

Draft Statement of Accounts 2013 / 14

www.cheshireeast.gov.uk

Introduction to the 2013/14 Statement of Accounts



Cheshire East is the third largest Council in the Northwest of England and is responsible for over 500 services, supporting over 370,000 local people with annual spending of approximately £760m. The complexity of customer demands and the size of the organisation make it important to manage performance and control expenditure to ensure the best outcomes for residents and businesses.

The journey to becoming a strategic commissioning council is now well developed. This report covers the first year of the Council's three year plan (2013/14 – 2015/16). An ambitious but measured approach is being taken to achieving the Council's aims whilst effectively dealing with the challenges of austerity.

The Council's philosophy is about much more than simply reducing costs through arranging cheaper provision or about traditional outsourcing. New approaches to service delivery are being developed to get the best from in-house services. These include joint ventures between the Council and other providers, new delivery vehicles including Council owned and controlled companies, social enterprises and Trusts. During 2013/14 the Council accelerated its programme of significant change and innovation. The Council's review of its management structure, roles and responsibilities, completed in early 2014 is a significant step forward. The senior officer leadership team is now in place with permanent appointments to all executive posts.

In 2013/14 the Council generated a small surplus of £0.9m (0.35%) against its approved revenue budget of £260m. Its overall financial health, performance and resilience is strong despite taking over £50m out of its cost base since 2011. In addition to its strong financial performance the Council can highlight a number of operational achievements throughout 2013/14. These include:

- success in attracting new businesses – it is only one of three hot spots outside London;
- the best performing council in the North West, (and one of the best overall), in decreasing the number of young people classed as not in education, employment or training (NEET);
- highest ever number of good and outstanding schools - 87.3%;
- adoption timeliness and outcomes have improved;
- Adult Social Care (ASC) project to redesign assessment and care management;
- a compelling business case for Crewe as a HS2 Hub station, providing high-speed connectivity to London but, more critically, the potential to drive major growth and regeneration benefits for Crewe and the wider region;
- recycling rates increased to an all time high of 54%;
- collecting over 99% of Council Tax and Business Rates within three years – which places us in the top third of best performing unitary councils;
- successful completion of circa £65m capital programme; including £12.7m investment on the highways infrastructure, £3.9m on Crewe Rail Exchange, £4.9m on the Councils ICT infrastructure; and
- rolling out superfast broadband across Cheshire.

The strong financial position illustrated in this Statement of Accounts for 2013/14 is a testimony to the Council's enhanced governance, innovative service delivery arrangements and effective stewardship of public money. Given the national context and austerity challenge the results achieved in 2013/14 are impressive. Our overriding commitment is to put residents' interests first.

Cllr Peter Raynes
Finance Portfolio Holder

Introduction to the 2013/14 Statement of Accounts

Message from Peter Bates, Chief Operating Officer



Welcome to the Statement of Accounts for Cheshire East Council for the financial year 2013/14. These statements form an important part in demonstrating how the Council manages the public money it is responsible for. They provide a summary of the financial performance of the Council in the delivery of services to the residents and businesses of Cheshire East for the year ended 31 March 2014. The accounts and accompanying documents are subject to an external independent review by Grant Thornton UK LLP. On completion of their work their audit opinion will form part of this document.

This report demonstrates that the overall performance, financial health and resilience of Cheshire East Council is strong. This position reflects the improvements in governance, effective stewardship of public funds and a clear focus on putting residents first. On 1 July 2014, I will ask Cabinet to consider recommending to Council the creation of new earmarked reserves of £12.4m. This will ensure that the overall level of reserves held are sufficient to continue to protect the Council against its assessed financial risks as well as providing opportunities for future investment in its identified priorities.

We all know that the financial and operating environment for the public sector is difficult and uncertain. In 2013/14 the Council adapted well to changes in funding from business rates, the introduction of the local replacement for council tax benefit and the integration of public health services. Central Government's commitment to reduce the high levels of national debt has contributed to local government going through a period of unprecedented change and financial challenge. Cheshire East Council's response continues to be based on innovation and creativity.

The Council also continues to be relentless in its pursuit of greater efficiency and productivity to enable it to deliver a high level of sustainable, quality services for a lower overall cost. Cheshire East Council is now well placed to meet the challenges set out in its medium term financial strategy that was approved at Council in February 2014.

Our commissioning intentions to develop better ways to achieve the Council's five stated outcomes by using a mix of delivery vehicles is continuing to gain momentum. Our strategy now has a more commercial and 'Resident First' outlook. There are many challenges ahead but the pre audit outturn for 2013/14 highlights impressive financial and operational performance for Cheshire East Council.

These statements are intended to help the reader in understanding the Council's finances and allow them to be compared with other local authorities. By producing this report, I aim to give electors, local residents, Members, partners, other stakeholders and interested parties confidence that public money received and spent by the Council has been properly accounted for and that its financial standing is secure. My foreword covers:

- General information on the Council and a financial overview;
- Information on where expenditure was incurred and sources of income in 2013/14;
- Commentary on the financial statements;
- Future opportunities and challenges for the Council in 2014/15 onwards.

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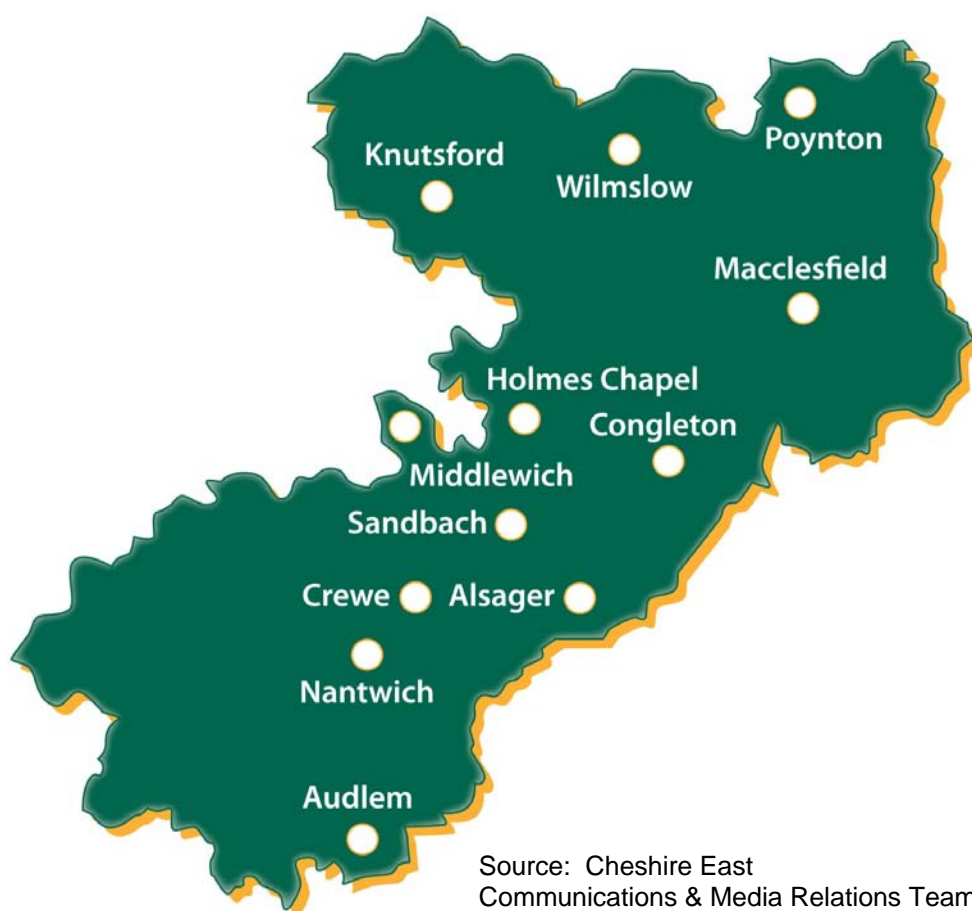
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Explanatory Foreword – General Information and Financial Overview

An introduction to Cheshire East

Cheshire East Council is an all-purpose 'unitary' local authority providing key public services to over 370,000 local residents in Northwest England.

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



Source: Cheshire East
Communications & Media Relations Team

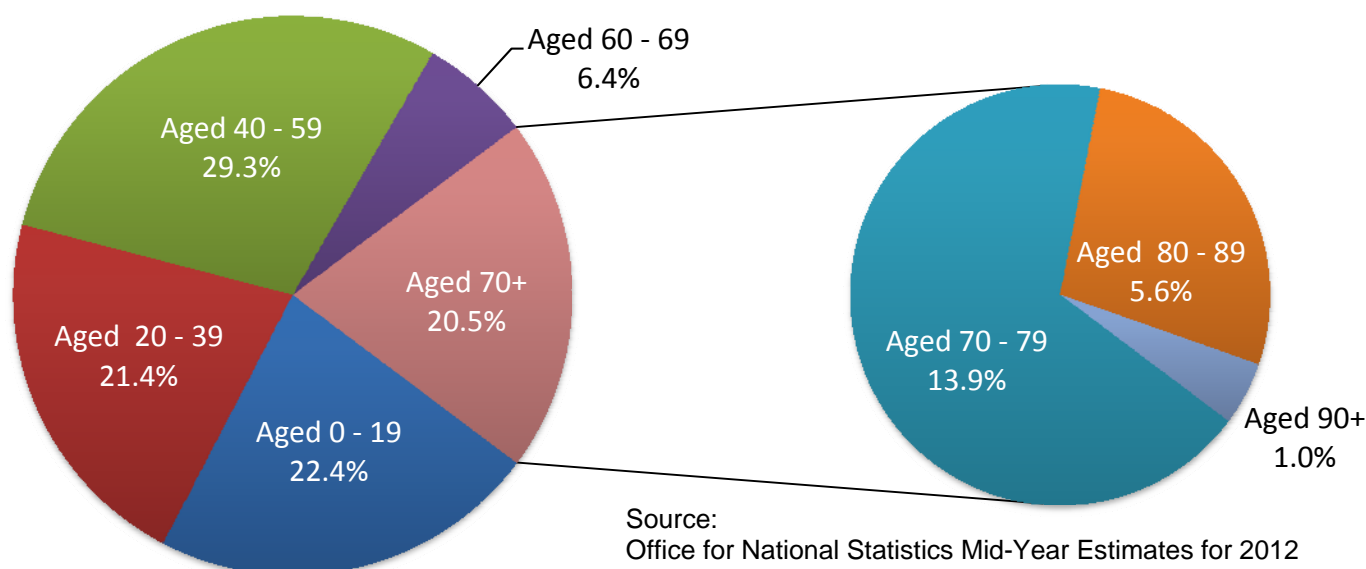
Regeneration, both in terms of employment opportunities and physical redevelopment, is recognised as being very important to the future prosperity of the Borough and is a key aim for the Cabinet.

The Council is committed to deliver services that meet the needs of its local residents and businesses, serving both its towns and rural environment. Those needs are influenced by the makeup of the population, education, local economy, health and housing issues.

Putting Residents First

Population: Office for National Statistics Mid-Year Estimates for 2012 show an estimated population of 372,100. Cheshire East has a relatively older population than average, with 26.9% of the population aged 60+. This analysis is much higher than the national average of 22.7% and is reflected in the Council's targeted outcome to support people to live well and for longer.

Cheshire East Population Structure – Analysis by Age Group



Economy: Economic data tells us:

- Cheshire East's unemployment claimant count in March 2014 was 4,202 and the rate is 1.8% (compared to March 2013 rate of 2.5%). This is below the claimant count rates for Cheshire West & Chester (2.2%), the North West (3.2%) and the UK (2.9%).
- 3.9% of the Borough's 18-24 year-olds are claiming Jobseeker's Allowance – a much higher rate than for other age groups, but significantly lower than it was in March 2013 (6.0%) and lower than in the North West (5.5%) and the UK (5.0%).
- Cheshire East's mean household income is £39,900, 13% above the UK average (£35,300). However, at individual settlement level, income is below the UK average in three of the Borough's 24 main towns and settlements: Crewe, Shavington and Handforth. At the other end of the spectrum, mean household income is more than 25% above the UK average in eight of the 24 towns and settlements, these eight are all in the north or centre of the Borough.

Having a strong local economy is also one of the Council's outcomes, as well as developing life skills to help people thrive. Government changes to introduce business rate retention and council tax support schemes in 2013/14 mean the Council's financial health is more directly affected by local economic results – however, current data shows the Council in a strong position.

Local government is going through an unprecedented period of change. Reducing resources, increasing cost pressures, complex demands and rising customer expectations mean that we must constantly look for ways to improve our services while delivering better value for money. "We must do more for less".

In responding to this challenge, we are doing things differently. Cheshire East has become a 'commissioning council', more strategic and focused on service excellence – putting residents and businesses first. As a commissioning council we are constantly looking for the best way to deliver services for our residents – we call this 'Best Fit'. The Council's focus is to deliver a high level of sustainable, quality, and cost effective services that are needed by Cheshire East residents and businesses.

Cheshire East Council is a multifunctional and complex organisation. Its policies are developed by the Political Leadership and implemented by the Cabinet and Corporate Leadership Board of the Council.

The Political Structure of the Council in 2013/14

As a politically-led organisation Cheshire East has 82 elected members selected from 52 wards. Elections are held every four years, with the next one due in May 2015.

The electorate in Cheshire East is one of the largest in the UK with almost 300,000 registered voters. The Members are led by a Conservative majority. The political make up of the Council is:

Conservative	51
Labour	16
Liberal Democrat	4
Independent or Other	11

The Council has adopted the 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 Michael Jones, Leader of the Council, heads a Cabinet of nine portfolio holders. The Council also has an annually appointed Mayor for civic functions.

The Management Structure

Supporting the work of elected Members is the organisational structure of the Council headed by the Corporate Leadership Board (CLB). This is made up of the Council's most senior officers and ensures that the key Statutory Officers are represented at the most senior level of the Council. During 2013/14 the Council made permanent appointment to all of its senior positions:

- **Chief Executive** (Head of Paid Service) - Mike Suarez from July 2013 (previously Kim Ryley, interim).
- **Executive Director of Strategic Commissioning** - Lorraine Butcher (this is a new role leading on outcome-focussed commissioning of services).
- **Director of Children Services** - Tony Crane.
- **Director of Adult Services** - Brenda Smith.

- **Director of Economic Growth and Prosperity** - Caroline Simpson.
- **Director of Public Health** - Heather Grimbaldeston.
- **Head of Legal Service & Monitoring Officer** - Anita Bradley from February 2014 (previously Suki Binjal, interim).

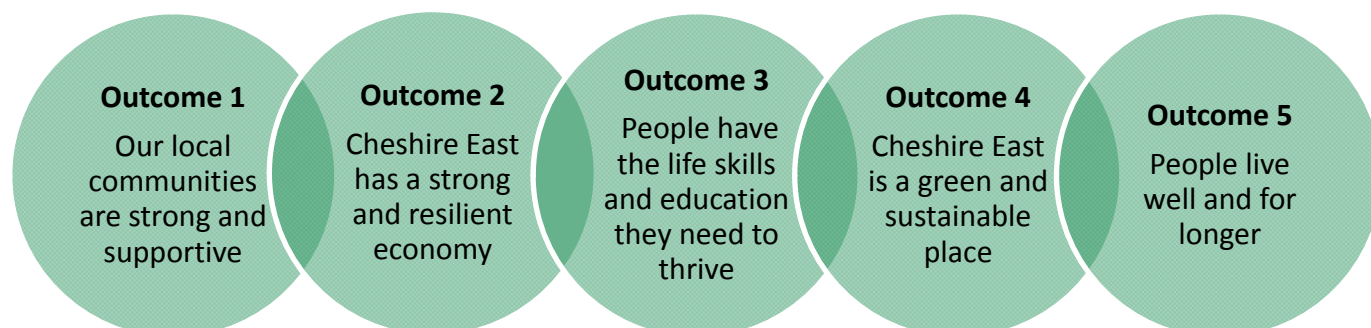
I am also a member of CLB and the Council's Section 151 Officer. Rachel Musson fulfilled this role on an interim basis until I joined in October 2013. I am the Chief Financial Advisor to the Authority and accountable for the leadership and management of key support and enabling services, together with the responsibility for the technical professional functions, such as Accountancy, Human Resources, Internal Audit, ICT, Democratic and Legal Services.

For a more complete list of appointments please refer to the Council's website.

The Three Year Plan

The Council's Three Year Plan 2013/14 – 2015/16 is one of our key strategic documents. Importantly it supports elected members, staff and partners to work together to deliver the vision for Cheshire East. Its primary purpose is to set out our story of place together with our priorities – in summary it identifies what we are doing and why we are doing it.

The Council's operating structure is focused on allocating commissioning resources to appropriate service providers to achieve the five community-based outcomes set out in the plan:



Source: Cheshire East Council Three Year Plan 2013 – 2016

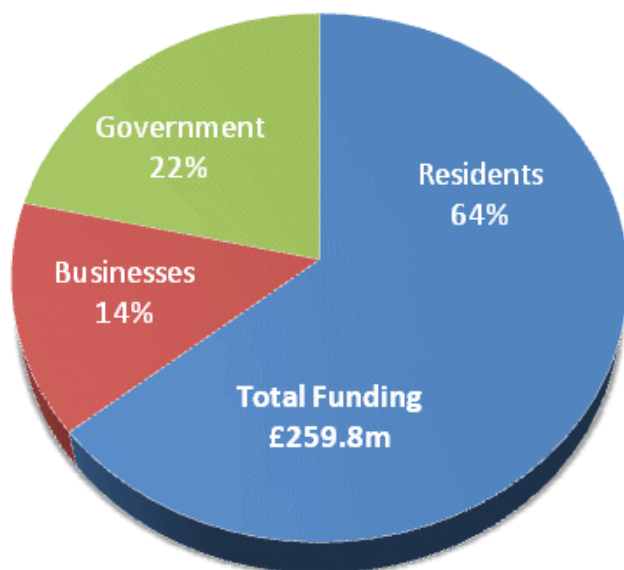
This structure is underpinned by our commitment to be a responsible, effective and efficient Council.

Financial Overview

Central Government's commitment to reduce the high levels of national debt has contributed to local government going through a period of unprecedented change and financial challenge. Cheshire East Council's response continues to be based on innovation and creativity. The Council also continues to be relentless in its pursuit of greater efficiency and productivity to enable it to deliver a high level of sustainable, quality services for a lower overall cost.

Compared to most other English councils, Cheshire East is less reliant on government revenue grant as local businesses and residents provide a higher proportion of the Council's overall funding. The Council has discretion to increase local taxes but it has not done so now for four consecutive years as it continues to strive to 'put residents first' and support the local economy.

Residents fund most of the Council's net budget

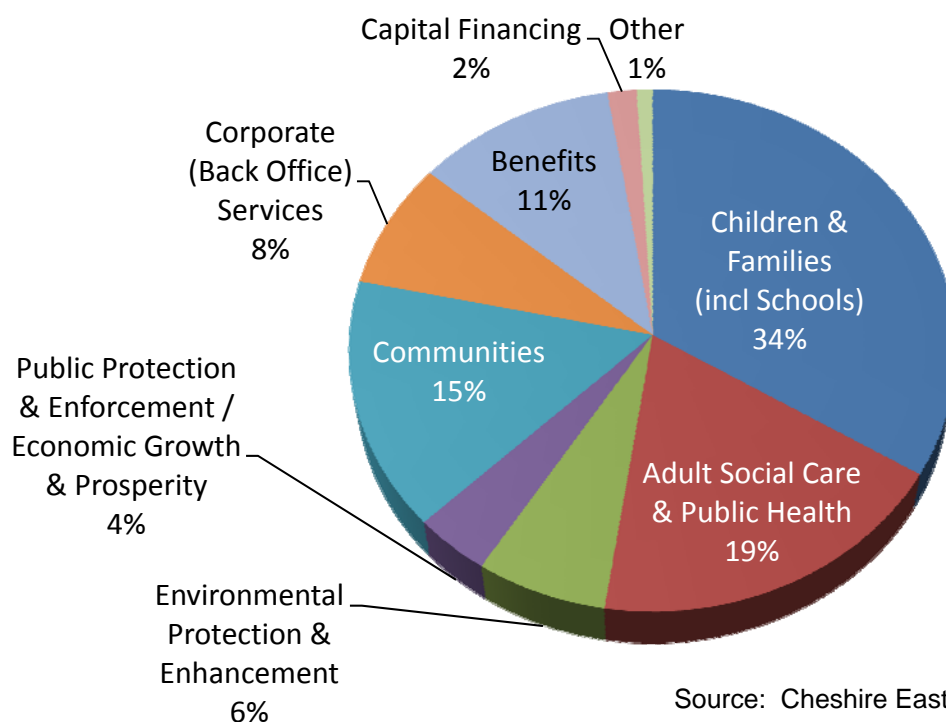


Source: Your Services – what your Council Tax pays for 2013/14, Cheshire East Council, 2014

The Council's strong tax base – and thereby greater independence - provides financial stability and offers some 'local protection' from the impact of national economic fluctuations. The importance of the local economy both to the Council and the country as a whole cannot be underestimated, with more than 17,000 businesses located in the Borough – greater than any neighbouring council.

The difficult decision of prioritising and allocating scarce resources to Council services is the role of elected members, with only schools, benefits and public health expenditure largely dictated by central or national policies. As you might expect, the Council allocates funding to a wide range of services but, in putting residents first, most funding is focused on resources for social care and communities.

Most funding is focused on social care and communities



Source: Cheshire East Finance Team, 2014

Revenue Outturn position

The Council's strong financial position as at 31 March 2014 reflects its enhanced governance, innovative delivery arrangements and effective stewardship of public money. Its pre-audited accounts report a small surplus of £0.9m (0.35%), compared to an approved revenue budget of £260m. A summary of where the money is spent is shown below:

2013/14 FINAL OUTTURN (Gross Revenue Budget £643.8m)	Revised Budget (net) £m	Final Outturn Position £m	Over / (Under) spend £m	Change from Third Quarter £m
Commissioning Services				
Children & Families	56.6	56.0	(0.6)	(0.5)
Adult Social Care & Public Health	93.3	92.6	(0.7)	(1.1)
Environmental Protection & Enhancement	38.1	38.5	0.4	0.1
Public Protection & Enforcement	(0.4)	0.8	1.2	(0.2)
Economic Growth & Prosperity	13.2	13.0	(0.2)	0.3
Communities	11.8	11.6	(0.2)	0.7
Corporate Services	47.7	44.1	(3.6)	(3.5)
Central Budgets	(0.5)	2.3	2.8	3.6
TOTAL NET BUDGET	259.8	258.9	(0.9)	(0.6)

Source: Cheshire East Finance: 2013/14 Final Review of Performance Report

The overall headline surplus of £0.9m includes:

- an underspend of £3.7m by Commissioning and Corporate Services; this is made up of a range of savings including securing planned cost reductions earlier than forecast; and
- an increased investment of £2.8m on central budgets.

Additional grants received in year - together with the service under spend - provided the flexibility to create earmarked reserves and fund additional capital investment.

General reserves (excluding schools) have increased in 2013/14 in line with budgeted estimates. General Reserves are now at £19.8m (7% of the net budget). Earmarked reserves are now £26.3m – excluding schools reserves and balances which are £8.8m.

The overall value of reserves is at a level that is sufficient to continue to protect the Council against its assessed financial risks and also to provide opportunities for future investment. This strengthening of the balance sheet, during these challenging times, is a positive indicator of the Council's good financial control aligned to its strategic intentions.

Some of the key issues which have affected the level of service expenditure and performance during the year are detailed below.

Children

Our Children's Services achieved some notable successes this year, including:

- 4forAdoption - national award and increased number of placements;
- Fewer NEETs than elsewhere in the North West;
- The number of good and outstanding schools in Cheshire East is the highest it has ever been at 87.3% overall;
- 37 less children are now in care (10% reduction compared to last year) with fewer of them placed in residential settings outside the Borough. As well as meaning that children are nearer home, providing better outcomes for them, the reduction in these high cost placements provides a financial benefit for the Council.

FACT:
Cheshire East
Borough Council won
Best Adoption Service
of the year in 2013

We continue to invest in improvements in the areas highlighted by the Ofsted improvement plan - including the implementation of a new care and assessment system and managing expected areas of risk such as the social care bill.

Schools brought forward balances of £12.6m on 1 April 2013. During 2013/14, 15 schools converted to academy status, taking their budget surplus (£1.5m) with them. A new policy for holding earmarked reserves for specific projects within schools is now in place so that by 31 March 2014 schools have a total carry forward of £8.8m, with £3.3m held in earmarked reserves, and the remaining £5.5m held as uncommitted balances.

Adult Social Care and Independent Living

In adult care we have improved commissioning of health network contracts and our redesign of the care and assessment process is making good progress.

Our Mental Health service continues to work effectively with adults of all ages who are experiencing mental health problems and need intensive support to enable them to move on and achieve for themselves. In this important area the success of the team and their interventions are reflected in short term interventions (maximum of 6 weeks) achieving 84% engagement rates with individuals with 99% successfully completing a period of reablement support with no further input required.

In our survey of users of our Care4C services 89% say it helps to improve their quality of life, 99% say they are treated with dignity and respect; 92% feel they have the right support from people who do the job well.

Other one-off actions that helped to deliver an underspend despite increasing demand during the year include effective and targeted vacancy management, reimbursements from care costs of some £2m (eg direct payments and prepaid card).

Public Health

During the year our Public Health service reviewed all areas of expenditure and re-negotiated contracts – including those inherited from the former Central and Eastern Primary Care Trust. The

new service model will ensure a shift towards community based services and ensuring we have in place a co-ordinated approach to care with integrated services.

Prudent financial management supported the reversal of inherited financial risk and will enable the redistribution of expenditure in 2014/15 and beyond. The underspend of £1.6m is taken forward in a new Public Health Reserve. Plans are already in place for a Public Health Transformation Fund – this will be used to invest in areas identified in the Director of Public Health annual report, the Joint Strategic Needs Assessment and the Council's Outcome 5 "Live Well and For Longer".

We continue to integrate our services. The Public Health, Communities and Adult Social Care teams are working together with Health partners on two major change programmes to develop more integrated services for Cheshire East.

Environmental Protection and Enhancement

Our waste services secured some significant achievements this year, including an increase in the amount of waste re-used above the 1,000 tonne target and an all-time high of 54% in recycling rates. Other notable achievements include:

- The establishment of the Council's Environmental Services Company (ANSA) and its Bereavement Services Company (Orbitas).
- The Ranger Service continues to strive to deliver a high quality service, managing facilities and delivering events and activities whilst preserving the conservation value of the assets.
- High quality green space – where we retained six 'Green Flag' awards in Brereton Heath Local Nature Reserve, Congleton, The Moor, Bollington Recreation Ground, Sandbach Cemetery and Tegg's Nose Country Park.

Public Protection and Enforcement

Our public protection and enforcement service also achieved some notable successes this year, these include:

- Emergency Planning, a shared service with Cheshire West and Chester Council, co-ordinated the response to 20 incidents including the extreme weather which impacted on Sandbach and Crewe. Our Building Surveyors also responded out of hours during the storms on the 12th February 2014, safe guarding lives and protecting our buildings and assets.
- The Building Control team continues to excel as they became National LABC Building Excellence Awards winners for the best Conversion category for Brown Street Mill, playing a major part in improving local living standards. They also achieved their income targets and retained their 77% market share in the face of stiff competition.
- Car Parking income of £5.3m; this was under target by 7% but was offset by vacancy management and savings on supplies within the Environmental Health service.

Economic Growth and Prosperity

Cheshire East is one of only three hotspots outside of London for new business creation - evidence that the Council's approach to economic growth is working for local people. The service also reported a small underspend in year. Other achievements include:

- leading a high profile HS2 submission with a compelling economic and transport case for inclusion of a new Superhub HS2 Station for Crewe.

- helping securing the future of the 142 hectare Alderley Park site through collaboration with an industry and government Task Force. In March 2014, this led to the Council procuring an interest in Manchester Science Park which then acquired the Alderley Park site from AstraZeneca.
- Securing planning consent for the 19,000 sqm Silk Street development in Macclesfield town centre. Led by developer Wilson Bowden, the £90m scheme will comprise a department store, 19 high street shops, an eight screen cinema complex, restaurants and a multi-storey car park.
- Securing the £800m expansion of Bentley Motors in Crewe to accommodate its new SUV model, which will secure existing jobs and create 1,000 more new high-value, high-skill jobs.

Communities

Visits to our leisure facilities increased 4% on the previous year, and leisure service volunteers increased by 10%. We transferred our leisure services into a new Leisure Trust – Everybody Sport and Recreation - on 1 May 2014.

Youth offences and school absenteeism have both reduced supporting the Council's outcome to make communities stronger. A £0.4m earmarked reserve has been created to extend the life of the Emergency Assistance scheme beyond 2014/15 when the guaranteed funding comes to an end. In addition, a reserve of £1.8m has been created to invest in partnerships, community hubs and to extend the community grant scheme. This will include a Residents First Fund which will support appropriate local initiatives.

Other notable achievements include:

- Co-ordinating public-facing activities such as Winter Warmth campaigns, Nantwich Road Safety Week (May 2013), Feeling Good Event 2014.
- Establishing new community events to promote strategic issues, for example, Crewe Health Fayre now attracts over 500 people a year to promote health improvements in the local population.
- Setting up Work Clubs and then recruiting volunteers to run them – 16 new clubs established in 2013/14.
- Supporting groups to develop community led action plans – e.g. Crewe South Community First Panel and Parish Planning.
- Enabling young people in Wilmslow to decide how public money should be spent on their priorities to develop new local facilities and activities.

Corporate Services – a responsible, effective and efficient organisation

Underpinning the delivery of valued services to residents are processes and procedures that support efficiency and transparency in all activities of the Council. These services do not produce an outcome which is easily measured by our residents and businesses. However, professional services, such as legal and accountancy are monitored closely to secure best value from our systems and our assets. The overall development and co-ordination of the financial strategy of the Council in these austere times is a critical component.

During 2013/14 the Council's professional services focused on developing the structure for a commissioning council. HR led on the significant management restructure and the transfer of staff

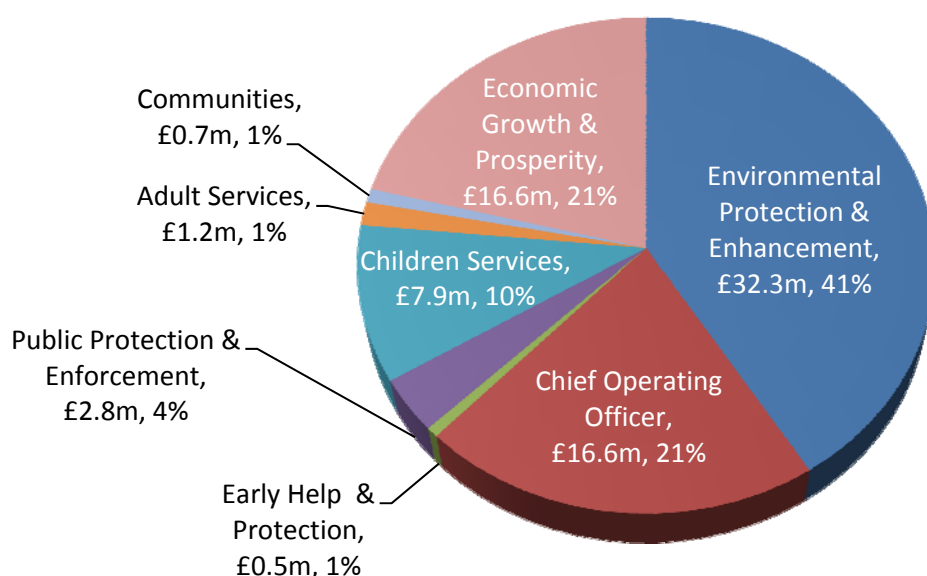
to new service delivery models. Our accountancy, legal and ICT teams worked together to create the technical environment for new delivery models to function.

In the summer of 2014 the Chief Operating Officer will also be benchmarking professional services to gauge relative costs and increase opportunities to follow-up on best practice. This will provide further challenge to the costs and operating models for support services.

Capital Programme

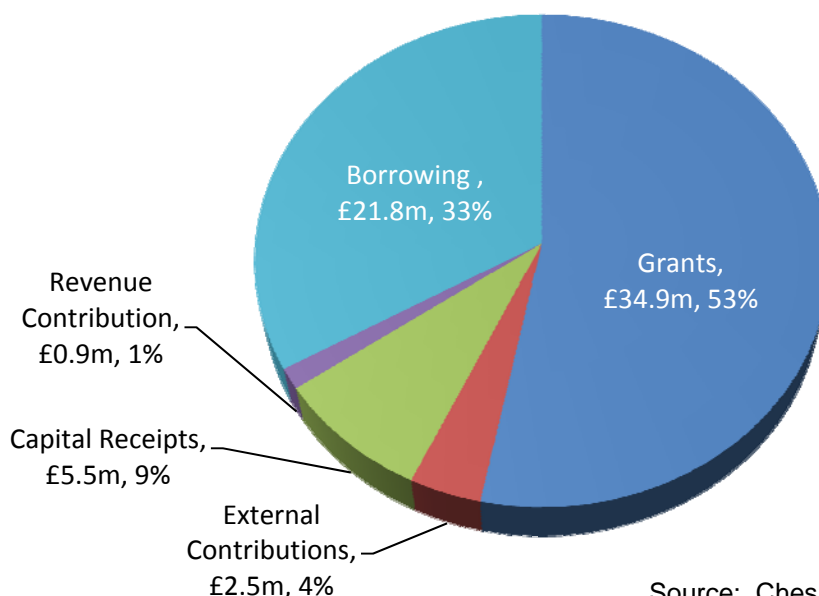
Capital expenditure represents money spent by the Council on purchasing, upgrading and improving assets that will be of benefit to the community over many years.

The Capital Budget for 2013/14 was £78.7m



Source:
Cheshire East Finance Team, 2014

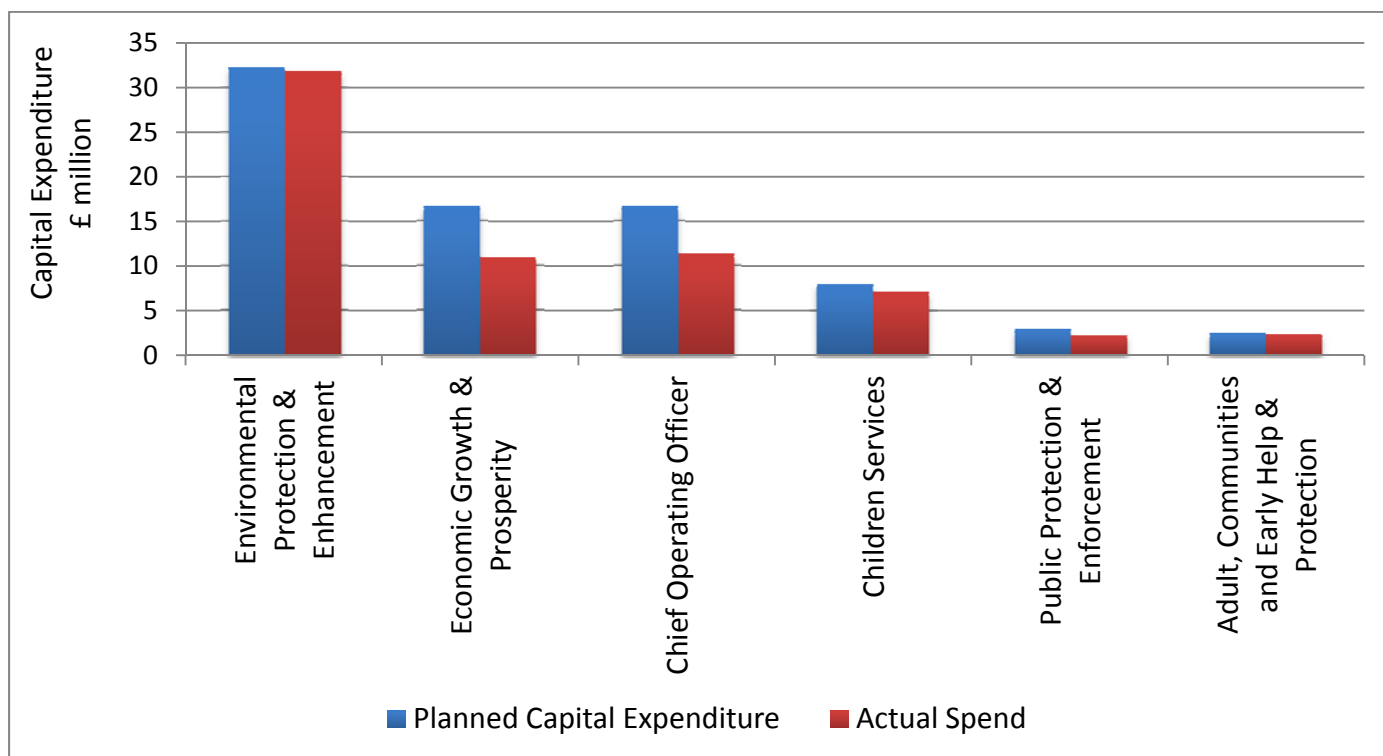
The majority of the Council's capital expenditure is funded from grants:



Source: Cheshire East Finance Team, 2014

The Council achieved £65.6m of its approved capital programme, representing a delivery rate of 83%. A further £0.128m was spent on finance leases; £1.051m on schemes fully funded by developer contributions and the investment of £2.6m to help to acquire the Alderley Park site from AstraZeneca. A more detailed analysis of planned capital expenditure compared to actual spend is shown below.

Actual capital expenditure compared to planned, 2013/14



Source: Cheshire East Finance Team, 2014

The variation of £13.1m between the approved capital programme and the final outturn position primarily relates to the following schemes - Connecting Cheshire £3.1m; South Macclesfield Development £4m; Crewe Rail Exchange £1m and the Asset Management Maintenance Programme £1.8m. Some of this planned spending for 2013/14 has been deliberately re-profiled into 2014/15 to ensure that the council maximises external (public and private) investment to minimise the direct cost to the local taxpayer. This does not therefore present any financial issues for the Council to address. The Council will always try to arrange to spend external sources of funding first and to try to create the right conditions for additional private sector investment.

The forecast for planned spend was updated throughout the year and reported in the Quarterly Reviews of Performance. In November 2013 a review was undertaken on schemes wholly or partly funded from Council resources. This ensured only schemes meeting the Council's key priorities remained in the programme and any unspent balances released were released to finance appropriate new initiatives.

Schemes with significant spend and major achievements in this financial year include:



The **Connecting Cheshire Partnership** aims to bring Superfast Broadband and improved broadband speeds to communities and businesses across Cheshire, Halton and Warrington.



The **Crewe Rail Exchange** delivered major improvements to Crewe Station and its users.



Investment in **highways infrastructure** in 2013/14 amounted to £12.7m as part of a two year programme of works.

Explanatory Foreword – Expenditure and Income Commentary

Explanation of the financial statements

The Accounts and Audit Regulations (England) 2011 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).

In 2013/14 there have been no significant changes in the Code's requirements, which affect Cheshire East Council and therefore no change to the Authority's accounting policies.

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

The Financial Statements

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

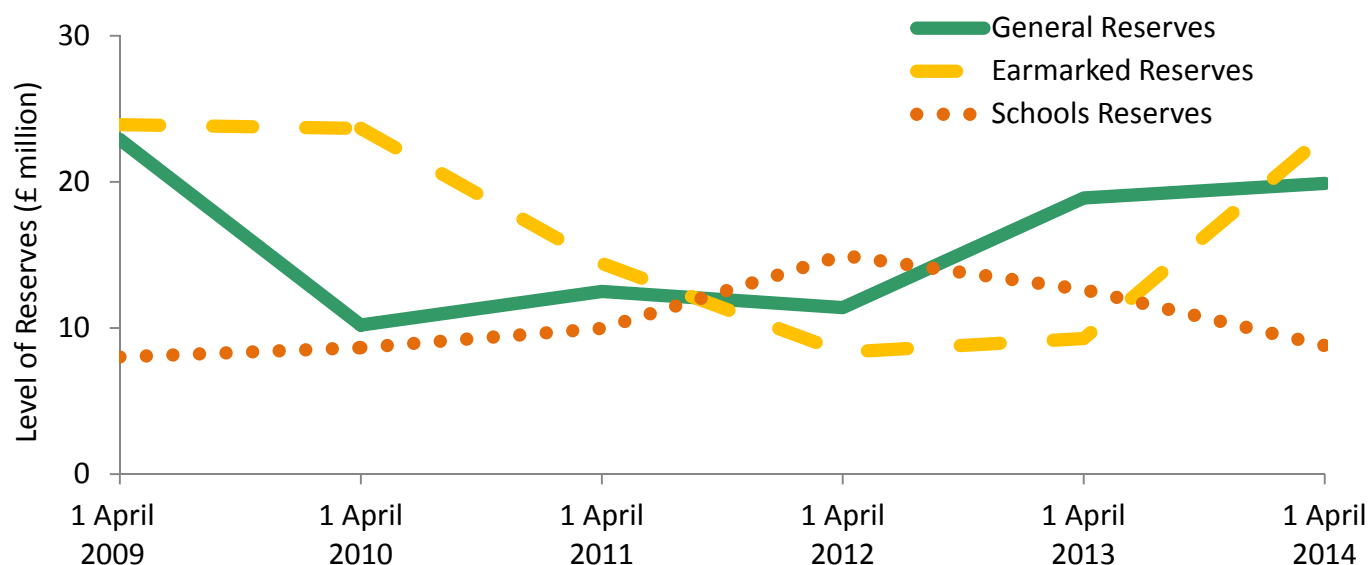
The 'Surplus or (Deficit) on the provision of services' line shows the true economic cost of providing the Council's services, which is shown in more detail in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund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

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

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

General and Earmarked reserves (excluding schools) have increased in 2013/14 to £46.2m; further details are provided in Note 2 on page 33. General Reserves closed at £19.8m, 7% of the net budget. The overall level of reserves is adequate to continue to protect the Council against financial risks and to provide opportunities for investment in the medium term.

Reserve levels are adequate, and consistent with the current strategy



Source: Statements of Accounts, Cheshire East Council, 2009-2014

Comprehensive Income and Expenditure Statement – this statement reflects the sum of all income, expenditure, gains and losses incurred by the Council in the last 12 months and explains how the Balance Sheet position has changed between the two financial years. This statement shows the Council's 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.

The first and second sections of the statement show the Surplus or Deficit on Provision of Services. In 2013/14 there is a deficit on the provision of services of £57.4m. The final section shows gains for the year of £69.7m, giving a total movement in the balance sheet of £12.2m. These changes consist of:

- revaluation gains in the values of properties (£19.9m) – see Note 17a for further details;
- changes to expectations regarding future pension costs (£49.7m) – see Notes 17d and 33.

The format of the statement is based on Service Reporting Code of Practice (SeRCOP) which defines how expenditure and income should be categorised. The aim of this analysis is to ensure all authorities are reporting data consistently to assist comparison between Councils. A reconciliation of the analysis by service on the face of the Comprehensive Income and Expenditure Account compared to the analysis of service as reported in the management accounts is provided in Note 21 'Amounts Reported for Resource Allocations Decisions (Segmental Reporting)'.

Balance Sheet – this shows the value of the Council’s asset and liabilities at the Balance Sheet date. These are matched by reserves which are split into two categories usable and unusable reserves. Unusable reserves are not available to be used to support services and are in the main used to hold unrealised gains and losses, where the actual gain or loss will only become available once another event has occurred. For example Revaluation Reserve for Non Current Assets will only become available if the asset is sold and the full value of the asset realised.

The Balance Sheet provides a snapshot of the Council’s financial position as at 31 March 2014 and includes both the General Fund and the Collection Fund balances. The Council continues to demonstrate a healthy Balance Sheet, with net assets of £245.9m, (£233.7m at 31 March 2013), an increase of £12.2m (5.2%). This net increase is mainly as a result of a decrease in the pension liability (+£42.9m); a decrease in non-current (fixed) assets (-£40.7m) and repayment of long term borrowing (+£11m).

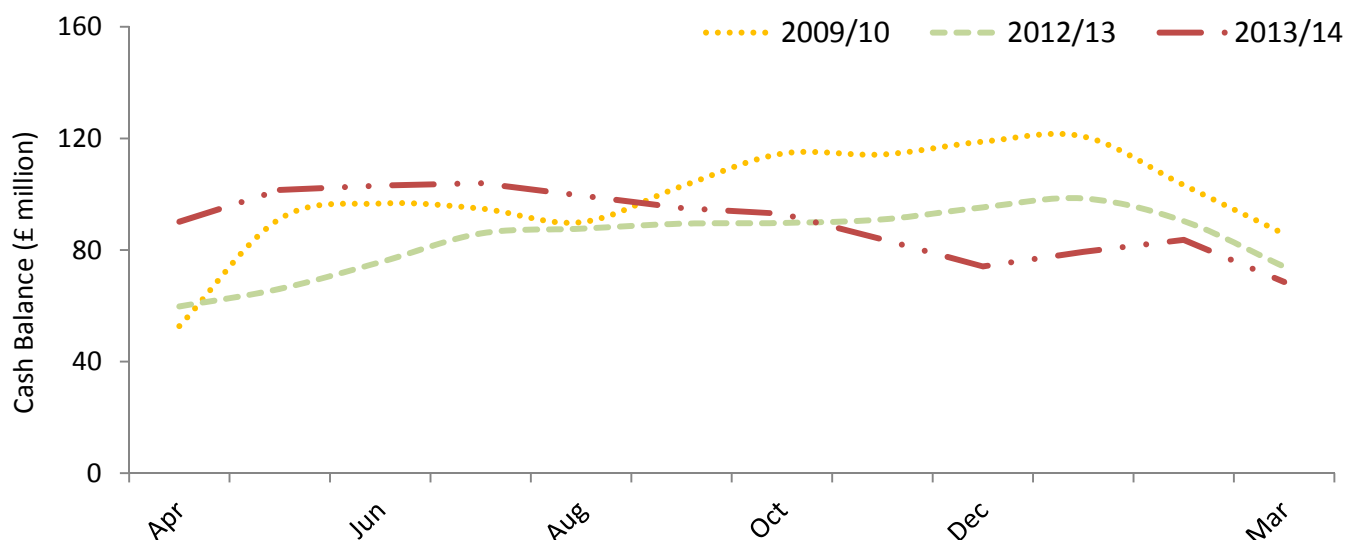
Cash Flow Statement – this statement shows the changes in the Council’s cash and cash equivalents during the reporting period. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

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 outflows have been made for resources which are intended to contribute to the Council’s future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital, i.e. borrowing, to the Council.

Cash balances at the end of March 2014 have decreased by £6.7m to £26.0m compared to the closing balance of £32.7m at March 2013. This represents a reduction of £14.6m held in instant access accounts and an offsetting reduction of £7.9m in payments committed at year end but not yet taken from the bank account.

Actual cash balances available for investment have remained consistently high since 2009



Source: Cheshire East Finance Team 2014

Supplementary Statements

The **Collection Fund** is maintained separately from all of the other funds and accounts. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to precepting bodies.

For Cheshire East, the Council Tax precepting bodies are the Police and Crime Commissioner for Cheshire and the Cheshire Fire and Rescue Authority.

This financial year the local government finance regime has been revised with the introduction of the retained business rates scheme and the localisation of Council Tax Support. The main aim of these schemes is to give Councils a greater incentive to grow the local economy. The business rate retention scheme in particular does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base. The scheme allows the Council to retain a proportion of the total NNDR received. The Cheshire East share of business rates is 49% with the remainder paid to precepting bodies. For Cheshire East the NNDR precepting bodies are Central Government (50%) and Cheshire Fire and Rescue Authority (1% share).

Council Tax was frozen for 2013/14 at £1,216.34 for a Band D Property. When multiplied by the tax base of 137,122.19, the expected income for the year was £166.8m. This figure can vary during the year if more discounts and exemptions are granted or more properties are built. The Council expects to collect at least 99% of the amount billed and that this will be achieved within three years. In fact the collection rate for the three year period was 99.42%.

Cheshire East is a tariff authority and paid over £27.8m to Central Government, leaving a retained rates income of £40.3m for 2013/2014. As part of the 2013/2014 transactions, a provision of £3.3m has been created to fund potential successful valuation appeals that are currently in progress.

As with Council Tax, the Council expects to collect at least 99% of the amount billed and that this will be achieved within three years. The collection rate for the three year period to 31 March 2014 was 99.35%.

Statement of Responsibilities - this sets out the respective responsibilities of the Authority and the Chief Operating Officer (Section 151 Officer)

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

Explanatory Foreword - Future Opportunities and Challenges

Medium Term Financial Strategy 2014/15 – 2016/17

The Council's medium term financial strategy was approved by Council in February 2014 and illustrated the scale of the challenge the Council faces over the next few years. The strong financial performance delivered in 2013/14 provides a good platform for the future.

Alongside its ambitious major change programmes the Council expects to continue to balance its budget despite increased demands and higher public expectations. This will be achieved by innovation, creativity and a hard commercial focus on reducing costs, increasing productivity and income generation. It remains clear that the overall cost base of the Authority will have to continue to reduce.

The Council will continue to strive for further improvement across all aspects of the 500+ services that it is responsible for – delivering more for less. Compared to most other English councils, Cheshire East is less reliant on government revenue grant as local businesses and residents provide a higher proportion of the Council's overall funding.

In this context it is also important to note that total spending per head of population is below average compared to nearest neighbours. This is an important indicator in demonstrating the effective targeted use of resources and value for money (VFM) provided by Cheshire East.

Resident First Commitment

The Council has previously outlined its Three Year Plan to become a strategic commissioning council. An ambitious but measured approach has been taken to achieving the Council's 'Resident First' aims whilst effectively dealing with the challenge of austerity.

This approach has provided a platform to redefine and reinvent the Council in a systematic and resident focused way. Clear measurable progress has been achieved and the financial health, resilience and operational performance of the Council have all improved during 2013/14. Residents are benefitting from better overall services whilst Council Tax levels have been frozen now for four consecutive years.

Our commissioning journey is continuing at pace:

- The separation of service providers and desire to achieve a 'best fit' approach to delivery can be evidenced with Leisure Services moving into Everybody Sport and Leisure Trust (ESAR), environmental (ANSA) and bereavement services (Orbitas) are now being provided by wholly-owned companies.
- Further commissioning reviews are focusing on transport and planning services in 2014/15.
- Pioneering work is continuing with the local community to improve early intervention and support for vulnerable children and adults. Delivering better outcomes for our residents at lower cost.
- To enhance service accessibility – many services are also being reviewed through a digital lens to enable greater control and choice for the customer

The opportunities that we want to exploit by continuing to revolutionise our delivery arrangements is based on the belief that we can create the right arrangements so that the provider can be more

focused, innovative and get closer to the resident to understand their needs and deliver at a better price.

The Council's financial resilience will be further enhanced by creating the right conditions for private sector investment and targeting further growth in the local economy, for example:

- Activity is on-going to exploit opportunities in the energy market, such as looking at renewable energy supplies and developing ideas to help with fuel poverty challenges in our communities.
- Investment has been made in Alderley Park with the Manchester Science Park to secure jobs and attract future investment.
- Enhancing and marketing our award winning visitor attractions such as the jewel in the crown Tatton Park – tourism for Cheshire East generally is booming with visitor numbers swelling to 13.9 million in 2013/14 – this is worth an estimated £737m to the local economy.
- A compelling bid has been made to the government which sets out a clear vision (backed up by detailed analysis) to bring HS2 to Crewe and maximise the huge potential local and regional economic impact.

In February 2014 the Council approved a balanced position for 2014/15, but like most authorities the report also highlighted the level of potential medium-term financial deficits. There are clearly many challenges ahead for the whole of the public sector, and innovation and creativity will become an essential feature of successful organisations. Working collaboratively and effectively in key areas around the health and social care agenda with our partners will also be critical for the future.

Cheshire East Council is in good shape to meet the financial challenge head on. The overall performance, financial health and resilience of the Council is strong.

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. I would like to express my gratitude to all colleagues, from my team and other services, who have assisted in the preparation of this document. I would also like to thank them for all their support and expertise during the 2013/14 financial year.

I hope you find this foreword 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).

Peter Bates

Peter Bates CPFA CIPD MBA
Chief Operating Officer (Section 151 Officer)

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, 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 Council.

Movement in Reserves 2013/14:

		Usable Reserves					Unusable Reserves	Total Authority Reserves
		General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves		
		£000	£000	£000	£000	£000	£000	£000
Opening balance at 1 April 2013		18,936	21,911	1,077	11,516	53,440	180,236	233,676
<u>Movement in Reserves 2013/14</u>								
Surplus / (deficit) on provision of services		(57,447)	0	0	0	(57,447)	0	(57,447)
Other Comprehensive Income and Expenditure		0	0	0	0	0	69,728	69,728
Total Comprehensive Income and Expenditure		(57,447)	0	0	0	(57,447)	69,728	12,281
Adjustments between accounting basis and funding basis under regulations	Note 1	72,920	0	(714)	4,048	76,254	(76,254)	0
Net Increase/Decrease before Transfers to Earmarked Reserves		15,473	0	(714)	4,048	18,807	(6,526)	12,281
Transfers to / (from) Earmarked Reserves	Note 2	(14,576)	13,244	1,341	(9)	0	0	0
Increase / (Decrease) in Year		897	13,244	627	4,039	18,807	(6,526)	12,281
Closing Balance at 31 March 2014		19,833	35,155	1,704	15,555	72,247	173,710	245,957

Movement in Reserves 2012/13 (Restated):

		Usable Reserves					Unusable Reserves	Total Authority Reserves
		General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves		
		£000	£000	£000	£000	£000	£000	£000
Opening balance at 1 April 2012		11,381	23,301	16,309	9,794	60,785	317,122	377,907
Movement in Reserves 2012/13								
Surplus / (deficit) on provision of services		(72,936)	0	0	0	(72,936)	0	(72,936)
Other Comprehensive Income and Expenditure		0	0	0	0	0	(71,295)	(71,295)
Total Comprehensive Income and Expenditure		(72,936)	0	0	0	(72,936)	(71,295)	(144,231)
Adjustments between accounting basis and funding basis under regulations	Note 1	79,925	0	(15,978)	1,722	65,669	(65,669)	0
Net Increase/Decrease before Transfers to Earmarked Reserves		6,989	0	(15,978)	1,722	(7,267)	(136,964)	(144,231)
Transfers to / (from) Earmarked Reserves		566	(1,390)	746	0	(78)	78	0
Increase / (Decrease) in Year		7,555	(1,390)	(15,232)	1,722	(7,345)	(136,886)	(144,231)
Closing Balance at 31 March 2013		18,936	21,911	1,077	11,516	53,440	180,236	233,676

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 the Movement in Reserves Statement.

2012/13				2013/14		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
29,511	(2,442)	27,069	Central Services to the public	8,498	(3,516)	4,982
39,370	(8,832)	30,538	Cultural and Related Services	35,100	(8,090)	27,010
40,191	(5,658)	34,533	Environmental and Regulatory Services	39,421	(4,930)	34,491
13,357	(5,610)	7,747	Planning Services	18,161	(6,845)	11,316
308,047	(217,139)	90,908	Education and Children's Services	286,611	(198,069)	88,542
36,948	(8,006)	28,942	Highways and Transport Services	49,693	(10,072)	39,621
91,853	(1,716)	90,137	Other Housing Services	100,083	(2,670)	97,413
153,944	(36,455)	117,489	Adult Social Care	141,582	(43,604)	97,978
0	0	0	Public Health	10,912	(12,468)	(1,556)
8,858	(5,387)	3,471	Corporate and democratic core	7,945	(6,895)	1,050
4,897	(69)	4,828	Non distributed costs	(4,982)	(29)	(5,011)
726,976	(291,314)	435,662	Cost of Services	693,024	(297,188)	395,836
45,898	(1,455)	44,443	Other Operating Expenditure (Note 3)	48,625	(1,270)	47,355
25,355	(2,000)	23,355	Financing and Investment Income and Expenditure (Note 4)	26,344	(920)	25,424
0	(430,524)	(430,524)	Taxation and Non-Specific Grant Income (Note 5)	0	(411,168)	(411,168)
798,299	(725,293)	72,936	(Surplus) or Deficit on Provision of Services	767,993	(710,546)	57,447
		6,813	(Surplus) or deficit on revaluation of non current assets (Note 17a)			(19,932)
		(202)	(Surplus) or deficit on revaluation of available for sale financial assets			(100)
		64,684	Actuarial (gains) or losses on pension assets / liabilities (Note 17d)			(49,696)
		71,295	Other Comprehensive Income and Expenditure			(69,728)
		144,231	Total Comprehensive Income and Expenditure			(12,281)

Balance Sheet as at 31 March 2014

This statement shows the Council's financial position at 31 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.

Restated 31 March 2013 £000		Notes	31 March 2014 £000
809,423	Property, Plant and Equipment	6	766,681
1,202	Heritage Assets	7	985
9,846	Investment Property	8	11,539
659	Intangible Assets	9	1,244
20,348	Long Term Investments	10	22,830
7,798	Long Term Debtors	12	7,417
849,276	Long Term Assets		810,696
11,490	Short Term Investments	10	18,072
1,050	Assets Held for Sale	11	5,744
519	Inventories		710
48,178	Current Debtors	12	57,727
32,688	Cash and Cash Equivalents	13	26,036
93,925	Current Assets		108,289
(7,588)	Short Term Borrowing	10	(12,570)
(71,489)	Current Creditors	14	(77,390)
(79,077)	Current Liabilities		(89,960)
(7,323)	Provisions	15	(12,576)
(126,264)	Long Term Borrowing	10	(115,223)
(431,324)	Net Pension Liability	33	(388,432)
(176)	Other Deferred Liabilities		(228)
(41,543)	Other Long Term Liabilities	10	(38,924)
(23,818)	Capital Grant Receipts in Advance	29	(27,685)
(630,448)	Long Term Liabilities		(583,068)
233,676	Net Assets		245,957
1,077	Capital Receipts Reserve	16b	1,704
11,516	Capital Grants Unapplied	16c	15,555
12,626	Reserves and Balances held by Schools	16d	8,810
9,285	General Fund Earmarked Reserves	16e	26,345
18,936	General Fund Reserve – Borough Fund	16a	19,833
53,440	Usable Reserves	16	72,247
185,172	Revaluation Reserve	17a	189,189
332	Available for Sale Financial Instruments Reserve		432
434,443	Capital Adjustment Account	17b	384,568
1,053	Capital Receipts Deferred		1,017
(1,557)	Financial Instrument Adjustment Account	17c	(1,761)
(431,324)	Pensions Reserve	17d	(388,432)
0	Collection Fund Adjustment Account	17e	(4,666)
(7,883)	Accumulated Absences Account	17f	(6,637)
180,236	Unusable Reserves	17	173,710
233,676	Total Reserves		245,957

Cash Flow Statement for the Year ended 31 March 2014

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

2012/13 (Restated) £000		Notes	2013/14 £000
(72,936)	Net surplus / (deficit) on the provision of services		(57,447)
125,585	Adjustment to surplus or deficit on the provision of services for non cash movements		126,706
(45,573)	Adjust for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities		(47,388)
7,076	Net cash flows from operating activities	18	21,871
(5,337)	Net cash flows from investing activities	19	(26,172)
(3,643)	Net cash flows from financing activities	20	(2,351)
(1,904)	Net increase / (decrease) in cash and cash equivalents		(6,652)
34,592	Opening balance – cash and cash equivalents	13	32,688
32,688	Closing balance – cash and cash equivalents	13	26,036
(1,904)	Net increase / (decrease) in cash and cash equivalents		(6,652)

Notes to the Statement of Accounts 2013/14

1. Adjustments between Accounting Basis and Funding Basis under Regulations

The Comprehensive Income and Expenditure Statement 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 (CIES) to obtain the General Fund position in line with statutory provisions. The adjustments are shown as a line in the Movement in Reserves Statement.

2013/14 Adjustments	Usable Reserves				Unusable Reserves	Total Authority Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves		
	£000	£000	£000	£000	£000	£000
Adjustments Involving the Capital Adjustment Account (CAA):						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):						
Depreciation and Impairment of Non-Current Assets	30,177	0	0	30,177	(30,177)	0
Revaluation Losses on Property, Plant & Equipment	34,816	0	0	34,816	(34,816)	0
Movement in market value of investment property	572	0	0	572	(572)	0
Amortisation of Intangible Assets	204	0	0	204	(204)	0
Capital grant and contributions applied	0	0	0	0	0	0
Revenue Expenditure Funded from Capital under Statute	9,280	0	0	9,280	(9,280)	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	41,913	4,963	0	46,876	(46,876)	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory Provision for financing of Capital Investment	(9,477)	0	0	(9,477)	9,477	0
Capital Expenditure Charged against General Fund	(2,581)	0	0	(2,581)	2,581	0
Adjustments Involving the Capital Grants Unapplied Account:						
Grant and contributions unapplied credited to CIES	(42,425)	0	42,425	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(38,377)	(38,377)	38,377	0
Adjustments Involving the Capital Receipts Reserve (CRR):						
Transfer of sale proceeds credited as part of gain/ loss on disposal to CIES	0	0	0	0	0	0
Use of Capital Receipts Reserve to finance capital expenditure	0	(5,700)	0	(5,700)	5,700	0
Contribution from CRR to finance payments into Government Capital Receipts Pool	13	(13)	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	36	0	36	(36)	0

2013/14 Adjustments	Usable Reserves				Unusable Reserves	Total Authority Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves		
Adjustments Involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0	0	0	0	0	0
Adjustments Involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in accordance with statutory requirements	204	0	0	204	(204)	0
Adjustments Involving the Pension Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	38,275	0	0	38,275	(38,275)	0
Employer's pension contributions and direct payments to pensioners payable in the year	(31,471)	0	0	(31,471)	31,471	0
Adjustments Involving the Collection Fund Adjustment Account:						
Amount by which council tax income accredited to the CIES is different from the amount calculated for the year in accordance with requirements	4,666	0	0	4,666	(4,666)	0
Adjustments Involving the Unequal Payback Adjustment Account:						
Amount by which amounts charged for equal pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with requirements	0	0	0	0	0	0
Adjustments Involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,246)	0	0	(1,246)	1,246	0
Total Adjustments 2013/14	72,920	(714)	4,048	76,254	(76,254)	0

For comparison, the 2012/13 Adjustments (restated) are shown below.

2012/13 Adjustments (Restated)	Usable Reserves				Unusable Reserves	Total Authority Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves		
	£000	£000	£000	£000	£000	£000
Adjustments Involving the Capital Adjustment Account (CAA):						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):						
Depreciation and Impairment of Non-Current Assets	31,003	0	0	31,003	(31,003)	0
Revaluation Losses on Property, Plant and Equipment (PPE)	40,163	0	0	40,163	(40,163)	0
Movement in market value of investment property	(222)	0	0	(222)	222	0
Amortisation of Intangible Assets	160	0	0	160	(160)	0
Capital grant and contributions applied	(31,222)	0	0	(31,222)	31,222	0
Revenue Expenditure Funded from Capital under Statute (REFCUS)	6,716	0	0	6,716	(6,716)	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	53,181	(94)	0	53,087	(53,087)	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory Provision for financing of Capital Investment	(11,561)	0	0	(11,561)	11,561	0
Capital Expenditure Charged against General Fund	(411)	370	(90)	(131)	131	0
Adjustments Involving the Capital Grants Unapplied Account:						
Grant and contributions unapplied credited to CIES	(33,034)	0	33,034	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	31,222	0	(31,222)	0	0	0
Adjustments Involving the Capital Receipts Reserve (CRR):						
Transfer of sale proceeds credited as part of gain/ loss on disposal to CIES	(11,539)	11,539	0	0	0	0
Use of Capital Receipts Reserve to finance capital expenditure	0	(27,828)	0	(27,828)	27,828	0
Contribution from CRR to finance payments into Government Capital Receipts Pool	24	(24)	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	12	59	0	71	(71)	0
Adjustments Involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	(1,041)	0	0	(1,041)	1,041	0
Adjustments Involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in accordance with statutory requirements	56	0	0	56	(56)	0

2012/13 Adjustments (Restated)	Usable Reserves				Unusable Reserves	Total Authority Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves		
Adjustments Involving the Pension Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	38,236	0	0	38,236	(38,236)	0
Employer's pension contributions and direct payments to pensioners payable in the year	(31,838)	0	0	(31,838)	31,838	0
Adjustments Involving the Collection Fund Adjustment Account:						
Amount by which council tax income accredited to the CIES is different from the amount calculated for the year in accordance with requirements	5	0	0	5	(5)	0
Adjustments Involving the Unequal Payback Adjustment Account:						
Amount by which amounts charged for equal pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with requirements	(359)	0	0	(359)	359	0
Adjustments Involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	374	0	0	374	(374)	0
Total Adjustments 2012/13	79,925	(15,978)	1,722	65,669	(65,669)	0

2. 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 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000
School Balances:				
Primary and Nursery Schools	8,119	(1,987)	0	6,132
Secondary Schools	3,645	(1,692)	0	1,953
Special Schools	862	(137)	0	725
Total Schools Balances	12,626	(3,816)	0	8,810
General Fund:				
Carry Forwards by Service Managers	1,622	(1,622)	4,485	4,485
Communities Investment	457	(75)	2,386	2,768
Insurance Reserve – Cheshire East Fund	1,382	(1,359)	1,818	1,841
Insurance Reserve – Cheshire County Fund	2,330	(1,395)	0	935
PFI Equalisation Reserve	1,128	0	338	1,466
Revenue Grants transferred to Earmarked Reserves	725	(258)	0	467
Other Reserves	367	0	0	367
Education All Risks Scheme	160	0	101	261
Tatton Park	238	0	4	242
Long Term Sickness Scheme	150	0	63	213
Building Regulation Fee Earning	181	0	0	181
Economic Development Reserve	223	(82)	0	141
Climate Change	67	0	0	67
Invest to Save Reserve	255	(255)	0	0
Business Rates Support Scheme	0	0	5,071	5,071
Investment Reserve	0	0	2,050	2,050
NHS Section 256	0	0	1,784	1,784
Public Health	0	0	1,620	1,620
Children's Reserve	0	0	650	650
Individual Commissioning	0	0	580	580
Elections	0	0	486	486
Emergency Assistance	0	0	400	400
Pensions Contributions	0	0	150	150
Winter Weather	0	0	120	120
Total General Fund Reserves	9,285	(5,046)	22,106	26,345
Total Earmarked Reserves	21,911	(8,862)	22,106	35,155

3. Other Operating Income and Expenditure

2012/13 £000	Other Operating Expenditure	2013/14 £000
4,428	Precepts and Levies	4,524
24	Payments to Government Housing Capital Receipts Pool	13
0	Impairments of Financial Assets	0
41,409	(Gains) / losses on the disposal of non current assets	43,259
37	Other Expenditure	829
45,898	Total	48,625
2012/13 £000	Other Operating Income	2013/14 £000
(23)	Business Finance Loan Interest	(7)
(106)	Cheshire Lifestyle Services (CLS) Rental Income	0
(808)	Other Capital Income	(1,263)
(518)	Other Income	0
(1,455)	Total	(1,270)
44,443	Net Other Operating Expenditure	47,355

4. Financing and Investment Income and Expenditure

2012/13 £000		2013/14 £000
6,265	Interest Payable and Similar Charges	5,397
(1,417)	Interest and Investment Income	(1,395)
17,024	Pensions Interest Cost	19,010
2,066	Trading Accounts (Surplus) / Deficit (Note 22)	1,937
(583)	Income and expenditure in relation to investment properties and changes in their fair value	475
23,355	Total	25,424

5. Taxation and Non-Specific Grant Income

2012/13 £000		2013/14 £000
(182,996)	Demand on Collection Fund	(171,311)
377	(Surplus) / Deficit on Collection Fund	(142)
(66,390)	Non Domestic Rates	(35,438)
(1,287)	Revenue Support Grant	(55,855)
(180,228)	Government Grants	(148,422)
(430,524)	Total	(411,168)

6. Property, Plant and Equipment (PPE)

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.

2013/14 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
Cost or Valuation								
At 1 April 2013	567,700	54,977	361,088	1,638	28,599	6,404	1,020,405	42,615
Additions	10,393	6,535	33,234	133	862	3,761	54,918	0
New Finance Leases	0	128	0	0	0	0	128	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(15,496)	0	0	0	7,096	0	(8,401)	0
Revaluation increases/(decreases) recognised in the Surplus or Deficit to the Provision of Services	(30,913)	0	0	(9)	(1,409)	0	(32,331)	0
Derecognition - Disposals	(53,985)	(692)	0	(20)	(204)	0	(54,900)	0
Derecognition - Other	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Investment Properties	0	0	0	0	175	(1,160)	(985)	0
Assets reclassified (to)/from Assets Held for Sale	(160)	0	0	0	(2,915)	0	(3,075)	0
Assets reclassified within PPE	(1,648)	0	(68)	0	3,416	(1,700)	0	0
Other movements in Cost or Valuation	49	(3,920)	(8,403)	(3)	(28)	(1,064)	(13,369)	0
At 31 March 2014	475,940	57,028	385,851	1,739	35,592	6,241	962,391	42,615
Accumulated Depreciation and Impairment								
At 1 April 2013	(64,364)	(37,799)	(104,079)	(39)	(4,701)	0	(210,981)	(6,656)
Depreciation charge	(14,025)	(5,179)	(10,405)	0	(425)	0	(30,033)	(1,021)
Depreciation written out to the Revaluation Reserve	15,894	0	0	0	259	0	16,153	0
Depreciation written out to the Surplus or Deficit on the Provision of Services	5,472	0	0	0	22	0	5,493	0
Revaluation Losses /Reversals written out to the Revaluation Reserve	1,567	0	0	0	14	0	1,581	0
Revaluation losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	9,885	0	0	0	0	0	9,885	0
Derecognition - Disposals	8,615	620	0	0	17	0	9,253	0
Other movements in Depreciation and Impairment	3,209	0	2	0	(272)	0	2,939	0
At 31 March 2014	(33,747)	(42,358)	(114,481)	(39)	(5,085)	0	(195,710)	(7,677)
Net Book Value:								
At 31 March 2014	442,193	14,670	271,370	1,700	30,507	6,241	766,681	34,938
At 31 March 2013	503,337	17,177	257,009	1,599	23,897	6,404	809,423	35,959

Comparative figures for the previous year are as follows:

2012/13 (Restated) 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
<u>Cost or Valuation</u>								
At 1 April 2012	650,033	54,240	340,853	1,638	44,634	7,212	1,098,610	42,615
Additions	16,001	5,644	18,264	0	0	4,654	44,563	0
New Finance Leases	0	1,345	0	0	0	0	1,345	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(19,458)	0	0	0	1,525	0	(17,933)	0
Revaluation increases/(decreases recognised in the Surplus or Deficit to the Provision of Services	(28,882)				(15,279)		(44,161)	
Derecognition - Disposals	(40,370)	(1,573)	0	0	(7,080)	0	(49,023)	0
Derecognition - Other	(5,917)	0	0	0	(2,245)	0	(8,162)	0
Assets reclassified (to)/from Investment Properties	0	0	0	0	(549)	0	(549)	0
Assets reclassified (to)/from Assets Held for Sale	0	0	0	0	7,235	0	7,235	0
Assets reclassified within PPE	2,838	0	2,203	0	293	(5,334)	0	0
Other movements in Cost or Valuation	(6,545)	(4,678)	(232)	0	64	(128)	(11,519)	0
At 31 March 2013	567,700	54,978	361,088	1,638	28,598	6,404	1,020,406	42,615
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2012	(70,844)	(33,566)	(94,180)	(39)	(13,010)	0	(211,639)	(5,635)
Depreciation charge	(15,153)	(5,665)	(9,899)	0	0	0	(30,717)	(1,021)
Depreciation written out to the Revaluation Reserve	6,954	0	0	0	201	0	7,155	0
Depreciation written out to the Surplus or Deficit on the Provision of Services	1,347	0			234		1,581	0
Revaluation Losses / (reversals) written out to the Revaluation Reserve	2,574	0	0	0	400	0	2,974	0
Revaluation losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	4,692			0	9,527		14,219	0
Derecognition - Disposals	4,763	1,430	0	0	196	0	6,389	0
Other movements in Depreciation and Impairment	1,304	0	0	0	(2,249)	0	(945)	0
At 31 March 2013	(64,363)	(37,801)	(104,079)	(39)	(4,701)	0	(210,983)	(6,656)
Net Book Value:								
At 31 March 2013	503,337	17,177	257,009	1,599	23,897	6,404	809,423	35,959
At 31 March 2012	579,189	20,674	246,673	1,600	31,624	7,212	886,972	36,980

Depreciation

All depreciation calculations are made on a straight-line basis. See accounting policies (Note 48v) 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 March 2014, totals £49.1m (£6.7m as at 31 March 2013). These contracts are all fully funded and are summarised as follows:

Capital Project	Contract Total	Amount Paid Up To 31 March 2014	Balance
	£000	£000	£000
<u>Children's Services</u>			
Dean Oaks PS – Basic Need	775	197	578
Wheelock Primary School – Phase 2	1,286	0	1,286
Lacey Green Academy	1,068	234	834
<u>Economic Growth and Prosperity</u>			
Crewe Green Link Road	17,000	0	17,000
A500 Widening Scheme at Junction 16	2,900	0	2,900
<u>Public Protection and Enforcement</u>			
Lifestyle Centre Crewe	980	594	386
<u>Chief Operating Officer</u>			
Connecting Cheshire – Superfast Broadband	28,729	2,609	26,120
Total	52,738	3,634	49,104

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 2014 were carried out by Deloitte Real Estate in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (The Red Book).

In 2013/14 the entire school portfolio owned by Cheshire East Council has been re-valued using the Depreciated Replacement Costs method. A large number of the councils car park assets were also valued in 2013/14 to allow for a more accurate and consistent approach in valuation, valuing them at fair value using the Existing Use Value (EUV) method.

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 ACES (The Association of Chief Estate Surveyors and Property Managers in Local Government).

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 Comparative Movements 2012/13	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	0	14,670	271,370	1,700	0	6,241	293,981	0
<u>Valued as Fair Value as at:</u>								
31 March 2014	284,668	0	0	0	14,173	0	298,841	34,938
31 March 2013	33,393	0	0	0	10,945	0	44,338	0
31 March 2012	45,792	0	0	0	65	0	45,857	0
31 March 2011	53,592	0	0	0	590	0	54,182	0
31 March 2010	24,748	0	0	0	4,734	0	29,482	0
Total Cost or Valuation	442,193	14,670	271,370	1,700	30,507	6,241	766,681	34,938

Revaluation Losses

Paragraph 4.7.4.2(1) of 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 and to Other Comprehensive Income and Expenditure.

These disclosures are consolidated in Note 6, reconciling the movement over the year in the Property, Plant and Equipment balances.

In 2013/14 the gross downward valuation for Property, Plant and Equipment was £40.732m, with £32.331m relating to gross revaluations losses and reversals being charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure.

The net movement on the revaluations carried out in 2013/14 on Property Plant and Equipment was a £0.673m gain, which includes the reversing of any prior year's accumulated depreciation and revaluation losses previously charged on the assets.

The main losses were on the revaluation of the Council's Car Parks which was £1.713m. There three notable valuation losses as a result of the Schools being re-valued in 2013/14 there were Pussbank Primary School £1.940m, Shavington Primary School £1.707m and Vernon Junior Primary School £1.157m. However, there were a number of revaluation gains, including Crewe Baths (£1.662m) and Nantwich Baths (£1.938m).

7. Heritage Assets

The Heritage Assets that are held on the Council Balance Sheet at a value of £0.985m primarily relate to Civic Regalia or the ceremonial pieces that go alongside the formal civic ceremonies.

Civic Regalia, Ceramics Work and Figurines

The Authority's collection of Civic Regalia, Ceramics and Sculptures is reported in the Balance Sheet at insurance valuation based on market values. The collection was valued in November 2010 by Byrne's Auctioneers and Valuers LLP, based in Chester. The collection will not be re-valued annually, but a regular review is carried on certain valuable items within the collection to ensure the adequacy of the valuation.

In 2013/14 a number of items that had transferred from the former Crewe and Nantwich Borough Council have been passed on to the newly formed Crewe Town Council. The value of the assets totalled £0.217m.

The Civic Regalia, Ceramics and Sculptures Collection also has particularly significant items in terms of both value and note, including a William and Mary silver gilt mace by Anthony Nelme, London, dated 1693 and valued at £110,000, and an Artemis Sculpture valued at £100,000.

8. Investment Property

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

2012/13 £000		2013/14 £000
9,075	Balance at start of the year	9,846
	Expenditure incurred in year	1,415
0	Disposals	(1,185)
222	Net gains/(losses) from fair value adjustments	(572)
	<u>Transfers:</u>	
549	(To)/from Property, Plant and Equipment	985
0	(To)/from Assets Held for Sale	1,050
9,846	Closing Balance at 31 March	11,539

9. Intangible Assets

The carrying amount of intangible assets is amortised on a straight-line basis. See Accounting Policies, Note 48(o) for further details.

The amortisation of £204,287 charged to revenue in 2013/14 was charged to the Services identified as users of the assets.

The movement on Intangible Asset balances during the year is as follows:

2012/13 £000	Intangible Assets	2013/14 £000
	Balance at start of the year	
1,405	• Gross carrying amounts	1,837
(1,018)	• Accumulated Amortisation	(1,178)
387	Net carrying amount at start of year	659
432	Additions - Purchases	789
(160)	Amortisation for the year	(204)
659	Net carrying amount at end of year	1,244
	Comprising:	
1,837	• Gross carrying amounts	2,626
(1,178)	• Accumulated Amortisation	(1,382)
659	Closing Balance at 31 March	1,244

10. Financial Instruments

The following categories and values of Financial Instruments are carried in the Balance Sheet:

31 March 2013			31 March 2014		
Restated Long-Term £000	Current £000		Notes	Long-Term £000	Current £000
		Investments:	10(a)		
0	9,482	Loans and Receivables		0	13,042
20,348	2,008	Available for Sale Financial Assets		22,830	5,030
20,348	11,490	Total Investments		22,830	18,072
		Debtors:			
		Loans and Receivables:			
45	0	- Mortgages		25	0
6,671	0	- Other Loans and Receivables		6,454	0
0	30,236	Financial Assets carried at Contract Amounts		0	30,051
6,716	30,236	Total Debtors		6,479	30,051
		Borrowings:	10(b)		
(127,777)	(6,075)	Financial Liabilities at Amortised Cost		(115,223)	(12,570)
(127,777)	(6,075)	Total Borrowings		(115,223)	(12,570)
		Other Long-Term Liabilities:			
(35,878)	0	PFI Liabilities	37	(34,711)	0
(5,665)	(1,392)	Finance Lease Liabilities	35	(4,213)	(1,234)
(41,543)	(1,392)	Total Other Long-Term Liabilities		(38,924)	(1,234)
		Creditors:			
0	(46,722)	Financial Liabilities at Contract Amount		0	(47,500)
0	(46,722)	Total Creditors		0	(47,500)

Note 47 refers to the nature and extent of risks associated with financial instruments.

Financial Instruments - Income, Expense, Gains and Losses

2012/13					2013/14				
Financial Liabilities measured at Amortised Cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total		Financial Liabilities measured at Amortised Cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total	
£000	£000	£000	£000		£000	£000	£000	£000	
7,585	0	0	7,585	Interest Expense	7,204	0	0	7,204	
0	0	0	0	Impairment Losses	(324)	0	0	(324)	
2	117	53	172	Fee Expenses	0	133	53	186	
7,587	117	53	7,757	Total Surplus or (Deficit) on the Provision of Services	6,880	133	53	7,066	
0	(485)	(5)	(490)	Interest Income	0	(431)	(14)	(445)	
0	(34)	0	(34)	Interest Income Accrued on Impaired Financial Assets	0	(11)	0	(11)	
0	(519)	(5)	(524)	Total Income in Surplus or (Deficit) on the Provision of Services	0	(442)	(14)	(456)	
0	0	(202)	(202)	Gains on Revaluation	0	0	(86)	(86)	
0	0	0	0	Losses on Revaluation	0	0	3	3	
0	0	(202)	(202)	Surplus/(Deficit) arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure	0	0	(83)	(83)	
7,587	(402)	(154)	7,031	Net Gain/(Loss) for Year	6,880	(309)	(44)	6,527	

Financial Instruments - Fair Values of Assets and Liabilities

The fair value of financial assets at 31 March 2014 represents the amount that would need to be invested on 31 March 2014 at rates of interest prevailing on that date for the period up until the existing amounts are due to mature/be repaid to the Council which would generate an amount equal to that the Council is currently due to receive from its existing deposits.

31 March 2013			31 March 2014		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
		Assets:			
9,482	9,488	Loans and Receivables	13,042	13,050	
6,716	6,716	Long Term Debtors	6,479	6,479	
16,198	16,204	Total Assets	19,521	19,529	

As at 31 March 2014, the only instance where the fair value of the financial assets held differed from their carrying value was in respect of four fixed term money market deposits due to mature in

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2014/15. Money markets rates at 31 March 2014 had not changed significantly from those applicable at the time the loans were made. The fair value is higher to reflect the lower rate applicable to the remaining period of the loan.

The fair value of the financial liabilities represents the amount of loans that could be raised on 31 March 2014 which would give rise to the same profile of interest payments and principal repayments as those the Council is committed to under its existing loan agreements. This is based on the Public Works Loans Board (PWLB) repayment rates and market (LOBO) loan swap rates which take into account the value of any embedded options.

31 March 2013			31 March 2014	
Restated Carrying Amount £000	Restated Fair Value £000		Carrying Amount £000	Fair Value £000
		Liabilities:		
133,852	161,652	Financial Liabilities	127,793	145,433
41,543	41,543	Other Long Term Liabilities	38,924	38,924
175,395	203,195	Total Liabilities	166,717	184,357

The market value of total borrowings was higher than their carrying value as at 31 March 2014. This is a result of the Council having all fixed rate loans within its portfolio which are at higher rates than the repayment and swap rates prevailing at 31 March 2014.

10(a) Investments

Long Term Investments at 31 March were as follows:

31 March 2013 £000		31 March 2014 £000
	<u>Loans and Receivables:</u>	
0	Alderley Park Holdings Ltd	580
	<u>Available for Sale Financial Assets:</u>	
20,347	Investec Managed Pooled Funds	20,439
0	Alderley Park Holdings Ltd Shares	1,070
0	Manchester Science Parks Ltd Shares	739
1	Government Consolidated Stock and War Stock	2
20,348	Total Long Term Investments	22,830

Shares were purchased on 27 March 2014 relating to the acquisition of the Alderley Park site. Investments in shares have been shown at their purchase price being the best indicator of their market value. The interest free loan to Alderley Park Holdings Ltd is £0.831m but is shown at its fair value based on market interest rates for the period of the loan.

The Pooled Funds shown as available for sale financial assets are investments with no determinable maturity date that the Council can sell at any time.

Short Term Investments at 31 March were as follows:

31 March 2013 £000		31 March 2014 £000
	Loans and Receivables:	
0	Barclays Bank	5,025
0	Federated Cash Plus Fund	3,025
6,026	Lloyds TSB Bank	3,003
0	Close Bros	3,001
0	Nationwide Building Society	2,003
3,002	RBS	0
438	Heritable Bank (in administration)	0
16	Other	10
9,482		16,067
	Available for Sale Financial Assets:	
2,008	Standard Chartered Bank	2,005
11,490	Total Short Term Investments	18,072

Short Term Investments represent all invested funds which are not immediately convertible to cash on 31 March 2014 but where repayment is expected before 31 March 2015. 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.

10(b) Borrowing – Financial Liabilities at Amortised Cost

The amounts and maturity profile of borrowings are as follows:

Total 2012/13 £000	Debt Maturity	Lender		Total 2013/14 £000
		Public Works Loans Board £000	Banks £000	
	Short Term Borrowing			
7,588	Within the next financial year	12,370	200	12,570
7,588	Total Short Term Borrowing	12,370	200	12,570
	Long Term Borrowing			
11,136	1 – 2 years	8,543	50	8,593
20,618	2 – 5 years	18,000	25	18,025
16,750	5 – 10 years	10,750	0	10,750
0	10 – 15 years	2,543	0	2,543
21,845	15 – 20 years	21,310	0	21,310
3,936	20 – 25 years	2,034	0	2,034
20,282	25 – 30 years	7,629	12,544	20,173
31,697	More than 30 years	26,617	5,178	31,795
126,264	Total Long Term Borrowing	97,426	17,797	115,223
133,852	Total Borrowing	109,796	17,997	127,793

11. Assets Held for Sale

This includes assets that are valued at market price and are due to be sold in the near future.

Current Assets 2012/13 £000		Current Assets 2013/14 £000
9,314	Balance outstanding at start of the year	1,050
	<u>Assets newly classified as held for sale:</u>	
732	• Property, Plant and Equipment	3,023
0	• Investment Property	0
	Expenditure incurred in year	65
0	Revaluation losses	(768)
318	Revaluation gains	3,424
0	Impairment losses	0
	<u>Assets declassified as held for sale:</u>	
(5,764)	• Property, Plant and Equipment	(1,050)
(3,550)	Assets sold	0
1,050	Closing Balance at 31 March	5,744

12. Debtors

Current Debtors (short term - less than one year)

This Note provides details of the Council's current debt position as at 31 March 2014. 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.

31 March 2013 £000		31 March 2014 £000
	Central government bodies:	
3,793	HM Revenue & Customs - VAT reclaimable	7,399
3,096	NNDR Deficit - central government share (net debtor shown at 31 March 2013)	4,884
2,997	Housing and Council Tax benefit subsidy	25
	Government grants:	
1,773	- Capital	5,020
281	- Revenue	1,281
626	Other central government debtors and prepayments	1,072
(11)	Impairment on the above	(193)
12,555	Total central government bodies	19,488
	Other local authorities:	
1,304	Cheshire West & Chester Council	864
3,044	Other local authorities	2,271
(14)	Impairment on the above	0
4,334	Total other local authorities	3,135

31 March 2013 £000		31 March 2014 £000
	NHS bodies:	
2,574	Primary Care and other NHS Trusts	4,543
(109)	Impairment on the above	(117)
2,465	Total NHS bodies	4,426
	Public corporations and trading funds:	
0	Public corporations and trading funds	35
0	Impairment on the above	0
0	Total public corporations and trading funds	35
	Other entities and individuals:	
13,338	Council tax payers	14,249
5,361	Benefits claimants	6,491
0	Growing Places fund – re-imbursement due	3,028
4,130	Deferred debtors	2,995
63	Business Rate payers	2,489
13,872	Other sundry debtors	12,230
3,409	Prepayments	1,210
(11,349)	Impairment on the above	(12,049)
28,824	Total other entities and individuals	30,643
48,178	Total Current Debtors	57,727

Long-Term Debtors (greater than one year)

Long-term Debtors at 31 March were as follows:

31 March 2013 £000		31 March 2014 £000
3,756	Finance Leases	3,499
1,572	Cheshire Lifestyle Services (CLS)	1,572
1,182	Soft Loans	1,260
1,082	Joint Assets – Cheshire East BC share of Cheshire West & Chester Council assets	938
161	Academies	123
45	Mortgages (Right to Buy and Housing Act Advances)	25
7,798	Total Long-term Debtors	7,417

Long-term debtors include soft loans. These are loans which have been granted either without interest payable or with interest payable at below market levels. The Council has issued the following soft loans:

31 March 2013 £000		31 March 2014 £000
621	Housing – Assisted Purchase Scheme	603
346	Housing – Private Sector Assistance	473
198	Congleton Town Hall	172
17	Foster Family	12
1,182	Total Soft Loans	1,260

13. Cash and Cash Equivalents

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

31 March 2013 £000		31 March 2014 £000
425	Cash held by the Council	344
(5,122)	Bank current accounts	2,943
37,385	Instant access investments	22,749
32,688	Total Cash and Cash Equivalents	26,036

14. Creditors

Current Creditors (short term - less than 1 year)

This Note provides details of the Council's current creditor position as at 31 March 2014.

Restated 31 March 2013 £000		31 March 2014 £000
	Central government bodies:	
	Grants received in advance from central government departments:	
(100)	- Revenue Grant	(7,161)
(1,058)	- Capital Grant	0
(4,469)	National Insurance and PAYE payable to HM Revenue & Customs	(3,819)
(1,373)	Superannuation Contributions payable to Teachers Pensions	(1,229)
(1,271)	Other central government creditors and receipts in advance	(4,520)
(8,271)	Total central government bodies	(16,729)
	Other local authorities:	
(16,104)	Cheshire West & Chester Council	(8,808)
(2,018)	Other local authorities	(1,185)
(18,122)	Total other local authorities	(9,993)
(2,169)	NHS bodies – Primary Care and other NHS Trusts	(1,672)
(101)	Public corporations and trading funds	(78)
	Other entities and individuals:	
(7,883)	Accumulated absences - leave due to Council employees	(6,637)
(2,633)	Superannuation Contributions payable to LGPS (Cheshire Pension Scheme)	(2,491)
(1,578)	Council Tax received in advance	(1,886)
(1,392)	Finance Leases payable within 12 months (Note 35)	(1,234)
(3,718)	Highways Maintenance Contract Payments	(224)
(25,622)	Amounts due to other entities and individuals	(36,446)
(42,826)	Total other entities and individuals	(48,918)
(71,489)	Total Current Creditors	(77,390)

15. Provisions

The following table provides a summary of the provisions held:

Provision	Balance at 1 April 2013 £000	Additional provisions made in 2013/14 £000	Amounts used in 2013/14 £000	Balance at 31 March 2014 £000
Insurance Provision – Cheshire East Fund	4,122	980	(1,522)	3,580
Insurance Provision – Cheshire County Fund	872	106	(75)	903
Business Rates Retention Scheme Appeals	0	3,285	0	3,285
Provider Risk	200	1,415	0	1,615
Early Retirement Provision	493	1,032	0	1,525
Closed Landfill Sites	0	611	0	611
Local Land Charge	384	0	0	384
Land Charge Interest	166	0	0	166
Legal Costs	275	0	(45)	230
Highways Schemes	211	0	0	211
Gratuities and Pension	443	0	(443)	0
Other Provisions	157	7	(98)	66
Total Provisions	7,323	7,436	(2,183)	12,576

The **Insurance Provisions** for Cheshire East Council and the former Cheshire County Council cover the estimated settlement costs of claims received up to 31 March 2014.

The **Business Rates Retention Scheme Appeals** provision has been created to cover the risk of possible successful business rates appeals. On April 2013 the new Business Rates Retention Scheme was introduced to replace the previous National Pooling System for business rates. The new scheme allows local authorities to share in the risks and rewards associated with the collection of business rates.

The **Provider Risk** provision was set up in 2012/13 to provide for continuity of Adults care provision in the event of external provider failure in the current economic climate.

The **Early Retirement Provision** has been created to meet the actuarial costs of early retirements which have been charged to the revenue account in full and will be paid over to the Pension Fund in 2014/15.

The **Closed Landfill Sites** provision has been set up to provide for the ongoing 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 5 sites identified within Cheshire East is 31 years.

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

The **Legal Costs** provision was set up in 2012/13 to meet the potential legal costs settlements in judicial review cases relating to Adults care provision.

The **Highways Schemes** provision has been created to meet the potential costs in relation to noise, disturbance and contractors claims in respect of major highways schemes.

The **Gratuities and Pension** provision was created to meet the potential increase in the costs of discretionary pensions and gratuities payments to teachers arising from a revised taxbase share of costs with Cheshire West & Chester Council and inflationary pensions increases.

Balances on **Other Provisions** include the Asset Recovery Scheme (£49,000), Domestic Violence Family Support Unit (£15,000) and Public Health Drainage (£2,000).

16. 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, and the Notes on Adjustments between Accounting Basis and Funding Basis under Regulations (Note 1) and Transfers to/from Earmarked Reserves (Note 2).

16(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 March 2014 was £19.8m.

16(b) Capital Reserve

The Capital Reserve exists to finance capital projects and is maintained by receipts from the sale of land and buildings and by contributions from revenue. During 2013/14, £6.4m from the Reserve was used to finance capital expenditure, this includes £0.856m funding received from Revenue Contributions transferred into the Reserve throughout 2013/14. The main source of funding into the Reserve came from capital receipts £4.9m and transfers from other Reserves, such as the Capital Adjustment Account and the Capital Receipts deferred Account.

The 2013/14 closing balance on the Reserve was £1.7m. The movements in year are summarised below:

2012/13 £000	Capital Reserve	2012/13 £000
16,309	Opening Balance at 1 April	1,077
11,539	Usable Capital Receipts	4,950
27,848		6,027
(12,250)	Amount used to finance capital spending incurred in 2012/13	(6,368)
(15,578)	Amount used to finance capital spending incurred in Previous Years	0
0	Repayment to Capital Receipts Reserve from CAA – Waste PFI	668
(57)	Repayment to the Capital Adjustment Account – Cost of Disposals for sales achieved	0
	Appropriations to / (from):	
1,055	• General Fund	1,335
59	• Other Reserves	42
1,114		1,377
1,077	Closing Balance at 31 March	1,704
	Representing:	
1,077	Usable Capital Receipts	1,704
0	Other Monies	0
1,077	Total Capital Reserve	1,704

16(c) 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 had not been incurred by 31 March 2014.

As at 31 March 2014 the closing balance on the Capital Grants Unapplied Account was £15.6m.

2012/13 £000	Capital Grants Unapplied	2013/14 £000
9,794	Opening Balance at 1 April	11,516
33,034	Grants with conditions met in year (see Note 29)	42,425
0	Transfer from Capital Adjustment Account	138
0	Transfer to Capital Reserve Account	(9)
3	Interest received relating to Section 106 Agreements	0
	<u>Grants used to finance Capital Expenditure</u>	
(9,352)	Local Transport Plan	(18,918)
(13,643)	Department for Education (Capital Grants)	(7,359)
0	Department of Communities and Local Government	(518)
0	Department of Culture Media and Sport	(758)
0	Department of Health	(1,222)
0	Department of Transport – Pinch Point Funds	(100)
(85)	Department for Environment Food and Rural Affairs	(8)
(1,658)	Disabled Facilities Grant	(995)
(240)	Department of Energy & Climate Change	(179)
(43)	European Regional Development Fund	(846)
(961)	Other Grants	(961)
	<u>Contributions used to finance Capital Expenditure</u>	
(447)	Developers Contributions – Section 106 and 278	(899)
(10)	Department for Business Innovation and Skills Grant	0
(1,785)	Department of Transport – Section 31	0
(1,762)	Contribution from Network Rail	(3,940)
0	Contribution from British Telecom	(728)
(1,237)	Other Contributions	(1,084)
	<u>Contributions used to finance Revenue Expenditure</u>	
(92)	Application of Section 106 contribution to support revenue costs	0
11,516	Closing Balance at 31 March	15,555

16(d) 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 March 2014, the accumulated underspend on schools' budgets was £8.8m. Details on the movements are provided in Note 2 (Transfers to/from Earmarked Reserves).

16(e). General Fund Earmarked Reserves

These reserves are amounts set aside from General Fund balances, earmarked to provide finance for future expenditure plans. The balance as at 31 March 2014 was £26.3m. Details on the movements between Earmarked Reserves are provided in Note 2.

The **Insurance Reserves** for Cheshire East Council and the former Cheshire County Council represent the sums held to cover any potential future unknown claim liabilities.

A former Insurer of the Councils, Municipal Mutual Insurance (MMI), was liquidated in 1993 and since then had been hoping to achieve a solvent run-off when all outstanding liability claims were settled. Following a Supreme Court judgement, it was concluded that a solvent run-off could not be achieved and the Scheme of Arrangement was formerly triggered on 13 November 2012. This decision resulted in a claw-back of claim payments, excluding the first £50,000, with any future claim settlement to be funded by the Cheshire East Council and Cheshire County Insurance Funds.

The levy notice was issued on 1 January 2013 and resulted in a payment of £1,454,172 compared to the estimated liability of £1.5m reported in the 2012/13 Statement of Accounts. The most significant impact was on the former Cheshire County Council Fund, with a payment due of £1,240,676; a further payment of £213,496 related to the former district councils and was met from the Cheshire East Fund.

The following new earmarked reserves have been created in 2013/14:-

- **The Business Rates Support Scheme (£5.071m)** has been established to manage cash flow implications following changes from the 2012/13 NNDR system.
- **The Investment Reserve (£2.050m)** has been established to support investment that can increase longer term financial independence and stability of the Council.
- **The NHS Section 256 Reserve (£1.784m)** will support adult social care which also has a health benefit, as agreed with Eastern Cheshire and South Cheshire Clinical Commissioning Groups (CCG's) and governed by Cheshire East, Health and Wellbeing Board.
- **The Public Health Reserve (£1.620m)** is the ring-fenced underspend to be invested in areas to improve performance against key targets. This includes the creation of an innovation fund to support partners to deliver initiatives that tackle key health issues.
- **The Children's Social Care Reserve (£0.650m)** has been established to support implementation of the Children's Social Care Bill.

- **The Individual Commissioning Reserve (£0.580m)** is to provide capacity to perform Deprivation of Liberties and Best Interest reviews of care customers following recent case law.
- **The Elections Reserve (£0.486m)** is to provide funding for the costs of Elections arising every four years.
- **The Emergency Assistance Reserve (£0.400m)** will be used to extend the life of the Emergency Assistance scheme to provide funding to the most vulnerable beyond 2014/15 when the funding ceases.
- **The Pensions Contributions Reserve (£0.150m)** has been created to meet the impact of a reduced workforce on fixed contributions to the Past Service Pensions deficit.
- **The Winter Weather Reserve (£0.120m)** represents sums set aside to provide for future adverse winter weather expenditure.

17. Unusable Reserves

17(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 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.

2012/13 £000	Revaluation Reserve	2013/14 £000
220,312	Opening Balance at 1 April	185,172
20,608	Upward revaluation of assets	64,875
	Restated Balance from prior year adjustments	4
(27,421)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(44,948)
(6,813)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	19,931
(5,161)	Difference between fair value depreciation and historical cost depreciation	(4,196)
(23,166)	Accumulated losses on assets sold or scrapped	(11,718)
(28,327)	Amount written off to the Capital Adjustment Account	(15,914)
185,172	Closing Balance at 31 March	189,189

17(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, revaluation 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 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Restated 2012/13 £000	Capital Adjustment Account	2013/14 £000
466,282	Opening Balance at 1 April	434,443
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
(30,456)	• Charges for depreciation and impairment of non current assets	(30,177)
(40,164)	• Revaluation losses on Property, Plant and Equipment	(34,816)
(160)	• Amortisation of intangible assets	(204)
(6,716)	• Revenue expenditure funded from capital under statute	(9,280)
(53,087)	• 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	(46,877)
28,327	Adjusting amounts written out of the Revaluation Reserve	15,914
	<u>Capital financing applied in the year:</u>	
27,828	• Use of the Capital Receipts Reserve to finance new capital expenditure	5,700
31,222	• Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	38,517
	Repayment of Prior Years Financing paid back to the Capital Adjustment Account	(138)
11,014	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	9,477
131	• Capital expenditure charged against the General Fund	2,581
222	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(572)
434,443	Closing Balance at 31 March	384,568

17(c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The balance on the account of £1.76m is represented by three specific items:

- **PWLB, unamortised premiums and discounts** – a number of loans were repaid early in July 2011 with the premiums / discounts being charged through the accounts over 10 years. In 2013/14 £43,000 was charged leaving a balance of £274,000 to be charged in future years.
- **Lender Option Borrowers Option (LOBO) loans** – these arise from the change to the basis on which stepped LOBO loans are recorded using the effective interest rate. The amounts will be credited/charged to the General Fund through the Movement in Reserves Statement over the remaining lives of the loans (between 30 and 41 years remaining). In 2013/14 £13,000 was credited leaving a balance of £725,000 to be charged in future years.
- **Soft Loans** – these are interest free loans where the balance represents the reduced value of the debt for future interest calculated at market rates. In 2013/14 the balance increased by £234,000 to £762,000 mainly due to a new interest free loan granted to Alderley Park Holdings Ltd, a company in which the Council has an interest.

17(d) 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 Council 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.

Restated 2012/13 £000		2012/13 £000
(360,242)	Opening Balance at 1 April	(431,324)
(64,684)	Actuarial gains or losses on pensions assets and liabilities	49,696
(38,236)	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	(38,275)
31,838	Employer's pensions contributions and direct payments to pensioners payable in the year	31,471
(431,324)	Closing Balance at 31 March	388,432

17(e) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the CIES compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The balance on the Account effectively shows the Council's share of the overall Collection Fund surplus or deficit.

31 March 2013 £000		31 March 2014 £000
5	Opening Balance at 1 April	0
(5)	Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	4,666
0	Closing Balance at 31 March	4,666

17(f) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2012/13 £000		2013/14 £000
(7,509)	Opening Balance at 1 April	(7,883)
7,509	Settlement or cancellation of accrual made at the end of the preceding year	7,883
(7,883)	Amounts accrued at the end of the current year	(6,637)
(374)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,246
(7,883)	Closing Balance at 31 March	(6,637)

18. Cash Flow Statement - Operating Activities

2012/13 £000		2013/14 £000
(72,936)	Net surplus / (deficit) on the provision of services	(57,447)
	<u>Adjust net surplus or deficit on the provision of services for non cash movements:</u>	
30,456	Depreciation	30,177
40,164	Impairment and downward valuations	34,816
160	Amortisation	204
141	Reductions in fair value of Soft Loans (non Subsidiary) made in the year	71
(52)	Soft Loans (non Subsidiary) - Interest adjustment credited to CIES during year	(117)
26	Adjustments for effective interest rates	249
(35)	Increase/Decrease in Interest Creditors	(105)
(9,804)	Increase/Decrease in Creditors	7,708
14	Increase/Decrease in Interest and Dividend Debtors	(19)
3,805	Increase/Decrease in Debtors	(3,353)
163	Increase/Decrease in Inventories	(191)
6,398	Pension Liability	6,804
55	Contributions to/(from) Provision for Equal Pay	0
0	Contributions to/(from) Provision for Early Retirement	1,032
0	Contributions to/(from) Reserve for Accumulated Absences	(1,246)
1,229	Contributions to/(from) other Provisions	4,221
53,087	Carrying amount of non-current assets sold	46,934
(222)	Movement in Investment Property Values	572
0	Adjustment for non cash income included in CIES – Capital Grants Applied	(1,051)
125,585	Adjustment to surplus or deficit on the provision of services for non cash movements	126,706
	<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities:</u>	
(33,037)	Capital Grants credited to surplus or deficit on the provision of services	(42,425)
(12,536)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,963)
(45,573)	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	(47,388)
7,076	Net Cash Flows from Operating Activities	21,871

The cash flows for operating activities include the following items:

2012/13 £000	Operating activities within the cash flow statement include the following cash flows relating to interest	2013/14 £000
1,177	Interest Received	1,408
(6,274)	Interest Paid	(5,502)

19. Cash Flow Statement - Investing Activities

2011/12 £000		2012/13 £000
(41,419)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(57,604)
(76,400)	Purchase of short and long term investments	(103,149)
285	Other Payments for Investing Activities	(58)
11,352	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(3,097)
68,799	Proceeds from short-term and long-term investments	93,938
32,046	Other receipts from Investing Activities	43,798
(5,337)	Total Cash Flows from Investing Activities	(26,172)

20. Cash Flow Statement - Financing Activities

2012/13 £000		2013/14 £000
5,200	Cash receipts of short and long term borrowing	0
(725)	Billing Authorities - Council Tax and National Non-Domestic Rates adjustments	1,886
0	Appropriation to/from Collection Fund Adjustment Account	4,666
(5,813)	Repayment of Short-Term and Long-Term Borrowing	(5,998)
(1,176)	Payments for the reduction of a finance lease liability	(1,738)
(1,129)	Payments for the reduction of a PFI liability	(1,167)
(3,643)	Total Cash Flows from Financing Activities	(2,351)

21. Amounts Reported for Resource Allocation Decisions (Segmental Reporting)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Directorates. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- expenditure on some support services is budgeted for centrally and not charged to Directorates.

The income and expenditure of the Council's principal Directorates recorded in the budget reports for the year is as follows:

2013/14	Adult Social Care and Public Health	Children's Services	Environment and Public Protection, Communities Economic Growth and Prosperity	Corporate Services	Total
	£000	£000	£000	£000	£000
Fees, charges and other service income	(21,032)	(16,094)	(49,730)	(12,687)	(99,543)
Government and Non Government Grants and Contributions	(38,073)	(190,372)	(5,052)	(298)	(233,795)
Total Income	(59,105)	(206,466)	(54,782)	(12,985)	(333,338)
Employee expenses	31,869	164,332	46,321	27,495	270,017
Other service expenses	119,867	97,956	156,703	29,459	403,985
Total Expenditure	151,736	262,288	203,024	56,954	674,002
Net Expenditure	92,631	55,822	148,242	43,969	340,664

The comparators for 2012/13 are as follows:

2012/13 Comparative Figures	Adult Social Care and Public Health	Children's Services	Environment and Public Protection, Communities Economic Growth and Prosperity	Corporate Services	Total
	£000	£000	£000	£000	£000
Fees, charges and other service income	(34,892)	(17,250)	(46,915)	(13,276)	(112,333)
Government and Non Government Grants and Contributions	(19,873)	(209,204)	(3,793)	(161)	(233,031)
Total Income	(54,765)	(226,454)	(50,708)	(13,437)	(345,364)
Employee expenses	32,336	182,918	47,866	27,973	291,093
Other service expenses	120,766	100,513	170,995	29,596	421,870
Total Expenditure	153,102	283,431	218,861	57,569	712,963
Net Expenditure	98,337	56,977	168,153	44,132	367,599

The following reconciliation shows how the total Net Expenditure figure relates to the Service Outturn reported in the 'Final Outturn Review of Performance 2013/14 – Report to Cabinet 1 July 2014':

2013/14	Original Net Budget	Revised Net Budget	Actual Net Expenditure	Net Directorate Overspend
	£000	£000	£000	£000
Net Expenditure per Directorate Analysis	350,090	345,590	340,664	(4,926)
Specific Grants held in Services:				
- Council Tax and Housing Benefit Subsidy	(85,790)	(85,790)	(85,790)	0
Service Costs charged centrally:				
- Insurance Fund and Cost of Investment	0	0	4,026	4,026
Service Outturn (per Final Outturn Report)	264,300	259,800	258,900	(900)

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement:

2012/13 £000		2013/14 £000
367,599	Net expenditure in Service Analysis	340,664
0	Less Earmarked Reserves included in Cost of Sales	(8,166)
(1,718)	Net expenditure of services and support services not included in the Analysis	0
72,148	Add amounts not reported in service management accounts	65,275
(2,367)	Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(1,936)
435,662	Cost of Services in Comprehensive Income and Expenditure Statement	395,836

The following reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement:

2013/14	Directorate Analysis £000	Services & Support Services not in analysis £000	Amnts not reported to Mgmt for decision- making £000	Amounts not included in CIES £000	Allocation of Approp'ns - Earmarked Reserves £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other income	(99,543)	0	0	10,369	0	(89,174)	(11,632)	(100,806)
Surplus or deficit on associates & joint ventures	0	0	0	0	0	0	0	0
Interest and investment income	0	0	0	0	0	0	(1,402)	(1,402)
Income from council tax	0	0	0	0	0	0	(171,311)	(171,311)
Deficit on Collection Fund	0	0	0	0	0	0	(142)	(142)
Government grants and contributions	(233,795)	0	0	250	0	(233,545)	(239,965)	(473,510)
Total Income	(333,338)	0	0	10,619	0	(322,719)	(424,452)	(747,171)
Employee expenses	270,017	0	(8,410)	(5,981)	0	255,626	5,981	261,607
Other service expenses	403,985	0	(64)	(4,897)	(8,166)	390,858	5,726	396,584
Support Service recharges	0	0		(1,255)	0	(1,255)	1,255	0
Depreciation, amortisation and impairment	0	0	73,749	(423)	0	73,326	423	73,749
Changes in Value of Investment Properties	0	0	0	0	0	0	475	475
Interest Payments	0	0	0	0	0	0	5,397	5,397
Pension Interest Cost and Rate of Return on Pension Assets	0	0	0	0	0	0	19,010	19,010
Impairments of Financial Assets	0	0	0	0	0	0	0	0
Precepts and Levies	0	0	0	0	0	0	4,524	4,524
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	13	13
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	0	0	43,259	43,259
Total Expenditure	674,002	0	65,275	(12,556)	(8,166)	718,555	86,063	804,618
(Surplus) or deficit on the provision of services	340,664	0	65,275	(1,937)	(8,166)	395,836	(338,389)	57,447

2012/13 Comparative Figures	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to Mgmt for decision- making	Amounts not included in CIES	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other income	(112,333)	106	0	10,256	(101,971)	(11,455)	(113,426)
Interest and investment income	0	0	0	0	0	(1,440)	(1,440)
Income from council tax	0	0	0	0	0	(182,996)	(182,996)
Deficit on Collection Fund	0	0	0	0	0	377	377
Government grants and contributions	(233,031)	0	0	281	(232,750)	(248,186)	(480,936)
Total Income	(345,364)	106	0	10,537	(334,721)	(443,700)	(778,421)
Employee expenses	291,093	(1,629)	(3,522)	(5,261)	280,681	6,378	287,059
Other service expenses	421,335	(194)	(70)	(6,130)	414,941	4,690	419,631
Support Service recharges	0	(1)	0	(1,269)	(1,270)	1,269	(1)
Depreciation, amortisation and impairment	0	0	75,740	(244)	75,496	244	75,740
Changes in Value of Investment Properties	0	0	0	0	0	(222)	(222)
Interest Payments	535	0	0	0	535	5,730	6,265
Pension Interest Cost and Rate of Return on Pension Assets	0	0	0	0	0	17,024	17,024
Impairments of Financial Assets	0	0	0	0	0	0	0
Precepts and Levies	0	0	0	0	0	4,428	4,428
Payments to Housing Capital Receipts Pool	0	0	0	0	0	24	24
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	0	41,409	41,409
Total Expenditure	712,963	(1,824)	72,148	(12,904)	770,383	80,974	851,357
(Surplus) or deficit on the provision of services	367,599	(1,718)	72,148	(2,367)	435,662	(362,726)	72,936

22. Trading Operations

The Council has 3 major trading units covering a range of activities which generate income from third parties or from charges made to other areas of the Council. Some trading activities have net expenditure budgets, which reflect the operational and accounting policies approved by the Council in setting its budget and do not aim to recover all their costs through the level of charges. Details of Trading Operations are shown below:

2012/13			Trading Operation	2013/14		
Gross Expenditure £000	Gross Income £000	(Surplus) / Deficit £000		Gross Expenditure £000	Gross Income £000	(Surplus) / Deficit £000
6,317	(5,883)	434	Catering	5,880	(5,683)	197
1,167	(1,218)	(51)	Cleaning	960	(1,014)	(54)
5,012	(3,329)	1,683	Tatton Park	5,717	(3,923)	1,794
12,496	(10,430)	2,066	Total	12,557	(10,620)	1,937

Tatton Park operates as a trading operation and includes all trading outlets (except the operational net cost of running the Stables Restaurant and Gardener's Cottage - see Note 38 on Related Parties), events and visitor attractions, operating on a 99-year lease to the Council from the National Trust. Tatton was set up on a trading account basis to facilitate improved freedoms and flexibilities and to exploit additional income sources whilst operating within the context of a 5-year business plan.

23. Members' Allowances

The total amount spent on Members' allowances in 2013/14 was £1.5m. This figure includes the basic allowance, special responsibility allowance and Member pension costs. It does not include the direct reimbursement of costs incurred. The costs are reflected in the Comprehensive Income and Expenditure Account under Corporate and Democratic Core.

2012/13 £000		2013/14 £000
985	Basic Allowance	977
381	Special Responsibility Allowance	388
131	Pension	1,42
1,497	Total Members' Allowances	1,507

Further Information on Members' allowances can be obtained from the Council website (<http://www.cheshireeast.gov.uk>) or from Democratic Services, Westfields, Middlewich Road, Sandbach CW11 1HZ.

24. Officers' Remuneration

The number of officers whose remuneration exceeded £50,000 in 2013/14 is detailed below:

2012/13			Remuneration Band	2013/14		
Schools	Other	Total		Schools	Other	Total
57	31	88	£50,000 - £54,999	55	28	83
39	19	58	£55,000 - £59,999	24	23	47
34	19	53	£60,000 - £64,999	26	17	43
16	2	18	£65,000 - £69,999	18	6	24
6	4	10	£70,000 - £74,999	1	5	6
3	3	6	£75,000 - £79,999	3	6	9
2	1	3	£80,000 - £84,999	1	1	2
2	2	4	£85,000 - £89,999	0	2	2
1	3	4	£90,000 - £94,999	1	5	6
2	2	4	£95,000 - £99,999	1	1	2
2	0	2	£100,000 - £104,999	1	1	2
0	0	0	£105,000 - £109,999	1	1	2
0	0	0	£110,000 - £114,999	0	0	0
0	0	0	£115,000 - £119,999	0	0	0
0	2	2	£120,000 - £124,999	0	1	1
0	0	0	£125,000 - £129,999	0	1	1
0	0	0	£130,000 - £134,999	0	1	1
0	2	2	£135,000 - £139,999	0	0	0
0	0	0	£140,000 - £144,999	0	1	1
0	0	0	£145,000 - £149,999	0	0	0
0	0	0	£150,000 - £154,999	0	0	0
0	0	0	£155,000 - £159,999	0	0	0
0	0	0	£160,000 - £164,999	0	0	0
0	0	0	£165,000 - £169,999	0	0	0
0	0	0	£170,000 - £174,999	0	0	0
0	0	0	£175,000 - £179,999	0	0	0
0	0	0	£180,000 - £184,999	0	0	0
0	0	0	£185,000 - £189,999	0	0	0
164	90	254		132	100	232

Remuneration includes salary, payments to salaried and agency 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 25.

25. 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.

2013/14 Remuneration

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 2013/14 and include salaried, agency and other contracted-in employees.

Job Title / Name	Salary, Fees and Allowances £	Expenses & Allowances £	Compensation for Loss of Employment £	Employer's Pension Contribution £	Total £
Chief Executive - Interim (to 30 June 2013) – Kym Ryley	39,296	113	0	0	39,409
Chief Executive – (from 1 Aug 2013) – Mike Suarez	107,500	129	0	22,300	129,929
Director of Strategic Commissioning	134,708	0	0	30,040	164,748
Director of Children's Social Care	97,500	114	0	21,743	119,357
Head of Early Intervention and Prevention	90,020	128	0	20,074	110,222
Corporate Manager Education Strategy	76,969	322	0	17,163	94,454
Head of Integrated Safeguarding	75,005	0	0	16,726	91,731
Head of Environmental Protection and Enhancement	72,606	1,218	0	16,191	90,015
Head of Public Protection and Enforcement	73,295	32	0	16,345	89,672
Director of Adult Social Care and Independent Living	92,209	184	0	20,563	112,956
Principal Manager Care4ce	60,366	82	0	13,462	73,910
Head of Communities (from 16 December 2013)	23,441	28	0	5,227	28,696
Director of Economic Growth and Prosperity	90,206	84	0	20,766	111,056
Head of Development (from 29 April 2013)	73,783	0	0	16,452	90,235
Head of Strategic and Economic Planning	69,087	183	0	15,586	84,856
Corporate Manager Strategic Infrastructure	64,025	97	0	14,277	78,399
Visitor Economy, Culture and Tatton Park Manager	59,896	0	0	13,357	73,253
Principal Manager – Built Environment Protection	52,905	116	0	11,724	64,745
Planning and Place Shaping Manager	39,459	0	0	8,799	48,258
Director of Public Health (from 1 April 2014)	140,993	0	0	18,094	159,087
Head of Strategic Commissioning and Safeguarding	76,962	27	0	17,163	94,152
Corporate Manager Health Improvement	61,098	0	0	13,625	74,723
Principal Manager – Regulatory and Health Protection	52,572	68	0	11,724	64,364

Job Title / Name	Salary, Fees and Allowances £	Expenses & Allowances £	Compensation for Loss of Employment £	Employer's Pension Contribution £	Total £
Chief Operating Officer and Section 151 Officer – Interim (to 30 September 2013, contracted in)	102,600	9,226	0	0	111,826
Chief Operating Officer and Section 151 Officer (from 1 October 2013)	60,260	74	0	13,380	73,714
Head of Performance Customer Services and Capacity (to 31 October 2013)	49,465	50	0	11,031	60,546
Head of Corporate Resources and Stewardship (Deputy S151 Officer – from 21 January 2014)	15,451	0	0	3,501	18,952
Corporate Manager Resources	71,212	0	0	15,880	87,092
Corporate Manager ICT	56,773	0	0	12,660	69,433
Corporate Manager Challenge and Innovation	64,176	0	0	14,311	78,487
Corporate Manager Commissioning	58,959	20	0	13,148	72,127
Corporate Manager Commissioning	56,043	45	0	13,148	69,236
Corporate Manager Business Intelligence and Data	55,780	0	0	12,439	68,219
Head of HR and Organisational Development	90,320	0	0	20,141	110,461
Head of People and Organisational Development	67,013	0	0	15,256	82,269
Principal Manager HR Delivery	64,852	0	0	14,462	79,314
Head of Governance and Democratic Services	76,842	123	0	15,571	92,536
Head of Legal Services and Monitoring Officer Interim (to 18 June 2013, agency basis)	43,625	0	0	0	43,625
Head of Legal Services and Monitoring Officer (from 10 June 2013 to 2 March 2014, agency basis)	136,322	8,213	0	0	144,535
Head of Legal Services and Monitoring Officer (from 3 February 2014)	12,054	0	0	2,688	14,742
Legal Team Manager (to 30 November 2013)	39,764	0	53,534	0	93,298
Total 2013/14	2,845,412	20,676	53,534	539,017	3,458,639

During 2013/14, the Chief Executive and the Head of Governance and Democratic Services earned Returning Officer and Deputy Returning Officer fees respectively. These are included in the Salary, Fees and Allowances figures above and were as follows:

	Returning Officer £	Deputy Returning Officer £	Total £
Local Borough and Parish / Town Council elections	6,985	3,090	10,075

The roles of Head of ICT Shared Services and Head of HR & Finance Shared Services are jointly funded with Cheshire West & Chester Council. The Head of HR and Finance Shared Service left during the year, after which both roles were undertaken by the former Head of ICT Shared Service. During 2013/14, the Councils incurred a total cost of £105,000 and £35,000 respectively for these posts, with 50% of the cost being met by Cheshire East.

2012/13 Remuneration

The comparable data for the previous year was as follows:

Job Title / Name	Salary, Fees and Allowances £	Expenses Allowances £	Compensation for Loss of Employment £	Employer's Pension Contribution £	Total £
Chief Executive (to 30 June 2012) – Erika Wenzel	43,250	0	93,250	9,428	145,928
Chief Executive – Interim (from 13 August 2012) - Kim Ryley	46,672	32	0	0	46,704
Strategic Director – Children, Families and Adults	120,000	0	0	26,160	146,160
Head of Individual Commissioning and Personalisation (from 7 January 2013)	17,546	36	0	3,825	21,407
Head of Care4CE (to 30 April 2012)	7,284	15	55,000	1,588	63,887
Care4CE Service Manager - Operations	60,646	19	0	13,210	73,875
Head of Business Management, Performance and Standards (to 30 April 2012)	11,836	15	35,462	1,390	48,703
Head of Business Management, Performance and Standards (from 1 May 2012)	60,595	0	0	13,210	73,805
Head of Strategic Commissioning and Safeguarding	77,916	0	0	16,986	94,902
Services Manager – Strategy Planning and Performance	76,974	407	0	16,778	94,159
Head of Service – Children's Social Care (from 15 October 2012)	41,724	63	0	9,096	50,883
Head of Service – Early Intervention and Prevention	94,948	402	0	20,698	116,048
Head of Service – Safeguarding and Specialist Services (to 18 May 2012)	10,137	17	24,275	2,210	36,639
Head of Service – Safeguarding and Specialist Services (from 2 July 2012)	70,702	0	0	15,413	86,115
Strategic Director – Places and Organisational Capacity (to 31 December 2012)	91,500	320	45,750	19,947	157,517
Head of Development / Acting Strategic Director – Places and Organisational Capacity	91,890	115	0	20,667	112,672
Head of Community Services	69,495	0	0	15,150	84,645
Head of Highways and Transport	58,266	0	0	12,702	70,968
Head of Health Improvement	61,098	0	0	13,319	74,417
Director of Finance and Business Services (to 15 February 2013)	79,299	0	45,160	17,287	141,746
Head of Technical Strategy and Planning	51,748	32	0	10,083	61,863
Finance Manager	71,212	28	0	15,524	86,764
Procurement Manager	57,140	0	0	12,457	69,597
Borough Solicitor and Monitoring Officer (to 31 December 2012)	68,236	0	28,861	12,583	109,680
Acting Borough Solicitor and Monitoring Officer (from 21 January 2013, agency basis)	29,900	0	0	0	29,900
Democratic and Registration Services Manager	71,534	178	0	13,320	85,032
Legal Team Manager	61,098	121	0	13,319	74,538
Head of HR and Organisational Development	90,320	0	0	19,690	110,010
HR Strategy Manager	63,595	0	0	14,017	77,612
HR Delivery Manager	64,299	0	0	14,017	78,316
Head of Performance Customer Services and Capacity	78,906	75	0	17,202	96,183
Total 2012/13	1,899,766	1,875	327,758	391,276	2,620,675

26. Termination Benefits

The Council terminated the contracts of a number of employees in 2013/14, incurring liabilities of £3.567m (£2.996m in 2012/13). Of this total, £0.640m was payable to 19 senior officers in the form of compensation for loss of office, with a further £0.222m of enhanced pension benefits. The remaining £2.695m is payable to 151 officers from various Services who were made redundant as part of the Council's rationalisation of Services.

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

Exit package cost band (including special payments)	(a) Number of compulsory redundancies		(b) Number of other departures agreed		(c) Total number of exit packages by cost band [(a) + (b)]		(d) Total cost of exit packages in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
							£000	£000
£0 - £20,000	1	22	77	82	78	104	653	708
£20,001 - £40,000	0	0	34	43	34	43	1,010	1,288
£40,001 - £60,000	1	0	15	11	16	11	740	539
£60,001 - £80,000	0	0	4	7	4	7	258	501
£80,001 - £100,000	0	0	1	3	1	3	93	265
£100,001 - £150,000	0	0	2	2	2	2	242	266
£150,001 and over	0	0	0	0	0	0	0	0
	2	22	133	148	135	170	2,996	3,567

27. External Audit Fees

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

2012/13 £000		2013/14 £000
205	Fees payable regard to external audit services carried out by the appointed auditor	205
42	Fees payable for the certification of grant claims and returns	27
247	Total External Audit Fees	232

28. Dedicated Schools Grant (DSG)

The funding of schools is provided via Dedicated Schools Grant (DSG). The original DSG award value for 2013/14 was £234.8m (£231.8m in 2012/13). 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 2013/14 are as follows:

Schools' Budget Funded by Dedicated Schools Grant	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2013/14 before Academy recoupment *	45	190	235
Academy recoupment for 2013/14	0	(58)	(58)
Total DSG after Academy recoupment for 2014/15	45	132	177
Brought Forward from 2012/13	(2)	0	(2)
Carry forward to 2014/15 agreed in advance	6	0	6
Agreed budgeted distribution in 2013/14	49	132	181
In Year adjustments for Schools Specific Contingencies	0	0	0
Final budgeted distribution for 2013/14	49	132	181
Less Actual Central Expenditure	(43)	0	(43)
Less Actual ISB deployed to Schools	0	(132)	(132)
Plus Local Authority contribution for 2013/14	0	0	0
Carry Forward 2014/15	6	0	6

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

29. Grant Income

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

2012/13 £000	Credited to Taxation and Non-Specific Grant Income (Note 5)	2013/14 £000
	Revenue Grants	
(84,596)	Housing Benefit Subsidy Grant	(85,790)
(21,015)	Council Tax Benefit Subsidy Grant	0
(4,464)	Council Tax Freeze Grant	(1,805)
(2,094)	Housing Benefit and Council Tax Administration Grant	(2,000)
0	Small Business Rate Relief	(1,879)
(12,931)	Early Intervention Grant	0
(10,545)	Learning Disabilities and Health Reform Grant	0
(3,756)	NHS Funding Grant	0
0	Education Services Grant	(4,975)
(2,799)	New Homes Bonus Grant	(4,066)
(4,994)	Other Revenue Non-Ringfenced Grants	(5,482)
(147,194)	Total Revenue Grants	(105,997)

2012/13 £000	Credited to Taxation and Non-Specific Grant Income (Note 5)	2013/14 £000
	Capital Grants	
(11,316)	Local Transport Plan	(17,674)
(12,386)	Department for Education (Capital Grants)	(7,257)
(27)	Assisted Purchase Housing Scheme	0
0	Department of Communities and Local Government	(518)
0	Department of Culture Media and Sport	(758)
(770)	Department of Health – Mental Health	0
0	Department of Health	(780)
0	Department of Transport – Pinch Point Funds	(4,666)
0	Department of Transport – Severe Weather Recovery Funds	(1,250)
(1,080)	Department for Environment, Food and Rural Affairs	(8)
(93)	Disabled Facilities Grant	(705)
(245)	Department of Energy and Climate Change	(181)
0	European Regional Development Fund	(992)
(1,260)	Other Grants	(1,051)
(915)	Developers Contributions – S.106 and S.278	(771)
(10)	Department for Business Innovation and Skills	0
(1,785)	Department of Transport – Section 31	0
(2,138)	Contribution from Network Rail	(3,765)
0	Contribution from British Telecom	(728)
(1,009)	Other Contributions	(1,321)
(33,034)	Total Capital Grants	(42,425)
(180,228)	Total Grants	(148,422)

2012/13 £000	Credited to Services	2013/14 £000
(192,537)	Dedicated Schools Grant	(174,601)
0	Public Health Grant	(13,762)
(85)	Standards Fund	0
(2,475)	Private Finance Initiative Grant	(4,125)
(8,579)	Educational Funding Agency Grant	(6,374)
(4,326)	Pupil Premium Grant	(5,987)
(1,212)	Other Service Grants and Contributions	(2,395)
(209,214)	Total Grants Credited to Services	(207,244)

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:

2012/13 £000	Capital Grants Receipts In Advance	2012/13 £000
(21,741)	Conditional Grants	(22,878)
(2,077)	Developer Contributions – Section 106	(4,807)
(23,818)	Total	(27,685)

30. Cheshire Shared Services

Shared Services Agreement with Cheshire West & Chester Council

The Council operates a number of services in partnership with Cheshire West & Chester Council. The table below sets out the total costs processed by each Council in providing these services and the degree to which those costs fell to each Council after they were re-apportioned in line with each Council's usage of the services.

	2013/14			Share of Total Cost 2013/14	
	Cheshire East £000	Cheshire West & Chester £000	Total Cost £000	Cheshire East £000	Cheshire West & Chester £000
<u>Hosted by Cheshire East</u>					
Farms Estates	(897)	122	(775)	(417)	(358)
<u>Hosted by Cheshire West & Chester Council</u>					
HR and Finance	1,063	1,815	2,878	1,412	1,466
ICT	573	7,361	7,934	3,940	3,994
Civil Protection	153	132	285	143	142
Occupational Health	(8)	199	191	95	96
Archives	207	148	355	177	178
Libraries	384	362	746	384	362
Rural Touring Network	12	13	25	12	13
Archaeology Planning and Advisory	97	131	228	97	131
Total Shared Services Costs	1,584	10,283	11,867	5,843	6,024

The costs of Cheshire Shared Services relating to Cheshire East are contained in the Comprehensive Income and Expenditure Statement.

The costs shown below are analysed by service in accordance with the Service Reporting Code of Practice (SerCOP):

2012/13 £000		2013/14 £000
1,824	Children's and Education Services	1,332
1,127	Adult Services	1,412
14	Central Services to the Public	279
2,105	Cultural, Environmental and Planning Services	2,029
406	Highways, Roads and Transport Services	352
110	Housing Services	276
184	Other Operating Income and Expenditure	163
5,770	Total	5,843

The Joint Committee oversees the management of the services that are provided on a Cheshire-wide basis on behalf of Cheshire East and Cheshire West & Chester Councils to ensure effective delivery of such services and to provide strategic direction. The Joint Officer Board supports the

Joint Committee and is responsible for the governance and decision-making of Cheshire Shared Services and is jointly chaired by senior officers from both Councils.

Shared Service Agreements underpin the legal agreement between Cheshire West & Chester Council and Cheshire East Council for sharing arrangements. These set out the basis for services to be provided, identify which Council is hosting the service, the percentage of costs to be borne by each Council and the general reporting and performance management requirements. The roles and responsibilities of staff seconded to the host Authority are contained within these agreements.

Business Plans and Service Delivery Statements have been developed for each Shared Service. These set out the scope, agreed objectives and expected outcomes of the shared service arrangements. Shared Service Business Plans and performance against them is regularly reviewed to ensure that they remain current and that the service delivered continues to meet the needs of the two Councils.

31. Pooled Budgets

Under Section 75 of the National Health Service Act 2006, the Council has registered its partnership arrangement with both South and Eastern Cheshire Clinical Commissioning Groups (CCG's) to commission services to Adults with Learning Difficulties within the footprint of Cheshire East Council. This is known as the Learning Disability Pooled Budget.

As at 31 March 2013 the Primary Care Trust ceased to exist and was replaced by the two CCGs, East Cheshire and South Cheshire for 2013/14.

The Learning Disability Pooled Budget for 2013/14 was a single joint arrangement hosted by and operating within the boundaries of Cheshire East Council. Any additional expenditure over and above the agreed Pooled Budget is met by all partners in the agreed proportions. Each partner to the pool will report its own share of the Pooled Budget transactions within its accounts and report the Memorandum Account and Balance Sheet as a Note.

Cheshire East Council contributes an increased share towards the costs of the Pooled Budget and reports a larger share of the Pool, increasing to 83% in 2013/14. Cheshire East's contribution was 80% in 2012/13 and 62.5% in 2011/12.

This is a result of a couple of factors. In 2011/12 and 2012/13 the balance of funding for the revised Pool shifted significantly as the Department of Health transferred funding formerly directed to the health sector directly to councils with Social Care responsibilities under the 'Valuing People Now' agenda. In 2013/14 the Health Secure Commissioning services were removed from the Pooled Budget.

The Pooled budget ceased to operate on 31 March 2014 and there is no successor agreement in place. Funding of care packages will be agreed on an individual basis, reflecting the complexity of individual needs, with effect from 1 April 2014.

Cheshire East Council – Adults with Learning Difficulties Pooled Budget

	2013/14			
	Cash £000	Overheads £000	Grants £000	Total £000
Funding:				
Cheshire East Council	17,420	572	10,025	28,017
East Clinical Commissioning Group (CCG)	3,019	0	0	3,019
South Clinical Commissioning Group (CCG)	2,678	0	0	2,678
Total Funding	23,117	572	10,025	33,714
Expenditure:				
Internal Provision	9,321	0	0	9,321
External Social Care	16,157	0	0	16,157
Continuing Healthcare Charged to CCG	(1,489)	0	0	(1,489)
Direct Payments	3,896	0	0	3,896
Health Contracts	4,795	0	0	4,795
Partnership Trust	3,760	0	0	3,760
New Health Network SLA	1,995	0	0	1,995
Social Care Assessors	1,092	0	0	1,092
Other	210	0	0	210
Nurse Advisor	146	0	0	146
Overheads	0	572	0	572
Total Expenditure	39,883	572	0	40,455
Net Overspend – to be met by additional partner contributions				6,741

Balances Attributable to Pool Partners

	Cheshire East Council £000	East CCG £000	South CCG £000	Total £000
Funding	28,017	3,019	2,678	33,714
Funding Share	83%	9%	8%	100%
Current Assets				
Debtors and Prepayments	29	0	0	29
Cash in Hand	2,084	308	273	2,665
Current Liabilities				
Creditors	2,113	308	273	2,694

32. Pension Schemes Accounted for as Defined Contribution Schemes

In 2013/14 the Council paid £9.7m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. A further £0.153m (14% of pensionable pay) was paid to the NHS Pension Scheme in respect of Public Health workers who were transferred into the Council from the National Health Service on 1 April 2013. Further information about these Schemes is included in Note 48(i).

33. 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 32 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)**

In 2013/14 Cheshire East Council paid employer contributions of £24.3m into the Cheshire Pension Fund (the Fund), which represented 22.3% of non-teaching employees' pensionable pay. 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 2013/14 financial year was undertaken as at 31 March 2013.

A further £3.8m of employer contributions were paid into the Fund in respect of early retirements during the year, bringing the total employer contribution to £28.1m.

- **Discretionary Teachers Unfunded Benefits**

In 2013/14, the Council paid £2.4m in discretionary benefits to retired teaching staff. These benefits are unfunded, having no associated assets.

Transactions Relating to Post-Employment Benefits

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

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

2012/13			2013/14	
Local Govt Pension Scheme £000	Teachers Unfunded Scheme £000		Local Govt Pension Scheme £000	Teachers Unfunded Scheme £000
		<u>Comprehensive Income and Expenditure Statement</u>		
		Cost of Services		
		Service Cost comprising:		
22,841	0	▪ Current service cost	27,159	0
537	0	▪ Past service costs	923	0
(2,166)	0	▪ Settlements and curtailments	(8,817)	0
		Financing and Investment Income and Expenditure:		
15,062	1,962	▪ Net interest expense	17,166	1,844
36,274	1,962	Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	36,431	1,844
		<u>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</u>		
		Re-measurement of the net defined benefit liability comprising:		
(63,349)	0	▪ (Gain) / loss on plan assets (excluding the amount included in the net interest expense)	(18,815)	0
		▪ Actuarial (gains) / losses arising on changes in:		
0	0	- demographics assumptions	(26,456)	(1,064)
126,356	1,231	- financial assumptions	(41,028)	287
446	0	- other assumptions	37,381	0
63,453	1,231	Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	(48,918)	(777)
		<u>Movement in Reserves Statement</u>		
(36,274)	(1,962)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(36,431)	(1,844)
		Actual amount charged against the General Fund balance for pensions in the year:		
28,758	0	▪ Employer's contributions payable to the Scheme	28,391	0
0	3,080	▪ Retirement benefits payable to pensioners	0	3,080
(7,516)	1,118	Net Movement in Reserves	(8,040)	1,236

The re-measurement of the net losses recognised in Other Comprehensive Income and Expenditure was a gain of £49.7m as at 31 March 2014 (£64.7m loss as at 31 March 2013).

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:

2012/13			2013/14	
Local Govt Pension Scheme £000	Teachers Unfunded Scheme £000		Local Govt Pension Scheme £000	Teachers Unfunded Scheme £000
1,227,316	42,503	Present value of the defined benefit obligation	1,222,942	40,489
(838,495)	0	Fair value of plan assets	(874,999)	0
388,821	42,503	Net liability arising from defined benefit obligation	347,943	40,489

Reconciliation of present value of Scheme liabilities (Defined Benefit Obligation):

2012/13			2013/14	
Local Govt Pension Scheme £000	Teachers Unfunded Scheme £000		Local Govt Pension Scheme £000	Teachers Unfunded Scheme £000
1,053,185	42,390	Present value of Scheme Liabilities at 1 April	1,227,316	42,503
22,841	0	Current Service Cost	27,159	0
50,100	1,962	Interest Cost	54,196	1,844
7,336	0	Contributions from Scheme participants	6,971	0
0	0	Re-measurement (gains) / losses arising from:		
		■ changes in demographic assumptions	(26,456)	(1,064)
126,356	1,231	■ changes in financial assumptions	(41,028)	286
11,326	0	■ changes in other assumptions	26,501	0
537	0	Past service cost (including curtailments)	923	0
(37,645)	(3,080)	Benefits paid	(40,335)	(3,080)
(6,720)	0	Liabilities extinguished on settlements	(12,305)	0
1,227,316	42,503	Present value of Scheme Liabilities at 31 March	1,222,942	40,489

Reconciliation of fair value of Scheme (plan) assets:

2012/13 Local Govt Pension Scheme £000		2013/14 Local Govt Pension Scheme £000
735,333	Opening fair value of Scheme assets at 1 April	838,495
(4,554)	Effect of Settlements	(3,488)
35,038	Interest Income	37,030
	Re-measurement (gains) / losses:	
74,229	■ return on plan assets, excluding the amount in the net interest expense	7,935
	Contributions:	
28,758	■ employers	28,391
7,336	■ plan participants	6,971
(37,645)	Benefits paid	(40,335)
838,495	Closing fair value of scheme assets at 31 March	874,999

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

Fair Value at 31 March 2013 £000		Fair Value at 31 March 2014 £000
	Equity securities:	
105,995	▪ Consumer	115,151
42,982	▪ Manufacturing	39,970
18,907	▪ Energy and Utilities	23,974
32,947	▪ Financial Institutions	43,822
11,013	▪ Health and Care	10,657
27,734	▪ Information Technology	34,179
27,809	▪ Other	27,033
267,387		294,786
	Debt Securities:	
48,301	▪ Other (non-Corporate, non-Government) *	52,135
53,156	Private Equity *	47,574
	Property:	
48,858	▪ UK Property *	55,210
3,376	▪ Overseas Property *	3,016
52,234		58,226
	Investment Funds and Unit Trusts:	
177,398	▪ Equities	143,245
116,686	▪ Bonds	152,761
119,553	▪ Hedge Funds *	122,813
413,637		418,819
3,780	Cash and cash equivalents *	3,459
838,495	Total value of Scheme assets	874,999
	Comprising:	
561,471	Assets in Active Markets	590,792
277,024	Assets not in Active Markets (marked * above)	284,207
838,495	Total value of Scheme assets	874,999

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the Teachers Unfunded Scheme have been assessed by Hymans Robertson LLP, an independent firm of actuaries. The estimates used have been based on the last formal valuation of the Fund, carried out as at 31 March 2013 and projected forward to 31 March 2014.

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

31 March 2013			31 March 2014	
Local Govt Pension Scheme	Teachers Unfunded Scheme		Local Govt Pension Scheme	Teachers Unfunded Scheme
		Mortality Assumptions:		
		Average life expectancy at 65 for current pensioners:		
22.9 years	22.9 years	■ Men	22.3 years	22.3 years
25.7 years	25.7 years	■ Women	24.4 years	24.4 years
		Average life expectancy at 65 for future pensioners:		
24.9 years	n/a	■ Men	24.1 years	n/a
27.7 years	n/a	■ Women	26.7 years	n/a
		Financial Assumptions:		
5.1%	n/a	Rate of increase in salaries	3.6%	n/a
2.8%	2.8%	Rate of increase in pensions	2.8%	2.6%
2.8%	2.8%	Rate of inflation (CPI, indicative rate as at 31 Dec 2013)	2.8%	2.8%
4.5%	4.5%	Rate of discounting scheme liabilities	4.3%	4.1%
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 2009 service.				

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and, for each change, 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 below 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 Govt Pension Scheme	Teachers Unfunded Scheme	Local Govt Pension Scheme £000	Teachers Unfunded Scheme £000
0.5% decrease in Real Discount Rate	9%	2%	112,537	1,463
1 year increase in Member Life Expectancy	3%	3%	36,688	2,238
0.5% increase in the Salary Increase Rate	2%	0%	30,422	0
0.5% increase in the Pension Increase Rate	7%	2%	81,167	1,478

34. Capital Expenditure and Capital Financing

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

Restated 2012/13 £000		2013/14 £000
223,735	Opening Capital Financing Requirement	206,285
45,908	Property Plant and Equipment	55,111
0	Long Term Investments	2,640
0	Investment Properties	1,415
432	Intangible Assets	790
370	Loans transferred to Long-term Debtors	192
6,716	Revenue Expenditure Funded from Capital under Statute	9,280
0	Aborted Capital Expenditure Reversed in Year	(730)
	Sources of Finance	
(12,250)	Capital Receipts	(5,512)
(31,222)	Government Grants and Other Contributions	(38,517)
(73)	Direct Revenue Contributions	(3,496)
(15,578)	Capital Receipts used to finance Capital Expenditure which has taken place in previous years which has been met by borrowing	0
0	Government Grants and Other Contributions repaid in year due to aborted expenditure	138
0	Capital receipts repaid in year due to aborted Capital Expenditure	592
(6,124)	Amount provided at 4% of the capital financing requirement in respect of supported and unsupported borrowing incurred prior to 31 March 2008	(5,874)
(3,117)	Amount provided in respect of unsupported borrowing	(938)
(1,191)	Amount provided in respect of assets acquired under Finance leases	(1,498)
(1,129)	Amount provided in respect of PFI arrangements	(1,167)
(192)	Prior year adjustments	(55)
206,285	Closing Capital Financing Requirement	218,656
	Explanation of movements in year	
(6,124)	Decrease in underlying need to borrow (supported by government financial assistance)	(5,874)
(10,351)	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	20,782
154	Assets acquired under finance leases	(1,370)
(1,129)	Assets acquired under PFI / PPP Contracts	(1,167)
(17,450)	Increase / (Decrease) in Capital Financing Requirement	12,371

35. Leases

Finance Leases – Council as Lessee

The Council has acquired equipment and vehicles under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment on the Balance Sheet, with balances of £2.2m at 31 March 2014, and £3.1m at 31 March 2013. The Council is committed to making minimum lease payments under these leases comprising settlement of the long term liability for the interest in the equipment and vehicles acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

Balance 2012/13 £000		Balance 2013/14 £000
	Finance Lease Liability:	
1,006	Current	944
4,842	Non-current	3,788
1,208	Finance Costs payable in future years	715
7,056	Closing Balance at 31 March	5,447

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

2012/13 £000		2013/14 £000
1,392	Not Later Than 1 Year	1,233
3,472	Between 1 and 5 Years	2,636
2,192	Later Than 5 Years	1,578
7,056	Total Minimum Lease Payments	5,447

Minimum principal lease payments will be payable over the following period:

2012/13 £000		2013/14 £000
1,006	Not Later Than 1 Year	944
4,394	Between 1 and 5 Years	2,255
448	Later Than 5 Years	1,533
5,848	Total Finance Lease Liabilities	4,732

Finance Leases – Council as Lessor

The Council has leased out properties at Malkins Bank Golf Course, Knutsford Cinema and Civic Centre and the Crewe Lyceum Theatre.

Balance 2012/13 £000		Balance 2013/14 £000
	Finance Lease Liability (Net present value of minimum lease payments):	
265	Current	271
3,491	Non-Current	3,227
1,602	Unearned finance income	1,539
(76)	Unguaranteed residual value of property	(68)
5,282	Gross Investment in the Leases as at 31 March	4,969

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

31 March 2013			31 March 2014		
Gross Investment in the Lease £000	Minimum Lease Payments £000		Gross Investment in the Lease £000	Minimum Lease Payments £000	
265	265	Not later than 1 year	271	271	
1,188	942	Later than 1 year and not later than 5 years	1,159	900	
3,829	2,549	Later than 5 Years	3,539	2,327	
5,282	3,756		4,969	3,498	

Operating Leases – Council as Lessee

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

2012/13				2013/14		
Land and Buildings £000	Other £000	Total £000		Land and Buildings £000	Other £000	Total £000
			<u>Lease:</u>			
20	782	802	Not Later Than 1 Year	382	672	1,054
422	225	647	Between 1 and 5 Years	54	245	299
0	53	53	Later Than 5 Years	0	8	8
442	1,060	1,502	Total	436	925	1,361

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:

2012/13 £000	Minimum Lease Payments	2013/14 £000
182	Not Later Than 1 Year	422
462	Between 1 and 5 Years	334
751	Later Than 5 Years	478
1,395	Total Minimum Lease Payments	1,234

36. Changes to Accounting Policy and Prior Period Adjustments

This note details revisions to previous years reported figures as a result of a change to accounting policy.

Restatement of PFI Assets and Liabilities

The Council previously recorded PFI asset balances in its accounts based solely on the amounts it is paying for the facilities over the term of the contract. These valuations (and liabilities) do not reflect any third party income generation potential from those sites which, in the case of Extra Care Housing, is significant as rental income generated from the accommodation. Ignoring this income means the asset was undervalued in the accounts and an adjustment has been made to correct for this. Under IPSAS 32 this is a retrospective adjustment that should be dated back to the inception of the PFI Lease meaning that comparative disclosures require adjustment. The impact of these restatements on the 2012/13 financial statements is set out below.

The newly recognised asset value is on the basis of granting the PFI operator the right to use the facility to earn income, i.e. assessing how much they would pay for this right. The estimated annual income generating potential is £0.657m per annum. This is converted to an asset value using a yield rate of 4% which is reflective of a reasonably secure source of income and a lengthy contract term. This produces an additional asset value of £16.4m.

This value has been added to the Council's asset base as of 31 March 2009. Alongside this an offsetting creditor is recognised reflecting the fact that the Council is committed to pass this income back to the operator to offset unitary charge. Both balances are released to the CIES in a straight line over the 30-year life of the contract. The income released will be utilised to finance an additional contributions to capital financing each year to prevent this arrangement from having a detrimental impact on the Council's Capital Financing Requirement.

The impacts of the necessary restatements on the 2012/13 opening and closing balance sheets are set out below.

	Opening Balance Sheet 31 Mar 2012 £000	Prior Year Changes (1) £000	Prior Year Changes (2) £000	Restated Opening Balance Sheet 31 Mar 2012 £000	Existing 2012/13 Entries £000	New 2012/13 Entries (3) £000	Restated Closing Balance Sheet 31 Mar 2013 £000
Long Term Assets :							
Property, Plant and Equipment	872,195	16,419	(1,642)	886,972	(77,002)	(547)	809,423
Other	34,779	0	0	34,779	5,074	0	39,853
Current Assets	100,567	0	0	100,567	(6,642)	0	93,925
Current Liabilities	(107,615)	0	0	(107,615)	6,797	0	(100,818)
Long Term Liabilities:							
PFI Liabilities	0	(16,419)	1,642	(14,777)	0	547	(14,230)
Other	(522,019)	0	0	(522,019)	(72,458)	0	(594,477)
Net Assets	377,907	0	0	377,907	(144,231)	0	233,676

Notes:

- (1) The creation of the new asset value and offsetting deferred income creditor in 2009/10.
- (2) The impact of depreciation and release of deferred income.
- (3) The release of depreciation and income in the financial year 2012/13.

Comprehensive Income and Expenditure Statement Impact

There is no impact on net spend or surplus/deficit on provision of services. Gross Costs on the Adult Social Care line of the CIES are increased by the depreciation costs of £0.547m, gross income on the same line is increased by £0.547m following release of deferred income.

Movement in Reserves Statement Impact

There is no visible impact on the statement as the reversing of the higher depreciation charges to the Capital Adjustment Account is exactly matched off by an additional Minimum Revenue Provision contribution to the same reserve. Both items feature on the 'adjustment' line in the MIRS.

37. Private Finance Initiative (PFI) and Similar Contracts

This Note details the value of assets and liabilities held under PFI at the Balance Sheet date with an analysis of the movement in those values.

	Repayments of Liability £000	Interest £000	Service Charge £000	Total £000
Amounts due in 2014/15	289	1,906	175	2,370
Amounts due 2015/16 – 2018/19	1,435	7,458	767	9,660
Amounts due 2019/20 – 2023/24	3,047	8,622	940	12,609
Amounts due 2024/25 – 2028/29	3,474	7,094	1,692	12,260
Amounts due 2029/30 – 2033/34	4,808	4,838	2,373	12,019
Amounts due 2034/35 – 2038/39	7,975	3,238	1,759	12,972
Total	21,028	33,156	7,706	61,890

2012/13 £000	Movements in Deferred Income	2013/14 £000
14,777	Opening Balance	14,230
(547)	Income Released in Year	(547)
14,230	Closing Deferred Income	13,683

38. 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 of £473.5m received from Government Departments is set out in the subjective analysis in Note 21;

- Business Rate Payments of £139m shown in Collection Fund revenue account.

Other Public Bodies

The Council undertakes significant transactions with the Cheshire Police Authority (£21.0m) and Cheshire Fire and Rescue Service (£9.3m). 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 also undertakes transactions with the Cheshire Pension Fund in the form of contributions to fund future pension payments for Council employees (2013/14 payments were £28.4m). Details of these transactions are disclosed in Note 32. The Cheshire 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 the South and Eastern Cheshire Clinical Commissioning Groups, to commission services to Adults with learning difficulties (see Note 31).

The Council also carries out a significant element of its services in partnership with Cheshire West & Chester Council. In 2013/14 the Council spent £5.8m delivering services jointly with Cheshire West & Chester. These transactions are disclosed in Note 30.

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 2013/14 Members and officers held interests (by way of Board membership) in the following active wholly-owned subsidiary companies of Cheshire East Council:

- Councillor Peter Groves - Tatton Park Enterprises Ltd and Engine of the North Limited (resigned 9 June 2014).
- Councillor William Macrae - Tatton Park Enterprises Ltd
- Councillor Peter Raynes - Tatton Park Enterprises Ltd
- Councillor Andrew Thwaite - East Cheshire Engine of the North Limited
- Councillor David Newton- East Cheshire Engine of the North Limited
- Councillor Damien Druce – East Cheshire Engine of the North Limited
- Council Officer Brendan Flanagan - Tatton Park Enterprises Limited
- Council Officer Darren Lawless – East Cheshire Engine of the North Limited
- Council Officer Mike Rowan - Tatton Park Enterprises Limited (resigned 29 May 2013)
- Council Officer Anita Bradley – Tatton Park Enterprises Ltd and East Cheshire Engine of the North Limited
- Council Officer Caroline Simpson – East Cheshire Engine of the North Limited (resigned 11 March 2014)

In addition to the above, Members and officers held interests (by way of Board membership) in the following dormant wholly-owned subsidiary or joint venture companies which commenced trading activity during 2014/15:

- Councillor John Hammond - Ansa Environmental Services Limited
- Councillor Steven Hogben – Ansa Environmental Services Limited
- Councillor Roger West – Ansa Environmental Services Limited
- Councillor Penelope Butterill - Orbitas, Bereavement Services Limited
- Councillor David Marren - Orbitas, Bereavement Services Limited
- Councillor Lesley Smetham - Orbitas Bereavement Services Limited
- Councillor Peter Groves - Transport Service Solutions Limited (resigned 9 June 2014)
- Councillor Roderick Menlove – Transport Service Solutions Limited
- Council Officer John Nicholson - Ansa Environmental Services Limited; Orbitas, Bereavement Services Limited, and Transport Service Solutions Limited (resigned 10 May 2013).
- Council Officer Caroline Elwood - Ansa Environmental Services Limited; Orbitas, Bereavement Services Limited, and Transport Service Solutions Limited (resigned 10 May 2013).
- Council Officer Caroline Elwood - Ansa Environmental Services Limited; Orbitas, Bereavement Services Limited, and Transport Service Solutions Limited (resigned 10 May 2013).
- Council Officer Mike Rowan - Ansa Environmental Services Limited; Orbitas, Bereavement Services Limited, and Transport Service Solutions Limited (appointed 10 May 2013; resigned 29 May 2013).
- Council Officer Anita Bradley - Ansa Environmental Services Limited; Orbitas, Bereavement Services Limited (appointed 10 February 2014 and 23 January 2014; resigned 31 March 2014), and Transport Service Solutions Limited (appointed 10 February 2014).
- Council Officer Kevin Melling - Ansa Environmental Services Limited; Orbitas, Bereavement Services Limited.
- Council Officer Christine Mann - CoSocius Limited

Certain Council Members and officers were also appointed to the Boards of the external companies listed below:

- Councillor Michael Jones – Alderley Park Holdings Limited and Non Executive Director of Cheshire and Warrington Local Enterprise Partnership Ltd.
- Councillor Andrew Kolker – Everybody Sport & Recreation Limited
- Councillor Martin Hardy – Everybody Sport & Recreation Limited
- Council Officer Peter Hartwell - Everybody Sport & Recreation Limited
- Council Officer Suki Binjal - Everybody Sport & Recreation Limited (appointed 11 September 2013; resigned 10 February 2014).
- Council Officer Anita Bradley - Everybody Sport & Recreation Limited (appointed 10 February 2014).
- Council Officer Caroline Simpson - Cheshire and Warrington Local Enterprise Partnership Ltd (resigned 8 November 2013).

Payments to organisations where Members or their close relatives hold a personal interest are as listed below:

Payments to Organisations where Members or their close relatives hold a personal interest	2013/14 £	No. of Declarations
Tatton Park Enterprises Limited	743,176	6
East Cheshire Engine of the North Limited	222,100	7
Plus Dane Housing (Cheshire)	105,623	1
Cheshire Peaks & Plains Housing Trust	189,304	1
Groundwork Cheshire	15,934	1
Wulvern Housing	566,428	1

Included within current debtors and creditors at 31 March 2014 (Notes 12 and 14) are the following amounts in respect of related parties:

Amounts Due from / (to) Organisations where Members or their close relatives hold a personal interest	31 March 2014 £
Amounts due to Tatton Park Enterprises Ltd	(22,307)
Amounts due to / from East Cheshire Engine of the North Limited	0
Amounts due from Plus Dane Housing (Cheshire)	42,915
Amounts due from Cheshire Peaks & Plains Housing Trust	453
Amount due from Wulvern Housing	4,636
Net Amount due from Related Parties	25,697

On 22 August 2013, a newly formed wholly owned subsidiary company East Cheshire Engine of the North Limited commenced trading with the principal objective of accelerating the development of the Council's assets generating capital receipts combined with new housing economic growth and regeneration.

39. Interest in Other Companies and Entities

North West Evergreen (GP) Limited Fund Partnership

Fifteen local authorities in the North West of England became limited partners in the fund known as North West Evergreen (GP) Limited Fund Partnership. This Fund was set up to make loans to commercial property ventures in the North West to aid regeneration in the region. The Council is a limited partner and, in common with all the other limited partners, it owns a share of what is known as the general partner. This general partner is the body which, in turn, owns the Evergreen Partnership.

Cheshire East Council is one of six Authorities forming the County Area partners, which collectively have 50% of the voting rights on the board of the general partner. The remainder of the vote is held by the Councils forming the Association of Greater Manchester Authorities. The

County Area Councils have the right to nominate three (of six) directors to the board of the general partner.

As a limited partner, the Council provides a capital contribution of £1 to the Fund but, in order to enjoy limited liability as a limited partner, the Authority cannot participate in the management of the Fund's business.

No interest is due from the Fund to the limited partners on any capital contributions, nor on any net income or capital gain allocated to the partners for distribution. The Fund uses the finance made available to it, under an operational agreement made between it and the European Investment Bank, for eligible projects in the region.

The life of the Fund is twenty years and, in entering into the partnership agreement, the Council has committed to pay an annual contribution for twenty years. Capital liability of the limited partners for any of the Fund's debts, liabilities or obligations is limited to the amount of their respective capital contributions. The general partner has unlimited liability for the debts, liabilities and obligations of the Fund.

In joining the partnership as a County Area limited partner, the Authority is expected to make an annual contribution to the Fund (as a loan), based on an index-linked amount equal to £250,000, divided by the number of County Area limited partners, to meet the ongoing expenses of the Fund.

Cheshire & Warrington Local Enterprise Partnership

Cheshire & Warrington Local Enterprise Partnership Ltd is an associate company of Cheshire East Council. It has changed its name from Cheshire & Warrington Enterprise Commission Ltd. The company is limited by guarantee of which Cheshire East holds a 33.33% share along with the remainder held by Cheshire West & Chester Council and Warrington Borough Council in equal shares. During 2013/14 the turnover of the company was £1,048,603 with a resulting profit before tax of £15,256 and Net Assets of £227,701. Cheshire East's associate share of the profit before tax and net assets would be £5,084 and £75,893 respectively.

The amounts involved are immaterial in the context of Cheshire East Council so have been excluded from the results of Cheshire East Council.

The Local Enterprise Partnership Ltd (LEP) has board of fourteen members which comprising of elected councillors and senior officers from each of the three Councils along with senior business representatives from the three administrative areas. The LEP has been set up to make decisions in regard to the allocation of central government funding, to economically regenerate and stimulate the local areas. Cheshire East is the accountable body for the LEP in respect of certain government grant funding streams, including the Growing Places Fund (initial funding of £13m has been included with long term liabilities on the balance sheet as capital grant received in advance). The Cheshire & Warrington Local Enterprise Partnership has taken over the responsibilities previously carried out by the Cheshire & Warrington Local Economic Partnership.

Tatton Park Enterprises Limited

Tatton Park Enterprises Limited is a wholly owned not-for-profit subsidiary of Cheshire East Council. It commenced trading in November 2012 providing catering services to the Stable Restaurant. During 2013/14 the company increased its scope of operation to include catering supplies and with the addition of catering to the Gardeners Cottage. The turnover of the company during the 12 months 2013/14 was £743,176 with a net profit of nil.

East Cheshire Engine of the North Limited

East Cheshire Engine of the North Limited is a wholly-owned not-for-profit subsidiary of Cheshire East Council, which was first registered on 30 May 2013 and commenced trading on 22 August 2013. The Council purchased one ordinary share for £1 in the newly formed company. The turnover of the company in the seven months to 31 March 2014 was £222,100 with a resulting net profit of nil.

Manchester Science Parks Limited

On 28 March 2014 Cheshire East Council purchased 17,267 ordinary shares (a 3% interest) in Manchester Science Parks Limited at a cost of £42.81 per share, giving an equity investment of £739,200.27.

Alderley Park Holdings Limited

On 28 March 2014 Cheshire East Council purchased 1,000,000 ordinary shares (a 10% interest) in a newly formed company Alderley Park Holdings Limited at a cost of £1.07 per share, giving an equity investment of £1,070,000. In addition to this, the Council has advanced a shareholder loan to Alderley Park Holdings Limited to the value of £831,000.

ANSA Environmental Services Limited

On 2 October 2013 Cheshire East Council purchased one ordinary share in (100% interest) in ANSA Environmental Services Ltd for £1. The company commenced trading on 1 April 2014 providing Environmental Services for the Council.

Orbitas, Bereavement Services Limited

On 24 October 2013 Cheshire East Council purchased one ordinary share in (100% interest) in Orbitas Bereavement Services Limited for £1. The company commenced trading on 1 April 2014 providing bereavement services for the Council.

Transport Service Solutions Limited

On 24 January 2014 Cheshire East Council purchased one ordinary share in (100% interest) in Transport Service Solutions Limited for £1. The company is planning to commence trading on 1 October 2014 providing transport services for the Council.

CoSocius Limited

On 17 September 2013 Cheshire East Council purchased one ordinary share in (50% interest) in CoSocius Limited for £1. The joint venture company commenced trading on 1 May 2014 providing financial, human resources and ICT services to Cheshire East Council and Cheshire West & Chester Council (the other shareholder with a 50% equity interest).

40. Contingent Liabilities and Contingent Assets

There were no contingent assets at the balance sheet date.

Contingent Liabilities

Deprivation of Liberty Safeguards

A Supreme Court judgement on 19 March 2014 clarified the definition of Deprivation of Liberty Safeguards (under continuous supervision and control and not free to leave) and opened up a significant number of cases to come within that definition, for which lawful authorisation will be required. A reserve of £0.580m has been created to provide capacity to perform reviews of care customers (see Note 16) however the cost impact could exceed £1m.

41. Events after the Balance Sheet Date

These accounts have been authorised for issue by the Chief Operating Officer on 30 June 2014 and reflect all known post-Balance Sheet events affecting the financial statements for the financial year 2013/14 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 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Non Adjusting Events

On 24 March 2014 the Cabinet approved a second phase of the transfer of services to separate legal entities, which commenced trading in the first quarter of 2014/15, namely:

- **Ansa Environmental Services Limited (ANSA)**
- **Orbitas, Bereavement Services Limited (Orbitas)**
- **Everybody Sport & Recreation Limited (ESAR)**
ESAR operates as a charitable trust (limited by way of guarantee) which manages on behalf of the council its Leisure, play and sport development services. The trust has its own board of trustees and management structure which operates independently of the council. The company achieved Charitable Status on 10 March 2014.
- **CoSocius Limited (CoSocius)**
The new company is a joint venture legal entity and provides back office services previously delivered through the ICT and HR and Finance Shared Services. The company is jointly owned and controlled by Cheshire East and Cheshire West & Chester Councils.
- **Transport Service Solutions Limited (TSS)**
On 29 April 2014 the Cabinet approved the implementation of a wholly-owned company to deliver all the functions of the Council's Integrated Transport Unit. The company registered under the name Transport Service Solutions Ltd and will deliver transport services on

} These two companies are wholly owned subsidiaries of Cheshire East Council.

behalf of the Council with a budget of approximately £17.8m. The aim is for the company to commence trading on 1 October 2014.

42. Trust Funds

During 2013/14 the Council acted as sole trustee for five Trust Funds. These Funds, some of which date back many years, were established for specific purposes such as giving grants for education and training or providing community benefits, e.g. library books.

The five Funds listed below do not represent assets of the Council and so have not been included in the Council's Balance Sheet. Assets are stated at market value.

2012/13				2013/14		
Income	Expend- iture	Assets		Income	Expend- iture	Assets
£	£	£		£	£	£
10,719	12,005	635,948	Audlem Education Fund established in 1910 to fund training and education for under 25s in the parish of Audlem	14,856	12,186	633,379
0	6,468	49,784	Nantwich Library Trust established in 1908 to fund library books, periodicals and exhibits in the urban district of Nantwich	22,442	0	72,226
130	0	13,376	Dale Eaton Trust established in 1955 to provide support to charities within the Congleton and Macclesfield areas	77	0	13,453
1,550	0	49,903	John McBride Trust established in 1955, the income to be distributed for charitable purposes in Crewe	1,607	0	52,853
11,341	8,435	5,076	Mayor of Cheshire East Charity established in 2009 for charitable purposes within Cheshire East area	9,257	7,816	1,441
23,740	26,908	754,087	Trust Funds Total	48,239	20,002	733,352

43. 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 March 2014 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
Pensions Liability	Estimation of the net liability 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 pension liability of approximately 9%, or £112.5m. A sensitivity analysis is included in Note 33, Defined Benefit Pension Schemes.
Arrears	At 31 March 2014, the Council had a balance of sundry debtors of £58.4m. A review of balances has been carried out and an impairment provision for doubtful debts of 5.52% has been made in accordance with the accounting policy set out in note 48 (2013 6.58%).	Sundry Debt levels have increased static compared to 2013. If Collection Rates were to deteriorate during 2014/15 so that the % provision for bad and doubtful debts increased by (6.58%-5.52%) 1.06% then a further provision of £0.6m would be required.

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

44. Critical Judgement in Applying Accounting Policies

In applying the accounting policies set out in Note 48, 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:

- Tatton Park Enterprises Ltd is a 100% subsidiary company providing catering services to Tatton Park. The turnover for 2013/14 including the Stables Restaurant and the Gardeners Cottage (opened in June 2013) was £0.743m with a net profit of nil. The amounts involved are not considered to be significant and have been excluded from the results of Cheshire East Council.
- East Cheshire Engine of the North is a 100% owned subsidiary company, registered on the 30 May 2013. It has been in operation since 22 August 2013. The turnover in 2013/14 was £0.222m with a net profit of nil. The company has been established to speed up the development of the Council's assets to bring about new housing, economic growth, regeneration and capital receipts. In the context of the overall Authority, the amounts involved are immaterial and so have been excluded from the 2013/14 Statement of Accounts.
- The Council is deemed to control the services provided under the agreement for the provision of Extra Care Housing on three sites at Middlewich, Handforth and Crewe. The Council will control the residual value of the homes at the end of the agreement. The

accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the buildings are recognised as Property, Plant and Equipment on the Balance Sheet. In a change to accounting policies in 2013/14 the Council recognised that the facilities also generate a third party income through rental charges made to tenants. The additional valuation has been recognised on the balance sheet with an offsetting creditor to reflect that the Council is committed to pass this income back to the operator to offset the unitary charge.

- The Council recognised Schools in line with the provisions of the Code of Practice, consequently schools are recognised on the balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. When a school that is held on the Council's balance sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration, as at the balance sheet date in the year of transfer.
- In March 2014, the Council acquired an interest in Manchester Science Park (MSP) which successfully acquired the Alderley Park site from AstraZeneca. The Council secured a 10% stake in Alderley Park Holdings Ltd (a newly formed company) and also acquired a 3% share in MSP. The investment of £2.6m is accounted for as capital expenditure funded from revenue resources and is included in Long Term Investments (see Note 10). The carrying value of the 10% stake in Alderley Park Holdings Ltd (£1.07m) and the 3% stake held in MSP Ltd (£0.74m) are valued at cost. The Council considers there is no requirement for any provision for revaluation of these investments on the grounds that Alderley Park Holdings Ltd was first registered shortly prior to 31 March 2014 and the share valuation for MSP Ltd was computed from the latest audited accounts of MSP Ltd dated 30 September 2013.

45. Accounting Standards Issued but yet to be Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 has introduced several changes in accounting policies which will be required from 1 April 2014.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

- **IFRS 10 Consolidated Financial Statements** (May 2011): Introduces a new definition of control, which is used to determine which entities are consolidated for the purpose of group accounts. The Council has not produced group accounts for this financial year on the basis of materiality.
- **IFRS 11 Joint Arrangements** (May 2011): This standard addressed the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation.
- **IFRS 12 Disclosures of Interests in Other Entities** (May 2011): This requires a range of disclosures about an entity's interests in subsidiaries, joint arrangements and associates.
- **IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures** (May 2011): These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12.
- **IAS 32 Financial Instruments: Presentation (December 2011)**: This refers to amended application guidance when offsetting a financial asset and a financial liability.

- **IAS1 Presentation of the Financial Statements (May 2011):** This clarified the disclosure requirement in respect of comparative information of the preceding period.

46. Acquired and Discontinued Operations

The Council acquired Public Health operations in April 2013. With the transfer brought a number of commissioning responsibilities for the Council, together with overall responsibility for improving health at borough level.

Public Health responsibilities cover a wide range of services including sexual health services, NHS Health Check programmes, Drug Misuse and Alcohol Misuse and Obesity.

47. Nature and Extent of Risks Arising from Financial Instruments

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.

Market Risk

This is the risk that due to movement in interest rates the Council will not achieve good value from its investments or its 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 resulting in the policy over the last year and into next year being not to refinance any maturing borrowing as there is no immediate need for the cash and the cost of borrowing outweighs any benefits from interest receivable on investments.

In addition to investments/deposits which are based on interest rate returns, the Council also has investments in pooled funds, the price of which can vary dependent on market conditions. The intention is that, over time and despite fluctuations, the price of the funds and, therefore, the value of the investments will increase. These funds use a diverse range of financial instruments, but the overall return to the Council is measured as a percentage increase in value in the same way as fixed rate investments.

The impact of market risk is demonstrated by looking at the effect on the accounts if interest rates were 1% higher at 31 March 2014 and through the whole of 2013/14 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		0
Increase in interest receivable		(982)
Net Impact on Comprehensive Income & Expenditure Statement		
Reduction in the Fair Value of fixed rate borrowing		(14,061)
Reduction in the Fair Value of loans and receivables (investments)		(54)

Credit Risk

This is the risk that the Council will not be repaid in full when it lends out money to banks and other financial institutions (counterparties). Credit risk is being reduced by using surplus cash balances to avoid the need to raise further long term loans to finance capital expenditure. Remaining cash balances are invested with suitable counterparties in line with the Councils Treasury Management Strategy where security of capital is prioritised over yield with counterparties and the type of investment selected by reference to credit ratings and a number of other market indicators.

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

48. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its Balance Sheet position as at 31 March 2014. The Council is required by The Accounts and Audit (England) Regulations 2011 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 2013/14 and the CIPFA Service Reporting Code of Practice (SeRCOP) 2013/14, supported by International Financial Reporting Standards (IFRS). Exceptions are made to accepted accounting practice where this is overridden by legislative requirements. The accounting convention adopted is **historical cost**, modified by the revaluation of certain categories of Non-Current Assets and Financial Instruments.

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

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

- **Consistency**

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

- **Materiality**

The concept that any omission from, or inaccuracy in, the statement of accounts should not be so large as to affect the understanding of those statements by a reader, either in terms of the nature of the transactions or their value.

- **Going Concern**

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

48(a) Changes in Accounting Policies and Estimates and Errors

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

48(b) Accounting for Council Tax

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

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

48(c) Accounting for National Non-Domestic Rates (NNDR)

As the Council acts as an agent in the collection of NNDR income it does not include the financial position with regard to the rate payers and only reports the net cash position with central government in its Balance Sheet.

The Council maintains records of NNDR arrears, impairment allowances, prepayments and overpayments in its underlying accounting records, however for final accounts purposes these balances are consolidated into a single agency account, with the figures netting down to the debtor/creditor to the national pool.

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.

48(d) 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 fixed or determined by the contract;
- The Council is a billing authority and collects National Non Domestic Rates (NNDR) under what is in substance an agency agreement with central government for the collection of business rates. The same principle applies for Council Tax collected on behalf of the precepting bodies: Cheshire Police, Cheshire Fire Authority and Parish Councils. The income collected on an agency basis is not the income of the billing authority and is not included in the Comprehensive Income and Expenditure Statement;
- Where income or expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. The Council's policy is to provide in full for the non-payment of all debts over 6 months old unless a payment arrangement is in place or the debt is otherwise secured;
- Where income has been received in the year in relation to activities to be carried out in the following financial year, a receipt in advance is recorded in the Balance Sheet;
- Where payment has been made in relation to activities to be carried out in the following financial year, a payment in advance is recorded in the Balance Sheet;
- Severance costs arising from redundancies agreed on or before balance sheet date are accrued in the accounts;
- Income and expenditure are credited and debited to the relevant Income and Expenditure Account, unless they properly represent capital receipts or capital expenditure.

48(e) Debtors and Creditors

Income and expenditure is accounted for on an **accruals basis**, i.e. they are recorded in the year the activity takes place rather than when cash is paid or received. In accordance with this, creditors are accrued on an actual payment basis for the first 2 weeks of the new financial year, and then on an estimated creditors schedule for outstanding items.

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

Specific government grants such as Rent Allowances and Council Tax Benefit are accrued based on data produced from the Council's benefits system at 31 March. The total benefits paid out during the financial year is used as the basis of calculating the remaining government grant due to the Council (debtor) or due to be repaid back to central government (creditor). This estimation technique also applies to the grant that the Council receives from the NNDR pool.

48(f) 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.

48(g) 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.

48(h) Contingent Assets and Liabilities

Contingent assets and liabilities are obligations or assets arising from past events where:

- The existence or value of the obligation is dependent on future events which are not wholly within the control of the Council;
- It is probable that a flow of economic benefits will be required to settle the obligation; or
- The obligation/contingent asset cannot be easily quantified.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in Note 40. The disclosures set out both the scale of potential costs and the likelihood of these being realised.

48(i) 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.

Termination Benefits are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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 26.

Post-Employment Benefits

Most employees of the Council participate in one of three pension schemes which meet the needs of employees in particular services (further details are provided in Notes 32 and 33 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.

- **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 & 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 and actuarial gains or losses are accounted for in the year in which they arise.

▪ **Teachers' Pensions Scheme (TPS)**

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Teachers Pensions on behalf of the Department for Education (DfE). 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.

▪ **NHS Pension Scheme**

A small number of Council employees who have transferred compulsorily from the National Health Service are members of the NHS Pension Scheme.

Both the Teachers and NHS Pension 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 actuarial gains or losses.

▪ **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.

48(j) Events after the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would

have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

48(k) **Financial Instruments**

Financial Assets

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

- **Loans and Receivables** are assets that have fixed or determinable payments but are not quoted in an active market. Examples include fixed term money market deposits, instant access accounts and call accounts. They are shown on the Balance Sheet initially at **fair value**, then subsequently at amortised cost using the Effective Rate of Interest method. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.
- **Available for Sale Assets** are financial instruments that have a quoted market price and/or do not have fixed or determinable payments. Examples of available for sale assets used by the Council are UK Government bonds (gilts), certificates of deposit (CDs) and pooled investment funds. They are initially measured and carried at **fair value**. Assets are maintained in the Balance Sheet at **fair value**. Values are based on the following prioritised principles:
 1. instruments with quoted market prices – the bid or market price
 2. instruments without quoted market prices but where some market prices can be observed – market price
 3. other instruments with fixed and determinable payments where no market data exists – discounted cash flow analysis.

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

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

Financial Liabilities

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the CIES is the amount payable for the year according to the loan agreement.

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

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

Risks Arising from Financial Instruments

Market risk, credit risk and liquidity risk are all dealt with through the Council's annual Treasury Management Strategy Statement, which sets appropriate parameters for investment activity consistent with market conditions. Note 47 considers the likely impact of market and credit risk on the accounts. Due to the prudent management of investments and the ability of the Council to borrow at short notice from the Public Works Loan Board, the Council's exposure to liquidity risk is assessed as very low, with no material impact on the accounts.

48(I) Grants and Contributions

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

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

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

Where a capital grant or contribution has been received, and conditions remain outstanding at the balance sheet date, the grant or contribution is recognised as part of the Capital Grants Receipts

in Advance. Once the condition has been met, the grant or contribution is transferred from the Capital Grants Receipts in Advance and recognised as income in the CIES.

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

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

48(m) Heritage Assets

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

48(n) Insurance Fund

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

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

48(o) Intangible Assets

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

Amortisation

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

The values of intangible assets are reviewed at the end of each financial year for evidence of reductions in value. Impairment of intangible assets is treated in the same way as impairment of

tangible assets. When an asset is disposed of or derecognised, the value of the asset is recognised in the surplus or deficit on the Provision of Services.

48(p) Interest in Companies and Other Entities

The Council has interests in a number of external companies either as a direct owner or in partnership with other organisations. The nature of these relationships has been assessed under IAS 27 and 28 (Accounting for Subsidiaries and Associates). Further details are in Note 39.

48(q) Inventories

Inventories are valued at the lower of cost or net realisable value. Stocks of stationery (apart from those held by Central Stores) are not included in the Balance Sheet since such stocks are incidental and deemed not to be material to the accounts.

48(r) 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.

48(s) Jointly Controlled Operations and Jointly Controlled Assets

Cheshire Shared Services Agreement with Cheshire West & Chester Council

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

The structure of the Shared Services Arrangement is that of a jointly controlled operation in accordance with International Accounting Standard (IAS) 31. Each authority accounts directly for its part of the assets, liabilities, income, expenditure and cash flows held within or arising from the structure. Where expenditure has been recharged to the non host authority the analysis of net charge has been reflected in the accounts on the same subjective analysis as costs incurred directly. Further details are in Note 30.

48(t) Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

48(u) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with costing principles of the CIPFA Service Reporting Code of Practice 2013/14(SeRCOP).

The total absorption costing principle is used – the full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of the Net Expenditure on Continuing Services.

48(v) 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 capital expenditure de minimis levels 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;
- All other Property, Plant and Equipment assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value). If there is no market-based evidence of fair value, an estimated fair value is made using a depreciated replacement cost approach or depreciated historical cost for non-property assets that have short useful lives, low values, or both. For vehicles, plant, furniture and equipment the Council considers depreciated historical cost to be an adequate substitute for fair value.

The values of properties used in the accounts are based on certificates issued by the Assets Manager, Daniel and Hulme Property Consultants (RICS), District Valuation Service, Deloitte Real Estate and the Farms Estate Shared Service manager.

Revaluations

Accounting practice requires all properties to be revalued at least once every five years, unless a material difference becomes known which could significantly affect the Fair Value of the assets. 2012/13 was the first year of the revaluation rolling programme which will ensure that all Property, Plant and Equipment required to be measured at fair value will be revalued over the next five years.

The significant assumptions applied in estimating the fair values are:

- As defined in IAS16, Fair Value is the amount for which an asset could be exchanged between knowledgeable, willing partners in an arms length transaction.
- For Operational Assets, Fair Value relates to its existing use. Existing Use Value (EUV) is the basis used in valuing non-specialised assets.
- Specialised assets for which there is no market-based evidence to support the use of EUV are valued using the Depreciated Replacement Cost (DRC) basis. This applies in particular to schools.

- For property assets that are not used operationally and do not meet the criteria of an Asset Held for Sale or an Investment Property, they fall to be valued at Existing Use Value. As some of these assets will not have an existing use, it therefore requires a fair value of the surplus assets based on the existing use value of the asset, applying the same assumptions to the level of usage, etc as those in the most recent valuation as an operational asset.

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 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 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 as estimated by the valuer;
- vehicles, plant, furniture and equipment – a straight line allocation over the useful life of the asset, 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 April 2011.

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

48(w) 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 & 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 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.

In a change to accounting policy for 2013/14 the balance sheet has been restated to recognise the third party income generation potential from the site. Further details are provided in Note 37.

48(x) Pooled Budgets

Under International Accounting Standard 31, each partner needs to report its share of the Pool's year end assets and liabilities. Note 31 sets out the balances as at 31 March 2014 attributable to the Pool's partners; only the Council's share of these balances has been reported within the Balance Sheet.

48(y) Provisions

Provisions are made when the Council recognises that it has an obligation as a result of a past event, when it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year when the Council becomes aware of the obligation, based on the best estimate of the likely settlement.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and, if no longer required, are reversed and credited back to the Comprehensive Income and Expenditure Statement. Where some or all of the payment required to settle an obligation is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled. Details relating to the Council's provisions are provided in Note 15.

48(z) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies and are split between usable and non-usable. Usable Reserves are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation on their use. Unusable reserves cannot be used to provide services; this category includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve).

Resources set aside for specific purposes or to meet predicted liabilities are held as 'earmarked reserves'. The Council also sets aside sums as a more general reserve, called the General Fund, to cover the impact of unexpected events or emergencies or provide a working balance to help manage the effect of uneven cash flows. The Council seeks to maintain the General Fund at a level consistent with a detailed assessment of risk as set out in its Reserves Strategy. This assessment is updated annually as part of the Council's Medium Term Financial Planning.

Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting process for tangible Property, Plant and Equipment (Revaluation Reserve and Capital Adjustment Account) and retirement benefits (Pension Reserve). These are in effect accounting reserves rather than cash reserves.

48(aa) Revenue Expenditure funded from Capital Resources under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so that there is no impact on the level of Council Tax.

48(bb) Schools Accounting

Expenditure and income in relation to maintained schools in Cheshire East are reported in accordance with a total cost basis of accounting. Assets and liabilities have been treated in a manner consistent with other Cheshire East Council services.

Year end balances for schools' delegated budgets are held as unusable reserves on the Balance Sheet. These are removed from the Balance Sheet in the new financial year and applied directly to schools' revenue budgets.

Expenditure and income in relation to academies in Cheshire East are not reported.

48(cc) VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & 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.

Collection Fund and Notes 2013/14

Collection Fund Revenue Account

2012/13				2013/14			
Council Tax		Business Rates		Council Tax		Business Rates	
£000	£000	£000	£000	£000	£000	£000	£000
214,801				Expenditure			
				Precepts (Note 2)	201,609		
		130,428		Business Rates NNDR1 estimate		139,017	
		562		Business Rates Cost of Collection		562	
1,134		1,416		Business Rates		6,703	
				Payment of Bad and Doubtful Debts	1,267	(1,580)	
	215,935		132,406			202,876	144,702
(194,713)		(132,406)		Income			
				Income from Council Tax	(203,018)		
				Income from Business Rates		(134,934)	
(20,766)				Transfers from General Fund:			
				Council Tax Benefits			
	(215,479)		(132,406)			(203,018)	(134,934)
(456)		0		Surplus / (Deficit) for Year			
					142		(9,768)
	388		0	Balance Brought Forward at 1 April			
					(68)		0
(68)		0		Balance Carried Forward at 31 March			
					74		(9,768)

Notes to the Collection Fund

1. National Non-Domestic Rates (Business Rates)

2012/13		2013/14
£340.723m	a) Total Rateable Value at 31 March	£339.409m
45.8p	b) Rate in the Pound for Year	47.1p
45.0p	c) Small Business Rate Relief	46.2p

2. Precepts and Demands

2012/13 £000		2013/14 £000
182,996	a) Cheshire East Council (including Parish precepts)	171,311
22,053	b) Cheshire Police Authority	21,008
9,752	c) Cheshire Fire Authority	9,290
214,801		201,609

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. National Non-Domestic Rate Pool

The Council collects National Non-Domestic Rates (NNDR, also known as Business Rates) for the area based on rateable values multiplied by a national uniform rate. The total amount collected, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by central government, which in turn pays back to authorities their share of the pool based on a standard amount per head of local adult population.

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.

Band	Valuation of Property at 1 April 1991	Cheshire East	Fire	Police	Council Tax Payable
		£	£	£	£
A	Up to £40,000	810.89	45.17	102.14	958.20
B	£40,001 to £52,000	946.04	52.69	119.16	1,117.89
C	£52,001 to £68,000	1,081.19	60.22	136.19	1,277.60
D	£68,001 to £88,000	1,216.34	67.75	153.21	1,437.30
E	£88,001 to £120,000	1,486.64	82.81	187.26	1,756.71
F	£120,001 to £160,000	1,756.94	97.86	221.30	2,076.10
G	£160,001 to £320,000	2,027.23	112.92	255.35	2,395.50
H	Over £320,000	2,432.68	135.50	306.42	2,874.60

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 2013/14, this was £149,907.18.

BAND	Number of Properties after Discount	Ratio to Band D	Band D Equivalent	Adjustment for 99% Collection Rate
DIS	72.50	5/9 th	40.28	39.88
A	25,155.25	6/9 th	16,770.17	16,602.47
B	30,647.25	7/9 th	23,836.75	23,598.38
C	29,800.50	8/9 th	26,489.33	26,224.44
D	22,600.75	1	22,600.75	22,374.74
E	17,724.50	11/9 th	21,663.28	21,446.65
F	12,321.75	13/9 th	17,798.08	17,620.10
G	11,372.25	15/9 th	18,953.75	18,764.21
H	1,634.50	18/9 th	3,269.00	3,236.31
Total	151,329.25		151,421.39	149,907.18

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 Chief Operating Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

The Chief Operating Officer's Responsibilities

The Chief Operating Officer is responsible for the administration of the financial affairs of the Council and for the preparation of the Council's Statement of Accounts which, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), 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 March 2014.

In preparing this Statement of Accounts, the Chief Operating Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Chief Operating Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- ensured that accurate representations have been made to the Council's Auditor, all relevant records made available and any matters that could have a material effect on the financial statements have been disclosed.

Chief Operating Officer Certificate

I certify that the Statement of Accounts presents a true and fair financial position of Cheshire East Council as at 31 March 2014 and its income and expenditure for the year ended 31 March 2014 and authorise the financial statements for issue on 30 June 2014.

Peter Bates CPFA CIPD MBA

Chief Operating Officer (Section 151 Officer) for Cheshire East Council

Dated:

Approval of Accounts

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

Glossary of Terms

Accounting Period

The period of time covered by the accounts which, for local authorities, is the twelve months commencing 1 April. 31 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 non-current assets are valued in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets, assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value (EUV)
- All other assets – fair 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.

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 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 (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 cashflows by providers of capital (ie 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 transactions of precepting authorities. As a billing authority the Council will share the risks and rewards that the amount of Council Tax 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 National Non-Domestic Rates. It collects Council Tax on behalf of Cheshire Police and Crime Commissioners, Cheshire Fire Authority and Parish Councils (also known as precepting authorities) and collects National Non-Domestic Rates on behalf of central government.
- **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.
- **National Non-Domestic Rates (NNDR):** Also known as business rates, NNDR is collected from businesses in the Council's geographic area. The rates are set nationally by the Government and are redistributed to local authorities on the basis of population.
- **Precept:** The amount the Council is required to raise in Council Tax on behalf of other local authorities, for example Cheshire Police and Crime Commissioners.

Comprehensive Income and Expenditure Statement (CIES)

The CIES sets out the income and expenditure for the all the Council's functions for the financial year, according to the CIPFA Service Reporting Code of Practice (SeRCOP).

The CIES has two sections:

- **Surplus or Deficit on the provision of Services** – the increase or decrease in the net assets of the Authority as a result of incurring expenses and generating income.
- **Other Comprehensive Income and Expenditure** – shows any changes in net assets which have not been reflected in the Surplus or Deficit on the provision of Services. Examples include the increase or decrease in net assets of the Authority as a result of movements in the fair value of its assets and actuarial gains or losses on pension assets and liabilities.

Consistency

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

Constitution

The fundamental principles by which the Council operates and is governed.

Contingencies

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

Contingent Assets

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

Contingent Liabilities

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly with the Council's control; or
- a present obligation arising from past events where it is probable that a transfer of economic benefits will be required, but the amount cannot be measured with sufficient reliability.

Corporate and Democratic Core

Costs associated with democratic representation and management and corporate management. Democratic representation and management includes all aspects of Members' activities. Corporate management concerns the cost of the infrastructure that allows services to be provided and the cost of providing information that is required for public accountability. Such costs form part of total service expenditure, but are excluded from the costs of any particular service.

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 amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In most cases this will be the transaction price, e.g. the amount of a loan made or the price paid for a bond.
- **Financial asset and derivatives:** A right to future economic benefits controlled by the Council that is represented by:
 - cash;
 - an equity instrument of another entity;
 - a contractual right to receive cash (or another financial asset) from another entity; or
 - a contractual right to exchange financial assets or liabilities with another entity under conditions that are potentially favourable to the Council.
- **Financial liability:** An obligation to transfer economic benefits controlled by the Council that is represented by; a contractual obligation to deliver cash (or another financial asset) to another entity / a contractual obligation to exchange financial assets or liabilities with another entity under conditions that are potentially unfavourable to the Council.
- **Market value:** The monetary value of an asset as determined by current market conditions at the balance sheet date.
- **Soft loans:** The Council may sometimes make loans that are interest free or at less than market rates, where a service objective would justify the Council making a concession. Examples include:
 - Loans to lower tier authorities and voluntary organisations to aid service provision;
 - Local businesses to encourage economic development;
 - Employees as part of a relocation package.

Government Grants

These are amounts received from central government towards funding the Council's activities. These represent a significant amount of Council income.

Grants and Contributions

Grants and contributions are defined as assistance in the form of transfers of resources to the Council in return for past or future compliance with certain conditions relating to the operation of activities. Most grants have stipulations as to how they are spent and consequences if resources are not applied in the manner authorised. There are a number of terms used to explain these:

- **Conditions:** specify what future economic benefits or service delivery/potential need to be achieved to avoid having to return funding or assets.
- **Restrictions:** limit what the funding / assets can be used for.
- **Stipulations:** where laws or other binding arrangements form part of the agreement between the grantor and the grantee.

Heritage Assets

Assets which are preserved in trust for future generations, or which are held for their contribution to knowledge and culture.

Impairment

Relates to a reduction in book value of either a physical or financial asset, for example:

- A reduction in the book value of an item of property, plant or equipment arising from physical damage to the asset, dilapidation or obsolescence; or
- A reduction in the book value of a financial asset for which the carrying value exceeds the estimated recoverable amount. Bad and doubtful debt falls into this category.

Income

Amounts which the Council receives, or expects to receive, from any source. Income includes Council Tax, National 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.

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.

Leasing

A method of acquiring the use of a non-current asset by paying a rental for a specified period of time, rather than purchasing it outright. There are two categories for leasing:

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

Loans and Receivables

These are defined as financial assets (excluding derivatives) that have fixed or determinate payments and that are not quoted in an active market, other than those that the Council intends to sell immediately or in the near term and are classified as held for trading.

Long Term Borrowing

The main element of long term borrowing comprises loans that have been raised to finance capital expenditure projects.

Materiality

Materiality relates to the significance of transactions, balances and errors contained in the financial statements. Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about the Council.

Minimum Revenue Provision (MRP)

The minimum amount (as laid down in statute) that the Council must charge to the accounts each year in order to meet the costs of repaying amounts borrowed.

Movement in Reserves Statement (MiRS)

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

Non Distributed Costs

Costs which cannot be specifically applied to a service or services and are held centrally, comprising certain pension costs and the costs of unused shares of IT facilities and other assets.

Pensions

There are a number of terms used when accounting for pension costs:

- **Actuarial Assumptions:** Assumptions made by the Pension Fund Actuary in valuing the Fund's assets and liabilities.
- **Actuarial Gains and Losses:** A combination of the effects of changes in actuarial assumptions and experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred, including reflection of any funding valuation which has taken place since the last report).
- **Actuarial Valuation:** The valuation of the Pension Fund's assets and liabilities. The Actuary then calculates how much needs to be paid into the Fund by both the employer and contributing members to ensure there will be adequate funds to pay pensions when they become due.

- **Actuary:** An independent qualified professional who is engaged in the valuation of pension scheme assets and liabilities. The Local Government Pension Scheme Actuary reassesses the rate of employer contributions to the Pension Fund every three years.
- **Current Service Cost:** The increase in the present value of the defined benefit obligation resulting from employee service in the current period.
- **Defined Benefits Pension Scheme:** A pension scheme which is constructed to provide pre-determined pension benefits for retired members, with employers' and employees' contribution rates being calculated based on actuarial assumptions.
- **Deferred Benefits:** A future benefit which is being paid for in the current accounting period.
- **Expected Return on Assets:** The expected increase during a period in the value of assets, based on values and long term expected returns as at the start of the period.
- **Interest Cost:** 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.
- **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 Method:** An accrued benefits valuation method in which the Fund liabilities make allowance for projected earnings.
- **Settlements and Curtailments:** Settlements are liabilities settled at a cost materially different to the IAS 19 reserve during the year. Curtailments represent the cost arising from early payment of accrued pensions in respect of any redundancies during the year.

Prepayments

Amounts paid by the Council in year that related to goods and services not received until the following year.

Prior Period Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include minor corrections or adjustments of accounting estimates made in prior years.

Private Finance Initiative (PFI)

A means of securing new assets and associated services in partnership with the private sector.

Property, Plant and Equipment (PPE):

This covers all assets held by the Council with physical substance (tangible assets) that are held for use in the provision of services, for rental to others or for administrative purposes.

Key Definitions used for PPE:

- **Accumulated Depreciation:** The cumulative accounting estimate (excluding the current year) relating to the consumption of a non-current asset.
- **Amortisation:** The process of writing down capitalised expenditure (usually on intangible assets) to the Cost of Services over the estimated useful life of the asset.
- **Community Assets:** Assets that the Council intends to hold in perpetuity, that have no determinable finite useful life and in addition may have restrictions on their disposal (e.g. parks and historic buildings).

- **Depreciated Historic Cost:** The value of an asset shown in the Balance Sheet calculated from the original cost less depreciation to date.
- **Depreciation:** The process of writing down capitalised expenditure (usually on Plant and Equipment) to the Cost of Services over the estimated useful life of the asset.
- **Disposals:** the value of assets which have been disposed of or decommissioned.
- **Existing Use Value (EUV):** The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing. The fair value of land and buildings is to be interpreted as the amount that would be paid for an asset in its existing use.
- **Gross Book Value:** The historical cost or the revalued amount of the asset before depreciation.
- **Infrastructure Assets:** Cheshire East Council's network of roads, pavements, and bridges included within Property, Plant and Equipment.
- **Net Book Value:** The amount at which assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.
- **Net Current Replacement Cost:** The estimated cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.
- **Net Realisable Value:** The expected proceeds from the sale of an asset when sold on the open market between a willing buyer and a willing seller less all the expenses incurred in selling the asset.
- **Rateable Value:** The annual assumed rental value of a property that is used for business purposes.

Provisions

Amounts set aside to meet costs that are likely or certain to be incurred but where the amount of cost or timing of payment is uncertain.

Receipts in Advance

Amounts received by the Council during the year relating to goods or services to be delivered in the following year.

Related Party

A person or organisation who or which has influence and control over another person or organisation.

Reserves

Specific amounts set aside for future policy purposes or to cover contingencies. There are two types of reserve:

- **Usable Reserves:** These include the revenue and capital resources at the Council's disposal which can be used to fund expenditure or reduce local taxation. Usable reserves include:
 - Capital Receipts Reserve
 - Capital Grants Unapplied
 - Reserves and Balances Held by Schools
 - General Fund Earmarked Reserves (various)
 - General Fund Reserve.

- **Unusable Reserves:** These include unrealised gains and losses, particularly in relation to the revaluation of property, plant and equipment where the value of the asset would only become available to fund the provision of services if the asset was sold. Also included are adjustment accounts used to absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure. Unusable Reserves include:
 - Revaluation Reserve
 - Available for Sale Financial Instruments Reserve
 - Capital Adjustment Account
 - Capital Receipts Deferred
 - Financial Instrument Adjustment Account
 - Pensions Reserve
 - Collection Fund Adjustment Account
 - Accumulated Absences Account.

Revenue Expenditure

Revenue expenditure is spending on the day to day running costs of the Council. It includes expenditure on employees, premises, transport and supplies and services.

Section 151 Officer

An Officer appointed under Section 151 of the Local Government Act 1972 which requires every local authority to appoint a suitably qualified officer to assume overall responsibility for the administration of the financial affairs of the Council and preparation of the Statement of Accounts.

Shared Services

This is a process of merging functions such as payroll, procurement and IT Support 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.

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.