

# **CHESHIRE EAST COUNCIL**

Minutes of a meeting of the **Cabinet Member for Finance and Assets**  
held on Friday, 10th June, 2016 at Committee Suite 2/3 - Westfields,  
Middlewich Road, Sandbach, CW11 1HZ

## **PRESENT**

Councillors P Groves, Cabinet Member for Finance and Assets

### **Councillors in Attendance**

Councillor B Burkhill

Councillor A Stott

### **Officers**

Steve Wilcock, Project Finance Lead

Rachel Graves, Democratic Services Officer

## **21 APOLOGIES FOR ABSENCE**

Apologies were received from Councillor C Andrew, Deputy Portfolio Holder Finance and Assets

## **22 DECLARATIONS OF INTEREST**

There were no declarations of interest.

## **23 PUBLIC SPEAKING TIME/OPEN SESSION**

No members of the public were present.

## **24 PENSIONS SETTLEMENT WITH CHESHIRE EAST'S WHOLLY OWNED AND CONTROLLED COMPANIES**

The Cabinet Member considered a report which proposed that the Council revised the pensions' arrangement with its wholly owned and controlled companies.

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. An important principle underpinning the 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 had a net pension's deficit of £267m and insisting that the companies took an appropriate share of this liability would have meant that the companies would have been financially unstable from day one. In March 2014 Cabinet agreed that all companies would be fully funded in respect of their share of the past service deficit.

However when the first year end account for 2014-15 were produced, these showed that all companies now had a large opening deficit which was subject to volatility and which were unrelated to their ongoing pension contributions to the Fund. Furthermore the deficit would hamper their ongoing financial performance. The reasons why the deficit arose was from a combination of a change in accounting standards and actuarial assumptions.

It was proposed that the companies move to a pensions 'pass through' arrangement, back dated to 1 April 2015, whereby all pensions' assets and liabilities that had nominally been allocated to each company be transferred back to the Council. The new arrangement was often implemented when a council awards a contract to a private sector company. This approach would ensure that the financial position of the companies was improved via a stronger balance sheet and higher operating profits.

There were several potential risks from the pensions pass through arrangement. The Council would be reporting a higher net pensions liability than prior to the pass through arrangement. However, this did not represent a real material increase in the risk taken on by the Council, as the Council was already the guarantor of all pension liabilities both for itself and for all controlled companies. The incorporation of a higher net pension's liability on the balance sheet of the Council did not have any broader impact on the financial standing or performance of the Council.

**RESOLVED:** That

- 1 That approval be given to the setup 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.

**25 EXCLUSION OF THE PRESS AND PUBLIC**

**RESOLVED:**

That the press and public be excluded from the meeting during consideration of the following item pursuant to Section 100(A)4 of the Local Government Act 1972 as amended on the grounds that it involved the likely discussion of exempt information as defined in Paragraphs 3 and 5 of Part 1 of the Schedule 12A of the Local Government Act 1972 and the public interest would not be served in publishing the information.

**26 PENSIONS SETTLEMENT WITH CHESHIRE EAST'S WHOLLY OWNED AND CONTROLLED COMPANIES**

Appendix 2 to the report on the Pensions Settlement with Cheshire East's Wholly Owned and Controlled Companies was considered.

The meeting commenced at 9.30 am and concluded at 10.05 am

Councillor P Groves