

# **Audit and Governance Committee**

## **Supplementary Agenda**

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**Date:** Thursday 30th July 2020

**Time:** 2.00 pm

**Venue:** Virtual Meeting

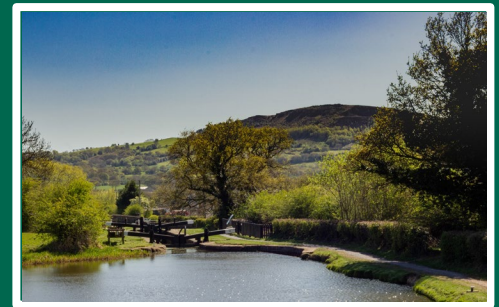
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**6. Draft Pre-Audit Statement of Accounts 2019/20**

- a. Draft Statement of Accounts (pages 3 to 164)
- b. Presentation to the Audit and Governance Committee (pages 165 to 176)

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# Draft Statement of Accounts 2019/20



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**Draft Statement of Accounts 2019/20**

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## Introduction to the 2019/20 Group Statement of Accounts

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

The 2019/20 financial year has seen considerable operational achievement and success as well as going through significant change and facing emerging challenges and risks. The year started with changes to the leadership of the Council following the May 2019 elections, the year also saw the Council taking part in a Corporate Peer Challenge, complete a review of the wholly owned companies and saw the appointment of a new Chief Executive. At the end of a challenging financial year the response to the COVID-19 pandemic saw the Council implement emergency planning and business continuity plans on an unprecedented scale. The full impact of the pandemic, which started to impact in March 2020, is unknown, and these accounts simply reflect the financial impact up to 31<sup>st</sup> March 2020. However, it is important to recognise that the Council is expecting further significant challenges in the year ahead as it deals with the scale of the crisis.



The Council matched resources to expenditure without drawing down general reserves which closed at an unchanged level of £10.3m. However, there was overspending on services compared to the budget, which required the reallocation and use of earmarked reserves and the use of capital receipts which may otherwise have been retained for other purposes. Overspending occurred from the combined effects of rising inflation, increased demand for services, unachievable savings targets and continuing reductions in Government funding.

During the year a review of the wholly owned companies was started to assess whether the commissioning and structural arrangements under which they operated presented the best opportunities to continuously add value in the market they were operating. Following these reviews decisions were made to bring three of the companies back in house; these included Engine of the North, Civicance and the Skills & Growth Company.

The 2019/20 accounts show gross expenditure of £746.0m. Usable revenue reserves decreased overall by £5.7m. The Group's capital expenditure was £124.0m, which included spend on key schemes such as the Congleton Link Road (£23m), Schools Improvement Programme (£11m), ICT Programme (£6m), Organic Waste Treatment Plant (£10m) and Strategic Acquisitions (£20m).

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** – 2019 results again showed positive trends and further successes across all key stages, including a very high overall GCSE pass rate of 98%.



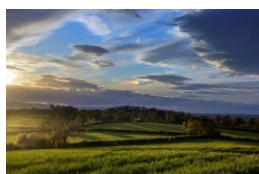
**Highways** – Work on Congleton Link Road - the Council's largest ever capital project - achieved several key milestones, and construction began.



**Adult Social Care** – The service was nominated for an MJ Award in the Category 'Transforming Lives', and selected as a National pilot site for strengths based practice framework.



**Waste** – We started collecting food waste alongside garden waste in January 2020.



**National awards** - Ten of Cheshire East's parks and green spaces were awarded 'Green Flag' awards, with Tatton Park and Queens Park also retaining additional 'Green Heritage' accreditation.

The Coronavirus pandemic has had a profound impact on all aspects of life in Cheshire East. Through 2020/21 the Council will adopt a pro-active evidence-led approach to ensure that it responds to the emerging needs of residents and businesses. It is clear that the Council will be required to reset its financial strategy in recognition of the impact of the pandemic in addition to already identified financial challenges within the Medium Term Financial Strategy (MTFS) published in February 2020. Future financial planning will also recognise the Council's strategic objectives under the new administration.

It is important to note that the deadlines for the preparation of the Accounts have been changed for 2019/20. Having considered the impact of the COVID-19 pandemic and in consultation with key stakeholders, the Ministry of Housing, Communities and Local Government (MHCLG) introduced the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have amended the Accounts and Audit Regulations 2015.

The draft Accounts must now be submitted for audit by 31<sup>st</sup> August 2020 rather than 31<sup>st</sup> May 2020 and the timeline for the conclusion of the audit is now 30<sup>th</sup> November 2020 rather than 31<sup>st</sup> July 2020.

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,



## Draft Statement of Accounts 2019/20

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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 2019/20;
- Commentary on the financial statements; and
- Future opportunities and challenges for the Group and the Council.

Alex Thompson

**Alex Thompson** CPFA

Director of Finance and Customer 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 380,000 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 was one of the Council's planned outcomes for 2019/20.

The Council operates a commissioning model which matches the most appropriate 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.

During 2019/20 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 2018 shows an estimated population of 380,800. Cheshire East has a relatively older population than average, with 29% of the population aged 60+. This figure is much higher than the national average of 23.6% 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. The latest estimate, averaged over the twelve-month period January to December 2019, puts Cheshire East's unemployment total at 9,600. This equates to 4.8% of the economically active (employed or unemployed) population aged 16 and above. The unemployment rates for Cheshire East and all across Great Britain are likely to rise substantially in 2020, following the impact of the COVID-19 virus on economic activity.

## Draft Statement of Accounts 2019/20

- 8,870 of Cheshire East's residents were claiming out-of-work benefits as of April 2020 (up from 4,655 in the previous month and 4,125 in April of 2019 which reflects the impact of COVID-19 thus far). This equates to 3.9% of the Borough's working-age (16-64 year-old) population (up from 2.1% in March 2020); this is significantly lower than those for Cheshire West & Chester, the North West and the UK (4.9%, 6.2% and 5.1% respectively). For the Borough's 18-24 year-olds, the claimant rate is 6.3% (up from 3.4% in March 2020). This is higher than for other age groups (0.1% for 16-17 year-olds, 4.5% for 25-49s and just under 3% for those aged 50 to 64), but is below the current rates for Cheshire West & Chester (7.0%), the North West (8.2%) and the UK (6.6%).
- Average household income is also high compared to the region and UK. Gross disposable household income (GDHI) per head of population was £22,700 in 2017, 16.5% higher than in the UK as a whole (£19,500) and even further above the North West average (£16,900). However, income levels vary widely within the Borough. In the financial year ending 2018, average (mean) gross annual household income in the Borough varied from an average of £32,700 in Cheshire East (an area of in the north of Crewe) to £60,000 in parts of Macclesfield.

Government changes to support business rate retention and localise Council Tax support schemes in the past have directly affected the financial health of the Group. High performance in the local economy can increase commercial development and reduce unemployment which would combine to improve the financial sustainability of the group. However this strategy does not secure sustainability unless Government support provides elements of certainty, which is also combined with the Council demonstrating a strong ability to transform services to adapt to local needs.

### 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.

During 2019/20 the political membership of the Council was as follows:

	2019/20
Conservative	32
Labour	24
Independent Group	17
Liberal Democrat	4
Real Independents	2
Non-Grouped Independent	2
Vacancy	1

The Council currently 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 Sam Corcoran was the Leader of the Council during 2019/20 and headed a Cabinet which consists of a Deputy Leader, Councillor Craig Browne, and eight portfolio holders. The Council also has an annually appointed Mayor for civic functions; the Mayor during 2019/20 was Councillor Barry Burkhill.

Details of Member Expenses for 2019/20 are available on the Cheshire East website.

### **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.

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. Engine of the North Limited and The Skills and Growth Company ceased trading on the 31<sup>st</sup> July 2019 and its employees and activities transferred back into Cheshire East Council. Similarly, Civicance Limited ceased trading on the 31<sup>st</sup> March 2020 and transferred back to Cheshire East Council.

### **The Group Management Structure (2019/20)**

The 2019/20 management structure is based on three directorates for People, Place and Corporate. Where services are not provided by directly employed staff the Council will adopt a commissioning approach to ensure compliance and value for money. Although the Council owns the companies within the Group either wholly or in part, 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 Chief Executive and Executive Directors. The Corporate Leadership Team (CLT) includes the key Statutory Officers to ensure they are represented at the most senior level of the Council.

## Draft Statement of Accounts 2019/20

Company	Role	Name
<b>Cheshire East Council</b> (Gross Revenue Spend £646m; Capital Spend £124m)	<b>Chief Executive</b> (Head of Paid Service)	<b>Kath O'Dwyer</b> (to 8 <sup>th</sup> March 2020) <b>Lorraine O'Donnell</b> (from 30 <sup>th</sup> March 2020)
	<b>Other Members of the Corporate Leadership Team</b> <b>Executive Directors:</b>	
	<ul style="list-style-type: none"> <li>• <b>People</b></li> </ul>	<b>Mark Palethorpe</b> <b>Frank Jordan</b> (Acting Chief Executive from 9 <sup>th</sup> March 2020 to 29 <sup>th</sup> March 2020) <b>Mark Taylor</b> (Interim to 21 <sup>st</sup> June 2019) <b>Jane Burns</b> (from 23 <sup>rd</sup> September 2019)
	<ul style="list-style-type: none"> <li>• <b>Place</b> (and Deputy Chief Executive)</li> <li>• <b>Corporate</b></li> </ul>	
	<b>Statutory Officer members of the Corporate Leadership Team</b>	
	<ul style="list-style-type: none"> <li>• <b>Monitoring Officer</b></li> </ul>	<b>Catherine Parkinson</b> (Interim to 31 <sup>st</sup> August 2019) <b>Jan Bakewell</b> (from 2 <sup>nd</sup> September 2019)
	<ul style="list-style-type: none"> <li>• <b>Chief Financial Officer</b></li> </ul>	<b>Alex Thompson</b> (Acting 1 <sup>st</sup> April 2019 to 17 <sup>th</sup> July 2019, Permanent from 18 <sup>th</sup> July 2019)
<b>Wholly Owned Subsidiaries:</b> <b>2019/20 position</b>		
<b>Cheshire East Residents First (CERF)</b>	<b>Chairman</b>	<b>Cllr David Brown</b> (up to 26 <sup>th</sup> June 2019)  <b>Officer Paul Bayley</b>
<b>Ansa Environment Services Limited</b> (Turnover £38m)	<b>Chairman</b>	<b>Cllr Geoff Baggott</b>
	<b>Managing Director</b>	<b>Kevin Melling</b>
<b>Transport Service Solutions Limited</b> (Turnover £15m)	<b>Chairman</b>	<b>Cllr Gail Wait</b> (up to 30 <sup>th</sup> June 2019) <b>Cllr Laura Crane</b> (1 <sup>st</sup> July 2019 to 22 <sup>nd</sup> January 2020) <b>Cllr Jonathan Parry</b> (from 23 <sup>rd</sup> January 2020)
	<b>Managing Director</b>	<b>Kevin Melling</b>
<b>Engine of the North Limited</b> (Ceased trading 31 <sup>st</sup> July 2019)	<b>Managing Director</b>	<b>Mark Thompson</b> (up to 10 <sup>th</sup> July 2019)
<b>Orbitas Bereavement Services Limited</b> (Turnover £2m)	<b>Chairman</b>	<b>Cllr David Marren</b>
	<b>Managing Director</b>	<b>Kevin Melling</b>

Company	Role	Name
<b>Civicance Limited</b> (Ceased trading 31 <sup>st</sup> March 2020)	<b>Managing Director</b>	<b>Ian Bunn</b>
<b>The Skills and Growth Company</b> (Ceased trading 31 <sup>st</sup> July 2019)	<b>Managing Director</b>	<b>Julian Cobley</b>
<b>Tatton Park Enterprise Limited<sup>1</sup></b> (Turnover £1m)	<b>Chairman</b>	<b>Cllr Kathryn Flavell</b>
	<b>Director</b>	<b>Graham Jones</b>
<b>Associate:</b>		
<b>Cheshire &amp; Warrington Local Enterprise Partnership Limited<sup>1</sup></b>	<b>Chairman</b>	<b>Christine Gaskell, MBE, DL</b>
	<b>Chief Executive</b>	<b>Philip Cox</b>

Note 1: Accounts for TPE & C&WLEP are not consolidated in 2019/20 on the grounds of materiality.

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.

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	<a href="http://www.cheshireeast.gov.uk">www.cheshireeast.gov.uk</a>
Ansa Environmental Services Limited	<a href="http://www.ansa.co.uk">www.ansa.co.uk</a>
Cheshire and Warrington Enterprise Partnership Limited	<a href="http://www.871candwep.co.uk">www.871candwep.co.uk</a>

Accounts for Tatton Park Enterprise Limited will be published on the Tatton Park website: [www.tattonpark.org.uk](http://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](http://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.



## Draft Statement of Accounts 2019/20

### Group Employees

The Group employs a total of 4,101 people (excluding school based employees).

	No.*	%
Cheshire East Council	3,565	86.9
Ansa Environmental Services Limited (ANSA)	383	9.3
Transport Service Solutions Limited (TSS)	63	1.5
Civica Limited	38	1.0
Orbitas, Bereavement Services Limited	34	0.8
The Skills and Growth Company (SAGC) (to 31 <sup>st</sup> July 2019)	18	0.5
<b>Total</b>	<b>4,101</b>	<b>100.0</b>

\*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.

Staff from The Skills and Growth Company and Civica Ltd became the employees of Cheshire East Council from 1<sup>st</sup> August 2019 and 1<sup>st</sup> April 2020 respectively.

### The Corporate Plan

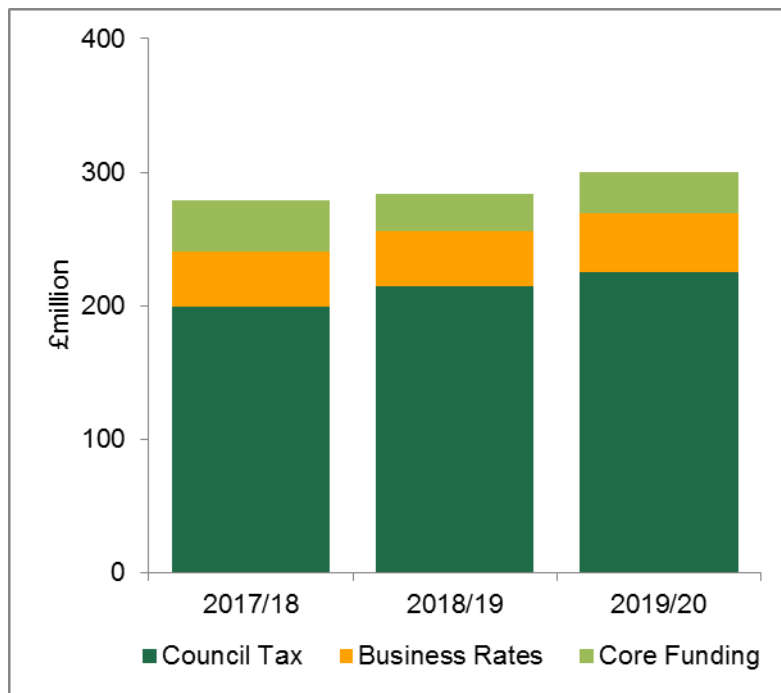
The Corporate Plan 2017-2020 sets out five clear residents focused outcomes, underpinned by a sixth outcome based on delivering a responsible and efficient way of working.



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](http://www.cheshireeast.gov.uk).

### Financial Overview

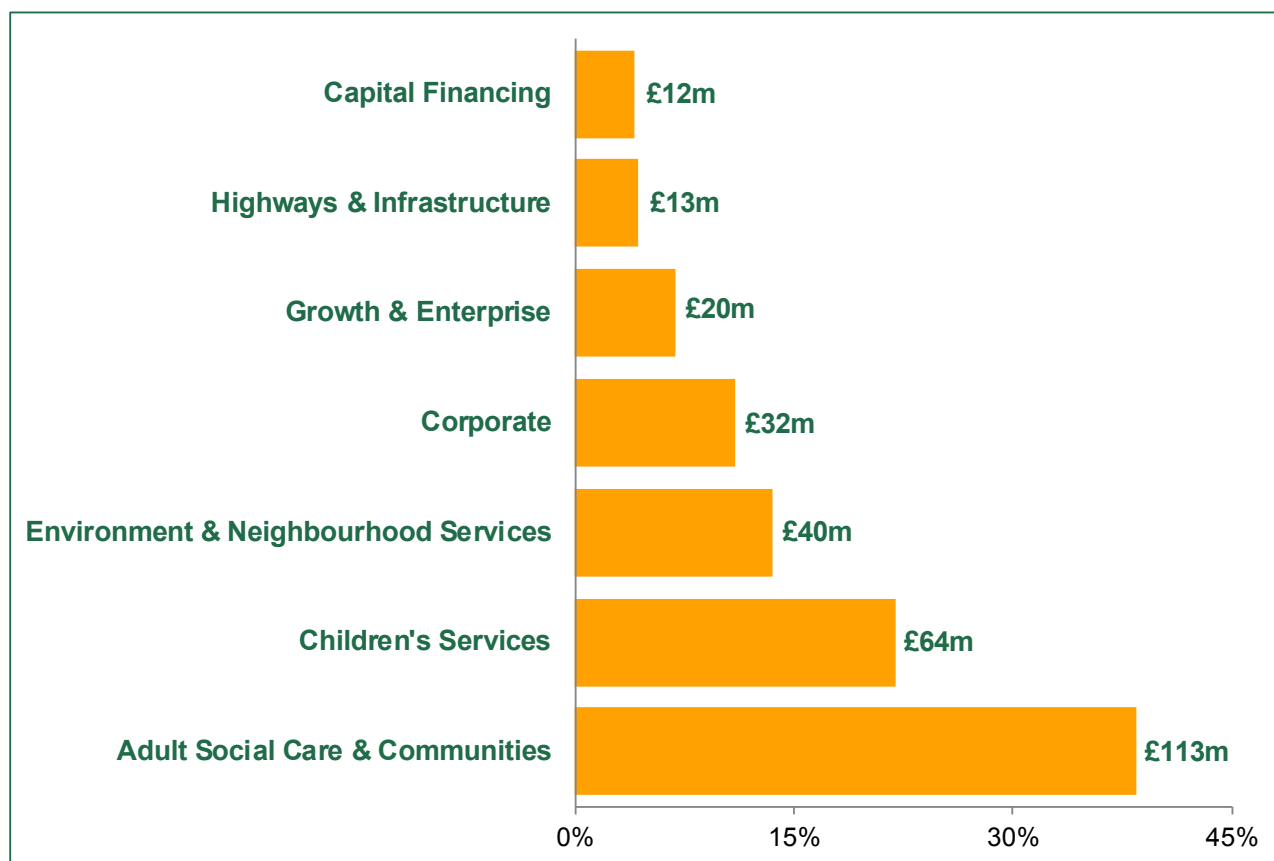
In common with the rest of Local Government, the Council has seen a steady reduction in its core funding from Central Government, however compared to most other English authorities, Cheshire East is less reliant on Government revenue grant as local businesses and residents provide a high proportion of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

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

### Most of the Council's £282m 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 is passed directly to maintained schools and payment of welfare benefits, although administered by the Council, are claimed back from the Government in full – these costs are not therefore included in the 'Net Budget'. At present public health expenditure is also ring-fenced for spending on public health services.

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

### Revenue Outturn position

The financial outturn for Cheshire East Council is balanced for 2019/20, in that gross income is matched to gross expenditure with the appropriate use of earmarked reserves and capital receipts. 2019/20 presented a challenging year for the Council, in common with other local authorities across the UK, 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 as well as facing rising costs associated with the response to the COVID-19 pandemic.

The COVID-19 emergency started to impact on the Council's finances in March 2020, resulting in an increase in costs of £1m. Central Government has provided emergency grant funding; the first instalment being paid on 27<sup>th</sup> March. This has therefore been used to fund the impact in 2019/20 so that the identified expenditure has not affected the Council's outturn or reserves position, although for transparency it is shown under the relevant Directorates.

At the third quarter, reported to Cabinet on 4<sup>th</sup> February 2020, the Council was forecasting a potential overspend of up to £6.8m compared to the 2019/20 Budget. Mitigating actions were proposed to minimise the impact of this forecast. The final position involved the re-alignment of and appropriate use of earmarked reserves totalling £5.8m to balance the outturn position.

The overall financial outturn includes:

- A net nil variance to the level of general reserves of Cheshire East Council. This is in line with the forecast published at the Third Quarter, which informed the budget setting for 2020/21;
- A net profit of £0.477m 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 £62.6m to £56.9m. This is made up primarily from:

- General reserves for Cheshire East Council of £10.3m, which remain at the same position as reported at 31<sup>st</sup> March 2019.
- Earmarked reserves for Cheshire East Council of £40.9m.
- Schools reserves and balances of £4.6m.

In 2019/20 the Council opted to utilise flexibility in the use of Capital Receipts to support the revenue position. These included redundancy payments across the three directorates, a range of transformation projects within Children & Families and costs associated with the Best4Business project.

The Council will be audited by Mazars LLP and each of the wholly owned subsidiaries 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. Reported to Cabinet on 9<sup>th</sup> June 2020 this can be found on the Council's website: [www.cheshireeast.gov.uk](http://www.cheshireeast.gov.uk).

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

## Draft Statement of Accounts 2019/20

**Cheshire East Council reported a balanced final outturn position with an additional drawdown of £5.8m earmarked reserves**

2019/20 Outturn Review (GROSS Revenue Budget £646.3m)	Revised Budget (NET) £m	Forecast Outturn Position £m	Over / (Underspend) £m
<b>Service Directorates</b>			
People	170.4	177.2	6.8
Place	73.1	73.1	0
Corporate	30.4	32.0	1.6
<b>Total Services Net Budget</b>	<b>273.9</b>	<b>282.3</b>	<b>8.4</b>
<b>Central Budgets</b>			
Capital Financing	12.0	12.0	0
Transfer to / (from) Earmarked Reserves	(2.9)	(8.7)	(5.8)
Corporate Contributions / Central Budgets	(0.8)	(2.2)	(1.4)
<b>Total Central Budgets</b>	<b>8.3</b>	<b>1.1</b>	<b>(7.2)</b>
<b>Total Net Budget</b>	<b>282.2</b>	<b>283.4</b>	<b>1.2</b>
Business Rates Retention Scheme	(48.0)	(48.0)	0
Specific Grants	(15.9)	(17.1)	(1.2)
Council Tax	(216.2)	(216.2)	0
Sourced from Collection Fund	(2.1)	(2.1)	0
<b>Funding</b>	<b>(282.2)</b>	<b>(283.4)</b>	<b>(1.2)</b>
<b>Net Position</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**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
ANSA	38,150	37,903	247	68	179
TSS	14,869	14,618	251	27	224
SAGC	669	653	16	0	16
Orbitas	1,869	1,820	49	19	30
Civicanace	1,646	1,617	29	1	28
EOTN	1,205	1,205	0	0	0
<b>Total</b>	<b>58,408</b>	<b>57,816</b>	<b>592</b>	<b>115</b>	<b>477</b>

## 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 Directorate

Notable successes this year include:

Our new three-year Children and Young People's Plan, launched in June 2019, was produced together with young people. The plan sets out the overarching outcomes that we want to achieve for all children and young people in Cheshire East.

An All Age Mental Health Partnership Board has been established in Cheshire East to promote mental health and wellbeing and encourage improved partnership working.

Adult Social Care was selected as a National pilot site for the strengths based practice framework with Manchester Metropolitan University, as well as being nominated for an MJ Award in the Category 'Transforming Lives'.

**ONE YOU** CHESHIRE EAST

'One You Cheshire East' is a free health and lifestyle service which enables local residents who require support to eat well, drink less, move more, lose weight and become smoke free through dedicated classes. The programme is achieving strong performance in terms of participant outcomes with regards to weight management, physical activity, and falls prevention.



2019 school results again show positive trends and further successes across all key stages. Cheshire East is one of the strongest performing authorities across the North West region for performance in the early years phase for 'Good Level of Development'. We have a very high overall GCSE pass rate of 98%.

Over the last 4 years, the Council has increased funding for cared for children by over £7m to meet demand and ensure our cared for children and care leavers achieve the best possible outcomes.



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The People Directorate net expenditure outturn of £177.2m is £6.8m higher than budget.

The **Adult Social Care (Operations and Commissioning) and Public Health** 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 and this has been recognised in the 2019/20 budget where growth has been allocated. Adult Social Care Commissioning have responded 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 have also introduced an Early Help Framework to support better outcomes in the Voluntary, Community and Faith sectors. Additional costs at the end of the year linked to the COVID-19 Pandemic have created additional pressure for the Adults service budget.

The final outturn position is £2.95m overspent in 2019/20, the main large variances contributing to this pressure are:-

**£1.93m** of Care4CE overspend due to the unachievable savings targets, these have been removed in the MTFS so will not be a pressure in 2020/21.

**£0.6m** of costs that are shown in the service position in line with reporting requirements, these are funded centrally (£0.4m of Personal Protection Equipment due to COVID-19 and £0.2m of C.Co (CIPFA consultancy) costs linked to the Care4CE review).

**£0.6m** contribution to the bad debt provision which reflects some debt tipping over into the 6 months old+ category. Most of this change relates to client contribution debt (non-deferred). Debt levels are reviewed quarterly and the provision is adjusted to reflect fluctuations in numbers of new invoices raised and debts settled or written off. As the value of care costs have increased due to demand and complexity, client contributions and corresponding debt also increases. The temporary funding used in 2019/20 includes £1.45m of Winter Pressures and £7m of Improved Better Care Fund (iBCF).

The overspend for **Children and Families** for 2019/20 is £3.8m. The main driver for this figure is the pressure on the agency placements budget within Children's Social Care.

The number of cared for children stood at 533 at 31<sup>st</sup> March 2020 reflecting an increase of 49 during the financial year. That is broken down into 182 admissions and 133 children leaving care. While care budgets were uplifted for 2019/20, this increase in numbers continues to place a strain on existing budgets of £3.7m.

Other key pressures include:

Transport (£0.4m pressure) – this is provided through the Council owned company Transport Service Solutions Ltd (TSS). The Children and Families service and TSS staff have been working for several years to make significant savings to the management fee. This is continuing to prove a challenge as options are limited without impacting on service delivery.

Special Educational Needs and Disability (SEND) staffing (£0.7m pressure) where the service is using agency staff to fill permanent roles and catch up on Education Health and Care Plans (EHCP) production.

The SEND service has seen a significant rise in activity levels and there is a pressure on the grant used to provide funding for children with SEND in various settings. This has led to a £4.2m

overspend against the Council's Dedicated Schools Grant. The Council has a Dedicated Schools Grant (DSG) Reserve balance of £1.6m at April 2019. Throughout the year the pressure on that budget of £4.2m has taken that to a £2.6m credit reserve

## Place Directorate

Notable successes this year include:



Work on Congleton Link Road – the Council's largest ever capital project – achieved several key milestones. Contractor procurement was completed, the contract awarded, land acquisition completed, and construction began.

99% of Major Planning Applications were determined within timescales marking a significant improvement from last year, and 92% of 'Non-Major' applications were determined within timescales, strengthening the position from last year. Our Planning Appeals success rate stood at 76%, maintaining a good decision record which is better than the national average.

We developed a draft economic strategy for the borough in conjunction with partners of the Place Board which has been through a public consultation period and is scheduled for adoption in 2020.

We started collecting food waste alongside garden waste in January 2020, to turn it into compost. This will help us in making Cheshire East a green and sustainable place to live and help meet new national recycling targets.



Cheshire East Libraries retained their position as Number 1 unitary authority for library issues per 1,000 population in the 2019 CIPFA Public Library Statistics and made it into top 5 for all UK authorities.

The Place Directorate net expenditure outturn of £73.1m is as per the budget.

Included in this number are £0.4m of costs and loss of income related to COVID-19 and £0.5m of costs covered by flexible capital receipts.

There has been a large fall in the amount of planning income received in year. Pressures also exist for reduced recycling income and the revenue costs of rolling out food waste recycling. These have been mitigated by staffing vacancies across the majority of services and savings made under the Council's spending freeze, particularly in Libraries.

There are staffing vacancies across the majority of the services, rental income has increased from Farms and the Council has received reimbursement of a subsidy paid to Skills and Growth to operate Fairer Power from prior years. Savings have been made from bringing Skills and Growth and Engine of the North back in-house.

## Corporate Directorate

Notable successes this year include:



We implemented the Brighter Future Together programme with full governance structure including staff and Member Forums.

We published the first monitoring officer annual report.

We delivered a range of successful equality and diversity events, including Pride in the Park event at Queen's Park, Crewe, local Pride events held in Macclesfield, Congleton and Nantwich, Holocaust Memorial Service, International Women's and Men's Days, and Menopause Awareness Day.

A Member induction programme was agreed for the 2019 newly elected members, and we launched a member/officer protocol.

We launched the Insight Cheshire East website, providing accessible information and data direct to the public.



We invited a successful LGA Corporate Peer Challenge including preparation of material, engagement with staff, members and partners and the co-ordination and support of the peer review team.

The Corporate Services Directorate net expenditure outturn of £32.0m is £1.6m higher than the budget.

Included in this figure is £0.7m of costs relating to additional Best4Business (B4B) costs and MARS (Mutually Agreed Resignation Scheme) payments that are to be covered by Flexible Capital Receipts (FCR). The underlying position for the Directorate after these have been accounted for centrally is an outturn £0.9m over budget.

## Changes in Pension Estimates

Due to the scale of the pension assets (£1.3bn) and liabilities (£1.7bn) detailed in the Accounts, even small percentage changes in assumptions regarding their value can have a noticeable impact on the reported position.

In 2019/20 the net pension liability (deficit) reported in the Accounts has decreased by £141.5m.

Detailed actuarial valuations are carried out every three years and the formal valuations for English and Welsh Local Government Pension Scheme (LGPS) Funds were concluded as at 31<sup>st</sup> March 2019. The balance sheet position and charge to Profit and Loss for 2019/20 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 for the whole area and the income is split between 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 2019/20 was £265.7m. The carried forward surplus on the Council Tax Collection Fund at the end of 2019/20 is £0.2m.

The Council Tax in-year collection rate for 2019/20 is 97.9%, maintaining the previous year's performance. The strong economy in Cheshire East also contributed to an increase in the overall tax base of 1.7% (from 147,003.80 to 149,517.54).

## 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 2019/20 was £139.4m as per the NNDR1 return. The carried forward deficit on the Business Rates Collection Fund at the end of 2019/20 is £1.0m.

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 (£1.4m) before paying the remaining half over to the pool.

The Business Rates in-year collection rate for 2019/20 is 98.2% which is a decrease of 0.25% compared to the same period in 2018/19.

## 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 2019/20 was £124.0m compared to the original budget, as at February 2019, of £149.2m. A further £1.8m was spent on the Council's contribution to the South East Manchester Multi Modal Strategy, with matched grant funding from the Greater Manchester



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Combined Authority. The new relief road straddles Stockport MBC and Manchester City Council boundaries as well as Cheshire East: [www.semmms.info/](http://www.semmms.info/)

The forecast for planned spend is updated throughout the year and published in the Quarterly Finance Update reports. During 2019/20 a number of major projects have either completed or got under way including the Congleton Link Road (£23m), Schools Improvement Programme (£11m), ICT Programme (£6m), Organic Waste Treatment Plant (£10m) and Strategic Acquisitions (£20m).

Slippage against the revised forecast of £132.8m reported at the Third Quarter Review has totalled £8.8m.

Capital receipts in year amounted to £10.5m from the sale of surplus assets, including Lincoln House (£1.0m), Sandbach House (£0.4m), Farms Sales (£3.1m), sale of shares in Manchester Science Park (£2.4m) and former housing right to buy and VAT shelter receipts (£1.5m).

The Council has succeeded in attracting £60.0m of grant funding and external contributions for capital improvements. This minimises the financial impact of the capital programme on the revenue budget, and so protects funding for other services such as social care.

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

	Outturn 2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
<b>Expenditure</b>					
Children and Families	10.9	24.1	12.7	2.2	<b>39.0</b>
Adults, Commissioning and Public Health	0.0	0.4	0.0	0.0	<b>0.4</b>
Highways and Infrastructure	56.1	89.7	84.5	45.0	<b>219.2</b>
Growth and Enterprise	32.3	20.5	43.6	36.1	<b>100.2</b>
Environment and Neighbourhood Services	11.2	15.3	3.4	1.0	<b>19.7</b>
Corporate	13.5	21.5	13.6	9.9	<b>45.0</b>
<b>Total Expenditure</b>	<b>124.0</b>	<b>171.5</b>	<b>157.8</b>	<b>94.2</b>	<b>423.5</b>
<b>Funding</b>					
Grants and Other Contributions	60.0	101.7	97.5	51.8	<b>251.0</b>
Capital Receipts and Reserves	7.6	3.0	3.0	3.0	<b>9.0</b>
Borrowing	56.4	66.8	57.3	39.4	<b>163.5</b>
<b>Total Funding</b>	<b>124.0</b>	<b>171.5</b>	<b>157.8</b>	<b>94.2</b>	<b>423.5</b>

## 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 are included within team plans.

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.

The Coronavirus pandemic has had a profound impact on all aspects of life in Cheshire East. Cheshire East Council is leading and supporting the Local Resilience Forum (LRF) in developing its future planning for the recovery from this pandemic. The Strategic Co-ordinating Group of the LRF has established a sub-group leading on this Recovery. This is chaired by the Chief Executive of Cheshire East Council and includes senior colleagues from local authorities, the NHS, Public Health, Police and Fire.

Risk registers have been maintained as part of the Council's response to the COVID-19 pandemic and the plans for recovery. Business Continuity Plans are being kept under review and plans have been tested against concurrent risks.



## 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 International Financial Reporting Standards (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 32** 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' 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' 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 (£46.6m including Schools) have decreased in 2019/20 to £56.9m.

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. 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.

Resilience has been impacted by the reliance on the use of reserves to balance the 2019/20 Outturn and other one off measures to balance the 2020/21 budget. Information from the CIPFA Financial Resilience data has shown that the level of general reserves held by the Council are

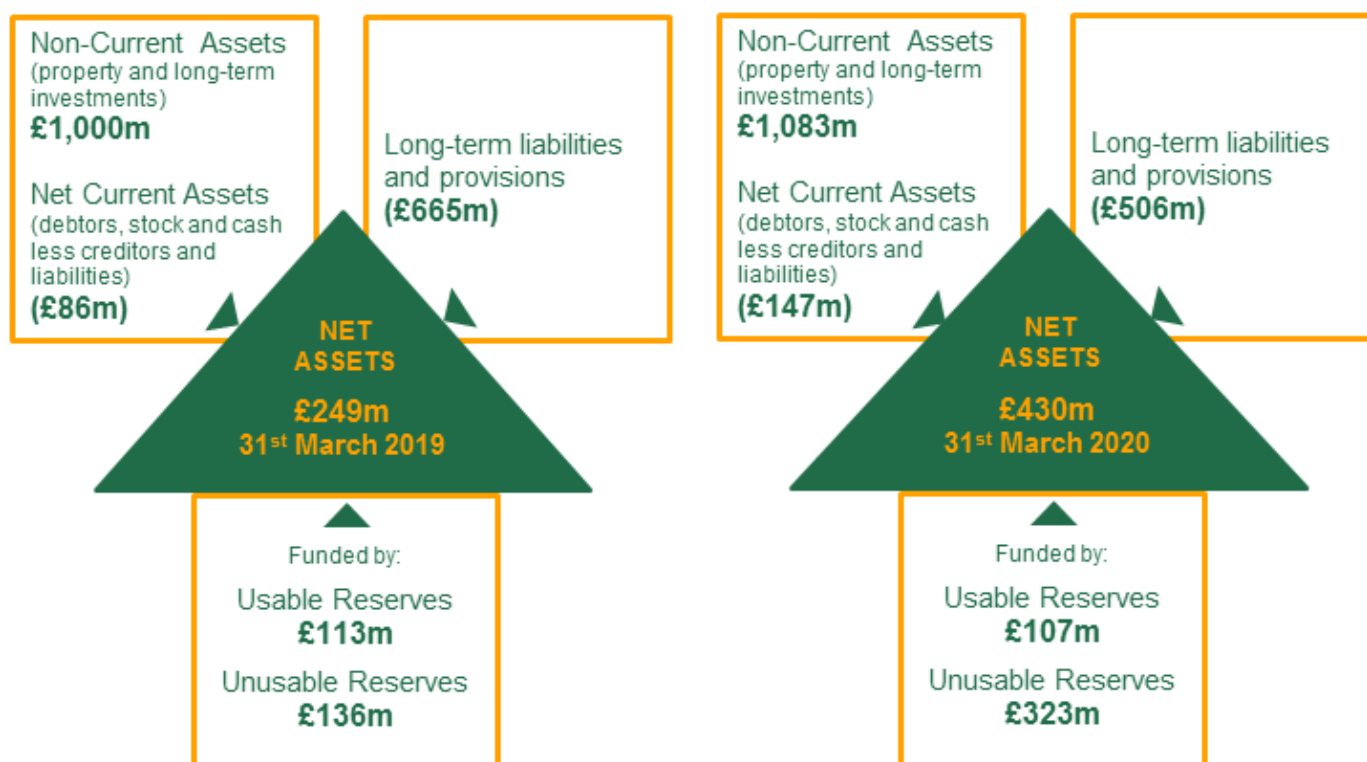
significantly lower than our nearest neighbours. The Medium Term Financial Strategy will seek to increase the level of general reserve and replenish earmarked reserves.

**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 2019/20 there is a deficit on the provision of services of £26.1m.

**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 2020 have increased by £16.7m to (£33.8m), compared to the closing balance of £17.1m at March 2019.

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 (Public Works Loan Board) as short-

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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 2020/21 – 2023/24

Like most local authorities Cheshire East Council has significant budget deficits to tackle over the medium term, caused by major grant reductions in Local Government funding over recent years, and continuing increasing demand for services based on demographic changes, and growth, in the local population. Our ability to create the best conditions for private sector investment, economic growth and prosperity will be critical to the continued success of the Borough as the Council's reliance on locally generated income increases.

The costs associated with maintaining quality in our services and environment is very challenging. 60% of the Council's net budget is spent on providing support for People based services, such as social care, but the housing growth in the area also brings additional challenges for our other key services such as increased waste collection and disposal and highway maintenance.

The Council froze Council Tax levels for five consecutive years from 2011/12 to 2015/16 inclusive, with some Government support, saving local taxpayers a total of nearly £50m in that period. In 2019/20 there was no general Government grant support to the revenue budget of Cheshire East Council. Growth in demand for services has therefore has to be funded locally. This creates a requirement to increase Council Tax levels in line with Government expectations, which was 2% in line with inflation with an additional flexibility for a further 2% to be applied and ring-fenced for Adult Social Care demand pressures. Council Tax for 2020/21 increased by 3.99% and the Medium Term Financial Strategy 2020/21 to 2023/24 includes an assumption that the Council Tax could also increase by a further 1.99% each year in the medium term.

The Government have announced that the Fair Funding Review (FFR) and Business Rates Retention (BRR) will not be implemented in April 2021 as originally planned. Council officers will continue to work with the Government on informing the approach to funding for the next financial year and beyond.

The budget and future years estimates were of course prepared before the impact of the COVID-19 pandemic and will be revisited during 2020/21 to determine any in-year action required to balance 2020/21 and to inform the budget reduction requirements for the MTFS period. However, given the uncertainty, about so many issues, the scope and size of the financial challenge is evolving. The Council is, however, working through a plan to address the anticipated short, medium and long term funding shortfalls.

A key part of the Councils recovery activity is the consideration of the future shape of the Council together with a clear financial plan covering both the revenue budget and capital programme. The plan will also highlight the uncertainty and significant risks that the Council is facing.

Central Government has provided several cash grants including two COVID-19 unring-fenced grants totalling £19.7m (£9.2m of which was received on 27<sup>th</sup> March 2020 and of this £8.1m has been carried forward into 2020/21 via an earmarked reserve) to meet urgent and unforeseen costs and financial pressures impacting on the Council and the Cheshire East economy.

The level of Government support so far notified will not be sufficient to address the impact of increased costs of service provision and the impact of lost income from fees, charges and commercial investment. Further support is expected but the value is uncertain. The Council's transformation programme already engaged to deliver to existing budget reduction requirements is continuing its planned activity but will be redesigned to incorporate changes in working practice that have had to be employed.

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The Council's Corporate plan is currently under review with a new set of priorities being developed that will direct the council's activities and spending over the next four years. The Council is taking the opportunity to reflect on its previous achievements and the current challenges it faces including the impact of COVID-19, consultation on a new draft corporate plan is anticipated to start in the autumn.

### 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 2019/20 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).

**Alex Thompson** CPFA

Director of Finance and Customer Services

## 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 2019/20:

	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 Council Reserves £000	Council's Share of Subsidiary Reserves £000	Total Authority Reserves £000
<b>Opening balance at 1<sup>st</sup> April 2019</b>	<b>10,316</b>	<b>51,254</b>	<b>61,570</b>	<b>3,000</b>	<b>47,209</b>	<b>111,779</b>	<b>136,686</b>	<b>248,465</b>	<b>993</b>	<b>249,458</b>
<u>Movement in Reserves during 2019/20</u>										
Total Comprehensive Income and Expenditure	(79,609)	0	(79,609)	0	0	(79,609)	0	(79,609)	52,439	(27,170)
Adjustments between Group Accounts and Authority Accounts	53,432	0	53,432	0	0	53,432	0	53,432	(52,340)	1,092
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	206,952	206,952	0	206,952
<b>Total Comprehensive Income and Expenditure</b>	<b>(26,177)</b>	<b>0</b>	<b>(26,177)</b>	<b>0</b>	<b>0</b>	<b>(26,177)</b>	<b>206,952</b>	<b>180,775</b>	<b>99</b>	<b>180,874</b>
Adjustments between accounting basis and funding basis under regulations	20,366	0	20,366	0	(19)	20,347	(20,347)	0	0	0
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>(5,811)</b>	<b>0</b>	<b>(5,811)</b>	<b>0</b>	<b>(19)</b>	<b>(5,830)</b>	<b>186,605</b>	<b>180,775</b>	<b>99</b>	<b>180,874</b>
Transfers to / from Earmarked Reserves (Note 3)	5,811	(5,811)	0	0	0	0	0	0	0	0
<b>Increase / (Decrease) in Year</b>	<b>0</b>	<b>(5,811)</b>	<b>(5,811)</b>	<b>0</b>	<b>(19)</b>	<b>(5,830)</b>	<b>186,605</b>	<b>180,775</b>	<b>99</b>	<b>180,874</b>
<b>Closing Balance at 31<sup>st</sup> March 2020 carried forward</b>	<b>10,316</b>	<b>45,443</b>	<b>55,759</b>	<b>3,000</b>	<b>47,190</b>	<b>105,949</b>	<b>323,291</b>	<b>429,240</b>	<b>1,092</b>	<b>430,332</b>

## Group Movement in Reserves 2018/19:

	General Fund Balance	Earmarked Reserves	General Fund Balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Subsidiary Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Opening balance at 1<sup>st</sup> April 2018</b>	<b>10,316</b>	<b>51,474</b>	<b>61,790</b>	<b>4,030</b>	<b>31,334</b>	<b>97,154</b>	<b>244,171</b>	<b>341,325</b>	<b>617</b>	<b>341,942</b>
<u>Movement in Reserves during 2018/19</u>										
Total Comprehensive Income and Expenditure	(70,925)	0	<b>(70,925)</b>	0	0	<b>(70,925)</b>	0	<b>(70,925)</b>	51,764	<b>(19,161)</b>
Adjustments between Group Accounts and Authority Accounts	52,381	0	<b>52,381</b>	0	0	<b>52,381</b>	0	<b>52,381</b>	(51,388)	<b>993</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	<b>0</b>	(74,316)	<b>(74,316)</b>	0	<b>(74,316)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(18,544)</b>	<b>0</b>	<b>(18,544)</b>	<b>0</b>	<b>0</b>	<b>(18,544)</b>	<b>(74,316)</b>	<b>(92,860)</b>	<b>376</b>	<b>(92,484)</b>
Adjustments between accounting basis and funding basis under regulations	18,324	0	<b>18,324</b>	(1,030)	15,875	<b>33,169</b>	(33,169)	<b>0</b>	0	<b>0</b>
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>(220)</b>	<b>0</b>	<b>(220)</b>	<b>(1,030)</b>	<b>15,875</b>	<b>14,625</b>	<b>(107,485)</b>	<b>(92,860)</b>	<b>376</b>	<b>(92,484)</b>
Transfers to / from Earmarked Reserves (Note 3)	220	(220)	0	0	0	<b>0</b>	0	<b>0</b>	0	<b>0</b>
<b>Increase / (Decrease) in Year</b>	<b>0</b>	<b>(220)</b>	<b>(220)</b>	<b>(1,030)</b>	<b>15,875</b>	<b>14,625</b>	<b>(107,485)</b>	<b>(92,860)</b>	<b>376</b>	<b>(92,484)</b>
<b>Closing Balance at 31<sup>st</sup> March 2019 carried forward</b>	<b>10,316</b>	<b>51,254</b>	<b>61,570</b>	<b>3,000</b>	<b>47,209</b>	<b>111,779</b>	<b>136,686</b>	<b>248,465</b>	<b>993</b>	<b>249,458</b>

## 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.

2018/19 Restated			Directorate / Service	2019/20		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
168,259	(61,007)	<b>107,252</b>	<b>People</b>	189,034	(67,650)	<b>121,384</b>
232,000	(165,998)	<b>66,002</b>	Adult Social Care and Health	240,915	(160,340)	<b>80,575</b>
			Children's Services			
44,661	(13,847)	<b>30,814</b>	<b>Place</b>	30,129	(9,793)	<b>20,336</b>
42,347	(11,618)	<b>30,729</b>	Growth and Enterprise	55,062	(16,330)	<b>38,732</b>
64,164	(18,674)	<b>45,490</b>	Highways and Infrastructure	63,040	(17,808)	<b>45,232</b>
			Environment & Neighbourhood Services			
119,468	(82,658)	<b>36,810</b>	<b>Corporate and Central Services</b>	120,131	(75,467)	<b>44,664</b>
5,146	0	<b>5,146</b>	Corporate and Central Services	3,942	0	<b>3,942</b>
			Central Budgets			
<b>676,045</b>	<b>(353,802)</b>	<b>322,243</b>	<b>Cost of Services</b>	<b>702,253</b>	<b>(347,388)</b>	<b>354,865</b>
13,437	(1,695)	<b>11,742</b>	Other Operating Expenditure	11,219	(3,099)	<b>8,120</b>
45,217	(1,785)	<b>43,432</b>	Financing and Investment Income and Expenditure	32,545	(3,993)	<b>28,552</b>
0	(359,268)	<b>(359,268)</b>	Taxation and Non-specific Grant Income and Expenditure	0	(365,502)	<b>(365,502)</b>
<b>734,699</b>	<b>(716,550)</b>	<b>18,149</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>746,017</b>	<b>(719,982)</b>	<b>26,035</b>
19	0	<b>19</b>	Tax Expenses	43	0	<b>43</b>
<b>734,718</b>	<b>(716,550)</b>	<b>18,168</b>	<b>(Surplus) or Deficit of the Group</b>	<b>746,060</b>	<b>(719,982)</b>	<b>26,078</b>
		<b>(10,212)</b>	(Surplus) or deficit on revaluation of non current assets			<b>(30,623)</b>
		<b>(2,383)</b>	(Surplus) or deficit on revaluation of financial assets			<b>5,315</b>
		<b>86,911</b>	Remeasurements of the net defined pensions benefit liability			<b>(181,644)</b>
		<b>74,316</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(206,952)</b>
		<b>92,484</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(180,874)</b>

## Draft Statement of Accounts 2019/20

Group Balance Sheet as at 31<sup>st</sup> March 2020

This statement shows the Group's financial position at 31<sup>st</sup> 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.

31 <sup>st</sup> March 2019 £000		31 <sup>st</sup> March 2020 £000
962,151	Property, Plant and Equipment	1,014,563
585	Heritage Assets	585
6,706	Investment Property	30,768
613	Intangible Assets	624
22,658	Long Term Investments	28,663
7,892	Long Term Debtors	7,593
1,000,605	<b>Long Term Assets</b>	1,082,796
4,244	Short Term Investments	214
350	Assets Held for Sale	3,193
579	Inventories	627
58,299	Short Term Debtors	71,421
18,579	Cash and Cash Equivalents	33,743
82,051	<b>Current Assets</b>	109,198
(56,535)	Short Term Borrowing	(117,325)
(102,209)	Short Term Creditors	(127,129)
(1,516)	Cash and Cash Equivalents	0
(7,881)	Short Term Provisions	(11,473)
(168,141)	<b>Current Liabilities</b>	(255,927)
(4,873)	Long Term Provisions	(4,899)
(104,593)	Long Term Borrowing	(85,402)
(497,107)	Net Pensions Liability	(355,605)
(213)	Other Deferred Liabilities	(213)
(36,122)	Other Long Term Liabilities	(31,874)
(22,149)	Capital Grants Receipts in Advance	(27,742)
(665,057)	<b>Long Term Liabilities</b>	(505,735)
249,458	<b>Net Assets</b>	430,332

31 <sup>st</sup> March 2019 £000		31 <sup>st</sup> March 2020 £000
3,000	Capital Receipts Reserve	3,000
47,209	Capital Grants Unapplied	47,190
5,557	Earmarked Reserves and Balances held by Schools	4,565
45,697	Earmarked Reserves – General Fund	40,878
10,316	General Fund Reserve – Borough Fund	10,316
993	Profit and Loss Account	1,092
112,772	<b>Usable Reserves</b>	107,041
216,105	Revaluation Reserve	232,177
4,901	Financial Instruments Restatement Reserve	(414)
430,051	Capital Adjustment Account	448,605
4,870	Capital Receipts Deferred	4,710
(1,059)	Financial Instrument Adjustment Account	(890)
(515,149)	Pensions Reserve	(355,605)
1,819	Collection Fund Adjustment Account	(263)
(4,852)	Accumulated Absences Account	(5,029)
136,686	<b>Unusable Reserves</b>	323,291
249,458	<b>Total Reserves</b>	430,332

Signed:

Alex Thompson

**Alex Thompson** CPFA

Director of Finance and Customer Services  
(Section 151 Officer)

Dated: 31<sup>st</sup> July 2020



## Group Cash Flow Statement for the Year ended 31<sup>st</sup> March 2020

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

2018/19 £000		2019/20 £000
(18,168)	Net surplus / (deficit) on the provision of services	(26,078)
133,380	Adjustment to surplus or deficit on the provision of services for non cash movements	119,480
(82,258)	Adjust for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	(75,971)
<b>32,954</b>	<b>Net cash flows from operating activities</b>	<b>17,431</b>
(8,876)	Net cash flows from investing activities	(40,181)
(12,116)	Net cash flows from financing activities	39,430
<b>11,962</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>16,680</b>
<b>5,101</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>17,063</b>
<b>17,063</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>33,743</b>
<b>11,962</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>16,680</b>

## Notes to the Group Statement of Accounts

The following notes are specific to the group accounts and 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 full set of notes is provided on page 1. **Note 32** discloses the Council's interest in other companies and entities including whether these have been consolidated into the group.

### 1. Reconciliation of Single Entity to Group Accounts

#### Income and Expenditure (Surplus) / Deficit

2018/19 £000	Reconciliation of Single Entity to Group (Surplus) / Deficit	2019/20 £000
18,544	<b>(Surplus) / Deficit in the Group Income and Expenditure attributable to the Authority</b>	26,177
	Add: (Surplus) / Deficit arising from other entities included in the Group Accounts	
(376)	Subsidiaries	(99)
18,168	<b>Group Account (Surplus) / Deficit for the Year</b>	26,078

#### Adjustment for Non Cash Items in the Group Cash Flow Statement

2018/19 £000	Reconciliation of Single Entity to Group Cash Flow Adjustment for Non Cash Items	2019/20 £000
134,245	Single Entity Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	118,357
(865)	Total Non Cash Adjustments included in the Group Accounts	2,775
133,380	<b>Group Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements</b>	121,132

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

2018/19 £000	Reconciliation of Single Entity to Group Cash Flow Adjustment for Net Cash Flows from Investing Activities	2019/20 £000
(7,903)	Single Entity Accounts: Adjustment for items that are net cash flows from investing activities	(38,953)
(973)	Total Net Cash Flows from Investing Activities Adjustments included in the Group Accounts	(4,627)
(8,876)	<b>Group Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements</b>	(43,580)

## Draft Statement of Accounts 2019/20

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

2018/19 £000	Reconciliation of Single Entity to Group Cash Flow Adjustment for Net Cash Flows from Financing Activities	2019/20 £000
(12,188)	Single Entity Accounts: Adjustment for items that are net cash flows from financing activities	40,876
72	Total Net Cash Flows from Financing Activities Adjustments included in the Group Accounts	1,633
<b>(12,116)</b>	<b>Group Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements</b>	<b>42,509</b>

## 2. Reconciliation of Restated Group Comprehensive Income & Expenditure Statement

Directorate	As reported in the Comprehensive Income and Expenditure Statement 2018/19 £000	Adjustments due to Management Restructure in 2018/19 £000	Adjustments related to correction of Pensions Deficit £000	Revised 2018/19 Position £000
<b>People</b>				
Adult Social Care & Health	104,818	2,356	78	<b>107,252</b>
Children's Services	65,997	0	5	<b>66,002</b>
Community and Partnerships	2,356	(2,356)	0	<b>0</b>
<b>Place</b>				
Growth & Regeneration	21,227	9,783	(196)	<b>30,814</b>
Infrastructure and Highways	21,222	10,337	(830)	<b>30,729</b>
Planning and Sustainable Development	2,019	(2,019)	0	<b>0</b>
Rural and Cultural Economy	4,164	(4,164)	0	<b>0</b>
Environment and Neighbourhood Services	55,569	(10,016)	(63)	<b>45,490</b>
Customer Operations	9,304	(9,304)	0	<b>0</b>
<b>Corporate and Central Services</b>				
Corporate and Central Services	31,648	5,383	(221)	<b>36,810</b>
Central Budgets	5,146	0	0	<b>5,146</b>
<b>Net Cost of Services</b>	<b>323,470</b>	<b>0</b>	<b>(1,227)</b>	<b>322,243</b>
<b>Other Income and Expenditure</b>	<b>(305,302)</b>	<b>0</b>	<b>1,227</b>	<b>(304,075)</b>
	<b>18,168</b>	<b>0</b>	<b>0</b>	<b>18,168</b>

To ensure consistency and that both financial years 2018/19 and 2019/20 are comparable, we have restated the 2018/19 reported figures as there was a change in our management reporting and structure between the Place and Corporate Directorates during the financial year 2019/20. There was also a change in the reporting of credit losses from service lines to Other Income and Expenditure. There was no overall net change to the figures reported in the 2018/19 Statement of Accounts.

### 3. 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 £44,498 has been made for any potential corporation tax liability on transactions with third party and other group companies.

### 4. 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 1<sup>st</sup> April 2015. See **Note 27** to the Cheshire East Council Statement of Accounts 2019/20.

### 5. Directors' Remuneration

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

Payments made to Directors in 2019/20	Salary, Fees, Allowances and Bonuses £	Expenses and Allowance £	Employer's Pension Contribution £	Total £
ANSA	121,744	1,076	22,888	<b>145,708</b>
Civicanice	51,812	880	9,326	<b>62,018</b>
Skills & Growth Company	23,288	583	3,383	<b>27,254</b>
	<b>196,844</b>	<b>2,539</b>	<b>35,597</b>	<b>234,980</b>

The table below shows the 2018/19 comparative figures:

Payments made to Directors in 2018/19	Salary, Fees, Allowances and Bonuses £	Expenses and Allowance £	Employer's Pension Contribution £	Total £
ANSA	108,791	873	20,325	<b>129,989</b>
Civicanice	60,250	7,466	10,845	<b>78,561</b>
Skills & Growth Company	79,292	9,959	14,669	<b>103,920</b>
	<b>248,333</b>	<b>18,298</b>	<b>45,839</b>	<b>312,470</b>

## Draft Statement of Accounts 2019/20

### 6. 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.

2018/19 £000		2019/20 £000
119	Fees payable to the appointed auditor, Mazars LLP, for external audit services.	119
<b>119</b>		<b>119</b>
64	Fees payable with regard to external audit services carried out by Grant Thornton UK LLP for the wholly owned companies audit of accounts.	70
10	Fees payable in respect of certification of grant claims and returns carried out by KPMG UK	10
<b>74</b>		<b>80</b>
<b>193</b>	<b>Total External Audit Fees</b>	<b>199</b>

### 7. Group Pension Scheme

See **Note 27** to the Cheshire East Council Statement of Accounts 2019/20.

### 8. 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:

#### 8(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.

**8(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.

**8(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 2019/20 group accounts.

**8(d) Company losses Accounting Treatment**

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



## 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 2019/20:

	General Fund Balance	Earmarked Reserves	General Fund Balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Opening balance at 1<sup>st</sup> April 2019</b>	<b>10,316</b>	<b>51,254</b>	<b>61,570</b>	<b>3,000</b>	<b>47,209</b>	<b>111,779</b>	<b>136,686</b>	<b>248,465</b>
<u>Movement in Reserves 2019/20</u>								
Surplus / (deficit) on provision of services	(26,177)	0	(26,177)	0	0	(26,177)	0	(26,177)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	206,952	206,952
<b>Total Comprehensive Income and Expenditure</b>	<b>(26,177)</b>	<b>0</b>	<b>(26,177)</b>	<b>0</b>	<b>0</b>	<b>(26,177)</b>	<b>206,952</b>	<b>180,775</b>
Adjustments between accounting basis and funding basis under regulations ( <b>Note 2</b> )	20,366	0	20,366	0	(19)	20,347	(20,347)	0
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>(5,811)</b>	<b>0</b>	<b>(5,811)</b>	<b>0</b>	<b>(19)</b>	<b>(5,830)</b>	<b>186,605</b>	<b>180,775</b>
Transfers between Earmarked and General Reserves ( <b>Note 3</b> )	5,811	(5,811)	0	0	0	0	0	0
<b>Increase / (Decrease) in Year</b>	<b>0</b>	<b>(5,811)</b>	<b>(5,811)</b>	<b>0</b>	<b>(19)</b>	<b>(5,830)</b>	<b>186,605</b>	<b>180,775</b>
<b>Closing Balance at 31<sup>st</sup> March 2020</b>	<b>10,316</b>	<b>45,443</b>	<b>55,759</b>	<b>3,000</b>	<b>47,190</b>	<b>105,949</b>	<b>323,291</b>	<b>429,240</b>

## Draft Statement of Accounts 2019/20

## Movement in Reserves 2018/19:

	General Fund Balance	Earmarked Reserves	General Fund Balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Opening balance at 1<sup>st</sup> April 2018</b>	<b>10,316</b>	<b>51,474</b>	<b>61,790</b>	<b>4,030</b>	<b>31,334</b>	<b>97,154</b>	<b>244,171</b>	<b>341,325</b>
<u>Movement in Reserves 2018/19</u>								
Surplus / (deficit) on provision of services	(18,544)	0	(18,544)	0	0	(18,544)	0	(18,544)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(74,316)	(74,316)
<b>Total Comprehensive Income and Expenditure</b>	<b>(18,544)</b>	<b>0</b>	<b>(18,544)</b>	<b>0</b>	<b>0</b>	<b>(18,544)</b>	<b>(74,316)</b>	<b>(92,860)</b>
Adjustments between accounting basis and funding basis under regulations ( <b>Note 2</b> )	18,324	0	18,324	(1,030)	15,875	33,169	(33,169)	0
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>(220)</b>	<b>0</b>	<b>(220)</b>	<b>(1,030)</b>	<b>15,875</b>	<b>14,625</b>	<b>(107,485)</b>	<b>(92,860)</b>
Transfers between Earmarked and General Reserves ( <b>Note 3</b> )	220	(220)	0	0	0	0	0	0
<b>Increase / (Decrease) in Year</b>	<b>0</b>	<b>(220)</b>	<b>(220)</b>	<b>(1,030)</b>	<b>15,875</b>	<b>14,625</b>	<b>(107,485)</b>	<b>(92,860)</b>
<b>Closing Balance at 31<sup>st</sup> March 2019</b>	<b>10,316</b>	<b>51,254</b>	<b>61,570</b>	<b>3,000</b>	<b>47,209</b>	<b>111,779</b>	<b>136,686</b>	<b>248,465</b>

## 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.

2018/19 Restated				2019/20		
Gross Expenditure	Gross Income	Net Expenditure	Directorate / Service	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
168,437	(61,007)	<b>107,430</b>	<b>People</b>	189,270	(67,650)	<b>121,620</b>
240,452	(165,999)	<b>74,453</b>	Adult Social Care and Health	250,130	(160,341)	<b>89,789</b>
			Children's Services			
40,274	(12,849)	<b>27,425</b>	<b>Place</b>	29,282	(9,198)	<b>20,084</b>
36,460	(11,147)	<b>25,313</b>	Growth and Enterprise	45,667	(15,715)	<b>29,952</b>
55,324	(10,923)	<b>44,401</b>	Highways and Infrastructure	56,943	(10,539)	<b>46,404</b>
			Environment & Neighbourhood Services			
122,716	(84,161)	<b>38,555</b>	<b>Corporate and Central Services</b>	120,196	(76,920)	<b>43,276</b>
5,146	0	<b>5,146</b>	Corporate and Central Services	3,944	0	<b>3,944</b>
			Central Budgets			
<b>668,809</b>	<b>(346,086)</b>	<b>322,723</b>	<b>Cost of Services</b>	<b>695,432</b>	<b>(340,363)</b>	<b>355,069</b>
13,437	(1,695)	<b>11,742</b>	Other Operating Expenditure ( <b>Note 4</b> )	11,219	(3,099)	<b>8,120</b>
45,132	(1,785)	<b>43,347</b>	Financing and Investment Income and Expenditure ( <b>Note 5</b> )	32,483	(3,993)	<b>28,490</b>
0	(359,268)	<b>(359,268)</b>	Taxation and Non-specific Grant Income and Expenditure ( <b>Note 6</b> )	0	(365,502)	<b>(365,502)</b>
<b>727,378</b>	<b>(708,834)</b>	<b>18,544</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>739,134</b>	<b>(712,957)</b>	<b>26,177</b>
		<b>(10,212)</b>	(Surplus) or Deficit on revaluation of non-current assets ( <b>Note 15a</b> )			<b>(30,623)</b>
		<b>(2,383)</b>	(Surplus) or Deficit on revaluation of available for sale financial assets			<b>5,315</b>
		<b>86,911</b>	Remeasurements of the net defined benefit liability			<b>(181,644)</b>
		<b>74,316</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(206,952)</b>
		<b>92,860</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(180,775)</b>

## Draft Statement of Accounts 2019/20

Cheshire East Council - Balance Sheet as at 31<sup>st</sup> March 2020

This statement shows the Council's financial position at 31<sup>st</sup> 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.

31 <sup>st</sup> March 2019 Restated £000		Notes	31 <sup>st</sup> March 2020 £000
960,260	Property, Plant and Equipment	7	1,009,787
585	Heritage Assets		585
6,706	Investment Property	8	30,768
530	Intangible Assets		479
0	Assets Held for Sale		0
22,658	Long Term Investments	9a	28,663
8,388	Long Term Debtors		7,593
<b>999,127</b>	<b>Long Term Assets</b>		<b>1,077,875</b>
4,244	Short Term Investments	9a	214
350	Assets Held for Sale		3,193
380	Inventories		342
56,808	Short Term Debtors	10	66,213
14,773	Cash and Cash Equivalents	11	30,057
<b>76,555</b>	<b>Current Assets</b>		<b>100,019</b>
(55,560)	Short Term Borrowing	9b	(117,325)
(97,597)	Short Term Creditors	12	(117,191)
(1,516)	Cash and Cash Equivalents	11	0
(7,881)	Short Term Provisions	13	(11,405)
<b>(162,554)</b>	<b>Current Liabilities</b>		<b>(245,921)</b>
(4,873)	Long Term Provisions	13	(4,899)
(104,593)	Long Term Borrowing	9b	(85,402)
(497,107)	Net Pension Liability	27	(355,605)
(213)	Other Deferred Liabilities		(213)
(35,728)	Other Long Term Liabilities	9	(28,872)
(22,149)	Capital Grant Receipts in Advance	25	(27,742)
<b>(664,663)</b>	<b>Long Term Liabilities</b>		<b>(502,733)</b>
<b>248,465</b>	<b>Net Assets</b>		<b>429,240</b>
3,000	Capital Receipts Reserve		3,000
47,209	Capital Grants Unapplied	14b	47,190
5,557	Earmarked Reserves and Balances held by Schools	14c	4,565
45,697	Earmarked Reserves – General Fund	3	40,878
10,316	General Fund Reserve – Borough Fund	14a	10,316
<b>111,779</b>	<b>Usable Reserves</b>		<b>105,949</b>
216,105	Revaluation Reserve	15a	232,177
4,901	Financial Instruments Restatement Reserve		(414)
430,051	Capital Adjustment Account	15b	448,605
4,870	Capital Receipts Deferred		4,710
(1,059)	Financial Instrument Adjustment Account		(890)
(515,149)	Pensions Reserve	15c	(355,605)
1,819	Collection Fund Adjustment Account		(263)
(4,852)	Accumulated Absences Account		(5,029)
<b>136,686</b>	<b>Unusable Reserves</b>		<b>323,291</b>
<b>248,465</b>	<b>Total Reserves</b>		<b>429,240</b>

## Cheshire East Council - Cash Flow Statement for the Year ended 31<sup>st</sup> March 2020

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

2018/19 £000		Notes	2019/20 £000
(18,544)	Net surplus / (deficit) on the provision of services		(26,177)
134,245	Adjustment to surplus / (deficit) on the provision of services for non cash movements	16	117,025
(82,258)	Adjust for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities	16	(75,971)
<b>33,443</b>	<b>Net cash flows from operating activities</b>		<b>14,877</b>
(7,903)	Net cash flows from investing activities	17	(38,953)
(12,188)	Net cash flows from financing activities	18	40,876
<b>13,352</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>16,800</b>
<b>(95)</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	11	<b>13,257</b>
<b>13,257</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	11	<b>30,057</b>
<b>13,352</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>16,800</b>



## Notes to the Cheshire East Council Statement of Accounts 2019/20

### 1. Expenditure and Funding Analysis

#### 1(a) Objectives

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.

2019/20	As required for resource management	Adjustment to arrive at the net amount chargeable to the General Fund balance (Note 1b)	Net Expenditure Chargeable to the General Fund balance	Adjustments between Funding and Accounting Basis (Note 1b)	Net Expenditure in the Comprehensive and Income and Expenditure Statement
	£000	£000	£000	£000	£000
<b>People</b>					
Adult Social Care and Health	113,275	809	<b>114,084</b>	7,536	<b>121,620</b>
Children's Services	63,958	5,379	<b>69,337</b>	20,452	<b>89,789</b>
<b>Place</b>					
Growth and Enterprise	20,457	724	<b>21,181</b>	(1,097)	<b>20,084</b>
Highways and Infrastructure	12,610	(1,340)	<b>11,270</b>	18,683	<b>29,953</b>
Environment and Neighbourhood Services	40,070	231	<b>40,301</b>	6,102	<b>46,403</b>
<b>Corporate and Central Services</b>					
Corporate Services	32,009	1,688	<b>33,697</b>	9,579	<b>43,276</b>
Central Balances	1,071	7,930	<b>9,001</b>	(5,057)	<b>3,944</b>
<b>Net Cost of Services</b>	<b>283,450</b>	<b>15,421</b>	<b>298,871</b>	<b>56,198</b>	<b>355,069</b>
Other income and expenditure	(283,450)	(9,610)	<b>(293,060)</b>	(35,832)	<b>(328,892)</b>
<b>Surplus or deficit</b>	<b>0</b>	<b>5,811</b>	<b>5,811</b>	<b>20,366</b>	<b>26,177</b>
Opening General Fund Balance			<b>(61,570)</b>		
Less Deficit on General Fund Balance in Year			<b>5,811</b>		
<b>Closing General Fund Balance at 31<sup>st</sup> March 2020</b>			<b>(55,759)</b>		

2018/19 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
<b>People</b>					
Adult Social Care and Health	106,146	(1,004)	<b>105,142</b>	2,288	<b>107,430</b>
Children's Services	59,308	(344)	<b>58,964</b>	15,489	<b>74,453</b>
<b>Place</b>					
Growth and Enterprise	20,267	363	<b>20,630</b>	6,795	<b>27,425</b>
Highways and Infrastructure	12,693	(3,150)	<b>9,543</b>	15,770	<b>25,313</b>
Environment and Neighbourhood Services	39,267	(1,183)	<b>38,084</b>	6,317	<b>44,401</b>
<b>Corporate and Central Services</b>					
Corporate Services	28,599	(335)	<b>28,264</b>	10,291	<b>38,555</b>
Central Balances	4,683	7,177	<b>11,860</b>	(6,714)	<b>5,146</b>
<b>Net Cost of Services</b>	<b>270,963</b>	<b>1,524</b>	<b>272,487</b>	<b>50,236</b>	<b>322,723</b>
Other income and expenditure	(270,963)	(1,304)	<b>(272,267)</b>	(31,912)	<b>(304,179)</b>
<b>Surplus or deficit</b>	<b>0</b>	<b>220</b>	<b>220</b>	<b>18,324</b>	<b>18,544</b>
Opening General Fund Balance			<b>(61,790)</b>		
Less Deficit on General Fund Balance in Year			<b>220</b>		
<b>Closing General Fund Balance at 31<sup>st</sup> March 2019</b>			<b>(61,570)</b>		

## Draft Statement of Accounts 2019/20

## 1(b) Note to the Expenditure and Funding Analysis

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. 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 £41.409m, Loss of Control of an Entity (Academy Conversions) £6.861m and the receipt of capital grants £65.240m. 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 £12.226m. 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).

2019/20	Movement in Reserves	Other Adjustments	Total to arrive at amount charged to General Fund	Adjustment for Capital Purposes	Net change for the Pensions Adjustment and Leave Accrual	Other Differences	Total Adjustment between funding and Accounting Basis
	£000	£000	£000	£000	£000	£000	£000
<b>People</b>							
Adult Social Care and Health	1,345	(536)	809	4,460	3,076	0	7,536
Children's Services	5,380	(1)	5,379	17,835	2,617	0	20,452
<b>Place</b>							
Growth and Enterprise	(64)	788	724	(2,101)	1,004	0	(1,097)
Highways and Infrastructure	(1,395)	55	(1,340)	18,301	382	0	18,683
Environment and Neighbourhood Services	216	15	231	4,505	1,597	0	6,102
<b>Corporate and Central Services</b>							
Corporate Services	1,514	174	1,688	7,140	2,439	0	9,579
Central Balances	9,815	(1,885)	7,930	(3,869)	(1,131)	(57)	(5,057)
<b>Net Cost of Services</b>	<b>16,811</b>	<b>(1,390)</b>	<b>15,421</b>	<b>46,271</b>	<b>9,984</b>	<b>(57)</b>	<b>56,198</b>
Other Income and Expenditure	(11,000)	1,390	(9,610)	(50,148)	12,293	2,023	(35,832)
<b>Total</b>	<b>5,811</b>	<b>0</b>	<b>5,811</b>	<b>(3,877)</b>	<b>22,277</b>	<b>1,966</b>	<b>20,366</b>

2018/19 Restated	Movement in Reserves	Other Adjustments	Total to arrive at amount charged to General Fund	Adjustment for Capital Purposes	Net change for the Pensions Adjustment and Leave Accrual	Other Differences	Total Adjustment between funding and Accounting Basis
	£000	£000	£000	£000	£000	£000	£000
<b>People</b>							
Adult Social Care and Health	(1,082)	78	<b>(1,004)</b>	91	2,197	0	<b>2,288</b>
Children's Services	(348)	4	<b>(344)</b>	14,588	901	0	<b>15,489</b>
<b>Place</b>							
Growth and Enterprise	324	39	<b>363</b>	6,052	743	0	<b>6,795</b>
Highways and Infrastructure	(2,320)	(830)	<b>(3,150)</b>	15,483	287	0	<b>15,770</b>
Environment and Neighbourhood Services	(1,120)	(63)	<b>(1,183)</b>	5,141	1,176	0	<b>6,317</b>
<b>Corporate and Central Services</b>							
Corporate Services	(116)	(219)	<b>(335)</b>	8,376	1,915	0	<b>10,291</b>
Central Balances	10,750	(3,573)	<b>7,177</b>	(9,183)	2,525	(56)	<b>(6,714)</b>
<b>Net Cost of Services</b>	<b>6,088</b>	<b>(4,564)</b>	<b>1,524</b>	<b>40,548</b>	<b>9,744</b>	<b>(56)</b>	<b>50,236</b>
Other Income and Expenditure	(5,868)	4,564	<b>(1,304)</b>	(43,230)	10,423	895	<b>(31,912)</b>
<b>Total</b>	<b>220</b>	<b>0</b>	<b>220</b>	<b>(2,682)</b>	<b>20,167</b>	<b>839</b>	<b>18,324</b>

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## 1(c) Reconciliation of restated Comprehensive Income and Expenditure Statement 2018/19

Directorate	As reported in the Comprehensive Income and Expenditure Statement 2018/19 (restated) £000	Adjustments due to Management Restructure in 2019/20 £000	Adjustments related to correction of Pensions Deficit £000	Revised 2018/19 Position £000
<b>People</b>				
Adult Social Care & Health	104,971	2,381	78	<b>107,430</b>
Children's Services	74,448	0	5	<b>74,453</b>
Community and Partnerships	2,381	(2,381)	0	<b>0</b>
<b>Place</b>				
Growth and Enterprise	21,575	6,046	(196)	<b>27,425</b>
Highways and Infrastructure	21,279	4,864	(830)	<b>25,313</b>
Planning and Sustainable Development	2,084	(2,084)	0	<b>0</b>
Rural and Cultural Economy	4,196	(4,196)	0	<b>0</b>
Environment and Neighbourhood Services	45,174	(710)	(63)	<b>44,401</b>
Customer Operations	9,309	(9,309)	0	<b>0</b>
<b>Corporate and Central Services</b>				
Corporate and Central Services	33,386	5,389	(220)	<b>38,555</b>
Central Budgets	5,146	0	0	<b>5,146</b>
<b>Net Cost of Services</b>	<b>323,949</b>	<b>0</b>	<b>(1,226)</b>	<b>322,723</b>
Other Income and Expenditure	(305,405)	0	1,226	(304,179)
	<b>18,544</b>	<b>0</b>	<b>0</b>	<b>18,544</b>

To ensure consistency and that both financial years 2018/19 and 2019/20 are comparable we have restated 2018/19 reported figures as there was change in our management reporting and structure between the Place and Corporate Directorates during the financial year 2019/20. There was also a change in the reporting of credit losses from service lines to Other Income and Expenditure. There was no overall net change to the figures reported in the 2018/19 Statement of Accounts.

### 1(d) 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.

2018/19 £000	Expenditure and Income Analysed by Nature	2019/20 £000
	<b>Expenditure</b>	
224,522	Employee Benefits Expenses	226,714
446,837	Other Service Expenses	450,635
37,519	Depreciation, Amortisation and Impairment	49,279
(652)	Revaluation Losses	2,297
34,321	Loss on disposal of Non-Current Assets	10,186
4,409	Interest Payments	4,653
7,362	Precepts and Levies	7,896
(47,107)	Internal Recharges	(34,803)
20,167	IAS19, Leave Accrual Adjustments and Other Adjustments	22,277
<b>727,378</b>		<b>739,134</b>
	<b>Income</b>	
(145,119)	Fees and Charges and other Service Income	(139,989)
(255,804)	Income from Council Tax and Business Rates	(269,584)
(353,507)	Government Grants and Contributions	(334,194)
47,107	Internal Recharges	34,803
(1,511)	Interest and Investment Income	(3,993)
<b>(708,834)</b>		<b>(712,957)</b>
<b>18,544</b>	<b>(Surplus) or Deficit on Provision of Service</b>	<b>26,177</b>

	People Directorate £000	Place Directorate £000	Corporate & Central Services £000	Total £000
<b>2019/20:</b>				
Revenues from External Customers	(61,515)	(35,303)	(43,171)	<b>(139,989)</b>
<b>2018/19:</b>				
Revenues from External Customers	(59,761)	(38,765)	(46,593)	<b>(145,119)</b>



## Draft Statement of Accounts 2019/20

## 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.

2019/20 Adjustments	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Adjustments Involving the Capital Adjustment Account (CAA):</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES):</b>						
Depreciation and Impairment of Non-Current Assets	41,409	0	0	<b>41,409</b>	(41,409)	<b>0</b>
Revaluation Losses on Property, Plant & Equipment	2,297	0	0	<b>2,297</b>	(2,297)	<b>0</b>
Movement in fair value of investment property	7,678	0	0	<b>7,678</b>	(7,678)	<b>0</b>
Amortisation of Intangible Assets	184	0	0	<b>184</b>	(184)	<b>0</b>
Impairment on Capital Investments	8	0	0	<b>8</b>	(8)	<b>0</b>
Revenue Expenditure Funded from Capital under Statute	14,595	0	0	<b>14,595</b>	(14,595)	<b>0</b>
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	10,905	0	0	<b>10,905</b>	(10,905)	<b>0</b>
Amounts of non-current assets written off as loss of control of an entity to the CIES	6,861	0	0	<b>6,861</b>	(6,861)	<b>0</b>
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory Provision for financing of Capital Investment	(10,629)	0	0	<b>(10,629)</b>	10,629	<b>0</b>
Capital Expenditure Charged against General Fund	(1,597)	0	0	<b>(1,597)</b>	1,597	<b>0</b>
<b>Adjustments Involving the Capital Grants Unapplied Account:</b>						
Grant and contributions unapplied credited to CIES	(65,240)	0	65,240	<b>0</b>	0	<b>0</b>
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(65,259)	<b>(65,259)</b>	65,259	<b>0</b>
<b>Adjustments Involving the Capital Receipts Reserve (CRR):</b>						
Transfer of sale proceeds credited as part of gain / loss on disposal to CIES	(10,490)	10,490	0	<b>0</b>	0	<b>0</b>
Use of Capital Receipts Reserve to finance capital expenditure Cost of Disposals	54	(7,676)	0	<b>(7,622)</b>	7,622	<b>0</b>

2019/20 Adjustments	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Use of Capital Receipts Reserve to finance capital expenditure Flexible use of capital receipts	0	(2,835)	0	(2,835)	2,835	0
<b>Adjustments Involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the CIES	139	21	0	160	(160)	0
<b>Adjustments Involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in accordance with statutory requirements	(168)	0	0	(168)	168	0
<b>Adjustments Involving the Pension Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	62,584	0	0	62,584	(62,584)	0
Employer's pension contributions and direct payments to pensioners payable in the year	(40,484)	0	0	(40,484)	40,484	0
<b>Adjustments Involving the Collection Fund Adjustment Account:</b>						
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	2,083	0	0	2,083	(2,083)	0
<b>Adjustments Involving the Accumulated Absences Account:</b>						
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	177	0	0	177	(177)	0
<b>Total Adjustments 2019/20</b>	<b>20,366</b>	<b>0</b>	<b>(19)</b>	<b>20,347</b>	<b>(20,347)</b>	<b>0</b>

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For comparison, the 2018/19 Adjustments are shown below:

2018/19 Adjustments	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Adjustments Involving the Capital Adjustment Account (CAA):</b>						
<b><i>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES):</i></b>						
Depreciation and Impairment of Non-Current Assets	37,185	0	0	<b>37,185</b>	(37,185)	<b>0</b>
Revaluation Losses on Property, Plant & Equipment	(652)	0	0	<b>(652)</b>	652	<b>0</b>
Movement in fair value of investment property	(15)	0	0	<b>(15)</b>	15	<b>0</b>
Amortisation of Intangible Assets	296	0	0	<b>296</b>	(296)	<b>0</b>
Impairment on Capital Investments	54	0	0	<b>54</b>	(54)	<b>0</b>
Revenue Expenditure Funded from Capital under Statute	15,430	0	0	<b>15,430</b>	(15,430)	<b>0</b>
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	10,040	0	0	<b>10,040</b>	(10,040)	<b>0</b>
Amounts of non-current assets written off as loss of control of an entity to the CIES	29,047	0	0	<b>29,047</b>	(29,047)	<b>0</b>
<b><i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>						
Statutory Provision for financing of Capital Investment	(9,204)	0	0	<b>(9,204)</b>	9,204	<b>0</b>
Capital Expenditure Charged against General Fund	(2,718)	0	0	<b>(2,718)</b>	2,718	<b>0</b>
<b>Adjustments Involving the Capital Grants Unapplied Account:</b>						
Grant and contributions unapplied credited to CIES	(75,970)	0	75,970	<b>0</b>	0	<b>0</b>
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(60,095)	<b>(60,095)</b>	60,095	<b>0</b>
<b>Adjustments Involving the Capital Receipts Reserve (CRR):</b>						
Transfer of sale proceeds credited as part of gain / loss on disposal to CIES	(6,332)	6,332	0	<b>0</b>	0	<b>0</b>
Use of Capital Receipts Reserve to finance capital expenditure Cost of Disposals	44	(6,221)	0	<b>(6,177)</b>	6,177	<b>0</b>
Use of Capital Receipts Reserve to finance capital expenditure Flexible use of capital receipts	0	(1,160)	0	<b>(1,160)</b>	1,160	<b>0</b>

2018/19 Adjustments	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Adjustments Involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the CIES	0	19	0	19	(19)	0
<b>Adjustments Involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in accordance with statutory requirements	(171)	0	0	(171)	171	0
<b>Adjustments Involving the Pension Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	56,157	0	0	56,157	(56,157)	0
Employer's pension contributions and direct payments to pensioners payable in the year	(35,490)	0	0	(35,490)	35,490	0
<b>Adjustments Involving the Collection Fund Adjustment Account:</b>						
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	1,124	0	0	1,124	(1,124)	0
<b>Adjustments Involving the Accumulated Absences Account:</b>						
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	(502)	0	0	(502)	502	0
<b>Total Adjustments 2018/19</b>	<b>18,324</b>	<b>(1,030)</b>	<b>15,875</b>	<b>33,169</b>	<b>(33,169)</b>	<b>0</b>

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### 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.

Earmarked Reserves	Balance at 31 <sup>st</sup> March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 <sup>st</sup> March 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31 <sup>st</sup> March 2020 £000
<b>School Balances:</b>							
Primary and Nursery Schools	(3,668)	3,779	(4,750)	(4,639)	4,916	(3,855)	(3,578)
Secondary Schools	(237)	326	(459)	(370)	450	(519)	(439)
Special Schools	(538)	517	(527)	(548)	483	(483)	(548)
<b>Total Schools Balances</b>	<b>(4,443)</b>	<b>4,622</b>	<b>(5,736)</b>	<b>(5,557)</b>	<b>5,849</b>	<b>(4,857)</b>	<b>(4,565)</b>
<b>General Fund:</b>							
<b>People:</b>							
ASC Transition Reserve	(1,718)	1,724	(6)	0	0	0	0
Communities Investment	(369)	497	(237)	(109)	109	0	0
Early Intervention and Prevention	(511)	511	0	0	0	0	0
PFI Equalisation - Extra Care Housing	(2,225)	0	(148)	(2,373)	0	(131)	(2,504)
Public Health	(224)	0	(403)	(627)	1	(352)	(978)
Other Useable reserves (<£500,000 in value)	(520)	399	(308)	(429)	164	0	(265)
<b>Total People</b>	<b>(5,567)</b>	<b>3,131</b>	<b>(1,102)</b>	<b>(3,538)</b>	<b>274</b>	<b>(483)</b>	<b>(3,747)</b>
<b>Place:</b>							
Investment (Sustainability) and Place Restructure	(871)	305	(4)	(570)	23	(136)	(683)
Royal Arcade Crewe	(500)	0	0	(500)	401	0	(99)
Strategic Planning	(36)	20	(714)	(730)	326	(234)	(638)
Investment Portfolio	0	0	0	0	0	(558)	(558)
Other Useable reserves (<£500,000 in value)	(1,398)	719	(1,218)	(1,897)	1,345	(1,038)	(1,590)
<b>Total Place</b>	<b>(2,805)</b>	<b>1,044</b>	<b>(1,936)</b>	<b>(3,697)</b>	<b>2,095</b>	<b>(1,966)</b>	<b>(3,568)</b>
<b>Corporate:</b>							
Brighter Futures Transformation Programme	0	0	(1,000)	(1,000)	91	(1)	(910)
Collection Fund Management	(5,410)	7,931	(7,530)	(5,009)	3,768	(5,587)	(6,828)
Enabling Transformation	(5,825)	6,043	(219)	(1)	1	0	0
Financing Reserve	(12,737)	4,386	(3,188)	(11,539)	4,451	(1,992)	(9,080)
Insurance Reserve - Cheshire County Fund	(634)	286	(235)	(583)	746	(277)	(114)
Insurance Reserve - Cheshire East Fund	(3,581)	750	(1,662)	(4,493)	2,164	(1,446)	(3,775)
New Homes Bonus Community Fund	0	0	(1,000)	(1,000)	1,860	(1,000)	(140)
Other Useable reserves (<£500,000 in value)	(134)	0	(669)	(803)	328	(2)	(477)
<b>Total Corporate</b>	<b>(28,321)</b>	<b>19,396</b>	<b>(15,503)</b>	<b>(24,428)</b>	<b>13,409</b>	<b>(10,305)</b>	<b>(21,324)</b>

Earmarked Reserves	Balance at 31 <sup>st</sup> March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 <sup>st</sup> March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 <sup>st</sup> March 2020
<b>Central:</b>							
Carry Forwards by Service Managers	(2,408)	3,328	(920)	0	0	0	0
MTFS Reserve	0	1,008	(7,434)	(6,426)	3,988	(1,001)	(3,439)
Revenue Grants Transferred to Earmarked Reserves	(5,403)	1,464	(1,508)	(5,447)	5,578	(8,931)	(8,800)
Trading Reserve	(1,729)	286	(718)	(2,161)	2,205	(44)	0
Transitional Funding	(798)	870	(72)	0	0	0	0
<b>Total Central</b>	<b>(10,338)</b>	<b>6,956</b>	<b>(10,652)</b>	<b>(14,034)</b>	<b>11,771</b>	<b>(9,976)</b>	<b>(12,239)</b>
<b>Total General Fund Reserves</b>	<b>(47,031)</b>	<b>30,527</b>	<b>(29,193)</b>	<b>(45,697)</b>	<b>27,549</b>	<b>(22,730)</b>	<b>(40,878)</b>
<b>Total Earmarked Reserves</b>	<b>(51,474)</b>	<b>35,149</b>	<b>(34,929)</b>	<b>(51,254)</b>	<b>33,398</b>	<b>(27,587)</b>	<b>(45,443)</b>

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 2019/20:-

- **Investment Portfolio (£0.558m)** This has been established to support the Council's investment acquisition strategy.
- **HS2 Project Development (£0.300m)** To support the Council's ongoing programme in relation to Government's HS2 investment across the borough and Transport for the North's Northern Powerhouse Rail Business Case.
- **Well Managed Highway Infrastructure Delay (£0.230m)** To fund the pressure that will occur in the 2020/21 winter service budget as a result of the call-in of the Well Managed Highway Infrastructure Cabinet decision.
- **Flood Recovery Works (£0.400m)** To address damage incurred on the highway network during the 2019/20 financial year flood events.
- **Public Sector Transformation Team – contribution to Commissioning (£0.017m)** The Council was successful in securing matched funding of £0.1m via the Public Sector Transformation Team for a Commissioning project - Cheshire Without Abuse. The balance of funding not spent in 2019/20 has been carried forward.
- **Public Sector Transformation Team – contribution to Early Youth Inclusion Fund (£0.057m)** The Council was successful in securing matched funding via the Public Sector Transformation Team for the Early Youth inclusion project. This scheme cuts across two financial years and the funding has been received in advance. The element of funding to be matched to 2020/21 spend needs to be carried forward.
- **Strategic School Improvement Fund (£0.008m)** The Council was successful in securing grant funding for the SSIF scheme in 2018. As part of the final grant return in late 2019 there was an allowance for several invoices still to be paid.

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**4. Other Operating Income and Expenditure**

2018/19 £000	Other Operating Expenditure	2019/20 £000
7,362	Precepts and Levies	7,896
5,274	(Gains) / losses on the disposal of non current assets	3,323
801	Other Expenditure	0
<b>13,437</b>	<b>Total</b>	<b>11,219</b>
	<b>Other Operating Income</b>	
(1,679)	Other Capital Income	(2,719)
(16)	Other Income	(380)
<b>(1,695)</b>	<b>Total</b>	<b>(3,099)</b>
<b>11,742</b>	<b>Net Other Operating Expenditure</b>	<b>8,120</b>

**5. Financing and Investment Income and Expenditure**

Restated 2018/19 £000		2019/20 £000
4,412	Interest Payable and Similar Charges	4,653
(1,511)	Interest and Investment Income	(2,208)
10,423	Net interest on the net defined pensions benefit liability	12,293
29,047	Loss of Control of Entity *	6,861
1,226	Credit Loss Adjustments	(59)
(250)	Income and expenditure in relation to investment properties and changes in their fair value	6,950
<b>43,347</b>	<b>Total</b>	<b>28,490</b>

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

**6. Taxation and Non-Specific Grant Income and Expenditure**

2018/19 £000		2019/20 £000
(214,320)	Council Tax Income	(225,050)
(41,355)	Non-Domestic Rates Income	(44,406)
(130)	Other Income	(128)
(27,493)	Non-ring fenced Government grants (see <b>Note 25</b> )	(30,678)
(75,970)	Capital grants and contributions (see <b>Note 25</b> )	(65,240)
<b>(359,268)</b>	<b>Total</b>	<b>(365,502)</b>



## 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.

2019/20 Property, Plant and Equipment	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE	PFI Assets included in PPE
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
<b>At 1<sup>st</sup> April 2019</b>	<b>428,971</b>	<b>43,678</b>	<b>606,237</b>	<b>2,097</b>	<b>39,047</b>	<b>55,326</b>	<b>1,175,356</b>	<b>17,607</b>
Additions	18,381	8,394	23,111	223	1,593	42,644	<b>94,346</b>	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	11,247	0	0	0	12,297	0	<b>23,544</b>	(3,280)
Revaluation increases / (decreases) recognised in the Surplus or Deficit to the Provision of Services	274	0	0	0	(4,273)	0	<b>(3,999)</b>	(4,491)
Derecognition – Disposals	(10,125)	(116)	0	0	(1,099)	0	<b>(11,340)</b>	0
Derecognition – Other	(2,126)	(4,968)	(980)	0	(40)	0	<b>(8,114)</b>	0
Assets reclassified (to) / from Assets Held for Sale	0	0	0	0	(20,997)	0	<b>(20,997)</b>	0
Assets reclassified within PPE	(8,893)	0	8,930	(233)	14,169	(13,973)	<b>0</b>	0
<b>At 31<sup>st</sup> March 2020</b>	<b>437,729</b>	<b>46,988</b>	<b>637,298</b>	<b>2,087</b>	<b>40,697</b>	<b>83,997</b>	<b>1,248,796</b>	<b>9,836</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1<sup>st</sup> April 2019</b>	<b>(12,201)</b>	<b>(23,415)</b>	<b>(179,441)</b>	<b>(37)</b>	<b>0</b>	<b>0</b>	<b>(215,094)</b>	<b>(438)</b>
Depreciation charge	(15,699)	(6,650)	(18,771)	0	(221)	0	<b>(41,341)</b>	(438)
Depreciation written out to the Revaluation Reserve	11,029	0	0	0	68	0	<b>11,097</b>	424
Depreciation written out to the Surplus or Deficit on the Provision of Services	1,616	0	0	0	174	0	<b>1,790</b>	0
Impairment written out to the Revaluation Reserve	0	0	0	0	0	0	<b>0</b>	0
Impairment losses / (Reversals) recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	<b>0</b>	0
Derecognition - Disposals	1,142	1,959	533	0	32	0	<b>3,666</b>	0
Other movements in Depreciation and Impairment	1,012	(1)	(67)	(16)	(55)	0	<b>873</b>	0
<b>At 31<sup>st</sup> March 2020</b>	<b>(13,101)</b>	<b>(28,107)</b>	<b>(197,746)</b>	<b>(53)</b>	<b>(2)</b>	<b>0</b>	<b>(239,009)</b>	<b>(452)</b>
<b>Net Book Value:</b>								
<b>At 31<sup>st</sup> March 2020</b>	<b>424,628</b>	<b>18,881</b>	<b>439,552</b>	<b>2,034</b>	<b>40,695</b>	<b>83,997</b>	<b>1,009,787</b>	<b>9,384</b>
<b>At 31<sup>st</sup> March 2019</b>	<b>416,771</b>	<b>20,261</b>	<b>419,826</b>	<b>2,060</b>	<b>39,046</b>	<b>62,296</b>	<b>960,260</b>	<b>17,169</b>

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Comparative figures for the previous year are as follows:

2018/19 Property, Plant and Equipment	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE	PFI Assets included in PPE
	£000	£000	£000	£000	£000	£000	£000	£000
<b><u>Cost or Valuation</u></b>								
<b>At 1<sup>st</sup> April 2018</b>	<b>451,844</b>	<b>39,254</b>	<b>524,664</b>	<b>1,874</b>	<b>30,868</b>	<b>77,924</b>	<b>1,126,428</b>	<b>17,607</b>
Additions	8,484	6,360	31,492	663	3,842	37,003	<b>87,844</b>	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	5,183	0	0	(25)	(2,311)	0	<b>2,847</b>	0
Revaluation increases / (decreases) recognised in the Surplus or Deficit to the Provision of Services	(183)	0	0	0	(541)	0	<b>(724)</b>	0
Derecognition – Disposals	(33,021)	(643)	0	0	(289)	0	<b>(33,953)</b>	0
Derecognition – Other	(4,044)	(7,865)	(1,330)	(440)	(5)	(42)	<b>(13,726)</b>	0
Assets reclassified (to) / from Assets Held for Sale	0	0	0	0	6,640	0	<b>6,640</b>	0
Assets reclassified within PPE	709	6,572	51,411	25	842	(59,559)	<b>0</b>	0
<b>At 31<sup>st</sup> March 2019</b>	<b>428,972</b>	<b>43,678</b>	<b>606,237</b>	<b>2,097</b>	<b>39,046</b>	<b>55,326</b>	<b>1,175,356</b>	<b>17,607</b>
<b><u>Accumulated Depreciation and Impairment</u></b>								
<b>At 1<sup>st</sup> April 2018</b>	<b>(7,828)</b>	<b>(23,250)</b>	<b>(164,635)</b>	<b>(37)</b>	<b>0</b>	<b>0</b>	<b>(195,750)</b>	<b>0</b>
Depreciation charge	(15,803)	(5,470)	(15,369)	0	(238)	0	<b>(36,880)</b>	(438)
Depreciation written out to the Revaluation Reserve	7,221	0	0	0	143	0	<b>7,364</b>	0
Depreciation written out to the Surplus or Deficit on the Provision of Services	1,145	0	0	0	112	0	<b>1,257</b>	0
Impairment written out to the Revaluation Reserve	0	0	0	0	0	0	<b>0</b>	0
Impairment losses / (Reversals) recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	<b>0</b>	0
Derecognition - Disposals	2,981	5,306	852	0	16	0	<b>9,157</b>	0
Other movements in Depreciation and Impairment	83	(3)	(289)	0	(33)	0	<b>(242)</b>	0
<b>At 31<sup>st</sup> March 2019</b>	<b>(12,201)</b>	<b>(23,417)</b>	<b>(179,441)</b>	<b>(37)</b>	<b>0</b>	<b>0</b>	<b>(215,096)</b>	<b>(438)</b>
<b>Net Book Value:</b>								
<b>At 31<sup>st</sup> March 2019</b>	<b>416,771</b>	<b>20,261</b>	<b>419,826</b>	<b>2,060</b>	<b>39,046</b>	<b>62,296</b>	<b>960,260</b>	<b>17,169</b>
<b>At 31<sup>st</sup> March 2018</b>	<b>444,016</b>	<b>16,004</b>	<b>360,029</b>	<b>1,837</b>	<b>30,868</b>	<b>77,924</b>	<b>930,678</b>	<b>17,607</b>

During the year a number of projects have been completed which include Sydney Road Bridge and the Pupil Referral Unit in Warmingham. There was also the continual improvement to the highways network and the Schools Basic Need Expansion programme. Other major schemes that have commenced or are in progress are Congleton Link Road, Park Lane School Expansion and the major refurbishments of Poynton and Nantwich Leisure Centres. A number of Highways schemes have now come to the end of their development stage and work will commence on site in the next financial year such as the A500 Dualling and Poynton Relief Road.

## Depreciation

All depreciation calculations are made on a straight-line basis. See accounting policies (**Note 40k**) 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 31<sup>st</sup> March 2020, totals £51.2m (£49.9m as at 31<sup>st</sup> March 2019). These contracts are all fully funded and are summarised as follows:

Capital Project	Contract Total £000	Amount Paid Up To 31 <sup>st</sup> March 2020 £000	Balance £000
<b>People</b>			
Malbank High School	1,364	532	832
<b>Place</b>			
Congleton Link Road	47,765	28,527	19,238
Middlewich Eastern By-pass	1,649	470	1,179
Sydney Road Bridge	4,899	4,261	638
Poynton Relief Road	26,843	1,505	25,338
<b>Corporate</b>			
Best4Business Project *	15,260	11,280	3,980
<b>Total</b>	<b>97,780</b>	<b>46,575</b>	<b>51,205</b>

\*The Best4Business 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 2020 were carried out by Montagu Evans LLP 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 Scott Young MRICS and George Drury MRICS under the supervision of Gary Howes MRICS, a partner of Montagu Evans LLP.

In 2019/20 assets previously valued in 2014/15 were due to be revalued as part of the five year rolling programme which included the Councils portfolio of car parks. Also a number of high value assets are valued each year to ensure that the correct carrying value of the assets is held on the balance sheet and that the accounts do not contain any material misstatements.

All surplus assets were also revalued in 2019/20 in line with the requirements relating to Fair Value.

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**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	46,988	637,298	2,087	0	83,997	770,370	0
Valued as Fair Value as at:								
31 <sup>st</sup> March 2020	284,586	0	0	0	40,697	0	325,283	0
31 <sup>st</sup> March 2019	15,629	0	0	0	0	0	15,629	9,836
31 <sup>st</sup> March 2018	65,934	0	0	0	0	0	65,934	0
31 <sup>st</sup> March 2017	56,003	0	0	0	0	0	56,003	0
31 <sup>st</sup> March 2016	15,577	0	0	0	0	0	15,577	0
<b>Total Cost or Valuation</b>	<b>437,729</b>	<b>46,988</b>	<b>637,298</b>	<b>2,087</b>	<b>40,697</b>	<b>83,997</b>	<b>1,248,796</b>	<b>9,836</b>

### 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 2019/20 the gross upward valuation for Property Plant and Equipment was £23.544m, with £3.999m 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 2019/20.

The net movement on the revaluations carried out in 2019/20 on Property Plant and Equipment was a net gain of £32.432m which includes the reversing of any prior year's accumulated depreciation and revaluation losses previously charged on those assets.

There has been a relatively large increase in asset valuations compared to previous years. This is mainly due to having the car parks assets revalued which saw a net increase of £18.981m in value on the balance sheet. There was one notable downward valuation of £7.346m which was in respect of the Beechmere Extra Care Housing asset that unfortunately suffered a fire in August 2019 and so our external valuers have valued only the land at £0.754m at this time.

## Disposals

During 2019/20 there were three academy transfers. The net book value of £6.861m 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 £5.403m, including the sale of five farm sites within the Estate totalling £3.123m, Lincoln House £1.0m, Sandbach House £0.412m and Bradshaw House £0.240m.

## Asset Review

An annual review is undertaken by the Council and the Authority's valuer Montagu Evans 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 31<sup>st</sup> March are not materially misstated.

Montagu Evans 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 31<sup>st</sup> March 2020.

## Fair Value Hierarchy

Under IFRS 13 'Fair Value Measurement' all Surplus Assets are 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 £30.048m and the closing balance £40.697m.

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 31<sup>st</sup> March 2020 are as follows:

2019/20	Quoted prices in active markets for identical assets <b>Level 1</b> £000	Other significant observable inputs <b>Level 2</b> £000	Significant unobservable inputs <b>Level 3</b> £000	Fair Value as at 31 <sup>st</sup> March 2020 £000
Land	0	0	35,611	35,611
Building	0	0	5,086	5,086
<b>Total</b>	<b>0</b>	<b>0</b>	<b>40,697</b>	<b>40,697</b>

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The comparable figures for 31<sup>st</sup> March 2019 were:

2018/19	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 31 <sup>st</sup> March 2019 £000
Land	0	0	34,906	34,906
Building	0	0	4,142	4,142
<b>Total</b>	<b>0</b>	<b>0</b>	<b>39,048</b>	<b>39,048</b>

### Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1, 2 and 3 during the year.

### 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.

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

	As at 31 <sup>st</sup> March 2020 £000	Valuation Technique Used to Measure Fair Value	Unobservable inputs	Range (weighted average used)	Sensitivity
Land	35,611	Market Approach, Income Approach and Cost Approach	Adjusted market evidence of rental lettings and sales of similar properties and investment yields	Rental range c. £0.25 - £6.75 per square foot	Significant changes to the individual inputs e.g. rental tone, vacancy levels and investment yields could affect the reported values
Building	5,086			Investment yields c. 6% - 10%  Land values c.£35k - £1.1m per hectares	

### Valuation Process for Surplus Assets

All surplus assets were valued as at 31<sup>st</sup> March 2020 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. Investment Properties

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

2018/19 £000		2019/20 £000
(260)	Rental income from investment property	(1,785)
25	Direct operating expenses arising from investment property	1,057
<b>(235)</b>	<b>Net (Gain) / Loss</b>	<b>(728)</b>
(15)	Fair Value Movements on Investment Properties	7,678
<b>(250)</b>	<b>Total Income and Expenditure in relation to Investment Properties and changes in their fair value</b>	<b>6,950</b>

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

2018/19 £000		2019/20 £000
<b>5,928</b>	<b>Balance at start of the year</b>	<b>6,706</b>
	Additions:	
0	Purchases	19,863
(37)	Disposals	(890)
15	Net gains / losses from fair value adjustments	(7,678)
	Transfers:	
800	To / from Property, Plant and Equipment	12,767
<b>6,706</b>	<b>Balance at end of the year</b>	<b>30,768</b>

### Fair Value Hierarchy

Under IFRS 13 'Fair Value Measurement' all Investment Assets are valued at a fair value and the highest and best use instead of on a previous existing use basis. As shown in the table above, the opening balance for Investment Assets was £6.706m and the closing balance £30.768m.

All the Council's Investment Assets have been valued as Level 2 on the fair value hierarchy of valuation as described in **Note 7**.



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Details of the Authority's investment assets and information about the fair value hierarchy as at 31<sup>st</sup> March 2020 are as follows:

2019/20	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 31 <sup>st</sup> March 2020 £000
Land	0	0	11,205	11,205
Building	0	0	19,563	19,563
<b>Total</b>	<b>0</b>	<b>0</b>	<b>30,768</b>	<b>30,768</b>

The comparable figures for 31<sup>st</sup> March 2019 were:

2018/19	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 31 <sup>st</sup> March 2019 £000
Land	0	0	6,312	6,312
Building	0	0	394	394
<b>Total</b>	<b>0</b>	<b>0</b>	<b>6,706</b>	<b>6,706</b>

### Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1, 2 and 3 during the year.

### Valuation Techniques used to Determine Level 2 Fair Value for Surplus Assets

The fair value of the land and buildings has been based on the comparable method. Investment assets has therefore been categorised as Level 2 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.

### Quantitative Information about fair Value Measurement of Surplus Assets using significant Unobservable Inputs - Level 2

	As at 31 <sup>st</sup> March 2020  £000	Valuation Technique Used to Measure Fair Value	Unobservable inputs	Range (weighted average used)	Sensitivity
Land	11,205	Market Approach, Income Approach and Cost Approach	Adjusted market evidence of rental lettings and sales of similar properties and investment yields	Rental range c.£0.25 - £6.75 per square foot	Significant changes to the individual inputs e.g. rental tone, vacancy levels and investment yields could affect the reported values
Building	19,563			Investment yields c.6% - 10%  Land values c.£35k - £2.15m per hectare	

### Valuation Process for Surplus Assets

All investment assets were valued as at 31<sup>st</sup> March 2020 in order to comply with IFRS 13 'Fair Value Measurement'. Any asset that is classified as an investment 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.

## 9. Financial Instruments

### Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and Government grants, do not give rise to financial instruments.

### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders;
- short-term loans from other local authorities;
- lease payables;
- Private Finance Initiative contracts detailed in **Note 30**, and;
- trade payables for goods and services received.

### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
  - cash in hand;
  - bank current and deposit accounts;
  - loans to other local authorities;
  - loans made for service purposes;
  - lease receivables, and;
  - trade receivables for goods and services provided.
- Fair value through other comprehensive income (equity investments that the Council has elected into this category) comprising:
  - pooled bond/equity fund managed by an external fund manager held as strategic investments and where there is no right to redeem the investment on demand, and;
  - equity investments in companies held for service purposes.
- Fair value through profit and loss (all other financial assets) comprising:
  - Property, equity and other funds managed by external fund managers held as strategic investments;

- money market funds, and;
- loans under housing assistance schemes where the cash flows are not solely payments of principal and interest.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

### Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

31 <sup>st</sup> March 2019 Long-Term £000	31 <sup>st</sup> March 2019 Current £000	Financial Liabilities	Notes	31 <sup>st</sup> March 2020 Long-Term £000	31 <sup>st</sup> March 2020 Current £000
		<b>Borrowings:</b>	<b>9(b)</b>		
(104,593)	(55,560)	Financial Liabilities at Amortised Cost		(85,402)	(117,325)
<b>(104,593)</b>	<b>(55,560)</b>	<b>Total Borrowings*</b>		<b>(85,402)</b>	<b>(117,325)</b>
		<b>Other Long-Term Liabilities:</b>			
(22,357)	0	Private Finance Initiative Liabilities	<b>30</b>	(21,509)	0
(11,645)	0	Other Long-Term Liabilities		(6,304)	0
(1,726)	0	Finance Lease Liabilities		(1,059)	0
<b>(35,728)</b>	<b>0</b>	<b>Total Other Long-Term Liabilities</b>		<b>(28,872)</b>	<b>0</b>
		<b>Creditors:</b>			
0	(866)	Private Finance Initiative Liabilities		0	(848)
0	(661)	Finance Lease Liabilities		0	(668)
0	(53,136)	Financial Liabilities at Contract Amount		0	(60,410)
<b>0</b>	<b>(54,663)</b>	<b>Total Creditors**</b>		<b>0</b>	<b>(61,926)</b>
<b>(140,321)</b>	<b>(110,223)</b>	<b>Total Financial Liabilities</b>		<b>(114,274)</b>	<b>(179,251)</b>

\* The total current borrowing includes £5.1m (2019: £8.6m) representing accrued interest and principal repayments due within 12 months on long-term borrowing.

\*\* The creditors lines on the Balance Sheet include £56.8m (2019: £42.9m) current creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

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The financial assets disclosed in the Balance Sheet are analysed across the following categories:

31 <sup>st</sup> March 2019 Long-Term £000	31 <sup>st</sup> March 2019 Current £000		Notes	31 <sup>st</sup> March 2020 Long-Term £000	31 <sup>st</sup> March 2020 Current £000
		<b>Investments:</b>	<b>9(a)</b>		
		At Amortised Cost:			
3,170	4,141	- Principal		4,933	125
0	6	- Accrued Interest		0	9
(146)	(1)	- Loss Allowance		(237)	(14)
		At Fair Value Through Other Comprehensive Income:			
9,005	0	- Equity Investments Elected FVOCI		5,866	0
		At Fair Value Through Profit and Loss:			
10,629	98	- Fair Value		18,101	94
<b>22,658</b>	<b>4,244</b>	<b>Total Investments</b>		<b>28,663</b>	<b>214</b>
		<b>Cash and Cash Equivalents:</b>			
0	(843)	At Amortised Cost		0	14,557
0	14,100	At Fair Value Through Profit and Loss		0	15,500
<b>0</b>	<b>13,257</b>	<b>Total Cash and Cash Equivalents</b>		<b>0</b>	<b>30,057</b>
		<b>Debtors:</b>			
		At Amortised Cost:			
0	24,499	- Trade Receivables		0	25,077
6,548	693	- Lease Receivables		5,716	711
6	0	- Mortgages		6	0
		At Fair Value Through Profit and Loss:			
1,031	0	- Housing Loans		1,035	0
<b>7,585</b>	<b>25,192</b>	<b>Total Debtors*</b>		<b>6,757</b>	<b>25,788</b>
<b>30,243</b>	<b>42,693</b>	<b>Total Financial Assets</b>		<b>35,420</b>	<b>56,059</b>

\* The debtors lines on the Balance Sheet include £41.1m (2019: £31.6m) short-term and £0.8m (2019: £0.8m) long-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

### Equity Instruments Elected to Fair Value Through Other Comprehensive Income

The Council has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance.

31 <sup>st</sup> March 2019 £000	2018/19 Dividends £000	Equity Investment	31 <sup>st</sup> March 2020 £000	2019/20 Dividends £000
		Share Holdings:		
3,880	0	- Alderley Park Limited	3,110	0
2,072	0	- Manchester Science Partnerships Limited	0	0
		Pooled Funds:		
3,053	0	- GM and Cheshire Life Sciences Fund	2,756	0
<b>9,005</b>	<b>0</b>		<b>5,866</b>	<b>0</b>

During 2019/20 the shares in Manchester Science Partnerships Ltd were sold to one of the other existing shareholders for £2,366,925 in order to realise a significant capital gain of £1,627,725 enabling the redirection of resources to other priorities of the Council.

### Off-setting Financial Assets and Liabilities

The Council has a right to off-set those Barclays bank accounts in overdraft with those in credit resulting in the net position being shown in the balance sheet. A net overdraft arises from timing differences between payments and income recognised in the accounts and clearing through the bank accounts. However, at 31<sup>st</sup> March 2020 all accounts were in credit.

31 <sup>st</sup> March 2019 £000		31 <sup>st</sup> March 2020 £000
1,320	Bank accounts in credit	3,214
(2,836)	Bank accounts in overdraft	0
<b>(1,516)</b>		<b>3,214</b>

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### Financial Instruments - Gains and Losses

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

2018/19		2019/20				
		Financial Liabilities: Amortised Cost	Financial Assets: Amortised Cost	Financial Assets: Elected to Fair Value through OCI	Financial Assets: Fair Value through Profit and Loss	Total
£000		£000	£000	£000	£000	£000
4,299	Interest expense	4,666	0	0	0	4,666
22	Loss on de-recognition	0	0	0	0	0
93	Impairment losses	0	95	0	0	95
111	Fees paid	3	0	0	0	3
4,525	<b>Interest Payable and Similar Charges</b>	<b>4,669</b>	<b>95</b>	<b>0</b>	<b>0</b>	<b>4,764</b>
(263)	Interest income	0	(659)	0	(112)	(771)
(347)	Dividend income	0	0	0	(532)	(532)
(610)	<b>Interest and Investment Income</b>	<b>0</b>	<b>(659)</b>	<b>0</b>	<b>(644)</b>	<b>(1,303)</b>
3,915	<b>Net Impact on Surplus or (Deficit) on Provision of Services</b>	<b>4,669</b>	<b>(564)</b>	<b>0</b>	<b>(644)</b>	<b>3,461</b>
0	Gains on Revaluation	0	0	0	0	0
0	<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
3,915	<b>Net (Gain) / Loss for Year</b>	<b>4,669</b>	<b>(564)</b>	<b>0</b>	<b>(644)</b>	<b>3,461</b>

### Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31<sup>st</sup> March 2020, using the following methods and assumptions:

- Shares in unlisted companies have been valued based on each company's balance sheet net assets adjusted for minority interest.

Financial instruments classified at amortised cost 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 at 31<sup>st</sup> March 2020, 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 Life Sciences Fund 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 their Balance Sheet as at 31<sup>st</sup> March.
- Bank deposits and investments with Government bodies have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31<sup>st</sup> 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.
- 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 1<sup>st</sup> April 2020 with maturity dates in the new year and beyond. Their purpose was to cover known shortfalls in cash over this period resulting in the main from the continuation of capital expenditure not financed by long term borrowing. 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 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 table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only 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 cash flow forecasts or estimated credit worthiness.

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Type of Instrument	As at 31 <sup>st</sup> March 2020  £000	Valuation Technique Used to Measure Fair Value	Unobservable inputs	Sensitivity
Shares in unlisted companies	3,110	Net Assets based on last audited accounts as at 30/09/2019	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

31 <sup>st</sup> March 2019 Balance Sheet £000	31 <sup>st</sup> March 2019 Fair Value  £000	FINANCIAL ASSETS	Fair Value Level	31 <sup>st</sup> March 2020 Balance Sheet £000	31 <sup>st</sup> March 2020 Fair Value  £000
		<b>Loans and Receivables at Amortised Cost</b>			
3,170	3,170	Loans to Companies	2	5,064	5,064
0	0	Investments with Banks	2	2	2
4,000	4,000	Investments with Government Bodies	2	0	0
		<b>Investments at Fair Value Through Profit &amp; Loss</b>			
8,086	8,086	Property Fund	1	7,799	7,799
2,630	2,630	Managed Funds	1	10,388	10,388
10	10	Money Market Funds	1	8	8
		<b>Investments at Fair Value Through Other Comprehensive Income</b>			
3,054	3,054	Life Sciences Fund	2	2,756	2,756
5,952	5,952	Shares in Unlisted Companies	3	3,110	3,110
		<b>Other Loans and Receivables</b>			
7,241	5,489	Lease Receivables	2	6,427	4,354
1,031	1,031	Other Soft Loans	2	1,035	1,035
13,257	13,257	<b>Cash and Cash Equivalents</b>	-	30,057	30,057
		<b>Financial Assets Carried at Contract Amounts</b>			
6	6	Mortgages	-	6	6
24,499	24,499	Trade Receivables	-	25,077	25,077
<b>72,936</b>	<b>71,184</b>	<b>TOTAL ASSETS</b>		<b>91,729</b>	<b>89,656</b>

31 <sup>st</sup> March 2019 Balance Sheet £000	31 <sup>st</sup> March 2019 Fair Value £000	FINANCIAL LIABILITIES	Fair Value Level	31 <sup>st</sup> March 2020 Balance Sheet £000	31 <sup>st</sup> March 2020 Fair Value £000
		<b>Borrowings</b>			
(71,656)	(95,481)	Long Term Loans – PWLB	2	(65,638)	(90,429)
(17,810)	(25,930)	Long Term Loans – LOBO	2	(17,796)	(26,641)
(3,520)	(3,461)	Other Long Term Loans	2	(2,050)	(2,016)
(67,167)	(67,167)	Temporary Borrowings	2	(117,243)	(117,312)
		<b>Other Long-Term Liabilities</b>			
(22,357)	(31,240)	Private Finance Initiative Liabilities	2	(21,509)	(28,145)
(11,645)	(11,645)	Other Long-Term Liabilities	-	(6,304)	(6,304)
(1,726)	(2,265)	Finance Lease Liabilities	2	(1,059)	(1,502)
		<b>Creditors</b>			
(866)	(2,297)	Private Finance Initiative Liabilities	-	(848)	(2,202)
(661)	(738)	Finance Lease Liabilities	2	(668)	(730)
(53,136)	(53,136)	Financial Liabilities at Contract Amount	-	(60,410)	(60,410)
<b>(250,544)</b>	<b>(293,360)</b>	<b>TOTAL LIABILITIES</b>		<b>(293,525)</b>	<b>(335,691)</b>

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.

## 9(a) Investments

Long Term Investments at 31<sup>st</sup> March were as follows:

31 <sup>st</sup> March 2019 £000		31 <sup>st</sup> March 2020 £000
	<b>Investments at Amortised Cost:</b>	
1,290	Alderley Park Holdings Limited	1,348
1,213	Cheshire Green Employment Park Limited	2,891
520	Everybody Sport and Recreation Limited	457
	<b>Investments at Fair Value through Profit and Loss:</b>	
7,999	CCLA Property Fund	7,713
2,630	Kames Multi Asset Income Fund	4,239
0	Schroders Income Maximiser Fund	1,742
0	Fidelity Global Enhanced income Fund	3,520
0	M&G Corporate Bond Fund	887
	<b>Investments at Fair Value through Other Comprehensive Income:</b>	
3,054	GM and Cheshire Life Sciences Fund	2,756
3,880	Alderley Park Holdings Limited Shares	3,110
2,072	Manchester Science Partnerships Limited Shares	0
<b>22,658</b>	<b>Total Long-Term Investments</b>	<b>28,663</b>

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Short Term Investments at 31<sup>st</sup> March were as follows:

31 <sup>st</sup> March 2019 £000		31 <sup>st</sup> March 2020 £000
	<b>Investments at Amortised Cost:</b>	
4,000	West Yorkshire Police and Crime Commissioner	0
147	Other	120
	<b>Investments at Fair Value through Profit and Loss:</b>	
87	CCLA Property Fund	86
10	Other	8
<b>4,244</b>	<b>Total Short-Term Investments</b>	<b>214</b>

Short Term Investments represent all invested funds which are not immediately convertible to cash on 31<sup>st</sup> March 2020 but where repayment is expected before 31<sup>st</sup> March 2021. 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 2019/20 the emphasis was on short term borrowing rather than investments due to reducing cash balances. Investments in managed funds were increased from £10m to £20m. These are strategic in nature and expected to deliver higher returns over the next few years although the underlying fund valuations can vary significantly.

## 9(b) Borrowing – Financial Liabilities at Amortised Cost

The amounts and maturity profile of borrowings are as follows:

Total 2018/19 £000	Debt Maturity	Lender		Total 2019/20 £000
		Public Works Loans Board £000	Other £000	
	<b>Short Term Borrowing</b>			
<b>55,560</b>	Within the next financial year	4,254	113,071	<b>117,325</b>
<b>55,560</b>	<b>Total Short Term Borrowing</b>	<b>4,254</b>	<b>113,071</b>	<b>117,325</b>
	<b>Long Term Borrowing</b>			
<b>24,175</b>	1 – 2 years	1,000	5,640	<b>6,640</b>
<b>2,632</b>	2 – 5 years	250	742	<b>992</b>
<b>2,543</b>	5 – 10 years	7,629	0	<b>7,629</b>
<b>21,310</b>	10 – 15 years	18,259	0	<b>18,259</b>
<b>2,034</b>	15 – 20 years	0	0	<b>0</b>
<b>7,629</b>	20 – 25 years	7,629	0	<b>7,629</b>
<b>13,678</b>	25 – 30 years	1,187	12,477	<b>13,664</b>
<b>30,592</b>	More than 30 years	25,430	5,159	<b>30,589</b>
<b>104,593</b>	<b>Total Long Term Borrowing</b>	<b>61,384</b>	<b>24,018</b>	<b>85,402</b>
<b>160,153</b>	<b>Total Borrowing</b>	<b>65,638</b>	<b>137,089</b>	<b>202,727</b>

## 9(c) Financial Instruments - Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017. 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%	11/02/2043	August / February
Dexia Credit Local	£7,000,000	4.5%	12/02/2043	August / February
Dexia Credit Local	£5,000,000	4.95%	25/08/2054	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 was to fund any borrowing requirement on a short term basis to take advantage of low short term borrowing costs. The Council will keep this position under review in 2020/21 as increasing borrowing requirements and future economic uncertainties may mean some longer term borrowing would be prudent to mitigate long term market and liquidity risks.

In addition to investments/deposits which are based on interest rate returns, the Council also has investments in a variety of funds, the prices of which can vary dependent on the valuation of the underlying assets. The intention is that, over time and despite fluctuations, the price of these funds and, therefore, the value of the investments will increase. In addition, all funds pay out dividends providing an on-going return from the investments. These funds have been classified as Fair Value through Profit and Loss but subject to a statutory accounting override so any fall (or rise) in value would have no impact on the General Fund until the investment was sold or the statutory override period expires. An additional £10m was invested in these funds in 2019/20 but as a result of revaluations arising from the Coronavirus measures these funds are currently valued lower than the original investments.

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A fall of 5% in commercial property prices would reduce the fair value of the property fund by £386,000 and a fall of 5% across all other asset classes would reduce the fair value of the other funds by £520,000.

The impact of market risk is demonstrated by looking at the effect on the accounts if interest rates were 1% higher at 31<sup>st</sup> March 2020 and through the whole of 2019/20 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	663
Increase in interest receivable	(581)
Decrease in Fair Value of equity instruments elected through other comprehensive income	0
<b>Net Impact on Comprehensive Income and Expenditure Statement</b>	<b>82</b>
Reduction in the Fair Value of fixed rate borrowing	(15,398)
Reduction in the Fair Value of loans and receivables (investments)	0

### 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 continuing capital expenditure 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.

The Council also has investments in shares, funds and loans for service purposes which are non-treasury investments but covered by the Councils' Investment Strategy. The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1<sup>st</sup> April 2018 which has resulted in the Council recognising the potential impairment of financial assets by calculating an expected credit loss. This will be adjusted or reversed in future years as each loan progresses.

	Initial Fair Value £000	Allowance for Expected Credit Losses £000	Balance Sheet Fair Value 31 <sup>st</sup> March 2019 £000
<b>Treasury Investments:</b>			
Bank Deposits	11,052	(13)	11,039
Money Market Funds – AAA Rated	15,508	0	15,508
Managed Investments:			
Property Fund - unrated	7,799	0	7,799
Other Funds - unrated	10,388	0	10,388
<b>Non Treasury Investments:</b>			
Shareholdings and interest in other companies	3,110	0	3,110
Partnership Pooled Investment Fund	2,757	0	2,757
Loans to associated companies	5,064	(237)	4,827
<b>Debtors:</b>			
Trade Debtors	14,385	(5,730)	8,655
Other Debtors	10,692	(4,413)	6,279
<b>TOTAL</b>	<b>80,755</b>	<b>(10,393)</b>	<b>70,362</b>

The Council generally allows its trade debtors credit of one month. Of the £14.4m invoiced income outstanding from trade debtors, £9.8m 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	3.9	0.6	3.3
3 to 6 months overdue	1.1	0.4	0.7
6 months to 1 year overdue	1.5	1.5	0
More than 1 year overdue	3.3	3.3	0
<b>TOTAL</b>	<b>9.8</b>	<b>5.8</b>	<b>4.0</b>



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**10. Debtors****Current Debtors (short term - less than one year)**

This note provides details of the Council's current debt position as at 31<sup>st</sup> March 2020. 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:

31 <sup>st</sup> March 2019 £000		31 <sup>st</sup> March 2020 £000
12,237	Central Government bodies	13,698
9,360	Other local authorities	11,394
2,343	NHS bodies	3,289
32,868	Other entities and individuals	37,832
<b>56,808</b>	<b>Total Current Debtors</b>	<b>66,213</b>

**Provision for Irrecoverable Debt (included in the above)**

31 <sup>st</sup> March 2019 £000		31 <sup>st</sup> March 2020 £000
(10)	Central Government bodies	(20)
(3)	Other local authorities	(1)
(8)	NHS Bodies	(8)
(6,290)	Council Tax and Business Rates	(6,979)
(10,323)	Other sundry debts	(10,114)
<b>(16,634)</b>	<b>Total Provision for Irrecoverable Debt</b>	<b>(17,122)</b>

## 11. Cash and Cash Equivalents

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

31 <sup>st</sup> March 2019 £000		31 <sup>st</sup> March 2020 £000
34	Cash held by the Council	34
14,100	Instant access investments	26,550
0	Bank current accounts – Barclays Bank	3,213
639	Bank Current Accounts – Schools	260
<b>14,773</b>	<b>Current Assets – Cash &amp; Cash Equivalents</b>	<b>30,057</b>
(1,516)	Bank current accounts – Barclays Bank	0
<b>(1,516)</b>	<b>Current Liabilities – Cash &amp; Cash Equivalents</b>	<b>0</b>
<b>13,257</b>	<b>Total Cash and Cash Equivalents</b>	<b>30,057</b>

## 12. Creditors

### Current Creditors (Short Term - less than 1 year)

This note provides details of the Council's current creditor position as at 31<sup>st</sup> March 2020.

31 <sup>st</sup> March 2019 £000		31 <sup>st</sup> March 2020 £000
(20,048)	Central Government bodies	(30,146)
(8,427)	Other local authorities	(12,119)
(4,603)	NHS bodies – Foundation Trusts, Clinical Commissioning Groups and other	(5,287)
(4)	Public corporations and trading funds	0
(64,515)	Other entities and individuals	(69,639)
<b>(97,597)</b>	<b>Total Current Creditors</b>	<b>(117,191)</b>

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### 13. 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)	Insurance – Cheshire East Council £000	Insurance – Cheshire County Council £000	Business Rates Retention Scheme alteration of lists and appeals £000	Better Care Fund £000	Other provisions £000	Total Short-term Provisions £000
Balance at 1 <sup>st</sup> April 2019	0	0	(7,569)	(192)	(120)	<b>(7,881)</b>
Additional provisions made in 2019/20	(1,112)	(108)	(12,713)	0	(247)	<b>(14,180)</b>
Amounts used in 2019/20	0	0	10,344	192	120	<b>10,656</b>
Unused amounts reversed in 2019/20	0	0	0	0	0	<b>0</b>
<b>Balance at 31<sup>st</sup> March 2020</b>	<b>(1,112)</b>	<b>(108)</b>	<b>(9,938)</b>	<b>0</b>	<b>(247)</b>	<b>(11,405)</b>

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 Business Rates Retention Scheme alteration of lists and 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 £9.94m represents the Council's 49% share of the total risk of £20.28m.

The Better Care Fund (BCF) provision is held to invest in improving outcomes locally in Cheshire East in respect of the four nationally agreed BCF metrics. The deployment of the provision will be agreed with Health partners within the BCF governance group.

Other provisions include The Community Grant Award and Contaminated Land. The balances of these provisions at 31<sup>st</sup> March 2020 are £198,623 and £48,000 respectively. Neighbourhood Planning (£30,000) has been utilised in year.

Long term provisions (> 1 year)	Insurance – Cheshire East £000	Insurance – Cheshire County Council £000	Highways Schemes £000	Closed Landfill Sites £000	Other Provisions £000	Total Long- Term Provisions £000
Balance at 1 <sup>st</sup> April 2019	(3,494)	(421)	(210)	(605)	(143)	<b>(4,873)</b>
Additional provisions made in 2019/20	(2,409)	(562)	0	(6)	(28)	<b>(3,005)</b>
Amounts used in 2019/20	2,592	374	0	6	7	<b>2,979</b>
Unused amounts reversed in 2019/20	0	0	0	0	0	<b>0</b>
<b>Balance at 31<sup>st</sup> March 2020</b>	<b>(3,311)</b>	<b>(609)</b>	<b>(210)</b>	<b>(605)</b>	<b>(164)</b>	<b>(4,899)</b>

The Highways Scheme provision will cover the potential costs in relation to Handforth by pass. The provision has now been reclassified 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.

Other Provisions include The Asset Recovery Scheme and The Penalty Charge Notice. The balances of these provisions at 31<sup>st</sup> March 2020 are £135,996 and £27,263 respectively.

## 14. 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**).

### 14(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 31<sup>st</sup> March 2020 was £10.3m.

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### 14(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 31<sup>st</sup> March 2020.

As at 31<sup>st</sup> March 2020 the closing balance on the Capital Grants Unapplied Account was £47.2m.

2018/19 £000	Capital Grants Unapplied	2019/20 £000
<b>31,334</b>	<b>Opening Balance at 1<sup>st</sup> April</b>	<b>47,209</b>
(15,816)	Capital Expenditure met from prior years unapplied grants	(17,386)
31,691	Grants received during 2019/20 but not applied	17,367
<b>47,209</b>	<b>Closing Balance at 31<sup>st</sup> March</b>	<b>47,190</b>

### 14(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 31<sup>st</sup> March 2020, the accumulated underspend on schools' budgets was £4.565m (£5.557m at 31<sup>st</sup> March 2019). Details on the movements are provided in **Note 3** (Transfers to / from Earmarked Reserves).

## 15. Unusable Reserves

### 15(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 1<sup>st</sup> 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.

2018/19 (restated) £000	Revaluation Reserve	2019/20 £000
<b>227,985</b>	<b>Opening Balance at 1<sup>st</sup> April</b>	<b>216,105</b>
16,833	Upward revaluation of assets	84,443
(6,619)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(53,820)
<b>10,214</b>	<b>Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>30,623</b>
(7,522)	Difference between fair value depreciation and historical cost depreciation	(7,391)
(14,572)	Accumulated gains on assets sold or scrapped	(7,160)
<b>(22,094)</b>	<b>Amount written-off to the Capital Adjustment Account</b>	<b>(14,551)</b>
<b>216,105</b>	<b>Total Unusable Reserves</b>	<b>232,177</b>

### 15(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 1<sup>st</sup> 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.

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2018/19 (restated) £000	Capital Adjustment Account	2019/20 £000
419,988	<b>Opening Balance at 1<sup>st</sup> April</b>	<b>430,051</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(37,185)	• Charges for depreciation and impairment of non-current assets	(41,409)
652	• Revaluation Gains/(losses) and Impairment on Property, Plant and Equipment	(2,297)
(54)	• Revaluation losses and Impairment on Investments	(8)
(296)	• Amortisation of intangible assets	(184)
(15,430)	• Revenue expenditure funded from capital under statute	(14,595)
(10,040)	• 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	(10,905)
(29,047)	• Amounts of non-current assets written-off as a loss of control of an Entity to the Comprehensive Income and Expenditure Statement	(6,861)
22,094	Adjusting amounts written out of the Revaluation Reserve	14,549
	<b>Capital financing applied in the year:</b>	
7,337	• Use of the Capital Receipts Reserve to finance new capital expenditure	10,457
60,095	• Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	65,259
9,204	• Statutory provision for the financing of capital investment charged against General Fund balances	10,629
2,563	• Capital expenditure charged against the General Fund	1,597
155	• Reversal of Prior Years Cost of Disposal Expenditure Transferred back to the General Fund	0
15	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(7,678)
<b>430,051</b>	<b>Closing Balance at 31<sup>st</sup> March</b>	<b>448,605</b>

## 15(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**.

2018/19 £000	Pensions Reserve	2019/20 £000
<b>(407,568)</b>	<b>Opening Balance at 1<sup>st</sup> April</b>	<b>(515,149)</b>
(86,912)	Remeasurement gains / (losses) on pensions assets and liabilities	181,644
(56,158)	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	(61,511)
21,691	Employer's pension contributions and direct payments to pensioners payable in the year	39,411
13,797	Upfront Deficit Contribution adjustment	0
<b>(515,149)</b>	<b>Closing Balance at 31<sup>st</sup> March</b>	<b>(355,605)</b>



## 16. Cash Flow Statement - Operating Activities

2018/19 £000		2019/20 £000
	<b>The cash flows for operating activities include the following items:</b>	
1,375	Interest received	2,092
(4,275)	Interest paid	(4,322)
	<b>The surplus or (deficit) on the provision of services has been adjusted for the following non cash movements:</b>	
37,185	Depreciation	41,409
(652)	Impairment and downward valuations	2,297
296	Amortisation	184
19,788	Increase / (decrease) in creditors	18,622
1,263	Increase / (decrease) in debtors	(5,470)
(8)	Increase / (decrease) in inventories	38
37,748	Movement in pension liability	22,100
39,087	Carrying amount of non current assets and non current assets held for sale, sold or derecognised	17,766
(462)	Other non cash items charged to the net surplus or (deficit) on the provision of services	20,079
<b>134,245</b>		<b>117,025</b>
	<b>The surplus or (deficit) on the provision of services has been adjusted for the following items that are investing and financing activities:</b>	
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(295)
(6,288)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10,436)
	<b>Any other items for which the cash effects are investing or financing cash flows:</b>	
(14,400)	Department For Transport - Congleton Relief Road	(26,375)
(12,161)	Local transport grant	(12,147)
(10,175)	Local growth fund	1,766
(9,484)	Basic needs capital grant	(5,292)
(6,209)	SEMMMS relief road	(1,788)
(5,442)	Department For Transport - Pot Hole Action Fund	0
(18,099)	Other capital grants	(21,404)
<b>(82,258)</b>		<b>(75,971)</b>

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**17. Cash Flow Statement - Investing Activities**

2018/19 £000		2019/20 £000
(97,300)	Purchase of property, plant and equipment, investment property and intangible assets	(115,943)
(57,946)	Purchase of short-term and long- term investments	(32,746)
(264)	Other payments for investing activities	(101)
8,010	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10,841
63,142	Proceeds from short-term and long-term investments	27,045
76,455	Other receipts from investing activities (Capital Grants)	71,951
<b>(7,903)</b>	<b>Net cash flows from investing activities</b>	<b>(38,953)</b>

**18. Cash Flow Statement - Financing Activities**

2018/19 £000		2019/20 £000
169,060	Cash receipts of short-term and long-term borrowing	349,350
0	Other receipts from financing activities	0
(688)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance Sheet Private Finance Initiative (PFI) contracts	(1,526)
(180,258)	Repayment of short-term and long-term borrowing	(306,820)
(302)	Other payments for financing activities	(128)
<b>(12,188)</b>	<b>Net cash flows from financing activities</b>	<b>40,876</b>

**19. Cash Flow Statement - Reconciliation of Liabilities Arising from Financing Activities**

	1 <sup>st</sup> April 2019 £000	Financing Cash Flows £000	Non-Cash Changes £000	31 <sup>st</sup> March 2020 £000
Long Term Borrowings	(104,593)	0	19,191	(85,402)
Short Term Borrowings	(55,560)	0	(61,765)	(117,325)
Lease Liabilities	(2,387)	661	(1)	(1,727)
On Balance Sheet PFI Liabilities	(23,223)	866	0	(22,357)
	<b>(185,763)</b>	<b>1,527</b>	<b>(42,575)</b>	<b>(226,811)</b>

## 20. Officers' Remuneration

The number of officers whose remuneration exceeded £50,000 in 2019/20 is detailed below:

2018/19 Schools	2018/19 Other	2018/19 Total	Remuneration Band	2019/20 Schools	2019/20 Other	2019/20 Total
18	83	101	£50,000 - £54,999	29	79	108
24	21	45	£55,000 - £59,999	18	37	55
11	23	34	£60,000 - £64,999	10	17	27
8	20	28	£65,000 - £69,999	13	21	34
5	7	12	£70,000 - £74,999	4	9	13
1	8	9	£75,000 - £79,999	3	3	6
2	4	6	£80,000 - £84,999	1	5	6
0	1	1	£85,000 - £89,999	1	4	5
0	1	1	£90,000 - £94,999	0	3	3
0	0	0	£95,000 - £99,999	1	3	4
1	0	1	£100,000 - £104,999	0	2	2
0	1	1	£105,000 - £109,999	0	0	0
0	3	3	£110,000 - £114,999	0	1	1
0	1	1	£115,000 - £119,999	0	0	0
0	0	0	£125,000 to £129,999	0	1	1
0	0	0	£165,000 to £169,999	0	1	1
70	173	243	Total	80	186	266

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**.

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## 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 2019/20 and include salaried, agency and other contracted-in employees.

2019/20 Remuneration					
Job Title / Name	Salary, Fees, Allowances and Bonuses £	Expenses and Allowances (chargeable to UK Income Tax) £	Compensation for Loss of Employment £	Employer's Pension Contribution £	Total £
<b>Chief Executive:</b>					
Chief Executive – Lorraine O'Donnell (from 30 <sup>th</sup> March 2020)	812	0	0	276	1,088
Acting Chief Executive – Kath O'Dwyer (to 8 <sup>th</sup> March 2020)	216,271	52	0	52,104	268,427
<b>Executive Directors:</b>					
<b>Place and Deputy CEO</b>					
Executive Director of Place and Deputy Chief Executive – Frank Jordan	151,437	84	0	48,711	200,232
<b>People</b>					
Executive Director of People	137,824	132	0	45,210	183,166
<b>Corporate</b>					
Executive Director of Corporate Services (from 23 <sup>rd</sup> September 2019)	62,186	6	0	20,729	82,921
Interim Executive Director of Corporate Services (to 21 <sup>st</sup> June 2019)	66,006	0	0	0	66,006
Chief Operating Officer (to 8 <sup>th</sup> April 2019)	56,452	0	35,016	1,078	92,546
<b>Other Statutory Officers:</b>					
<b>Monitoring Officer</b>					
Director of Governance and Compliance (from 2 <sup>nd</sup> September 2019)	62,578	16	0	20,300	82,894
Interim Director of Governance and Compliance Services (to 31 <sup>st</sup> August 2019)	96,409	88	0	0	96,497
<b>S151</b>					
Director of Finance and Customer Services (S151 Officer)	90,091	0	0	28,983	119,074
<b>Public Health</b>					
Director of Public Health (to 30 <sup>th</sup> August 2019)	39,865	0	0	5,752	45,617
Acting Director of Public Health (from 31 <sup>st</sup> August 2019)	50,518	0	0	17,176	67,694
<b>Total 2019/20</b>	<b>1,030,449</b>	<b>378</b>	<b>35,016</b>	<b>240,319</b>	<b>1,306,162</b>

During 2019/20, 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, EU Elections and Borough & Parish Elections	42,150

The comparable data for the previous year was as follows:

2018/19 Remuneration					
Job Title / Name	Salary, Fees, Allowances and Bonuses £	Expenses and Allowances (chargeable to UK Income Tax) £	Compensation for Loss of Employment £	Employer's Pension Contribution £	Total £
<b>Chief Executive:</b>					
Acting Chief Executive – Kath O'Dwyer	167,741	109	0	53,885	<b>221,735</b>
Chief Executive (to 9 <sup>th</sup> July 2018)	74,822	0	0	13,780	<b>88,602</b>
<b>Executive Directors:</b>					
<b>Place and Deputy CEO</b>					
Executive Director of Place and Deputy Chief Executive	140,063	27	0	45,100	<b>185,190</b>
<b>People</b>					
Acting Executive Director of People	129,757	171	0	41,782	<b>171,710</b>
<b>Corporate</b>					
Interim Executive Director of Corporate Services (from 22 <sup>nd</sup> October 2018)	126,222	0	0	0	<b>126,222</b>
Interim Executive Director of Corporate Services - Section 151 Officer (to 8 <sup>th</sup> October 2018)	91,910	0	0	0	<b>91,910</b>
Chief Operating Officer	140,063	0	0	45,100	<b>185,163</b>
<b>Other Statutory Officers:</b>					
<b>Monitoring Officer</b>					
Acting Director of Legal Services and Interim Monitoring Officer	93,017	0	0	29,951	<b>122,968</b>
<b>S151</b>					
Head of Finance and Performance (Deputy Section 151 Officer) / Acting Section 151 Officer from 8 <sup>th</sup> October 2018)	80,366	62	0	25,878	<b>106,306</b>
<b>Public Health</b>					
Director of Public Health	95,845	0	0	13,783	<b>109,628</b>
<b>Total 2018/19</b>	<b>1,139,806</b>	<b>369</b>	<b>0</b>	<b>269,259</b>	<b>1,409,434</b>

During 2018/19, 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 £
By-Election, Town Council Elections and Neighbourhood Planning Referendums	4,600

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## 22. Termination Benefits

The Council terminated the contracts of a number of employees in 2019/20, incurring liabilities of £0.8m (£1.5m in 2018/19).

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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £000	2019/20 £000
£0 - £20,000	10	14	39	26	49	40	406	321
£20,001 - £40,000	1	1	8	10	9	11	245	323
£40,001 - £60,000	0	0	2	1	2	1	93	46
£60,001 - £80,000	0	0	1	0	1	0	71	0
£80,001 - £100,000	0	0	2	0	2	0	184	0
£100,001 - £150,000	0	0	2	1	2	1	245	132
£150,001 and over	0	0	1	0	1	0	217	0
	11	15	55	38	66	53	1,461	822

## 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.

2018/19 £000		2019/20 £000
119	Fees payable to the appointed auditor, Mazars LLP, for external audit services.	119
119		119
10	Fees payable in respect of certification of grant claims and returns (KPMG UK)	10
10		10
129	Total External Audit Fees	129

The audit fees for the subsidiaries are included in the Group Accounts **Note 6**.

## 24. Dedicated Schools Grant

The funding of schools is provided via Dedicated Schools Grant (DSG). The original DSG award value for 2019/20 was £269.2m (£263.1m in 2018/19). 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 2019/20 are as follows:

Details of the deployment of DSG receivable for 2019/20 are as follows:

Total 2018/19  £000	Schools' Budget Funded by Dedicated Schools Grant	Central Expenditure  £000	Individual Schools Budget  £000	Total 2019/20  £000
<b>263,134</b>	Final DSG for 2019/20 before Academy recoupment *			<b>269,175</b>
<b>(126,369)</b>	Academy recoupment for 2019/20			<b>(138,579)</b>
<b>136,765</b>	<b>Total DSG after Academy recoupment for 2019/20</b>			<b>130,596</b>
<b>2,304</b>	Brought Forward from 2018/19			<b>1,596</b>
<b>0</b>	Carry forward to 2020/21 agreed in advance			<b>0</b>
<b>139,069</b>	<b>Agreed budgeted distribution for 2019/20</b>	<b>38,403</b>	<b>93,789</b>	<b>132,192</b>
<b>191</b>	In-Year Adjustments	318		<b>318</b>
<b>(261)</b>	Deduction for Licences	(272)		<b>(272)</b>
<b>138,999</b>	<b>Final budgeted distribution for 2019/20</b>	<b>38,449</b>	<b>93,789</b>	<b>132,238</b>
<b>(38,484)</b>	Less Actual Central Expenditure	(41,009)		<b>(41,009)</b>
<b>(98,919)</b>	Less Actual ISB deployed to Schools		(93,789)	<b>(93,789)</b>
<b>0</b>	Plus Local Authority Contribution for 2019/20			<b>0</b>
<b>1,596</b>	<b>Carry Forward to 2020/21</b>	<b>(2,560)</b>	<b>0</b>	<b>(2,560)</b>

\* 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.



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## 25. Grant Income

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

2018/19 £000	Grant Credited to Taxation and Non-Specific Grant Income	2019/20 £000
	<b>Revenue Grants</b>	
(5,416)	Revenue Support Grant	0
(7,053)	Business Rates Tax Loss Compensation Payment	(5,451)
(8,563)	New Homes Bonus Grant	(9,327)
(1,648)	Housing Benefit, Council Tax and NNDR Administration Grant	(1,601)
0	COVID-19 Emergency Funding	(9,151)
(4,813)	Other Revenue Non Ring-fenced Grants	(5,148)
<b>(27,493)</b>	<b>Total Revenue Grants</b>	<b>(30,678)</b>
	<b>Capital Grants and Contributions</b>	
(37,867)	Department for Transport	(43,491)
(12,703)	Education & Skills Funding Agency	(8,229)
(6,209)	Greater Manchester Combined Authority	(1,788)
(2,388)	Ministry of Housing, Communities and Local Government	(2,255)
0	Department of Culture, Media and Sport	(18)
(150)	Homes and Communities Agency	(150)
(233)	Other Grants	(151)
(3,741)	Developers Contributions – Sections 106 and 278	(7,453)
(10,175)	Local Growth Fund	1,765
(2,202)	Contributions from other Local Government Bodies	(3,137)
(302)	Other Contributions	(333)
<b>(75,970)</b>	<b>Total Capital Grants</b>	<b>(65,240)</b>
<b>(103,463)</b>	<b>Total Grant Credited to Taxation and Non-Specific Grant Income (per Note 6)</b>	<b>(95,918)</b>

2018/19 £000	Grant Credited to Services	2019/20 £000
(136,765)	Dedicated Schools Grant	(130,596)
(67,542)	Housing Benefit Subsidy Grant	(58,670)
(16,400)	Public Health Grant	(15,967)
(5,615)	Improved Better Care Fund	(7,647)
(4,125)	Private Finance Initiative Grant	(3,294)
(3,657)	Education & Skills Funding Agency Grant	(2,380)
(4,779)	Pupil Premium Grant	(4,415)
(2,292)	Universal Infant Free School Meals Grant	(2,031)
(8,969)	Other Service Grants and Contributions	(9,725)
<b>(250,144)</b>	<b>Total Grant Credited to Services</b>	<b>(234,725)</b>

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:

2018/19 £000	Capital Grants Receipts in Advance	2019/20 £000
(3,187)	Conditional Grants	(959)
(18,962)	Developer Contributions - S106	(26,783)
<b>(22,149)</b>	<b>Total</b>	<b>(27,742)</b>

## 26. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the national Teachers' Pension Scheme. In 2019/20 the Council paid £8.271m to Teachers' Pensions in respect of teachers' retirement benefits, representing 20.7% of pensionable pay. The equivalent contribution figures for 2018/19 were £6.973m (16.5% of pensionable pay), with contributions payable in the next financial year estimated at £9.246m.

A further £0.037m (20.6% 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 1<sup>st</sup> April 2013. The contributions payable to the NHS Scheme in the next financial year are estimated at £0.030m.

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 40(e)**.

Being part of the Cheshire East Group, employees of the Council's wholly owned and controlled companies participate in the Local Government Pension Scheme (defined benefit scheme). However, the existence of a tripartite agreement between the Council, the respective companies and the Cheshire Pension Fund ensures that each company's obligation to Cheshire Pension Fund is limited only to paying fixed employer contributions as they fall due – they have no legal or constructive obligation to pay further contributions to Cheshire Pension Fund over and above a fixed contribution; and the economic substance of the principal terms and conditions for the companies means that, with reference to IAS 19, they account for the pension plan as if it were a defined contribution plan. (See **Note 27** below).

## 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 2019/20 financial year was undertaken as at 31<sup>st</sup> March 2016.

In 2019/20 Cheshire East Council was due to pay employer contributions of £36.7m into the Cheshire Pension Fund (the Fund), based on a contribution rate of 36.8% of non-teaching employees' pensionable pay. A further £1.2m of employer contributions was paid into the Fund in 2019/20, but a deduction for past service costs already prepaid in advance of £18.0m, brings the actual total employer contribution to £19.9m. The equivalent figure for 2018/19 was £19.1m, comprising £31.2m of regular employer contributions (32.6% of pensionable pay), a further £1.3m of central employer contributions and an early repayment of £13.4m.

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.

As stated in **Note 26**, as part of the Cheshire East Group, employees of the Council's wholly owned and controlled companies participate in the LGPS. A tripartite agreement is in place between the Council, the respective companies and the Cheshire Pension Fund to the effect that each company's obligation to Cheshire Pension Fund is limited only to paying fixed employer contributions as they fall due - the economic substance of the principal terms and conditions for the companies means that, with reference to IAS 19, they account for the pension plan as if it were a defined contribution plan. The Council holds all the investment and actuarial valuation risk and its obligation to Cheshire Pension Fund is in respect of any exit (end of contract) deficits/ surpluses; consequently the Council accounts for the liabilities of the Scheme attributable to the whole of the Cheshire East Group on its balance sheet, and also 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 Council's comprehensive income and expenditure statement in the year in which they arise.

- **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 2019/20, the Council paid £2.5m in discretionary benefits to retired teaching staff. These benefits are unfunded, having no associated assets. The equivalent figure for 2018/19 was £2.6m.

### 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.

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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:

2018/19 Local Gov't Pension Scheme £000	2018/19 Teachers' Unfunded Scheme £000		2019/20 Local Gov't Pension Scheme £000	2019/20 Teachers' Unfunded Scheme £000
		<b><u>Comprehensive Income and Expenditure Statement</u></b>		
		<b>Cost of Services</b>		
		Service Cost comprising:		
(41,954)	0	▪ Current service cost	(50,259)	0
(6,502)	0	▪ Past service costs (including curtailments)	(57)	0
2,721	0	▪ Settlements (gain) / loss	1,098	0
		Financing and Investment Income and Expenditure:		
(9,544)	(879)	▪ Net interest expense	(11,519)	(774)
<b>(55,279)</b>	<b>(879)</b>	<b>Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>(60,737)</b>	<b>(774)</b>
		<b><u>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</u></b>		
		Remeasurement of the net defined benefit liability comprising:		
37,390	0	▪ (Gain) / Loss on plan assets (excluding the amount included in the net interest expense)	(7,086)	0
		▪ Actuarial (gains) / losses arising on changes in:		
0	0	- demographic assumptions	71,268	0
(124,193)	(885)	- financial assumptions	105,952	2,182
0	776	- other assumptions	8,036	1,292
<b>(86,803)</b>	<b>(109)</b>	<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>178,170</b>	<b>3,474</b>
		<b><u>Movement in Reserves Statement</u></b>		
(55,279)	(879)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(60,737)	(774)
		Actual amount charged against the General Fund balance for pensions in the year:		
32,913	0	▪ Employer's contributions payable to the Scheme	37,955	0
0	0	▪ Effect of business combinations and disposals	(1,073)	0
0	2,576	▪ Retirement benefits payable to pensioners	0	2,529
<b>(22,366)</b>	<b>1,697</b>	<b>Net Movement in Reserves</b>	<b>(23,855)</b>	<b>1,755</b>

The remeasurement of the net defined liability recognised in Other Comprehensive Income and Expenditure resulted in a net gain of £181.6m as at 31<sup>st</sup> March 2020 (£86.9m net loss as at 31<sup>st</sup> March 2019).

## 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:

2018/19 Local Gov't Pension Scheme £000	2018/19 Teachers' Unfunded Scheme £000		2019/20 Local Gov't Pension Scheme £000	2019/20 Teachers' Unfunded Scheme £000
(1,765,163)	(33,506)	Present value of the defined benefit obligation	(1,631,451)	(28,277)
1,301,562	0	Fair value of plan assets	1,304,123	0
<b>(463,601)</b>	<b>(33,506)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(327,328)</b>	<b>(28,277)</b>

### Reconciliation of present value of the Defined Benefit Obligation:

2018/19 Local Gov't Pension Scheme £000	2018/19 Teachers' Unfunded Scheme £000		2019/20 Local Gov't Pension Scheme £000	2019/20 Teachers' Unfunded Scheme £000
<b>1,595,293</b>	<b>35,093</b>	<b>Balance Brought Forward</b>	<b>1,765,163</b>	<b>33,506</b>
<b>1,595,293</b>	<b>35,093</b>	<b>Present value of Scheme Liabilities at 1<sup>st</sup> April</b>	<b>1,765,163</b>	<b>33,506</b>
41,954	0	Current Service Cost	50,259	0
43,072	879	Interest Cost	42,596	774
6,992	0	Contributions from Scheme participants	7,323	0
		Remeasurement (gains) / losses arising from:		
0	0	▪ changes in demographic assumptions	(71,268)	0
124,193	885	▪ changes in financial assumptions	(105,952)	(2,182)
0	(776)	▪ changes in other assumptions	(8,036)	(1,292)
6,502	0	Past service cost (including curtailments)	57	0
(46,200)	(2,575)	Benefits paid	(50,448)	(2,529)
0	0	Effect of business combinations and disposals	4,321	0
(6,643)	0	Liabilities extinguished on settlements	(2,564)	0
<b>1,765,163</b>	<b>33,506</b>	<b>Present value of Scheme Liabilities at 31<sup>st</sup> March</b>	<b>1,631,451</b>	<b>28,277</b>

### Reconciliation of fair value of plan assets:

2018/19 Local Gov't Pension Scheme £000		2019/20 Local Gov't Pension Scheme £000
<b>1,254,658</b>	<b>Opening fair value of Scheme assets at 1<sup>st</sup> April</b>	<b>1,301,562</b>
(3,922)	Effect of Settlements	(1,466)
33,528	Interest Income	31,077
	Remeasurement (gains) / losses:	
37,391	▪ Return on plan assets, excluding the amount in the net interest expense	(7,086)
	Contributions:	
19,115	▪ Employers	19,913
6,992	▪ Plan Participants	7,323
0	▪ Effect of business combinations and disposals	3,248
(46,200)	Benefits paid	(50,448)
<b>1,301,562</b>	<b>Closing fair value of scheme assets at 31<sup>st</sup> March</b>	<b>1,304,123</b>

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

Fair Value at 31 <sup>st</sup> March 2019 £000	Fair Value at 31 <sup>st</sup> March 2020	Quoted Prices in Active Markets £000	Unquoted Prices £000	Total £000
	<b>Equity securities:</b>			
21,681	▪ Consumer	22,412	0	22,412
13,456	▪ Manufacturing	18,131	0	18,131
2,975	▪ Energy and Utilities	2,755	0	2,755
26,230	▪ Financial Institutions	26,123	0	26,123
8,024	▪ Health and Care	11,180	0	11,180
81,783	▪ Information Technology	87,559	0	87,559
5,675	▪ Other	6,546	0	6,546
	<b>Debt Securities:</b>			
0	▪ Other (non-Corporate, non-Government)	0	0	0
45,531	<b>Private Equity</b>	0	49,390	49,390
	<b>Property:</b>			
114,241	▪ UK Property	0	111,866	111,866
2,061	▪ Overseas Property	0	1,996	1,996
	<b>Investment Funds and Unit Trusts:</b>			
271,628	▪ Equities	290,700	0	290,700
424,429	▪ Bonds	315,090	104,398	419,488
198,070	▪ Hedge Funds	0	170,013	170,013
59,506	▪ Other	0	59,521	59,521
26,272	<b>Cash and cash equivalents</b>	0	26,443	26,443
1,301,562	<b>Total value of Scheme assets</b>	780,496	523,627	1,304,123

## 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 formal valuation of the Fund that was carried out as at 31<sup>st</sup> March 2016 and projected forward to 31<sup>st</sup> March 2019.



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

31 <sup>st</sup> March 2019 Local Gov't Pension Scheme	31 <sup>st</sup> March 2019 Teachers' Unfunded Scheme		31 <sup>st</sup> March 2020 Local Gov't Pension Scheme	31 <sup>st</sup> March 2020 Teachers' Unfunded Scheme
		<b>Mortality Assumptions:</b>		
		Average life expectancy at 65 for current pensioners:		
22.3 years	22.3 years	▪ Men	21.2 years	21.2 years
24.5 years	24.5 years	▪ Women	23.6 years	23.6 years
		Average life expectancy at 65 for future pensioners:		
23.9 years	n/a	▪ Men	21.9 years	n/a
26.5 years	n/a	▪ Women	25.0 years	n/a
		<b>Financial Assumptions:</b>		
2.8%	n/a	Rate of increase in salaries	2.7%	n/a
2.5%	2.5%	Rate of increase in pensions	2.0%	1.9%
2.5%	2.5%	Rate of inflation	2.0%	1.9%
2.4%	2.4%	Rate of discounting scheme liabilities	2.3%	2.3%

#### 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%	4%	148,584	2,160
1 year increase in member Life Expectancy	3-5%	3-5%	-	-
0.5% increase in the Salary Increase Rate	1%	-	14,123	-
0.5% increase in the Pension Increase Rate	8%	4%	133,051	2,160

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### 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 latest triennial valuation was completed on 31<sup>st</sup> March 2019.

The Council made employer contributions of £19.9m to the Local Government Pension Scheme in 2019/20.

The weighted average duration of the defined benefit obligation for Scheme members is 22 years:

	Liability Split	Weighted Average Duration at Previous Formal Valuation
Active Members	34.8%	26 years
Deferred Members	19.4%	28 years
Pensioner Members	45.8%	14 years
	<b>100.0%</b>	<b>22 years</b>

## 28. Capital Expenditure and Capital Financing

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

2018/19 £000		2019/20 £000
<b>304,788</b>	<b>Opening Capital Financing Requirement</b>	<b>329,538</b>
87,844	Property, Plant and Equipment	94,345
0	Investment Properties	19,863
727	Long Term Investments	388
160	Intangible Assets	133
18	Assets Held for Sale	0
23	Loans transferred to Long Term Debtors	28
15,430	Revenue Expenditure Funded from Capital under Statute	14,595
	<b>Sources of Finance</b>	
(7,337)	Capital Receipts	(10,457)
(60,095)	Government Grants and Other Contributions	(65,258)
(2,563)	Direct Revenue Contributions	(1,597)
(1,511)	Amount provided at 2% of the capital financing requirement in respect of supported and unsupported borrowing incurred prior to 31 <sup>st</sup> March 2008	(1,542)
(6,917)	Amount provided in respect of unsupported borrowing	(8,222)
(33)	Amount provided in respect of assets acquired under Finance leases	0
(742)	Amount provided in respect of PFI arrangements	(866)
(254)	Prior year adjustments	(4)
<b>329,538</b>	<b>Closing Capital Financing Requirement</b>	<b>370,944</b>
	<b>Explanation of movements in year</b>	
(1,511)	Decrease in underlying need to borrow (supported by Government financial assistance)	(1,542)
27,036	Increase in underlying need to borrow (unsupported by Government financial assistance)	43,814
(33)	Assets acquired under finance leases	0
(742)	Assets acquired under PFI / PPP Contracts	(866)
<b>24,750</b>	<b>Increase / (Decrease) in Capital Financing Requirement</b>	<b>41,406</b>

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**29. Leases****Finance Leases – Council as Lessee**

The Council is committed to making minimum lease payments, this comprises of a settlement of the long term liability for the interest in the equipment and vehicles acquired by the Council. The lease payments also include finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

Balance 2018/19 £000		Balance 2019/20 £000
	<b>Finance Lease Liability:</b>	
661	Current	668
1,728	Non-current	1,061
<b>2,389</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>1,729</b>

The minimum lease payments will be payable over the following period:

2018/19 £000		2019/20 £000
661	Not later than 1 year	668
1,330	Between 1 and 5 years	813
398	Later than 5 years	248
<b>2,389</b>	<b>Total Minimum Lease Payment</b>	<b>1,729</b>

**Finance Leases - Council as Lessor**

The Council has leased out properties at Malkins Bank Golf Course, Knutsford Cinema and Civic Centre, Lyceum Theatre and Household Waste Collection Vehicles to ANSA Ltd.

Balance 2018/19 £000		Balance 2019/20 £000
	<b>Finance Lease Liability (Net present value of minimum lease payments):</b>	
694	Current	711
6,548	Non-current	5,717
2,011	Unearned finance income	1,965
(76)	Unguaranteed residual value of property	(76)
<b>9,177</b>	<b>Gross Investment in the Leases as at 31<sup>st</sup> March</b>	<b>8,317</b>

The gross investment in the lease and the minimum lease payments will be received over the following periods:

31 <sup>st</sup> March 2019 Gross Investment in the Lease £000	31 <sup>st</sup> March 2019 Minimum Lease Payments £000		31 <sup>st</sup> March 2020 Gross Investment in the Lease £000	31 <sup>st</sup> March 2020 Minimum Lease Payments £000
850	694	Not later than 1 year	848	711
1,809	1,289	Between 1 and 5 years	1,313	792
6,518	5,259	Later than 5 years	6,156	4,924
<b>9,177</b>	<b>7,242</b>		<b>8,317</b>	<b>6,427</b>

### Operating Leases - Council as Lessee

The future minimum lease payments due under non cancellable leases in future years are:

2018/19				2019/20		
Land and Buildings £000	Other £000	Total £000		Land and Buildings £000	Other £000	Total £000
			<b>Lease:</b>			
35	124	<b>159</b>	Not Later Than 1 Year	34	35	<b>69</b>
35	96	<b>131</b>	Between 1 and 5 Years	40	10	<b>50</b>
0	8	<b>8</b>	Later Than 5 Years	0	0	<b>0</b>
<b>70</b>	<b>228</b>	<b>298</b>	<b>Total</b>	<b>74</b>	<b>45</b>	<b>119</b>

### Operating Leases - Council as Lessor

The Council leases out property for community services and for economic development. The Council is also lessor for farms estates. The future minimum lease payments receivable under non-cancellable leases in future years are:

2018/19 £000		2019/20 £000
1,058	Not later than 1 year	903
2,378	Between 1 and 5 years	1,512
372	Later than 5 years	0
<b>3,808</b>	<b>Total Minimum Lease Payment</b>	<b>2,415</b>

### 30. 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.

Beechmere Extra Care Housing asset suffered a fire in August 2019. The asset is the largest of the Extra Care Housing buildings. Work is currently underway with partners to reinstate the asset in the shortest possible timeframe.

#### 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.

2018/19 £000	Movement in PFI Asset Values	2019/20 £000
17,607	Opening Net Book Value	17,169
0	Additions	0
0	Revaluations	(7,771)
(438)	Depreciation	(14)
17,169	Closing Net Book Value	9,384

#### 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.

2018/19 £000	Allocation of Unitary Payment	2019/20 £000
139	Service Charge	101
1,504	Financing Costs	1,457
132	Contingent Rents	133
742	Liability Repayment	866
233	Lifecycle Costs	173
<b>2,750</b>	<b>Total</b>	<b>2,730</b>

	Principal Payments £000	Capital Costs £000	Interest £000	Service Charge £000	Total £000
Amounts due in 2020/21	848	238	1,558	147	<b>2,791</b>
Amounts due 2021/22 – 2024/25	3,308	1,563	5,486	1,034	<b>11,391</b>
Amounts due 2025/26 – 2029/30	5,124	2,295	5,755	1,630	<b>14,804</b>
Amounts due 2030/31 – 2034/35	6,309	3,235	3,636	2,327	<b>15,507</b>
Amounts due 2035/36 – 2039/40	6,767	2,048	1,811	1,525	<b>12,151</b>
<b>Total</b>	<b>22,356</b>	<b>9,379</b>	<b>18,246</b>	<b>6,663</b>	<b>56,644</b>

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 £4.6m. 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



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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.

### 31. 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 £319.7m (£331.0m in 2018/19) received from Government Departments are set out in the subjective analysis in **Note 6** and **Note 25**;
- Business Rates Fixed Fee Tariff Payments of £24.3m (£23.7m in 2018/19) shown in **Note 4** to the Collection Fund Statement.

In addition Central Government receive £68.8m (£67.5m in 2018/19) relating to the central share of the business rates retention scheme after adjustment for the prior year deficit and surplus on collection fund receipts.

#### Other Public Bodies

The Council undertakes significant transactions with the Cheshire Police and Crime Commissioner (£30.2m in 2019/20 and £26.1m in 2018/19) and Cheshire Fire and Rescue Service (£11.7m in 2019/20 and £11.1m in 2018/19). 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 £1.4m (£1.4m in 2018/19) 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.

As a major precepting authority the council pays the town councils the parish precepts that are collected on their behalf (£7.9m in 2019/20 and £7.4m in 2018/19).

The Council also undertakes transactions with the Pension Fund in the form of contributions to fund future Pension payments for Council employees (2019/20 payments were £19.9m and £19.1m in 2018/19). 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 2019/20, the Council spent £6.6m (£5.9m in 2018/19) 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 2019/20 the Council spent £4.0m (£2.4m during 2018/19) 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 2019/20, 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
Cheshire East Residents First Limited	<ul style="list-style-type: none"> <li>• Councillor David Brown (resigned 26<sup>th</sup> June 2019)</li> <li>• Councillor Peter Groves (resigned 26<sup>th</sup> June 2019)</li> <li>• Officer Paul Bayley (appointed 26<sup>th</sup> June 2019)</li> </ul>
ANSA Environmental Services Limited	<ul style="list-style-type: none"> <li>• Councillor Steve Hogben</li> <li>• Councillor Arthur Moran (appointed 26<sup>th</sup> June 2019)</li> <li>• Officer John Baggott</li> <li>• Officer Kevin Melling</li> </ul>
Civance Limited (Ceased trading 31 <sup>st</sup> March 2020)	<ul style="list-style-type: none"> <li>• Councillor Stewart Gardiner (resigned 3<sup>rd</sup> February 2019)</li> <li>• Councillor Marilyn Houston (appointed 1<sup>st</sup> September 2019, resigned 3<sup>rd</sup> February 2020)</li> <li>• Councillor Andrew Kolker (resigned 31<sup>st</sup> August 2019)</li> <li>• Officer Paul Bayley (appointed 3<sup>rd</sup> February 2020)</li> <li>• Officer Ian Bunn (resigned 3<sup>rd</sup> February 2020)</li> </ul>

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Name of Wholly Owned Company	Name of Member / Officer
Engine of the North Limited (Ceased trading 31 <sup>st</sup> July 2019)	<ul style="list-style-type: none"> <li>• Officer Paul Bayley (appointed 26<sup>th</sup> June 2019)</li> <li>• Officer Mark Thompson (resigned 10<sup>th</sup> July 2019)</li> </ul>
Orbitas, Bereavement Services Limited	<ul style="list-style-type: none"> <li>• Councillor Joy Bratherton (appointed 24<sup>th</sup> May 2019)</li> <li>• Councillor Penelope Butterill</li> <li>• Councillor David Marren</li> <li>• Officer Kevin Melling</li> </ul>
Tatton Park Enterprises Limited	<ul style="list-style-type: none"> <li>• Councillor Kathryn Flavell (appointed 6<sup>th</sup> June 2019)</li> <li>• Councillor Peter Groves (appointed 6<sup>th</sup> June 2019, resigned 11<sup>th</sup> June 2019)</li> <li>• Councillor James Nicholas (appointed 11<sup>th</sup> June 2019)</li> <li>• Officer Graham Jones (appointed 6<sup>th</sup> June 2019)</li> </ul>
The Skills and Growth Company Limited (Ceased trading 31 <sup>st</sup> July 2019)	<ul style="list-style-type: none"> <li>• Councillor George Hayes (resigned 26<sup>th</sup> June 2019)</li> <li>• Officer Paul Bayley (appointed 26<sup>th</sup> June 2019)</li> <li>• Officer Julian Cobley (resigned 26<sup>th</sup> June 2019)</li> </ul>
Transport Service Solutions Limited	<ul style="list-style-type: none"> <li>• Councillor Laura Crane (appointed on 1<sup>st</sup> July 2019, resigned 22<sup>nd</sup> January 2020)</li> <li>• Councillor Michael Hunter (appointed 10<sup>th</sup> March 2020)</li> <li>• Councillor Jonathan Parry (appointed on 1<sup>st</sup> July 2019)</li> <li>• Officer Kevin Melling</li> </ul>

In addition to the above, Members and officers held interests (by way of Board membership) in the following joint venture company in 2019/20:

Name of Joint Venture Company	Name of Member / Officer
Alliance Environmental Services Limited	<ul style="list-style-type: none"> <li>• Officer Simon Baker (resigned 27<sup>th</sup> February 2020)</li> <li>• Officer John Geoffrey Baggott</li> <li>• Officer Kevin Melling</li> <li>• Officer Andrew Stokes</li> <li>• Officer Jane Thomason</li> <li>• Officer Julian Trillo (appointed 27<sup>th</sup> February 2020)</li> </ul>

Members and officers held interests (by way of Board membership) in the following joint venture or wholly-owned subsidiary companies which were dormant during 2019/20:

Name of Wholly Owned Company or Joint Venture Company	Name of Member / Officer
Cheshire Energy Networks Limited (Joint Venture)	<ul style="list-style-type: none"> <li>• Councillor David Brown</li> <li>• Councillor Brian Puddicombe (appointed 11<sup>th</sup> June 2019)</li> <li>• Officer Andrew Hart</li> <li>• Officer Lee Kitchen</li> </ul>
Cheshire and Warrington DF (GP) Limited (Wholly-owned Subsidiary)	<ul style="list-style-type: none"> <li>• Officer Frank Jordan</li> <li>• Officer Philip Cox</li> </ul>

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	<ul style="list-style-type: none"> <li>• Councillor Rachel Bailey (resigned 14<sup>th</sup> August 2019)</li> <li>• Councillor Craig Browne (appointed 14<sup>th</sup> August 2019)</li> </ul>
Cheshire Association of Local Councils (ChALC)	<ul style="list-style-type: none"> <li>• Councillor Lesley Smetham</li> </ul>
Cheshire & Warrington Local Enterprise Partnership	<ul style="list-style-type: none"> <li>• Councillor Rachel Bailey (resigned 4<sup>th</sup> June 2019)</li> <li>• Councillor Craig Browne (appointed 1<sup>st</sup> July 2019)</li> </ul>
Everybody Sport & Recreation	<ul style="list-style-type: none"> <li>• Councillor Suzie Akers Smith (appointed 10<sup>th</sup> July 2019)</li> <li>• Councillor Andrew Kolker</li> </ul>
Macclesfield Silk Heritage	<ul style="list-style-type: none"> <li>• Councillor Elizabeth Braithwaite (appointed 24<sup>th</sup> October 2019)</li> <li>• Councillor David Brown (resigned 24<sup>th</sup> October 2019)</li> <li>• Councillor Lesley Smetham (appointed 25<sup>th</sup> October 2019)</li> </ul>
Manchester Science Partnership	<ul style="list-style-type: none"> <li>• Councillor Rachel Bailey (resigned 25<sup>th</sup> September 2019)</li> </ul>
Peaks & Plains Housing Trust	<ul style="list-style-type: none"> <li>• Councillor Paul Findlow (resigned 31<sup>st</sup> July 2019)</li> <li>• Councillor Brian Puddicombe (appointed 31<sup>st</sup> July 2019)</li> </ul>

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The table below shows net Receipts / Payments to related party organisations where Members / Officers or their close relatives hold a personal interest. Current net debtors / creditors as at 31<sup>st</sup> March 2020 (**Note 10** and **Note 12**) are also shown in respect of related parties:

Name of Company	Type of Organisation	Net Payments to / (Receipts from) the Organisations £000	Amounts Owed from / (to) the Organisations £000	No. of Declarations
Alliance Environmental Services Limited	Joint Venture Company	(201)	167	6
ANSA Environmental Services Limited	Wholly Owned Company	31,682	(1,125)	4
Astbury Mere Trust	External Entity	(22)	15	1
Cheshire & Warrington Local Enterprise Partnership	Associate Company	3,229	42	5
Cheshire East Citizens Advice Bureau	External Entity	205	(69)	1
Cheshire Neighbours Credit Union	External Entity	5	0	1
Civica Limited	Wholly Owned Company	1,203	41	5
Congleton Shop Mobility	External Entity	10	0	1
Engine of the North Limited	Wholly Owned Company	1,348	37	2
Everybody Sport & Recreation	External Entity	2,446	16	2
Learning for Life Partnership	External Entity	214	(8)	1
Macclesfield Silk Heritage	External Entity	152	0	3
Manchester Science Partnership	External Entity	2,367	0	1
Marketing Cheshire	External Entity	180	0	2
Mid Cheshire Hospital NHS Trust	External Entity	239	391	1
Morton Hall Community Centre	External Entity	12	0	1
Nantwich Museum Trust	External Entity	38	(13)	2
Orbitas, Bereavement Services Limited	Wholly Owned Company	1,716	(27)	4
Peaks and Plains Limited	External Entity	242	(3)	2
Plus Dane Housing Limited	External Entity	318	(22)	1
Refugees Welcome	External Entity	20	5	1
Tatton Park Enterprises Limited	Wholly Owned Company	2,558	21	4
The Skills and Growth Company Limited	Wholly Owned Company	370	9	3
Transport Service Solutions Limited	Wholly Owned Company	13,935	50	4
<b>Total</b>		<b>62,266</b>	<b>(473)</b>	<b>58</b>

## 32. 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. Engine of the North Limited and The Skills and Growth Company ceased trading on the 31<sup>st</sup> July 2019 and its employees and activities transferred back into Cheshire East Council. Similarly, Civicance Limited ceased trading on the 31<sup>st</sup> March 2020 and its employees and activities also transferred back to Cheshire East Council. On 24<sup>th</sup> September 2019 Cheshire and Warrington DF (GP) Limited was incorporated. This is a wholly owned subsidiary of Cheshire East Council but was dormant at 31<sup>st</sup> March 2020. 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 2018/19 £000	Profit / (Loss) 2018/19 £000	Company	Interest	Turnover 2019/20 £000	Profit / (Loss) 2019/20 £000
Not applicable	Not applicable	Cheshire East Residents First Limited	Wholly Owned Holding Company	Not applicable	Not applicable
35,222	257	ANSA Environmental Services Limited	Wholly Owned subsidiary (consolidated)	38,188	217
1,618	26	Civicance Limited	Wholly Owned subsidiary (consolidated)	1,646	28
2,504	34	Engine of the North Limited	Wholly Owned subsidiary (consolidated)	1,205	0
1,723	(16)	Orbitas, Bereavement Services Limited	Wholly Owned subsidiary (consolidated)	1,869	30
1,698	(28)	The Skills and Growth Company Limited	Wholly Owned subsidiary (consolidated)	669	16
14,672	111	Transport Service Solutions Limited	Wholly Owned subsidiary (consolidated)	14,871	226
1,085	0	Tatton Park Enterprise Limited	Wholly Owned subsidiary (excluded from consolidation)	960	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 Cleansing
Cheshire and Warrington DF (GP) Limited	UK	Cheshire	Management of a Cheshire wide development fund to aid regeneration in the region (currently dormant)
Civicance Limited	UK	Cheshire	Conveyancing & Land Charges, Building Regulations, Structural Appraisals, Thermal Imaging Service, Fire Risk Assessments, Energy Performance Certificates, Dangerous Structures, Address Management
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



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Company	Country of Incorporation	Principal Place of Business	Activities
Orbitas Bereavement Services Limited	UK	Cheshire	Burial, cremation, memorial and bereavement support services
The Skills and Growth Company Limited	UK	Cheshire	Business Support, Education and Skills, Growth and Regeneration
Transport Service Solutions Limited	UK	Cheshire	Home to School Transport, Specialised Transport, TSS Passenger Service Fleet, Public Transport, Community Transport, Transport Associated Activities
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 are not required by contractual obligations.

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

- Cheshire and Warrington Local Enterprise Partnership (CWLEP) Limited is an associate company of Cheshire East Council. The company is limited by guarantee of which Cheshire East held a 33.33% share, as at 31<sup>st</sup> March 2020, along with the remainder held by Cheshire West and Chester Council and Warrington Borough Council in equal shares. During 2019/20 the turnover of the company was £3.9m (£2.2m in 2018/19) with a total profit of £26,242 (£20,599 in 2018/19) and Net Assets of £296,153 (£269,911 in 2018/19). Cheshire East Council's associated share of the profit and net assets would be £8,747 (£6,866 in 2019/20) and £98,718 (£89,970 in 2018/19) 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 Council acts as the Accountable Body to the CWLEP, managing funding devolved to the CWLEP from Government. As at 31<sup>st</sup> March 2020, the Council held a number of Government funds, on behalf of CWLEP, including the Local Growth Fund (£4.0m held at 31<sup>st</sup> March 2020) and the Growing Places Fund (£3.3m held at 31<sup>st</sup> March 2020).

- 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 28<sup>th</sup> March 2014 at a cost of £42.81 per share, giving an equity investment of £0.7m. These shares were sold on 25<sup>th</sup> September 2019 for £2.4m and have been accounted for as a capital receipt.
- Cheshire East Council also purchased 1,000,000 ordinary shares (a 10% interest) in a newly formed company Alderley Park Holdings Limited on 28<sup>th</sup> March 2014 at a cost of £1.07 per share, giving an equity investment of £1.1m. The ordinary share investment has been re-valued as at 31<sup>st</sup> March 2020 on a consistent fair value basis at £3.11 per share (£3.88 per share in 2018/19), giving an equity investment of £3.1m (£3.9m in 2018/19). In addition to the equity investment, Cheshire East Council has provided an interest free loan to the value of £1.5m 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 27<sup>th</sup> 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 7<sup>th</sup> 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 2019/20, the turnover of the company was £7.6m with a total profit of £34,822 (£6.1m and £109,155 respectively for 2018/19), the increased turnover reflecting the full year effect of the expansion of Waste and Fleet Services in the Staffordshire Moorlands District Council area which commenced in July 2018.

### 33. Pooled Budget

#### Better Care Fund (BCF and iBCF)

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. £35.415m of jointly agreed funding was allocated to the BCF, iBCF and Winter Pressures by the Partners for 2019/20. Within this, Cheshire East Council was responsible for the commissioning of £16.161m of revenue expenditure and £2.064m of capital expenditure.

In 2019/20 the BCF included Winter Pressures funding of £1.45m as mandated by Central Government. This money was invested in the provision of Short Stay beds and Rapid Response services. These services have been extended into 2020/21 outside the BCF, using the £1.3bn granted by Central Government to NHS bodies to aid the promotion of speedy Discharge from Hospital to free up capacity to focus on the medical impact of the Coronavirus pandemic.

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.



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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

2018/19 Total £000	Funding	2019/20 Eastern CCG £000	2019/20 South CCG £000	2019/20 Total £000
	<b>Revenue Contributions</b>			
8,592	Eastern Cheshire CCG	9,036	0	9,036
7,624	South Cheshire CCG	0	8,154	8,154
7,225	Cheshire East	3,961	3,750	7,711
5,986	Cheshire East (iBCF)	3,643	3,356	6,999
0	Cheshire East (WP)	696	755	1,451
29,427		17,336	16,015	33,351
	<b>Capital Contributions</b>			
2,118	Disabled Facilities Grant	1,074	990	2,064
2,118		1,074	990	2,064
31,545	<b>Total Better Care Fund</b>	18,410	17,005	35,415

2018/19 Total £000	Expenditure	2019/20 Eastern CCG £000	2019/20 South CCG £000	2019/20 Total £000
	<b>Revenue Expenditure</b>			
8,592	Eastern Cheshire CCG	9,036	0	9,036
7,624	South Cheshire CCG	0	8,154	8,154
6,989	Cheshire East BCF	3,544	3,381	6,925
5,166	Cheshire East (iBCF)	3,554	3,274	6,828
0	Cheshire East (WP)	696	755	1,451
28,371		16,830	15,564	32,394
	<b>Capital Expenditure</b>			
2,118	Disabled Facilities Grant	1,074	990	2,064
2,118		1,074	990	2,064
30,489	<b>Total</b>	17,904	16,554	34,458

2018/19 Total £000	Variance	2019/20 Eastern CCG £000	2019/20 South CCG £000	2019/20 Total £000
	<b>Revenue Variance</b>			
0	Eastern Cheshire CCG	0	0	0
0	South Cheshire CCG	0	0	0
(236)	Cheshire East BCF	(417)	(369)	(786)
(820)	Cheshire East (iBCF)	(89)	(82)	(171)
0	Cheshire East (WP)	0	0	0
(1,056)		(506)	(451)	(957)
	<b>Capital Variance</b>			
0	Disabled Facilities Grant	0	0	0
0		0	0	0
(1,056)	<b>Total</b>	(506)	(451)	(957)
(1,056)	<b>Net Overspend / (Underspend)</b>			(957)

### Balance attributable to Cheshire East for Better Care Fund

2018/19 Cheshire East £000		2019/20 Cheshire East £000
	<b>Funding</b>	
0	Funding Share	0
	<b>Current Assets</b>	
0	Debtors and Prepayments	0
1,221	Cash in Hand	1,087
	<b>Current Liabilities</b>	
(165)	Creditors	(130)
0	Cash Overdrawn	0
	<b>General Reserves</b>	
1,056	Better Care Fund Reserve	957

## 34. Contingent Liabilities and Contingent Assets

There are no material contingent assets and liabilities at the balance sheet date.

### 35. Events after the Reporting Period

These accounts have been authorised for issue by the Director of Finance and Customer Services on 31<sup>st</sup> July 2020 and reflect all known post Balance Sheet events affecting the financial statements for the financial year 2019/20 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 31<sup>st</sup> March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

#### Academy Conversions

Hollinhey Primary School, with a net book value of £1.6m, transferred to Academy status on 1<sup>st</sup> April 2019.

Daven Primary School, with a net book value of £1.6m, transferred to Academy status on 1<sup>st</sup> July 2019.

Bexton Primary School, with a net book value of £3.6m, transferred to Academy status on 1<sup>st</sup> August 2020.

Changes as a result of all Academy conversions from 1<sup>st</sup> April 2020 will be captured in the 2020/21 financial accounts as appropriate. See also **Note 5** and **Note 7**.

### 36. Assumptions made about the Future & 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 31<sup>st</sup> March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 £1.0bn as at 31 <sup>st</sup> March 2020).	A 1% fall in property values would result in a reduction of £10.1m 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 £4.1m.
Pensions Liability	Estimation of the net liability (£355.6m as at 31 <sup>st</sup> March 2020) 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 £148.6m.  A sensitivity analysis is included in <b>Note 27</b> , 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.

### 37. Critical Judgement in Applying Accounting Policies

In applying the accounting policies set out in **Note 40**, 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:

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- 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 it substantially controls both the service provided from and the residual value of the assets used to deliver the contract. Consequently, the assets relating to the Extra Care Housing scheme (£9.4m) 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 **Note 7** and **Note 30**.

### 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 **40(o)**.

#### 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 has included the following schools on its balance sheet.

School Status as at 31 <sup>st</sup> March 2020	Alternative Provision	Nursery	Primary	Secondary	Special	Total
Community	1	1	31	3	2	<b>38</b>
Voluntary Aided	0	0	19	0	0	<b>19</b>
Voluntary Controlled	0	0	9	0	0	<b>9</b>
Foundation	0	0	2	1	0	<b>3</b>
<b>Total</b>	<b>1</b>	<b>1</b>	<b>61</b>	<b>4</b>	<b>2</b>	<b>69</b>

### 38. 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:

**IFRS 16:** 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 (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for Local Government to 1<sup>st</sup> April 2021.

**IAS 19:** Employee Benefits will require the remeasurement of net pension asset / liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1<sup>st</sup> April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

Amendments to **IAS 28** Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures.

Annual Improvements to IFRS Standards 2015–2017 Cycle.

These changes are not expected to have a material impact on the Council's single entity statements or group statements.

### 39. Acquired and Discontinued Operations

There have been no acquired or discontinued operations during 2019/20.

## 40. Accounting Policies

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its balance sheet position as at 31<sup>st</sup> March 2020. The Council is required by The Accounts and Audit (England) Regulations 2015 to prepare an annual Statement of Accounts, and those regulations require it to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts has been prepared on a 'going concern' basis. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### 40(a) Accounting for Council Tax and Non-Domestic Rates (NDR)

The collection of Council Tax and Non-Domestic rates (NDR) 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 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 arrears, receipts in advance, receivables impairment allowance and provision for alteration of lists and appeals 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.

### 40(b) 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. In line with IFRS 9 the Council's policy is to monitor the level of debt on an annual basis and determine a prudent level of provision based on the age and type of debt accordingly, 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.
- Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient.

#### 40(c) 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.

#### 40(d) 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.



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### 40(e) 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 IAS19 '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 **Note 26** and **Note 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.

As part of the Cheshire East Group, employees of the Council's wholly owned and controlled companies participate in the LGPS. A tripartite agreement is in place between the Council, the respective companies and the Cheshire Pension Fund to the effect that each company's obligation to Cheshire Pension Fund is limited only to paying fixed employer contributions as they fall due - they have no legal or constructive obligation to pay further contributions to Cheshire Pension Fund over and above a fixed contribution; and the economic substance of the principal terms and conditions for the companies means that, with reference to IAS 19, they account for the pension plan as if it were a defined contribution plan. The Council holds all the investment and actuarial valuation risk and its obligation to Cheshire Pension Fund is in respect of any exit (end of contract) deficits/surpluses; consequently the Council accounts for the liabilities of the Scheme attributable to the whole of the Cheshire East Group on its balance sheet, and also 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 Council's comprehensive income and expenditure statement 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 remeasurement 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.

### **3) Wholly Owned and Controlled Companies within the Cheshire East Group**

As noted above, being part of the Cheshire East Group, employees of the Council's wholly owned and controlled companies participate in the Local Government Pension Scheme (defined benefit scheme). However, the existence of a tripartite agreement between the Council, the respective companies and the Cheshire Pension Fund ensures that each company's obligation to Cheshire Pension Fund is limited only to paying fixed employer contributions as they fall due; and also that the Council's obligation to Cheshire Pension Fund is in respect of any exit (end of contract) deficits/ surpluses; i.e. the Council holds all the investment and actuarial valuation risk. Consequently, with the tripartite agreement in place each subsidiary company has no legal or constructive obligation to pay further contributions to Cheshire Pension Fund over and above a fixed contribution; and the economic substance of the principal terms and conditions for the companies means that, with reference to IAS 19, they account for the pension plan as if it were a defined contribution plan.

### **40(f) Financial Instruments**

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

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

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

## Financial Assets

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

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

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

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

## Financial Assets Measured at Amortised Cost

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

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

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

The fair values of such assets are determined as follows:

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

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

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

IFRS 9 Financial Instruments sets out that equity type investments should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in Fair Value through other Comprehensive Income. The Council will assess each equity type investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument. Any changes in the fair value of

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instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

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

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

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

### Expected Credit Loss Model

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

### 40(g) 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 ring-fenced 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.

#### 40(h) 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.

#### 40(i) 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.

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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.

#### 40(j) 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 33**, Pooled Budgets.

#### 40(k) 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 using the Modern Equivalent Asset approach.
- 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.



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- 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 current 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 1<sup>st</sup> 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 1<sup>st</sup> April 2011.

The Council has determined a de-minimis asset value of £1.9m as a basis for componentising depreciation charges.

### 40(I) 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.

#### 40(m) 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.

#### 40(n) 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).

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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.

### 40(o) 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 2019/20. 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 31<sup>st</sup> March 2020 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. Where schools transfer to Academies, the value of school buildings are removed from the balance sheet.

### 40(p) 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**

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## Collection Fund Statement 2019/20

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

2018/19 Council Tax £000	2018/19 Non- Domestic Rates £000	2018/19 Total £000		2019/20 Council Tax £000	2019/20 Non- Domestic Rates £000	2019/20 Total £000
(252,739)	0	(252,739)	<b>INCOME</b>	(268,374)	0	(268,374)
0	(136,614)	(136,614)	Council Tax	0	(142,200)	(142,200)
(61)	0	(61)	Non-Domestic Ratepayers	(94)	0	(94)
(252,800)	(136,614)	(389,414)	Foster Carers income from General Fund	(268,468)	(142,200)	(410,668)
			<b>Contribution towards Previous Year's Deficit</b>			
0	0	0	Central Government	0	(945)	(945)
0	0	0	Police and Crime Commissioner	0	0	0
0	0	0	Fire Authority	0	(19)	(19)
0	0	0	Cheshire East Council	0	(927)	(927)
0	0	0		0	(1,891)	(1,891)
			<b>EXPENDITURE</b>			
			<b>Precepts, Demands and Shares</b>			
0	67,882	67,882	Central Government	0	69,704	69,704
25,937	0	25,937	Police and Crime Commissioner	29,969	0	29,969
11,096	1,358	12,454	Fire Authority	11,623	1,394	13,017
213,797	66,524	280,321	Cheshire East Council	224,139	68,310	292,449
250,830	135,764	386,594		265,731	139,408	405,139
			<b>Contribution towards Previous Year's Surplus</b>			
0	312	312	Central Government	0	0	0
119	0	119	Police and Crime Commissioner	255	0	255
53	6	59	Fire Authority	109	0	109
993	306	1,299	Cheshire East Council	2,102	0	2,102
1,165	624	1,789		2,466	0	2,466
			<b>Charges to the Collection Fund</b>			
747	1,005	1,752	Write-offs	850	1,079	1,929
619	(302)	317	Provision for Uncollectable Amounts	799	30	829
0	(254)	(254)	Provision for alteration of lists and appeals	0	4,835	4,835
0	566	566	Costs of Collection	0	571	571
1,366	1,015	2,381		1,649	6,515	8,164
<b>561</b>	<b>789</b>	<b>1,350</b>	<b>(Surplus) / Deficit for the Year</b>	<b>1,378</b>	<b>1,832</b>	<b>3,210</b>
			<b>Allocation of (Surplus) / Deficit in year *</b>			
0	394	394	Central Government	0	916	916
65	0	65	Police and Crime Commissioner	132	0	132
26	8	34	Fire Authority	62	18	80
470	387	857	Cheshire East Council	1,184	898	2,082
<b>561</b>	<b>789</b>	<b>1,350</b>		<b>1,378</b>	<b>1,832</b>	<b>3,210</b>

\* 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

2018/19 Council Tax £000	2018/19 Non- Domestic Rates £000	2018/19 Total £000		2019/20 Council Tax £000	2019/20 Non- Domestic Rates £000	2019/20 Total £000
			<b>COLLECTION FUND BALANCE</b>			
(2,168)	(1,608)	<b>(3,776)</b>	Balance at the Beginning of the Year	(1,607)	(819)	<b>(2,426)</b>
561	789	<b>1,350</b>	(Surplus) / Deficit for the Year (as above)	1,378	1,832	<b>3,210</b>
<b>(1,607)</b>	<b>(819)</b>	<b>(2,426)</b>	<b>Balance at the End of the Year</b>	<b>(229)</b>	<b>1,013</b>	<b>784</b>
			<b>Allocation of Collection Fund Balance to:</b>			
0	(410)	<b>(410)</b>	Central Government	0	507	<b>507</b>
(158)	0	<b>(158)</b>	Police and Crime Commissioner	(26)	0	<b>(26)</b>
(71)	(8)	<b>(79)</b>	Fire Authority	(10)	10	<b>0</b>
(1,378)	(401)	<b>(1,779)</b>	Cheshire East Council	(193)	496	<b>303</b>
<b>(1,607)</b>	<b>(819)</b>	<b>(2,426)</b>	<b>Balance at the End of the Year</b>	<b>(229)</b>	<b>1,013</b>	<b>784</b>



## Notes to the Collection Fund Statement 2019/20

### 1. Non-Domestic Rates

2018/19		2019/20
£354.299m	a) Total Rateable Value at 31 <sup>st</sup> March 2020	£356.364m
49.3p	b) Standard Multiplier	50.4p
48.0p	c) Small Business Multiplier	49.1p

### 2. Precepts and Demands (Council Tax)

2018/19 £000		2019/20 £000
213,797	a) Cheshire East Council (including Parish Precepts)	224,139
25,937	b) Police and Crime Commissioner	29,969
11,096	c) Cheshire Fire Authority	11,623
<b>250,830</b>		<b>265,731</b>

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

2019/20 was the seventh year of the Business Rates Retention Scheme. Cheshire East is the billing authority and is entitled to retain 49% of the Non-Domestic Rates (NDR) collected with 50% being paid over to Central Government and 1% to Cheshire Fire Authority. In 2019/20, Cheshire East's share amounted to £68.66m (net of levy), plus a share of the year end net position (including 100% Renewable Energy rates) of £0.13m, less fixed tariff payable to Central Government £24.27m, resulting in net income to the General Fund of £44.53m. By comparison, the net income for 2018/19 was £41.49m.

From 2015/16, the Authority entered into a pooling arrangement with the Greater Manchester Authorities\*. Under this scheme, the levy 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 a 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 2019/20 this resulted in additional income of £1.391m.

\*Members of the Pool are: Cheshire East Council; Cheshire West and Chester Council; 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 2019/20:

Band	Property Valuation at 1 <sup>st</sup> April 1991	Cheshire East £	Fire Authority £	Police and Crime Commissioner £	Total Council Tax Payable £
A	Up to £40,000	964.18	51.83	133.63	<b>1,149.64</b>
B	£40,001 to £52,000	1,124.88	60.46	155.90	<b>1,341.24</b>
C	£52,001 to £68,000	1,285.57	69.10	178.17	<b>1,532.84</b>
D	£68,001 to £88,000	1,446.27	77.74	200.44	<b>1,724.45</b>
E	£88,001 to £120,000	1,767.66	95.02	244.98	<b>2,107.66</b>
F	£120,001 to £160,000	2,089.06	112.29	289.52	<b>2,490.87</b>
G	£160,001 to £320,000	2,410.45	129.57	334.07	<b>2,874.09</b>
H	Over £320,000	2,892.54	155.48	400.88	<b>3,448.90</b>

## Draft Statement of Accounts 2019/20

## 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 2019/20 this was:

Band	Number of Properties after Discount	Ratio to Band D	Band D Equivalent	Adjustment for 99.0% Collection Rate
Dis *	46.56	5/9 <sup>th</sup>	25.87	25.61
A	20,702.05	6/9 <sup>th</sup>	13,801.36	13,663.35
B	28,670.92	7/9 <sup>th</sup>	22,299.61	22,076.61
C	29,575.24	8/9 <sup>th</sup>	26,289.10	26,026.21
D	23,510.58	1	23,510.58	23,275.47
E	18,877.59	11/9 <sup>th</sup>	23,072.61	22,841.88
F	13,164.52	13/9 <sup>th</sup>	19,015.41	18,825.26
G	11,727.70	15/9 <sup>th</sup>	19,546.17	19,350.71
H	1,733.56	18/9 <sup>th</sup>	3,467.11	3,432.44
Total			151,027.82	149,517.54

\*Band A entitled to disability relief reduction.

## 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 Director of Finance and Customer Services;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

### The Director of Finance and Customer Services Responsibilities

The Director of Finance and Customer Services 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 2018/19 ('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 31<sup>st</sup> March 2020.

In preparing this Statement of Accounts, the Director of Finance and Customer Services 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 Director of Finance and Customer Services 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.

### Director of Finance and Customer Services Certificate

I certify that the Statement of Accounts presents a true and fair financial position of Cheshire East Council as at 31<sup>st</sup> March 2020 and its income and expenditure for the year ended 31<sup>st</sup> March 2020 and authorise the financial statements for issue on 31<sup>st</sup> July 2020.

*Alex Thompson*

**Alex Thompson** CPFA  
Director of Finance and Customer Services

Dated: 31<sup>st</sup> July 2020

## Approval of Accounts

PLACE HOLDER FOR APPROVAL OF ACCOUNTS

## Independent Auditor's Report to the Members of Cheshire East Council

PLACE HOLDER FOR INDEPENDENT AUDITOR'S REPORT



## Glossary of Terms

### Accounting Period

The period of time covered by the accounts which, for local authorities, is the twelve months commencing 1<sup>st</sup> April. The 31<sup>st</sup> 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.

## Draft Statement of Accounts 2019/20

### Balance Sheet

This statement shows the true and fair value of the assets and liabilities recognised by the Council at the balance sheet date (31<sup>st</sup> 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 Commissioner, 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 Commissioner.

## Comprehensive Income and Expenditure Statement (CIES)

The CIES sets out the income and expenditure for 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

## Draft Statement of Accounts 2019/20

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.

## Draft Statement of Accounts 2019/20

### 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.



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### 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.

## Draft Statement of Accounts 2019/20

### 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.

### Prudential Code

The Prudential Code for Capital Finance in Local Authorities (2011) (Prudential Code) was introduced in 2004 and was developed as a professional code of practice to support local strategic planning, asset management planning and proper option appraisal for local authorities when developing their programmes for capital investment in fixed assets.

## Public Works Loan Board (PWLB)

The Public Works Loan Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. Its function is to lend money from the National Loans Fund to local authorities, and to collect the repayments.

## 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.

## Draft Statement of Accounts 2019/20

### 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.

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**Alex Thompson**  
**Director of Finance & Customer Services**

# **2019/20 Draft Statement of Accounts**

## **Audit & Governance Committee**

**30<sup>th</sup> July 2020**

*Working for a **brighter future** together*





# Changes to Deadlines

## The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

These amendments extend the deadline for relevant authorities to publish their statement of accounts and supporting documents (together with any certificate or opinion of the local auditor) in relation to the financial year beginning on 1st April 2019, from 31<sup>st</sup> July to 30th November 2020.

# Important Dates

<b>July 30<sup>th</sup></b>	Committee receive presentation on draft SOA
<b>August 3<sup>rd</sup></b>	Public Inspection (30 working days to 11 <sup>th</sup> Sept)
<b>August - Oct</b>	Mazars on site for main audit
<b>August 28<sup>th</sup></b>	Revenue Outturn Form submitted to government
<b>Sept 30<sup>th</sup></b>	Draft Whole of Government Accounts submitted
<b>November 11<sup>th</sup></b>	Committee receive audited SOA for approval.
<b>November 12<sup>th</sup></b>	Audited Statement of Accounts published

# Approving the Accounts

- The Group Accounts require the approval of the Audit & Governance Committee at their meeting on 11<sup>th</sup> November 2020.
- Each entity within the group also has a set of accounts that require approval, either by the Committee or a Company Board.
- The Cheshire East Group accounts are audited by Mazars LLP.
- The companies accounts are audited by Grant Thornton UK LLP.

# Cheshire East Group 2019/20

## Cheshire East Borough Council

### *Wholly owned companies*

### *Associate*

#### CERF

Ansa  
Ltd

Orbitas  
Ltd

Engine  
of the  
North  
Ltd

Transport  
Service  
Solutions  
Ltd

Civicance  
Ltd

Skills and  
Growth  
Co. Ltd

Tatton Park  
Enterprise  
Ltd  
Not  
consolidated

Cheshire &  
Warrington  
Local  
Enterprise  
Partnership  
Not  
consolidated

# Cheshire East Group

## Statement of Accounts 2019/20

### Supporting Narrative

- Overview of financial and operational performance.
- Includes achievements, risks and lots of facts and figures.

### Management Accounts headlines

- Group useable reserves decreased £5.8m to **£107.0m**
  - 90% of useable reserves have been earmarked
  - Council Revenue spending was **£283.4m**
  - Expenditure was funded In-Year Income and Useable Reserves but with no impact on the General Fund Balance
  - Wholly Owned Companies spending was **£57.8m**
  - Wholly Owned Companies achieved a surplus of **£0.5m**

### Cheshire East Council make up 99.7% of the Group

# Cheshire East Borough Council – Management Accounts

- **£283.4m of Net revenue spending** supported services, an increase of £12.5m (4.6%) from 2018/19.
- **£410.7m of Council Tax and Business Rates** were managed through the Collection Fund.
- **£124.0m of Capital Spending** was completed.

# Cheshire East Group – 2019/20

Movement in reserves	Usable £m	Unusable £m	Total £m
<b>Opening Balance</b>	<b>112.8</b>	<b>136.7</b>	<b>249.5</b>
I & E Surplus/(Deficit)	(26.1)	206.9	180.8
I & E (Adjustments)	20.3	(20.3)	0
<b>Change</b>	<b>(5.8)</b>	<b>186.6</b>	<b>180.8</b>
<b>Closing Balance</b>	<b>107.0</b>	<b>323.3</b>	<b>430.3</b>

Increases: Revaluation Reserve; Decreases: pension liability, earmarked reserves



# Cheshire East Group - 2019/20

Income & Expenditure	2018/19	2019/20
Cost of Services	322.2	354.9
Other Income & Expenditure	55.2	36.7
Taxation and Non-Specific Grant	(359.2)	(365.5)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>18.2</b>	<b>26.1</b>
Revaluation of Assets	(12.6)	(25.3)
Pension Liability	86.9	(181.6)
<b>Total I &amp; E (Surplus) or Deficit</b>	<b>92.5</b>	<b>(180.8)</b>

# Cheshire East Group – 2019/20

Balance Sheet	2018/19	2019/20
Long Term Assets	1,000.6	1,082.7
Current Assets	82.1	109.2
Current Liabilities	(168.1)	(255.9)
Long Term Liabilities	(665.1)	(505.7)
<b>Net Assets</b>	<b>249.5</b>	<b>430.3</b>
Usable Reserves	112.8	107.0
Unusable Reserves	136.7	323.3
<b>Total Reserves</b>	<b>249.5</b>	<b>430.3</b>

Positive impact: Property & Plant; Investment Property; LT Investments; Pensions Liability;  
Capital Receipts in Advance; Short Term Debtors

Negative impact: ST Borrowing; ST Investments

Working for a brighter future together

# Cheshire East Group

Cashflow	2018/19 £m	2019/20 £m
Opening Balance – cash & cash equivalents	5.1	17.1
Closing Balance	17.1	33.7
Net Increase / (decrease) in cash & cash equivalents	12.0	16.6

# What to do now....

## **Members of the Committee should consider:**

- Quality of the supporting narrative
- Relevance of the information provided
- Transparency of the accounts
- Engage with the Finance Team on any queries up to the Committee Date (11<sup>th</sup> November)

## **The Finance Team will:**

- Work with Mazars to complete the audit.
- Promote the public engagement opportunities
- Provide further briefing sessions during October
- Finalise the accounts based on feedback