	**(37)**	64	210	**237**
Special Schools	**615**	(294)	217	**538**
Total Schools Balances	**5,131**	**(4,763)**	**4,075**	**4,443**
General Fund:				
PFI Equalisation – Extra Care Housing	**2,060**	0	165	**2,225**
Individual Commissioning – Provider Investment and Fees	**450**	(450)	0	**0**
Public Health	**536**	(312)	0	**224**
Communities Investment	**583**	(214)	0	**369**
Trading Standards and Regulations	**75**	0	0	**75**
Air Quality	**80**	(22)	22	**80**
Fixed Penalty Notice Enforcement (Kingdom)	**59**	0	120	**179**
Domestic Abuse Partnership	**165**	(21)	0	**144**
Early Intervention and Prevention	**984**	(473)	0	**511**
Parenting Journey	**60**	(60)	0	**0**
Strategic Planning	**36**	0	0	**36**
Parking Pay and Display Machines	**100**	0	0	**100**
Highways Procurement	**276**	0	0	**276**
Homelessness and Housing Options	**200**	(26)	0	**174**
Winter Weather	**230**	0	0	**230**
Royal Arcade Crewe	**500**	0	0	**500**
Legal Proceedings on land and property matters	**150**	(23)	0	**127**
Skills and Growth	**446**	(110)	0	**336**
Tatton Park	**80**	(80)	0	**0**
Insurance Reserve – Cheshire East Fund	**3,582**	(1,627)	1,626	**3,581**
Insurance Reserve – Cheshire County Fund	**457**	(161)	338	**634**
Elections	**123**	0	11	**134**
Investment (Sustainability)	**2,044**	(1,521)	348	**871**
Collection Fund Management	**11,337**	(13,261)	7,334	**5,410**
Financing Reserve	**10,750**	(1,723)	3,710	**12,737**
Enabling Transformation	**2,142**	(1,204)	4,887	**5,825**
Transitional Funding	**1,343**	(775)	230	**798**
Trading Reserve	**1,299**	(107)	537	**1,729**
Adoption Support Fund	**0**	0	197	**197**
Adult Social Care Transition Reserve	**0**	0	1,718	**1,718**
Carry Forwards by Service Managers	**3,017**	(1,399)	790	**2,408**
Revenue Grants transferred to Earmarked Reserves	**5,748**	(1,833)	1,488	**5,403**
Total General Fund Reserves	**48,912**	**(25,402)**	**23,521**	**47,031**
Total Earmarked Reserves	**54,043**	**(30,165)**	**27,596**	**51,474**

These reserves are amounts set aside from General Fund balances, earmarked to provide finance for future expenditure plans.

The following new earmarked reserves have been created in 2017/18:-

- **Adoption Support Fund (£0.197m)** has been established to assist with placing children with parents who wish to adopt by meeting certain costs such as therapy.

- **Adult Social Care Transition Reserve (£1.718m)** has been established to support the service with the ongoing transformation work that was started in 2017/18, and to support delivery of the services savings targets.

For comparison, the 2016/17 Transfers to/from Earmarked Reserves are shown below.

2016/17 Earmarked Reserves	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000
School Balances:				
Primary and Nursery Schools	**7,001**	(6,474)	4,026	**4,553**
Secondary Schools	**239**	(547)	(88)	**(396)**
Special Schools	**818**	(345)	501	**974**
Total Schools Balances	**8,058**	**(7,366)**	**4,439**	**5,131**
General Fund:				
PFI Equalisation – Extra Care Housing	**1,879**	0	181	**2,060**
Individual Commissioning – Provider Investment and Fees	**450**	0	0	**450**
NHS Section 256	**3,391**	(4,364)	973	**0**
Public Health	**1,942**	(1,406)	0	**536**
Communities Investment	**586**	(91)	88	**583**
Trading Standards and Regulations	**0**	0	75	**75**
Air Quality	**0**	0	80	**80**
FPN Enforcement (Kingdom)	**0**	0	59	**59**
Children’s Reserve	**377**	(377)	0	**0**
Domestic Abuse Partnership	**0**	0	165	**165**
Early Intervention and Prevention	**0**	0	984	**984**
Parenting Journey	**0**	0	60	**60**
Strategic Planning	**358**	(1,357)	1,035	**36**
Parking Pay and Display Machines	**0**	0	100	**100**
Highways Procurement	**0**	0	276	**276**
Homelessness and Housing Options	**0**	0	200	**200**
Winter Weather	**360**	(130)	0	**230**
Royal Arcade Crewe	**500**	0	0	**500**
Legal Proceedings on land and property matters	**0**	0	150	**150**
Skills and Growth	**0**	0	446	**446**
Tatton Park	**202**	(122)	0	**80**
Insurance Reserve – Cheshire East Fund	**4,032**	(1,734)	1,284	**3,582**
Insurance Reserve – Cheshire County Fund	**549**	(816)	724	**457**
Elections	**12**	0	111	**123**
Emergency Assistance	**569**	(635)	66	**0**
Investment (Sustainability)	**2,744**	(1,699)	999	**2,044**
Collection Fund Management	**8,570**	(4,840)	7,607	**11,337**
Financing Reserve	**11,540**	(1,649)	859	**10,750**
Enabling Transformation	**3,345**	(1,448)	245	**2,142**
Transitional Funding	**0**	(1,176)	2,519	**1,343**
Trading Reserve	**1,179**	(18)	138	**1,299**
Carry Forwards by Service Managers	**3,186**	(2,455)	2,286	**3,017**
Revenue Grants transferred to Earmarked Reserves	**7,562**	(3,563)	1,749	**5,748**
Total General Fund Reserves	**53,333**	**(27,880)**	**23,459**	**48,912**
Total Earmarked Reserves	**61,391**	**(35,246)**	**27,898**	**54,043**

4. Other Operating Income and Expenditure

2016/17 £000	Other Operating Expenditure	2017/18 £000
6,391	Precepts and Levies	6,891
0	Payments to Government Housing Capital Receipts Pool	0
7,254	(Gains) / losses on the disposal of non current assets	(564)
400	Other Expenditure	581
14,045	**Total**	**6,908**
	Other Operating Income	
(2,453)	Other Capital Income	(2,108)
(53)	Other Income	(437)
(2,506)	**Total**	**(2,545)**
11,539	**Net Other Operating Expenditure**	**4,363**

5. Financing and Investment Income and Expenditure

2016/17 £000		2017/18 £000
4,156	Interest Payable and Similar Charges	4,248
(1,777)	Interest and Investment Income	(1,692)
11,188	Net interest on the net defined pensions benefit liability	10,802
30,063	Loss of Control of Entity *	11,265
0	Provision for loss of Joint Venture	0
(423)	Income and expenditure in relation to investment properties and changes in their fair value	(494)
43,207	**Total**	**24,129**

* This relates to academy transfers. Further details on Asset Disposals are available in Note 7.

6. Taxation and Non-Specific Grant Income and Expenditure

2016/17 £000		2017/18 £000
(185,823)	Demand on Collection Fund – Council Tax	(197,947)
(374)	In Year (Surplus) / Deficit on Collection Fund – Council Tax	(1,375)
(67,772)	Non Domestic Rates Income (as per NNDR1) including Levy	(64,038)
29,089	Non Domestic Rates Tariff (net of revaluation adjustment)	23,016
(1,878)	In Year (Surplus) / Deficit on Collection Fund – Non Domestic Rates	(134)
(132)	Renewable Energy	(94)
(2,746)	100% Growth Pilot	(54)
(1,001)	Enterprise Zone Discounts and Growth	353
(26,340)	Revenue Support Grant	(13,415)
(23,545)	Non-ring fenced government grants (see Note 25)	(25,035)
(67,239)	Capital grants and contributions (see Note 25)	(59,559)
(347,761)	**Total**	**(338,282)**

7. Property, Plant and Equipment and Revaluations

This note details all property, plant and equipment and other assets that bring longer-term economic benefits or service potential. Bracketed figures (x) indicate a reduction in value.

2017/18 Property, Plant and Equipment	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	**Total PPE** £000	PFI Assets included in PPE £000
Cost or Valuation								
At 1st April 2017	**422,428**	**40,171**	**494,237**	**1,536**	**26,447**	**67,427**	**1,052,246**	**17,497**
Additions	15,495	5,938	30,472	453	1,566	29,096	**83,020**	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	23,753	0	0	0	2,723	0	**26,476**	110
Revaluation increases / (decreases) recognised in the Surplus or Deficit to the Provision of Services	(16,112)	0	0	0	(442)	0	**(16,554)**	0
Derecognition – Disposals	(12,696)	(445)	0	0	(275)	0	**(13,416)**	0
Derecognition – Other	(3,746)	(6,446)	(411)	(115)	0	(95)	**(10,813)**	0
Assets reclassified (to) / from Assets Held for Sale	0	0	0	0	(230)	0	**(230)**	0
Assets reclassified within PPE	17,059	0	366	0	1,079	(18,504)	**0**	0
At 31st March 2018	**446,181**	**39,218**	**524,664**	**1,874**	**30,868**	**77,924**	**1,120,729**	**17,607**
Accumulated Depreciation and Impairment								
At 1st April 2017	**(14,552)**	**(25,526)**	**(150,337)**	**(37)**	**0**	**0**	**(190,452)**	**(715)**
Depreciation charge	(13,493)	(4,496)	(14,315)	0	(248)	0	**(32,552)**	(358)
Depreciation written out to the Revaluation Reserve	14,878	0	0	0	226	0	**15,104**	1,073
Depreciation written out to the Surplus or Deficit on the Provision of Services	2,662	0	0	0	61	0	**2,723**	0
Impairment written out to the Revaluation Reserve	2	0	0	0	0	0	**2**	0
Impairment losses / (Reversals) recognised in the Surplus / Deficit on the Provision of Services	12	0	0	0	0	0	**12**	0
Derecognition - Disposals	2,817	6,806	261	0	17	0	**9,901**	0
Other movements in Depreciation and Impairment	63	(15)	(244)	0	(56)	0	**(252)**	0
At 31st March 2018	**(7,611)**	**(23,231)**	**(164,635)**	**(37)**	**0**	**0**	**(195,514)**	**0**
Net Book Value:								
At 31st March 2018	**438,570**	**15,987**	**360,029**	**1,837**	**30,868**	**77,924**	**925,215**	**17,607**
At 31st March 2017	**407,876**	**14,645**	**343,900**	**1,499**	**26,447**	**67,427**	**861,795**	**16,782**

Comparative figures for the previous year are as follows:

2016/17 Property, Plant and Equipment	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	**Total PPE** £000	PFI Assets included in PPE £000
Cost or Valuation								
At 1st April 2016	**449,113**	**38,889**	**470,177**	**1,526**	**21,143**	**37,995**	**1,018,843**	**17,497**
Additions	9,840	6,707	25,224	46	5,783	34,285	**81,885**	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	8,728	0	0	0	1,246	0	**9,974**	0
Revaluation increases / (decreases) recognised in the Surplus or Deficit to the Provision of Services	(4,112)	0	0	0	(773)	0	**(4,885)**	0
Derecognition - Disposals	(34,877)	(701)	0	0	(1,211)	0	**(36,789)**	0
Derecognition – Other	(10,959)	(4,739)	(1,322)	(36)	0	0	**(17,056)**	0
Assets reclassified (to) / from Investment Properties	0	0	0	0	259	0	**259**	0
Assets reclassified (to) / from Assets Held for Sale	4,695	0	158	0	0	(4,853)	**0**	0
Assets reclassified within PPE	0	15	0	0	0	0	**15**	0
Other movements in Cost or Valuation	**422,428**	**40,171**	**494,237**	**1,536**	**26,447**	**67,427**	**1,052,246**	**17,497**
At 31st March 2017	**449,113**	**38,889**	**470,177**	**1,526**	**21,143**	**37,995**	**1,018,843**	**17,497**
Accumulated Depreciation and Impairment								
At 1st April 2016	**(26,859)**	**(23,728)**	**(137,119)**	**(37)**	**0**	**0**	**(187,743)**	**(357)**
Depreciation charge	(14,669)	(6,311)	(13,452)	0	(247)	0	**(34,679)**	(358)
Depreciation written out to the Revaluation Reserve	16,461	0	0	0	126	0	**16,587**	0
Depreciation written out to the Surplus or Deficit on the Provision of Services	2,448	0	0	0	108	0	**2,556**	0
Impairments / Reversals written out to the Revaluation Reserve	73	0	0	0	0	0	**73**	0
Impairments / (Reversals) recognised in the Surplus / Deficit on the Provision of Services	135	0	0	0	0	0	**135**	0
Derecognition - Disposals	8,001	4,513	476	0	13	0	**13,003**	0
Other movements in Depreciation and Impairment	(142)	0	(242)	0	0	0	**(384)**	0
At 31st March 2016	**(14,552)**	**(25,526)**	**(150,337)**	**(37)**	**0**	**0**	**(190,451)**	**(715)**
Net Book Value:								
At 31st March 2017	**407,876**	**14,645**	**343,900**	**1,499**	**26,447**	**67,427**	**861,795**	**16,782**
At 31st March 2016	**422,254**	**15,161**	**333,058**	**1,489**	**21,143**	**37,995**	**831,101**	**17,139**

During the year a number of projects have been completed which includes the next phase of the structural lighting column programme, the continual improvement to the highways network, the Environmental Waste Hub. Other major schemes that have commenced or are in progress are work at Crewe Green Roundabout, Sydney Road Bridge, Best for Business Project replacing the current ERP system and a number of major strategic highways schemes that are now coming to end of the development stage and work will start on site in the next financial year.

Depreciation

All depreciation calculations are made on a straight-line basis. See accounting policies (Note 39v) for further details.

Significant Commitments under Capital Contracts

The value of significant commitments under capital contracts, where amounts of greater than £0.5m are contracted to be paid after 31st March 2018, totals £11.6m (£12.08m as at 31st March 2017). These contracts are all fully funded and are summarised as follows:

Capital Project	Contract Total £000	Amount Paid Up To 31st March 2018 £000	Balance £000
Place			
Crewe Green Roundabout	4,384	1,160	**3,224**
Corporate			
Organic Waste Treatment Plant	5,500	0	**5,500**
Best4Business Project *	7,700	4,779	**2,921**
Total	**17,584**	**5,939**	**11,645**

***The Best4Business Agilisys contract is wholly contracted with Cheshire East Council, however, 50% of this will be paid by Cheshire West and Chester.**

Revaluations

Property: The Council currently has a five year rolling programme in place to value its property.

This may be varied for properties that require an earlier valuation (e.g. where the market value significantly changes or the property is developed).

The valuations for March 2018 were carried out by Deloitte Real Estate in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (The Red Book). The valuation report has been prepared by Phil Holden BSc MRICS under the supervision of Edwin Bray BSc MRICS IRRVA, a partner of Deloitte LLP.

In 2017/18 assets previously valued in 2012/13 were due to be revalued as part of the five year rolling programme which included a small number of assets across the asset portfolio.

All surplus assets were also revalued in 2017/18 in line with the requirements relating to Fair Value.

Estates and Farms: The valuation of the Farms Estates was carried out by David R Job MRICS, Farms Estate Shared Service Manager, Cheshire Farms Service, in accordance with the statement of methodology agreed by The Association of Chief Estate Surveyors and Property Managers in Local Government (ACES).

Vehicles, Plant, Furniture and Equipment: continue to be carried at cost, which the Council considers would not differ materially from other methods such as 'current prices where there is an active second-hand market' or 'latest list prices adjusted for the condition of the asset.

Property, Plant and Equipment	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	**Total Property, Plant and Equipment £000**	PFI Assets included in Property, Plant and Equipment £000
Carried at historical cost	0	39,218	524,664	1,874	0	77,924	**643,680**	0
Valued as Fair Value as at:								
31 March 2018	321,605	0	0	0	30,868		**352,473**	17,607
31 March 2017	61,971	0	0	0	0	0	**61,971**	0
31 March 2016	20,212	0	0	0	0	0	**20,212**	0
31 March 2015	37,147	0	0	0	0	0	**37,147**	0
31 March 2014	5,246	0	0	0	0	0	**5,246**	0
Total Cost or Valuation	**446,181**	**39,218**	**524,664**	**1,874**	**30,868**	**77,924**	**1,120,729**	**17,607**

Revaluation Gains and Losses

The Code requires disclosure by class of assets of the amounts for revaluation losses and revaluation reversals charged to the Surplus or Deficit on the Provision of Services.

These disclosures are consolidated in Note 7, reconciling the movement over the year in the Property, Plant and Equipment balances.

In 2017/18 the gross upward valuation for Property Plant and Equipment was £9.922m, with £16.554m loss relating to gross valuation losses and reversals being charged to the Surplus or Deficit on the Provision of Services as a result of the valuations conducted in 2017/18.

The net movement on the revaluations carried out in 2017/18 on Property Plant and Equipment was a net gain of £27.749m which includes the reversing of any prior year's accumulated depreciation and revaluation losses previously charged on those assets.

The main increase in revaluation gains was within the Schools Portfolio, with over a £26.3m increase to the Revaluation Reserve, the most notable increase was Springfield Special School at £2.537m. There were other gains and losses within the Leisure Centre portfolio and other corporate buildings that took the net gain to the revaluation reserve to £37.450m. There were net losses charged to the surplus or deficit on the cost of services of £11.252m. The most notable loss was on the Environmental Waste Hub in Middlewich at £12.578m. There were small gains where prior year's losses were reversed due to an upward valuation in 2017/18.

Disposals

During 2017/18 there were 7 academy transfers. The net book value of £11.265m for the school assets have been treated as asset disposals and removed from the balance sheet.

A number of assets were sold during the year for £4.629m, including the sale of Redsands for £3.500m, Cemetery Lodge Wilmslow £0.370m and part of the County Farms Estate for £0.313m.

Asset Review

An annual review is undertaken by the Council and the Authority's valuer Deloitte LLP to assess whether the operational and surplus land and buildings assets that have not been revalued in that financial year at their current balance sheet value as at 31st March are not materially misstated. Deloitte LLP provides the Authority with a percentage change for each financial year based on industry standard indices and these are applied against the outstanding balance sheet values. As a result of this review there is deemed to be no material misstatement to the values reported in the balance sheet as at 31st March 2018.

Fair Value Hierarchy

Under IFRS 13 'Fair Value Measurement' all Surplus are now valued at a fair value and the highest and best use instead of on a previous existing use basis. As illustrated in Note 7, the opening balance for Surplus Assets was £26.4m and the closing balance £30.9m.

The fair value hierarchy allows comparability and consistency in fair value measurements and disclosures. The valuation of an asset will be classed at one of three levels depending on how certain the information is.

- **Level 1** uses quoted prices on an active market for an identical asset.
- **Level 2** uses inputs other than quoted prices that are observable (directly or indirectly) for the asset.
- **Level 3** uses unobservable inputs for the asset.

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31st March 2018 are as follows:

2017/18	Quoted prices in active markets for identical assets **Level 1** **£000**	Other significant observable inputs **Level 2** **£000**	Significant unobservable inputs **Level 3** **£000**	**Fair Value as at 31st March 2018** **£000**
Land	0	0	25,933	**25,933**
Building	0	0	4,936	**4,936**
Total	**0**	**0**	**30,869**	**30,869**

The comparable figures for 31st March 2017 were:

2016/17	Quoted prices in active markets for identical assets Level 1 £000	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	**Fair Value as at 31st March 2017 £000**
Land	0	0	21,386	**21,386**
Building	0	0	5,061	**5,061**
Total	**0**	**0**	**26,447**	**26,447**

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1, 2 and 3 during the year. This is the second year using fair value with all surplus assets being valued at Level 3.

Valuation Techniques used to Determine Level 3 Fair Value for Surplus Assets

The fair value of the land and buildings has been based on the comparable method. Surplus assets has therefore been categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements.

Highest and Best Use of Surplus Assets

In estimating the fair value of the Authority's surplus assets, the highest and best use of the properties reflects their current use.

Valuation Techniques

Due to the introduction of IFRS 13 ‘Fair Value Measurement’, the valuation techniques used during the year for surplus assets is now based on market value.

Quantitative Information about fair Value Measurement of Surplus Assets using significant Unobservable Inputs - Level 3

	As at 31 March 2018 £000	Valuation Technique Used to Measure Fair Value	Unobservable inputs	Range (weighted average used)	Sensitivity
Land	25,933	Market Approach, Income Approach and Cost Approach	Adjusted market evidence of rental lettings and sales of similar properties and investment yields	Rental range c. £3 - £10 per square foot Investment yields c. 12% - 14% Land values c. £2.5k - £1m per acre	Significant changes to the individual inputs e.g. rental tone, vacancy levels and investment yields could affect the reported values
Building	4,936				

Valuation Process for Surplus Assets

All surplus assets were valued as at 31st March 2018 in order to comply with IFRS 13 ‘Fair Value Measurement’. Any asset that is classified as a surplus property within the year will be valued in that year. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

8. Financial Instruments

All Financial Instruments carried in the balance sheet are analysed as follows:

31st March 2017				31st March 2018	
Long-Term £000	Current £000		Notes	Long-Term £000	Current £000
		Investments:	8(a)		
2,675	2,096	Loans and Receivables		3,652	11,692
9,578	8,646	Available for Sale Financial Assets		14,377	85
12,253	**10,742**	**Total Investments**		**18,029**	**11,777**
		Debtors:			
		Loans and Receivables:			
7	0	- Mortgages		6	0
9,173	670	- Other Loans and Receivables		8,371	677
0	10,054	- Cash and Cash Equivalents		0	(95)
0	24,074	Financial Assets carried at Contract Amounts		0	28,970
9,180	**34,798**	**Total Debtors**		**8,377**	**29,552**
		Borrowings:	8(b)		
(97,242)	(20,069)	Financial Liabilities at Amortised Cost		(110,011)	(61,487)
(97,242)	**(20,069)**	**Total Borrowings**		**(110,011)**	**(61,487)**
		Other Long-Term Liabilities:			
(23,965)	0	Private Finance Initiative Liabilities	29	(23,223)	0
(12,164)	0	Other Long Term Liabilities		(11,115)	0
(3,091)	0	Finance Lease Liabilities		(2,387)	0
(39,220)	**0**	**Total Other Long Term Liabilities**		**(36,725)**	**0**
		Creditors:			
0	(641)	Private Finance Initiative Liabilities		0	(742)
0	(716)	Finance Lease Liabilities		0	(688)
0	(51,068)	Financial Liabilities at Contract Amount		0	(49,117)
0	**(52,425)**	**Total Creditors**		**0**	**(50,547)**

Financial Instruments - Reconciliation of Debtors and Creditors to Balance Sheet

Not all debtors and creditors included in the balance sheet meet the definition of a financial instrument. The differences are detailed below.

31st March 2017			31st March 2018	
Long-Term £000	Current £000		Long-Term £000	Current £000
		Debtors:		
9,180	24,744	Financial Instruments	8,377	29,647
794	0	Joint Assets	657	0
409	0	Schools Finance Scheme	308	0
0	14,056	Collection Fund	0	11,830
0	2,530	Prepayments	0	4,107
0	8,569	Other Debtors	0	10,098
10,383	**49,899**	**Total Debtors on Balance Sheet**	**9,342**	**55,682**

31st March 2017			31st March 2018	
Long-Term £000	Current £000		Long-Term £000	Current £000
		Creditors:		
(39,220)	(52,425)	Financial Instruments	(36,725)	(50,547)
0	(6,460)	Receipts In Advance	0	(8,843)
0	(6,062)	Accrued Employee Benefits	0	(5,354)
0	(9,302)	Collection Fund	0	(11,427)
0	(11,069)	Other Creditors	0	(9,592)
(39,220)	**(85,318)**	**Total Creditors on Balance Sheet**	**(36,725)**	**(85,763)**

Offsetting Financial Assets and Liabilities

The Council has a right to offset those bank accounts in overdraft with those in credit resulting in the net position being shown in the balance sheet. The net overdraft arises from timing differences between payments and income recognised in the accounts and clearing through the bank accounts.

31st March 2017 £000		31st March 2018 £000
2,960	Bank accounts in credit	3,009
(4,933)	Bank accounts in overdraft	(5,379)
(1,973)	**Bank Accounts included in Balance Sheet**	**(2,370)**

Financial Instruments - Income, Expense, Gains and Losses

2016/17					2017/18			
Financial Liabilities measured at Amortised Cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Total £000		Financial Liabilities measured at Amortised Cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Total £000
6,001	0	0	**6,001**	Interest Expense	5,999	0	0	**5,999**
(28)	0	0	**(28)**	Impairment Losses	0	0	0	**0**
(62)	0	0	**(62)**	Fee Expenses	46	0	0	**46**
5,911	**0**	**0**	5,911	**Total Surplus or (Deficit) on the Provision of Services**	**6,045**	**0**	**0**	6,045
0	(435)	(85)	**(520)**	Interest Income	0	(365)	(6)	**(371)**
0	0	(356)	**(356)**	Dividend Income	0	0	(363)	**(363)**
0	**(435)**	**(441)**	**(876)**	**Total Income in Surplus or (Deficit) on the Provision of Services**	**0**	**(365)**	**(369)**	**(734)**
0	0	(6)	**(6)**	Gains on Revaluation	0	0	(63)	**(63)**
0	**0**	**(6)**	**(6)**	**Surplus / (Deficit) arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure**	**0**	**0**	**(63)**	**(63)**
5,911	**(435)**	**(447)**	**5,029**	**Net Gain / (Loss) for Year**	**6,045**	**(365)**	**(432)**	**5,248**

Financial Instruments - Fair Values of Assets and Liabilities

The fair value of a financial instrument is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants as at 31st March.

Financial Assets classed as available for sale are carried in the balance sheet at fair value. Covered bonds, corporate bonds and the property fund have been valued based on their market prices. Other available for sale financial assets have been estimated calculating the net present value of the remaining contractual cash flows at 31st March using the following methods and assumptions:

- Shares in unlisted companies refer to the Councils shareholdings in Alderley Park Holdings Limited and Manchester Science Partnerships Limited which have been valued based on each company’s balance sheet net assets adjusted for minority interest.

Financial assets classified as loans and receivables and all financial liabilities are carried in the balance sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows as at 31st March using the following methods and assumptions:

- Loans to companies are either interest free and have been recognised in the balance sheet at their discounted value based on appropriate market rates of interest or are already recognised at market rates.

- The loan to the investment partnership is interest free with the expectation of generating future returns. The loan value has been adjusted to reflect changes in the valuation of previous years investments shown in the last published accounts of the fund.
- Bank deposits and investments with Government bodies have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- No future early repayment or impairment is recognised for any financial instrument. Any known or anticipated loan impairments have already been recognised in the balance sheet.
- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for Local Authority loans. As there is no actual market in respect of Public Works Loans Board (PWLB) loans and therefore no market transfer price the fair value is measured from the perspective of the PWLB which is the only obvious market. The fair value has been obtained by discounting each loan's remaining contractual cash flows at the following discount rates using normal actuarial techniques.
    - Up to 5 years, when there is an active market in LA to LA loans – interest rates as supplied by money market brokers.
    - Beyond 5 years – Local authority bonds in issue, mainly from Transport for London. Where there is no bond in issue, interest rate swaps as supplied by Bloomberg, compiled from banks operating in the over the counter swap market. The swap rates are then subtracted from observed rates to calculate the margin, which in interpolated to give a smooth curve.

  The formula is that used by the PWLB, but any other present value formula will produce a similar result.

- The value of "Lender Option Borrower Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrowers' contingent options to accept the increased rate or repay the loan have been valued at zero on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- Temporary Borrowings consist of loans taken out prior to March 2018 with maturity dates in the new year and beyond. Their purpose was to cover temporary predicted/known shortfalls in cash over this period resulting in the main from the decision to pay past service pension deficit contributions in 2017. The Fair Value of temporary borrowings is based on interest rates on similar instruments. This is the same model as used for Financial Assets – Deposits.
- Other Long Term Liabilities represents the Growing Places Fund which is repayable to DCLG and held on behalf of Cheshire & Warrington Local Enterprise Partnership. There is no specified timescale for holding this fund and no interest is charged so the fair value has been assessed as equal to the carrying value.
- The fair values of finance lease assets and liabilities, and of 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 short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are shown in the tables below, split by their level in the fair value hierarchy:

- **Level 1** – fair value is derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- **Level 2** – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- **Level 3** – fair value is determined using unobservable inputs, e.g. non-market data such as published accounts, cash flow forecasts or estimated credit worthiness.

Type of Instrument	As at 31 March 2018 £000	Valuation Technique Used to Measure Fair Value	Unobservable inputs	Sensitivity
Shares in unlisted companies	4,004	Net Assets based on last audited accounts as at 30/09/2017	Minority Interest based on Shareholder Agreements and original purchase	Shareholder Agreement gives first sale option to other shareholders. Sale price could vary if this option is not taken and shares sold on open market.

31st March 2017		FINANCIAL ASSETS	Fair Value Level	31st March 2018	
Balance Sheet £000	**Fair Value £000**			**Balance Sheet £000**	**Fair Value £000**
		Loans and Receivables			
1,598	1,598	Loans to Companies	2	1,594	1,594
1,165	1,165	Loan to Investment Partnership	2	2,146	2,146
2,007	2,049	Investments with Government Bodies	2	11,601	11,601
1	1	Money Market Funds	1	4	4
		Available for Sale Financial Assets			
7,605	7,605	Property Fund	1	7,961	7,961
8,560	8,560	Managed Funds	1	2,496	2,496
2,059	2,059	Shares in Unlisted Companies	3	4,004	4,004
		Other Loans and Receivables			
8,580	6,611	Lease Receivables	2	7,910	6,274
1,263	1,263	Soft Loans	2	1,138	1,138
10,054	10,054	**Cash and Cash Equivalents**	-	(95)	(95)
		Financial Assets Carried at Contract Amounts			
7	7	Mortgages	-	6	6
24,074	24,074	Trade Receivables	-	28,970	28,970
66,973	**65,046**	**TOTAL ASSETS**		**67,735**	**66,099**

31st March 2017		FINANCIAL LIABILITIES	Fair Value Level	31st March 2018	
Balance Sheet £000	**Fair Value £000**			**Balance Sheet £000**	**Fair Value £000**
		Borrowings			
(83,855)	(111,319)	Long Term Loans – PWLB	2	(77,832)	(101,625)
(17,835)	(27,498)	Long Term Loans – LOBO	2	(17,823)	(26,187)
(3,619)	(3,571)	Other Long Term Loans	2	(3,719)	(3,647)
(12,002)	(12,002)	Temporary Borrowings	2	(72,124)	(72,149)
		Other Long Term Liabilities			
(23,965)	(33,347)	Private Finance Initiative Liabilities	2	(23,223)	(31,294)
(12,164)	(12,164)	Other Long Term Liabilities	-	(11,115)	(11,115)
(3,091)	(3,698)	Finance Lease Liabilities	2	(2,387)	(2,912)
		Creditors			
(641)	(2,172)	Private Finance Initiative Liabilities	-	(742)	(2,222)
(716)	(808)	Finance Lease Liabilities	2	(688)	(771)
(51,068)	(51,068)	Financial Liabilities at Contract Amount	-	(49,117)	(49,117)
(208,956)	**(257,647)**	**TOTAL LIABILITIES**		**(258,770)**	**(301,039)**

The fair value of financial liabilities is higher than their balance sheet value because the Council has fixed rate long term loans within its portfolio which are higher than the current rates available for similar loans as at the balance sheet date.

8(a) Investments

Long Term Investments at 31st March were as follows:

31st March 2017 £000		31st March 2018 £000
	Loans and Receivables:	
1,165	GM and Cheshire Life Sciences Fund	2,146
1,222	Alderley Park Holdings Limited	1,282
288	Everybody Sport and Recreation Limited	224
	Available for Sale Financial Assets:	
7,519	CCLA Property Fund	7,876
0	Royal London Enhanced Cash Plus Fund	2,496
1,597	Alderley Park Holdings Limited Shares	2,400
462	Manchester Science Parks Limited Shares	1,605
12,253	**Total Long Term Investments**	**18,029**

Short Term Investments at 31st March were as follows:

31st March 2017 £000		31st March 2018 £000
	Loans and Receivables:	
0	Central Bedfordshire Council	6,600
0	Surrey Heath Borough Council	5,000
2,007	Lancashire County Council	0
89	Other	92
2,096	**Total Loans and Receivables**	**11,692**
	Available for Sale Financial Assets:	
86	CCLA Property Fund	85
7,553	Federated Managed Fund	0
1,007	Deutsche Managed Fund	0
8,646	**Total Available for Sale Financial Assets**	**85**
10,742	**Total Short Term Investments**	**11,777**

Short Term Investments represent all invested funds which are not immediately convertible to cash on 31st March 2018 but where repayment is expected before 31st March 2019. All investments are in sterling and were made in accordance with the Council's Treasury Management Strategy.

The general policy objective of the Council was the prudent investment of its treasury balances. The Council's investment priorities are the security of capital and liquidity of its investments which take priority over yield. During 2017/18 the focus has shifted from investments towards borrowing as a result of reducing cash balances. Investments in the property and cash plus fund are strategic in nature and expected to deliver higher returns over the next few years.

8(b) Borrowing – Financial Liabilities at Amortised Cost

The amounts and maturity profile of borrowings are as follows:

Total 2016/17	Debt Maturity	Lender		Total 2017/18
		Public Works Loans Board	Other	
£000		£000	£000	£000
	Short Term Borrowing			
20,069	Within the next financial year	6,949	54,538	**61,487**
20,069	**Total Short Term Borrowing**	**6,949**	**54,538**	**61,487**
	Long Term Borrowing			
7,050	1 – 2 years	6,000	20,259	**26,259**
12,019	2 – 5 years	4,750	1,202	**5,952**
360	5 – 10 years	0	0	**0**
17,292	10 – 15 years	21,819	0	**21,819**
8,595	15 – 20 years	4,069	0	**4,069**
7,629	20 – 25 years	7,629	0	**7,629**
13,702	25 – 30 years	1,186	12,503	**13,689**
30,595	More than 30 years	25,430	5,164	**30,594**
97,242	**Total Long Term Borrowing**	**70,883**	**39,128**	**110,011**
117,311	**Total Borrowing**	**77,832**	**93,666**	**171,498**

8(c) Financial Instruments - Nature and Extent of Risks Arising

The identification, understanding and management of risk are, by necessity, a major part of the Council's treasury management activities. The key risks are liquidity risk, market risk and credit risk, and these are managed by the Council through the Treasury Management Strategy Statement referred to in the Accounting Policies.

Liquidity Risk

This is the risk that the Council will not have sufficient cash resources to meet its obligations to its creditors and employees as they fall due for payment. The Council forecasts and manages its cash flow on a daily basis with liquidity of cash prioritised ahead of yield. Being a Local Authority, the Council is able to raise loans from the Public Works Loan Board (PWLB). Consequently, it is highly unlikely that the Council will be unable to raise new or replacement loans, or that it will be unable to raise new loans at a cost that is linked to the cost of central government borrowing.

The Council has £17m of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. The LOBO loans that we hold have a break clause every six months but due to current low interest rates, it is unlikely that the lender will exercise its option. If it did the Council is likely to repay these loans.

Lender	Amount	Current Interest Rate	Maturity Date	Lender Option dates
Dexia Credit Local	£5,000,000	4.5%	11/2/2043	August / Feb
Dexia Credit local	£7,000,000	4.5%	12/2/2043	August /Feb
Dexia Credit Local	£5,000,000	4.95%	25/8/2054	November/ May

Market Risk

This is the risk that, due to movement in interest rates, the Council will not achieve good value from its investments or the raising of long term loans. To mitigate this risk, consideration is given to interest rate forecasts and the likely effects on borrowing and investment rates for the next two to three years. The Council uses this information in addition to its forecast of cash flows as part of its treasury strategy to determine the timing and the maturity period of new investments and borrowings. Market risk is considered in conjunction with credit and liquidity risk. The policy over the last year and into next year is to fund any borrowing requirement on a short term basis to take advantage of low short term borrowing costs. Although long term borrowing rates are also at low levels, the differential in cost and the uncertainty over the future of interest rates suggests that short term borrowing outweighs any benefits from fixed long term borrowing.

In addition to investments/deposits which are based on interest rate returns, the Council also has investments in a property fund, the price of which can vary dependent on the valuation of commercial property. The intention is that, over time and despite fluctuations, the price of the funds and, therefore, the value of the investments will increase. In addition, the property fund pays out dividends providing an on-going return from the investment. A fall of 5% in commercial property prices would result in a charge of £394,000 to Other Comprehensive Income and Expenditure but would have no impact on the General Fund until the investment was sold.

The impact of market risk is demonstrated by looking at the effect on the accounts if interest rates were 1% higher at 31st March 2018 and through the whole of 2017/18 assuming all other circumstances were the same.

Effect on Accounts of 1% Increase in Interest Rates	£000
Increase in interest payable on variable rate borrowings	402
Increase in interest receivable	(470)
Decrease in Fair Value of available for sale financial assets	0
Net Impact on Comprehensive Income and Expenditure Statement	**(68)**
Reduction in the Fair Value of fixed rate borrowing	(16,023)
Reduction in the Fair Value of loans and receivables (investments)	114

Credit Risk

This is the risk that the Council will not be repaid in full when it invests money in banks and other financial institutions (counterparties). Credit risk is being reduced by falling cash balances as a result of early payment of pensions funding and not re-financing maturing long term borrowing. Remaining cash balances are invested with suitable counterparties in line with the Council’s Treasury Management Strategy where security of capital and liquidity is prioritised over yield and the type of investment selected by reference to credit ratings and a number of other market indicators.

Given the cautious approach adopted in selecting suitable counterparties in accordance with the Treasury Management Strategy Statement, the Council does not expect any losses in respect of investments. However, it is expected that a proportion of debtors will never be recovered. The following table shows the credit rating of investments (including those shown in the accounts as cash equivalents) and the likely impact of non-recovery of debtors based on experience over the last 5 years.

	Amount deposited at 31 March 2018 £000	Historical experience of default %	Estimated maximum exposure to default £000
Investments, Loans and Receivables:			
UK Government Securities	11,601	0	0
Banks & Building Societies – UK			
A	650	0	0
Money Market Funds			
AAA	1,524	0	0
Managed Investments			
Property Fund - unrated	7,961	0	0
Cash Funds	2,496	0	0
Other (Unrated)			
Shareholdings and interest in other companies	4,004	0	0
Loans to associated companies	1,594	0	0
Loan to partnership fund	2,146	0	0
Debtors:			
Trade Debtors	10,953	1.97%	216
Other Debtors	27,488	1.97%	542
TOTAL	**70,417**		**758**

The Council generally allows its trade debtors credit of one month. Of the £10.9m invoiced income outstanding from trade debtors, £6.3m is past its due date for payment. This is analysed by age below:

Age of Invoiced Debt	Gross £m	Impairment £m	Net £m
Less than 3 months overdue	2.0	0.8	1.2
3 to 6 months overdue	1.2	0.4	0.8
6 months to 1 year overdue	0.9	0.9	0
More than 1 year overdue	2.2	2.2	0
TOTAL	**6.3**	**4.3**	**2.0**

9. Debtors

Current Debtors (short term - less than one year)

This note provides details of the Council's current debt position as at 31st March 2018. These are assets valued at the contractual amount initially agreed and then adjusted for impairments (provision for bad and doubtful debt) if it is deemed that there is a risk that the full amount cannot be recovered.

The Council's current debtors, due within 12 months, are summarised as follows:

31st March 2017 £000		31st March 2018 £000
9,111	Central government bodies	14,262
3,025	Other local authorities	9,183
2,388	NHS bodies	1,473
35,375	Other entities and individuals	30,764
49,899	**Total Current Debtors**	**55,682**

Provision for Irrecoverable Debt (included in the above)

31st March 2017 £000		31st March 2018 £000
(5)	Central government bodies	(12)
(6)	Other local authorities	0
(8)	NHS Bodies	(955)
(5,098)	Council Tax and Business Rates *	(5,969)
(8,607)	Other sundry debts	(8,503)
(13,724)	**Total Provision for Irrecoverable Debt**	**(15,439)**

* Provision for Council Tax and Business Rates relates to arrears from 2001/02 onwards where recovery action is being undertaken. Cheshire East performs well in terms of in-year (98.2% Council Tax and 98.3% Business Rates) and two and three year collection, which has been above budget forecasts.

10. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2017 £000		31 March 2018 £000
217	Cash held by the Council	105
(1,973)	Bank current accounts – Barclays Bank	(2,370)
11,810	Instant access investments	2,170
10,054	**Total Cash and Cash Equivalents**	**(95)**

The current account shows as overdrawn only because of the timing of creditor payments charged to the accounts by 31st March but not cleared at the bank until April.

11. Creditors

Current Creditors (Short Term - less than 1 year)

This note provides details of the Council's current creditor position as at 31st March 2018.

31 March 2017 £000		31 March 2018 £000
(12,270)	Central government bodies	(15,387)
(5,136)	Other local authorities	(10,710)
(1,113)	NHS bodies – Foundation Trusts, Clinical Commissioning Groups and other	(2,776)
(4)	Public corporations and trading funds	(7)
(66,795)	Other entities and individuals	(56,883)
(85,318)	**Total Current Creditors**	**(85,763)**

12. Provisions

The Council will hold a provision when it has identified a liability 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 near as possible to the time the liability was incurred, should the actual costs differ from those estimated the net difference will be charged to the Income and Expenditure Statement in the year any difference is identified.

	Short term provisions (< 1 year), those used in 2017/18 and those reviewed against requirements of IAS 37 and removed						
	Business Rates Retention Scheme Appeals	Highways Schemes	Putting Residents First	Better Care Fund	Other provisions	2017/18 provisions used and removed	**Total Short-term Provisions**
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2017	(6,944)	(210)	0	(499)	(78)	0	**(7,731)**
Additional provisions made in 2017/18	(8,756)	0	0	0	0	0	**(8,756)**
Amounts used in 2017/18	8,007	210	0	190	28	0	**8,434**
Unused amounts reversed in 2017/18	0	0	0	0	51	0	**51**
Balance at 31 March 2018	**(7,693)**	**0**	**0**	**(309)**	**0**	**0**	**(8,002)**

The **Business Rates Retention Scheme Appeals** provision represents the risk to the Council of possible successful business rates appeals. In April 2013 the new Business Rates Retention Scheme was introduced to replace the previous National Pooling System for business rates. The Council must share the risks and rewards associated with the collection of business rates with Central Government (50%) and the Cheshire Fire Service (1%). The provision of £7.7m represents the Council's 49% share of the total risk of £15.7m.

Used balances on **Other Provisions** include Land Provisions (£24,000) and Grant Thornton payment for Cosocius fees (£3,500). Unused amounts reserved include General Interest Penalties (£49,000) and Land Clearance Provision (£1,300).

	Long term provisions (> 1 year)						
	Insurance – Cheshire East	Insurance – Cheshire County Council	Highways Schemes	Closed Landfill Sites	Local Land charge and Land charge interest	Asset Recovery Scheme-proceeds of crime	**Total Long-Term Provisions**
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2017	(3,040)	(748)	0	(611)	(8)	(157)	**(4,564)**
Additional provisions made in 2017/18	(1,566)	(119)	(210)	0	0	0	**(1,895)**
Amounts used in 2017/18	758	331	0	0	0	27	**1,117**
Unused amounts reversed in 2017/18	0	0	0	0	4	0	**4**
Balance at 31 March 2018	**(3,848)**	**(535)**	**(210)**	**(611)**	**(4)**	**(130)**	**(5,338)**

The **Insurance Provisions** for Cheshire East Council and the former Cheshire County Council have been made to meet known and anticipated liabilities on claims under the Council's insurance arrangements. The values of these provisions reflect actuarial advice and experience of claims history and are adjusted on an annual basis as appropriate.

The **Highways Scheme** provision will cover the potential costs in relation to Handforth by pass. The provision has now been classed as long term.

The **Closed Landfill Sites** provision is held as a result of the Council having ongoing responsibility for the costs of closed landfill sites. After care costs include site maintenance/monitoring, gas management and leachate (liquid waste) management. The average outstanding liability period for the five sites identified within Cheshire East is 30 years.

The **Local Land Charge and interest** provisions are held to fund potential claims by Personal Search Companies in respect of charges levied by the Council between April 2009 and August 2010. The charges were levied for providing responses to specific land search enquiries (CON29R and CON29O selectable questions), however it is now understood that these responses should have been provided free of charge as they fell within the Environmental Information Regulations 2004.

The **Asset Recovery Scheme** provision covers the required work to record any funding we recover under the proceeds of crime agreement (POCA). This includes confiscation orders and cash forfeiture orders granted by the Crown Court under the POCA.

13. Usable Reserves

This note lists those reserves that contain resources that the Council can apply to the provision of services, either by incurring expenses or undertaking capital investment; whether or not there are particular restrictions on exactly what the resources can be applied to. Relevant reserves include the Capital Reserve, Capital Grants Unapplied Account, General Fund balance and any earmarked reserves under the General Fund umbrella.

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement, the Notes on Adjustments between Accounting Basis and Funding Basis under Regulations (Note 2), and Transfers to / from Earmarked Reserves (Note 3).

13(a) General Fund Reserve – Borough Fund

The Borough Fund is the main fund of the Council to which all revenue receipts are credited and from which all revenue liabilities are discharged; all such transactions are recorded in the Council's Comprehensive Income and Expenditure Statement. The balance on the reserve at 31st March 2018 was £10.316m.

13(b) Capital Grants Unapplied

The Capital Grants Unapplied Account contains capital grants and contributions where no conditions remain. The grant income has been recognised through the Comprehensive Income and Expenditure Account, but the expenditure to be financed from that grant or contribution has not been incurred by 31st March 2018.

As at 31st March 2018 the closing balance on the Capital Grants Unapplied Account was £31.3m.

2018/17 £000	Capital Grants Unapplied	2017/18 £000
19,002	**Opening Balance at 1 April**	**23,165**
(7,337)	Capital Expenditure met from prior years unapplied grants	(12,538)
11,500	Grants received during 2017/18 but not applied	20,707
23,165	**Closing Balance at 31 March**	**31,334**

13(c) Reserves and Balances Held by Schools under Delegated Schemes

The funding framework for schools is laid down in the Schools Standards and Framework Act 1998. Unspent budgets that have been delegated remain at the disposal of the school, even though they are still reserves held by the Council. In effect, these unspent balances represent a special form of reserve that is not available to the Council to use; it is a statutory earmarked reserve. As at 31st March 2018, the accumulated underspend on schools' budgets was £4.4m (£5.1m at 31st March 2017). Details on the movements are provided in Note 3 (Transfers to / from Earmarked Reserves).

14. Unusable Reserves

14(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2016/17 £000	Revaluation Reserve	2017/18 £000
185,561	**Opening Balance at 1st April**	**194,694**
33,549	Upward revaluation of assets	46,616
(6,823)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(4,908)
26,726	**Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**41,708**
(5,390)	Difference between fair value depreciation and historical cost depreciation	(5,708)
(12,203)	Accumulated gains on assets sold or scrapped	(4,987)
(17,593)	**Amount written-off to the Capital Adjustment Account**	**(10,695)**
194,694	**Total Unusable Reserves**	**225,707**

14(b) 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 under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 2 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2016/17 £000	Capital Adjustment Account	2017/18 £000
417,281	**Opening Balance at 1st April**	**426,742**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(35,079)	• Charges for depreciation and impairment of non-current assets	(32,826)
(2,068)	• Revaluation losses and Impairment on Property, Plant and Equipment	(13,944)
(352)	• Amortisation of intangible assets	(340)
(10,333)	• Revenue expenditure funded from capital under statute	(19,977)
(13,270)	• Amounts of non-current assets written-off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(3,998)
(30,063)	• Amounts of non-current assets written-off as a loss of control of an Entity to the Comprehensive Income and Expenditure Statement	(11,265)
17,593	Adjusting amounts written out of the Revaluation Reserve	10,695
	Capital financing applied in the year:	
8,590	• Use of the Capital Receipts Reserve to finance new capital expenditure	2,614
63,076	• Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	51,390
10,244	• Statutory provision for the financing of capital investment charged against General Fund balances	5,991
981	• Capital expenditure charged against the General Fund	1,423
0	• Reversal of Prior Years Cost of Disposal Expenditure Transferred back to the General Fund	(2)
88	• Repayment to the Capital Adjustment Account from the Capital Reserve	50
54	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	250
426,742	**Closing Balance at 31st March**	**416,803**

14(c) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The credit balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Further information is provided in Note 26.

2016/17 £000		2017/18 £000
(329,335)	**Opening Balance at 1 April**	**(432,475)**
(103,413)	Remeasurement gains / (losses) on pensions assets and liabilities	40,089
(33,850)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(52,658)
34,123	Employer’s pension contributions and direct payments to pensioners payable in the year	66,716
0	Effect of business combinations and disposals	0
0	Adjustment for CoSocius Limited pension guarantee *	2,600
(432,475)		**(375,728)**

CoSocius Limited adjustment *

In October 2015, Cheshire West and Chester and Cheshire East Councils made the decision to terminate their contracts with CoSocius and effectively wind up the company. The company ceased to trade on 31st March 2016 and was wound up on 30th June 2016; with all employees transferring to Cheshire West and Chester Council and Cheshire East Council from 1st April 2016.

In making these decisions the Councils recognised that this would mean the company would not be able to honour its long term commitments to the Pension Fund and that the pension guarantee and exit clauses indemnities in the contract would be triggered. To avoid the need for an exit payment the Councils opted instead to transfer the company's pension deficit back to the retrospective Councils and accepted that it would need to honour any outstanding funding obligations with the Cheshire Pension Fund. Therefore both Cheshire West and Chester Council and Cheshire East Borough Council accounted for their proportionate share of the deficit as at 31st March 2016, which equated to approximately £2.6m for each Council.

This was a temporary arrangement to reflect the CoSocius Pension Deficit Guarantee which has now been reversed out of both Cheshire East and Cheshire West and Chester Council accounts following the successful transfer and the TUPE of associated employees.

15. Cash Flow Statement - Operating Activities

2016/17 £000		2017/18 £000
	The cash flows for operating activities include the following items:	
1,497	Interest received	1,537
(4,211)	Interest paid	(4,131)
	The surplus or (deficit) on the provision of services has been adjusted for the following non cash movements:	
35,079	Depreciation	32,826
2,068	Impairment and downward valuations	13,944
352	Amortisation	340
11,998	Increase / (decrease) in creditors	(7,206)
1,176	Increase / (decrease) in debtors	(3,496)
(89)	Increase / (decrease) in inventories	57
(273)	Movement in pension liability	(48,498)
43,333	Carrying amount of non current assets and non current assets held for sale, sold or derecognised	15,263
(1,740)	Other non cash items charged to the net surplus or (deficit) on the provision of services	884
91,904		**4,114**
	The surplus or (deficit) on the provision of services has been adjusted for the following items that are investing and financing activities:	
32	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0
(8,654)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,671)
	Any other items for which the cash effects are investing or financing cash flows:	
(12,152)	Local transport grant	(14,508)
(13,810)	SEMMMS relief road	(12,892)
(4,531)	Basic needs capital grant	(11,538)
(21,323)	Local growth fund	(2,810)
(15,423)	Other capital grants	(17,811)
(75,861)		**(66,230)**

16. Cash Flow Statement - Investing Activities

2016/17 £000		2017/18 £000
(81,345)	Purchase of property, plant and equipment, investment property and intangible assets	(78,999)
(114,851)	Purchase of short-term and long- term investments	(22,131)
(206)	Other payments for investing activities	(149)
8,212	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,996
122,541	Proceeds from short-term and long-term investments	17,576
70,632	Other receipts from investing activities (Capital Grants)	65,947
4,983	**Net cash flows from investing activities**	**(12,760)**

17. Cash Flow Statement - Financing Activities

2016/17 £000		2017/18 £000
23,100	Cash receipts of short-term and long-term borrowing	146,990
281	Other receipts from financing activities	0
(780)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance Sheet Private Finance Initiative (PFI) contracts	(720)
(28,827)	Repayment of short-term and long-term borrowing	(93,171)
(1,036)	Other payments for financing activities	1,798
(7,262)	**Net cash flows from financing activities**	**54,897**

18. Nature of Expenses (Segmental Reporting)

This note breaks down the Income and Expenditure as reported in the Comprehensive Income and Expenditure Statement by nature including employees' expenses, Precept and Levies, Investment Income and expenditure and all capital charges adjustments applied in year.

2016/17 £000	Expenditure and Income Analysed by Nature	2017/18 £000
	Expenditure	
238,506	Employee Benefits Expenses	224,872
425,849	Other Service Expenses	453,785
45,099	Depreciation, Amortisation and Impairment	33,166
2,068	Revaluation Losses	13,944
37,318	Loss on disposal of Non-Current Assets	10,701
4,156	Interest Payments	4,248
6,390	Precepts and Levies	6,891
(34,655)	Internal Recharges	(40,178)
1,454	IAS19, Leave Accrual Adjustments and Other Adjustments	(17,366)
726,185		**690,063**
	Income	
(105,329)	Fees and Charges and other Service Income	(143,741)
(231,730)	Income from Council Tax and Business Rates	(241,266)
(410,129)	Government Grants and Contributions	(353,372)
34,655	Internal Recharges	40,178
(1,777)	Interest and Investment Income	(1,692)
(714,310)		**(699,893)**
11,875	**(Surplus) or Deficit on Provision of Service**	**(9,830)**

	People Directorate £000	Place Directorate £000	Corporate & Central Services £000	Total £000
2017/18:				
Revenues from External Customers	(62,775)	(31,750)	(49,216)	**(143,741)**
2016/17:				
Revenues from External Customers	(45,679)	(25,213)	(34,437)	**(105,329)**

19. Members' Allowances

The total amount spent on Members' allowances in 2017/18 was £1.3m. This figure includes the basic allowance, special responsibility allowance and Member pension costs. It does not include the direct reimbursement of costs incurred. The costs are reflected in the Comprehensive Income and Expenditure Statement under Corporate and Central Services.

2016/17 £000		2017/18 £000
1,009	Basic Allowance	1,027
307	Special Responsibility Allowance	291
0	Pension	0
1,316	**Total Members' Allowances**	**1,318**

Further Information on Members' allowances is available on the Council's website (http://www.cheshireeast.gov.uk) or from Democratic Services, Westfields, Middlewich Road, Sandbach, CW11 1HZ.

20. Officers' Remuneration

The number of officers whose remuneration exceeded £50,000 in 2017/18 is detailed below:

2016/17			Remuneration Band	2017/18		
Schools	Other	Total		Schools	Other	Total
30	65	**95**	£50,000 - £54,999	26	79	**105**
15	24	**39**	£55,000 - £59,999	18	21	**39**
19	18	**37**	£60,000 - £64,999	17	22	**39**
4	11	**15**	£65,000 - £69,999	5	9	**14**
4	6	**10**	£70,000 - £74,999	4	6	**10**
0	6	**6**	£75,000 - £79,999	2	6	**8**
2	6	**8**	£80,000 - £84,999	2	4	**6**
0	1	**1**	£85,000 - £89,999	0	0	**0**
1	2	**3**	£90,000 - £94,999	1	4	**5**
0	3	**3**	£95,000 - £99,999	1	2	**3**
1	2	**3**	£100,000 - £104,999	0	1	**1**
0	1	**1**	£105,000 - £109,999	0	0	**0**
0	0	**0**	£110,000 - £114,999	0	1	**1**
0	0	**0**	£125,000 - £129,999	0	2	**2**
0	1	**1**	£130,000 - £134,999	0	0	**0**
0	3	**3**	£135,000 - £139,999	0	2	**2**
0	1	**1**	£140,000 - £144,999	0	0	**0**
0	0	**0**	£155,000 - £159,999	0	1	**1**
0	0	**0**	£170,000 - £174,999	0	1	**1**
0	1	**1**	£180,000 - £184,999	0	0	**0**
0	1	**1**	£360,000 - £364,999	0	0	**0**
76	**152**	**228**	**Total**	**76**	**161**	**237**

Remuneration includes salary, payments to hired or contracted staff, taxable benefits such as car allowances, termination payments and backdated Single Status payments. Direct reimbursement of costs incurred and pension contributions are excluded.

Senior employees are included in the above figures. Further information about the remuneration of senior employees, including the names of any officers with salaries of £150,000 or more per year, is provided in Note 21.

21. Officers' Remuneration – Senior Employees

The Council is required to disclose the remuneration of senior employees. These include the statutory officers and any person having responsibility for the management of the Council, to the extent that the person has power to direct or control the major activities of the Council. The figures below relate to 2017/18 and include salaried, agency and other contracted-in employees.

2017/18 Remuneration

Job Title / Name	Salary, Fees , Allowances and Bonuses £	Expenses and Allowances * £	Compensation for Loss of Employment £	Employer's Pension Contribution £	**Total** £
Acting Chief Executive – Kath O'Dwyer	171,254	7	0	52,233	**223,494**
Chief Executive – Mike Suarez	158,015	3	0	48,195	**206,213**
Acting Executive Director of People	128,135	184	0	38,837	**167,156**
Acting Strategic Director of Adult Social Care and Health	111,312	0	0	0	**111,312**
Deputy Director of Children's Services and Director of Children's Social Care	95,909	122	0	29,252	**125,283**
Director of Education and 14-19 Skills	84,719	106	0	25,839	**110,664**
Director of Prevention and Support	84,490	5	0	25,769	**110,264**
Director of Adult Social Care (from 16th May 2017)	72,947	55	0	7,439	**80,441**
Director of Commissioning (from 15th May 2017)	73,171	0	0	22,317	**95,488**
Director of Public Health	94,741	0	0	13,624	**108,365**
Deputy Chief Executive and Executive Director of Place	138,035	85	0	41,857	**179,977**
Director of Planning and Sustainable Development	99,833	141	0	30,449	**130,423**
Director of Infrastructure and Highways	91,776	63	0	27,992	**119,831**
Director of Growth and Regeneration (to 31st December 2017)	57,546	39	0	17,551	**75,136**
Interim Director of Growth and Regeneration (from 21st February 2018)	19,921	0	0	0	**19,921**
Head of Rural and Structural Economy	77,835	0	0	23,740	**101,575**
Interim Executive Director of Corporate Services - Section 151 Officer (from 25th April 2017)	125,862	0	0	0	**125,862**
Chief Operating Officer (Section 151 Officer)	138,013	79	0	41,941	**180,033**
Director of Legal Services and Monitoring Officer (to 11th December 2017)	74,485	3	0	19,496	**93,984**
Acting Director of Legal Services and Interim Monitoring Officer	92,129	0	0	27,550	**119,679**
Best4Business Programme Director	77,712	5	0	23,095	**100,812**
Head of Finance and Performance (Deputy Section 151 Officer)	77,400	0	0	23,095	**100,495**
Head of Customer Services	75,892	29	0	23,095	**99,016**
Chief Information Officer / Head of ICT Shared Services	80,721	0	0	24,620	**105,341**
Head of Strategic Human Resources	73,641	0	0	22,461	**96,102**

Job Title / Name	Salary, Fees , Allowances and Bonuses £	Expenses and Allowances * £	Compensation for Loss of Employment £	Employer's Pension Contribution £	**Total** £
Business Manager	64,281	0	0	19,606	**83,887**
Corporate Manager - Communications and Media (to 28th November 2017)	38,858	0	0	11,121	**49,979**
Acting Corporate Manager: Communications and Media	62,660	0	0	19,041	**81,701**
Procurement Manager	54,098	76	0	17,900	**72,074**
Total 2017/18	**2,595,391**	**1,002**	**0**	**678,115**	**3,274,508**

During 2017/18, the Acting Chief Executive earned the following fees. These are included in the Salary, Fees and Allowances figures above, and were as follows:

	Returning Officer £
UK General Election 2017	20,830

2016/17 Remuneration

The comparable data for the previous year was as follows:

Job Title / Name	Salary, Fees , Allowances and Bonuses £	Expenses and Allowances * £	Compensation for Loss of Employment £	Employer's Pension Contribution £	**Total** £
Chief Executive – Mike Suarez	182,353	97	0	43,730	**226,180**
Deputy Chief Executive and Executive Director: People	136,250	31	0	39,104	**175,385**
Strategic Director of Adult Social Care and Health (from 26th September 2016)	61,543	71	0	17,663	**79,277**
Director of Children's Social Care	95,000	119	0	27,265	**122,384**
Director of Education and 14-19 Skills	82,416	86	0	23,653	**106,155**
Director of Children's Prevention and Support	82,100	48	0	23,563	**105,711**
Director of Adult Social Care and Independent Living (to 5th June 2016)	20,060	0	0	5,757	**25,817**
Principal Manager – Adult Care Services	66,812	0	0	19,175	**85,987**
Business Manager	63,353	0	0	18,182	**81,535**
Principal Manager – Mental Health and Learning Disability Services	66,461	0	0	19,074	**85,535**
Director of Public Health (to 31st August 2016)	67,735	0	296,738	9,686	**374,159**
Assistant Director and Consultant in Public Health	132,158	0	0	16,976	**149,134**
Corporate Manager – Commissioning	61,965	97	0	17,784	**79,846**
Corporate Manager – Commissioning	61,965	27	0	17,784	**79,776**
Head of Communities	87,416	27	0	25,088	**112,531**
Associate Director and Consultant in Public Health	59,868	36	0	9,293	**69,197**
Wider Determinants and Commissioning Manager	84,824	0	0	24,344	**109,168**
Consultant / Associate Director in Public Health (to 14th October 2016)	44,319	0	0	11,151	**55,470**
Consultant / Associate Director in Public Health	70,160	0	0	10,033	**80,193**
Director of Public Health	78,461	16	0	11,558	**90,035**
Director of Public Health	68,287	0	0	19,495	**87,782**
Executive Director: Place (from 5th September 2016)	72,243	69	0	20,734	**93,046**
Executive Director of Economic Growth and Prosperity (to 3rd April 2016)	1,000	0	0	287	**1,287**
Director of Planning and Sustainable Development	93,625	49	0	26,870	**120,544**
Director of Infrastructure and Highways	95,905	95	0	27,525	**123,525**
Director of Growth and Regeneration	103,725	112	0	29,769	**133,606**
Head of Countryside, Culture and Visitor Economy	77,114	0	0	22,132	**99,246**
Business Manager (to 1st January 2017)	50,267	56	0	14,427	**64,750**
Chief Operating Officer (Section 151 Officer)	137,810	156	0	39,178	**177,144**
Director of Legal Services and Monitoring Officer	94,000	21	0	26,088	**120,109**
Head of Professional Services	80,346	0	0	21,952	**102,298**

Job Title / Name	Salary, Fees , Allowances and Bonuses £	Expenses and Allowances * £	Compensation for Loss of Employment £	Employer's Pension Contribution £	**Total** £
Head of Finance and Performance (Deputy Section 151 Officer)	80,324	0	0	22,177	**102,501**
Corporate Manager – Communications and Media	64,312	0	0	16,531	**80,843**
Head of Customer Services	77,321	0	0	22,191	**99,512**
Chief Information Officer / Head of ICT Shared Services	77,500	0	0	22,243	**99,743**
Head of Strategic Human Resources	72,975	0	0	20,944	**93,919**
Business Manager	62,052	24	0	17,740	**79,816**
Legal Team Manager – Commercial Projects and Property	62,642	0	0	17,723	**80,365**
Legal Team Manager – People	61,241	16	0	17,461	**78,718**
Legal Team Manager – Corporate and Regulatory	59,782	10	0	17,158	**76,950**
Corporate Manager – Governance and Audit (to 28th February 2017)	40,347	0	33,000	8,786	**82,133**
Head of Democratic Services and Governance	98,838	77	0	21,602	**120,517**
Corporate Manager Commissioning – Leisure Services	67,712	156	0	18,458	**86,326**
Corporate Manager Commissioning – Waste and Environmental Services	66,812	0	0	19,175	**85,987**
Total 2016/17	**3,371,399**	**1,496**	**329,738**	**881,509**	**4,584,142**

22. Termination Benefits

The Council terminated the contracts of a number of employees in 2017/18, incurring liabilities of £1.386m (£1.507m in 2016/17). No senior officers left during 2017/18 on voluntary or compulsory redundancy terms. The £1.386m is payable to 54 officers from various services who were made redundant as part of the Council's rationalisation of services.

A summary of the number and value of exit packages is provided below:

Exit package cost band (including special payments)	(a) Number of compulsory redundancies		(b) Number of other departures agreed		(c) Total number of exit packages by cost band [(a) + (b)]		(d) Total cost of exit packages in each band	
	2016/17	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17 £000**	**2017/18 £000**
£0 - £20,000	9	13	14	16	**23**	**29**	**181**	**127**
£20,001 - £40,000	0	0	10	14	**10**	**14**	**302**	**409**
£40,001 - £60,000	0	0	4	6	**4**	**6**	**210**	**275**
£60,001 - £80,000	0	0	0	2	**0**	**2**	**0**	**150**
£80,001 - £100,000	0	0	0	1	**0**	**1**	**0**	**95**
£100,001 - £150,000	0	0	4	1	**4**	**1**	**517**	**120**
£150,001 and over	0	0	1	1	**1**	**1**	**297**	**210**
	9	**13**	**33**	**41**	**42**	**54**	**1,507**	**1,386**

23. External Audit Fees

The Council incurred the following external audit and inspection fees, which are included in the cost of Corporate and Central Services.

2016/17 £000		**2017/18 £000**
155	Fees payable to the appointed auditor under the Local Audit and Accountability Act 2014 for external audit services carried out under the Code of Audit Practice	155
24	Fees payable to the appointed auditor under the Local Audit and Accountability Act 2014 for the certification of grant claims and returns	19
13	Fees payable for additional work commissioned by the Council	10
7	Fees for liquidation of CoSocius Limited	2
199	**Total External Audit Fees**	**186**

The audit fees for the subsidiaries are included in the Group Accounts Note 5.

24. Dedicated Schools Grant

The funding of schools is provided via Dedicated Schools Grant (DSG). The original DSG award value for 2017/18 was £253.9m (£246.0m in 2016/17). This is a ring-fenced grant and can only be applied to meet expenditure properly included in the Schools Budget. The grant is, therefore, credited against Children's and Education Services in the Comprehensive Income and Expenditure Statement. The Schools Budget includes elements for a restricted range of services provided on an Authority-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 2017/18 are as follows:

Total 2016/17 £000	Schools' Budget Funded by Dedicated Schools Grant	Central Expenditure £000	Individual Schools Budget £000	Total 2017/18 £000
246,042	Final DSG for 2017/18 before Academy recoupment *			**253,920**
(107,222)	Academy recoupment for 2017/18			**(116,793)**
138,820	**Total DSG after Academy recoupment for 2017/18**			**137,127**
5,158	Brought Forward from 2016/17			**3,364**
0	Carry forward to 2017/18 agreed in advance			**0**
143,978	**Agreed budgeted distribution for 2017/18**	**40,822**	**99,669**	**140,491**
(45)	In-Year Adjustments	(601)		**(601)**
(244)	Deduction for Licences	(250)		**(250)**
143,689	**Final budgeted distribution for 2017/18**	**39,971**	**99,669**	**139,640**
(34,749)	Less Actual Central Expenditure	(37,667)		**(37,667)**
(105,576)	Less Actual ISB deployed to Schools		(99,669)	**(99,669)**
0	Plus Local Authority Contribution for 2017/18			**0**
3,364	**Carry Forward to 2018/19**	**2,304**	**0**	**2,304**

* Note:
Recoupment is a method of adjusting DSG to take account of schools which have converted to academies. The Education Funding Agency calculates the adjustment of DSG allocated in respect of those academies to which recoupment applies, and the DSG paid to the Council is reduced accordingly.

25. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

Restated 2016/17 £000	Grant Credited to Taxation and Non-Specific Grant Income	2017/18 £000
	Revenue Grants	
(26,340)	Revenue Support Grant	(13,415)
(3,062)	Small Business Rate Relief	(5,957)
(2,678)	Education Services Grant	(641)
(9,294)	New Homes Bonus Grant	(8,350)
(2,973)	Transitional Funding	(2,974)
(1,898)	Housing Benefit and Council Tax Administration Grant	(1,773)
(3,640)	Other Revenue Non Ring-fenced Grants	(5,340)
(49,885)	**Total Revenue Grants**	**(38,450)**
	Capital Grants and Contributions	
(14,831)	Department of Transport	(18,196)
(8,829)	Education Funding Agency	(14,452)
(13,810)	Greater Manchester Combined Authority	(12,892)
(1,637)	Department of Communities and Local Government	(1,968)
(1,218)	Department of Culture, Media and Sport	(655)
(290)	Homes and Communities Agency	(202)
(137)	Department of Energy and Climate Change	0
(147)	Other Grants	(948)
(2,068)	Developers Contributions – Sections106 and 278	(3,183)
(22,065)	Local Growth Fund	(3,842)
(1,613)	Contributions from other Local Government Bodies	(3,190)
0	Contribution from British Telecom	0
(594)	Other Contributions	(31)
(67,239)	**Total Capital Grants**	**(59,559)**
(117,124)	**Total Grant Credited to Taxation and Non-Specific Grant Income (per Note 6)**	**(98,009)**

2016/17 £000	Grant Credited to Services	2017/18 £000
(138,531)	Dedicated Schools Grant	(136,276)
(78,993)	Housing Benefit Subsidy Grant	(74,621)
(17,557)	Public Health Grant	(16,833)
0	Improved Better Care Fund	(4,245)
(4,125)	Private Finance Initiative Grant	(4,125)
(4,169)	Educational Funding Agency Grant	(4,126)
(5,431)	Pupil Premium Grant	(4,754)
(2,768)	Universal Infant Free School Meals Grant	(2,586)
(5,801)	Other Service Grants and Contributions	(5,085)
(257,375)	**Total Grant Credited to Services**	**(252,651)**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the provider. The balances at the year end are as follows:

2016/17 £000	Capital Grants Receipts in Advance	2017/18 £000
(723)	Conditional Grants	(645)
(10,043)	Developer Contributions - S106	(16,051)
(10,766)	**Total**	**(16,696)**

26. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the national Teachers' Pension Scheme. In 2017/18 the Council paid £7.462m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.5% of pensionable pay. The equivalent contribution figures for 2016/17 were £8.085m (16.5% of pensionable pay), with contributions payable in the next financial year estimated at £7.123m. The Scheme had 10,177 participating employers in 2017/18; as a proportion of the total employer contributions during the year ending 31st March 2018, the Council's own contributions equate to approximately 0.19%

A further £0.087m (14.3% of pensionable pay) was paid to the NHS Pension Scheme in respect of Public Health workers who transferred into the Council from the National Health Service on 1st April 2013. The contributions payable to the NHS Scheme in the next financial year are estimated at £0.049m.

Both the Teachers' and NHS Pension Schemes are defined benefit schemes but, because they are multi-employer schemes which do not allow the identification of the Council's liability, they are treated as defined contribution schemes for the purpose of this Statement of Accounts. Further information about these Schemes is included in Note 39(j).

27. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits are not payable until employees retire, the Council has a commitment to make payments towards the benefits and to disclose them at the time that employees earn their future entitlement.

The Council participates in three pension schemes - the Teachers' and NHS Pension Schemes (see Note 26 above) and the Local Government Pension Scheme (LGPS). Additionally, the Council has a responsibility for additional discretionary benefits awarded to teachers upon early retirement.

- **Local Government Pension Scheme (LGPS)**

  The rate of employer contributions due to the Fund is determined every three years and is based on a valuation by the Fund's Actuary. The valuation effective for the 2017/18 financial year was undertaken as at 31st March 2016.

  In 2017/18 Cheshire East Council paid employer contributions of £31.1m into the Cheshire Pension Fund (the Fund), based on a contribution rate of 32.6% of non-teaching employees' pensionable pay. A further £1.1m of employer contributions and an early repayment of £31.8m were paid into the Fund in 2017/18, bringing the total employer contribution to £64.0m. The equivalent figure for 2016/17 was £31.3m, comprising £29.9m of regular employer contributions (31.2% of pensionable pay) with an additional £1.4m in respect of early retirements and deficit contributions. The early repayment will result in the Pension Reserve and the Pension Liabilities recorded on the Balance Sheet to show a difference of £31.8m for 2017/18.

  The principal risks to the Council of the Scheme are the longevity assumptions, changes to inflation, bond yields, the performance of the equity investments held, and any significant statutory or structural changes to the Scheme. The risks are, in part, mitigated by the annual process of charging to the General Fund any increase/decrease in the net asset or liability, as identified by the actuarial valuation.

- **Discretionary Teachers Unfunded Benefits**

  Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities. In 2017/18, the Council paid £2.7m in discretionary benefits to retired teaching staff. These benefits are unfunded, having no associated assets. The equivalent figure for 2016/17 was £2.8m.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

2016/17			2017/18	
Local Gov't Pension Scheme £000	Teachers' Unfunded Scheme £000		Local Gov't Pension Scheme £000	Teachers' Unfunded Scheme £000
		Comprehensive Income and Expenditure Statement		
		Cost of Services		
		Service Cost comprising:		
(27,181)	0	▪ Current service cost	(42,878)	0
(419)	0	▪ Past service costs (including curtailments)	(432)	0
0	0	▪ Effect of business combinations and disposals	0	0
4,938	0	▪ Settlements (gain) / loss	1,454	0
		Financing and Investment Income and Expenditure:		
(9,994)	(1,194)	▪ Net interest expense	(9,908)	(894)
(32,656)	**(1,194)**	**Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services**	**(51,764)**	**(894)**
		Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
		Re-measurement of the net defined benefit liability comprising:		
167,423		▪ (Gain) / Loss on plan assets (excluding the amount included in the net interest expense)	11,106	
		▪ Actuarial (gains) / losses arising on changes in:		
4,797	711	- demographic assumptions	0	0
(246,682)	(3,826)	- financial assumptions	28,768	320
(26,533)	697	- other assumptions	0	(105)
(100,995)	**(2,418)**	**Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement**	**39,874**	**215**
		Movement in Reserves Statement		
(32,656)	(1,194)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(51,764)	(894)
0	0	Adjustment for CoSocius pension guarantee (see Note 14c)	0	0
		Actual amount charged against the General Fund balance for pensions in the year:		
31,345	0	▪ Employer's contributions payable to the Scheme	64,032	0
0	0	▪ Effect of business combinations and disposals	0	0
	2,778	▪ Retirement benefits payable to pensioners	0	2,684
0	0	Reversal of CoSocius Pension guarantee	2,600	0
(1,311)	**1,584**	**Net Movement in Reserves**	**14,868**	**1,790**

The re-measurement of the net defined liability recognised in Other Comprehensive Income and Expenditure resulted in a net gain of £40.1m as at 31st March 2018 (£103.4m loss as at 31st March 2017).

Effect of business combinations and disposals

The Council operates a ‘pass through’ agreement with regard to its pension arrangements with its owned and controlled companies. Within this agreement all pensions assets and liabilities are held with the Council and the amounts and related accounting entries are contained in the Council’s financial statements. The ‘pass through’ agreement with each wholly owned company specifies a fixed rate of employer contribution payable by the company to the Cheshire Pension Fund and, as a consequence, each company will disclose these contributions to the scheme in its Profit and Loss account, consistent with the accounting treatment of a defined contribution scheme.

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2016/17			2017/18	
Local Gov’t Pension Scheme £000	Teachers’ Unfunded Scheme £000		Local Gov’t Pension Scheme £000	Teachers’ Unfunded Scheme £000
(1,580,857)	(37,098)	Present value of the defined benefit obligation	(1,563,453)	(35,093)
1,188,080	0	Fair value of plan assets	1,254,658	0
(392,777)	**(37,098)**	**Net liability arising from defined benefit obligation**	**(308,795)**	**(35,093)**

Reconciliation of present value of the Defined Benefit Obligation:

2016/17			2017/18	
Local Gov't Pension Scheme £000	Teachers' Unfunded Scheme £000		Local Gov't Pension Scheme £000	Teachers' Unfunded Scheme £000
		Balance Brought Forward	**1,583,457**	**37,098**
		Reversal of CoSocius Limited Pension guarantee	(2,600)	0
1,286,220	**36,264**	**Present value of Scheme Liabilities at 1 April**	**1,580,857**	**37,098**
27,181	0	Current Service Cost	42,878	0
44,648	1,194	Interest Cost	41,083	894
6,982	0	Contributions from Scheme participants	7,023	0
		Re-measurement (gains) / losses arising from:		
(4,797)	(711)	▪ changes in demographic assumptions	0	0
246,682	3,826	▪ changes in financial assumptions	(28,768)	(320)
26,533	(697)	▪ changes in other assumptions	0	105
419	0	Past service cost (including curtailments)	432	0
(45,881)	(2,778)	Benefits paid	(45,223)	(2,684)
0	0	Effect of business combinations and disposals	0	0
(7,130)	0	Liabilities extinguished on settlements	(2,989)	0
1,580,857	**37,098**	**Present value of Scheme Liabilities at 31 March**	**1,595,293**	**35,093**
2,600	0	CoSocius Limited Pension guarantee (see Note 14c)	0	0
1,583,457	**37,098**	**Revised Total**	**1,595,293**	**35,093**

Reconciliation of fair value of plan assets:

2016/17 Local Gov't Pension Scheme £000		2017/18 Local Gov't Pension Scheme £000
995,749	**Opening fair value of Scheme assets at 1 April**	**1,188,080**
(2,192)	Effect of Settlements	(1,535)
34,654	Interest Income	31,175
	Re-measurement (gains) / losses:	
167,423	▪ Return on plan assets, excluding the amount in the net interest expense	11,106
	Contributions:	
31,345	▪ Employers	64,032
6,982	▪ Plan Participants	7,023
0	▪ Effect of business combinations and disposals	0
(45,881)	Benefits paid	(45,223)
1,188,080	**Closing fair value of scheme assets at 31 March**	**1,254,658**

At the balance sheet date, the Cheshire East share of the Scheme assets was as follows:

Fair Value at 31st March 2017 £000		Fair Value at 31st March 2018 Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000
	Equity securities:			
60,821	▪ Consumer	35,710	0	**35,710**
45,423	▪ Manufacturing	23,697	0	**23,697**
9,470	▪ Energy and Utilities	3,502	0	**3,502**
52,211	▪ Financial Institutions	32,531	0	**32,531**
14,325	▪ Health and Care	10,524	0	**10,524**
165,520	▪ Information Technology	117,206	0	**117,206**
7,312	▪ Other	6,362	0	**6,362**
	Debt Securities:			
0	▪ Other (non-Corporate, non-Government)	0	0	**0**
53,531	**Private Equity**	0	39,735	**39,735**
	Property:			
80,126	▪ UK Property	0	98,079	**98,079**
2,111	▪ Overseas Property	0	2,031	**2,031**
	Investment Funds and Unit Trusts:			
290,026	▪ Equities	190,929	0	**190,929**
167,436	▪ Bonds	316,601	94,173	**410,774**
151,089	▪ Hedge Funds	0	176,580	**176,580**
62,830	▪ Other	0	60,278	**60,278**
25,849	**Cash and cash equivalents**	0	46,720	**46,720**
1,188,080	**Total value of Scheme assets**	**737,062**	**517,596**	**1,254,658**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the Teachers Unfunded Scheme have been assessed by Hymans Robertson LLP, an independent firm of actuaries. The estimates used have been based on the last formal valuation of the Fund, carried out as at 31st March 2016 and projected forward to 31st March 2019.

The table below shows the principal assumptions used by the Actuary:

31st March 2017			31st March 2018	
Local Gov't Pension Scheme	Teachers' Unfunded Scheme		Local Gov't Pension Scheme	Teachers' Unfunded Scheme
		Mortality Assumptions:		
		Average life expectancy at 65 for current pensioners:		
22.3 years	22.3 years	▪ Men	22.3 years	22.3 years
24.5 years	24.5 years	▪ Women	24.5 years	24.5 years
		Average life expectancy at 65 for future pensioners:		
23.9 years	n/a	▪ Men	23.9 years	n/a
26.5 years	n/a	▪ Women	26.5 years	n/a
		Financial Assumptions:		
2.7%	n/a	Rate of increase in salaries	2.7%	n/a
2.4%	2.4%	Rate of increase in pensions	2.4%	2.4%
2.4%	2.4%	Rate of inflation	2.4%	2.4%
2.6%	2.5%	Rate of discounting scheme liabilities	2.7%	2.6%

Commutation

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period. For each change, it assumes that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for both men and women. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated.

The estimations in the sensitivity analysis have followed the accounting policies for the Scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period. The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are:

	Approximate % increase to Employer Liability		Approximate monetary amount	
	Local Gov't Pension Scheme %	Teachers' Unfunded Scheme %	Local Gov't Pension Scheme £000	Teachers' Unfunded Scheme £000
0.5% decrease in Real Discount Rate	9%	5%	149,729	3,043
1 year increase in member Life Expectancy	3-5%	3-5%	-	-
0.5% increase in the Salary Increase Rate	1%	0%	21,404	-
0.5% increase in the Pension Increase Rate	8%	5%	126,448	3,043

Impact on the Council's Cash Flows

An objective of the Scheme is to keep the employer's contributions at as constant a rate as possible. The Council has agreed a strategy with the Scheme's actuary to achieve a funding level of 100% over the next 20 years and funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2019.

The actuary's 2017 assessment takes account of national changes introduced by the Public Pensions Services Act 2013. For service dating from 1st April 2015, the Act replaces a retiring employee's entitlement to pension based on final salary with a scheme based on career average earnings. This effect of this change in entitlement is reflected in the net pension liability as at 31st March 2017.

The Council made employer contributions of £64m to the Local Government Pension Scheme in 2017/18, this includes an up front payment of £45m to cover the Pension Deficit contributions for 2017/18 to 2019/20. The "pass through" of Cheshire East's owned and controlled companies contributions will add an additional £1.9m in 2017/18.

The weighted average duration of the defined benefit obligation for Scheme members is 18.8 years:

	Liability Split	Weighted Average Duration at Previous Formal Valuation
Active Members	37.0%	23.7 years
Deferred Members	18.8%	24.0 years
Pensioner Members	44.2%	12.4 years
	100.0%	**18.8 years**

28. Capital Expenditure and Capital Financing

The following reconciles capital financing requirements with capital expenditure incurred and financed in year:

2016/17 £000		2017/18 £000
251,439	**Opening Capital Financing Requirement**	**262,078**
81,886	Property, Plant and Equipment	83,019
1,165	Long Term Investments	1,031
205	Intangible Assets	254
66	Assets Held for Sale	2
36	Loans transferred to Long Term Debtors	18
10,333	Revenue Expenditure Funded from Capital under Statute	19,977
	Sources of Finance	
(8,590)	Capital Receipts	(2,614)
(63,077)	Government Grants and Other Contributions	(51,390)
(1,166)	Direct Revenue Contributions	(1,423)
(5,222)	Amount provided at 2% of the capital financing requirement in respect of supported and unsupported borrowing incurred prior to 31st March 2008	(1,482)
(4,356)	Amount provided in respect of unsupported borrowing	(3,756)
(143)	Amount provided in respect of assets acquired under Finance leases	(55)
(421)	Amount provided in respect of PFI arrangements	(641)
(77)	Prior year adjustments	(230)
262,078	**Closing Capital Financing Requirement**	**304,788**
	Explanation of movements in year	
(5,222)	Decrease in underlying need to borrow (supported by government financial assistance)	(1,482)
16,425	Increase in underlying need to borrow (unsupported by government financial assistance)	44,888
(143)	Assets acquired under finance leases	(55)
(421)	Assets acquired under PFI / PPP Contracts	(641)
10,639	**Increase / (Decrease) in Capital Financing Requirement**	**42,710**

29. Private Finance Initiative and Similar Contracts

The Council has a Private Finance Initiative (PFI) arrangement jointly with Cheshire West and Chester Council in respect of Extra Care Housing.

Extra Care Housing combines housing and care support for older people who have access to high quality accommodation with their own front door, with the security of a 24-hour Care Provider on site to provide reliable and responsive support as needed. These two elements are combined with a range of both on site support and communal facilities which seek to ensure there are opportunities to participate in a range of activities, promoting well being and enhancing independence for older people.

The Cheshire East sites are based at Crewe, Handforth and Middlewich; there are additional sites at Winsford and Ellesmere Port which are operated by Cheshire West and Chester. 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

Under the requirements of International Financial Reporting Interpretations Committee (IFRIC) 12, the assets which were constructed to deliver this scheme are recorded on the balance sheet of the Council along with a liability showing the Council's commitment to make Unitary Payments in future years. Upon initial recognition these two values would offset each other but over time the values will diverge. The assets are held within Property, Plant and Equipment in the Council's balance sheet and are charged with annual depreciation.

2016/17 £000	Movement in PFI Asset Values	2017/18 £000
17,139	Opening Net Book Value	16,782
0	Additions	0
0	Revaluations	1,182
(357)	Depreciation	(357)
16,782	**Closing Net Book Value**	**17,607**

PFI Liabilities

The liabilities are written down each year as Unitary Payments are made to the contractor. Only part of each Unitary Payment can be applied to writing down the liability as it funds a mix of current services, financing costs and repayment of principal. The annual Unitary Payment has to be broken down into five separate components reflecting what is being funded.

2016/17 £000	Allocation of Unitary Payment	2017/18 £000
262	Service Charge	190
1,570	Financing Costs	1,544
74	Contingent Rents	43
421	Liability Repayment	641
422	Lifecycle Costs	254
2,749	**Total**	**2,672**

	Principal Payments £000	Capital Costs £000	Interest £000	Service Charge £000	Total £000
Amounts due in 2018/19	742	233	1,632	139	**2,746**
Amounts due 2019/20 – 2022/23	3,439	1,012	6,108	648	**11,207**
Amounts due 2023/24 – 2027/28	4,296	2,471	6,065	1,714	**14,546**
Amounts due 2028/29 – 2032/33	5,772	2,936	4,426	2,081	**15,215**
Amounts due 2033/34 – 2037/38	8,341	2,566	3,133	1,933	**15,973**
Amounts due 2038/39 – 2040/41	1,375	566	141	388	**2,470**
Total	**23,965**	**9,784**	**21,505**	**6,903**	**62,157**

The above tables disclose the total payments the Council is committed to paying in respect of the service element of the PFI scheme, on the basis of a Retail Price Index (RPI) increase of 2.5% each year. At the current inflation rate the payments that the Council would be committed to, in respect of the service element until the end of the contract life, would be £4.9m. The impact of future RPI is £2.2m.

The Council has assumed that the Council's Unitary Payments are the primary means by which the PFI operator is recovering the costs of constructing the 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 charges.

The Council believes that this approach best reflects the way the schemes are operated as the contractor is solely responsible for collecting any third party income and utilising it to finance the services provided on the site, the contractor therefore bears the risk of any shortfall in those income levels or increases in those costs.

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

Had the third party income been split between capital and revenue usage then the figures presented in the above table would show a £0.3m higher net service cost offset by a similarly reduced liability payment. The levels of gross income and expenditure recognised in the Adult Social care line of the CIES would be marginally higher (£0.3m), net spend would not be impacted. The outstanding PFI liability balance would decrease by approximately £7.5m, but there would be a need to recognise a new deferred income creditor of the same value to reflect the fact that a proportion of the schemes income streams were committed to repaying capital costs. The overall level of liabilities reported would therefore be unaffected.

30. Related Parties

The Council is required to disclose any material transactions and balances with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. The purpose of the disclosure is to enable consideration of the extent to which there exists the potential for restriction of commercial activity in the dealings of the Council.

The following related parties have been identified for the purpose of this disclosure:

- Central Government
- Other Public Bodies
- Elected Members and Council staff (including close family and any organisations in which they or their close family have a controlling interest).

Central Government

Central Government is responsible for providing the statutory framework within which the Council operates, prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits), and provides the majority of the Council's funding in the form of grants.

Details of material transactions with Central Government are shown throughout these notes and include those listed below:

- Grant funding and contributions of £329.3m (£334.2m in 2016/17) received from Government Departments are set out in the subjective analysis in Note 6 and Note 25;
- Business Rates Fixed Fee Tariff Payments of £23.0m (£29.1m in 2016/17) shown in Note 6 Taxation and Non-Specific Grant Income.

In addition central government receive £63.5m (£65.2m in 2016/17) relating to the central share of the business rates retention scheme after adjustment for the prior year deficit.

Other Public Bodies

The Council undertakes significant transactions with the Cheshire Police and Crime Commissioner (£23.7m in 2017/18 and £23.2m in 2016/17) and Cheshire Fire and Rescue Service (£10.6m in 2017/18 and £10.3m in 2016/17). These relate to the payment of Council Tax income collected on behalf of these bodies, these values are disclosed in the Collection Fund Account and amount to collection of Council Tax and payment over of Precepts.

The Council pays Cheshire Fire and Rescue Service £1.3m (£1.3m in 2016/17) in relation to business rates collected on behalf of that body and paid over in accordance with the percentage share set under the Business Rates Retention Scheme.

The Council also undertakes transactions with the Pension Fund in the form of contributions to fund future Pension payments for Council employees (2017/18 payments were £64.0m and £31.3m in 2016/17). Details of these transactions are disclosed in Note 27. The Pension Fund is administered and governed independently of the Council to avoid the potential for undue influence to be exerted.

The Council works closely in partnership with South and Eastern Cheshire Clinical Commissioning Groups, to commission services to Adults with learning difficulties.

The Council also carries out a small element of its services in partnership with Cheshire West and Chester Council. In 2017/18, the Council spent £6.3m (£5.6m in 2016/17) delivering services jointly with Cheshire West and Chester. Both local authorities benefit from shared service functions for Transactional Services, ICT and Farm Estates. Both councils are also working together on the Best4Business programme which is implementing a new IT system, changing the culture and working practices to transforming the way we work. During 2017/18 the Council spent £3.5m on this programme.

Members and Officers

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

In 2017/18, Members and officers held interests (by way of Board membership) in the following active wholly-owned subsidiary companies of Cheshire East Council:

Name of Wholly Owned Company	Name of Member / Officer
ANSA Environmental Services Limited	• Councillor John Geoffrey Baggot • Councillor John Hammond • Councillor Steve Hogben • Council Officer Kevin Melling
Cheshire East Residents First Limited	• Councillor David Brown • Councillor Peter Groves • Council Officer Peter Bates
Civicance Limited	• Councillor Andrew Kolker • Councillor Stewart Gardiner • Council Officer Ian Bunn
Engine of the North Limited	• Councillor Eleanor Brooks • Councillor William (Jamie) Macrae • Councillor David Newton (resigned 10th July 2017) • Council Officer Mark Thompson
Orbitas, Bereavement Services Limited	• Councillor Penelope Butterill • Councillor David Marren • Councillor Lesley Smetham • Council Officer Kevin Melling
Tatton Park Enterprises Limited	• Councillor William (Jamie) Macrae • Councillor George Walton • Council Officer Brendan Flanagan

Name of Wholly Owned Company	Name of Member / Officer
The Skills and Growth Company Limited	• Councillor George Hayes • Councillor Sarah Pochin (appointed 1st June 2016) • Councillor Bernice Walmsley
Transport Service Solutions Limited	• Councillor Beverley Dooley • Councillor Derek Hough • Councillor Gail Wait • Council Officer Kevin Melling

In addition to the above, Members and officers held interests (by way of Board membership) in the following joint venture company in 2017/18:

Name of Joint Venture Company	Name of Member / Officer
Alliance Environmental Services Limited	• Councillor John Geoffrey Baggot • Council Officer Simon Baker • Council Officer Kevin Melling • Council Officer Andrew Stokes

Members and officers held interests (by way of Board membership) in the following wholly-owned subsidiary or joint venture companies which were dormant during 2017/18:

Name of Wholly Owned Company or Joint Venture Company	Name of Member / Officer
Cheshire East Energy Limited (Wholly Owned Company dissolved 21st November 2017)	• Councillor Derek Bebbington (until 21/11/2017) • Councillor Roderick Menlove (until 21/11/2017) • Councillor Liz Durham (until 21/11/2017)
Cheshire Energy Networks Limited (Joint Venture)	• Councillor David Brown • Councillor Roderick Menlove
CoSocius Limited (Joint Venture reverted back to shared services 1st April 2016)	• Council Officer Dominic Oakeshott

The external entities listed below are related parties as certain Council Members and officers were appointed to the Boards:

Name of company	Name of Member / Officer
Alderley Park Holdings Limited	• Councillor Rachel Bailey
Cheshire Association of Local Councils (ChALC)	• Councillor Lesley Smetham • Councillor David Brown
Cheshire & Warrington Local Enterprise Partnership	• Councillor Rachel Bailey
Cheshire Community Action	• Councillor Lesley Smetham
Everybody Sport & Recreation	• Councillor Martin Hardy • Councillor Andrew Kolker
Local Authorities Mutual Investment Trust	• Councillor Paul Findlow
Macclesfield Silk Heritage	• Councillor Lesley Smetham • Councillor David Brown
Manchester Science Partnerships Limited	• Councillor Rachel Bailey
Peaks & Plains Housing Trust	• Councillor Paul Findlow

The table below shows Receipts / Payments to related party organisations where Members / Officers or their close relatives hold a personal interest. Current debtors and creditors as at 31st March 2018 (Notes 9 and 11) are also shown in respect of related parties:

Name of Company	Type of Organisation	Receipts / (Payments) to Organisations £000	Amounts Due from / (to) Organisations £000	No. of Declarations
ANSA Environmental Services Limited	Wholly Owned Company	30,508	(15)	4
Cheshire & Warrington Local Enterprise Partnership	Associate Company	1,492	43	1
Civicance Limited	Wholly Owned Company	1,029	2	3
Engine of the North Limited	Wholly Owned Company	1,280	23	4
Everybody Sport & Recreation	External Entity	2,844	6	2
Orbitas, Bereavement Services Limited	Wholly Owned Company	1,574	(68)	4
Peaks and Plains	External Entity	1,135	(38)	1
The Skills and Growth Company Limited	Wholly Owned Company	1,024	200	3
Tatton Park Enterprises Limited	Wholly Owned Company	938	12	4
Transport Service Solutions Limited	Wholly Owned Company	15,323	7	3
Total		**57,147**	**172**	**29**

31. Interest in Other Companies and Entities

Cheshire East Council wholly owns Cheshire East Residents First Limited (CERF) which acts as a holding company with an 80% shareholding of ANSA Environmental Services Limited, Transport Service Solutions Limited, Engine of the North Limited, Orbitas Bereavement Services Limited, Civicance Limited and The Skills and Growth Company. The remaining 20% is retained by Cheshire East. These companies are consolidated in to the group accounts. Tatton Park Enterprise Limited is also a wholly owned subsidiary of Cheshire East Council but they are excluded from the group accounts on the grounds of materiality. The Turnover, profit and activities for each of these companies are detailed in the tables below.

Turnover 2016/17 £000	Profit / (Loss) 2016/17 £000	Company	Interest	Turnover 2017/18 £000	Profit / (Loss) 2017/18 £000
Not applicable	Not applicable	Cheshire East Residents First Limited	Wholly Owned Holding Company	Not applicable	Not applicable
32,471	96	ANSA Environmental Services Limited	Wholly Owned subsidiary (consolidated)	34,422	173
1,720	(12)	Orbitas, Bereavement Services Limited	Wholly Owned subsidiary (consolidated)	1,764	18
17,158	(89)	Transport Service Solutions Limited	Wholly Owned subsidiary (consolidated)	16,389	13
1,397	9	Engine of the North Limited	Wholly Owned subsidiary (consolidated)	1,481	(15)
1,613	25	Civicance	Wholly Owned subsidiary (consolidated)	1,569	99
2,195	20	The Skills and Growth Company Limited	Wholly Owned subsidiary (consolidated)	2,149	46
1,100	0	Tatton Park Enterprise Limited	Wholly Owned subsidiary (excluded from consolidation)	1,130	0

Company	Country of Incorporation	Principal Place of Business	Activities
Cheshire East Residents First Limited	UK	Cheshire	Holding Company
ANSA Environmental Services Limited	UK	Cheshire	Parks and Grounds Management, Fleet Management, Waste Management, Street Clensing
Orbitas, Bereavement Services Limited	UK	Cheshire	Burial, cremation, memorial and bereavement support services
Transport Service Solutions Limited	UK	Cheshire	Home to School Transport, Specialised Transport, TSS Passenger Service Fleet, Public Transport, Community Transport, Transport Associated Activities
Engine of the North Limited	UK	Cheshire	The Council's strategic property company, facilitating the delivery of new homes, jobs and economic growth for Cheshire East, maximising the benefits from Council owned property assets and land
Civicance	UK	Cheshire	Conveyancing & Land Charges, Building Regulations, Structural Appraisals, Thermal Imaging Service, Fire Risk Assessments, Energy Performance Certificates, Dangerous Structures, Address Management
The Skills and Growth Company Limited	UK	Cheshire	Business Support, Education and Skills, Growth and Regeneration
Tatton Park Enterprises Limited	UK	Cheshire	Provider of labour and supplies for the catering services at the two restaurant facilities at Tatton Park

The council has not provided, and does not intend to provide, any guarantees or financial support to the subsidiaries that is not required by contractual obligations.

Other wholly owned subsidiary companies are:

- Cheshire East Energy Limited (100% Interest) - on 12th June 2014 Cheshire East Council purchased one £1 ordinary share. This Company was dormant and dissolved on 21st November 2017.

Cheshire East Council also has investments in a number of other companies:

- CoSocius Limited is a joint venture company with Cheshire West and Chester Council (each Council holding a 50% equity interest). The company entered into a Members Voluntary Liquation arrangement in November 2017. The liquidation has entered its final phase and it is expected that it will be dissolved by the end of September 2018.
- Cheshire and Warrington Local Enterprise Partnership Limited is an associate company of Cheshire East Council. The company is limited by guarantee of which Cheshire East holds a 33.33% share along with the remainder held by Cheshire West and Chester Council and Warrington Borough Council in equal shares. During 2017/18 the turnover of the company was £1,825,889 (£1,699,997 in 2016/17) with a total loss of £75,837 (profit of £145,099 in 2016/17) and Net Assets of £359,312 (£390,149 in 2016/17). Cheshire East Council's associated share of the loss and net assets would be £25,279 (profit of £48,366 in 2016/17) and £119,771 (£130,050 in 2016/17) respectively. The amounts involved are immaterial in the context of Cheshire East Council so have been excluded from the Group Accounts of Cheshire East Council.
- Cheshire East and fourteen other 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 North West to aid regeneration in the region.
- Cheshire East Council purchased 17,267 ordinary shares (a 3% interest) in Manchester Science Partnerships Group on 28th March 2014 at a cost of £42.81 per share, giving an equity investment of £739,200. The ordinary share investment has been re-valued as at 31st March 2018 on a consistent fair value basis to £92.89 per share (£26.74 per share in 2016/17). The equity investment value is included in Long Term Investments Available for Sale at £1,116,312 (£461,720 in 2016/17).
- Cheshire East Council also purchased 1,000,000 ordinary shares (a 10% interest) in a newly formed company Alderley Park Holdings Limited on 28th March 2014 at a cost of £1.07 per share, giving an equity investment of £1,070,000. The ordinary share investment has been re-valued as at 31st March 2018 on a consistent fair value basis at £2.40 per share (£1.60 per share in 2016/17), giving an equity investment of £2,400,000 (£1,597,310 in 2016/17). In addition to the equity investment, Cheshire East Council has provided an interest free loan to the value of £1,531,000 which is valued on a fair value basis, based on market rates for the period of the loan, and is included along with the equity investment in Long Term Investments.
- On 27th February 2016 Cheshire Energy Networks Limited was incorporated with Engie Services Limited holding a 51% interest in the company and Cheshire East Council holding the remaining 49%. The company is currently dormant.
- Ansa Environmental Services Limited purchased 150 ordinary shares (a 75% interest) in Alliance Environmental Services Limited (AES) on 7th August 2017 at a cost of £1.00 per share. AES is a joint venture company between Ansa Environmental Services Limited, High Peak Borough Council (HPBC) and Staffordshire Moorlands District Council (SMDC).

HPBC and SMDC hold 25 ordinary shares each. During 2017/18, the turnover of the company was £2,190,928 with a total profit of £38,133.

32. Pooled Budget

Better Care Fund (BCF)

Cheshire East Council, South Cheshire CCG and Eastern Cheshire CCG are partners in the operation of the BCF and iBCF.

The BCF has been established by the Government to provide funds to local areas to support the integration of health and social care and to seek to achieve the National Conditions and Local Objectives. It is a requirement of the BCF that the Partners establish a pooled fund / joint arrangement for this purpose and a Section 75 agreement is in place.

The iBCF was first announced in the 2015 Spending Review, and is a paid as a direct grant to local government, with a condition that it is pooled into the local BCF plan.

Under IFRS 10 ‘Consolidated Financial Statements’, all partners agree that they have joint control of the allocation of resources within the BCF and IBCF. However within the overall fund, the partners have agreed that they each retain control and effectively act as lead commissioners for the funds that they are allocated and bear the risks in relation to the services that they commission.

As the Reporting Partner for the BCF and iBCF, Cheshire East Council collates and reports the overall position to partners. £29.6m of jointly agreed funding was allocated to the BCF and iBCF by the Partners for 2017/18. Within this, Cheshire East Council was responsible for the commissioning of £11.9m of revenue expenditure and £1.9m of capital expenditure.

The aims and benefits of the Partners in entering in to this Agreement are to:

- Improve the quality and efficiency of the Services;
- Meet the National Conditions and Local Objectives; and
- Make more effective use of resources through the establishment and maintenance of a pooled fund for revenue and capital expenditure on the Services.

Services provided by the Partners as part of the BCF and iBCF include:

- Assistive Technology and Equipment
- Schemes to Facilitate Early Discharge
- Carers Support
- Reablement Services
- Rapid Response Domiciliary Care
- Intermediate Care
- Mental Health Services
- Meeting Adults social care needs and ensuring that the provider market is supported

2016/17 Total £000	Funding	2017/18 Eastern CCG £000	South CCG £000	Total £000
	Revenue Contributions			
8,677	Eastern Cheshire CCG	8,378	0	**8,378**
7,611	South Cheshire CCG	0	7,427	**7,427**
7,585	Cheshire East	3,728	3,470	**7,198**
23,873		**12,106**	**10,897**	**23,003**
	Capital Contributions			
1,637	Disabled Facilities Grant	1,017	919	**1,936**
1,637		**1,017**	**919**	**1,936**
0	**Improved Better Care Fund**			**4,693**
25,510	**Total Better Care Fund**	**13,123**	**11,816**	**29,632**

2016/17 Total £000	Expenditure	2017/18 Eastern CCG £000	South CCG £000	Total £000
	Revenue Expenditure			
8,677	Eastern Cheshire CCG	8,378	0	**8,378**
7,090	South Cheshire CCG	0	7,427	**7,427**
7,144	Cheshire East BCF	3,670	3,417	**7,087**
0	Cheshire East IBCF	2,440	2,253	**4,693**
22,911		**14,488**	**13,097**	**27,585**
	Capital Expenditure			
1,637	Disabled Facilities Grant	1,017	919	**1,936**
1,637		**1,017**	**919**	**1,936**
24,548	**Total**	**15,505**	**14,016**	**29,521**

2016/17		2017/18		
Total £000	Variance	Eastern CCG £000	South CCG £000	Total £000
	Revenue Variance			
0	Eastern Cheshire CCG	0	0	**0**
(521)	South Cheshire CCG	0	0	**0**
(441)	Cheshire East BCF	(59)	(52)	**(111)**
0	Cheshire East IBCF	(233)	(215)	**(448)**
(962)		**(292)**	**(267)**	**(559)**
	Capital Variance			
0	Disabled Facilities Grant	0	0	**0**
0		**0**	**0**	**0**
(962)	**Total**	**(292)**	**(267)**	**(559)**
(962)	**Net Overspend / (Underspend)**			**(559)**

Balance attributable to Cheshire East for Better Care Fund

2016/17 Cheshire East £000		2017/18 Cheshire East £000
	Funding	
0	Funding Share	**0**
	Current Assets	
191	Debtors and Prepayments	**0**
862	Cash in Hand	**1,141**
	Current Liabilities	
612	Creditors	**582**
0	Cash Overdrawn	**0**
	General Reserves	
441	Better Care Fund Reserve	**559**

33. Contingent Liabilities and Contingent Assets

Sleep-In Payments

Following changes in case law regarding sleep ins, payments have been increased to staff to meet the National Minimum Wage requirements going forward and where any breaches have been identified back pay has been made to those staff for a period of 2 years. The current liability of these cases could go back a total of 6 years in back pay. The recent Court of Appeal ruling which determined that care workers are not entitled to be paid minimum wage while on sleep in and providers had no liability for back pay indicates that this liability may no longer exist but due to the possibility this case may now proceed to the Supreme Court it has been noted. A report is being prepared for the Corporate Leadership Team on the impact of the decision upon the Council. This will be used to identify any further actions necessary. The issue will continue to be monitored for further developments.

Holiday Pay

During the course of investigating and managing the Council's responsibilities in relation to sleep in payments, and developing case law on changes to holiday pay calculations, the Council has also identified that there could be a challenge over holiday pay.

HR are undertaking work to understand the scale of this issue, and ensure the risks are being managed effectively, with regular reports being taken to the Corporate Leadership Team and briefings to the Portfolio Holder.

Work will continue to be undertaken to establish the potential impact of this changing case law on all Council services where staff earnings fluctuate which could affect future holiday pay liabilities both going forward and retrospectively to meet employment law compliance. External legal advice indicates that any breaches identified may have 2 years back pay liabilities providing an assessment has been undertaken to ensure there are no breaks of 3 months between payments of holiday pay which will be "gaps of causation" and limit arrears payments further.

Costs of Health Care

During 2016/17 payments on account were made to the Council by Eastern Cheshire CCG and South Cheshire CCG. These payments were made towards the cost of care for a group of clients who were in the process of being assessed and agreed as either Continuing Health Care (CHC) so fully Health funded, split funding of care packages between Health and the Council, or no Health contribution towards their care. These payments on account were made on the basis that once all clients were assessed, and funding of care costs agreed by both parties, that any adjustment to the payment would be made during 2017/18.

To date there are still clients where either the CHC status or the split in funding for care remains in dispute, therefore any adjustment to the payment on account cannot yet be made. Records held by the council suggest that the payment on account is in line with the outcomes of the reviews from the council's perspective.

Contingent Assets

There were no material contingent assets at the balance sheet date.

34. Events after the Reporting Period

These accounts have been authorised for issue by the Interim Executive Director of Corporate Services on 31st May 2018 and reflect all known post Balance Sheet events affecting the financial statements for the financial year 2017/18 up to this date. Events taking place after this date are not reflected in the financial statements or notes.

Where events took place before this date, providing that information about conditions existed at 31st March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Academy Conversions

Within Cheshire East, there are 7 schools which have converted to Academy status in 2017/18.

A further 6 are proposed to convert in 2018/19.

Changes as a result of these Academy conversions from 1st April 2018 will be captured in the 2018/19 financial accounts as appropriate. See also Notes 5 and 7.

Resignation of Chief Executive

On the 9th July 2018 the Chief Executive tendered his resignation with immediate effect. The resignation was accepted by Kath O' Dwyer, acting chief executive on 10 July.

35. 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 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 Council's balance sheet at 31st March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Valuations	The Council carries out an asset valuation and asset life assessment each year on selected asset categories based on its assessment of risk determined by market conditions and asset use (NBV £914m as at 31st March 2018).	A 1% fall in property values would result in a reduction of £9.1m in the value of property held on the balance sheet. If asset lives were to reduce by 10% there would be an increase in the annual depreciation charge of £3.6m.
Pensions Liability	Estimation of the net liability (£375.7m as at 31st March 2018) to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council adopts the assumptions proposed by the Cheshire Pension Fund Actuary, Hymans Robertson LLP. These assumptions are prepared on a neutral basis which means that, in the Actuary's opinion, there is an equal chance of actual experience being better or worse than the 'best estimate' assumptions proposed.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the Local Government Pension Scheme liability of approximately 9%, or £149.7m. A sensitivity analysis is included in Note 27, Defined Benefit Pension Schemes.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

36. Critical Judgement in Applying Accounting Policies

In applying the accounting policies set out in Note 39, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statements of Accounts are:

Group Accounts

An assessment of the Council's interests has been carried out during the year in accordance with the Code of Practice to determine the Group relationships that exist. Inclusion in the Group is dependent upon the extent of the Council's control over the entity as demonstrated through ownership, such as a shareholding in an entity or representation on an entity's board of directors. In accordance with the assessment of both the qualitative and quantitative factors the Group accounts of Cheshire East Council include the combined results of Ansa Environmental Services Limited, Orbitas, Bereavement Services Limited, Transport Service Solutions Limited, Engine of the North Limited and Civicance Limited and The Skills and Growth Company Limited.

The Council has considered the following related parties and assessed that they do not fall within the Group accounts boundary for the following reasons:

- Everybody Sport and Recreation - excluded on the grounds of lack of control and influence over the leisure trust;
- Tatton Park Enterprises Limited and Cheshire and Warrington Enterprise Partnership Limited - excluded on the grounds of immateriality;
- Alderley Park Investments, Manchester Science Partnership Limited and North West Evergreen Partnership Limited – excluded on the grounds of lack of significant control and influence.

Private Finance Initiative

The Council has one PFI contract for extra care housing. It has determined that is substantially controls both the service provided from and the residual value of the assets uses to deliver the contract. Consequently, the assets relating to the Extra Care Housing scheme (£17.6m) have been recognised on the balance sheet as property, plant and equipment, in accordance with IFRIC 12 'Service Concession Arrangements'. Details of the values of these assets are disclosed in Notes 7 and 29.

Accounting for Schools:

Consolidation

- In line with Accounting Standards and the Code on group accounts and consolidation, all maintained schools in the Borough 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.
- The transactions relating to the income and expenditure for schools are included in the Comprehensive Income and Expenditure Statement under Education and Children's services, this treatment is consistent with previous years, see Accounting Policy 42(aa).

Balance Sheet Recognition of Schools

The Council recognises the land and buildings used by schools in line with the provisions of the CIPFA Code of Practice. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. IAS16 (Property, Plant and Equipment) determines that an asset shall be recognised on the balance sheet if:-

- it is possible that the future economic benefits or service potential associated with the item will flow to the authority, that is the authority does not have to own the item but have gained the rights to generate cash from the item or to use it for the provision of services;

- the cost of the item can be measured reliably; where costs are identifiable and not an integral part of some wider expenses.

In accordance with the Code of Practice the Council has completed a school by school assessment across the different types of schools. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets.

The Council includes Community and Voluntary Controlled (VC) schools on its balance sheet, where the Council has the greatest level of control over the school assets and how they are used. Other types of schools such as Voluntary Aided (VA) and Foundation schools have not been included on the balance sheet due to the controlling role played by a third party in their operation, except for playing fields for VA schools which have previously been included on the Council's balance sheet.

School Status as at 31st March 2018	Alternative Provision	Nursery	Primary	Secondary	Special	Total
Community	1	1	38	4	2	**46**
Voluntary Aided	0	0	20	0	0	**20**
Voluntary Controlled	0	0	9	0	0	**9**
Foundation	0	0	2	1	0	**3**
Total	**1**	**1**	**69**	**5**	**2**	**78**

37. Accounting Standards Issued but yet to be Adopted

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

IFRS9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business models for holding the assets. The Council will be required to make a provision against potential credit losses which will affect the Comprehensive Income and Expenditure statement. The impact has not yet been determined.

IFRS15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council is considering any material revenue streams within the scope of the new standard. The impact has not yet been determined.

IFRS16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities. The impact has not yet been determined.
IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Finance Activities (disclosed at Note 17) in future years. The impact has not yet been determined.
IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value. None of the Council's subsidiary companies in the Group Accounts has such debt instruments.

38. Acquired and Discontinued Operations

There have been no acquired or discontinued operations during 2017/18.

39. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its balance sheet position as at 31st March 2018. 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 the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 supported by International Financial Reporting Standards (IFRS). Exceptions are made to accepted accounting practice where this is overridden by legislative requirements. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of Non-Current Assets and Financial Instruments.

Expenditure and income are reported in accordance with a total cost basis of accounting. Gross total cost includes all expenditure attributable to the service or activity, including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and depreciation. No categories of income are considered to be abatements of expenditure, and movements to and from reserves are excluded from total cost.

In producing the Statement of Accounts the following accounting concepts are applied:

- **Consistency**
  Cheshire East Council will review its accounting polices each year and the impact of any significant change in policies will be declared in the accounting statements so that fair comparisons can be made on a consistent basis.

- **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, either in terms of the nature of the transactions or their value.

- **Going Concern**
  The principle that accounts are always prepared on the basis that the organisation will continue to operate for the foreseeable future.

39(a) Telling the Story

Following the changes introduced by the 2016/17 Code to reflect the Telling the Story Review of the Presentation of Local Authority Financial Statements, there is no longer a requirement for the statements or notes to be prepared in accordance with SeRCOP. The service analysis is now based on the organisational structure under which the Council operates.

39(b) Changes in Accounting Policies and Estimates and Errors

Where there is a change in an **accounting policy**, the changes for the current reporting period and, where practical, the change resulting from retrospective application are disclosed in each financial statement. Changes in accounting estimates are accounted for prospectively and do not give rise to a prior period adjustment. Corrections are made for errors where failure to do so would materially misrepresent the Council's financial position.

39(c) Accounting for Council Tax

The collection of council tax is, as identified in the Code of Practice for Local Authority Accounting, in substance, an agency arrangement for both billing authorities and major preceptors. The Council is the billing authority in this arrangement, while Police and Fire are the preceptors. Therefore, the council tax income included in each body's Comprehensive Income and Expenditure Statement for the year is their proportion of accrued income for the year. The cash collected belongs proportionately to the Council and the preceptors. There is, therefore, a debtor / creditor position between the billing authority and each major preceptor recognised in the balance sheets. The Council only recognises in its balance sheet the Council's share of any outstanding council tax arrears, receipts in advance and receivables impairment allowance.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included in the Movement in Reserves statement.

39(d) Accounting for Non-Domestic Rates (NDR)

The collection of business rates is, as identified in the Code of Practice for Local Authority Accounting, in substance, an agency arrangement for both billing authorities and major preceptors. The Council is the billing authority in this arrangement, while Central Government and the Fire Authority are the preceptors.

Therefore, the business rates income included in each body's Comprehensive Income and Expenditure Statement for the year is their proportion of accrued income for the year. The cash collected belongs proportionately to the Council and the preceptors. There is, therefore, a debtor / creditor position between the billing authority and each major preceptor recognised in the balance sheets. The Council only recognises in its balance sheet the Council's share of any outstanding business rate arrears, receipts in advance, receivables impairment allowance and appeals provision allowance.

The difference between the income included in the Comprehensive Income and Expenditure Statement, and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included in the Movement in Reserves Statement.

The cost of collection allowance received by Cheshire East Council is the billing authority's income and is included in the Comprehensive Income and Expenditure Statement.

39(e) Accruals of Income and Expenditure

Income and expenditure is included in the accounts on an accruals basis, apart from housing benefit payments and minor cash income, which are shown in the accounts when the expenditure is incurred or the income is received. In particular:

- Sales, fees, charges and rent due from customers are accounted for as income at the date the Council provides the relevant goods and services;
- Supplies are recorded as expenditure when they are consumed; where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet;
- Works are charged as expenditure when they are completed. Prior to this they are carried as work in progress on the balance sheet;
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows determined by the contract;
- Where income or expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. The Council's policy is to provide in full for the non-payment of all debts over 6 months old unless a payment arrangement is in place or the debt is otherwise secured;
- Where income has been received in the year in relation to activities to be carried out in the following financial year, a receipt in advance is recorded in the balance sheet;
- Where payment has been made in relation to activities to be carried out in the following financial year, a payment in advance is recorded in the balance sheet;
- Severance costs arising from redundancies agreed on or before the balance sheet date are accrued in the accounts;
- Non-exchange transactions are recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council and the amount of revenue can be measured reliably.

39(f) Debtors and Creditors

Income and expenditure is accounted for on an accruals basis, i.e. they are recorded in the year the activity takes place rather than when cash is paid or received. In accordance with this, creditors are accrued on an actual payment basis for the first two weeks of the new financial year, and then on an estimated creditors schedule for outstanding items.

Income is recorded in the year in which it is earned. Therefore, debtors are recorded in the accounts at the time payment is due, with the exception of central government grants which are estimated at the year end. If there is evidence that a debt held within the accounts exceeds the recoverable amount, the value of that debt is impaired.

Specific government grants such as Rent Allowances are accrued based on data produced from the Council's benefits system at 31st March. The total benefits paid out during the financial year is used as the basis of calculating the remaining government grant due to the Council (debtor) or due to be repaid back to central government (creditor).

39(g) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions that are immediately repayable without penalty. Cash equivalents are highly liquid investments held at the balance sheet date that are readily convertible to known amounts of cash on the balance sheet date with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's approach to cash management.

39(h) Charges to Revenue for Non-Current Assets

Service Income and Expenditure Accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation, impairment losses and amortisation are therefore replaced by the contribution in the General Fund balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

39(i) Contingent Assets and Liabilities

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority, or
- a present obligation that arises from past events but is not recognised because:
    a) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or
    b) the amount of the obligation cannot be measured with sufficient reliability.

39(j) Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave for current employees.

These are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of leave entitlements which were not taken before the year end and which employees can carry forward to the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

Termination Benefits

Termination Benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Central Budgets line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognised costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end.

Details of Termination Benefits are contained in Note 22.

Post-Employment Benefits

Local authorities are required by the Code to account for post-employment benefits in accordance with IAS18 'Employee Benefits as amended in 2011'. Most employees of the Council participate in one of three pension schemes which meet the needs of employees in particular services (further details are provided in Notes 26 and 27 to the financial statements). These Schemes provide defined benefits to members (retirement lump sums and pensions) based on membership earned during the time that the employee was a member of the Scheme.
There are two types of scheme:

1) Defined Benefit Schemes

A defined benefit scheme is one for which post-employment benefits are determined independently of the investments of the plan, with employers having an obligation to make further contributions where assets are insufficient to meet employee benefits. Employer contributions are accounted for as revenue expenditure in the period to which they relate. Additionally, liabilities are recognised as benefits are earned and, for funded schemes, are matched with the organisation's attributable share of scheme assets. Liabilities are the post-employment benefits that have been promised under the formal terms of a pension scheme, measured on an actuarial basis; assets are the Authority's attributable share of the investments held in the pension scheme to cover the liabilities and are measured at fair value at the balance sheet date.

- **Local Government Pension Scheme (LGPS)**

  The LGPS is a funded scheme, meaning that the Scheme's liabilities are backed by investment assets. It is a statutory defined benefit scheme and all employees of Cheshire East Council (excluding teachers and employees in the NHS Pension Scheme) may participate in the Scheme. The Council and its employees pay contributions into the Cheshire Pension Fund, which is administered by Cheshire West and Chester Council. The Council contributes to the Fund at a rate which is intended to fund the growth in pensions over the longer term, as calculated by the Fund's independent Actuary.

The LGPS Scheme is accounted for as a defined benefit scheme in accordance with International Accounting Standard 19 (IAS19). The liabilities of the Scheme attributable to Cheshire East Council are included in the balance sheet on an actuarial basis, using the projected unit method. The assets of the Fund are included at their fair value. Any changes in the present value of the defined benefit obligation resulting from experience adjustments and / or changes in actuarial assumptions are accounted for in the year in which they arise.

- **Teachers Unfunded Scheme (Discretionary Benefit Scheme)**

  The Council is also responsible for any discretionary retirement benefits awarded by the Council to teachers on a discretionary basis. These awards fall outside the scope of the Teachers' Pension Scheme and are referred to in the accounts as the Teachers Unfunded Scheme. This Scheme is accounted for on a defined benefit basis using the same policies that are applied to the Local Government Pension 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.

2) Defined Contribution Schemes

Defined contribution schemes are pension plans where the level of benefits depends on the value of the contributions paid in respect of each member and the investment performance achieved on those contributions. The rate of contribution is determined by the scheme's rules and the employer's liability is limited by the contributions it has agreed to pay. The employer has no obligation to pay further amounts if the scheme does not have sufficient assets to pay employee benefits. Employer contributions for defined contribution schemes are accounted for as revenue expenditure in the period to which they relate, with the balance sheet reflecting only the extent of any prepaid or outstanding contributions.

The following schemes are technically defined benefit schemes. However, the Council is not able to identify its share of either Scheme's underlying surpluses or deficits with sufficient reliability for accounting purposes. Therefore, for the purposes of this Statement of Accounts, they are accounted for on the same basis as a defined contribution scheme, with the Council's obligation being limited to the contributions payable to the Scheme for the financial year in question. No actuarial assumptions are required to measure the obligation or expense, and there are no re-measurement gains or losses.

- **Teachers' Pensions Scheme (TPS)**

  Teachers employed by the Council are members of the Teachers' Pension Scheme, a multi-employer defined benefit scheme which is administered by Teachers Pensions on behalf of the Department for Education (DfE). The scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Council is not liable for any other entities' obligations under the plan.

- **NHS Pension Scheme**

  A small number of Council employees are members of the NHS Pension Scheme.

39(k) Events after the Reporting Period

Events after the balance sheet date are those events, 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 conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

39(l) Financial Instruments

Financial Assets

Financial assets are classified into two types: loans and receivables; and available for sale assets.

- **Loans and Receivables** are assets that have fixed or determinable payments but are not quoted in an active market. Examples include fixed term money market deposits and instant access accounts. They are shown on the balance sheet initially at fair value, then subsequently at amortised cost using the Effective Rate of Interest method. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

- **Available for Sale Assets** are financial instruments that have a quoted market price and/or do not have fixed or determinable payments. Examples of available for sale assets used by the Council are UK Government bonds (gilts), certificates of deposit and pooled investment funds. They are initially measured and carried at fair value. Assets are maintained in the balance sheet at fair value. Values are based on the following prioritised principles:

  1. Instruments with quoted market prices – the bid or market price
  2. Instruments without quoted market prices but where some market prices can be observed – market price
  3. Other instruments with fixed and determinable payments where no market data exists – discounted cash flow analysis

  Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain / loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available for Sale Reserve.

Financial Liabilities

Financial liabilities (i.e. long-term loans raised by the Council) are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the Effective Interest Rate for the instrument.

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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund balance to be spread over future years. The Council's policy is that any premiums are charged to the General Fund balance over the shorter of the remaining life of the loan repaid early or over 10 years. Discounts are credited to the General Fund over the shorter of the remaining life of the loan repaid or 10 years. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Risks Arising from Financial Instruments

Market risk, credit risk and liquidity risk are all dealt with through the Council's annual Treasury Management Strategy Statement, which sets appropriate parameters for investment activity consistent with market conditions. Due to the prudent management of investments and the ability of the Council to borrow at short notice from the Public Works Loan Board, the Council's exposure to liquidity risk is assessed as very low, with no material impact on the accounts.

39(m) Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments, and the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement (CIES) until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

Where a capital grant or contribution has been received, and conditions remain outstanding at the balance sheet date, the grant or contribution is recognised as part of the Capital Grants Receipts in Advance. Once the condition has been met, the grant or contribution is transferred from the Capital Grants Receipts in Advance and recognised as income in the CIES.

Where a capital grant or contribution has been recognised as income in the CIES, and the expenditure to be financed from that grant or contribution has been incurred at the balance sheet date, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

Where a capital grant or contribution has been recognised as income in the CIES but the expenditure to be financed from that grant or contribution has not been incurred at the balance sheet date, the grant or contribution is transferred to the Capital Grants Unapplied Account, reported in the Movement in Reserves Statement. When the expenditure is incurred, the grant or contribution is transferred to the Capital Adjustment Account.

39(n) Heritage Assets

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets.

39(o) Insurance Fund

Cheshire East Council has large excess levels on its external insurance policies and is therefore required to meet the cost below the excess arising from claims in respect of fire and consequential loss, public and employers' liability, and vehicles. An Insurance Fund has been established to meet these potential costs, with annual contributions being charged to the revenue account.

In accordance with accounting practice, the Fund has been analysed into a provision (amounts required for reported claims) and a reserve (estimates for future claims not yet reported). The amounts set aside are based on estimates from the Actuary, with an independent actuarial review to be carried out every five years to review the level of the amounts set aside in both the provision and reserve.

39(p) Intangible Assets

Expenditure on intangible assets is capitalised in situations where the software costs are more than £10,000 and will bring benefits to the Council for more than one financial year. Expenditure costing less than £10,000 is charged in full to the Comprehensive Income and Expenditure Statement (CIES) in the year that it is incurred. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. Intangible Assets capitalised since the formation of Cheshire East Council are amortised over 5 years.

Amortisation

Expenditure on intangible assets is written down (amortised) to the CIES on a straight line basis over the estimated economic life of the asset. The estimated economic life of a licence is assumed to be the shorter of 5 years or the period for which the licence has been granted.

The values of intangible assets are reviewed at the end of each financial year for evidence of reductions in value. Impairment of intangible assets is treated in the same way as impairment of tangible assets. When an asset is disposed of or derecognised, the value of the asset is recognised in the Surplus or Deficit on the Provision of Services.

39(q) Interest in Companies and Other Entities

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 in accordance with the Code of Practice based on International Financial Reporting Standard 10, 11 and 12 and International Accounting Standard 27 and 28. Further details are in Note 31.

39(r) Inventories

Inventories are valued at the lower of cost or net realisable value. Stocks of stationery are not included in the balance sheet since such stocks are incidental and deemed not to be material to the accounts.

39(s) Investment Property

Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

39(t) Jointly Controlled Operations and Jointly Controlled Assets

Cheshire Shared Services Agreement with Cheshire West and Chester Council

The Council has an agreement with Cheshire West and Chester Council to deliver nine services via a shared services agreement.

The structure of the Shared Services Arrangement is that of a jointly controlled operation in accordance with IFRS 11 ‘Joint Arrangements’. Each Authority accounts directly for its part of the assets, liabilities, income, expenditure and cash flows held within or arising from the structure. Where expenditure has been recharged to the non host authority the analysis of net charge has been reflected in the accounts on the same subjective analysis as costs incurred directly.

39(u) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases are recognised on the balance sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the balance sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal

(i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the balance sheet.
Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

39(v) Pooled Budgets

The Better Care Fund was announced in June 2013 with the intention to drive the transformation of local services and was to be operated through pooled budget arrangements between the Council and local Clinical Commissioning Groups. Specific resources were earmarked for the Better Care Fund by NHS England in its allocation to Clinical Commissioning Groups. The remainder of the fund was made up of the Social Care Capital Grant and the Disabled Facilities Grant which were paid to local authorities.

In accounting for the pooled resources, in agreement with the Clinical Commissioning Groups:

- Activity where funding was received and expended under the control of Clinical Commissioning Groups has been accounted for in their accounts
- Activity where funding was received and expended under the control of the Council has been accounted for in its accounts
- Activity where funding was under joint control has been accounted for on the basis of the share for each organisation.

Further details on the Better Care Fund are provided in Note 32, Pooled Budgets.

39(w) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition and Measurement

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Council applies a capital expenditure de minimis level of £10,000.

Assets are initially measured at cost, comprising the purchase price, and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

Assets are then carried in the balance sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- Vehicles, plant, furniture and equipment – depreciated historical cost is used as an estimate for current value.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (EUV).

The values of properties used in the accounts are based on certificates issued by the Assets Manager, District Valuation Service, Deloitte Real Estate and the Farms Estate Shared Service manager.

Revaluations

Where assets are revalued (i.e. the carrying amount is based on fair value), revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period. The items within a class of property, plant and equipment are revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. However, a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date. Valuations shall be carried out at intervals of no more than five years.

Any increases in the valuation of properties since April 2007 arising from general price level movements are matched by corresponding credits to the Revaluation Reserve. Any revaluation increases/decreases that took place prior to 1st April 2007 are recorded in the Capital Adjustment Account.

Gains recognised on revaluation of Property, Plant and Equipment are matched by credits to the Revaluation Reserve to recognise an unrealised gain, unless the asset has previously been subject to an impairment loss or revaluation decrease charged to the Surplus or Deficit on the Provision of Services. In this case the gain is credited to the Comprehensive Income and Expenditure Statement.

Where a revaluation loss occurs as a result of revaluation to account for downward changes in market value, the decrease is recognised in the Revaluation Reserve to the extent the asset had previously been revalued upwards and thereafter in the surplus or deficit on the Provision of Services.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as below:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset is recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

The following strict criteria have to be met before an asset can be classified as held for sale:

- The asset must be available for immediate sale in its present condition and is being marketed for sale at a price that is reasonable in relation to its fair value;
- The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to Non-Current Assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale) and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off value of disposals is not a charge against council tax, as the cost of Property, Plant and Equipment 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 Reserves Statement.

Capital Receipts

Capital receipts are the amounts derived from the sale of capital assets. The Capital Receipts policy is to ensure that capital receipts are used in the most beneficial way to support corporate priorities and strategic objectives of the Council. This will mean that all receipts will be pooled centrally. The policy is intended to separate the use of resources from the means of acquiring resources therefore supporting the strategic approach to capital investment. The Council has implemented a Disposals Policy as part of the Asset Management Plan; where property assets are not meeting the Council's objectives, their retention will be subject to asset challenge and a process of rationalisation and disposal for surplus/under-performing property will be adopted.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets), assets that are not yet available for use (i.e. assets under construction), investment properties carried at fair value and land where it can be demonstrated that the asset has an unlimited useful life (excluding land subject to depletion, i.e. quarries and landfill sites). It is not charged in the year of acquisition, or on revaluations in the year of revaluation. In the year of disposal, depreciation is calculated for the whole year.

Depreciation is calculated on the following bases:

- dwellings and other buildings (including surplus assets) – straight-line allocation over the useful life of the property, (ranging up to 50 years) as estimated by the valuer;

- vehicles, plant, furniture and equipment – a straight line allocation over the useful life of the asset, (ranging up to 15 years) as advised by a suitably qualified officer;
- infrastructure – straight-line allocation over 40 years.

No depreciation charges are made for land, assets under construction, investment properties and community assets.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

IAS16 requires all components of an asset with a significant cost in relation to the total cost of the asset to be depreciated separately. The principal distinction is between Land (no depreciation) and Buildings (depreciable).

Where an item of Property, Plant and Equipment has major components with costs significant in relation to the total cost of the item, the components are depreciated separately. The main components of buildings are identified as ‘main structure’, ‘temporary buildings and external works’, and ‘services and specialist equipment’. The requirement for componentisation for depreciation purposes only applies to enhancement and acquisition expenditure incurred, and revaluations carried out, from 1st April 2011.

The Council has determined a de-minimis asset value of £1.9 million as a basis for componentising depreciation charges.

39(x) Private Finance Initiative (PFI) and Similar Contracts

PFI and Similar Contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide services passes to the PFI contractor. The Council is deemed to control the services that are provided under its PFI scheme and, as ownership of the Property, Plant and Equipment will pass to the Council at the end of the contract for no additional charge, the Council carries the Property, Plant and Equipment used under the contracts on the balance sheet.

The Council is party to one PFI contract in respect of Extra Care Housing. The contract also involves Cheshire West and Chester Council and will terminate in 2039.

The recognition of these assets has been balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. The Property, Plant and Equipment recognised on the balance sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operator each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge on the outstanding balance sheet liability, debited to Financing and Investment Income and Expenditure line on the Comprehensive Income and Expenditure Statement;

- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line on the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the balance sheet liability towards the PFI operator;
- operator lifecycle replacement costs – recognised as Property, Plant and Equipment on the balance sheet.

39(y) Provisions

Provisions are made when the Council recognises that it has an obligation as a result of a past event, when it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year when the Council becomes aware of the obligation, based on the best estimate of the likely settlement.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year and, if no longer required, are reversed and credited back to the Comprehensive Income and Expenditure Statement. Where some or all of the payment required to settle an obligation is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

39(z) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies and are split between usable and non-usable. Usable Reserves are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation on their use. Unusable reserves cannot be used to provide services; this category includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve).

Resources set aside for specific purposes or to meet predicted liabilities are held as ‘earmarked reserves’. The Council also sets aside sums as a more general reserve, called the General Fund, to cover the impact of unexpected events or emergencies or provide a working balance to help manage the effect of uneven cash flows. The Council seeks to maintain the General Fund at a level consistent with a detailed assessment of risk as set out in its Reserves Strategy. This assessment is updated annually as part of the Council’s Medium Term Financial Planning.

Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting process for tangible Property, Plant and Equipment (Revaluation Reserve and Capital Adjustment Account) and retirement benefits (Pension Reserve). These are in effect accounting reserves rather than cash reserves.

39(aa) Revenue Expenditure funded from Capital Resources under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so that there is no impact on the level of Council Tax.

39(ab) Schools Accounting

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools are now 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. The Council has the following types of maintained schools:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation

Dedicated Schools Grant (DSG) is credited to the Comprehensive Income and Expenditure Statement within Net Cost of Service, based on amounts due from the Department for Education for 2017/18. The DSG is allocated between central Council Budget and budgets allocated to individual schools (delegated school budgets). Expenditure from central Council budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under Education and Children's services.

Individual schools' balances at 31st March 2018 are included in the balance sheet of the Council under the heading Earmarked Reserves and Balances held by Schools.

Schools Non-Current (fixed) Assets 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 rights to use the assets transferred to them.

Community schools are owned by the Council and have previously been recognised on the balance sheet, as well as all Voluntary Controlled Schools.

Following the introduction of the group suite of standards, the Council has included Voluntary Aided Schools and Foundation Schools on to the balance sheet as part of Property, Plant and Equipment. This reflects the value of the benefit gained by the Schools of the use of the buildings and ensures the value of the benefit for public service use is captured on the Whole of Government Accounts return.

Where schools transfer to Academies, the value of school buildings are removed from the balance sheet. Academies are accounted for separately under the Department for Education and included within their Whole of Government Accounts return.

39(ac) Value Added Tax

Income and expenditure excludes any amounts related to Value Added Tax (VAT), as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them. At the year end any amounts outstanding are represented by a debtor or creditor on the balance sheet.

Supplementary Financial Statement

Collection Fund 2017/18

Collection Fund Statement

2016/17 Council Tax £000	2016/17 Non Domestic Rates £000	2016/17 Total £000		2017/18 Council Tax £000	2017/18 Non Domestic Rates £000	2017/18 Total £000
			INCOME			
(221,543)	0	**(221,543)**	Council Tax	(235,419)	0	**(235,419)**
0	(145,018)	**(145,018)**	Non Domestic Ratepayers	0	(135,739)	**(135,739)**
(139)	0	**(139)**	Foster Carers income from General Fund	(46)	0	**(46)**
0	0	**0**	Transitional Relief Protection Payment	0	0	**0**
(221,682)	(145,018)	**(366,700)**		(235,465)	(135,739)	**(371,204)**
			Contribution towards Previous Year's (Surplus)/Deficit			
0	(3,798)	**(3,798)**	Central Government	0	(2,238)	**(2,238)**
305	0	**305**	Police and Crime Commissioner	105	0	**105**
138	(76)	**62**	Fire Authority	47	(45)	**2**
2,452	(3,722)	**(1,271)**	Cheshire East Council	848	(2,193)	**(1,345)**
2,894	(7,597)	**(4,703)**		1,000	(4,476)	**(3,476)**
			EXPENDITURE			
			Precepts, Demands and Shares			
0	70,270	**70,270**	Central Government	0	65,813	**65,813**
22,925	0	**22,925**	Police and Crime Commissioner	23,712	0	**23,712**
10,218	1,405	**11,623**	Fire Authority	10,569	1,316	**11,885**
185,823	68,864	**254,688**	Cheshire East Council	197,946	64,496	**262,442**
218,966	140,539	**359,505**		232,227	131,625	**363,852**
			Charges to the Collection Fund			
1,464	1,837	**3,301**	Write-offs	551	1,841	**2,392**
813	(340)	**473**	Provision for Uncollectable Amounts	1,074	(91)	**983**
0	(1,408)	**(1,408)**	Provision for Appeals	0	1,527	**1,527**
0	562	**562**	Costs of Collection	0	564	**564**
2,278	652	**2,929**		1,625	3,841	**5,466**
2,455	**(11,424)**	**(8,968)**	**(Surplus) / Deficit for the Year**	**(613)**	**(4,749)**	**(5,362)**
			Allocation of (Surplus) / Deficit in year *			
0	(5,712)	**(5,712)**	Central Government	0	(2,375)	**(2,375)**
260	0	**260**	Police and Crime Commissioner	(61)	0	**(61)**
118	(114)	**3**	Fire Authority	(26)	(47)	**(73)**
2,077	(5,598)	**(3,520)**	Cheshire East Council	(526)	(2,327)	**(2,853)**
2,455	**(11,424)**	**(8,968)**		**(613)**	**(4,749)**	**(5,362)**

* In year position plus contribution towards previous year's (Surplus)/Deficit. See Note 6 to the Cheshire East Council Statement of Accounts.

Movements on Collection Fund

2016/17				2017/18		
Council Tax £000	Non Domestic Rates £000	Total £000		Council Tax £000	Non Domestic Rates £000	Total £000
			COLLECTION FUND BALANCE			
(4,010)	14,565	**10,555**	Balance at the Beginning of the Year	(1,555)	3,141	**1,586**
2,455	(11,424)	**(8,968)**	(Surplus) / Deficit for the Year (as above)	(613)	(4,749)	**(5,362)**
(1,555)	**3,141**	**1,587**	**Balance at the End of the Year**	**(2,168)**	**(1,608)**	**(3,776)**
			Allocation of Collection Fund Balance to:			
0	1,571	**1,571**	Central Government	0	(804)	**(804)**
(161)	0	**(161)**	Police and Crime Commissioner	(223)	0	**(223)**
(72)	31	**(41)**	Fire Authority	(97)	(16)	**(113)**
(1,322)	1,539	**217**	Cheshire East Council	(1,848)	(788)	**(2,636)**
(1,555)	**3,141**	**1,586**	**Balance at the End of the Year**	**(2,168)**	**(1,608)**	**(3,776)**

Notes to the Collection Fund 2017/18

1. Non Domestic Rates

2016/17		2017/18
*£346.854m	a) Total Rateable Value at 31 March 2018	£353.451m
49.7p	b) Rate in the Pound for Year	47.9p
48.4p	c) Small Business Rate Relief	46.6p

*2016/17 Total Rateable Value as at 31 March 2017. Total Rateable Value as at 1 April 2017 was £349.842m due to the revaluation.

2. Precepts and Demands (Council Tax)

2016/17 £000		2017/18 £000
185,823	a) Cheshire East Council (including Parish Precepts)	197,946
22,925	b) Police and Crime Commissioner	23,712
10,218	c) Cheshire Fire Authority	10,569
218,966		**232,227**

In England, billing authorities act as agents, collecting council tax on behalf of the major preceptors and itself. Council tax transactions and balances therefore need to be allocated between the billing authority and major preceptors. This means that Cheshire East Council has to remove from its Comprehensive Income and Expenditure Statement the share of the demand on the Collection Fund and any surplus or deficit in respect of the other major preceptors. Similarly, on the balance sheet the Council has to remove the share of assets and liabilities that relate to the other major preceptors, to leave only the assets and liabilities that relate to the Council.

Consequently, the other major preceptors will show their share of the demand on collection, surplus or deficit on the Fund, assets and liabilities within their own Comprehensive Income and Expenditure Statements and Balance Sheets.

3. General

These accounts represent the transactions of the Collection Fund that are required by Section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992).

4. Income and Expenditure

2017/18 was the fifth year of the Business Rates Retention Scheme. Cheshire East is the billing authority and is entitled to retain 49% of the NDR collected with 50% being paid over to Central Government and 1% to the Fire Authority. In 2017/18, Cheshire East's share amounted to £64.04m (net of levy), less a share of the year end net position (including the Renewable Energy and Enterprise growths / discounts) of £0.13m, less fixed fee tariff payable to Central Government £23.02m, plus growth of £0.05m from being part of the 100% growth pilot scheme with the Greater Manchester Pool, resulting in net income to the General Fund of £40.95m. By comparison, the net income for 2016/17 was £44.44m.

From 2015/16, the Authority entered into a pooling arrangement with the Greater Manchester Authorities*. Under this scheme, the tariff that would usually be payable to Central Government is payable into the Pool, which is administered by Manchester City Council. This arrangement allows the authorities included within the Pool to be treated as one entity for the purposes of tariff / top up and levy / safety net payments, potentially reducing the amounts to be paid over to Central Government.

The net Non Domestic Rates income for the year is compared to a 'Funding Baseline' - any amount in excess of this Baseline is subject to levy or, conversely, if the amount of retained Business Rates is below this Baseline, the loss is capped by a safety net payment. As part of the Greater Manchester Pool, the levy or the safety net payment is also made to or from the Pool instead of Central Government. If the Council was not in the Pool, it would have to pay 37p in the £1 to Central Government as a levy, effectively limiting the income the Council can gain from business rates growth. However, as part of the pooling arrangement, the Council is able to retain 50% of any levy payable. For 2017/18 this resulted in additional income of £0.46m.

*Members of the Pool are: Cheshire East Council; Cheshire West and Chester; Manchester and Salford City Councils; Bolton, Bury, Oldham, Rochdale, Stockport, Tameside, Trafford and Wigan Metropolitan Borough Councils.

5. Council Tax

Council Tax is a property based tax which was introduced by the Local Government Finance Act 1992. Each relevant property is allocated a Council Tax Band (A to H) upon valuation. The Billing Authority levies a council tax amount for each band within each area of the Borough, based upon its own council tax requirement, the demands made by its precepting authorities and the council tax base. The council tax base is the number of chargeable dwellings in each valuation band, converted to an equivalent number of Band D dwellings.

The following table shows the composition of the Council Tax for each property banding in 2017/18:

Band	Property Valuation at 1 April 1991	Cheshire East £	Fire Authority £	Police and Crime Commissioner £	Total Council Tax Payable £
A	Up to £40,000	883.28	48.86	109.63	**1,041.77**
B	£40,001 to £52,000	1,030.49	57.00	127.90	**1,215.39**
C	£52,001 to £68,000	1,177.71	65.15	146.17	**1,389.03**
D	£68,001 to £88,000	1,324.92	73.29	164.44	**1,562.65**
E	£88,001 to £120,000	1,619.35	89.58	200.98	**1,909.91**
F	£120,001 to £160,000	1,913.77	105.86	237.52	**2,257.15**
G	£160,001 to £320,000	2,208.20	122.15	274.07	**2,604.42**
H	Over £320,000	2,649.84	146.58	328.88	**3,125.30**

6. Council Tax Base Calculation

The Council Tax Base is the total number of properties in each band multiplied by a factor to convert the number to a Band D equivalent adjusted for discounts – for 2017/18 this was:

Band	Number of Properties after Discount	Ratio to Band D	Band D Equivalent	Adjustment for 99.0% Collection Rate
Dis	73.25	5/9th	40.69	40.28
A	20,044.97	6/9th	13,363.31	13,229.68
B	27,507.28	7/9th	21,394.55	21,180.61
C	28,704.05	8/9th	25,514.71	25,259.57
D	22,546.40	1	22,546.40	22,320.93
E	17,996.20	11/9th	21,995.36	21,775.41
F	12,653.78	13/9th	18,277.68	18,094.90
G	11,506.27	15/9th	19,177.11	18,985.34
H	1,674.14	18/9th	3,348.28	3,314.79
Total			**145,658.09**	**144,201.51**

Other Information

Statement of Responsibilities for the Statement of Accounts

The Council's 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 Council, that officer is the Interim Executive Director of Corporate Services (Section 151 Officer);
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

The Interim Executive Director of Corporate Services (Section 151 Officer) Responsibilities

The Interim Executive Director of Corporate Services (Section 151 Officer) is responsible for the administration of the financial affairs of the Council and for the preparation of the Council's Statement of Accounts which, 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 of Practice'), is required to present a true and fair position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2018.

In preparing this Statement of Accounts, the Interim Executive Director of Corporate Services (Section 151 Officer) has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Interim Executive Director of Corporate Services (Section 151 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;
- ensured that accurate representations have been made to the Council's Auditor, all relevant records made available and any matters that could have a material effect on the financial statements have been disclosed.

Interim Executive Director of Corporate Services (Section 151 Officer) Certificate

I certify that the Statement of Accounts presents a true and fair financial position of Cheshire East Council as at 31st March 2018 and its income and expenditure for the year ended 31st March 2018 and authorise the financial statements for issue on 31st July 2018.

Jan Willis

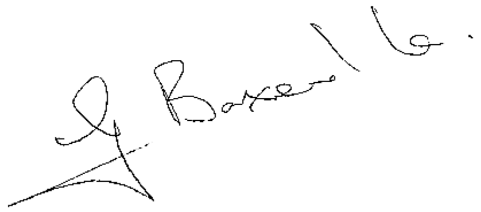
Jan Willis MBA CPFA
Interim Executive Director of Corporate Services (Section 151 Officer) for Cheshire East Council

Dated: 31st July 2018

Approval of Accounts

The approval of the audited accounts and the Annual Governance Statement took place at the Audit and Governance Committee on 31st July 2018.

Signed on behalf of Cheshire East Council



Councillor Gordon Baxendale

Chairman

Dated: 31st July 2018

Independent Auditor’s Report to the Members of Cheshire East Council

Independent auditor’s report to the members of Cheshire East Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cheshire East Council (the ‘Authority’) and its subsidiaries (the ‘group’) for the year ended 31 March 2018 which comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and all the related notes , including accounting policies contained within. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

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

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

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

- the Interim Executive Director of Corporate Services (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Interim Executive Director of Corporate Services (Section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Interim Executive Director of Corporate Services (Section 151 Officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the group and Authority financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Interim Executive Director of Corporate Services (Section 151 Officer) and Those Charged with Governance for the financial statements

As explained more fully 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 Interim Executive Director of Corporate Services (Section 151 Officer). The Interim Executive Director of Corporate Services (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Interim Executive Director of Corporate Services (Section 151 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 Interim Executive Director of Corporate Services (Section 151 Officer) is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Authority.

The Audit and Governance Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Qualified conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, except for the effects of the matters described in the basis for qualified conclusion section of our report, we are satisfied that, in all significant respects, the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018

Basis for qualified conclusion

In considering the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources we identified the following matter:

The Authority has operated throughout the year of audit with interim senior management arrangements in place as a result of ongoing disciplinary proceedings involving senior officers.

Investigations by the Authority’s internal audit team have provided evidence of a number of historic weaknesses in the Authority’s arrangements for implementing and sustaining sufficient and appropriate governance processes throughout the organisation.

These matters are evidence of weaknesses in proper arrangements for acting in the public interest, through demonstrating and applying the principles and values of sound governance.

Responsibilities of the Authority

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

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

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

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

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

Report on other legal and regulatory requirements - *Delay in certification of completion of the audit*

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2018.
- our consideration of matters brought to our attention

We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

JD Roberts

Jonathan Roberts

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

The Colmore Building

20 Colmore Circus

Birmingham

B4 6AT

31 July 2018

Glossary of Terms

Accounting Period

The period of time covered by the accounts which, for local authorities, is the twelve months commencing 1st April. The 31st March is the end of the accounting period and the balance sheet date.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

Agency Services

These are services provided by the Council to a third party on behalf of another organisation.

Appropriations

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

Asset Valuation

The Council's property, plant and equipment are valued in the balance sheet using the following measurement bases:

- Infrastructure, community assets, assets under construction – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value (EUV)
- Surplus assets – fair value
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value or EUV).

Assets Held for Sale

An asset is deemed as 'held for sale' if it meets the following criteria:

- the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- the sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated; and
- the asset must be actively marketed for a sale at a price that is reasonable in relation to the current value.

Associate Companies

This is an entity other than a subsidiary or joint venture in which the Council has a participating interest and over who's operating and financial policies the Council is able to exercise significant influence.

Balance Sheet

This statement shows the true and fair value of the assets and liabilities recognised by the Council at the balance sheet date (31st March). The net assets of the Council are matched by the reserves held. The following terms are used within the balance sheet:

- **Assets**: Items of worth that are measurable in terms of value. Long term (non-current) assets yield benefit to the Council for a period of more than one year, whereas current assets are cash and items which can be readily converted into cash.
- **Liabilities**: Amounts due to individuals or organisations. Current liabilities are usually payable within one year of the balance sheet date, whereas long term (non-current) liabilities will not become payable for over one year.
- **Net Assets**: The total value of the Council's assets less total liabilities.
- **Reserves**: These are either usable or unusable, see entry for Reserves.

Budget

A statement of the Council's planned service provision, income and expenditure in respect of the financial year.

Capital Transactions (excluding reserves):

- **Capital Assets**: See Property, Plant and Equipment.
- **Capital Expenditure**: Expenditure on the acquisition of an item of Property, Plant or Equipment, 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.
- **Capital Programme**: The planned capital schemes the Council intends to carry out over a specified period of time.
- **Capital Receipts**: Proceeds received from the sale of capital assets. The proceeds are set aside in the Capital Reserve in order to repay the Council's borrowings or to finance new capital expenditure.
- **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.
- **Revenue Expenditure Funded from Capital Resources under Statute (known as REFCUS)**: Expenditure incurred that may be capitalised although it does not create a non-current asset.

Cash and Cash Equivalents

This comprises cash in hand, cash overdrawn and short term investments that are readily convertible into known amounts of cash.

Cash Flow Statement

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 out 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.

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 and provides details of Council Tax and Non-Domestic Rate transactions of precepting authorities. As a billing authority the Council will share the risks and rewards that the amount of Council Tax and Non-Domestic Rates collected could be greater or less than that anticipated.

Collection Fund terms include the following:

- **Billing Authority**: Cheshire East Council is classed as a billing authority as it has responsibility for collecting Council Tax and Non-Domestic Rates. It collects Council Tax on behalf of Cheshire Police and Crime Commissioners, Cheshire Fire Authority and Parish Councils (also known as precepting authorities) and collects Non-Domestic Rates on behalf of central government and Cheshire Fire Authority.
- **Council Tax**: The means of raising money locally to fund local Council services. This is a property-based tax where the amount levied depends on the valuation of each dwelling.
- **Non-Domestic Rates (NDR)**: Also known as business rates, NDR is collected from businesses in the Council's geographic area. The rates are set nationally by the Government.
- **Precept**: The amount the Council is required to raise in Council Tax on behalf of other local authorities, for example Cheshire Police and Crime Commissioners.

Comprehensive Income and Expenditure Statement (CIES)

The CIES sets out the income and expenditure for the all the Council's functions for the financial year, according to the CIPFA Service Reporting Code of Practice (SeRCOP).

The CIES has two sections:

- **Surplus or Deficit on the provision of Services** – the increase or decrease in the net assets of the Authority as a result of incurring expenses and generating income.
- **Other Comprehensive Income and Expenditure** – shows any changes in net assets which have not been reflected in the Surplus or Deficit on the provision of Services. Examples include the increase or decrease in net assets of the Authority as a result of movements in the fair value of its assets and actuarial gains or losses on pension assets and liabilities.

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.

Constitution

The fundamental principles by which the Council operates and is governed.

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, or items which are difficult to predict in terms of financial impact or timing.

Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.

Contingent Liabilities

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly with the Council's control; or
- a present obligation arising from past events where it is probable that a transfer of economic benefits will be required, but the amount cannot be measured with sufficient reliability.

Creditors

These are financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier.

Debtors

Debtors (or income due from third parties) are recognised in the balance sheet as an asset. The income is recognised at the point at which a service or good is provided; a debtor is raised for the cash or cash equivalent amount i.e. contract value.

Where there is a risk that a debtor cannot be recovered at its initial contract value, the asset will be reduced to the amount at which it can be recovered in the balance sheet. This is accounted for in a provision for impairment (bad debt) and included in the Comprehensive Income and Expenditure Account in the Surplus or Deficit on the Provision of Services.

Deficit

Arises when expenditure exceeds income or when expenditure exceeds available budget.

Delegated Budgets

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

Depreciation

Depreciation is a measurement of consumption of the service potential inherent in an item of property, plant or equipment and is recognised in the cost of services.

Exceptional Items

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

Financial Instruments

A financial instrument is any contract which gives rise to a financial asset for one party and a financial liability or equity instrument for the other. Terms relating to Financial Instruments include:

- **Amortised cost**: the amount at which the asset or liability is measured at initial recognition (usually 'cost'), minus any repayments of principal, minus any reduction for impairment or uncollectibility, plus or minus the cumulative amortisation of the difference between that initial amount and the maturity amount.
- **Effective rate of interest**: the rate of interest that is used to calculate the value today of any future investment.
- **Equity instrument**: A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities (such as equity share in a company) – this will only apply to investments in other entities held by the Council.
- **Fair value**: The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.
- **Financial asset and derivatives**: A right to future economic benefits controlled by the Council that is represented by:
  - cash;
  - an equity instrument of another entity;
  - a contractual right to receive cash (or another financial asset) from another entity; or
  - a contractual right to exchange financial assets or liabilities with another entity under conditions that are potentially favourable to the Council.
- **Financial liability**: An obligation to transfer economic benefits controlled by the Council that is represented by; a contractual obligation to deliver cash (or another financial asset) to another entity / a contractual obligation to exchange financial assets or liabilities with another entity under conditions that are potentially unfavourable to the Council.
- **Market value**: The monetary value of an asset as determined by current market conditions at the balance sheet date.
- **Soft loans**: The Council may sometimes make loans that are interest free or at less than market rates, where a service objective would justify the Council making a concession. Examples include:
  - Loans to lower tier authorities and voluntary organisations to aid service provision;
  - Local businesses to encourage economic development;
  - Employees as part of a relocation package.

Government Grants

These are amounts received from central government towards funding the Council's activities. These represent a significant amount of Council income.

Grants and Contributions

Grants and contributions are defined as assistance in the form of transfers of resources to the Council in return for past or future compliance with certain conditions relating to the operation of activities. Most grants have stipulations as to how they are spent and consequences if resources are not applied in the manner authorised. There are a number of terms used to explain these:

- **Conditions**: specify what future economic benefits or service delivery/potential need to be achieved to avoid having to return funding or assets.
- **Restrictions**: limit what the funding / assets can be used for.
- **Stipulations**: where laws or other binding arrangements form part of the agreement between the grantor and the grantee.

Heritage Assets

Assets which are preserved in trust for future generations, or which are held for their contribution to knowledge and culture.

Impairment

Relates to a reduction in book value of either a physical or financial asset, for example:

- A reduction in the book value of an item of property, plant or equipment arising from physical damage to the asset, dilapidation or obsolescence; or
- A reduction in the book value of a financial asset for which the carrying value exceeds the estimated recoverable amount. Bad and doubtful debt falls into this category.

Income

Amounts which the Council receives, or expects to receive, from any source. Income includes Council Tax, Non-Domestic Rates, Revenue Support Grant and other Government grants, fees, charges, sales and capital receipts.

Intangible Assets

Expenditure incurred on those 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.

International Financial Reporting Interpretations Committee

The IFRS Interpretations Committee is the interpretative body of the IFRS Foundation. Its mandate is to review on a timely basis widespread accounting issues that have arisen within the context of current International Financial Reporting Standards (IFRSs).

International Financial Reporting Standards

A set of international accounting standards which state how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board.

Inventories

These assets are valued at the lower of cost and net realisable value. Inventories include:

- Materials or supplies to be consumed in the provision of services (e.g. road salt, transport fuel);
- Stocks held for sale or distribution (e.g. publications, leaflets).

Valuation Definitions:

- **Average Cost**: Where goods such as stocks may be purchased at different times and at different prices, an average cost is calculated to give a value to goods held at the balance sheet date.
- **Cost**: Purchase price, costs of conversion and other costs in bringing the inventories to their present location and condition.
- **Net Realisable Value**: the estimated selling price of an asset after all the costs attributed to bringing an asset to a point at which it can be sold, have been deducted.
- **Work in Progress**: The value of rechargeable work which has not been recharged at the end of the financial year.

Investment Properties

Assets which are held with a view to providing income, capital appreciation or both. Examples of investment properties are:

- Land held for long term capital appreciation;
- A building held under a finance lease and rented out;
- A property under construction or development / redevelopment for future use as an investment property.

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.

Joint Venture

A Joint Venture is an arrangement under which two or more parties have contractually agreed to share control, such that decisions about the activities of the arrangement are given unanimous consent from all parties.

Leasing

A method of acquiring the use of a non-current asset by paying a rental for a specified period of time, rather than purchasing it outright. There are two categories for leasing:

- **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.
- **Operating Lease**: An arrangement similar to a finance lease but where the risks and rewards associated with ownership remain with the lessor.

Loans and Receivables

These are defined as financial assets (excluding derivatives) that have fixed or determinate payments and that are not quoted in an active market, other than those that the Council intends to sell immediately or in the near term and are classified as held for trading.

Long Term Borrowing

The main element of long term borrowing comprises loans that have been raised to finance capital expenditure projects.

Materiality

Materiality relates to the significance of transactions, balances and errors contained in the financial statements. Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about the Council.

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 (MiRS)

The MiRS 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 ’unusable’ reserves.

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.

Pensions

There are a number of terms used when accounting for pension costs:

- **Actuarial Assumptions**: Assumptions made by the Pension Fund Actuary in valuing the Fund’s assets and liabilities.
- **Actuarial Gains and Losses**: A combination of the effects of changes in actuarial assumptions and experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred, including reflection of any funding valuation which has taken place since the last report).
- **Actuarial Valuation**: The valuation of the Pension Fund’s assets and liabilities. The Actuary then calculates how much needs to be paid into the Fund by both the employer and contributing members to ensure there will be adequate funds to pay pensions when they become due.
- **Actuary**: An independent qualified professional who is engaged in the valuation of pension scheme assets and liabilities. The Local Government Pension Scheme Actuary reassesses the rate of employer contributions to the Pension Fund every three years.
- **Current Service Cost**: The increase in the present value of the defined benefit obligation resulting from employee service in the current period.
- **Curtailments**: costs arising from early payment of accrued pensions in respect of any redundancies during the year.
- **Deferred Benefits**: A future benefit which is being paid for in the current accounting period.
- **Defined Benefit Obligation**: the liability of a pension scheme, as shown on the balance sheet.
- **Defined Benefit 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.
- **Defined Contribution Pension Scheme**: A pension scheme where the level of benefits depends on the value of the contributions paid in respect of each member and the investment performance achieved on those contributions.

- **Net Interest Expense**: The increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to payment.
- **Net Defined Benefit Liability**: the difference between the fair value of the scheme assets and the present value of the defined benefit obligation, shown as either an asset or liability on the balance sheet (depending on whether a surplus or deficit).
- **Past Service Cost**: The increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).
- **Projected Unit Credit Method**: An accrued benefits valuation method in which the Fund liabilities make allowance for projected earnings.
- **Remeasurement Gains/Losses**: changes in the balance sheet value of a scheme liability relating to year on year changes in the assumptions applied by the actuary.
- **Settlements**: liabilities settled at a cost materially different to the IAS 19 reserve during the year.

Prepayments

Amounts paid by the Council in year that related to goods and services not received until the following year.

Prior Period Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental 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.

Property, Plant and Equipment (PPE)

This covers all assets held by the Council with physical substance (tangible assets) that are held for use in the provision of services, for rental to others or for administrative purposes.

Key Definitions used for PPE:

- **Accumulated Depreciation**: The cumulative accounting estimate (excluding the current year) relating to the consumption of a non-current asset.
- **Amortisation**: The process of writing down capitalised expenditure (usually on intangible assets) to the Cost of Services over the estimated useful life of the asset.
- **Community Assets**: Assets that the Council intends to hold in perpetuity, that have no determinable finite useful life and in addition may have restrictions on their disposal (e.g. parks and historic buildings).
- **Depreciated Historic Cost**: The value of an asset shown in the balance sheet calculated from the original cost less depreciation to date.
- **Depreciation**: The process of writing down capitalised expenditure (usually on Plant and Equipment) to the Cost of Services over the estimated useful life of the asset.
- **Disposals**: the value of assets which have been disposed of or decommissioned.

- **Existing Use Value (EUV)**: The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing. The fair value of land and buildings is to be interpreted as the amount that would be paid for an asset in its existing use.
- **Gross Book Value**: The historical cost or the revalued amount of the asset before depreciation.
- **Infrastructure Assets**: Cheshire East Council's network of roads, pavements, and bridges included within Property, Plant and Equipment.
- **Net Book Value**: The amount at which 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 the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.
- **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.
- **Rateable Value**: The annual assumed rental value of a property that is used for business purposes.

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 the year relating to goods or services to be delivered in the following year.

Related Party

A person or organisation who or which has influence and control over another person or organisation.

Reserves

Specific amounts set aside for future policy purposes or to cover contingencies. There are two types of reserve:

- **Usable Reserves**: These include the revenue and capital resources at the Council's disposal which can be used to fund expenditure or reduce local taxation. Usable reserves include:
  - Capital Receipts Reserve
  - Capital Grants Unapplied
  - Reserves and Balances Held by Schools
  - General Fund Earmarked Reserves (various)
  - General Fund Reserve.

- **Unusable Reserves:** These include unrealised gains and losses, particularly in relation to the revaluation of property, plant and equipment where the value of the asset would only become available to fund the provision of services if the asset was sold. Also included are adjustment accounts used to absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure. Unusable Reserves include:

- Revaluation Reserve
- Available for Sale Financial Instruments Reserve
- Capital Adjustment Account
- Capital Receipts Deferred
- Financial Instrument Adjustment Account
- Pensions Reserve
- Collection Fund Adjustment Account
- Accumulated Absences Account.

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.

Section 151 Officer

An Officer appointed under Section 151 of the Local Government Act 1972 which requires every local authority to appoint a suitably qualified officer to assume overall responsibility for the administration of the financial affairs of the Council and preparation of the Statement of Accounts.

Share Accruals

These are the proportional amounts of Net Profit / (Loss) which are shared in accordance with the profit sharing agreement made between Cheshire East Council and its subsidiary and or joint venture entities.

Shared Services

This is a process of merging functions with other organisations to streamline mainstream services, standardise functions and deliver more efficient and effective services. This also enables the Council to have greater leverage and buying power within government.

Slippage

This is when delays occur in capital works and therefore payments are not made in the financial year originally anticipated.

Subsidiary

This is an entity over which the Council is able to demonstrate it has control, such as a shareholding or representation on the entity's Board of Directors.

Surplus

Arises when income exceeds expenditure or when expenditure is less than available budget.

Surplus Assets

Property, plant and equipment held by the Council which are not currently used in the provision of Council services.

'The Code'

The Code is a code of practice on Local Authority accounting that has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. The

Code is based on International Financial Reporting Standards (IFRS), on which local authority accounts are now required to be based.

Transfer Payments

Relates to payments for which no goods or services are received by the Council e.g. rent allowances.

Trust Funds

Accounts for which the Council acts as trustee but for which it is not financially responsible and does not own. These amounts are not included within the Council's balance sheet.