DECISION NOTICE

Notice is given that the following decision has been taken under the Provisions set out in the Council's Constitution

Decision maker:	Cabinet Member for Finance and Assets
Date:	10 June 2016
Decision in the matter of:	Pensions Settlement with Cheshire East's Wholly Owned and Controlled Companies

Decision:

1. That approval be given to the set up of a pensions 'pass through' arrangement with ANSA, Orbitas, Civicance and TSS backdated to 1 April 2015 with all pensions' assets and liabilities currently allocated to these companies transferring back to the Council.

2. That approval be given to the 'pass through' arrangement as the default settlement for all future controlled companies (to include the Skills and Growth Company) that the Council may set up.

3. That the Chief Operating Officer be authorised to enter into agreements with the companies and the Cheshire Pension Fund to deliver the pensions' 'pass through' arrangement.

4. That the financial benefits released from company balance sheets of the 'pass through' arrangement be retained in the ring fenced fund reserved for use by the Council's companies and controlled by Cheshire East Residents First Ltd.

Background:

It was reported that when the first wave of Council owned and controlled companies were set up in April 2014 a pensions settlement was negotiated between the Council and the companies. The most important principle underpinning this settlement was that the companies would not be responsible on an ongoing basis for a share of the Councils' past service deficit. The Council currently has a net pension's deficit of £267m and insisting that our companies take an appropriate share of this libility would have meant that the companies would have been financially unstable from day one. On 24 March 2014 the Cabinet agreed therefore that all companies would be fully funded in respect of their share of the past service deficit.

This picture started to change however when the first year end accounts at the end of 2014-15 were produced; these showed that all the companies now had a large opening deficit which was subject to volatility and which was unrelated to their ongoing pension contributions to the Fund. Furthermore, the deficits would hamper their ongoing financial performance. The reasons why such significant deficits arose at the end of 2014-15 was explained by a combination of a change in accounting standards and actuarial assumptions.

The net impact of these two factors has had a detrimental impact on the accounts of the companies over the past two years and impacted on both the balance sheet and the proft and loss accounts of the companies, and this cost flows through to impact on the Council through the proft/loss share agreement that is in place. As a result over £2m of revenue funding would be tied up on the companies balance sheet. The proposed solution removes this impact, and thereby frees up this £2m to be applied more constructively by the Council/companies.

Background Documents: The background papers relating to this report can be inspected by contacting the report writer.

Approved:

Signed ……………………………………………………………..
Councillor Peter Groves (Cabinet Member for Finance and Assets)

Date: 10 June 2016

Advising Officer:

Signed ………………………………………………………………………..
Steve Wilcock (Project Finance Lead)