

*Cheshire East Council*

# *Statement of Accounts 2014/15*



**Introduction to the 2014/15 Group Statement of Accounts**

**Welcome from Cllr Peter Groves,  
Finance Portfolio Holder**

**Welcome to the accounts for the Cheshire East Group of Companies - the Group.**

This is the first set of accounts that bring together those of the Council and its companies. This is a significant step that shows how the Group performs and controls expenditure to ensure the best outcomes for our residents and businesses.

This report covers the second year of the Council's three year plan (2013/14 – 2015/16). The Group takes an ambitious approach to achieving its vision whilst dealing effectively with the challenges of austerity. With new approaches to service delivery launched last year this set of accounts recognises the move from a single local authority to the Cheshire East Group of Companies. As you would expect, at present, the Council is by far the biggest individual entity in the Group.

The 2014/15 accounts reflect the strong financial performance of the Group; with total gross expenditure of £747.4m\* the revenue budget returned a small surplus of £0.7m and usable reserves increased by £6.3m. The overall financial health, performance and resilience of the Group continues to improve, despite removing some £70m from the cost base since 2011.

**This strong financial performance is reflected in the Group's excellent operational achievements that benefit local residents, businesses and visitors; these include:**



**Best place to live in the North West** – Cheshire East was placed top in the North West in the Halifax Quality of Life survey 2014 **AND** 2015.

\* Gross Expenditure on Provision of Services for 2014/15 = £747.4m



**New business** – continuing our investment in the roll out of high speed broadband is a major factor in encouraging new business and creating jobs. Contributing £5m into a £15m investment fund for bio-science and pharmaceutical companies alongside Manchester Science Partnership and Bruntswood. We also look forward to the announcement on HS2 when we hope to hear that we have secured the North West Gateway hub station for Crewe.

**Award winning service.  
Monthly savings.**  
That's Fairerpower. We are here for you.

Available to Cheshire East residents from 16<sup>th</sup> March 2015. Switch today and you could save up to £200\* per year on your energy bill.



**Fairerpower** – we have set-up the first community energy supplier to open for business in the UK since 1948. This initiative, already proving popular with residents, offers potential savings for many. We intend to make fuel poverty a thing of the past.



**Dementia Friends** – more than 1,600 responded to the national campaign in June 2014 to recruit and train people to spot signs of dementia. Working in partnership with the Dementia Action Alliance and the Alzheimer's Society, we are the first local authority in the region to appoint a full-time Dementia Project Co-ordinator.



**World War One 100th Anniversary Commemorations** – the Council is proud to have supported the successful events across the Borough to commemorate WW1.



**National awards** - Our parks and open spaces, continue to collect Green Flag awards and national recognition and are enjoyed by millions of visitors and children each year.

The Group's strong financial position is a testimony to the Council's continuing focus on innovative service delivery and delivering value for money across all of its operations. Our overriding commitment is to put our residents first.

Finally, I take this opportunity to thank my predecessor Peter Raynes. Peter stood down at the elections in May having served as an excellent Finance Portfolio Holder since May 2012. During that time the Council's financial position improved significantly - ensuring that our reserves position now matches our assessment of risk but also strengthening our balance sheet, reducing borrowing levels and maintaining strong governance and stewardship of public money.

**Cllr Peter Groves**  
Finance Portfolio Holder



## Introduction to the 2014/15 Group Statement of Accounts

### *Welcome from Peter Bates, Chief Operating Officer*

**Welcome to the Statement of Group accounts for Cheshire East Council for the financial year 2014/15.**

This is a landmark year as the reality of becoming a commissioning council is reflected in our very first set of financial statements of the Cheshire East Group. These statements form an important part in demonstrating how the Council manages the £747.4m public money it is responsible for. They provide a summary of the financial performance of the overall Group, while recognising that the Council remains by far the dominant organisation.

The accounts reflect the Group's strong financial health, good governance and effective stewardship of public funds. These draft statements are subject to an independent review and external audit by Grant Thornton UK LLP. Their audit opinion will be included in the final version.

This report demonstrates that the overall financial and operational performance of the Group is strong and resilient. The one area that requires specific reference is the valuation of the Group's pension liability. The Group's Statements comply fully with current accounting standards and code of practice but the treatment and presentation of pension liabilities has caused some concern from across the Local Government sector. I am looking to work with my colleagues across the country, together with the professional institutions to see if these huge swings in pension liabilities from year to year can be avoided in the future.



Orbitas



CoSocius



***Overall usable Group reserves increased by 7.6% to £87.4m***

***Net revenue outturn has provided a surplus of £0.7m.***

***Capital Spending of £101.5m, the highest for Cheshire East Council, was achieved within budget.***

In keeping with the rest of the public sector, the Group continues to operate within a challenging financial environment. Following the recent elections in May 2015, it is clear that Central Government's commitment to reduce the high levels of national debt will remain a key priority, while the local results have provided stability for the Group. There will be a key Chancellor's Budget announcement on 8th July 2015, in advance of the Comprehensive Spending Review. The details of our actual financial settlement are expected in December.

Our response to this challenge will continue to be based on innovation and creativity. Over the last year the Group was relentless in the pursuit of greater efficiency and productivity that has delivered a high level of sustainable, quality services for a lower overall cost.

Maintaining and attracting private sector inward investment into our area is a key priority for business growth and expansion. From 1st April 2015, we became part of a Business Rates pool with Greater Manchester and together we will also pilot a new national business rates growth initiative.



The Council will continue to manage the impact of reductions in central government funding as part of a carefully planned and measured strategy. In the long term, our future ambition is to become 'self-financing' and independent of central government revenue support. Our Council Tax base is increasing, helped by our success in creating jobs for local people, which has also reduced the number of benefit claimants.

As part of the continuing commitment to put residents and businesses first the Council announced a further council tax freeze for 2015/16 and does not charge supplementary business rates.

These statements will help the reader understand the Group'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 is properly accounted for and that its financial standing is secure.

**My foreword covers:**

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

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



***An Ofsted report placed over 93.6% of our schools “good or outstanding” and our schools are in the top three in the country***

***We continue to invest in our roads, securing millions of pounds worth of government funding, such as £16m for the Crewe Green Link road***



## Contents

	Page
Explanatory Foreword to the Group Statement of Accounts	7
Explanatory Foreword - Annex 1	26
<b><u>The Group Financial Statements:</u></b>	
Group Movement in Reserves Statement	29
Group Comprehensive Income and Expenditure Statement	30
Group Balance Sheet	31
Group Cash Flow Statement	33
Notes to the Group Statement of Accounts	34
<b><u>The Cheshire East Council Financial Statements:</u></b>	
Movement in Reserves Statement	42
Comprehensive Income and Expenditure Statement	44
Balance Sheet	45
Cash Flow Statement	46
Index of Notes to the Statement of Accounts	47
<b><u>Supplementary Financial Statement:</u></b>	
Collection Fund and Notes	143
<b><u>Other Information:</u></b>	
Statement of Responsibilities for the Statement of Accounts	148
Approval of Accounts	149
Independent Auditor's Report to Members of Cheshire East Council	150
Glossary of Terms	153



**Explanatory Foreword – General Information and Financial Overview**

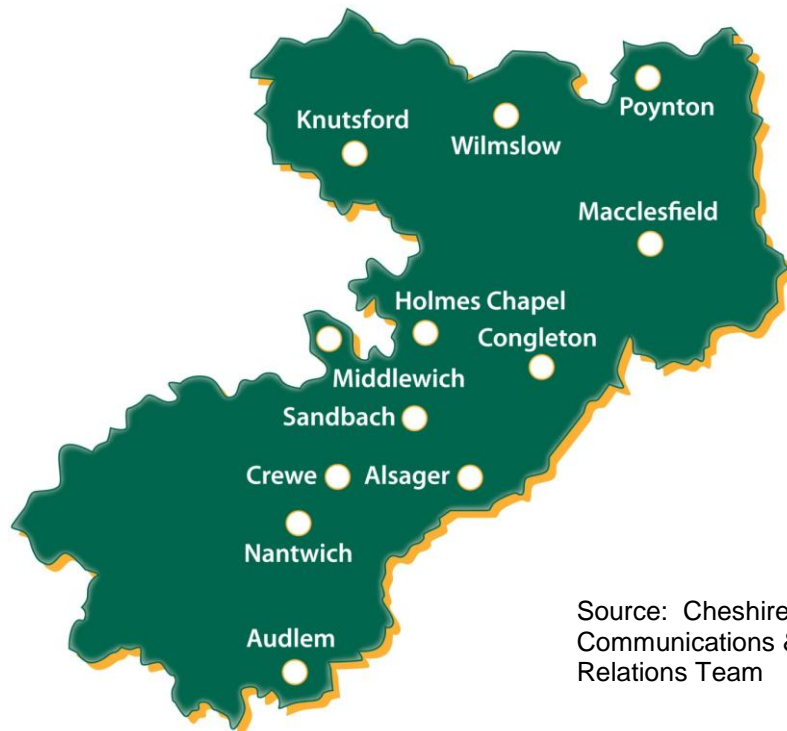
**An introduction to Cheshire East – ‘the place’**

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

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

Since 2013 the Council has moved to a commissioning model which matches the best fit provider in terms of quality and cost to meet the needs of the resident. The Group now consists of the Council and its wholly or partly owned, companies,

joint ventures and associate. The accounts for all these organisations, where significant, are combined with the Council’s accounts to produce the Cheshire East Group accounts.



Source: Cheshire East Communications & Media Relations Team

The Group puts the residents of Cheshire East first, providing quality local services, within a commercially focused ethos that maximises value for money for local taxpayers.

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

The vast majority of services delivered by the Group focus on local residents and businesses. Two companies partially owned by the Council – CoSocius Ltd and Cheshire & Warrington Local Enterprise Partnership Ltd - also provide services to residents of Cheshire West & Chester and Warrington and are jointly owned with those Councils.

The most significant services provided by the Group are:

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

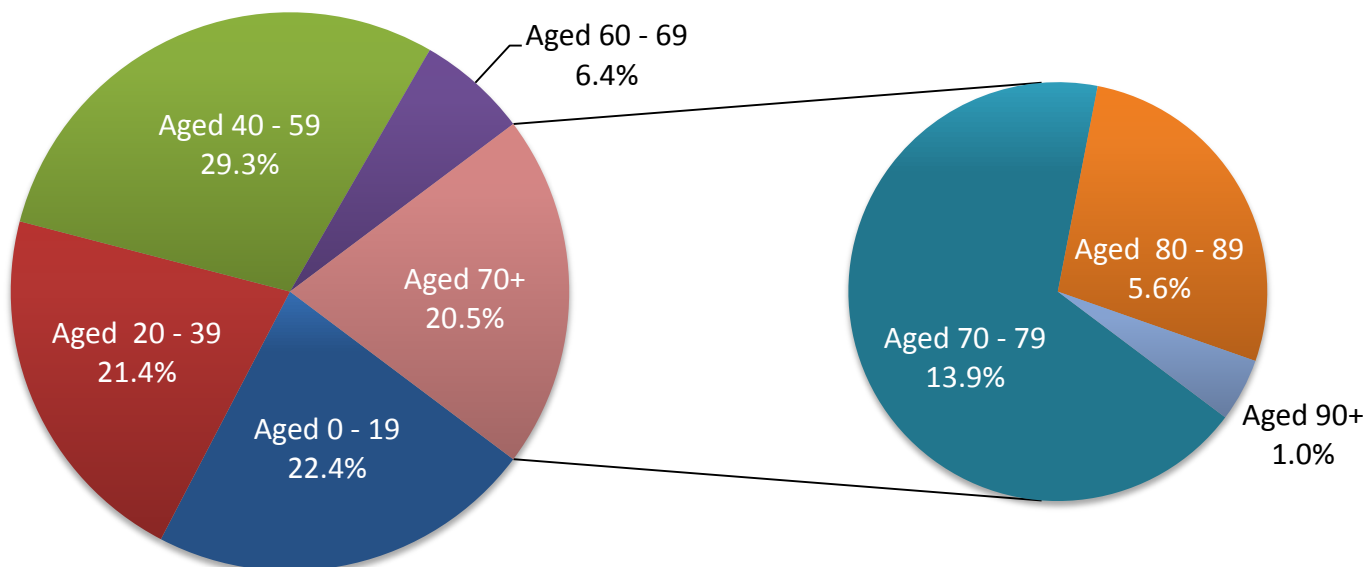


**Cheshire East – ‘the people’**

**Putting Residents First**

**Population:** The population of Cheshire East is estimated at 372,100. Cheshire East has a relatively older population than average, with 26.9% of the population aged 60+. This 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.

**Over 20% of residents are aged 70+ years, and 1% are over 90 years old**



Source:  
Office for National Statistics Mid-Year Estimates for 2012

**Economy:** Economic data tells us:

- **Fewer unemployed people than elsewhere in the North West and less than half the UK average** - Cheshire East’s unemployment claimant count in March 2015 was 2,107 and the rate is 0.9% (compared to March 2014 rate of 1.8%). This is below the claimant count rates for Cheshire West & Chester (1.1%), the North West (1.8%) and the UK (2.0%).
- **The number of young people claiming Jobseeker’s Allowance continues to fall** - 1.2% of 18-24 year-olds; while a much higher rate than for other age groups this is significantly lower than in March 2014 (4.0%) and lower than the North West (2.2%) and the UK (3.2%) averages.
- **Average household income remains above average** - household income estimated at £33,000. This is 16% above UK average (£28,500) and in seven of our 24 main towns and settlements household income exceeds £40,000. But, it is below the UK average in three others - Crewe, Shavington and Handforth.

Having a strong local economy is key to the Council’s ambition to build economic growth; as is developing life skills to help people thrive and reach their potential.

As a result of government changes to business rate retention and council tax support schemes our financial health is now directly affected by local economic results; current data reflects the Council's success in these areas and our strong position.

**The Political Structure of the Council**

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

Local elections were held after the accounting period closed on 31 March 2015. The Council continues to be led by a Conservative majority. The table below shows the political make-up of the authority during the accounting period and after the recent elections:

	2014/15	May 2015
Conservative	50	53
Labour	14	16
Liberal Democrat	4	2
Independent or Other	14	11

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

Councillor Michael Jones, Leader of the Council, heads the Cabinet with, in 2014/15, nine portfolio holders. Each year the Council also appoints a Mayor to undertake civic functions. For 2014/15 the Mayor was Cllr Wesley Fitzgerald.

**The Cheshire East Council Group Structure**

Cheshire East Council is by far the most significant service provider of the Group. It is important to recognise that the Council is a Local Authority whereas the rest of the Group are, wholly or partially owned, limited companies. The Council is required, by law, to set a balanced budget each year and aims to spend within its limits. The companies within the Group are able to secure a profit. Residents of Cheshire East benefit from this approach as the Council continues to strive to keep taxes low. Councillors have, in fact, frozen Council Tax levels for five consecutive years. Any profit shares 'kept' by the subsidiaries are retained by the Group securing an overall increase in value for money.

On 1 April 2015 Cheshire East Residents First Limited, (CERF), became the largest shareholder for most of the Council's wholly owned companies and will be the holding company. CERF owns an 80% shareholding with the remaining 20% retained by the Council. CERF is wholly owned by the Council, so the overall make up and financial value of the Group will remain relatively unchanged.

## The Group Management Structure

The Council's commissioning model has meant changes to the management structure. While the Council owns its companies, wholly or in part, each company is a single entity with its own board, management and governance arrangements.

In summary, in 2014/15, the Council's management team was headed by its Corporate Leadership Board (CLB). That board was made up of the Council's most senior officers and includes its key Statutory Officers.

Company	Role	Name
<b>Cheshire East Council</b> (Gross Revenue Spend £638m; Capital Spend £108m)	<b>Chief Executive</b> (Head of Paid Service)	<b>Mike Suarez</b>
	<b>Executive Directors:</b>	
	▪ <b>Strategic Commissioning</b> (post being deleted)	<b>Lorraine Butcher</b>
	▪ <b>Economic Growth &amp; Prosperity</b>	<b>Caroline Simpson</b>
	▪ <b>Chief Operating Officer</b> (Chief Finance Officer)	<b>Peter Bates</b>
	<b>Director of Children Services</b>	<b>Tony Crane</b> (left May 2015)
	<b>Director of Adult Services</b>	<b>Brenda Smith</b>
	<b>Director of Public Health</b>	<b>Heather Grimbaldeston</b>
	<b>Head of Legal Services and Monitoring Officer</b>	<b>Anita Bradley</b>
<b>Wholly Owned Subsidiaries: 2014/15 position</b>		
<b>Ansa Environment Services Limited</b> (Turnover £28m)	<b>Chairman</b>	<b>Cllr John Hammond</b>
	<b>Managing Director</b>	<b>Kevin Melling</b>
<b>Transport Service Solutions Limited</b> (Turnover £4.4m)	<b>Chairman</b>	<b>Cllr Rod Menlove</b>
	<b>Managing Director</b>	<b>Kevin Melling</b>
<b>Engine of the North Limited</b> (Turnover £1.2m)	<b>Chairman</b>	<b>Cllr Andrew Thwaite</b>
	<b>Managing Director</b>	<b>Darren Lawless</b>
<b>Orbitas Bereavement Services Limited</b> (Turnover £1.4m)	<b>Chairman</b>	<b>Cllr David Marren</b>
	<b>Managing Director</b>	<b>Kevin Melling</b>
<b>Tatton Park Enterprise Limited*</b> (Turnover £1m)	<b>Councillors</b>	<b>Jamie Macrae</b> <b>Peter Raynes</b> <b>George Walton</b>
	<b>Director</b>	<b>Brendan Flanagan</b>
<b>50% Joint Venture Company (Equity Basis)</b>		
<b>CoSocius Limited</b> (Share of Turnover £12.5m)	<b>Managing Director</b>	<b>David Hudson</b>
<b>Associate:</b>		
<b>Cheshire &amp; Warrington Local Enterprise Partnership Limited*</b>	<b>Chair</b> <b>Chief Executive</b>	<b>Christine Gaskell, MBE, DL</b> <b>Philip Cox</b>

\*Note: Accounts for TPE & C&WLEP are not consolidated in 2014/15 on the grounds of materiality.

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

Cheshire East Council:	<a href="http://www.cheshireeast.gov.uk">www.cheshireeast.gov.uk</a>
Ansa Environmental Services Limited:	<a href="http://www.ansa.co.uk">www.ansa.co.uk</a>
Engine of the North Limited:	<a href="http://www.Engine of the North">www.Engine of the North</a>
Transport Service Solutions Limited	<a href="http://Transport Service Solutions">Transport Service Solutions</a>
CoSocius Limited:	<a href="http://www.CoSocius Limited">www.CoSocius Limited</a>
Cheshire & Warrington Enterprise Partnership Limited	<a href="http://Cheshire &amp; Warrington LEP">Cheshire &amp; Warrington LEP</a>
Tatton Park Enterprise Limited (Tatton Park website):	<a href="http://www.tattonpark.org.uk">www.tattonpark.org.uk</a>

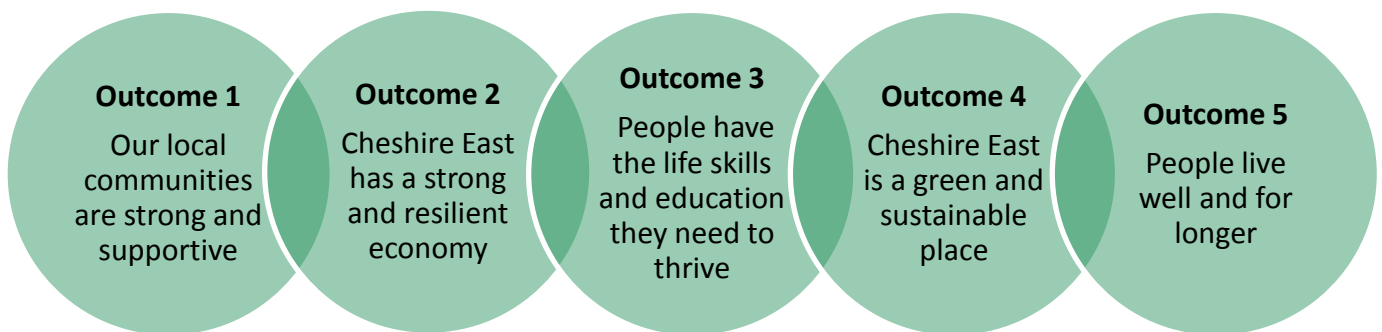
The annual accounts for each of the Council’s companies will also be provided to Companies House as required under company law.  
(website: <https://www.gov.uk/government/organisations/companies-house>).

2014/15 was also the first operating year for the Everybody Sport & Leisure Trust. Everybody is an independent charitable trust that has taken over the leisure services functions previously provided by the Council. It is not a subsidiary of the Council and therefore not part of the Group. For more information please refer to Everybody’s website: [www.everybody.org.uk](http://www.everybody.org.uk)

**The Three Year Plan**

The Council’s Three Year Plan 2013/14 – 2015/16 is a key strategic document. Importantly it supports elected Members, the Corporate Leadership Board, staff and partners to work together to deliver the vision for Cheshire East as set out in the Sustainable Community Strategy 2010-2025 ([Link to SCS](#)).

Medium Term plans will set out intended outcomes through to 2025 together with current priorities – in summary it explains what the Group is doing and why. The Group’s commissioning structure focuses on allocating sufficient 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 a commitment to be a responsible, effective and efficient Council. The Council uses appropriate performance measures to determine current achievements in relation to these outcomes and reports to Cabinet on a quarterly basis.




**Performance Overview**

The Council’s outcomes, as described in the 3 Year Plan, are achieved though a combination of commissioners and providers both meeting and exceeding performance ambition. Some of the key issues that have affected the level of service expenditure and performance against outcomes during the year are summarised below.

**Children**

Children’s Services notable successes this year, include:


<p>Numbers of young people not in education, employment or training (NEET) reduced again to just was 3% (331 young people)</p>	<p>There was a record number of 40 adopters during the year. The Council was shortlisted for the Municipal Journal Achievement Awards along with our partners – Stockport, Tameside and Trafford – who make up the Four4Adoption service.</p> 
<p>The Local Offer for children with Special Educational Needs was published and launched through events, increasing access to good quality local provision;</p>	
<p>93.6% of schools were rated as good or outstanding in Cheshire East. The highest it has ever been</p>	

Work to address the findings of Ofsted’s Progress Inspection of Children’s Services saw a new Children’s Improvement Plan agreed by the Improvement Board, with a focus on the partnership contribution to safeguarding children and young people.

The overall financial position for Children’s services was a small underspend of £0.2m against a net budget of £46m.

## Adult Social Care and Independent Living

During the year changes were made to implement the Care Act 2014, including providing information and advice to residents, as well as introducing an independent phone line. We worked with colleagues across the region with the aim of jointly making information available in as consistent a way as possible, so that residents can make informed decisions about the support and care that they need. Other notable achievements included:

<p>'Caring for Carers: A Joint Strategy for Carers of All Ages' was developed in conjunction with the Clinical Commissioning Group partners, identifying plans to support carers in their role.</p>	<p>2,090 home adaptations were completed for older and / or disabled residents (significantly ahead of the target of 1,700).</p>
 <p>Over 200 staff have signed up as Dementia Friends</p>	<p>The Dementia Reablement Service was developed for launch, focusing on supporting people to continue to live independently following a diagnosis of dementia.</p>

The overall financial position for Adults Services was a small underspend of £0.2m against a net budget of £94.5m. This was despite increased demand coming through the ageing population and increased levels of complexity being presented by service users.

## Public Health

During the year the service successfully launched the Public Health Innovation Fund which has resulted in targeted investment of over £1m in key Public Health outcomes from Children's obesity initiatives to added investment in supporting Mental Health outcomes.

A pan-Cheshire mental health needs assessment is now underway, led by the two Public Health teams, to inform a Pioneer review of mental health commissioning. In total 13 Public Health Transformation Fund projects are now underway, with reporting mechanisms in place to take forward into 2015/16.

Public Health is funded through a ring-fenced grant of £14.3m received from central government. 2014/15 represents the second year of this service being with local government and real progress has been made in moving forward the investments being made to improve the health of the residents of Cheshire East. Major contracts within the service such as Drugs & Alcohol and Sexual Health have been renegotiated, which in addition to providing financial efficiencies moving forward also, importantly, involve an increased focus on preventative activities.

**Environmental Protection and Enhancement**

The Council’s Environmental Services Company (ANSA) and its Bereavement Services Company (Orbitas) secured significant achievements this year, including:

<p>More than half of household waste is now being either recycled, reused or composted. Making Cheshire East one of the best performing areas in the North West</p> 	<p>Household Waste Recycling Centres have also had a great year; having reused and recycled 79.7% of items deposited and reported an overall customer satisfaction rate of 96.6%.</p>
<p>Significant moves away from landfilling black bin waste, with in an overall drop of 35% in waste sent to landfill.</p>	 <p>Local parks and open spaces continue to achieve Green Flag awards, a scheme recognising and rewarding the best green spaces in the country.</p>

**Public Protection and Enforcement**

Public protection and enforcement services achieved notable successes this year, these include:

- Increasing the number of food premises that are scored against the Food Hygiene Rating System to 2,535 an increase of 7% from the previous year. Of these, 93% scored 3 or above (maximum of 5). Efforts continue to be focused on those low scoring premises to improve compliance.
- 100% success in prosecutions in respect of 61 Benefit Fraud and 3 Blue Badge cases where prosecutions were sought.

### Economic Growth and Prosperity

The service reported a number of achievements during 2014/15, including:

Investment in the Manchester Science Partnership alongside Bruntwood has developed Alderley Park.



In October 2014 there was a strong recommendation from Sir David Higgins, Chairman of HS2, that Crewe should be a North West hub for HS2 with delivery brought forward to 2027.



The 'Connecting Cheshire' fibre broadband project taking overall broadband coverage to 94% in over 66,000 homes and businesses. The first phase of the project will complete by summer 2015 and will surpass the national target of 95% coverage by 2017.

The service has also created a new, wholly-owned company named Civicance. The company will be providing professional services for Building Control, Structural Appraisal, Fire Risk Assessment, Local Land Charges, Address Management, Planning Support and Liaison. This is a significant achievement for 2014/15 and sets the scene for further efficient working from 1 April 2015.


The overall financial position for the Economic Growth and Prosperity service was a small overspend of £0.5m against a budget of £24.8m.



**Communities**

Persistent absentees in Cheshire East schools fell significantly during 2014/15, in part due to the success of the Family Focus Project, which worked closely with families at risk of persistent absence to identify cause and resolve issues. Overall, since 2011 persistent absence has fallen from 4.3% to 1.8% in primary schools (1 percentage point below the 2014 national average) and from 9.5% to 5.1% in secondary schools. We are ranked 1st and 4th respectively when compared to statistical neighbours.

Other notable achievements include:

 <p>Community Grants of £225,471 were awarded to 129 organisations, contributing to over £1.5 million of projects and community activities across the Borough.</p>	<p>Volunteer hours for those involved in community sports activity increased to over 7,200, exceeding our target of 6,000. This included the Commonwealth Games baton relay during its visit to Cheshire East.</p>
<p>First time entrants to the youth justice system are likely to reach an all-time low.</p>	<p>There were over 2.7 million visits to the Council's leisure centres during the year.</p>

The overall financial position of the Communities Service was a £0.8m underspend against a £10.1m budget.

**Corporate Services – a responsible, effective and efficient organisation**

Continuing to improve services and provide better outcomes for Cheshire East residents and business within reducing funding levels requires high quality corporate support and a constant challenge to the way those services are provided. In order to support the delivery of its good quality services the Council agreed a sixth outcome for 2014/15 - to be a responsible, effective and efficient organisation.

This outcome is focused upon the range of professional advice services provided by the Chief Operating Officer, including legal, financial, human resources, committee and member support. These services also include the facilities and technology needed to enable front-line services to operate effectively. Importantly these services include managing and maintaining high quality governance and stewardship arrangements to promote transparency and proper accountability of public money. Maintaining strong governance and stewardship is vital to control costs at the same time as improving, or maintaining, services for local residents.

These services are monitored closely to ensure that the Council secures best value from its systems and assets. The overall development and co-ordination of the financial strategy of the Council in these austere times is a critical component.

During 2014/15 the Council's professional enablers provided high quality support to underpin the delivery and monitoring of commissioned services across the organisation. The financial

performance within corporate services was also strong with a reported underspend of £3.4m. This reflects efficiencies within staffing structures and managed reductions in the cost of running the Council's operational buildings.

**Financial Overview - Revenue Spending**

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. The continuing response from the Cheshire East Group is based on innovation and creativity. The Group 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.

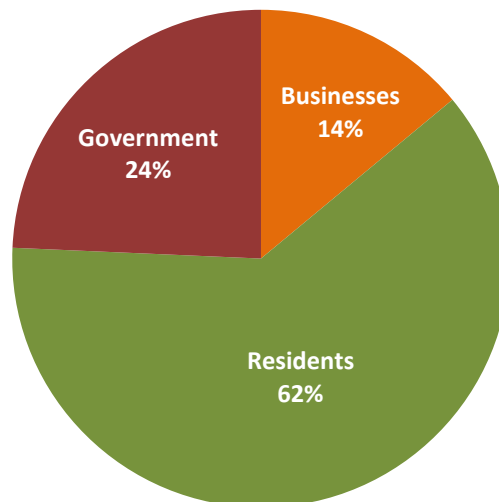
Compared to most other English authorities, Cheshire East is less reliant on government revenue grant as local businesses and residents provide a higher proportion of the overall funding. The Council has discretion to increase local taxes to fund Group expenditure but it has not done so now for five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

**Residents fund most of the Group's Net Budget of £271.1m\***

The Council's strong tax base affords it greater independence from central government, provides financial stability and offers some 'local protection' from the impact of national economic changes.

The development of the Group structure will, over time, enhance the opportunities for even greater independence.

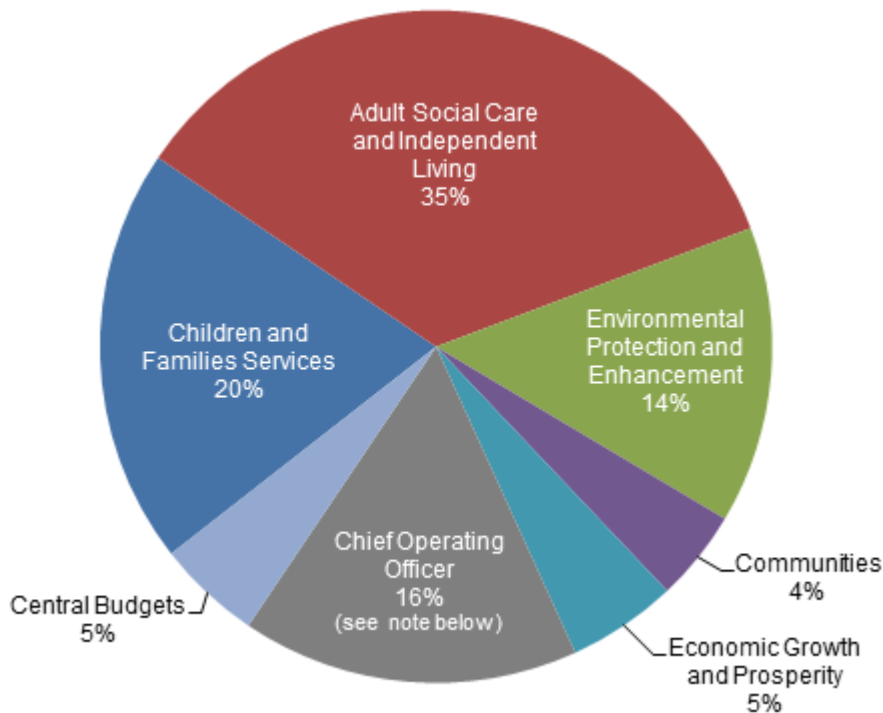
The importance of the local economy both to the Council and the country as a whole cannot be underestimated - there are more than 18,000 businesses located in Cheshire East.



\*Note: the Net Budget reflects the amount of business rates, general government grant and council tax that the Council spends each year. This is gross expenditure less capital expenditure and direct funding to services such as Dedicated Schools Grant, Housing Benefits and charges to service users – for full details see the Councils [Medium Term Strategy – Feb 2014](#)):

## Most of the Council's £271.1m Net Budget is allocated to Social Care

The Council invests in a wide range of service providers driven by its commitment to put residents first.



Much of that money is spent on achieving social care and community outcomes. The difficult decisions to prioritise and allocate resources to commissioned services mainly rests with elected Members.

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

Note:

- Public Health (0%) and Public Protection and Enforcement (-0.2%) have been excluded from the above chart as not material.
- Chief Operating Officer budgets include management of Council buildings, Information Technology, Accounts, Democratic and Legal Services, and Human Resources.

## The Revenue outturn position

The Group's strong financial position as at 31 March 2015 reflects its innovative delivery arrangements and its effective stewardship of public money. Spending within budgets during the year provided the flexibility to create earmarked reserves and fund additional capital investment.

The overall financial outturn includes:

- an underspend of £0.7m by commissioning and enabling services of Cheshire East Council; this is made up of a range of savings and includes cost reductions secured earlier than forecast; and
- an operating profit of £0.778m from the wholly owned subsidiary companies of the Cheshire East Group. (This figure is reduced by £0.647m to reflect changes in calculating their pensions liability as required by accounting standards). The Council's wholly owned companies have performed well operationally this year and their overall profits have increased the strength of their respective balance sheets.
- a share of the operating loss of £0.396m from the partially owned company of the Cheshire East Group. The deficit highlights a position, for CoSocius that was anticipated throughout the year. This reflects some delays in capital spending by the shareholding councils and is also due, in part, to the changes in accounting for pensions. The CoSocius Board are working hard with the partners of this joint venture to return to profit in the medium term.

Overall usable reserves of the Group increased from £81.134m at 31 March 2014 to £87.416m at 31 March 2015. This includes:

- **General reserves** of £14.722m – in line with the Council’s plans these reserves fell by £5.1m in 2014/15. The primary reason being to fund planned investment in the Alderley Park science partnership;
- **Earmarked reserves** of £56.574m – including increased service manager carry forwards, transfers from capital reserves and increased investment reserves

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

Grant Thornton UK LLP will separately audit each element of the Group’s finances. Their findings will be reported to the relevant company board or committee and reported on the relevant website. Summary details of the management accounts for each entity are set out in **Annex 1** on page 26.

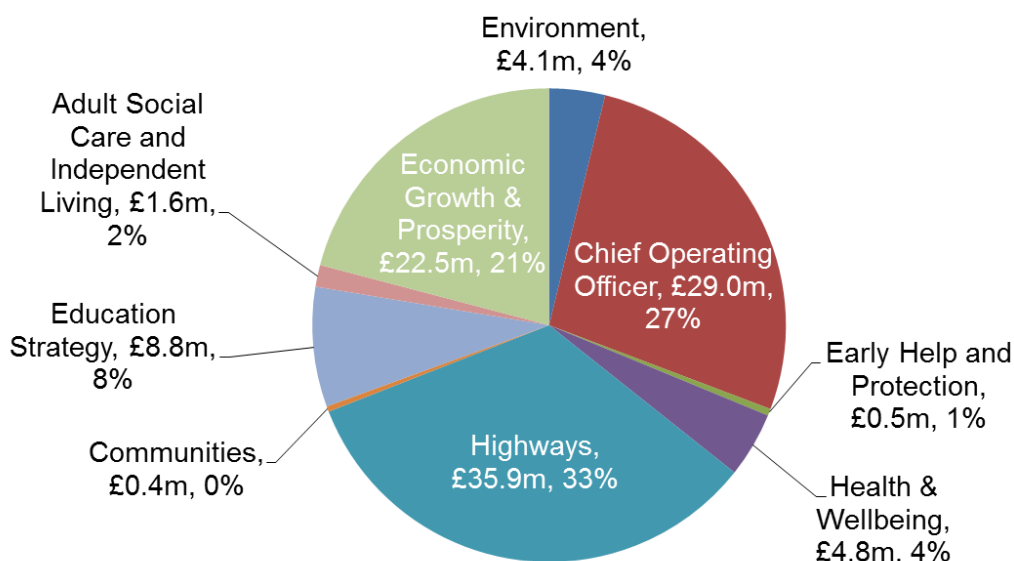
### Financial Overview - Capital Programme

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

Total capital expenditure in 2014/15 was £101.5m, compared to the budget of £161m. A further £0.078m was spent on new finance leases and £6.1m on the Council’s contribution to the South East Manchester Multi Modal Strategy, a 20 year integrated transport project [www.semmms.info/](http://www.semmms.info/).

The forecast for planned spend is updated throughout the year and published in the Quarterly Reviews of Performance. In 2014/15 £35.9m, (33%), of the Council’s total capital spend was on enhancing and maintaining the areas highways. Further large spending schemes include ICT and the further rollout of superfast broadband.

### Capital Spending in 2014/15 was highest in Highways



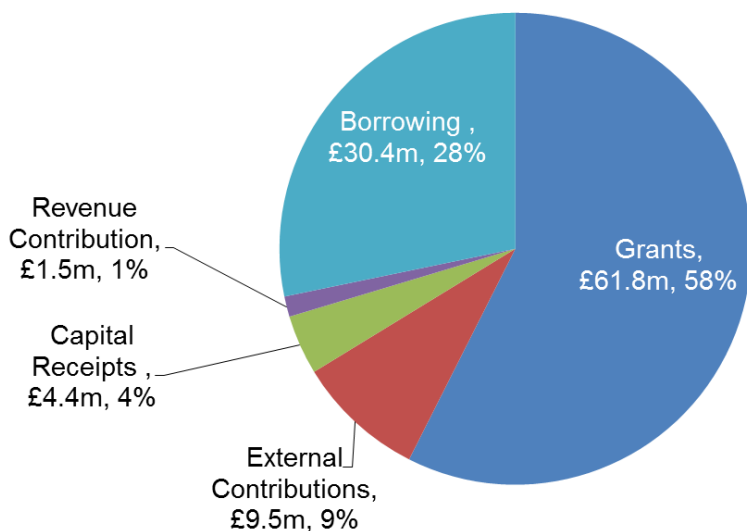
Source: Cheshire East Finance Team, 2015

The variation between the approved capital programme and in-year expenditure reflects the nature of capital spending, and primarily relates to the following schemes - Connecting Cheshire £4.6m;



Development Programme for Housing and Jobs £9.8m; Schools Programme £9.5m and ICT Projects £5.3m.

**Grants Funding 60% of Capital Spending in 2014/15**



To restrict the impact on financing costs some of the planned spending is deliberately re-profiled in to later years. This allows additional time to explore further funding opportunities such as grants and developer contributions which helps keep Council Tax bills down.

The Council has been very successful at attracting grant funding for capital improvements. This minimises the impact funding available for other services such as social care.

Note: During 2014/15 the Council has been able to ‘internally’ borrow from cash balances and has not had to take out any new external loans

## Explanatory Foreword – Expenditure and Income Commentary

### Explanation of the financial statements

The Accounts and Audit (England) Regulations 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).

Prior period adjustments have been made to the Council's 2013/14 published financial statements as a result of new accounting standards relating to the accounting treatment for schools. The Council has completed an assessment of schools in the borough to determine the ownership of school buildings. This has resulted in an adjustment to the Council's Property, Plant and Equipment balances of £61.7m.

The most significant development compared to 2013/14 is the requirement to produce group accounts that consolidate the Council's financial position with the company holdings of the Council.

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

Subsidiaries have been consolidated into the Group accounts on a line by line basis incorporating their income and expenditure fully in the relevant service revenue accounts. Joint Ventures are accounted for on an equity basis, by including their net operating results in the Group income and expenditure accounts. Investments in these entities are adjusted on the balance sheet for the Council's share of the results. The Group contains one material joint venture which is CoSocius Limited.

Tatton Park Enterprises Limited and Cheshire & Warrington Enterprise Partnership Limited have been excluded from Cheshire East Council Group accounts on the grounds of materiality. Cheshire East Residents First Ltd has not been consolidated as the company remained dormant throughout 2014/15. Since 31<sup>st</sup> March 2015 the Council has also established Civicance Ltd, but no transactions occurred during the 2014/15 financial year.

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

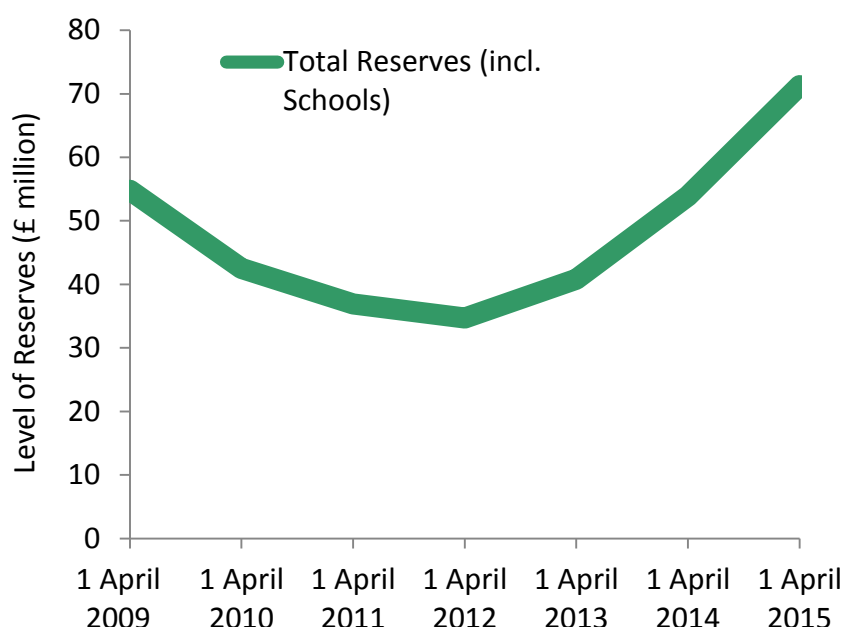
### The Group Financial Statements

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

The 'Surplus or (Deficit) on the provision of services' line shows the true economic cost of providing the 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 (£14.7m) and Earmarked reserves (£56.6m) have increased in 2014/15 to £71.3m. This restores reserves to the level inherited by Cheshire East Council following local government re-organisation in Cheshire in 2009. The overall level of reserves is adequate to continue to protect the Group against financial risks and to provide opportunities for investment in the medium term.

Reserve levels are adequate, and consistent with the Group's current strategy

Source: Statements of Accounts, Cheshire East Council, 2009-2015

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

The first and second sections of the statement show the Surplus or Deficit on Provision of Services. In 2014/15 there is a deficit on the provision of services of £37.1m. The final section shows losses for the year of £65m, giving a total movement in the balance sheet of £102.0m. These changes consist of:

- revaluation losses in the values of properties (-£21m)
- changes to expectations regarding future pension costs (+£81.3m)
- the appropriate share of the income and expenditure of associates and joint ventures (+£4.3m).

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.

**Balance Sheet** – this shows the value of the Group's assets and liabilities at the 31 March 2015. 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 Groups financial position as at 31 March 2015 and includes both the General Fund and the Collection Fund balances. The Group demonstrates a healthy balance sheet, with net assets of £214.4, despite a decrease of £102.0m (32.3%). This decrease is mainly as a result of an increase in the pension liability (Cheshire East Council +£67.1m; Subsidiaries & Joint Venture +£14.1m).

**Cash Flow Statement** – this statement shows the changes in the Group’s cash and cash equivalents during the reporting period. It shows how the Group 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 Group 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 Group’s future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital.

Cash balances at the end of March 2015 were £4.5m lower, at £21.5m, when compared to the closing balance of £26.0m at March 2014.

**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 auditor’s 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 2015/16 – 2017/18

The Council medium term financial strategy was approved by Council in February 2015 and illustrated the scale of the challenge the Council faces over the next few years. The subsidiary company business plans were approved by their Directors during the period January 2015 to March 2015, each with challenging efficiency targets. The strong financial performance delivered in 2014/15 provides a good platform for the future of the Group.

Alongside the ambition to improve quality of life for Cheshire East residents the Council expects to continue to balance its budget working with local people to manage the demand for services. This will be achieved by innovation, creativity and working alongside local communities. The commercial elements of the Group will maintain a focus on efficiency, reducing costs, increasing productivity and income generation.

The Group will change the landscape for providing services in the medium term. Integration will increase with partners, whether public, private or voluntary. Smarter collaboration between organisations will also challenge the relationship between service users and service providers. For example digital service provision is already being explored, the Council having agreed a £4.9m Digital by Design project in the current medium term financial strategy.

It remains clear that the reliance on funding the overall expenditure of the Group from public money will have to continue to reduce. The Group will continue to strive for further improvement across all aspects of the 500+ services that it is responsible for – delivering more for less. Over the medium term though, this will go further as the economic development of the area will supplement public spending. Increased income from growth in the domestic and non-domestic tax bases, in line with the Local Plan, will support services for a growing population.

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

The Council's financial resilience will be attracting private sector investment and making strategic investments that support further economic prosperity for all.

The right conditions for private sector investment will be created through an inward investment programme, and success will be measured through assessing the number of new jobs created. For example, AV Support (AVS-SYS), a Macclesfield based consultant aerospace engineering company, have relocated their engineering department from California to a larger facility at Alderley Park. The investment is to create 60 new skilled jobs. Also Think+ Prints, a cutting edge Australian digital printing textile business has recently opened their global manufacturing operation in Brook Mill, Macclesfield, with the creation of 5 new skilled jobs in the short term, potential for up to 90 in the medium to long term.

Inward investment has also been secured from High Growth and Top 100 businesses in the area. This has led to a major expansion programme with Bentley Motors, securing funding from the Regional Growth Fund of £2.3 million, and other major investment projects include Assurant Solutions, McCann Erikson, Barclays Technology Centre Radbroke, OSL Rail and Morning Foods. Investments have also been supported from a range of High Growth SME's including Moorfield Associates, SAS Daniels, Bott & Co, Delamere Dairy and Tandom Metallurgical.

Overall this drive to create the right conditions for growth will enhance resilience in the Council's tax base and boost the overall financial strength of the Group

### Acknowledgements

The production of the Statement of Accounts would not have been possible without the exceptional hard work and dedication of staff across the Group. I would like to express my gratitude to all colleagues, from my team and other services and organisations, who have assisted in the preparation of this document. I would also like to thank them for all their support and expertise during the 2014/15 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)



**Explanatory Foreword - Annex 1**

The Council produces a separate Outturn Report for the year that reflects the Council's management accounts and gives a clear view of the budgetary position. This is reported to Cabinet (14 July 2015) and can be found on the Council's website: [www.cheshireeast.gov.uk](http://www.cheshireeast.gov.uk)

A summary of the outturn position for Cheshire East Council is shown below:

2014/15 FINAL OUTTURN (Gross Revenue Budget £638.3m)	Revised Budget (net) £m	Final Outturn Position £m	Over / (Under) spend £m	Change from Third Quarter £m
<b>Commissioning Services</b>				
Children & Families	46.0	45.8	(0.2)	(0.2)
Adult Social Care & Independent Living	94.5	94.3	(0.2)	(0.3)
Public Health & Wellbeing	2.2	2.3	0.1	0.0
Environmental	28.4	28.8	0.4	(0.2)
Highways	10.7	10.9	0.2	(0.1)
Communities	10.1	9.3	(0.8)	(1.3)
Economic Growth & Prosperity	24.7	25.2	0.5	(0.1)
Chief Operating Officer	41.3	37.9	(3.4)	(2.0)
Central Budgets	(4.1)	(1.4)	2.7	3.7
<b>TOTAL NET BUDGET</b>	<b>253.8</b>	<b>253.1</b>	<b>(0.7)</b>	<b>(0.5)</b>

A summary of the trading position for the wholly owned subsidiaries and the Council's 50% share of the joint venture are shown below:

Company	Turnover £000	Costs £000	Operating Profit/(Loss) £000	Pensions Impact £000	Net Profit /(Loss) £000	Share Accruals £000	Profit/ (Loss)* £000
ANSA	28,153	27,446	707	(576)	131	(98)	33
Orbitas	1,363	1,293	70	(51)	19	(11)	8
TSS	4,368	4,367	1	(20)	(20)	11	(9)
EOTN	1,169	1,169	0	0	0	0	0
<b>Total</b>	<b>35,053</b>	<b>34,275</b>	<b>778</b>	<b>(647)</b>	<b>130</b>	<b>(98)</b>	<b>32</b>

\* Note: The (Profit) / Loss to the shareholder is in accordance with contractual obligations and the funds are allocated to the Council's Trading Earmarked Reserve.

Company	Turnover £000	Costs £000	Operating Profit/(Loss) £000	Pensions Impact £000	Share Accruals £000	Profit/ (Loss) £000
CoSocius	12,343	12,739	(396)	(4,253)	96	(4,553)

## Group Statements



## Group Statements and Notes to the Accounts

The Group statements contain consolidated financial information from the Cheshire East Group of companies.

Care is taken in the consolidation process to remove duplicate transactions such as inter-group trading or shared profits. Where this has occurred notes are provided to the Group accounts to show how the consolidation process was completed.

The individual accounts of each part of the Group provide comprehensive detail and analysis to support the reader in understanding the total financial standing of the Group. To gain a full analysis of all financial transactions within the Group, the individual accounts of each element of the Group should therefore be read in conjunction with the Group statements.

The group accounts are presented in the following pages and include:

Group Movement in Reserves Statement	Page 29
Group Comprehensive Income and Expenditure Statement	Page 30
Group Balance Sheet	Page 31
Group Cash Flow Statement	Page 33
Notes to the Group Accounts:	Pages 34 - 39
1. Reconciliation of Single Entity statements to Group statements	
2. Group Income and Expenditure Reserve	
3. Group Taxation	
4. Group Contingent Liabilities	
5. Directors' Remuneration	
6. External Audit Fees	
7. Group Pension Scheme	
8. Group Accounting Policies	

Supporting notes have only been included where the group outcome is significantly different to the disclosures in the Council's single entity accounts. The index to the Notes on the Single Entity Accounts are provided on page 47.

## Group Movement in Reserves Statement

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

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

### Group Movement in Reserves 2014/15:

	Usable Reserves						Unusable Reserves	Total Authority Reserves
	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Profit and Loss Account	Total Usable Reserves		
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Opening balance at 1 April 2014</b>	<b>19,833</b>	<b>35,155</b>	<b>1,704</b>	<b>24,442</b>	<b>0</b>	<b>81,134</b>	<b>235,422</b>	<b>316,556</b>
<b>Movement in Reserves during 2014/15</b>								
Group Surplus / (deficit) on provision of services	(37,235)	0	0	0	128	(37,107)	0	(37,107)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(64,977)	(64,977)
<b>Total Comprehensive Income and Expenditure</b>	<b>(37,235)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>128</b>	<b>(37,107)</b>	<b>(64,977)</b>	<b>(102,084)</b>
Adjustments between accounting basis and funding basis under regulations	52,136	0	(297)	(8,450)	0	43,389	(43,389)	0
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>14,901</b>	<b>0</b>	<b>(297)</b>	<b>(8,450)</b>	<b>128</b>	<b>6,282</b>	<b>(108,366)</b>	<b>(102,084)</b>
Transfers to / from Earmarked Reserves	(20,012)	21,419	(1,407)	0	0	0	0	0
<b>Increase / (Decrease) in Year</b>	<b>(5,111)</b>	<b>21,419</b>	<b>(1,704)</b>	<b>(8,450)</b>	<b>128</b>	<b>6,282</b>	<b>(108,366)</b>	<b>(102,084)</b>
<b>Closing Balance at 31 March 2015</b>	<b>14,722</b>	<b>56,574</b>	<b>0</b>	<b>15,992</b>	<b>128</b>	<b>87,416</b>	<b>127,056</b>	<b>214,472</b>

## Group Comprehensive Income and Expenditure Statement

This statement consolidates all the gains and losses experienced by the Group 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.

2013/14 * Restated				2014/15		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
8,498	(4,616)	<b>3,882</b>	Central Services to the public	10,261	(5,152)	<b>5,109</b>
35,100	(8,090)	<b>27,010</b>	Cultural and Related Services	33,041	(2,983)	<b>30,058</b>
39,421	(4,930)	<b>34,491</b>	Environmental and Regulatory Services	37,377	(5,418)	<b>31,959</b>
18,161	(6,845)	<b>11,316</b>	Planning Services	40,979	(7,835)	<b>33,144</b>
289,401	(198,070)	<b>91,331</b>	Education and Children's Services	249,296	(190,009)	<b>59,287</b>
49,693	(10,072)	<b>39,621</b>	Highways and Transport Services	45,105	(9,836)	<b>35,269</b>
100,083	(89,360)	<b>10,723</b>	Other Housing Services	98,726	(88,515)	<b>10,211</b>
141,582	(43,604)	<b>97,978</b>	Adult Social Care	146,265	(36,742)	<b>109,523</b>
12,206	(13,762)	<b>(1,556)</b>	Public Health	13,905	(14,278)	<b>(373)</b>
7,945	(6,895)	<b>1,050</b>	Corporate and democratic core	9,501	(6,058)	<b>3,443</b>
(4,982)	(29)	<b>(5,011)</b>	Non distributed costs	(10,462)	(510)	<b>(10,972)</b>
<b>697,108</b>	<b>(386,273)</b>	<b>310,835</b>	<b>Cost of Services</b>	<b>673,994</b>	<b>(367,336)</b>	<b>306,658</b>
48,604	(1,270)	<b>47,334</b>	Other Operating Expenditure and Income	40,667	(1,895)	<b>38,772</b>
40,600	(920)	<b>39,680</b>	Financing and Investment Income and Expenditure	32,448	(1,165)	<b>31,283</b>
0	0	<b>0</b>	Share of loss of Joint Venture	300	0	<b>300</b>
0	(332,244)	<b>(332,244)</b>	Taxation and Non-Specific Grant Income	0	(339,906)	<b>(339,906)</b>
<b>786,312</b>	<b>(720,707)</b>	<b>65,605</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>747,409</b>	<b>(710,302)</b>	<b>37,107</b>
		<b>(25,776)</b>	(Surplus) or deficit on revaluation of non current assets			<b>(20,982)</b>
		<b>(100)</b>	(Surplus) or deficit on revaluation of available for sale financial assets			<b>421</b>
		<b>(49,695)</b>	Re-measurement of the net defined pensions benefit liability			<b>81,285</b>
		<b>0</b>	Share of other comprehensive income and expenditure of associates and joint ventures			<b>4,253</b>
		<b>(75,571)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>64,977</b>
		<b>(9,966)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>102,084</b>

**Group Balance Sheet as at 31 March 2015**

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

31 March 2014 * Restated £000		31 March 2015				
		Single Entity	Subsidiaries	50% Share of Joint Venture	Consolidation Adjustments	Group
		£000	£000	£000	£000	£000
814,710	Property, Plant and Equipment	800,055	3,729	0	0	<b>803,784</b>
985	Heritage Assets	985	0	0	0	<b>985</b>
11,539	Investment Property	10,508	0	0	0	<b>10,508</b>
1,244	Intangible Assets	1,831	0	0	0	<b>1,831</b>
22,830	Long Term Investments	9,833	0	(299)	396	<b>9,930</b>
0	Investments in Associates and Joint Ventures	0	0	0	0	<b>0</b>
7,146	Long Term Debtors	12,869	0	0	(2,289)	<b>10,580</b>
<b>858,454</b>	<b>Long Term Assets</b>	<b>836,081</b>	<b>3,729</b>	<b>(299)</b>	<b>(1,893)</b>	<b>837,618</b>
18,072	Short Term Investments	24,337	0	0	0	<b>24,337</b>
5,744	Assets Held for Sale	12,307	0	0	0	<b>12,307</b>
710	Inventories	289	148	0	0	<b>437</b>
57,998	Short Term Debtors	56,984	4,457	0	(5,609)	<b>55,832</b>
26,036	Cash and Cash Equivalents	17,483	4,069	0	0	<b>21,552</b>
<b>108,560</b>	<b>Current Assets</b>	<b>111,400</b>	<b>8,674</b>	<b>0</b>	<b>(5,609)</b>	<b>114,465</b>
(12,570)	Short Term Borrowing	(9,851)	0	0	0	<b>(9,851)</b>
(77,390)	Short Term Creditors	(81,044)	(8,541)	(1)	5,609	<b>(83,977)</b>
<b>(89,960)</b>	<b>Current Liabilities</b>	<b>(90,895)</b>	<b>(8,541)</b>	<b>(1)</b>	<b>5,609</b>	<b>(93,828)</b>
(12,576)	Provisions	(13,965)	0	0	0	<b>(13,965)</b>
(115,223)	Long Term Borrowing	(106,612)	0	0	0	<b>(106,612)</b>
(388,432)	Net Pensions Liability	(455,574)	(10,598)	(4,253)	0	<b>(470,425)</b>
(228)	Other Deferred Liabilities	(228)	0	0	0	<b>(228)</b>
(37,405)	Other Long Term Liabilities	(39,370)	(3,043)	0	2,289	<b>(40,124)</b>
(6,634)	Capital Grants Receipts in Advance	(12,429)	0	0	0	<b>(12,429)</b>
<b>(560,498)</b>	<b>Long Term Liabilities</b>	<b>(628,178)</b>	<b>(14,154)</b>	<b>(4,253)</b>	<b>2,289</b>	<b>(643,783)</b>
<b>316,556</b>	<b>Net Assets</b>	<b>228,408</b>	<b>(9,779)</b>	<b>(4,553)</b>	<b>396</b>	<b>214,472</b>
1,704	Capital Receipts Reserve	0	0	0	0	<b>0</b>
24,442	Capital Grants Unapplied	15,992	0	0	0	<b>15,992</b>
8,810	Earmarked Reserves and Balances held by Schools	7,499	0	0	0	<b>7,499</b>
26,345	Earmarked Reserves – General Fund	49,075	0	0	0	<b>49,075</b>
19,833	General Fund Reserve – Borough Fund	14,722	0	0	0	<b>14,722</b>
0	Profit and Loss Account	0	32	0	96	<b>128</b>



31 March 2014 * Restated £000		31 March 2015				
		Single Entity	Subsidiaries	50% Share of Joint Venture	Consolidation Adjustments	Group
		£000	£000	£000	£000	£000
81,134	<b>Usable Reserves</b>	87,288	32	0	96	87,416
195,034	Revaluation Reserve	194,426	0	0	0	194,426
432	Available for Sale Reserve	11	0	0	0	11
440,435	Capital Adjustment Account	408,354	0	0	0	408,354
1,017	Capital Receipts Deferred	4,929	0	0	0	4,929
(1,761)	Financial Instrument Adjustment Account	(1,702)	0	0	0	(1,702)
(388,432)	Pensions Reserve	(455,574)	0	0	0	(455,574)
(4,666)	Collection Fund Adjustment Account	(3,086)	0	0	0	(3,086)
(6,637)	Accumulated Absences Account	(6,238)	0	0	0	(6,238)
0	Group Income and Expenditure Reserve	0	(9,811)	(4,553)	300	(14,064)
235,422	<b>Unusable Reserves</b>	141,120	(9,811)	(4,553)	300	127,056
316,556	<b>Total Reserves</b>	228,408	(9,779)	(4,553)	396	214,472

The unaudited accounts were issued on 30 June 2015 and the audited accounts were authorised for issue on 30 September 2015.

Signed

*Peter Bates*

**Peter Bates** CPFA CIPD MBA  
Chief Operating Officer (Section 151 Officer) for Cheshire East Council

Dated: 30<sup>th</sup> September 2015

## Group Cash Flow Statement for the Year ended 31 March 2015

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

2013/14 £000		2014/15 £000
(65,605)	Net surplus / (deficit) on the provision of services	(37,107)
139,327	Adjustment to surplus or deficit on the provision of services for non cash movements	121,255
(56,275)	Adjust for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	(72,466)
<b>17,447</b>	<b>Net cash flows from operating activities</b>	<b>11,682</b>
(22,295)	Net cash flows from investing activities	(8,834)
(1,804)	Net cash flows from financing activities	(7,332)
<b>(6,652)</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(4,484)</b>
<b>32,688</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>26,036</b>
<b>26,036</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>21,552</b>
<b>(6,652)</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(4,484)</b>

Note:

\* The 2013/14 statements have been restated to reflect changes to the accounting treatment of specific school non-current assets (See Note 32).

## Notes to the Group Statement of Accounts

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

Income and Expenditure (Surplus) / Deficit.

2013/14 £000	Reconciliation of Single Entity to Group (Surplus) / Deficit	2014/15 £000
65,605	(Surplus) / Deficit on the Authorities Single Entity Income and Expenditure Account for the Year	37,235
0	Less: Subsidiary and Associate dividend income and any other distributions from Group Entities included in the Single Entity (Surplus) / Deficit on the Income and Expenditure Account	0
<b>65,605</b>	<b>(Surplus) / Deficit in the Group Income and Expenditure attributable to the Authority</b>	
0	Add: (Surplus) / Deficit arising from other entities included in the Group Accounts	0
0	Subsidiaries	(32)
0	Joint Ventures	(96)
<b>65,605</b>	<b>Group Account (Surplus) / Deficit for the Year</b>	<b>37,107</b>

Adjustment for Non Cash Items in the Cash Flow Statement.

2013/14 £000	Reconciliation of Single Entity to Group Cash Flow Adjustment for Non Cash Items	2014/15 £000
139,327	Single Entity Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	110,188
0	Total Non Cash Adjustments included in the Group Accounts	3,928
<b>139,327</b>	<b>Group Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements</b>	<b>114,116</b>

### 2. Group Income and Expenditure Reserve

The Group income and expenditure reserve includes reserve balances arising from subsidiary companies and equal share of joint venture reserves.

2013/14 £000	Group Income and Expenditure Reserve	2014/15 £000
	<b>Other Comprehensive Income and Expenditure:</b>	
0	Opening Pension Scheme Deficit Wholly Owned Subsidiaries	5,773
0	Opening Pension Scheme deficit for Share Joint Venture	2,513
0	Pension Scheme Actuarial loss Wholly Owned Subsidiaries	4,038
0	Pension Scheme Actuarial loss Share of Joint Venture	1,740
<b>0</b>	<b>Total Other Comprehensive Income and Expenditure</b>	<b>14,064</b>
<b>0</b>	<b>Total Group Income and Expenditure Reserve</b>	<b>14,064</b>

### 3. Group Taxation

The wholly owned subsidiaries of Cheshire East Group have applied for exemption from corporation tax on the basis that the activities carried on by the companies for Cheshire East Council are a mutual trade. No provision has been made for any potential corporation or deferred tax liability on the basis of the application for exemption and the amount involved being immaterial.

### 4. Group Contingent Liabilities

Group Taxation: There is a contingent liability for corporation and or deferred tax in respect of the wholly owned subsidiaries however the amount involved is considered to be immaterial.

Group Pension Scheme Guarantee: Cheshire East Council is guarantor for the LGPS pension scheme liabilities for each of its wholly owned subsidiaries and share of joint venture for employees who have been transferred to each of these entities by way of TUPE transfer.

### 5. Directors' Remuneration

The number of directors accruing benefits under defined benefit schemes was 1 director.

	2014/15 £000
<b>The directors' remuneration comprises</b>	
Aggregate remuneration	93
Accrued pension at the end of the year	15

### 6. External Audit Fees

The Group incurred the following external audit and inspection and compliance fees, which are included in the cost of Corporate and Democratic Core. 2014/15 is the first year to include external audit fees in respect of the wholly owned subsidiaries & share of joint ventures of the Group.

2013/14 £000		2014/15 £000
205	Fees payable with regard to external audit services carried out by the appointed auditor	243
27	Fees payable for the certification of grant claims and returns	33
0	Fees payable for the certification of teachers pension return 2013/14	5
0	Fees for Advisory Workshop provided in March 2015	6
0	Fees for Taxation Compliance	9
(28)	Audit Commission Rebate	(21)
<b>204</b>	<b>Total External Audit Fees</b>	<b>275</b>



## 7. Group Pension Scheme

Pension Scheme Comprehensive Income and Expenditure Statement	Cheshire East LGPS	Teachers Unfunded	Ansa Environmental Services LGPS	Orbitas Bereavement Services LGPS	Transport Service Solutions LGPS	Total
	£000	£000	£000	£000	£000	£000
Current Service Cost	22,532	0	1,570	135	48	<b>24,285</b>
Past Service Costs	359	0	0	0	0	<b>359</b>
Settlements (Gain) / Loss	(13,581)	0	0	0	0	<b>(13,581)</b>
Financing and Investment Income & Expenditure	0	0	0	0	0	<b>0</b>
Net Interest	14,420	1,600	219	19	4	<b>16,262</b>
<b>Total Post-employment Benefit Charged to Surplus or Deficit on Provision of Services</b>	<b>23,730</b>	<b>1,600</b>	<b>1,789</b>	<b>154</b>	<b>52</b>	<b>27,325</b>
<b>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>						
(Gain) / Loss on plan assets (excluding the amount included in the net interest expense)	(81,236)	0	(2,016)	(237)	(215)	<b>(83,704)</b>
Actuarial (Gains) / Losses arising in:						
Demographic Assumptions	0	0	0	0	0	<b>0</b>
Financial Assumptions	164,558	734	5,433	586	486	<b>171,797</b>
Other Assumptions	(12,646)	65	4,867	420	486	<b>(6,808)</b>
<b>Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>70,676</b>	<b>799</b>	<b>8,284</b>	<b>769</b>	<b>757</b>	<b>81,285</b>

Pension Scheme Assets	Local Government Pension Scheme	ANSA	ORBITAS	TSSL	Total LGPS	Teachers Unfunded Scheme	Share of Joint Venture	Total Group
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Opening fair value of Scheme Assets at 1 April</b>	874,999	0	0	0	<b>874,999</b>	0	0	<b>874,999</b>
<b>Opening Balance Adjustment</b>	0	19,854	2,350	4,094	<b>26,298</b>	0	0	<b>26,298</b>
Effect of Settlements	(45,340)	0	0	0	<b>(45,340)</b>	0	0	<b>(45,340)</b>
Interest Income	35,775	881	103	37	<b>36,796</b>	0	0	<b>36,796</b>
Re-measurement (gains) / losses:								
• return on plan assets, excluding the amount in the net interest expense	81,236	2,016	237	215	<b>83,704</b>	0	0	<b>83,704</b>
Contributions:								
• employers	26,686	1,097	91	20	<b>27,894</b>	0	0	<b>27,894</b>
• plan participants	6,182	353	28	7	<b>6,570</b>	0	0	<b>6,570</b>
Benefits paid	(42,715)	0	0	0	<b>(42,715)</b>	0	0	<b>(42,715)</b>
<b>Closing Fair Value of Scheme Assets at 31 March</b>	<b>936,823</b>	<b>24,201</b>	<b>2,809</b>	<b>4,373</b>	<b>968,206</b>	<b>0</b>	<b>0</b>	<b>968,206</b>

Pension Scheme Liabilities	Local Government Pension Scheme	ANSA	ORBITAS	TSSL	Total LGPS	Teachers Unfunded Scheme	Share of Joint Venture	Total Group
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Present value of Scheme Liabilities at 1 April</b>	1,222,942	0	0	0	<b>1,222,942</b>	40,489	0	<b>1,263,431</b>
<b>Opening Balance Adjustment</b>	0	24,720	2,770	4,580	<b>32,070</b>	0	4,253	<b>36,323</b>
Current Service Cost	22,532	1,570	135	48	<b>24,285</b>	0	0	<b>24,285</b>
Interest Cost	50,195	1,100	122	41	<b>51,458</b>	1,600	0	<b>53,058</b>
Contributions from Scheme participants	6,182	353	28	7	<b>6,570</b>	0	0	<b>6,570</b>
Re-measurement (gains) / losses arising from:								
• changes in demographic assumptions	0	0	0	0	<b>0</b>	0	0	<b>0</b>
• changes in financial assumptions	164,558	5,434	586	486	<b>171,064</b>	734	0	<b>171,798</b>
• changes in other assumptions	(12,646)	0	0	0	<b>(12,646)</b>	65	0	<b>(12,581)</b>
Past service cost (including curtailments)	359	0	0	0	<b>359</b>	0	0	<b>359</b>
Benefits paid	(42,175)	0	0	0	<b>(42,175)</b>	(2,976)	0	<b>(45,691)</b>
Liabilities extinguished on settlements	(58,921)	0	0	0	<b>(58,921)</b>	0	0	<b>(58,921)</b>
<b>Present value of Scheme Liabilities at 31 March</b>	<b>1,352,486</b>	<b>33,177</b>	<b>3,641</b>	<b>5,162</b>	<b>1,394,466</b>	<b>39,912</b>	<b>4,253</b>	<b>1,438,631</b>
<b>Net Pensions Scheme Liability</b>	<b>(415,663)</b>	<b>(8,976)</b>	<b>(832)</b>	<b>(789)</b>	<b>(426,260)</b>	<b>(39,912)</b>	<b>(4,253)</b>	<b>(470,425)</b>

Per Group Balance Sheet	Local Government Pension Scheme	ANSA	ORBITAS	TSSL	Total LGPS	Teachers Unfunded Scheme	Share of Joint Venture	Total Group
	£000	£000	£000	£000	£000	£000	£000	£000
Pensions Reserve	415,663	0	0	0	<b>415,663</b>	39,912	0	<b>455,575</b>
Included in Group Income and Expenditure Reserve:								
Ansa	0	8,976	0	0	<b>8,976</b>	0	0	<b>8,976</b>
Orbitas	0	0	832	0	<b>832</b>	0	0	<b>832</b>
Transport Service Solutions	0	0	0	789	<b>789</b>	0	0	<b>789</b>
Share of CoSocius Joint Venture	0	0	0	0	<b>0</b>	0	4,253	<b>4,253</b>
<b>Total per Group Balance Sheet</b>	<b>415,663</b>	<b>8,976</b>	<b>832</b>	<b>789</b>	<b>426,260</b>	<b>39,912</b>	<b>4,253</b>	<b>470,425</b>

## 8. Group Accounting Policies

### General Principles

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

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

#### 8 (a) Consolidation of Subsidiaries

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

#### 8 (b) Consolidation of Joint Venture

The joint venture has been consolidated using the equity method. An investment is brought into the group balance sheet and adjusted by the Council's share in the joint venture's net asset movement. The Council's share of the joint venture's operating results for the year is included within the group income and expenditure account.

#### 8 (c) Alignment of accounting framework and policies

Where group organisations use different accounting policies to the Council, their accounts have been restated to align their accounting policies with those of the Council where the effect of not doing so would be material to the reader's interpretation of the accounts. For 2014-15, adjustments have been made where necessary to reflect pension costs on an IFRS basis across the group.

#### 8 (d) Unrealised profits from intra-group transactions

Any unrealised profit reflected in the carrying amount of property, plant and equipment and inventory arising from trading between the Council and its group companies will be eliminated to avoid the double counting of gains. No such adjustments have been necessary for the 2014-15 group accounts.

#### 8 (e) Company losses Accounting Treatment

The Group Comprehensive Income & Expenditure Account includes the losses arising in each of the wholly owned subsidiary companies and share of the loss arising within the joint venture company CoSocius Limited in accordance with IAS 28.

The losses arising in each of the wholly owned subsidiary companies and share of joint venture are as a consequence of pension deficits. The pension deficits are differences in valuation of the opening net liabilities of the pension schemes at the date of transfer compared to the valuation on

an accounting standard IAS 19 basis. These losses have been charged to Other Comprehensive Income & Expenditure.

Profits & losses from wholly owned subsidiaries (£32k) & share of joint ventures included in Group Surplus or Deficit on Provision of Services are represented by profits and or losses from ordinary trading activities. CoSocius Ltd made a trading loss before Pension Losses amounting to £396k. Full provision for this loss has been made in the accounts of Cheshire East Borough Council by reducing the value of the Investment in the Joint Venture to nil and impairing the value of the long term debtor due from CoSocius Ltd.

# The Cheshire East Council Financial Statements

## Introduction to the 2014/15 Cheshire East Statement of Accounts

### The Financial Statements

These accounts contain a set of main financial statements with accompanying notes.

**Movement in Reserves Statement** - this shows the movement in the year on reserves held by the Council. Usable reserves include the Capital Grants Unapplied Account which are grants received but not yet utilised. The deficit on the provision of services is shown in more detail in the Comprehensive Income and Expenditure Statement.

General and Earmarked reserves have increased in 2014/15. Reserves remain adequate to protect the Council against financial risks and provide opportunities for future investment.

**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 2014/15 there is a deficit on the provision of services of £37.2m. The final section shows losses for the year of £50.9m, giving a total movement in the balance sheet of £88.2m. These changes consist of:

- revaluation losses in the values of properties (£21m) – see Note 15a for further details;
- changes to expectations regarding future pension costs (£71.5m) – see Notes 15d and 29.

**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 2015 and includes both the General Fund and the Collection Fund balances. The Council continues to demonstrate a healthy balance sheet, with net assets of £228.4m, (£316.6m at 31 March 2014), a decrease of £88.2m (27.9%). This decrease is mainly as a result of an increase in the pension liability (+£67.1m).

**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.

Cash balances at the end of March 2015 have decreased by £8.5m to £17.5m compared to the closing balance of £26.0m at March 2014. This represents a reduction of £4.1m held in instant access accounts; an increase of £2.2m in payments committed at year end but not yet taken from the bank account; a reduction of £1.5m in school bank accounts and a £0.8 reduction in income receipted but not yet received in the bank account.



## Cheshire East Council - Movement in Reserves Statement

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

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

### Movement in Reserves 2014/15:

	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
<b>Opening balance at 1 April 2014</b>	<b>19,833</b>	<b>35,155</b>	<b>1,704</b>	<b>24,442</b>	<b>81,134</b>	<b>235,422</b>	<b>316,556</b>
<u>Movement in Reserves 2014/15</u>							
Surplus / (deficit) on provision of services	(37,235)	0	0	0	(37,235)	0	(37,235)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(50,913)	(50,913)
<b>Total Comprehensive Income and Expenditure</b>	<b>(37,235)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(37,235)</b>	<b>(50,913)</b>	<b>(88,148)</b>
Adjustments between accounting basis and funding basis under regulations (Note 1)	52,136	0	(297)	(8,450)	43,389	(43,389)	0
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>14,901</b>	<b>0</b>	<b>(297)</b>	<b>(8,450)</b>	<b>6,154</b>	<b>(94,302)</b>	<b>(88,148)</b>
Transfers between Earmarked and General Reserves (Note 2)	(20,012)	21,419	(1,407)	0	0	0	0
<b>Increase / (Decrease) in Year</b>	<b>(5,111)</b>	<b>21,419</b>	<b>(1,704)</b>	<b>(8,450)</b>	<b>6,154</b>	<b>(94,302)</b>	<b>(88,148)</b>
<b>Closing Balance at 31 March 2015</b>	<b>14,722</b>	<b>56,574</b>	<b>0</b>	<b>15,992</b>	<b>87,288</b>	<b>141,120</b>	<b>228,408</b>

**Movement in Reserves 2013/14 (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
<b>Opening balance at 1 April 2013</b>	<b>18,936</b>	<b>21,911</b>	<b>1,077</b>	<b>11,516</b>	<b>53,440</b>	<b>253,149</b>	<b>306,589</b>
<u>Movement in Reserves 2013/14</u>							
Surplus / (deficit) on provision of services	(65,605)	0	0	0	<b>(65,605)</b>	0	<b>(65,605)</b>
Other Comprehensive Income and Expenditure	0	0	0	0	<b>0</b>	75,572	<b>75,572</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(65,605)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(65,605)</b>	<b>75,572</b>	<b>9,967</b>
Adjustments between accounting basis and funding basis under regulations	81,078	0	(714)	12,935	<b>93,299</b>	(93,299)	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>15,473</b>	<b>0</b>	<b>(714)</b>	<b>12,935</b>	<b>27,694</b>	<b>(17,727)</b>	<b>9,967</b>
Transfers between Earmarked and General Reserves	(14,576)	13,244	1,341	(9)	<b>0</b>	0	<b>0</b>
<b>Increase / (Decrease) in Year</b>	<b>897</b>	<b>13,244</b>	<b>627</b>	<b>12,926</b>	<b>27,694</b>	<b>(17,727)</b>	<b>9,967</b>
<b>Closing Balance at 31 March 2014</b>	<b>19,833</b>	<b>35,155</b>	<b>1,704</b>	<b>24,442</b>	<b>81,134</b>	<b>235,422</b>	<b>316,556</b>

## Cheshire East Council - Comprehensive Income and Expenditure Statement

This statement consolidates all the gains and losses experienced by the Council during the year showing the economic cost in year of providing services, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The significant increase in Gross Expenditure in Planning Services reflects the transfer of all transport services to this area. Reductions in Education expenditure reflect the continuing transfer of previously maintained schools to academy status.

Restated 2013/14 *			2014/15			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
8,498	(4,616)	<b>3,882</b>	Central Services to the public	10,476	(5,152)	<b>5,324</b>
35,100	(8,090)	<b>27,010</b>	Cultural and Related Services	33,071	(2,803)	<b>30,268</b>
39,421	(4,930)	<b>34,491</b>	Environmental and Regulatory Services	36,205	(3,916)	<b>32,289</b>
18,161	(6,845)	<b>11,316</b>	Planning Services	40,617	(7,653)	<b>32,964</b>
289,401	(198,070)	<b>91,331</b>	Education and Children's Services	249,193	(190,060)	<b>59,133</b>
49,693	(10,072)	<b>39,621</b>	Highways and Transport Services	45,228	(9,900)	<b>35,328</b>
100,083	(89,360)	<b>10,723</b>	Other Housing Services	98,727	(88,514)	<b>10,213</b>
141,582	(43,604)	<b>97,978</b>	Adult Social Care	146,257	(36,746)	<b>109,511</b>
12,206	(13,762)	<b>(1,556)</b>	Public Health	13,905	(14,278)	<b>(373)</b>
7,945	(6,895)	<b>1,050</b>	Corporate and democratic core	9,444	(5,969)	<b>3,475</b>
(4,982)	(29)	<b>(5,011)</b>	Non distributed costs	(10,462)	(510)	<b>(10,972)</b>
<b>697,108</b>	<b>(386,273)</b>	<b>310,835</b>	<b>Cost of Services</b>	<b>672,661</b>	<b>(365,501)</b>	<b>307,160</b>
48,604	(1,270)	<b>47,334</b>	Other Operating Expenditure (Note 3)	40,671	(1,895)	<b>38,776</b>
40,600	(920)	<b>39,680</b>	Financing and Investment Income and Expenditure (Note 4)	32,370	(1,165)	<b>31,205</b>
0	(332,244)	<b>(332,244)</b>	Taxation and Non-Specific Grant Income (Note 5)	0	(339,906)	<b>(339,906)</b>
<b>786,312</b>	<b>(720,707)</b>	<b>65,605</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>745,702</b>	<b>(708,467)</b>	<b>37,235</b>
		<b>(25,776)</b>	(Surplus) or deficit on revaluation of non current assets (Note 15a)			<b>(20,982)</b>
		<b>(100)</b>	(Surplus) or deficit on revaluation of available for sale financial assets			<b>421</b>
		<b>(49,695)</b>	Re-measurement of the net defined pensions benefit liability (Note 15d)			<b>71,474</b>
		<b>(75,571)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>50,913</b>
		<b>(9,966)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>88,148</b>

## Cheshire East Council - Balance Sheet as at 31 March 2015

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.

1 April 2013 £000	Restated 31 March 2014* £000		Notes	31 March 2015 Single Entity £000
868,106	814,710	Property, Plant and Equipment	6	800,055
1,202	985	Heritage Assets		985
9,846	11,539	Investment Property	7	10,508
659	1,244	Intangible Assets		1,831
20,348	22,830	Long Term Investments	8	9,833
7,798	7,146	Long Term Debtors	10	12,869
<b>907,959</b>	<b>858,454</b>	<b>Long Term Assets</b>		<b>836,081</b>
11,490	18,072	Short Term Investments	8	24,337
1,050	5,744	Assets Held for Sale	9	12,307
519	710	Inventories		289
48,178	57,998	Current Debtors	10	56,984
32,688	26,036	Cash and Cash Equivalents	11	17,483
<b>93,925</b>	<b>108,560</b>	<b>Current Assets</b>		<b>111,400</b>
(7,588)	(12,570)	Short Term Borrowing	8b	(9,851)
(93,230)	(77,390)	Current Creditors	12	(81,044)
<b>(100,818)</b>	<b>(89,960)</b>	<b>Current Liabilities</b>		<b>(90,895)</b>
(7,323)	(12,576)	Provisions	13	(13,965)
(126,264)	(115,223)	Long Term Borrowing	8b	(106,612)
(431,324)	(388,432)	Net Pension Liability	29	(455,574)
(176)	(228)	Other Deferred Liabilities		(228)
(27,313)	(37,405)	Other Long Term Liabilities	8	(39,370)
(2,077)	(6,634)	Capital Grant Receipts in Advance	27	(12,429)
<b>(594,477)</b>	<b>(560,498)</b>	<b>Long Term Liabilities</b>		<b>(628,178)</b>
<b>306,589</b>	<b>316,556</b>	<b>Net Assets</b>		<b>228,408</b>
1,077	1,704	Capital Receipts Reserve	14b	0
11,516	24,442	Capital Grants Unapplied	14c	15,992
12,626	8,810	Earmarked Reserves and Balances held by Schools	14d	7,499
9,285	26,345	Earmarked Reserves – General Fund	14e	49,075
18,936	19,833	General Fund Reserve – Borough Fund	14a	14,722
<b>53,440</b>	<b>81,134</b>	<b>Usable Reserves</b>		<b>87,288</b>
185,172	195,034	Revaluation Reserve	15a	194,426
332	432	Available for Sale Financial Instruments Reserve		11
507,356	440,435	Capital Adjustment Account	15b	408,354
1,053	1,017	Capital Receipts Deferred		4,929
(1,557)	(1,761)	Financial Instrument Adjustment Account	15c	(1,702)
(431,324)	(388,432)	Pensions Reserve	15d	(455,574)
0	(4,666)	Collection Fund Adjustment Account	15e	(3,086)
(7,883)	(6,637)	Accumulated Absences Account	15f	(6,238)
<b>253,149</b>	<b>235,422</b>	<b>Unusable Reserves</b>		<b>141,120</b>
<b>306,589</b>	<b>316,556</b>	<b>Total Reserves</b>		<b>228,408</b>

## Cheshire East Council - Cash Flow Statement for the Year ended 31 March 2015

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

Restated * 2013/14 £000		Notes	2014/15 £000
(65,605)	Net surplus / (deficit) on the provision of services		(37,235)
139,327	Adjustment to surplus or (deficit) on the provision of services for non cash movements		116,347
(56,275)	Adjust for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities		(72,466)
<b>17,447</b>	<b>Net cash flows from operating activities</b>	16	<b>6,646</b>
(22,295)	Net cash flows from investing activities	17	(7,428)
(1,804)	Net cash flows from financing activities	18	(7,771)
<b>(6,652)</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(8,553)</b>
<b>32,688</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	11	<b>26,036</b>
<b>26,036</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	11	<b>17,483</b>
<b>(6,652)</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(8,553)</b>

### Note

\* The 2013/14 statements have been restated to reflect changes to the accounting treatment of specific school non-current assets (see Note 32).

## Index of Notes to the Cheshire East Council Statement of Accounts

Note	Page
1 Adjustments Between Accounting Basis and Funding Basis under Regulations	49
2 Transfers to / from Earmarked Reserves	53
3 Other Operating Income and Expenditure	54
4 Financing and Investment Income and Expenditure	54
5 Taxation and Non-Specific Grant Income and Expenditure	55
6 Property, Plant and Equipment and Revaluation Losses	55
7 Investment Property	60
8 Financial Instruments	61
9 Assets Held for Sale	69
10 Debtors	69
11 Cash and Cash Equivalents	70
12 Creditors	71
13 Provisions	71
14 Usable Reserves	72
15 Unusable Reserves	75
16 Cash Flow Statement – Operating Activities	79
17 Cash Flow Statement – Investing Activities	80
18 Cash Flow Statement – Financing Activities	80
19 Amounts Reported for Resource Allocation Decisions (Segmental Reporting)	81
20 Trading Operations	85
21 Members' Allowances	85
22 Officers' Remuneration	86
23 Officers' Remuneration - Senior Employees	87
24 Termination Benefits	91
25 External Audit Fees	91
26 Dedicated Schools Grant	92
27 Grant Income	93
28 Pension Schemes Accounted for as Defined Contribution Schemes	95
29 Defined Benefit Pension Schemes	95
30 Capital Expenditure and Capital Financing	102
31 Leases	103
32 Changes to Accounting Policy and Prior Period Adjustments	105
33 Private Finance Initiative and Similar Contracts	109



Note	Page
<b>34</b> Related Parties	111
<b>35</b> Interest in Other Companies and Entities	115
<b>36</b> Contingent Liabilities and Contingent Assets	118
<b>37</b> Events after the Reporting Period	118
<b>38</b> Assumptions About the Future and Other Major Sources of Estimation Uncertainty	120
<b>39</b> Critical Judgement in Applying Accounting Policies	121
<b>40</b> Accounting Standards Issued but Yet to be Adopted	124
<b>41</b> Acquired and Discontinued Operations	124
<b>42</b> Accounting Policies	124

**Notes to the Cheshire East Council Statement of Accounts 2014/15**

**1. Adjustments between Accounting Basis and Funding Basis under Regulations**

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

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

2014/15 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
<b>Adjustments Involving the Capital Adjustment Account (CAA):</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES):</b>						
Depreciation and Impairment of Non-Current Assets	37,787	0	0	<b>37,787</b>	(37,787)	<b>0</b>
Revaluation Losses on Property, Plant & Equipment	25,221	0	0	<b>25,221</b>	(25,221)	<b>0</b>
Movement in market value of investment property	1,149	0	0	<b>1,149</b>	(1,149)	<b>0</b>
Amortisation of Intangible Assets	297	0	0	<b>297</b>	(297)	<b>0</b>
Capital grant and contributions applied	0	0	0	<b>0</b>	0	<b>0</b>
Revenue Expenditure Funded from Capital under Statute	25,268	0	0	<b>25,268</b>	(25,268)	<b>0</b>
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	42,132	0	0	<b>42,132</b>	(42,132)	<b>0</b>
Amounts of non-current assets written off as loss of control of an entity to the CIES	10,011	0	0	<b>10,011</b>	(10,011)	<b>0</b>
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory Provision for financing of Capital Investment	(9,756)	0	0	<b>(9,756)</b>	9,756	<b>0</b>
Capital Expenditure Charged against General Fund	(1,285)	0	0	<b>(1,285)</b>	1,285	<b>0</b>
<b>Adjustments Involving the Capital Grants Unapplied Account:</b>						
Grant and contributions unapplied credited to CIES	(64,231)	0	64,231	<b>0</b>	0	<b>0</b>
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(72,681)	<b>(72,681)</b>	72,681	<b>0</b>
<b>Adjustments Involving the Capital Receipts Reserve (CRR):</b>						
Transfer of sale proceeds credited as part of gain / loss on disposal to CIES	(4,296)	4,296	0	<b>0</b>	0	<b>0</b>
Use of Capital Receipts Reserve to finance capital expenditure	142	(4,612)	0	<b>(4,470)</b>	4,470	<b>0</b>
Contribution from CRR to finance payments into Government Capital Receipts Pool	9	(9)	0	<b>0</b>	0	<b>0</b>

2014/15 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
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	28	0	28	(28)	0
<b>Adjustments Involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the CIES	(3,940)	0	0	(3,940)	3,940	0
<b>Adjustments Involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in accordance with statutory requirements	(62)	0	0	(62)	62	0
<b>Adjustments Involving the Pension Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	25,331	0	0	25,331	(25,331)	0
Employer's pension contributions and direct payments to pensioners payable in the year	(29,662)	0	0	(29,662)	29,662	0
<b>Adjustments Involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax and non-domestic rate income accredited to the CIES is different from the amount calculated for the year in accordance with requirements	(1,580)	0	0	(1,580)	1,580	0
<b>Adjustments Involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(399)	0	0	(399)	399	0
<b>Total Adjustments 2014/15</b>	<b>52,136</b>	<b>(297)</b>	<b>(8,450)</b>	<b>43,389</b>	<b>(43,389)</b>	<b>0</b>

For comparison, the 2013/14 Adjustments (restated) are shown below.

2013/14 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
<b>Adjustments Involving the Capital Adjustment Account (CAA):</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement (CIES):</b>						
Depreciation and Impairment of Non-Current Assets	32,420	0	0	<b>32,420</b>	(32,420)	<b>0</b>
Revaluation Losses on Property, Plant & Equipment	34,816	0	0	<b>34,816</b>	(34,816)	<b>0</b>
Movement in market value of investment property	572	0	0	<b>572</b>	(572)	<b>0</b>
Amortisation of Intangible Assets	204	0	0	<b>204</b>	(204)	<b>0</b>
Capital grant and contributions applied	0	0	0	<b>0</b>	0	<b>0</b>
Revenue Expenditure Funded from Capital under Statute	9,280	0	0	<b>9,280</b>	(9,280)	<b>0</b>
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	46,876	0	0	<b>46,876</b>	(46,876)	<b>0</b>
Amounts of non-current written off as loss of control of an entity to the CIES	14,256	0	0	<b>14,256</b>	(14,256)	<b>0</b>
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory Provision for financing of Capital Investment	(8,931)	0	0	<b>(8,931)</b>	8,931	<b>0</b>
Capital Expenditure Charged against General Fund	(2,581)	0	0	<b>(2,581)</b>	2,581	<b>0</b>
<b>Adjustments Involving the Capital Grants Unapplied Account:</b>						
Grant and contributions unapplied credited to CIES	(51,312)	0	51,312	<b>0</b>	0	<b>0</b>
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(38,377)	<b>(38,377)</b>	38,377	<b>0</b>
<b>Adjustments Involving the Capital Receipts Reserve (CRR):</b>						
Transfer of sale proceeds credited as part of gain / loss on disposal to CIES	(4,963)	4,963	0	<b>0</b>	0	<b>0</b>
Use of Capital Receipts Reserve to finance capital expenditure	0	(5,700)	0	<b>(5,700)</b>	5,700	<b>0</b>
Contribution from CRR to finance payments into Government Capital Receipts Pool	13	(13)	0	<b>0</b>	0	<b>0</b>
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	36	0	<b>36</b>	(36)	<b>0</b>
<b>Adjustments Involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the CIES	0	0	0	<b>0</b>	0	<b>0</b>
<b>Adjustments Involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in accordance with statutory requirements	204	0	0	<b>204</b>	(204)	<b>0</b>

2013/14 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
<b>Adjustments Involving the Pension Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	38,275	0	0	<b>38,275</b>	(38,275)	<b>0</b>
Employer's pension contributions and direct payments to pensioners payable in the year	(31,471)	0	0	<b>(31,471)</b>	31,471	<b>0</b>
<b>Adjustments Involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax and business rate income accredited to the CIES is different from the amount calculated for the year in accordance with requirements	4,666	0	0	<b>4,666</b>	(4,666)	<b>0</b>
<b>Adjustments Involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,246)	0	0	<b>(1,246)</b>	1,246	<b>0</b>
<b>Total Adjustments 2013/14</b>	<b>81,078</b>	<b>(714)</b>	<b>12,935</b>	<b>93,299</b>	<b>(93,299)</b>	<b>0</b>

The 2013/14 comparatives have been restated to reflect changes to the accounting treatment of specific school non-current assets (see Note 32).

## 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 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000
<b>School Balances:</b>				
Primary and Nursery Schools	6,132	(5,358)	5,575	6,349
Secondary Schools	1,953	(1,876)	715	792
Special Schools	725	(705)	338	358
<b>Total Schools Balances</b>	<b>8,810</b>	<b>(7,939)</b>	<b>6,628</b>	<b>7,499</b>
<b>General Fund:</b>				
Carry Forwards by Service Managers	4,485	(2,627)	3,386	5,244
Communities Investment	2,768	(1,505)	525	1,788
Insurance Reserve – Cheshire East Fund	1,841	(1,185)	1,440	2,096
Insurance Reserve – Cheshire County Fund	935	(727)	141	349
Private Finance Initiative (PFI) Equalisation Reserve	1,466	0	215	1,681
Financing Reserve	0	(1,715)	6,535	4,820
Trading Reserve	0	0	36	36
Revenue Grants transferred to Earmarked Reserves	467	(73)	10,523	10,917
Crematoria	367	(400)	193	160
Education All Risks Scheme	261	0	82	343
Tatton Park	242	(20)	0	222
Long Term Sickness Scheme	213	0	137	350
Building Regulation Fee Earning	181	(13)	0	168
Economic Development Reserve	141	0	0	141
Climate Change	67	0	0	67
Business Rates Support Scheme	5,071	(3,594)	3,171	4,648
Investment Reserve	2,050	(119)	6,300	8,231
NHS Section 256	1,784	0	1,751	3,535
Public Health	1,620	0	352	1,972
Children's Reserve	650	(273)	0	377
Individual Commissioning	580	(271)	0	309
Elections	486	0	118	604
Emergency Assistance	400	0	204	604
Pensions Contributions	150	0	23	173
Winter Weather	120	0	120	240
<b>Total General Fund Reserves</b>	<b>26,345</b>	<b>(12,522)</b>	<b>35,252</b>	<b>49,075</b>
<b>Total Earmarked Reserves</b>	<b>35,155</b>	<b>(20,461)</b>	<b>41,880</b>	<b>56,574</b>



### 3. Other Operating Income and Expenditure

Restated 2013/14 £000	Other Operating Expenditure	2014/15 £000
4,524	Precepts and Levies	4,767
13	Payments to Government Housing Capital Receipts Pool	9
43,259	(Gains) / losses on the disposal of non current assets	35,646
808	Other Expenditure	249
<b>48,604</b>	<b>Total</b>	<b>40,671</b>
2013/14 £000	Other Operating Income	2014/15 £000
(7)	Business Finance Loan Interest	0
(1,263)	Other Capital Income	(1,509)
0	Other Income	(386)
<b>(1,270)</b>	<b>Total</b>	<b>(1,895)</b>
<b>47,334</b>	<b>Net Other Operating Expenditure</b>	<b>38,776</b>

\* The 2013/14 comparatives have been restated to reflect changes to the accounting treatment of specific school non-current assets (see Note 32).

### 4. Financing and Investment Income and Expenditure

Restated 2013/14 £000		2014/15 £000
5,397	Interest Payable and Similar Charges	4,912
(1,395)	Interest and Investment Income	(1,924)
19,010	Net interest on the net defined pensions benefit liability	16,020
14,256	Loss of Control of Entity	10,011
0	Provision for loss of Joint Venture	396
1,937	Trading Accounts (Surplus) / Deficit (Note 20)	1,031
475	Income and expenditure in relation to investment properties and changes in their fair value	860
0	Other Investment Income- Dividends	(101)
<b>39,680</b>	<b>Total</b>	<b>31,205</b>

\* The 2013/14 comparatives have been restated to reflect changes to the accounting treatment of specific school non-current assets (see Note 32).

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

2013/14 £000		2014/15 £000
(171,432)	Council Tax Income (Includes Parish Precepts £4.767m)	(172,697)
(35,438)	Non Domestic Rates income and expenditure	(35,292)
(55,855)	Revenue Support Grant	(48,601)
(18,207)	Non-ring fenced government grants (see Note 27)	(19,086)
(51,312)	Capital grants and contributions (see Note 27)	(64,230)
<b>(332,244)</b>	<b>Total</b>	<b>(339,906)</b>

**6. Property, Plant and Equipment and Revaluation Losses**

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.

2014/15 Property, Plant and Equipment	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE	PFI Assets included in PPE
	£000	£000	£000	£000	£000	£000	£000	£000
<b><u>Cost or Valuation</u></b>								
<b>At 1 April 2014</b>	<b>521,234</b>	<b>57,028</b>	<b>385,851</b>	<b>1,739</b>	<b>35,592</b>	<b>6,241</b>	<b>1,007,685</b>	<b>26,196</b>
Additions	5,940	6,045	30,721	275	3,824	34,261	<b>81,066</b>	0
New Finance Leases	0	79	0	0	0	0	<b>79</b>	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(5,766)	0	0	54	(1,150)	0	<b>(6,862)</b>	(571)
Revaluation increases / (decreases) recognised in the Surplus or Deficit to the Provision of Services	(28,162)	0	(1,128)	(629)	(1,201)	0	<b>(31,120)</b>	(8,128)
Derecognition - Disposals	(36,977)	(10,032)	0	0	(2,764)	0	<b>(49,773)</b>	0
Derecognition – Other	(13,757)	(512)	(64)	0	(3,281)	0	<b>(17,614)</b>	0
Assets reclassified (to) / from Investment Properties	0	0	0	0	160	0	<b>160</b>	0
Assets reclassified (to) / from Assets Held for Sale	0	0	0	0	(2,363)	0	<b>(2,363)</b>	0
Assets reclassified within PPE	2,663	(90)	(254)	68	(1,606)	(781)	<b>0</b>	0
Other movements in Cost or Valuation	6,241	0	0	4	65	0	<b>6,310</b>	0
<b>At 31 March 2015</b>	<b>451,416</b>	<b>52,518</b>	<b>415,126</b>	<b>1,511</b>	<b>27,276</b>	<b>39,721</b>	<b>987,568</b>	<b>17,497</b>
<b><u>Accumulated Depreciation and Impairment</u></b>								
At 1 April 2014	<b>(31,012)</b>	<b>(42,358)</b>	<b>(114,482)</b>	<b>(39)</b>	<b>(5,085)</b>	<b>0</b>	<b>(192,975)</b>	<b>(4,941)</b>
Depreciation charge	(16,069)	(3,872)	(11,007)	0	(646)	0	<b>(31,594)</b>	(474)
Depreciation written out to the Revaluation Reserve	15,345	0	0	0	103	0	<b>15,448</b>	2,750
Depreciation written out to the Surplus or Deficit on the Provision of Services	2,002	0	129	10	39	0	<b>2,180</b>	0

## Statement of Accounts 2014/15

2014/15 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
Impairments / Reversals written out to the Revaluation Reserve	6,820	0	0	0	0	0	<b>6,820</b>	0
Impairments / (Reversals) recognised in the Surplus / Deficit on the Provision of Services	4,149	(89)	30	22	35	0	<b>4,147</b>	2,665
Derecognition - Disposals	4,582	8,875	4	0	308	0	<b>13,769</b>	0
Other movements in Depreciation and Impairment	(6,278)	41	30	(35)	934	0	<b>(5,308)</b>	0
<b>At 31 March 2015</b>	<b>(20,461)</b>	<b>(37,403)</b>	<b>(125,295)</b>	<b>(42)</b>	<b>(4,312)</b>	<b>0</b>	<b>(187,513)</b>	<b>0</b>
<b>Net Book Value:</b>								
<b>At 31 March 2015</b>	<b>430,955</b>	<b>15,115</b>	<b>289,831</b>	<b>1,469</b>	<b>22,964</b>	<b>39,721</b>	<b>800,055</b>	<b>17,497</b>
<b>At 31 March 2014</b>	<b>490,222</b>	<b>14,670</b>	<b>271,370</b>	<b>1,700</b>	<b>30,507</b>	<b>6,241</b>	<b>814,710</b>	<b>21,255</b>

Comparative figures for the previous year are as follows:

2013/14 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
<b>Cost or Valuation</b>								
<b>At 1 April 2013</b>	<b>624,194</b>	<b>54,977</b>	<b>361,088</b>	<b>1,638</b>	<b>28,599</b>	<b>6,404</b>	<b>1,076,900</b>	<b>26,196</b>
Additions	10,393	6,535	33,234	133	862	3,761	<b>54,918</b>	0
New Finance Leases	0	128	0	0	0	0	<b>128</b>	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(11,812)	0	0	0	7,096	0	<b>(4,716)</b>	0
Revaluation increases / (decreases) recognised in the Surplus or Deficit on the Provision of Services	(30,913)	0	0	(9)	(1,409)	0	<b>(32,331)</b>	0
Derecognition - Disposals	(68,869)	(692)	0	(20)	(204)	0	<b>(69,785)</b>	0
Derecognition - Other	0	0	0	0	0	0	<b>0</b>	0
Assets reclassified (to) / from Investment Properties	0	0	0	0	175	(1,160)	<b>(985)</b>	0
Assets reclassified (to) / from Assets Held for Sale	(160)	0	0	0	(2,915)	0	<b>(3,075)</b>	0
Assets reclassified within PPE	(1,648)	0	(68)	0	3,416	(1,700)	<b>0</b>	0
Other movements in Cost or Valuation	49	(3,920)	(8,403)	(3)	(28)	(1,064)	<b>(13,369)</b>	0
<b>At 31 March 2014</b>	<b>521,234</b>	<b>57,028</b>	<b>385,851</b>	<b>1,739</b>	<b>35,592</b>	<b>6,241</b>	<b>1,007,685</b>	<b>26,196</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2013</b>	<b>(62,175)</b>	<b>(37,799)</b>	<b>(104,079)</b>	<b>(39)</b>	<b>(4,701)</b>	<b>0</b>	<b>(208,793)</b>	<b>(4,467)</b>
Depreciation charge	(16,267)	(5,179)	(10,405)	0	(425)	0	<b>(32,276)</b>	(474)

2013/14 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
Depreciation written out to the Revaluation Reserve	18,054	0	0	0	259	0	<b>18,313</b>	0
Depreciation written out to the Surplus or Deficit on the Provision of Services	5,472	0	0	0	22	0	<b>5,494</b>	0
Impairments written out to the Revaluation Reserve	1,567	0	0	0	14	0	<b>1,581</b>	0
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	9,885	0	0	0	0	0	<b>9,885</b>	0
Derecognition - Disposals	9,244	620	0	0	17	0	<b>9,881</b>	0
Other movements in Depreciation and Impairment	3,208	0	3	0	(271)	0	<b>2,940</b>	0
<b>At 31 March 2014</b>	<b>(31,012)</b>	<b>(42,358)</b>	<b>(114,481)</b>	<b>(39)</b>	<b>(5,085)</b>	<b>0</b>	<b>(192,975)</b>	<b>(4,941)</b>
<b>Net Book Value:</b>								
<b>At 31 March 2014</b>	<b>490,222</b>	<b>14,670</b>	<b>271,370</b>	<b>1,700</b>	<b>30,507</b>	<b>6,241</b>	<b>814,710</b>	<b>21,255</b>
<b>At 31 March 2013</b>	<b>562,019</b>	<b>17,178</b>	<b>257,009</b>	<b>1,600</b>	<b>23,897</b>	<b>6,404</b>	<b>868,107</b>	<b>21,729</b>

\* The 2013/14 comparatives have been restated to reflect changes to the accounting treatment of specific school non-current assets (see Note 32).

## Depreciation

All depreciation calculations are made on a straight-line basis. See accounting policies (Note 42v) 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 2015, totals £28.5m (£49.1m as at 31 March 2014). These contracts are all fully funded and are summarised as follows:

Capital Project	Contract Total	Amount Paid Up To 31 March 2015	Balance
	£000	£000	£000
<b><u>Children's Services</u></b>			
Manor Park Primary School	785	0	<b>785</b>
Offley Primary School	509	0	<b>509</b>
Elworth Church of England Primary School	720	0	<b>720</b>
<b><u>Economic Growth and Prosperity</u></b>			
Crewe Green Link Road	17,710	10,025	<b>7,685</b>
<b><u>Public Health and Wellbeing</u></b>			
Lifestyle Centre Crewe	14,447	4,676	<b>9,771</b>
<b><u>Chief Operating Officer</u></b>			
Connecting Cheshire – Superfast Broadband	28,728	19,731	<b>8,997</b>
<b>Total</b>	<b>62,899</b>	<b>34,432</b>	<b>28,467</b>

## 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 2015 were carried out by Deloitte Real Estate in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (The Red Book). The valuation report has been prepared by Phil Holden BSc MRICS under the supervision of Edwin Bray BSc MRICS IRRVA, a partner of Deloitte LLP.

In 2014/15 assets previously valued in 2009/10 were due to be revalued as part of the five year rolling programme this included all Parks and Open Spaces Assets, Markets and Public Conveniences. We also reviewed the assets portfolio and made the decision that all of the Leisure Centres now operated by Everybody Sport & Recreation would be revalued to take into account the new arrangements.

The remaining Car Park assets were also revalued in 2014/15 to allow for an accurate and consistent approach in valuation, valuing them at fair value using the Existing Use value (EUV) method. Following on from audit recommendations in 2013/14 the Private Finance Initiative assets, being three care homes were valued also. As previously mentioned the Council has also made the decision to include the Voluntary Aided and Foundation Schools on the balance sheet and as a consequence all have been valued in 2014/15

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

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

Property, Plant and Equipment	Other Land and Buildings	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	52,518	415,126	1,511	0	39,721	<b>508,876</b>	0
<u>Valued as Fair Value as at:</u>								
31 March 2015	197,323	0	0	0	9,830	0	<b>207,153</b>	17,497
31 March 2014	207,944	0	0	0	7,626	0	<b>215,570</b>	0
31 March 2013	26,106	0	0	0	6,008	0	<b>32,114</b>	0
31 March 2012	8,043	0	0	0	65	0	<b>8,108</b>	0
31 March 2011	12,000	0	0	0	3,747	0	<b>15,747</b>	0
<b>Total Cost or Valuation</b>	<b>451,416</b>	<b>52,518</b>	<b>415,126</b>	<b>1,511</b>	<b>27,276</b>	<b>39,721</b>	<b>987,568</b>	<b>17,497</b>

### Revaluation Losses

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

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

In 2014/15 the gross downward valuation for Property Plant and Equipment was £37.982m, with £31.120m relating to gross valuation losses and reversals being charged to the Surplus or Deficit on the Provision of Services as a result of the valuations conducted in 2014/15.

The net movement on the revaluations carried out in 2014/15 on Property Plant and Equipment was a net loss of £9.387m which includes the reversing of any prior year's accumulated depreciation and revaluation losses previously charged on those assets.



The main losses were on the revaluation of the Council's Leisure Centres which totalled £7.248m. These assets were highlighted as part of the review of the Council's assets where there could be a risk with their current valuation basis and could have had a material impact on the balance sheet, as well as the change in status with Everybody Sport & Recreation taking over the management of the assets.

## Disposals

During 2014/15 there were 16 academy transfers including one Foundation school that had been included as part of the new accounting treatment for schools. The net book value of £10.011m for the Foundation school has been treated as a loss of control of an entity as it was an asset included on the Council's balance sheet for consolidation purposes only. The total net book value of £23.691m for the remaining school assets removed from balance sheet have been treated as asset disposals.

A number of leases were also treated as a disposal as they had been novated over to the Council's Alternative Service Delivery Vehicles (ASDVs), ANSA and ESAR totalling £1.470m.

A number of assets were sold during the year including The Willows Centre, 352c Park Lane and The Peatfield Centre that were sold jointly to Macclesfield College for a sale price of £0.700m. Part of the Farms estate was sold for £1.128m, Manor Way £0.375m and Prosperity Court £0.355m. The total capital receipt generated in 2014/15 was £4.286m.

## Asset Review

An annual review is undertaken by the Council and the authority's valuer Deloitte's to assess whether the operational and surplus land and buildings assets that have not been revalued in that financial year at their current balance sheet value as at 31<sup>st</sup> March are not materially misstated.

Deloitte's provides the authority with a percentage change for each financial year based on industry standard indices and these are applied against the outstanding balance sheet values. As a result of this review there is deemed to be no material misstatement to the values reported in the balance sheet as at 31<sup>st</sup> March 2015.

## 7. Investment Property

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

2013/14 £000		2014/15 £000
9,846	<b>Balance at start of the year</b>	<b>11,539</b>
1,415	Expenditure incurred in year	285
(1,185)	Disposals	0
(572)	Net gains / (losses) from fair value adjustments	(1,149)
	<u>Transfers:</u>	
985	(To) / from Property, Plant and Equipment	(167)
1,050	(To) / from Assets Held for Sale	0
<b>11,539</b>	<b>Closing Balance at 31 March</b>	<b>10,508</b>

## 8. Financial Instruments

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

31 March 2014				31 March 2015	
Long-Term £000	Current £000		Notes	Long-Term £000	Current £000
		<b>Investments:</b>	8(a)		
0	13,042	Loans and Receivables		3,012	13,164
22,830	5,030	Available for Sale Financial Assets		6,821	11,173
<b>22,830</b>	<b>18,072</b>	<b>Total Investments</b>		<b>9,833</b>	<b>24,337</b>
		<b>Debtors:</b>			
		Loans and Receivables:			
25	0	- Mortgages		11	0
6,183	271	- Other Loans and Receivables		12,064	0
0	26,036	- Cash and Cash Equivalents		0	17,483
0	21,328	Financial Assets carried at Contract Amounts		0	19,106
<b>6,208</b>	<b>47,635</b>	<b>Total Debtors</b>		<b>12,075</b>	<b>36,589</b>
		<b>Borrowings:</b>	8(b)		
(115,223)	(12,570)	Financial Liabilities at Amortised Cost		(106,612)	(9,851)
<b>(115,223)</b>	<b>(12,570)</b>	<b>Total Borrowings</b>		<b>(106,612)</b>	<b>(9,851)</b>
		<b>Other Long-Term Liabilities:</b>			
(21,028)	0	Private Finance Initiative Liabilities	33	(25,571)	0
(12,164)	0	Other Long Term Liabilities		(9,137)	0
(4,213)	0	Finance Lease Liabilities	31	(4,662)	0
<b>(37,405)</b>	<b>0</b>	<b>Total Other Long Term Liabilities</b>		<b>(39,370)</b>	<b>0</b>
		<b>Creditors:</b>			
0	(1,234)	Finance Lease Liabilities	31	0	(863)
0	(47,500)	Financial Liabilities at Contract Amount		0	(51,101)
<b>0</b>	<b>(48,734)</b>	<b>Total Creditors</b>		<b>0</b>	<b>(51,964)</b>

## Financial Instruments - Reconciliation of Debtors and Creditors to Balance Sheet

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

31 March 2014			31 March 2015	
Long-Term	Current		Long-Term	Current
£000	£000		£000	£000
		<b>Debtors:</b>		
6,208	21,328	Financial Instruments	12,075	19,106
938	0	Joint Assets	794	0
0	23,691	Collection fund	0	23,997
0	1,227	Prepayments	0	2,216
0	(4,307)	Bad Debt Provisions	0	(6,098)
0	16,059	Other Debtors	0	17,763
<b>7,146</b>	<b>57,998</b>	<b>Total Debtors on Balance Sheet</b>	<b>12,869</b>	<b>56,984</b>

31 March 2014			31 March 2015	
Long-Term	Current		Long-Term	Current
£000	£000		£000	£000
		<b>Creditors:</b>		
(37,405)	(48,734)	Financial Instruments	(39,370)	(51,964)
0	(11,863)	Receipts In Advance	0	(8,186)
0	(6,637)	Accrued Employee Benefits	0	(6,238)
0	(10,156)	Other Creditors	0	(14,656)
<b>(37,405)</b>	<b>(77,390)</b>	<b>Total Creditors on Balance Sheet</b>	<b>(39,370)</b>	<b>(81,044)</b>

**Financial Instruments - Income, Expense, Gains and Losses**

2013/14				2014/15				
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
7,204	0	0	<b>7,204</b>	Interest Expense	6,780	0	0	<b>6,780</b>
(324)	0	0	<b>(324)</b>	Impairment Losses (Reversals)	0	0	0	<b>0</b>
0	133	53	<b>186</b>	Fee Expenses	0	0	42	<b>42</b>
<b>6,880</b>	<b>133</b>	<b>53</b>	<b>7,066</b>	<b>Total Surplus or (Deficit) on the Provision of Services</b>	<b>6,780</b>	<b>0</b>	<b>42</b>	<b>6,822</b>
0	(431)	(14)	<b>(445)</b>	Interest Income	0	(368)	(71)	<b>(439)</b>
0	(11)	0	<b>(11)</b>	Interest Income Accrued on Impaired Financial Assets	0	0	0	<b>0</b>
0	0	0	<b>0</b>	Dividend Income	0	0	(101)	<b>(101)</b>
<b>0</b>	<b>(442)</b>	<b>(14)</b>	<b>(456)</b>	<b>Total Income in Surplus or (Deficit) on the Provision of Services</b>	<b>0</b>	<b>(368)</b>	<b>(172)</b>	<b>(540)</b>
0	0	(86)	<b>(86)</b>	Gains on Revaluation	0	0	(591)	<b>(591)</b>
0	0	3	<b>3</b>	Losses on Revaluation	0	0	0	<b>0</b>
<b>0</b>	<b>0</b>	<b>(83)</b>	<b>(83)</b>	<b>Surplus / (Deficit) arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>(591)</b>	<b>(591)</b>
<b>6,880</b>	<b>(309)</b>	<b>(44)</b>	<b>6,527</b>	<b>Net Gain/(Loss) for Year</b>	<b>6,780</b>	<b>(368)</b>	<b>(721)</b>	<b>5,691</b>

**Financial Instruments - Fair Values of Assets and Liabilities**

The fair value of financial assets at 31 March 2015 represents the amount that would need to be invested on 31 March 2015 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 2014			31 March 2015	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
		<b>Assets:</b>		
13,042	13,050	Loans and Receivables	13,164	13,168
6,479	6,479	Long Term Debtors	12,075	12,075
<b>19,521</b>	<b>19,529</b>	<b>Total Assets</b>	<b>25,239</b>	<b>25,243</b>

As at 31 March 2015, the only instance where the fair value of the financial assets held differed from their carrying value was in respect of seven fixed term money market deposits due to mature in 2015/16. Money markets rates at 31 March 2015 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.

## Statement of Accounts 2014/15

Trade Debtors are shown as Financial Assets carried at Contract Amounts and are all due immediately so the fair value is assessed as being equal to the carrying value in the balance sheet.

The fair value of the financial liabilities represents the amount of loans that could be raised on 31 March 2015 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 Lender Option Borrower Option (LOBO) loan swap rates which take into account the value of any embedded options.

31 March 2014			31 March 2015	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
		<b>Liabilities:</b>		
127,793	145,433	Financial Liabilities	116,463	154,351
21,028	32,795	Private Finance Initiative Liabilities	25,571	36,122
5,447	2,692	Finance Lease Liabilities	5,525	6,146
<b>154,268</b>	<b>180,920</b>	<b>Total Liabilities</b>	<b>147,559</b>	<b>196,619</b>

The market value of total borrowings was higher than their carrying value as at 31 March 2015. 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 2015.

Trade creditors, which are shown as Financial Liabilities at Contract Amount, are all due immediately so the fair value is equal to the carrying value in the balance sheet.

### 8(a) Investments

Long Term Investments at 31 March were as follows:

31 March 2014			31 March 2015	
£000			£000	
		<b>Loans and Receivables:</b>		
0		CoSocius Limited		2,201
580		Alderley Park Holdings Limited		810
		<b>Available for Sale Financial Assets:</b>		
0		CCLA Property Fund		4,920
20,439		Investec Managed Pooled Funds		0
1,070		Alderley Park Holdings Limited Shares		1,008
739		Manchester Science Parks Limited Shares		894
2		Government Consolidated Stock and War Stock		0
<b>22,830</b>		<b>Total Long Term Investments</b>		<b>9,833</b>

The interest free loan to Alderley Park Holdings Limited is £1.1m but is shown at its fair value based on market interest rates for the period of the loan. The loan to CoSocius is a working

capital facility for which full market interest rates are applied. Shares in Alderley Park and Manchester Science Parks have been revalued based on their latest accounts. The Council also invested in CoSocius through the transfer of equipment.

The Pooled Funds of £20.4m were redeemed in 2014/15. Alternative investments were made in the property fund (£4.92m) and in shorter term investments in Covered Bonds.

**Short Term Investments at 31 March were as follows:**

31 March 2014		31 March 2015
£000		£000
	<b>Loans and Receivables:</b>	
2,003	Nationwide Building Society	5,012
5,025	Barclays Bank	3,017
3,003	Lloyds Bank	2,006
0	Cumberland Building Society	1,001
0	Coventry Building Society	1,001
0	Leeds Building Society	1,001
3,001	Close Bros	0
10	Other	126
<b>13,042</b>	<b>Total Loans and Receivables</b>	<b>13,164</b>
	<b>Available for Sale Financial Assets:</b>	
0	Deutsche Bank – Certificates of Deposit	6,031
0	Yorkshire Building Society – Covered Bonds	5,080
0	CCLA Property Fund	61
0	Government Consolidated Stock	1
3,025	Federated Cash Plus Fund	0
2,005	Standard Chartered Bank	0
<b>5,030</b>	<b>Total Available for Sale Financial Assets</b>	<b>11,173</b>
<b>18,072</b>	<b>Total Short Term Investments</b>	<b>24,337</b>

Short Term Investments represent all invested funds which are not immediately convertible to cash on 31 March 2015 but where repayment is expected before 31 March 2016. 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.

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

The amounts and maturity profile of borrowings are as follows:

Total 2013/14 £000	Debt Maturity	Lender		Total 2014/15 £000
		Public Works Loans Board £000	Other £000	
	<b>Short Term Borrowing</b>			
12,570	Within the next financial year	9,643	208	9,851
<b>12,570</b>	<b>Total Short Term Borrowing</b>	<b>9,643</b>	<b>208</b>	<b>9,851</b>
	<b>Long Term Borrowing</b>			
8,593	1 – 2 years	6,000	25	6,025
18,025	2 – 5 years	18,000	0	18,000
10,750	5 – 10 years	4,750	0	4,750
2,543	10 – 15 years	7,629	0	7,629
21,310	15 – 20 years	18,259	0	18,259
2,034	20 – 25 years	0	0	0
20,173	25 – 30 years	7,629	12,535	20,164
31,795	More than 30 years	26,616	5,169	31,785
<b>115,223</b>	<b>Total Long Term Borrowing</b>	<b>88,883</b>	<b>17,729</b>	<b>106,612</b>
<b>127,793</b>	<b>Total Borrowing</b>	<b>98,526</b>	<b>17,937</b>	<b>116,463</b>

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

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

### Liquidity Risk

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

### 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 few years 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 managed funds, the price of which can vary dependent on market conditions. During 2014/15 the Council recalled the managed pooled funds which used a diverse range of investments and instead invested in a property fund. The intention is that, over time and despite fluctuations, the price of the funds and, therefore, the value of the investments will increase. The property fund pays out dividends providing an on-going return from the investment but is also expected to increase its capital value.

The impact of market risk is demonstrated by looking at the effect on the accounts if interest rates were 1% higher at 31 March 2015 and through the whole of 2014/15 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	(854)
<b>Net Impact on Comprehensive Income &amp; Expenditure Statement</b>	<b>(854)</b>
Reduction in the Fair Value of fixed rate borrowing	(17,167)
Reduction in the Fair Value of loans and receivables (investments)	(121)

### Credit Risk

This is the risk that the Council will not be repaid in full when it invests money in banks and other financial institutions (counterparties). Credit risk is being reduced by 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 Council's Treasury Management Strategy where security of capital is prioritised over yield and the type of investment selected by reference to credit ratings and a number of other market indicators. Investments at 31 March 2015 include £5.1m in secured covered bonds.

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

	Amount deposited at 31 March 2015	Historical experience of default	Estimated maximum exposure to default
	£000	%	£000
<b>Investments, Loans and Receivables:</b>			
UK Government Securities	1	0.00	0
<u>Banks &amp; Building Societies – UK</u>			
AAA (secured)	5,080	0.00	0
AA	0	0.00	0
A	14,237	0.00	0
Unrated	1,001	0.00	0
<u>Banks - Foreign</u>			
AA	5,005	0.00	0
A	6,031	0.00	0
<u>Money Market Funds</u>			
AAA	11,507	0.00	0
<u>Managed Investments</u>			
Property Fund - unrated	4,982	0.00	0
<u>Other (Unrated)</u>			
Shareholdings and interest in other companies	1,901	0.00	0
Loans to associated companies	3,128	0.00	0
<b>Debtors:</b>			
Trade Debtors	17,618	0.93	164
Other Debtors	11,083	0.93	103
<b>TOTAL</b>	<b>81,574</b>		<b>267</b>

The Council generally allows its trade debtors credit of one month. Of the £17.6m invoiced income outstanding from trade debtors, £5.3m is past its due date for payment. This is analysed by age below:

Age of Invoiced Debt	Gross £m	Impairment £m	Net £m
Less than 3 months overdue	1.8	0.0	1.8
3 to 6 months overdue	0.5	0.5	0.0
6 months to 1 year overdue	0.6	0.6	0.0
More than 1 year overdue	2.4	2.4	0.0
<b>TOTAL</b>	<b>5.3</b>	<b>3.5</b>	<b>1.8</b>

## 9. Assets Held for Sale

Current Assets 2013/14 £000		Current Assets 2013/14 £000
1,050	<b>Balance outstanding at start of year</b>	<b>5,744</b>
	<b>Assets newly classified as held for sale:</b>	
3,023	- Property, Plant and Equipment	1,716
0	- Investment Property	0
65	Expenditure incurred in year	47
(768)	Revaluation losses	(1,299)
3,424	Revaluation gains	6,448
	<b>Assets declassified as held for sale:</b>	
0	- Property, Plant and Equipment	(349)
(1,050)	- Investment Property	0
0	Assets sold	0
<b>5,744</b>	<b>Balance outstanding at year-end</b>	<b>12,307</b>

The balance on the Asset Held for Sale assets has increased by £6.563m since 2013/14; this is due to £1.716m worth of assets having been re-classified from Property, Plant and Equipment to Assets Held for Sale during 2014/15. With £0.349m worth of assets being re-classified back to Property, Plant and Equipment as at 31 March 2015, as they were deemed not to be actively marketed for sale. The assets held within this category were revalued as at 31 March 2015 and this resulted in a net increase in asset value of £5.149m. The Council also incurred capital expenditure of £0.047m during 2014/15.

## 10. Debtors

### Current Debtors (short term - less than one year)

This note provides details of the Council's current debt position as at 31 March 2015. 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 2014 £000		31 March 2015 £000
19,488	Central government bodies	22,016
3,135	Other local authorities	2,735
4,426	NHS bodies	2,633
35	Public corporations and trading funds	3
30,914	Other entities and individuals	29,597
<b>57,998</b>	<b>Total Current Debtors</b>	<b>56,984</b>

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

31 March 2014 £000		31 March 2015 £000
(193)	Central government bodies	(9)
0	Other local authorities	(12)
(117)	NHS Bodies	0
(4,307)	Council Tax and Business Rates *	(6,098)
(7,742)	Other sundry debts	(9,574)
<b>(12,359)</b>	<b>Total Provision for Irrecoverable Debt</b>	<b>(15,693)</b>

\* Provision for Council Tax and Business Rates relates to arrears from 2000/1 onwards where recovery action is being undertaken. In the main, the arrears position is a legacy issue and Cheshire East performs well in terms of in-year (97.9% council tax and 98.1% business rates) and 2 & 3 year collection, which has been above budget forecasts. Recent reporting by DCLG and CIPFA Benchmarking confirmed that Cheshire East's write-off levels are significantly below those of other Billing Authorities.

### Long Term Debtors (Greater than one year)

Long Term Debtors at 31 March were as follows:

31 March 2014 £000		31 March 2015 £000
3,228	Finance Leases	9,244
1,572	Cheshire Lifestyle Services	1,531
1,260	Soft Loans	1,289
938	Joint Assets – Cheshire East Council share of assets held jointly with Cheshire West & Chester Council	794
123	Academies	0
25	Mortgages (Right to Buy and Housing Act Advances)	11
<b>7,146</b>	<b>Total Long Term Debtors</b>	<b>12,869</b>

## 11. Cash and Cash Equivalents

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

31 March 2014 £000		31 March 2015 £000
344	Cash held by the Council	295
2,943	Bank current accounts – Barclays Bank	(1,515)
22,749	Instant access investments	18,703
<b>26,036</b>	<b>Total Cash and Cash Equivalents</b>	<b>17,483</b>

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

## 12. Creditors

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

This note provides details of the Council's current creditor position as at 31 March 2015.

31 March 2014 £000		31 March 2015 £000
(16,729)	Central government bodies	(16,632)
(9,993)	Other local authorities	(3,041)
(1,672)	NHS bodies – Foundation Trusts, Clinical Commissioning Groups and other	(1,779)
(78)	Public corporations and trading funds	(77)
(48,918)	Other entities and individuals	(59,515)
<b>(77,390)</b>	<b>Total Current Creditors</b>	<b>(81,044)</b>

## 13. Provisions

The Council will hold a provision when it has identified a liability as a result of its past actions or decisions but where it cannot quantify the precise costs or timing of the probable payment. The provision ensures that the costs are recognised as near as possible to the time the liability was incurred, should the actual costs differ from those estimated the net difference will be charged to the Income and Expenditure Statement in the year any difference is identified.

Provision	Balance at 1 April 2014 £000	Additional provisions made in 2014/15 £000	Amounts used in 2014/15 £000	Balance at 31 March 2015 £000
Insurance Provision – Cheshire East Fund	3,580	1,166	(1,147)	<b>3,599</b>
Insurance Provision – Cheshire County Fund	903	667	(139)	<b>1,431</b>
Business Rates Retention Scheme Appeals	3,285	3,578	(931)	<b>5,932</b>
Provider Risk	1,615	0	(1,322)	<b>293</b>
Early Retirement Provision	1,525	0	(1,525)	<b>0</b>
Closed Landfill Sites	611	0	0	<b>611</b>
Local Land Charge	384	0	0	<b>384</b>
Land Charge Interest	166	0	0	<b>166</b>
Legal Costs	230	0	(43)	<b>187</b>
Highways Schemes	211	0	0	<b>211</b>
Domestic Violence Family Support Unit	15	150	0	<b>165</b>
NHS Section 256	0	596	0	<b>596</b>
Adult Initiatives	0	248	0	<b>248</b>
Other Provisions	51	94	(3)	<b>142</b>
<b>Total Provisions</b>	<b>12,576</b>	<b>6,499</b>	<b>(5,110)</b>	<b>13,965</b>

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

The **Business Rates Retention Scheme Appeals** provision was created to cover the risk to the Council of possible successful business rates appeals. In April 2013 the new Business Rates Retention Scheme was introduced to replace the previous National Pooling System for business rates. The Council must share the risks and rewards associated with the collection of business rates with Central Government (50%) and the Cheshire Fire Service (1%). The provision of £5.9m represents the Council's 49% share if the total risk of £12.1m.

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** provided for the actuarial costs of early retirements and has been fully used in 2014/15 to pay off the final instalment to the Pension Fund.

The **Closed Landfill Sites** provision was set up as a result of the Council having ongoing responsibility for the costs of closed landfill sites. After care costs include site maintenance/monitoring, gas management and leachate (liquid waste) management. The average outstanding liability period for the 5 sites identified within Cheshire East is 30 years.

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

The **Legal Costs** provision was created to cover the Council's obligation to pay legal and Court of Protection fees in relation to clients' Deprivation of Liberty Safeguards.

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

The **NHS Section 256** provision has been set up in order to provide for fee increases for Residential and Nursing providers in 2014/15, and an agreed contribution towards the Health components of the continuing operation of Hollins View and Lincoln House into 2015/16.

The **Adult Initiatives** provision has been created to provide for actuarial and early retirement costs in the Adults service.

Balances on **Other Provisions** include the Asset Recovery Scheme (£60,000), Public Health Drainage (£2,000) and other Legal Costs (£80,000).

## 14. Usable Reserves

This note lists those reserves that contain resources that the Council can apply to the provision of services, either by incurring expenses or undertaking capital investment; whether or not there are particular restrictions on exactly what the resources can be applied to. Relevant reserves include

the Capital Reserve, Capital Grants Unapplied Account, General Fund balance and any earmarked reserves under the General Fund umbrella.

Movements in the Council’s usable reserves are detailed in the Movement in Reserves Statement, the Notes on Adjustments between Accounting Basis and Funding Basis under Regulations (Note 1), and Transfers to / from Earmarked Reserves (Note 2).

**14(a) General Fund Reserve – Borough Fund**

The Borough Fund is the main fund of the Council to which all revenue receipts are credited and from which all revenue liabilities are discharged; all such transactions are recorded in the Council’s Comprehensive Income and Expenditure Statement. The balance on the reserve at 31 March 2015 was £14.722m.

**14(b) Capital Receipts Reserve**

The Capital Receipts Reserve exists to finance capital projects and is maintained by receipts from the sale of land and buildings owned by the Council. During 2014/15, £4.4m from the Reserve was used to finance capital expenditure.

The Council has transferred £1.4m to Revenue Earmarked Reserves to correctly account for the revenue contributions made in previous years to fund future capital expenditure.

The 2014/15 closing balance on the Reserve was £0m. The movements in year are summarised below:

2013/14 £000		2014/15 £000
1,077	<b>Balance Brought Forward</b>	1,704
4,950	Usable Capital Receipts	4,287
6,027		5,991
(6,368)	Amount used to finance capital spending incurred in 2014/15	(4,419)
668	Repayment to Capital Receipts Reserve from Capital Adjustment Account	0
0	Repayment to the Capital Adjustment Account – Cost of Disposals for sales achieved In-Year	(51)
	Appropriations (from) / to:	
1,335	• General Fund	(142)
42	• Other Reserves	(1,379)
<b>1,704</b>	<b>Total Capital Reserve</b>	<b>0</b>
	<b>Representing:</b>	
1,704	Usable Capital Receipts	0
0	Other Monies	0
<b>1,704</b>	<b>Balance Carried Forward</b>	<b>0</b>



### 14(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 has not been incurred by 31 March 2015.

As at 31 March 2015 the closing balance on the Capital Grants Unapplied Account was £16.0m.

2013/14 £000	Capital Grants Unapplied	2014/15 £000
11,516	Opening Balance at 1 April	24,442
(4,968)	Capital Expenditure met from prior years unapplied grants	(21,624)
17,894	Grants received during 2014/15 but not applied	13,174
24,442	Closing Balance at 31 March	15,992

### 14(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 2015, the accumulated underspend on schools' budgets was £7.5m (£8.8m at 31 March 2014). Details on the movements are provided in Note 2 (Transfers to / from Earmarked Reserves).

### 14(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 2015 was £49.1m (£26.3m at 31 March 2014). 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.

The following new earmarked reserves have been created in 2014/15:-

- The **Financing Reserve (£4.820m)** has been established to provide for the financing of capital schemes, feasibility studies, and other projects and initiatives.
- The **Trading Reserve (£0.036m)** has been created to hold the Council's share of the ASDVs' net surplus to be spent in furtherance of the ASDVs objectives.

## 15. Unusable Reserves

### 15(a) Revaluation Reserve

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

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

The Reserve contains only revaluation gains accumulated since 1 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.

Restated 2013/14 £000	Revaluation Reserve	2014/15 £000
185,172	<b>Opening Balance at 1 April</b>	<b>195,034</b>
70,721	Upward revaluation of assets	49,437
4	Restated Balance from Prior Year Adjustments	0
(44,948)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(28,455)
<b>25,777</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>20,982</b>
(4,196)	Difference between fair value depreciation and historical cost depreciation	(5,998)
(11,718)	Accumulated losses on assets sold or scrapped	(15,592)
<b>(15,914)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(21,590)</b>
<b>195,034</b>	<b>Closing Balance at 31 March</b>	<b>194,426</b>

\* The 2013/14 comparatives have been restated to reflect changes to the accounting treatment of specific school non-current assets (see Note 32).

### 15(b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, 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.

## Statement of Accounts 2014/15

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 * 2013/14 £000	Capital Adjustment Account	2014/15 £000
507,356	<b>Opening Balance at 1 April</b>	<b>440,435</b>
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
(32,420)	• Charges for depreciation and impairment of non current assets	(37,787)
(34,816)	• Revaluation losses and Impairment on Property, Plant and Equipment	(25,221)
(204)	• Amortisation of intangible assets	(297)
(9,280)	• Revenue expenditure funded from capital under statute	(25,268)
(46,876)	• 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	(42,132)
(14,256)	• Amounts of non-current assets written off as a loss of control of an Entity to the Comprehensive Income and Expenditure Statement	(10,011)
15,913	Adjusting amounts written out of the Revaluation Reserve	21,592
	<u>Capital financing applied in the year:</u>	
5,700	• Use of the Capital Receipts Reserve to finance new capital expenditure	4,470
38,517	• Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	72,681
(138)	Repayment of Prior Years Financing paid back to the Capital Adjustment Account	0
8,930	• Statutory provision for the financing of capital investment charged against General Fund balances	9,756
2,581	• Capital expenditure charged against the General Fund	1,285
(572)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,149)
<b>440,435</b>	<b>Closing Balance at 31 March</b>	<b>408,354</b>

\* The 2013/14 comparatives have been restated to reflect changes to the accounting treatment of specific school non-current assets (see Note 32).

### **15(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 £1.7m is represented by three specific items:

- **Public Works Loan Board (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 2014/15, £0.043m was charged leaving a balance of £0.23m 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 29 and 40 years remaining). In 2014/15 £0.011m was charged leaving a balance of £0.714m 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 2014/15 the balance reduced by £0.004m to £0.758m relating to a reduction of £0.055m relating to private sector housing and Congleton Town Council loans offset by an increase in the value of loans granted to Alderley Park Holdings Limited, a company in which the Council has an interest.

### 15(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. Further information is provided in Note 29.

2013/14 £000		2014/15 £000
<b>(431,324)</b>	<b>Opening Balance at 1 April</b>	<b>(388,432)</b>
49,696	Net interest on the net defined pensions benefit liability	(71,474)
(38,275)	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	(25,330)
31,471	Employer's pensions contributions and direct payments to pensioners payable in the year	29,662
<b>(388,432)</b>	<b>Closing Balance at 31 March</b>	<b>(455,574)</b>

### 15(e) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement (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 2014 £000		31 March 2015 £000
<b>0</b>	<b>Opening Balance at 1 April</b>	<b>4,666</b>
4,666	Amount by which income credited to the CIES is different from income calculated for the year in accordance with statutory requirements	(1,580)
<b>4,666</b>	<b>Closing Balance at 31 March</b>	<b>3,086</b>

**15(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 by Council employees at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2013/14 £000		2014/15 £000
(7,883)	<b>Opening Balance at 1 April</b>	<b>(6,637)</b>
7,883	Settlement or cancellation of accrual made at the end of the preceding year	6,637
(6,637)	Amounts accrued at the end of the current year	(6,238)
<b>1,246</b>	<b>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</b>	<b>399</b>
<b>(6,637)</b>	<b>Closing Balance at 31 March</b>	<b>(6,238)</b>

## 16. Cash Flow Statement - Operating Activities

2013/14 Restated * £000		2014/15 £000
	<b>The cash flows for operating activities include the following items:</b>	
(1,408)	Interest received	(2,174)
5,502	Interest paid	5,115
0	Dividends received	0
	<b>The surplus or (deficit) on the provision of services has been adjusted for the following non cash movements:</b>	
32,420	Depreciation	37,787
34,816	Impairment and downward valuations	25,221
204	Amortisation	297
0	Increase / (decrease) in impairment for bad debts	0
6,466	Increase / (decrease) in creditors	483
(6,013)	Increase / (decrease) in debtors	(2,193)
(191)	Increase / (decrease) in inventories	421
6,804	Movement in pension liability	(4,331)
61,189	Carrying amount of non current assets and non current assets held for sale, sold or derecognised	52,143
3,632	Other non cash items charged to the net surplus or (deficit) on the provision of services	6,519
<b>139,327</b>		<b>116,347</b>
	<b>The surplus or (deficit) on the provision of services has been adjusted for the following items that are investing and financing activities:</b>	
(4,963)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,236)
(51,312)	Any other items for which the cash effects are investing or financing cash flows	(64,230)
<b>(56,275)</b>		<b>(72,466)</b>

\* The 2013/14 comparatives have been restated to reflect changes to the accounting treatment of specific school non-current assets (see Note 32).

## 17. Cash Flow Statement - Investing Activities

2013/14 Restated * £000		2014/15 £000
(57,604)	Purchase of property, plant and equipment, investment property and intangible assets	(76,914)
(103,149)	Purchase of short term and long term investments	(86,138)
(1,144)	Other payments for investing activities	(2,881)
5,129	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,264
93,938	Proceeds from short-term and long-term investments	92,059
40,535	Other receipts from investing activities (Capital Grants)	58,182
<b>(22,295)</b>	<b>Net cash flows from investing activities</b>	<b>(7,428)</b>

\* The 2013/14 comparatives have been restated to reflect changes to the accounting treatment of specific school non-current assets (see Note 32).

## 18. Cash Flow Statement - Financing Activities

2013/14 Restated * £000		2014/15 £000
0	Cash receipts of short term and long term borrowing	0
0	Other receipts from financing activities	(439)
(2,358)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance Sheet Private Finance Initiative (PFI) contracts	(1,485)
(5,998)	Repayment of short term and long term borrowing	(11,136)
6,552	Other payments for financing activities	5,289
<b>(1,804)</b>	<b>Net cash flows from financing activities</b>	<b>(7,771)</b>

\* The 2013/14 comparatives have been restated to reflect changes to the accounting treatment of specific school non-current assets (see Note 32).



**Cheshire East Council – Supporting Information to the Statement of Accounts**

**19. 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 Services. 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 Services recorded in the budget reports for the year is as shown below.

This reconciliation shows how the total Net Expenditure figure relates to the Service Outturn reported in the Final Outturn Review of Performance 2014/15 – Report to Cabinet 14 July 2015.

Reconciliation of Service Analysis to Service Outturn 2014/15	Original Net Budget £000	Revised Net Budget £000	Actual Expenditure £000	Net Service Underspend £000
<b>Net Expenditure per Service Analysis (Below)</b>	<b>253,700</b>	<b>253,800</b>	<b>252,880</b>	<b>(920)</b>
Service Costs charged centrally (included in Other Service Costs in the table below)			200	200
<b>Service Outturn (as per Final Outturn Report)</b>	<b>253,700</b>	<b>253,800</b>	<b>253,080</b>	<b>(720)</b>

Service Analysis 2014/15	Adult Social Care and Public Health £000	Children’s Services £000	Environmental and Public Protection, Communities Economic Growth and Prosperity £000	Corporate Services £000	Total £000
Fees, charges and other service income	(22,993)	(15,037)	(35,965)	(13,318)	<b>(87,313)</b>
Government Grants	(31,748)	(185,627)	(89,987)	(506)	<b>(307,868)</b>
<b>Total Income</b>	<b>(54,741)</b>	<b>(200,664)</b>	<b>(125,952)</b>	<b>(13,824)</b>	<b>(395,181)</b>
Employee expenses	31,648	147,637	29,443	23,425	<b>232,153</b>
Other service expenses	117,341	97,976	173,333	27,258	<b>415,908</b>
<b>Total Expenditure</b>	<b>148,989</b>	<b>245,613</b>	<b>202,776</b>	<b>50,683</b>	<b>648,061</b>
<b>Net Expenditure</b>	<b>94,248</b>	<b>44,949</b>	<b>76,824</b>	<b>36,859</b>	<b>252,880</b>

## Statement of Accounts 2014/15

Reconciliation of Service Analysis to Comprehensive Income and Expenditure Statement 2014/15	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	Approp'ns - Earmarked Reserves £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(87,313)	0	0	10,440	0	(76,873)	(12,335)	(89,208)
Surplus or deficit on associates & joint ventures	0	0	0	0	0	0	396	396
Interest and investment income	0	0	0	0	0	0	(2,025)	(2,025)
Income from Council Tax	0	0	0	0	0	0	(172,072)	(172,072)
Surplus on Collection Fund	0	0	0	0	0	0	(625)	(625)
Government grants and contributions	(307,868)			12		(307,856)	(167,221)	(475,077)
<b>Total Income</b>	<b>(395,181)</b>	<b>0</b>	<b>0</b>	<b>10,452</b>	<b>0</b>	<b>(384,729)</b>	<b>(353,882)</b>	<b>(738,611)</b>
Employee expenses	232,153	0	(17,117)	(5,435)	0	209,601	5,435	215,036
Other service expenses	415,908	2,035	0	(5,366)	(14,020)	398,556	5,612	404,168
Support Service recharges	0	(17)	0	(270)	0	(287)	270	(17)
Depreciation, amortisation and impairment	0	0	86,746	(412)	0	86,334	412	86,746
Changes in Value of Investment Properties	0	0	0	0	0	0	860	860
Interest Payments	0	0	0	0	0	0	4,916	4,916
Pension Interest Cost and Rate of Return on Pension Assets	0	0	0	0	0	0	16,020	16,020
Council Tax & Housing Benefits Admin Grant	0	0	(2,316)	0	0	(2,316)	0	(2,316)
Precepts and Levies	0	0	0	0	0	0	4,767	4,767
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	9	9
Gain or Loss on Loss of Control of Entity	0	0	0	0	0	0	10,011	10,011
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	35,646	35,646
<b>Total Operating Expenses</b>	<b>648,061</b>	<b>2,018</b>	<b>67,313</b>	<b>(11,483)</b>	<b>(14,020)</b>	<b>691,889</b>	<b>83,958</b>	<b>775,847</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>252,880</b>	<b>2,018</b>	<b>67,313</b>	<b>(1,031)</b>	<b>(14,020)</b>	<b>307,160</b>	<b>(269,925)</b>	<b>37,235</b>

Reconciliation of Service Analysis to Service Outturn 2013/14	Original Net Budget £000	Revised Net Budget £000	Actual Expenditure £000	Net Directorate Underspend £000
<b>Net Expenditure per Service Analysis (Below)</b>	<b>265,500</b>	<b>259,800</b>	<b>254,874</b>	<b>(4,926)</b>
Service Costs charged centrally (included in Other Service Costs in the table below)	0	0	4,026	4,026
<b>Service Outturn (as per Final Outturn Report)</b>	<b>265,500</b>	<b>259,800</b>	<b>258,900</b>	<b>(900)</b>

Service Analysis 2013/14	Adult Social Care and Public Health	Children's Services	Environmental 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)	<b>(99,543)</b>
Government Grants	(38,073)	(190,372)	(90,842)	(298)	<b>(319,585)</b>
<b>Total Income</b>	<b>(59,105)</b>	<b>(206,466)</b>	<b>(140,572)</b>	<b>(12,985)</b>	<b>(419,128)</b>
Employee expenses	31,869	164,332	46,321	27,495	<b>270,017</b>
Other service expenses	119,867	97,956	156,703	29,459	<b>403,985</b>
<b>Total Expenditure</b>	<b>151,736</b>	<b>262,288</b>	<b>203,024</b>	<b>56,954</b>	<b>674,002</b>
<b>Net Expenditure</b>	<b>92,631</b>	<b>55,822</b>	<b>62,452</b>	<b>43,969</b>	<b>254,874</b>

Reconciliation of Service Analysis to 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	Approp'ns - Earmarked Reserves £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service 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)
Surplus on Collection Fund	0	0	0	0	0	0	(121)	(121)
Government grants and contributions	(319,585)	0	0	250	0	(319,335)	(161,062)	(480,397)
<b>Total Income</b>	<b>(419,128)</b>	<b>0</b>	<b>0</b>	<b>10,619</b>	<b>0</b>	<b>(408,509)</b>	<b>(345,528)</b>	<b>(754,037)</b>
Employee expenses	270,017	0	(8,410)	(5,981)	0	255,626	5,980	261,606
Other service expenses	403,985	0	(64)	(4,897)	(8,166)	390,858	5,705	396,563
Support Service recharges	0	0	0	(1,255)	0	(1,255)	1,255	0
Depreciation, amortisation and impairment	0	0	76,538	(423)	0	76,115	423	76,538
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
Council Tax & Housing Benefits Admin Grant	0	0	(2,000)	0	0	(2,000)	0	(2,000)
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 Control of an entity	0	0	0	0	0	0	14,256	14,256
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	43,259	43,259
<b>Total Operating Expenses</b>	<b>674,002</b>	<b>0</b>	<b>66,064</b>	<b>(12,556)</b>	<b>(8,166)</b>	<b>719,344</b>	<b>100,298</b>	<b>819,642</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>254,874</b>	<b>0</b>	<b>66,064</b>	<b>(1,937)</b>	<b>(8,166)</b>	<b>310,835</b>	<b>(245,230)</b>	<b>65,605</b>

## 20. Trading Operations

The Council has two 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; these 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:

2013/14			Trading Operation	2014/15		
Gross Expenditure £000	Gross Income £000	(Surplus) / Deficit £000		Gross Expenditure £000	Gross Income £000	(Surplus) / Deficit £000
5,880	(5,683)	<b>197</b>	Catering	6,343	(6,490)	<b>(147)</b>
960	(1,014)	<b>(54)</b>	Cleaning	0	0	<b>0</b>
5,717	(3,923)	<b>1,794</b>	Tatton Park	5,140	(3,962)	<b>1,178</b>
<b>12,557</b>	<b>(10,620)</b>	<b>1,937</b>	<b>Total</b>	<b>11,483</b>	<b>(10,452)</b>	<b>1,031</b>

Tatton Park operates as a trading operation and includes all trading outlets (except the operational net cost of running the Stables Restaurant & Gardeners Cottage, see Note 34, Related Parties), events and visitor attractions, operating on a 99 year lease to the Council from the National Trust. Tatton was set up as a trading account to facilitate improved freedoms and flexibilities and to exploit additional income sources whilst operating within the context of a five year business plan.

Cleaning is no longer a trading operation and has been reallocated to services on a SeRCOP basis.

## 21. Members' Allowances

The total amount spent on Members' allowances in 2014/15 was £1.4m. This figure includes the basic allowance, special responsibility allowance and Member pension costs. It does not include the direct reimbursement of costs incurred. The costs are reflected in the Comprehensive Income and Expenditure Statement under Corporate and Democratic Core.

2013/14 £000		2014/15 £000
977	Basic Allowance	972
388	Special Responsibility Allowance	332
142	Pension	143
<b>1,507</b>	<b>Total Members' Allowances</b>	<b>1,447</b>

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

## 22. Officers' Remuneration

The number of officers whose remuneration exceeded £50,000 in 2014/15 is detailed below:

2013/14			Remuneration Band	2014/15		
Schools	Other	Total		Schools	Other	Total
39	28	67	£50,000 - £54,999	27	29	56
15	23	38	£55,000 - £59,999	25	19	44
21	17	38	£60,000 - £64,999	15	12	27
13	6	19	£65,000 - £69,999	11	5	16
1	5	6	£70,000 - £74,999	3	3	6
1	6	7	£75,000 - £79,999	0	5	5
1	1	2	£80,000 - £84,999	2	2	4
0	2	2	£85,000 - £89,999	1	1	2
1	5	6	£90,000 - £94,999	1	1	2
0	1	1	£95,000 - £99,999	0	1	1
1	1	2	£100,000 - £104,999	0	5	5
0	1	1	£105,000 - £109,999	0	1	1
0	0	0	£110,000 - £114,999	0	0	0
0	0	0	£115,000 - £119,999	0	0	0
0	1	1	£120,000 - £124,999	0	1	1
0	1	1	£125,000 - £129,999	0	1	1
0	1	1	£130,000 - £134,999	0	0	0
0	0	0	£135,000 - £139,999	0	1	1
0	1	1	£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	1	1
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
<b>93</b>	<b>100</b>	<b>193</b>	<b>Total</b>	<b>85</b>	<b>89</b>	<b>174</b>

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

Senior employees are included in the above figures. Further information about the remuneration of senior employees, including the names of any officers with salaries of £150,000 or more per year, is provided in Note 23.

### 23. 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.

#### 2014/15 Remuneration

Job Title / Name	Salary, Fees, Allowances and Bonuses	Expenses & Allowances	Compensation for Loss of Employment	Employer's Pension Contribution	Total
	£	£	£	£	£
Chief Executive – Mike Suarez	173,682	98	0	38,070	<b>211,850</b>
Executive Director of Strategic Commissioning	135,000	0	0	32,805	<b>167,805</b>
Head of Public Protection and Enforcement (to 30 April 2014)	6,250	0	0	1,299	<b>7,549</b>
Head of Communities	80,500	46	0	19,562	<b>100,108</b>
Corporate Manager Commissioning – Waste and Environmental Services	65,370	0	0	15,868	<b>81,238</b>
Corporate Manager Commissioning – Leisure Services	64,050	148	0	15,564	<b>79,762</b>
Corporate Manager Commissioning – Highways (from 15 September 2014)	32,967	83	0	8,011	<b>41,061</b>
Director of Children's Services	100,475	119	0	24,415	<b>125,009</b>
Head of Early Intervention and Prevention	90,425	127	0	21,973	<b>112,525</b>
Head of Children's Safeguarding	79,031	0	0	19,205	<b>98,236</b>
Corporate Manager - Education Strategy	77,079	329	0	18,730	<b>96,138</b>
Corporate Manager – Commissioning (from 1 July 2014)	58,300	67	0	14,167	<b>72,534</b>
Director of Adult Social Care and Independent Living	100,378	54	0	24,392	<b>124,824</b>
Head of Adults Safeguarding (from 21 October 2014)	41,726	0	0	0	<b>41,726</b>
Business Manager	42,180	0	0	14,872	<b>57,052</b>
Principal Manager – Adult Care Services	60,300	12	0	14,653	<b>74,965</b>
Principal Manager – Mental Health and Learning Disability Services (from 7 July 2014)	43,297	79	0	10,521	<b>53,897</b>
Principal Manager – Care4CE (to 17 June 2014)	13,703	21	57,534	3,263	<b>74,521</b>
Service Manager – Care4CE (from 18 June 2014)	59,196	0	0	14,385	<b>73,581</b>
Director of Public Health	140,993	0	0	19,739	<b>160,732</b>
Associate Director / Consultant in Public Health	125,982	0	0	16,143	<b>142,125</b>
Associate Director / Consultant in Public Health	67,698	118	0	9,478	<b>77,294</b>
Associate Director / Consultant in Public Health (from 1 January 2015)	20,405	0	0	0	<b>20,405</b>
Associate Director / Consultant in Public Health (from 1 December 2014)	27,206	0	0	3,809	<b>31,015</b>
Corporate Manager – Communications and Media (from 29 July 2014)	52,328	7	0	12,716	<b>65,051</b>



Job Title / Name	Salary, Fees , Allowances and Bonuses	Expenses & Allowances	Compensation for Loss of Employment	Employer's Pension Contribution	Total
	£	£	£	£	£
Chief Operating Officer (Section 151 Officer)	120,260	184	0	29,223	<b>149,667</b>
Head of Corporate Resources and Stewardship	80,660	0	0	19,600	<b>100,260</b>
Head of Legal Services and Monitoring Officer	75,375	81	0	18,316	<b>93,772</b>
Legal Team Manager – Commercial Projects and Property	53,265	0	0	12,943	<b>66,208</b>
Legal Team Manager	58,972	0	0	14,327	<b>73,299</b>
Head of Governance and Democratic Services	83,740	91	0	17,691	<b>101,522</b>
Head of People and Organisational Development (to 31 August 2014)	29,166	0	0	7,054	<b>36,220</b>
Head of Human Resources and Organisational Development (to 31 July 2014)	31,641	0	76,388	7,230	<b>115,259</b>
Head of Human Resources and Organisational Development	70,110	0	0	0	<b>70,110</b>
Corporate Manager - Commissioning	59,971	70	0	15,132	<b>75,173</b>
Corporate Manager - Commissioning	59,971	10	0	15,132	<b>75,113</b>
Executive Director of Economic Growth and Prosperity	103,125	165	0	25,059	<b>128,349</b>
Head of Development	85,039	8	0	20,664	<b>105,711</b>
Head of Investment (from 1 October 2014)	68,253	0	0	16,585	<b>84,838</b>
Head of Strategic Infrastructure	72,825	271	0	17,696	<b>90,792</b>
Head of Assets (from 16 February 2015)	16,250	0	0	0	<b>16,250</b>
Visitor Economy, Culture and Tatton Park Manager	62,272	0	0	15,132	<b>77,404</b>
Business Manager (from 12 January 2015)	13,490	0	0	3,278	<b>16,768</b>
Head of Strategic and Economic Planning	72,322	104	0	17,574	<b>90,000</b>
<b>Total 2014/15</b>	<b>2,975,228</b>	<b>2,292</b>	<b>133,922</b>	<b>646,276</b>	<b>3,757,718</b>

During 2014/15, 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	14,585	10,939	25,524

**2013/14 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 – Interim (to 30 June 2013) – Kim Ryley	39,296	113	0	0	<b>39,409</b>
Chief Executive – (from 1 Aug 2013) – Mike Suarez	107,500	129	0	22,300	<b>129,929</b>
Director of Strategic Commissioning	134,708	0	0	30,040	<b>164,748</b>
Director of Children's Social Care	97,500	114	0	21,743	<b>119,357</b>
Head of Early Intervention and Prevention	90,020	128	0	20,074	<b>110,222</b>
Corporate Manager Education Strategy	76,969	322	0	17,163	<b>94,454</b>
Head of Integrated Safeguarding	75,005	0	0	16,726	<b>91,731</b>
Head of Environmental Protection and Enhancement	72,606	1,218	0	16,191	<b>90,015</b>
Head of Public Protection and Enforcement	73,295	32	0	16,345	<b>89,672</b>
Director of Adult Social Care and Independent Living	92,209	184	0	20,563	<b>112,956</b>
Principal Manager Care4CE	60,366	82	0	13,462	<b>73,910</b>
Head of Communities (from 16 December 2013)	23,441	28	0	5,227	<b>28,696</b>
Director of Economic Growth and Prosperity	90,206	84	0	20,766	<b>111,056</b>
Head of Development (from 29 April 2013)	73,783	0	0	16,452	<b>90,235</b>
Head of Strategic and Economic Planning	69,087	183	0	15,586	<b>84,856</b>
Corporate Manager Strategic Infrastructure	64,025	97	0	14,277	<b>78,399</b>
Visitor Economy, Culture and Tatton Park Manager	59,896	0	0	13,357	<b>73,253</b>
Principal Manager – Built Environment Protection	52,905	116	0	11,724	<b>64,745</b>
Planning and Place Shaping Manager	39,459	0	0	8,799	<b>48,258</b>
Director of Public Health (from 1 April 2013)	140,993	0	0	18,094	<b>159,087</b>
Head of Strategic Commissioning and Safeguarding	76,962	27	0	17,163	<b>94,152</b>
Corporate Manager Health Improvement	61,098	0	0	13,625	<b>74,723</b>
Principal Manager – Regulatory and Health Protection	52,572	68	0	11,724	<b>64,364</b>
Chief Operating Officer and Section 151 Officer – Interim (to 30 September 2013, contracted in)	102,600	9,226	0	0	<b>111,826</b>
Chief Operating Officer and Section 151 Officer (from 1 October 2013)	60,260	74	0	13,380	<b>73,714</b>
Head of Performance Customer Services and Capacity (to 31 October 2013)	49,465	50	0	11,031	<b>60,546</b>
Head of Corporate Resources and Stewardship (Deputy S151 Officer – from 21 January 2014)	15,451	0	0	3,501	<b>18,952</b>
Corporate Manager Resources	71,212	0	0	15,880	<b>87,092</b>
Corporate Manager ICT	56,773	0	0	12,660	<b>69,433</b>

Job Title / Name	Salary, Fees and Allowances £	Expenses & Allowances £	Compensation for Loss of Employment £	Employer's Pension Contribution £	Total £
Corporate Manager Challenge and Innovation	64,176	0	0	14,311	<b>78,487</b>
Corporate Manager Commissioning	58,959	20	0	13,148	<b>72,127</b>
Corporate Manager Commissioning	56,043	45	0	13,148	<b>69,236</b>
Corporate Manager Business Intelligence and Data	55,780	0	0	12,439	<b>68,219</b>
Head of HR and Organisational Development	90,320	0	0	20,141	<b>110,461</b>
Head of People and Organisational Development	67,013	0	0	15,256	<b>82,269</b>
Principal Manager HR Delivery	64,852	0	0	14,462	<b>79,314</b>
Head of Governance and Democratic Services	76,842	123	0	15,571	<b>92,536</b>
Head of Legal Services and Monitoring Officer Interim (to 18 June 2013, agency basis)	43,625	0	0	0	<b>43,625</b>
Head of Legal Services and Monitoring Officer (from 10 June 2013 to 2 March 2014, agency basis)	136,322	8,213	0	0	<b>144,535</b>
Head of Legal Services and Monitoring Officer (from 3 February 2014)	12,054	0	0	2,688	<b>14,742</b>
Legal Team Manager (to 30 November 2013)	39,764	0	53,534	0	<b>93,298</b>
<b>Total 2013/14</b>	<b>2,845,412</b>	<b>20,676</b>	<b>53,534</b>	<b>539,017</b>	<b>3,458,639</b>

## 24. Termination Benefits

The Council terminated the contracts of a number of employees in 2014/15, incurring liabilities of £1.424m (£3.567m in 2013/14). Of this total, £0.134m was payable to two Senior Officers in the form of compensation for loss of office; there were no enhanced pension benefits. The remaining £1.290m is payable to 39 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)		(b)		(c)		(d)	
	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [(a) + (b)]		Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14 £000	2014/15 £000
£0 - £20,000	22	6	82	13	104	19	708	155
£20,001 - £40,000	0	0	43	6	43	6	1,288	151
£40,001 - £60,000	0	0	11	8	11	8	539	372
£60,001 - £80,000	0	0	7	4	7	4	501	290
£80,001 - £100,000	0	0	3	1	3	1	265	84
£100,001 - £150,000	0	0	2	3	2	3	266	372
£150,001 and over	0	0	0	0	0	0	0	0
	<b>22</b>	<b>6</b>	<b>148</b>	<b>35</b>	<b>170</b>	<b>41</b>	<b>3,567</b>	<b>1,424</b>

## 25. External Audit Fees

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

2013/14 £000		2014/15 £000
205	Fees payable with regard to external audit services carried out by the appointed auditor	206
27	Fees payable for the certification of grant claims and returns	33
0	Fees payable for the certification of teachers pension return 2013/14	5
0	Fees for Advisory Workshop provided in March 2015	6
(28)	Audit Commission Rebate	(21)
<b>204</b>	<b>Total External Audit Fees</b>	<b>229</b>

## 26. Dedicated Schools Grant

The funding of schools is provided via Dedicated Schools Grant (DSG). The original DSG award value for 2014/15 was £237.7m (£234.8m in 2013/14). 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 2014/15 are as follows:

Schools' Budget Funded by Dedicated Schools Grant	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2014/15 before Academy recoupment *			<b>236,876</b>
Academy recoupment for 2014/15			<b>(78,722)</b>
<b>Total DSG after Academy recoupment for 2014/15</b>			<b>158,154</b>
Brought Forward from 2013/14			<b>6,028</b>
Carry forward to 2015/16 agreed in advance			<b>0</b>
<b>Agreed budgeted distribution for 2014/15</b>	<b>39,148</b>	<b>125,034</b>	<b>164,182</b>
In-Year Adjustments	388	0	<b>388</b>
<b>Final budgeted distribution for 2014/15</b>	<b>39,536</b>	<b>125,034</b>	<b>164,570</b>
Less Actual Central Expenditure	(31,352)	0	<b>(31,352)</b>
Less Actual ISB deployed to Schools	0	(125,034)	<b>(125,034)</b>
<b>Carry Forward to 2015/16</b>	<b>8,184</b>	<b>0</b>	<b>8,184</b>

\* Note:

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

## 27. Grant Income

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

2013/14 £000	Grant Credited to Taxation and Non-Specific Grant Income	2014/15 £000
	<b>Revenue Grants</b>	
(1,805)	Council Tax Freeze Grant	(1,807)
(1,879)	Small Business Rate Relief	(3,194)
(4,975)	Education Services Grant	(4,233)
(4,066)	New Homes Bonus Grant	(5,275)
(5,482)	Other Revenue Non-Ringfenced Grants	(4,577)
<b>(18,207)</b>	<b>Total Revenue Grants</b>	<b>(19,086)</b>
	<b>Capital Grants and Contributions</b>	
(17,674)	Department of Transport	(28,277)
(16,144)	Education Funding Agency	(8,648)
0	Greater Manchester Combined Councils	(6,159)
(1,223)	Department of Communities and Local Government	(740)
(758)	Department of Culture Media and Sport	(75)
(780)	Department of Health	(1,788)
(4,666)	Department of Transport – Pinch Point Funds	0
(1,250)	Department of Transport – Severe Weather Recovery Funds	0
0	Cabinet Office	(13)
(8)	Department for Environment, Food and Rural Affairs	0
(181)	Department of Energy and Climate Change	(118)
(992)	European Regional Development Fund	(9,889)
(1,051)	Other Grants	(2,002)
(771)	Developers Contributions – S.106 and S.278	(1,895)
(3,765)	Contribution from Network Rail	0
(728)	Contribution from British Telecom	(5,640)
(1,321)	Other Contributions	1,013
<b>(51,312)</b>	<b>Total Capital Grants</b>	<b>(64,231)</b>
<b>(69,519)</b>	<b>Total Grant Credited to Taxation and Non-Specific Grant Income (per Note 5)</b>	<b>(83,317)</b>

2013/14 £000	Grant Credited to Services	2014/15 £000
(174,601)	Dedicated Schools Grant	(164,570)
(85,790)	Housing Benefit Subsidy Grant	(85,072)
(2,000)	Housing Benefit and Council Tax Administration Grant	(2,320)
(13,762)	Public Health Grant	(14,274)
(4,125)	Private Finance Initiative Grant	(4,125)
(6,374)	Educational Funding Agency Grant	(4,817)
(5,987)	Pupil Premium Grant	(7,003)
0	Universal Infant Free School Meals Grant	(2,310)
(2,395)	Other Service Grants and Contributions	(3,249)
<b>(295,034)</b>	<b>Total Grant Credited to Services</b>	<b>(287,740)</b>

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

2013/14 £000	Capital Grants Receipts In Advance	2014/15 £000
(1,827)	Conditional Grants	(2,411)
(4,807)	Developer Contributions – Section 106	(10,017)
<b>(6,634)</b>	<b>Total</b>	<b>(12,428)</b>



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

Teachers employed by the Council are members of the national Teachers' Pension Scheme. In 2014/15 the Council paid £8.373m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The equivalent contribution figures for 2013/14 were £9.763m (14.1% of pensionable pay), with contributions payable in the next financial year estimated at £7.668m.

A further £0.085m (14% of pensionable pay) was paid to the NHS Pension Scheme in respect of Public Health workers who transferred into the Council from the National Health Service on 1 April 2013. The contributions payable to the NHS Scheme in the next financial year are estimated at £0.106m.

Both the Teachers' and NHS Pension Schemes are defined benefit schemes but, because they are multi-employer schemes which do not allow the identification of the Council's liability, they are treated as defined contribution schemes for the purpose of this Statement of Accounts. Further information about these Schemes is included in Note 42(i).

## 29. 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 28 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**

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 2014/15 financial year was undertaken as at 31 March 2013.

In 2014/15 Cheshire East Council paid employer contributions of £24.4m into the Cheshire Pension Fund (the Fund), based on a contribution rate of 24.3% of non-teaching employees' pensionable pay. A further £2.3m of employer contributions were paid into the Fund in 2014/15, bringing the total employer contribution to £26.7m. The equivalent figure for 2013/14 was £28.4m, comprising £24.6m of regular employer contributions (22.3% of pensionable pay, restated) with an additional £3.8m in respect of early retirements.

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

- **Discretionary Teachers' Unfunded Benefits**

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no assets built up to meet these pension liabilities. In 2014/15, the Council paid £2.9m in discretionary benefits to retired teaching staff. The equivalent figure for 2013/14 was £3.1m.

### **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:

2013/14			2014/15	
Local Gov't Pension Scheme	Teachers' Unfunded Scheme		Local Gov't Pension Scheme	Teachers' Unfunded Scheme
£000	£000		£000	£000
		<b><u>Comprehensive Income and Expenditure Statement</u></b>		
		<b>Cost of Services</b>		
		Service Cost comprising:		
27,159	0	▪ Current service cost	22,532	0
923	0	▪ Past service costs (including curtailments)	359	0
(8,817)	0	▪ Settlements (gain) / loss	(13,581)	0
		Financing and Investment Income and Expenditure:		
17,166	1,844	▪ Net interest expense	14,420	1,600
<b>36,431</b>	<b>1,844</b>	<b>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>23,730</b>	<b>1,600</b>
		<b><u>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</u></b>		
		Re-measurement of the net defined benefit liability comprising:		
(7,935)	0	▪ (Gain) / Loss on plan assets (excluding the amount included in the net interest expense)	(81,236)	0
		▪ Actuarial (gains) / losses arising on changes in:		
(26,456)	(1,064)	- demographics assumptions	0	0
(41,028)	287	- financial assumptions	164,558	734
26,501	0	- other assumptions	(12,646)	65
<b>(48,918)</b>	<b>(777)</b>	<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>70,676</b>	<b>799</b>
		<b><u>Movement in Reserves Statement</u></b>		
(36,431)	(1,844)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(23,730)	(1,600)
		Actual amount charged against the General Fund balance for pensions in the year:		
28,391	0	▪ Employer's contributions payable to the Scheme	26,686	0
0	3,080	▪ Retirement benefits payable to pensioners	0	2,976
<b>(8,040)</b>	<b>1,236</b>	<b>Net Movement in Reserves</b>	<b>2,956</b>	<b>1,376</b>

The re-measurement of the net defined liability recognised in Other Comprehensive Income and Expenditure resulted in a net loss of £71.5m as at 31 March 2015 (£49.7m gain as at 31 March 2014).

## 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:

2013/14			2014/15	
Local Gov't Pension Scheme £000	Teachers' Unfunded Scheme £000		Local Gov't Pension Scheme £000	Teachers' Unfunded Scheme £000
1,222,942	40,489	Present value of the defined benefit obligation	1,352,486	39,911
(874,999)	0	Fair value of plan assets	(936,823)	0
<b>347,943</b>	<b>40,489</b>	<b>Net liability arising from defined benefit obligation</b>	<b>415,663</b>	<b>39,911</b>

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

2013/14			2014/15	
Local Gov't Pension Scheme £000	Teachers' Unfunded Scheme £000		Local Gov't Pension Scheme £000	Teachers' Unfunded Scheme £000
<b>1,227,316</b>	<b>42,503</b>	<b>Present value of Scheme Liabilities at 1 April</b>	<b>1,222,942</b>	<b>40,489</b>
27,159	0	Current Service Cost	22,532	0
54,196	1,844	Interest Cost	50,195	1,600
6,971	0	Contributions from Scheme participants	6,182	0
		Re-measurement (gains) / losses arising from:		
(26,456)	(1,064)	▪ changes in demographic assumptions	0	0
(41,028)	286	▪ changes in financial assumptions	164,558	734
26,501	0	▪ changes in other assumptions	(12,646)	65
923	0	Past service cost (including curtailments)	359	0
(40,335)	(3,080)	Benefits paid	(42,715)	(2,976)
(12,305)	0	Liabilities extinguished on settlements	(58,921)	0
<b>1,222,942</b>	<b>40,489</b>	<b>Present value of Scheme Liabilities at 31 March</b>	<b>1,352,486</b>	<b>39,912</b>

### Reconciliation of fair value of plan assets:

2013/14 Local Gov't Pension Scheme £000		2014/15 Local Gov't Pension Scheme £000
<b>838,495</b>	<b>Opening fair value of Scheme assets at 1 April</b>	<b>874,999</b>
(3,488)	Effect of Settlements	(45,340)
37,030	Interest Income	35,775
	Re-measurement (gains) / losses:	
7,935	▪ return on plan assets, excluding the amount in the net interest expense	81,236
	Contributions:	
28,391	▪ employers	26,686
6,971	▪ plan participants	6,182
(40,335)	Benefits paid	(42,715)
<b>874,999</b>	<b>Closing fair value of scheme assets at 31 March</b>	<b>936,823</b>

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

Fair Value at 31 March 2014  £000		Fair Value at 31 March 2015		
		Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total  £000
	<b>Equity securities:</b>			
115,151	▪ Consumer	125,772	0	125,772
39,970	▪ Manufacturing	49,431	0	49,431
23,974	▪ Energy and Utilities	23,819	0	23,819
43,822	▪ Financial Institutions	30,795	0	30,795
10,657	▪ Health and Care	15,394	0	15,394
34,179	▪ Information Technology	44,514	0	44,514
27,033	▪ Other	26,069	0	26,069
294,786		315,794	0	315,794
	<b>Debt Securities:</b>			
52,135	▪ Other (non-Corporate, non-Government)	0	0	0
47,574	<b>Private Equity</b>	0	45,391	45,391
	<b>Property:</b>			
55,210	▪ UK Property	0	74,851	74,851
3,016	▪ Overseas Property	0	2,241	2,241
58,226		0	77,092	77,092
	<b>Investment Funds and Unit Trusts:</b>			
143,245	▪ Equities	179,011	0	179,011
152,761	▪ Bonds	119,447	0	119,447
122,813	▪ Hedge Funds	0	131,290	131,290
0	▪ Other	0	53,758	53,758
418,819		298,458	185,048	483,506
3,459	<b>Cash and cash equivalents</b>	0	15,040	15,040
<b>874,999</b>	<b>Total value of Scheme assets</b>	<b>614,252</b>	<b>322,571</b>	<b>936,823</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, which is 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 2015.

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

31 March 2014			31 March 2015	
Local Gov't Pension Scheme	Teachers' Unfunded Scheme		Local Gov't Pension Scheme	Teachers' Unfunded Scheme
		<b>Mortality Assumptions:</b>		
		Average life expectancy at 65 for current pensioners:		
22.3 years	22.3 years	▪ Men	22.3 years	22.3 years
24.4 years	24.4 years	▪ Women	24.4 years	24.4 years
		Average life expectancy at 65 for future pensioners:		
24.1 years	-	▪ Men	24.1 years	-
26.7 years	-	▪ Women	26.7 years	-
		<b>Financial Assumptions:</b>		
3.6%	-	Rate of increase in salaries	3.3%	-
2.8%	2.6%	Rate of increase in pensions	2.4%	-
2.8%	2.8%	Rate of inflation (CPI, indicative rate as at 31 Dec 2014)	2.4%	2.1%
4.3%	4.1%	Rate of discounting scheme liabilities	3.2%	3.1%
<b>Commutation</b>				
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, works on the basis that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, are 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, that is 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 Gov't Pension Scheme	Teachers' Unfunded Scheme	Local Gov't Pension Scheme £000	Teachers' Unfunded Scheme £000
0.5% decrease in Real Discount Rate	10%	2%	130,399	1,400
1 year increase in member Life Expectancy	3%	3%	40,575	2,206
0.5% increase in the Salary Increase Rate	3%	0%	35,057	0
0.5% increase in the Pension Increase Rate	7%	2%	93,298	1,407

### Impact on the Council’s Cash Flows

An objective of the Scheme is to keep the employer’s contributions at as constant a rate as possible. The Council has agreed a strategy with the Scheme’s actuary to achieve a funding level of 100% over the next 20 years and funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The actuary’s 2015 assessment takes account of national changes introduced by the Public Pensions Services Act 2013. For service dating from 1 April 2014, the Act replaces a retiring employee’s entitlement to pension based on final salary with a scheme based on career average earnings. This effect of this change in entitlement is reflected for the first time in the net pension liability as at 31 March 2015.

The Council anticipates making employer contributions of £24.720m to the Local Government Pension Scheme in 2015/16.

The weighted average duration of the defined benefit obligation for Scheme members is 17.5 years:

	Liability Split	Weighted Average Duration (years)
Active Members	35.4%	24.6 years
Deferred Members	18.2%	23.3 years
Pensioner Members	46.4%	11.9 years



### 30. Capital Expenditure and Capital Financing

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

2013/14 £000		2014/15 £000
<b>192,055</b>	<b>Opening Capital Financing Requirement</b>	<b>204,980</b>
55,046	Property, Plant and Equipment	81,144
65	Assets Held for Sale	47
2,640	Long Term Investments	0
1,415	Investment Properties	285
790	Intangible Assets	878
192	Loans transferred to Long Term Debtors	123
9,280	Revenue Expenditure Funded from Capital under Statute	25,268
(730)	Aborted Capital Expenditure reversed in year	0
	<b>Sources of Finance</b>	
(5,512)	Capital Receipts	(4,420)
(38,517)	Government Grants and Other Contributions	(71,377)
(3,496)	Direct Revenue Contributions	(1,527)
0	Government Grants used to Finance Capital Expenditure which has taken place in previous years which has been met by borrowing	(1,304)
138	Government Grants and Other Contributions repaid in year due to aborted expenditure	0
592	Capital receipts repaid in year due to aborted Capital Expenditure	0
(5,874)	Amount provided at 4% of the capital financing requirement in respect of supported and unsupported borrowing incurred prior to 31 March 2008	(5,639)
(938)	Amount provided in respect of unsupported borrowing	(2,167)
(1,498)	Amount provided in respect of assets acquired under Finance leases	(485)
0	Leases disposed of in year	(1,470)
0	Restated Private Finance Initiative (PFI) Liability – adjusted in 2014/15	6,008
(620)	Amount provided in respect of PFI arrangements	(1,465)
(48)	Prior year adjustments	138
<b>204,980</b>	<b>Closing Capital Financing Requirement</b>	<b>229,017</b>
	<b>Explanation of movements in year</b>	
(5,874)	Decrease in underlying need to borrow (supported by government financial assistance)	(5,639)
20,789	Increase / (decrease) in underlying need to borrow (unsupported by government financial assistance)	27,088
(1,370)	Assets acquired under finance leases	(1,955)
(620)	Assets acquired under PFI / PPP Contracts	4,543
<b>12,925</b>	<b>Increase / (Decrease) in Capital Financing Requirement</b>	<b>24,037</b>

### 31. 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 £0.445m at 31 March 2015, and £2.2m at 31 March 2014. The Council is committed to making minimum lease payments under these leases; this comprises 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 2013/14 £000		Balance 2014/15 £000
	<b>Finance Lease Liability:</b>	
944	Current	821
3,788	Non-current	4,618
715	Finance Costs payable in future years	86
<b>5,447</b>	<b>Closing Balance at 31 March</b>	<b>5,525</b>

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

2013/14 £000		2014/15 £000
1,233	Not Later Than 1 Year	863
2,636	Between 1 and 5 Years	2,933
1,578	Later Than 5 Years	1,729
<b>5,447</b>	<b>Total Minimum Lease Payments</b>	<b>5,525</b>

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

2013/14 £000		2014/15 £000
944	Not Later Than 1 Year	821
2,255	Between 1 and 5 Years	2,889
1,533	Later Than 5 Years	1,729
<b>4,732</b>	<b>Total Finance Lease Liabilities</b>	<b>5,439</b>

### Finance Leases – Council as Lessor

The Council has leased out properties at Malkins Bank Golf Course, Knutsford Cinema & Civic Centre and Crewe Lyceum Theatre. During 2014-15 the Council leased out three further properties including Oakdean Court Wilmslow (£3.5m). In addition Household Waste Collection Vehicles were leased out to ANSA Limited (£2.7m.)

Balance 2013/14 £000			Balance 2014/15 £000
		<b>Finance Lease Liability (Net present value of minimum lease payments):</b>	
271	Current		657
3,227	Non-Current		9,244
1,539	Unearned finance income		2,625
(68)	Unguaranteed residual value of property		(76)
<b>4,969</b>	<b>Gross Investment in the Leases as at 31 March</b>		<b>12,450</b>

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

31 March 2014			31 March 2015		
Gross Investment in the Lease £000	Minimum Lease Payments £000		Gross Investment in the Lease £000	Minimum Lease Payments £000	
271	271	Not later than 1 year	825	657	
1,159	900	Later than 1 year and not later than 5 years	3,298	2,696	
3,539	2,327	Later than 5 Years	8,327	6,547	
<b>4,969</b>	<b>3,498</b>		<b>12,450</b>	<b>9,900</b>	

### Operating Leases – Council as Lessee

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

2013/14				2014/15		
Land and Buildings £000	Other £000	Total £000		Land and Buildings £000	Other £000	Total £000
			<u>Lease:</u>			
382	672	<b>1,054</b>	Not Later Than 1 Year	28	173	<b>201</b>
54	245	<b>299</b>	Between 1 and 5 Years	27	635	<b>662</b>
0	8	<b>8</b>	Later Than 5 Years	0	4	<b>4</b>
<b>436</b>	<b>925</b>	<b>1,361</b>	<b>Total</b>	<b>55</b>	<b>812</b>	<b>867</b>

**Operating Leases – Council as Lessor**

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

2013/14 £000	Minimum Lease Payments	2014/15 £000
422	Not Later Than 1 Year	179
334	Between 1 and 5 Years	312
478	Later Than 5 Years	690
<b>1,234</b>	<b>Total Minimum Lease Payments</b>	<b>1,181</b>

**32. 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.

**Accounting for Schools (revised)**

A change to accounting for all maintained schools was introduced and adopted by the CIPFA Code of Practice 2014/15 and is applicable from 1 April 2013. The revised standard has been applied to the Council’s 2014/15 accounts and, for the purposes of comparison, the equivalent 2013/14 figures have been restated to also take account of the changes.

The key change is the recognition on the Council’s balance sheet of all Foundation and Voluntary Aided schools, along with all Community and Voluntary Controlled schools that were already recognised to reflect the value of the right of use of that asset by the school and the Local Authority, albeit that the rightful ownership of those assets are held by a third party.

The transactions relating to the income and expenditure for schools are included in the Comprehensive Income and Expenditure Statement under Education and Children’s services, this treatment is consistent with previous years, see Accounting Policy 42(aa).

Accounting for Schools: Impact on Comprehensive Income and Expenditure Statement

As a result of the changes £2.790m of depreciation has been charged in 2013/14 to the Comprehensive Income and Expenditure Statement (CIES) within Education and Children Services. There was also an Academy transfer within 2013/14 with a former Voluntary Aided school transferring, so £5.121m was adjusted through Other Operating Expenditure to recognise the loss on disposal of a non current asset.

The impact on the CIES is disclosed in the table below:-

Comprehensive Income and Expenditure Statement	Original Figures 2013/14				Adjustment	Restated Figures 2013/14		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure		Gross Income	Net Expenditure	
	£000	£000	£000	£000		£000	£000	
Education and Children Services	286,611	(198,069)	<b>88,542</b>	2,790	289,401	(198,069)	<b>91,332</b>	
Other Services, corporate and democratic core and non-distributed costs (unchanged)	407,707	(188,203)	<b>219,504</b>	0	407,707	(188,203)	<b>219,504</b>	
<b>Cost of Services</b>	<b>694,318</b>	<b>(386,272)</b>	<b>308,046</b>	<b>2,790</b>	<b>697,108</b>	<b>(386,272)</b>	<b>310,836</b>	
Other Operating Expenditure	48,604	(1,270)	<b>47,334</b>	0	48,604	(1,270)	<b>47,334</b>	
Financing and Investment Income and Expenditure	26,344	(920)	<b>25,424</b>	14,255	40,599	(920)	<b>39,679</b>	
Taxation and Non-Specific Grant Income	0	(332,244)	<b>(332,244)</b>	0	0	(332,244)	<b>(332,244)</b>	
<b>(Surplus) or Deficit on Provision of Services</b>	<b>769,266</b>	<b>(720,706)</b>	<b>48,560</b>	<b>17,405</b>	<b>786,311</b>	<b>(720,706)</b>	<b>65,605</b>	
(Surplus) or deficit on revaluation of non current assets			<b>(19,932)</b>	(5,845)			<b>(25,777)</b>	
(Surplus) or deficit on revaluation of available for sale financial assets			<b>(100)</b>	0			<b>(100)</b>	
Re-measurement of the net defined pensions benefit liability			<b>(49,696)</b>	0			<b>(49,696)</b>	
<b>Other Comprehensive Income and Expenditure</b>			<b>(69,728)</b>	<b>(5,845)</b>			<b>(75,573)</b>	
<b>Total Comprehensive Income and Expenditure</b>			<b>(21,168)</b>	<b>11,200</b>			<b>(9,968)</b>	

Note 3, Other Operating Income and Expenditure and Note 4, Financing and Investment Income and Expenditure have been adjusted to reflect the additional loss on the disposal of non current assets.

Accounting for Schools: Impact on Movement in Reserves Statement

As all of the changes required relate to capital transactions the amounts have been reversed in the Movement in Reserves Statements as disclosed in the following table:-

Movement in Reserves Statement (showing only those figures impacted by the change)	Original Figures			Restated Figures	
	General Fund Balance	Unusable Reserves	Adjustment	General Fund Balance	Unusable Reserves
	£000	£000	£000	£000	£000
<b>Opening Balance at 1 April 2013</b>	<b>18,936</b>	<b>180,236</b>	<b>72,913</b>	<b>18,936</b>	<b>253,149</b>
<u>Movement in Reserves 2013/14</u>					
Surplus / (Deficit) on provision of services	(48,560)	0	(17,045)	(65,605)	0
Other Comprehensive Income and Expenditure	0	69,728	5,845	0	75,573
Adjustments between accounting basis and funding basis under regulations	64,033	(76,254)	17,045	81,078	(93,299)
Transfers to / (from) Earmarked Reserves	(14,576)	0	0	(14,576)	0
<b>Closing Balance at 31 March 2014</b>	<b>19,833</b>	<b>173,710</b>	<b>5,845</b>	<b>19,833</b>	<b>235,423</b>

Note 1, Adjustments between Accounting Basis and Funding Basis under Regulations, has been adjusted to reflect the additional depreciation charged in year and the additional loss on disposal of non current assets.

Accounting for Schools: Impact on Balance Sheet

The balance sheet was restated to include the asset valuations for the Voluntary Aided and Foundation Schools as at 1 April 2013 as well as the in year transactions for depreciation, academy transfers and asset revaluations as at 31 March 2014 totalling £71.775m. Further adjustments were required to the Revaluation Reserve of £6.772m and the Capital Adjustment Account of £65.003m.

## Statement of Accounts 2014/15

Balance Sheet (showing only those figures impacted by the change)	Original 31 March 2014 £000	Adjustment £000	Restated 31 March 2014 £000
Property, Plant and Equipment	752,998	61,712	<b>814,710</b>
Other Net Assets (not affected by restatement)	(498,154)	0	<b>(498,154)</b>
<b>Net Assets</b>	<b>254,844</b>	<b>61,712</b>	<b>316,556</b>
<b>Usable Reserves</b>	<b>81,134</b>	<b>0</b>	<b>81,134</b>
Revaluation Reserve	189,189	5,845	195,034
Available for Sale Financial Instruments Reserve	432	0	432
Capital Adjustment Account	384,568	55,867	440,435
Capital Receipts Deferred	1,017	0	1,017
Financial Instrument Adjustment Account	(1,761)	0	(1,761)
Pensions Reserve	(388,432)	0	(388,432)
Collection Fund Adjustment Account	(4,666)	0	(4,666)
Accumulated Absences Account	(6,637)	0	(6,637)
<b>Unusable Reserves</b>	<b>173,710</b>	<b>61,712</b>	<b>235,422</b>
<b>Total Reserves</b>	<b>254,844</b>	<b>61,712</b>	<b>316,556</b>

Note 6, Property, Plant and Equipment, has been adjusted to show a revised opening balance as well as the revised in year transactions for asset disposals and depreciation charged in year.

### Accounting for Schools: Impact on Cash Flow Statement

The changes in accounting for schools adjustments to the Comprehensive Income and Expenditure Statement also have an impact on the Cash Flow Statement as disclosed in the table below:-

Cash Flow Statement (showing only those figures impacted by the change)	Original 2013/14 £000	Schools Accounting Restating Adjustment £000	Restated Figure £000
Net surplus / (deficit) on the provision of services	(48,560)	(17,045)	(65,605)
Adjustment to surplus or (deficit) on the provision of services for non-cash movements	122,282	17,045	139,327
Adjust for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	(56,275)	0	(56,275)
<b>Net cash flows from operating activities</b>	<b>17,447</b>	<b>0</b>	<b>17,447</b>
Net cash flows from investing activities	(22,295)	0	(22,295)
Net cash flows from financing activities	(1,804)	0	(1,804)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(6,652)</b>	<b>0</b>	<b>(6,652)</b>

Note 16, Cash Flow Statement - Operating Activities, has also been adjusted for the depreciation charged in year and the carrying amount of non-current assets sold.



### 33. Private Finance Initiative and Similar Contracts

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

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

The Cheshire East sites are based at Crewe, Handforth and Middlewich; there are additional sites at Winsford and Ellesmere Port which are operated by Cheshire West & Chester. These facilities will not revert to the Council at the end of the contract although it will have the option to purchase them at that time.

#### PFI Assets

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

#### PFI Liabilities

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

2013/14 £000	Allocation of Unitary Payment	2014/15 £000
(16)	Service Charge	175
1,903	Financing Costs	1,636
180	Contingent Rents	58
620	Liability Repayment	501
10	Lifecycle Costs	296
<b>2,697</b>	<b>Total</b>	<b>2,666</b>

	Principal Payments	Capital Costs	Interest	Service Charge	Total
	£000	£000	£000	£000	£000
Amounts due in 2015/16	544	294	1,672	175	<b>2,685</b>
Amounts due 2016/17 – 2019/20	2,671	1,082	6,501	693	<b>10,947</b>
Amounts due 2020/21 – 2024/25	4,156	1,800	7,044	1,181	<b>14,181</b>
Amounts due 2025/26 – 2029/30	5,124	2,295	5,755	1,630	<b>14,804</b>
Amounts due 2030/31 – 2034/35	6,309	3,235	3,636	2,327	<b>15,507</b>
Amounts due 2035/36 – 2039/40	6,767	2,048	1,811	1,525	<b>12,151</b>
<b>Total</b>	<b>25,571</b>	<b>10,754</b>	<b>26,419</b>	<b>7,531</b>	<b>70,275</b>

The above tables disclose the total payments the Council is committed to paying in respect of the service element of the PFI scheme, on the basis of a Retail Price Index (RPI) increase of 2.5% each year. At the current inflation rate the payments that the Council would be committed to, in respect of the service element until the end of the contract life, would be £5.3m. The impact of future RPI is £2.2m.

The Council has assumed that the Council's Unitary Payments are the primary means by which the PFI operator is recovering the costs of constructing the assets and that any third party income generated through operating the sites is instead used to subsidise the schemes operational running costs, in effect reducing the service charges.

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

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

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

### 34. 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 £482.6m received from Government Departments is set out in the subjective analysis in Note 19;
- Business Rates Fixed Fee Tariff Payments of £28.3m shown in Collection Fund revenue account, Note 4.

#### Other Public Bodies

The Council undertakes significant transactions with the Cheshire Police and Crime Commissioner (£21.1m) and Cheshire Fire and Rescue Service (£9.5m). These relate to the payment of Council Tax income collected on behalf of these bodies, these values are disclosed in the Collection Fund Account and amount to collection of Council Tax and payment over of Precepts.

The Council pays Cheshire Fire and Rescue Service £1.4m in relation to business rates collected on behalf of that body and paid over in accordance with the percentage share set under the Business Rates Retention Scheme.

The Council also undertakes transactions with the Pension Fund in the form of contributions to fund future Pension payments for Council employees (2014/15 payments were £26.7m). Details of these transactions are disclosed in Note 29. The Pension Fund is administered and governed independently of the Council to avoid the potential for undue influence to be exerted.

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

The Council also carries out a small element of its services in partnership with Cheshire West & Chester Council. In 2014/15 the Council spent £347,000 delivering services jointly with Cheshire West & Chester.

## 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 2014/15 Members and officers held interests (by way of Board membership) in the following active wholly-owned subsidiary companies of Cheshire East Council:

- Councillor John Hammond - Ansa Environmental Services Limited
- Councillor Steven Hogben – Ansa Environmental Services Limited
- Councillor Roger West – Ansa Environmental Services Limited
- Councillor Damien Druce – East Cheshire Engine of the North Limited (Resigned 11 May 2015)
- Councillor David Newton - East Cheshire Engine of the North Limited
- Councillor Andrew Thwaite - East Cheshire Engine of the North Limited (Resigned 11 May 2015)
- Councillor Peter Groves - East Cheshire Engine of the North Limited (resigned 9 May 2014), Tatton Park Enterprises Limited (resigned 9 June 2014)
- Council Officer Darren Lawless – East Cheshire Engine of the North Limited
- Councillor Penelope Butterill - Orbitas, Bereavement Services Limited
- Councillor David Marren - Orbitas, Bereavement Services Limited
- Councillor Lesley Smetham - Orbitas Bereavement Services Limited
- Council Officer Anita Bradley – East Cheshire Engine of the North Limited (resigned 16 October 2014), Tatton Park Enterprises Limited (appointed 2 June 2014, resigned 4 February 2015)
- Councillor William Macrae - Tatton Park Enterprises Limited
- Councillor Peter Raynes - Tatton Park Enterprises Limited (Resigned 11 May 2015)
- Councillor George Walton - Tatton Park Enterprises Limited (appointed 9 June 2014)
- Council Officer Brendan Flanagan - Tatton Park Enterprises Limited

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

- Councillor Derek Bebbington – Cheshire East Energy Limited (appointed 12 June 2014)
- Councillor Peter Mason – Cheshire East Energy Limited (appointed 12 June 2014) (Resigned 31 May 2015)
- Councillor David Brown – Cheshire East Residents First Limited (appointed 10 April 2014)
- Councillor David Topping – Cheshire East Residents First Limited (appointed 10 April 2014 resigned 11 May 2015)
- Councillor Olivia Hunter – Civicance (appointed 8 May 2014, resigned 30 June 2015)
- Councillor Andrew Kolker – Civicance (appointed 8 May 2014)
- Councillor Derek Hough – Transport Service Solutions Limited (appointed 30th May 2014)

- Councillor Peter Groves - Transport Service Solutions Limited (resigned 30 May 2014)
- Councillor Roderick Menlove – Transport Service Solutions Limited (resigned 1 June 2015)  
Cheshire East Energy Limited (appointed 1 June 2015)
- Councillor Gail Wait – Transport Service Solutions Limited (appointed 30 May 2014)
- Council Officer Anita Bradley – Cheshire East Energy Limited (appointed 12 June 2014),  
Transport Service Solutions Limited (resigned 16 October 2014), Cheshire East Residents  
First Limited (Appointed 30 April 2014)
- Council Officer Christine Mann - CoSocius Limited (resigned 26 September 2014)
- Council Officer Judith Tench - CoSocius Limited (appointed 26 September 2014)
- Council Officer Lorraine Butcher – Cheshire East Residents First Limited (appointed 10  
April 2014)
- Council Officer Ian Bunn – Civicance Limited (appointed 20 March 2015)

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

- Councillor Michael Jones – Alderley Park Holdings Limited (appointed 27 March 2014),  
Manchester Science Partnerships Limited (appointed 27 March 2014), and Cheshire &  
Warrington Local Enterprise Partnership.
- Councillor Martin Hardy – Everybody Sport & Recreation
- Councillor Andrew Kolker – Everybody Sport & Recreation
- Council Officer Anita Bradley - Everybody Sport & Recreation (appointed 3 February 2014,  
resigned 11 September 2014)
- Councillor David Brown - Groundwork Cheshire, Plus Dane (Cheshire) Housing Trust
- Councillor William Macrae - Groundwork Cheshire
- Councillor Roger West - Peaks & Plains Housing Trust
- Councillor Paul Findlow – Local Authorities Mutual Investment Trust (appointed 23  
September 2014)
- Councillor Mo Grant – Wulvern Housing
- Councillor Peter Groves – Wulvern Housing
- Councillor Peter Mason – Wulvern Housing

## Statement of Accounts 2014/15

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

Receipts/(Payments) to Organisations where Members or their close relatives hold a personal interest	2014/15 £'000	No. of Declarations
Tatton Park Enterprises Limited	(910)	5
East Cheshire Engine of the North Limited	(775)	6
ANSA Environmental Services Limited	(25,864)	3
Everybody Sport & Recreation	(2,245)	3
Cheshire East Energy Limited	0	3
Civicance Limited	0	2
CoSocius Limited	(11,816)	2
Orbitas, Bereavement Services Limited	(1,109)	3
Transport Service Solutions Limited	(4,443)	5
Plus Dane (Cheshire) Housing Trust	(117)	1
Cheshire & Warrington Local Enterprise Partnership	(743)	1
Cheshire Peaks & Plains Housing Trust	(1,193)	1
Wulvern Housing	(345)	3

Included within current debtors and creditors at 31 March 2015 (Notes 10 and 12) 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 2015 £'000
Amounts due (to) Tatton Park Enterprises Limited	40
Amounts due (to) / from East Cheshire Engine of the North Limited	109
Amounts due (to) / from ANSA Environmental Services Limited	1,892
Amounts due (to) / from Everybody Sport & Recreation	50
Amounts due (to) / from Cheshire East Energy Limited	0
Amounts due (to) / from Civicance Limited	0
Amounts due (to) / from CoSocius Limited	23
Amounts due (to) / from Orbitas, Bereavement Services Limited	29
Amounts due (to) / from Transport Service Solutions Limited	(1,975)
Amounts due (to)/ from Plus Dane Housing (Cheshire)	(4)
Amounts due (to) / from Cheshire & Warrington Local Enterprise Partnership	(17)
Amounts due (to) / from Cheshire Peaks & Plains Housing Trust	12
Amount due (to) / from Wulvern Housing	2
<b>Net Amount due (to) / from Related Parties</b>	<b>161</b>



## 35. Interest in Other Companies and Entities

### North West Evergreen (GP) Limited Fund Partnership

Fifteen local authorities in the North West of England are limited partners in the fund known as North West Evergreen Fund Partnership. This Fund was set up to make loans to commercial property ventures in the North West to aid regeneration in the region. 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. This payment equated to £42,000 in 2014/15.

### Cheshire & Warrington Local Enterprise Partnership

Cheshire & Warrington Local Enterprise Partnership Limited is an associate company of Cheshire East Council. The company is limited by guarantee of which Cheshire East holds a 33.33% share along with the remainder held by Cheshire West & Chester Council and Warrington Borough Council in equal shares. During 2014/15 the turnover of the company was £951,000 with total recognised gains and losses of £197,975 and Net Assets of £488,745. Cheshire East Council's associate share of the profit before tax and net assets would be £65,332 and £162,899 respectively. The amounts involved are immaterial in the context of Cheshire East Council so have been excluded from the Group Accounts of Cheshire East Council.

The Local Enterprise Partnership Limited (LEP) has a board of fourteen members which is comprised 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 and acting agent



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).

### **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. It provides catering services to the Stable Restaurant and Gardeners Cottage at Tatton Park. The turnover of the company during 2014/15 was £909,744 with a net profit of nil. The company is governed via the Tatton Park Board. The financial results of Tatton Park Enterprise Limited have been excluded from the group accounts of Cheshire East Council on the grounds of immateriality.

### **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 2014/15 was £1,168,654 with a resulting net profit of nil. The financial results of East Cheshire Engine of the North Limited have been consolidated into the group accounts Cheshire East Council.

### **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. The ordinary share investment has been re-valued as at 31 March 2015 on a consistent fair value basis to £51.74 per share. The equity investment value is included in Long Term Investments Available for Sale at £893,395.

### **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. The ordinary share investment has been re-valued as at 31 March 2015 on a consistent fair value basis at £1.01 per share, giving an equity investment of £1,007,310. In addition to the equity investment Cheshire East Council have provided an interest free loan to the value of £1,100,000 which is valued on a fair value basis based on market rates for the period of the loan and is included along with the equity investment in Long Term Investments.

### **ANSA Environmental Services Limited**

On 2 October 2013 Cheshire East Council purchased one £1 ordinary share (100% interest) in ANSA Environmental Services Limited. The company commenced trading on 1 April 2014 providing Environmental Services for the Council. The turnover of the company in 2014/15 was £28,055,000 with a resulting net profit of £33,000. The results of Ansa Environmental Services are consolidated into the Group accounts of Cheshire East Council.

### **Orbitas, Bereavement Services Limited**

On 24 October 2013 Cheshire East Council purchased one £1 ordinary share (100% interest) in

Orbitas Bereavement Services Limited. The company commenced trading on 1 April 2014 providing bereavement services for the Council. The turnover of the company in 2014/15 was £1,352,294 with a resulting net profit of £7,849. The results of Orbitas, Bereavement Services Limited are consolidated into the Group accounts of Cheshire East Council.

### **Transport Service Solutions Limited**

On 24 January 2014 Cheshire East Council purchased one £1 ordinary share (100% interest) in Transport Service Solutions Limited. The company commenced trading on 1 January 2015 providing transport services for the Council and for the first three months of trading to 31 March 2015 the company reported turnover of £4,389,812 with a resulting loss of £8,508 which has been consolidated into the group accounts of Cheshire East Council.

### **CoSocius Limited**

On 17 September 2013 Cheshire East Council purchased one £1 ordinary share (50% interest) in CoSocius Limited in addition to a purchase of a share premium account (50% interest) for £98,163.

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).

During 2014/15 the company made a loss before tax of £1,712,935 which included pension charges amounting to £920,000 which have been deducted before calculating Cheshire East's share of the resultant loss (£792,000 \*50%) £396,000. Full provision has been made for the Cheshire East Council's share of loss of £396,000 (see Note 4) by reducing the initial investment of £98,164 to nil and creating an impairment provision against the £2,500,000 working capital loan made to CoSocius Limited for the balance of £297,836. The Pension charges have been deducted before determining the loss because the pension liabilities of CoSocius Limited employees are guaranteed as a contingent liability by Cheshire East Council (see Note 36, Contingent Liabilities).

### **Cheshire East Residents First Limited**

On 10 April 2014 Cheshire East Council purchased one £1 ordinary share in Cheshire East Residents First Limited for £1 which became a wholly owned subsidiary of Cheshire East Council. The company was dormant during 2014/15 however with effect from 1 April 2015 the company purchased from Cheshire East Council an 80% interest in the following subsidiaries Ansa Limited, Orbitas Limited, Transport Service Solutions Limited, Engine of the North Limited and Civicance Limited.

### **Civicance Limited**

On 8 May 2014 Cheshire East Council purchased one hundred ordinary shares in Civicance Limited for £0.01. The company was dormant until 1 April 2015 when Cheshire East Residents First Limited purchased 80% of the ordinary share capital from Cheshire East Council thereby giving Cheshire East Residents First Limited an 80% share in Civicance Limited reducing the Cheshire East Council share to a 20% minority interest.

## Cheshire East Energy Limited

On 12 June 2014 Cheshire East Council purchased one £1 ordinary share in Cheshire East Energy Limited (100% Interest). The Company is currently dormant.

## 36. Contingent Liabilities and Contingent Assets

There were no contingent assets at the balance sheet date. Contingent Liabilities are outlined below.

### 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 had previously been created to provide capacity to perform reviews of care customers (see Note 14) of which £0.272m had been used in 2014/15. It is anticipated the residual amount will be fully utilised to address the current backlog during 2015/16. Any further revenue implication will be covered through the Adults Service Base Budget.

### Pension Guarantees

During 2014/15 the Council launched a number of arms-length organisations who provide services either to or on behalf of the Council. These organisations have largely been created by TUPE transferring staff from the Council to the relevant companies and these staff will have future pension entitlements. The companies became associated members of the Cheshire Pension Scheme on creation and took on responsibility for funding these future pension costs; in return they were given a share of the Council's pension assets from which to fund these costs.

As a result of fluctuations in asset returns and demographic factors the value of the assets transferred may prove insufficient to meet future liabilities for some companies. In recognition of this, the Council has given each company (and the Pension Fund) a pension guarantee that means it would step in should a company be unable to meet its pension funding obligations or provide additional funding should future pension costs rise for reasons outside the control of the company.

The likelihood of this risk materialising will be dependent on future investment returns and the performance of the Pension Fund over an extended period. At present the companies are identifying pension deficits within their financial statements of approximately £14m, these are however based on relatively prudent assumptions under FRS102 or IAS19. A better indication of the likelihood that any pension guarantees may be triggered will come from the triennial valuation of the fund, the next instance of which is due in 2017.

## 37. Events after the Reporting Period

These accounts have been authorised for issue by the Chief Operating Officer on 30 September 2015 and reflect all known post-balance sheet events affecting the financial statements for the financial year 2014/15 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 2015, 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**

With effect from 1 April 2015 Cheshire East Council sold 80% of its 100% holding in Ansa Environmental Services Limited, Orbitas Bereavement Services Limited, Transport Service Solutions Limited, Engine of the North Limited and Civance Limited to a newly created company Cheshire East Residents First Limited (CERF Limited). Cheshire East Council has retained its 20% minority interest in each of the subsidiaries. Cheshire East Residents First Limited was incorporated on 10 April 2014 and is a wholly owned subsidiary of Cheshire East Council.

On 6 January 2015 the Cabinet approved the transfer the functions of building control and Planning Support to Civance, a wholly owned company of Cheshire East Council. Civance provides planning consultancy services including building control; local land charges; Street Naming and Numbering and planning support to companies, designers and developers working in the built environment. Civance was launched on the 1 April 2015 and became an 80% subsidiary of Cheshire East Residents First Limited with Cheshire East retaining a 20% minority interest.

### 38. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council’s balance sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Valuations	The Council carries out an asset valuation and asset life assessment each year on selected asset categories based on its assessment of risk determined by market conditions and asset use.	A 1% fall in property values would result in a reduction of £8m in the value of property held on the balance sheet. If asset lives were to reduce by 10% there would be an increase in the annual depreciation charge of £3.5m.
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 10%, or £131.8m.  A sensitivity analysis is included in Note 29, Defined Benefit Pension Schemes.
Arrears	At 31 March 2015, the Council had a balance of sundry debtors of £27.5m. A review of balances has been carried out and an impairment provision for doubtful debts of 12.58% has been made in accordance with the accounting policy set out in Note 42. (2014 12.80%).	Sundry Debt levels have increased compared to 2014. If Collection Rates were to deteriorate during 2015/16 so that the % provision for bad and doubtful debts increased by (12.80%-12.58%) 0.22% then a further provision of £0.06m would be required.
Business Rates Appeals	The 2014/15 Accounts include estimates of the potential costs that may arise as a result of appeals lodged against non-domestic rate charges by local organisations. A total provision of £12.1m (increase of £5.401m from 2013/14) has been set aside based on details of outstanding claims provided by the valuation agency, analysis of historical trends in appeal outcomes and local knowledge. The Cheshire East Council share of this provision is 49% (£5.932m).	If the actual outcomes from these appeals result in higher or lower costs then there would be a corresponding increase in the collection fund deficit charged to the taxation and non specific grant income line of the comprehensive income and expenditure statement. This deterioration would be recorded against the collection fund adjustment account for one year before being transferred to the general fund the next. A 10% increase in costs from appeals would reduce net income by the Council’s proportionate share £0.3m

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

### 39. Critical Judgement in Applying Accounting Policies

In applying the accounting policies set out in Note 42, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statements of Accounts are:

#### Group Accounts

An assessment of the Council's interests has been carried out during the year in accordance with the Code of Practice to determine the Group relationships that exist. Inclusion in the Group is dependent upon the extent of the Council's control over the entity as demonstrated through ownership, such as a shareholding in an entity or representation on an entity's board of directors.

The Council did not prepare Group accounts up until 31 March 2014, despite having 100% interests in Tatton Park Enterprises Limited and Engine of the North Limited and a 33.33% interest in Cheshire & Warrington Local Enterprise Limited. This recognised that the aggregated size of these companies was not material compared to Cheshire East Council.

From April 2014, as part of the strategy to commission services from outside of the Council the following companies were set up as wholly owned subsidiaries, where the Council has a 100% voting interest and the power to control:

- Ansa Environmental Services Limited – trading commenced 1 April 2014
- Orbitas, Bereavement Services Limited – trading commenced 1 April 2014
- Transport Service Solutions Limited – trading commenced 1 January 2015

The Council acquired a 50% joint venture interest in CoSocius Limited which commenced trading with effect from 1 May 2014. The board of CoSocius Limited comprises equal numbers of Council Officers from both Cheshire West & Chester Council and Cheshire East Council with equal voting rights. Both Councils have equal rights to the net assets of the arrangement.

During 2014/15 the Council transferred the provision of its sport and leisure services to Everybody Sport & Recreation Leisure Trust. These services are now provided under contract by the Trust which operates as a charitable trust limited by guarantee. The Trust has its own board of trustees and management structure which operates independently of the Council.

In accordance with the assessment of both the qualitative and quantitative factors the Group accounts of Cheshire East Council include the combined results of Ansa Environmental Services Limited, Orbitas, Bereavement Services Limited, Transport Service Solutions Limited, Engine of the North Limited and the Council's share of CoSocius Limited on a joint venture equity basis.

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

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



## Private Finance Initiative

The Council has one PFI contract for extra care housing. It has determined that it substantially controls both the service provided from and the residual value of the assets used to deliver the contract. Consequently, the assets relating to the Extra Care Housing scheme (£17.5m) have been recognised on the balance sheet as property, plant and equipment, in accordance with IFRIC12. Details of the values of these assets are disclosed in Notes 6 (PPE) and 33 (PFI).

## Accounting for Schools:

### Consolidation

- In line with Accounting Standards and the Code on group accounts and consolidation, all maintained schools in the Borough are considered to be entities controlled by the Council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts.
- The transactions relating to the income and expenditure for schools are included in the Comprehensive Income and Expenditure Statement under Education and Children's services, this treatment is consistent with previous years, see Accounting Policy 42(aa).

### Balance Sheet Recognition of Schools

- The Council recognises the land and buildings used by schools in line with the provisions of the CIPFA Code of Practice. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises the schools' land and buildings on its balance sheet where it directly owns the assets, the school or school Governing Body own the assets, or rights to use the assets have been transferred from another entity.

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

IAS 16 determines that an asset shall be recognised on the balance sheet if:-

- It is possible that the future economic benefits or service potential associated with the item will flow to the authority, that is the authority does not have to own the item but have gained the rights to generate cash from the item or to use it for the provision of services;
- The cost of the item can be measured reliably; where costs are identifiable and not an integral part of some wider expenses.

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



This exercise resulted in an additional 31 schools meeting the criteria for inclusion on the Council’s balance sheet with a net book value of £50.4m; taking account of 20 disposals in years 2013/14 and 2014/15 this resulted in a total number of 108 maintained schools included on the balance sheet as at 31 March 2015.

The re-instatement resulted in an initial increase of asset value of £72.9m and includes transactions in years 2013/14 and 2014/15 for disposals (£48.4m); depreciation (£12.9m); revaluation increases (£9.5m); capital expenditure (£2.8m) and de-recognition of components (£1.3m). This results in an overall net movement of £23m on the value of maintained schools as shown in the following table.

School Type	31 March 2014		31 March 2015	
	(Prior to Restatement)		No	£m
	No	£m		
Community	75	206.6	67	180.8
Voluntary Controlled	13	13.3	10	11.8
Voluntary Aided	26	0.6	24	27.9
Foundation	0	0.0	7	23.0
<b>TOTAL</b>	<b>114</b>	<b>220.5</b>	<b>108</b>	<b>243.5</b>

### Transfers to Academy Status

- By 31 March 2015, 72 Academies had been created from schools which were formerly funded by Cheshire East Council; an increase of eighteen since March 2014. While the Council remains responsible for ensuring that the children attending these schools continue to receive a good quality education, it is no longer responsible for the operation of the Schools and does not provide direct funding.

All buildings that were formerly held by the Council have been leased over to the new Academies on long term leases for peppercorn rent; as such they have been removed from the Council’s Non-Current Assets. The costs of this are shown as a loss on disposal in the Consolidated Income and Expenditure Statement. The transfer of assets to the Academy is recognised on the date that the Academy is formally created, not the date the school receives approval to become an Academy. Until the later date the school continues to be run by the Council and could choose to retain its current status.

#### 40. Accounting Standards Issued but yet to be Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 has introduced the following changes in accounting policies which will be required from 1 April 2015:

- **IFRS 13 Fair Value Measurement:** This introduces a requirement for the concept of fair value measurement to be applied to all assets and liabilities which use fair value as a measurement basis. In respect of property, plant and equipment the only change is in the valuation of surplus property. Currently surplus property is valued at existing use value before being reclassified as surplus assets. In future, surplus assets will be valued at fair value. This standard will not have a material impact on the Statement of Accounts.
- **IFRIC 21 Levies:** This clarifies the recognition point for payment of levies as the activity which triggers the payment of the levy. This standard will not have a material impact on the Statement of Accounts.
- **Annual Improvements to IFRS 2011-2013 Cycle:** These improvements are minor and will not have a material impact on the Statement of Accounts.

#### 41. Acquired and Discontinued Operations

There have been no acquired or discontinued operations during 2014/15.

#### 42. Accounting Policies

##### General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its balance sheet position as at 31 March 2015. 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 2014/15 and the CIPFA Service Reporting Code of Practice (SeRCOP) 2014/15, 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.

#### **42(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 estimates are accounted for prospectively and do not give rise to a prior period adjustment. Corrections are made for errors where failure to do so would materially misrepresent the Council's financial position.

#### **42(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.

#### **42(c) Accounting for Non-Domestic Rates (NDR)**

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

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

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

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

#### **42(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 determined by the contract;
- Where income or expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. The Council's policy is to provide in full for the non-payment of all debts over 6 months old unless a payment arrangement is in place or the debt is otherwise secured;
- Where income has been received in the year in relation to activities to be carried out in the following financial year, a receipt in advance is recorded in the balance sheet;
- Where payment has been made in relation to activities to be carried out in the following financial year, a payment in advance is recorded in the balance sheet;
- Severance costs arising from redundancies agreed on or before the balance sheet date are accrued in the accounts;
- Non-exchange transactions are recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council and the amount of revenue can be measured reliably.

#### **42(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 evidence that a debt held within the accounts exceeds the recoverable amount, the value of that debt is impaired.

Specific government grants such as Rent Allowances are accrued based on data produced from the Council's benefits system at 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).

#### **42(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.

#### **42(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.

#### **42(h) Contingent Assets and Liabilities**

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

A contingent liability is:

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

- a present obligation that arises from past events but is not recognised because:
  - a) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or
  - b) the amount of the obligation cannot be measured with sufficient reliability.

#### **42(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 in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognised costs for a restructuring.

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

Details of Termination Benefits are contained in Note 24.

##### **Post-Employment Benefits**

Local authorities are required by the Code to account for post-employment benefits in accordance with IAS18 'Employee Benefits as amended in 2011'. Most employees of the Council participate in one of three pension schemes which meet the needs of employees in particular services (further details are provided in Notes 28 and 29 to the financial statements). These Schemes provide defined benefits to members (retirement lump sums and pensions) based on membership earned during the time that the employee was a member of the Scheme.

There are two types of scheme:



## 1) Defined Benefit Schemes

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

### ▪ Local Government Pension Scheme (LGPS)

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

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

### ▪ Teachers Unfunded Scheme (Discretionary Benefit Scheme)

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

## 2) Defined Contribution Schemes

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

The following schemes are technically defined benefit schemes. However, the Council is not able to identify its share of either Scheme's underlying surpluses or deficits with sufficient reliability for



accounting purposes. Therefore, for the purposes of this Statement of Accounts, they are accounted for on the same basis as a defined contribution scheme, with the Council's obligation being limited to the contributions payable to the Scheme for the financial year in question. No actuarial assumptions are required to measure the obligation or expense, and there are no re-measurement gains or losses.

#### ▪ **Teachers' Pensions Scheme (TPS)**

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

#### ▪ **NHS Pension Scheme**

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

### **42(j) Events after the Reporting Period**

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

### **42(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 and instant access accounts. They are shown on the balance sheet initially at fair value, then subsequently at amortised cost using the Effective Rate of Interest method. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and the

interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

- **Available for Sale Assets** are financial instruments that have a quoted market price and/or do not have fixed or determinable payments. Examples of available for sale assets used by the Council are UK Government bonds (gilts), certificates of deposit and pooled investment funds. They are initially measured and carried at fair value. Assets are maintained in the balance sheet at fair value. Values are based on the following prioritised principles:
  1. instruments with quoted market prices – the bid or market price
  2. instruments without quoted market prices but where some market prices can be observed – market price
  3. other instruments with fixed and determinable payments where no market data exists – discounted cash flow analysis.

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

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

## Financial Liabilities

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

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

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

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

## Risks Arising from Financial Instruments

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

### **42(l) 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.

### **42(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.

#### **42(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 five years to review the level of the amounts set aside in both the provision and reserve.

#### **42(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 (CIES) in the year that it is incurred. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. Intangible Assets capitalised since the formation of Cheshire East Council are amortised over 5 years.

#### **Amortisation**

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

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

#### **42(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 in accordance with the Code of Practice based on International Financial Reporting Standard 10, 11 and 12 and International Accounting Standard 27 and 28. Further details are in Note 35.

#### **42(q) Inventories**

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

#### **42(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.

#### **42(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 seven services via a shared services agreement.

The structure of the Shared Services Arrangement is that of a jointly controlled operation in accordance with International Financial Reporting Standard 11. 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.

#### **42(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.

## 42(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 2014/15(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.

## 42(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 a capital expenditure de minimis level of £10,000.

Assets are initially measured at cost, comprising the purchase price, and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Assets are then carried in the balance sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost;



- 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, District Valuation Service, Deloitte Real Estate and the Farms Estate Shared Service manager.

## Revaluations

Where assets are revalued (i.e. the carrying amount is based on fair value), revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period. The items within a class of property, plant and equipment are revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. However, a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date. Valuations shall be carried out at intervals of no more than five years.

The significant assumptions applied in estimating the fair values are:

- As defined in International Accounting Standard 16, 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 that is reasonable in relation to its fair value;
- The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to Non-Current Assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have

been recognised had they not been classified as Held for Sale) and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

### **Capital Receipts**

Capital receipts are the amounts derived from the sale of capital assets. The Capital Receipts policy is to ensure that capital receipts are used in the most beneficial way to support corporate priorities and strategic objectives of the Council. This will mean that all receipts will be pooled centrally. The policy is intended to separate the use of resources from the means of acquiring resources therefore supporting the strategic approach to capital investment. The Council has implemented a Disposals Policy as part of the Asset Management Plan; where property assets are not meeting the Council's objectives, their retention will be subject to asset challenge and a process of rationalisation and disposal for surplus/under-performing property will be adopted.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets), assets that are not yet available for use (i.e. assets under construction), investment properties carried at fair value and land where it can be demonstrated that the asset has an unlimited useful life (excluding land subject to depletion, i.e. quarries and landfill sites). It is not charged in the year of acquisition, or on revaluations in the year of revaluation. In the year of disposal, depreciation is calculated for the whole year.

Depreciation is calculated on the following bases:

- dwellings and other buildings (including surplus assets) – straight-line allocation over the useful life of the property, (ranging up to 50 years) as estimated by the valuer;
- vehicles, plant, furniture and equipment – a straight line allocation over the useful life of the asset, (ranging up to 15 years) from 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.

## **42(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 the Financing and Investment Income and Expenditure line on the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the balance sheet liability towards the PFI operator;

- operator lifecycle replacement costs – recognised as Property, Plant and Equipment on the balance sheet.

#### **42(x) 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 13.

#### **42(y) 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.

#### **42(z) 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.

#### **42(aa) Schools Accounting**

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools are now considered to be entities controlled by the Council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts. The Council has the following types of maintained schools:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation

Dedicated Schools Grant (DSG) is credited to the Comprehensive Income and Expenditure Statement within Net Cost of Service, based on amounts due from the Department for Education for 2014/15. The DSG is allocated between central Council Budget and budgets allocated to individual schools (delegated school budgets). Expenditure from central Council budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under Education and Children's services.

Individual schools' balances at 31st March 2015 are included in the balance sheet of the Council under the heading Earmarked Reserves and Balances held by Schools.

Schools Non-Current (fixed) Assets are recognised on the balance sheet where the Council directly owns the assets, where the Council holds the balance of control of the assets or where the school or the school Governing Body own the assets or have had rights to use the assets transferred to them.

Community schools are owned by the Council and have previously been recognised on the balance sheet, as well as all Voluntary Controlled Schools.

Following the introduction of the group suite of standards, the Council has included Voluntary Aided Schools and Foundation Schools on to the balance sheet as part of Property, Plant and Equipment. This reflects the value of the benefit gained by the Schools of the use of the buildings and ensures the value of the benefit for public service use is captured on the Whole of Government Accounts return.

Where schools transfer to Academies, the value of school buildings are removed from the balance sheet. Academies are accounted for separately under the Department for Education and included within their Whole of Government Accounts return.

#### **42(bb) Value Added Tax**

Income and expenditure excludes any amounts related to Value Added Tax (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 2014/15**

**Collection Fund Revenue Account**

2013/14				2014/15		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000		£000	£000	£000
(203,018)		<b>(203,018)</b>	<b>INCOME</b>			
	(134,910)	<b>(134,910)</b>	Council Tax	(205,683)		<b>(205,683)</b>
		<b>0</b>	Business Ratepayers		(137,389)	<b>(137,389)</b>
	(24)	<b>(24)</b>	Foster Carers income from General Fund	(133)		<b>(133)</b>
			Transitional Relief Protection Payment		(90)	<b>(90)</b>
(203,018)	(134,934)	<b>(337,952)</b>		(205,816)	(137,479)	<b>(343,295)</b>
			<b>Contribution towards Previous Year's Deficit</b>			
		<b>0</b>	Central Government		(3,667)	<b>(3,667)</b>
		<b>0</b>	Police and Crime Commissioner			<b>0</b>
		<b>0</b>	Fire Authority		(73)	<b>(73)</b>
		<b>0</b>	Cheshire East Council		(3,594)	<b>(3,594)</b>
0	0	<b>0</b>		0	(7,334)	<b>(7,334)</b>
			<b>EXPENDITURE</b>			
			<b>Precepts, Demands and Shares</b>			
	69,509	<b>69,509</b>	Central Government		67,590	<b>67,590</b>
21,008		<b>21,008</b>	Police and Crime Commissioner	21,074		<b>21,074</b>
9,290	1,390	<b>10,680</b>	Fire Authority	9,503	1,352	<b>10,855</b>
171,311	68,118	<b>239,429</b>	Cheshire East Council	172,072	66,239	<b>238,311</b>
201,609	139,017	<b>340,626</b>		202,649	135,181	<b>337,830</b>
			<b>Charges to the Collection Fund</b>			
593	868	<b>1,461</b>	Write-offs	451	105	<b>556</b>
674	(2,448)	<b>(1,774)</b>	Provision for Uncollectable Amounts	1,978	1,620	<b>3,598</b>
	6,703	<b>6,703</b>	Provision for Appeals		5,401	<b>5,401</b>
	562	<b>562</b>	Costs of Collection		560	<b>560</b>
1,267	5,685	<b>6,952</b>		2,429	7,686	<b>10,115</b>
<b>142</b>	<b>(9,768)</b>	<b>(9,626)</b>	<b>Surplus / (Deficit) for the Year</b>	<b>738</b>	<b>1,946</b>	<b>2,684</b>
			<b>Allocation of Surplus / (Deficit) in year</b>			
	(4,884)	<b>(4,884)</b>	Central Government		973	<b>973</b>
14		<b>14</b>	Police and Crime Commissioner	78		<b>78</b>
7	(98)	<b>(91)</b>	Fire Authority	35	19	<b>54</b>
121	(4,786)	<b>(4,665)</b>	Cheshire East Council	625	954	<b>1,579</b>
<b>142</b>	<b>(9,768)</b>	<b>(9,626)</b>	<b>Balance at the End of the Year</b>	<b>738</b>	<b>1,946</b>	<b>2,684</b>



## Collection Fund Balance Sheet

2013/14			2014/15			
Council Tax £000	Business Rates £000	Total £000		Council Tax £000	Business Rates £000	Total £000
<b>COLLECTION FUND BALANCE</b>						
(68)		<b>(68)</b>	Balance at the Beginning of the Year	74	(9,768)	<b>(9,694)</b>
142	(9,768)	<b>(9,626)</b>	Surplus / (Deficit) for the Year (as above)	738	1,946	<b>2,684</b>
<b>74</b>	<b>(9,768)</b>	<b>(9,694)</b>	<b>Balance at the End of the Year</b>	<b>812</b>	<b>(7,822)</b>	<b>(7,010)</b>
<b>Allocation of Collection Fund Balance to:</b>						
	(4,884)	<b>(4,884)</b>	Central Government		(3,912)	<b>(3,912)</b>
(33)		<b>(33)</b>	Police and Crime Commissioner	46		<b>46</b>
(14)	(98)	<b>(112)</b>	Fire Authority	21	(78)	<b>(57)</b>
121	(4,786)	<b>(4,665)</b>	Cheshire East Council	745	(3,832)	<b>(3,087)</b>
<b>74</b>	<b>(9,768)</b>	<b>(9,694)</b>	<b>Balance at the End of the Year</b>	<b>812</b>	<b>(7,822)</b>	<b>(7,010)</b>

## Notes to the Collection Fund 2014/15

### 1. Non-Domestic Rates (Business Rates)

2013/14		2014/15
£339.409m	a) Total Rateable Value at 31 March 2015	£341.764m
47.1p	b) Rate in the Pound for Year	48.2p
46.2p	c) Small Business Rate Relief	47.1p

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

2013/14 £000		2014/15 £000
171,311	a) Cheshire East Council (including Parish Precepts)	172,072
21,008	b) Police and Crime Commissioner	21,074
9,290	c) Cheshire Fire Authority	9,503
<b>201,609</b>		<b>202,649</b>

In England, billing authorities act as agents, collecting council tax on behalf of the major preceptors and itself. Council tax transactions and balances therefore need to be allocated between the billing authority and major preceptors. This means that Cheshire East Council has to remove from its Comprehensive Income and Expenditure Statement the share of the demand on the Collection Fund and any surplus or deficit in respect of the other major preceptors. Similarly, on the balance sheet the Council has to remove the share of assets and liabilities that relate to the other major preceptors, to leave only the assets and liabilities that relate to the Council.

Consequently, the other major preceptors will show their share of the demand on collection, surplus or deficit on the Fund, assets and liabilities within their own Comprehensive Income and Expenditure Statements and Balance Sheets.

### 3. General

These accounts represent the transactions of the Collection Fund that are required by Section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992).

### 4. Non-Domestic Rates (NDR) Income and Expenditure

2014/15 was the second year of the Business Rates Retention Scheme. Cheshire East is the billing authority and is entitled to retain 49% of the NDR collected with 50% being paid over to Central Government and 1% to the Fire Authority. In 2014/15, Cheshire East's share amounted to £66.239m, less share of the year end net deficit £2.639m, less fixed fee tariff payable to Central Government (amounting to £28.308m), resulting in net income to the General Fund of £35.292m. By comparison, the net income for 2013/14 was £35,438m.

## 5. Council Tax

Council Tax is a property based tax which was introduced by the Local Government Finance Act 1992. Each relevant property is allocated a Council Tax Band (A to H) upon valuation. The Billing Authority levies a council tax amount for each band within each area of the Borough, based upon its own council tax requirement, the demands made by its precepting authorities and the council tax base. The council tax base is the number of chargeable dwellings in each valuation band, converted to an equivalent number of Band D dwellings.

The following table shows the composition of the council tax for each property banding in 2014/15:

Band	Property Valuation at 1 April 1991	Cheshire East £	Police and Crime Commissioner £	Fire Authority £	Total Council Tax Payable £
A	Up to £40,000	810.89	102.14	46.06	<b>959.09</b>
B	£40,001 to £52,000	946.04	119.16	53.74	<b>1,118.94</b>
C	£52,001 to £68,000	1,081.19	136.19	61.41	<b>1,278.79</b>
D	£68,001 to £88,000	1,216.34	153.21	69.09	<b>1,438.64</b>
E	£88,001 to £120,000	1,486.64	187.26	84.44	<b>1,758.34</b>
F	£120,001 to £160,000	1,756.94	221.30	99.80	<b>2,078.04</b>
G	£160,001 to £320,000	2,027.23	225.35	115.15	<b>2,367.73</b>
H	Over £320,000	2,432.68	306.42	138.18	<b>2,877.28</b>

## 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 2014/15, this was:

Band	Number of Properties after Discount	Ratio to Band D	Band D Equivalent	Adjustment for 98.75% Collection Rate
<b>Dis</b>	70.00	5 / 9 <sup>th</sup>	38.89	38.40
<b>A</b>	18,228.31	6 / 9 <sup>th</sup>	12,152.21	12,000.30
<b>B</b>	25,725.05	7 / 9 <sup>th</sup>	20,008.37	19,758.27
<b>C</b>	27,421.11	8 / 9 <sup>th</sup>	24,374.32	24,069.64
<b>D</b>	21,759.00	1	21,759.00	21,487.01
<b>E</b>	17,382.95	11 / 9 <sup>th</sup>	21,245.83	20,980.25
<b>F</b>	12,246.16	13 / 9 <sup>th</sup>	17,688.89	17,467.78
<b>G</b>	11,237.78	15 / 9 <sup>th</sup>	18,729.63	18,495.51
<b>H</b>	1,646.26	18 / 9 <sup>th</sup>	3,292.52	3,251.37
<b>Total</b>	<b>135,716.62</b>		<b>139,289.66</b>	<b>137,548.53</b>

## 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 of Practice'), is required to present a true and fair position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2015.

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 2015 and its income and expenditure for the year ended 31 March 2015 and authorise the financial statements for issue on 30 September 2015.

***Peter Bates***

**Peter Bates** CPFA CIPD MBA  
Chief Operating Officer (Section 151 Officer) for Cheshire East Council

Dated: 30<sup>th</sup> September 2015

## Approval of Accounts

The approval of the audited accounts and the Annual Governance Statement took place at the Audit and Governance Committee on 24 September 2015.

Signed on behalf of Cheshire East Council



Councillor Lesley Smetham  
Chairman

Dated: 30 September 2015

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

### Opinion on the Authority financial statements

We have audited the financial statements of Cheshire East Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Group Movement in Reserves Statement and the Cheshire East Council Movement in Statement; the Group Comprehensive Income and Expenditure Statement and the Cheshire East Comprehensive Income and Expenditure Statement; the Group Balance Sheet and the Cheshire East Council Balance Sheet; the Group Cash Flow Statement and the Cheshire East Cash Flow Statement, and the related notes to the Group Statement of Accounts and the Cheshire East Statement of Accounts; Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Cheshire East Council as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Chief Operating Officer and auditor

As explained more fully in the Statement of the Chief Operating Officer's Responsibilities, the Chief Operating Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Operating Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to the Group Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Cheshire East Council as at 31 March 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

## Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

## Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

### *Respective responsibilities of the Authority and the auditor*

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Cheshire East Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

**Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until:

- we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack.; and
- we have completed our consideration of matters brought to our attention.

We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion.

Jon Roberts  
Partner  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

30 September 2015

Colmore Plaza  
20 Colmore Circus  
BIRMINGHAM  
West Midlands  
B4 6AT

## 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.

### Associate Companies

- This is an entity other than a subsidiary or joint venture in which the Council has a participating interest and over who's operating and financial policies the Council is able to exercise significant influence.

### Balance Sheet

This statement shows the true and fair value of the assets and liabilities recognised by the Council at the balance sheet date (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 (known as REFCUS):** Expenditure incurred that may be capitalised although it does not create a non-current asset.

## Cash and Cash Equivalents

This comprises cash in hand, cash overdrawn and short term investments that are readily convertible into known amounts of cash.

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash out flows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cashflows by providers of capital (i.e. borrowing) to the Council.

## CIPFA

The Chartered Institute of Public Finance and Accountancy is the accountancy body which recommends accounting practice for the preparation of local authority accounts.

## Collection Fund

This is a statutory fund kept separate from the main accounts of the Council and provides details of Council Tax and Non-Domestic Rate transactions of precepting authorities. As a billing authority the Council will share the risks and rewards that the amount of Council Tax and Non-Domestic Rates collected could be greater or less than that anticipated.

Collection Fund terms include the following:

- **Billing Authority:** Cheshire East Council is classed as a billing authority as it has responsibility for collecting Council Tax and Non-Domestic Rates. It collects Council Tax on behalf of Cheshire Police and Crime Commissioners, Cheshire Fire Authority and Parish Councils (also known as precepting authorities) and collects Non-Domestic Rates on behalf of central government and Cheshire Fire Authority.
- **Council Tax:** The means of raising money locally to fund local Council services. This is a property-based tax where the amount levied depends on the valuation of each dwelling.
- **Non-Domestic Rates (NDR):** Also known as business rates, NDR is collected from businesses in the Council's geographic area. The rates are set nationally by the Government.
- **Precept:** The amount the Council is required to raise in Council Tax on behalf of other local authorities, for example Cheshire Police and Crime Commissioners.

## Comprehensive Income and Expenditure Statement (CIES)

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

The CIES has two sections:

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

## Consistency

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

## Constitution

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

## Contingencies

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

### **Contingent Assets**

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

### **Contingent Liabilities**

A contingent liability is either:

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

### **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, Non-Domestic Rates, Revenue Support Grant and other Government grants, fees, charges, sales and capital receipts.

### Intangible Assets

Expenditure incurred on those assets that do not have physical substance but which are separately identifiable and provide the Council with a right of use for a period in excess of one year.

### International Financial Reporting Interpretations Committee

The IFRS Interpretations Committee is the interpretative body of the IFRS Foundation. Its mandate is to review on a timely basis widespread accounting issues that have arisen within the context of current International Financial Reporting Standards (IFRSs).

### International Financial Reporting Standards

A set of international accounting standards, stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board.

### Inventories

These assets are valued at the lower of cost and net realisable value. Inventories include:

- Materials or supplies to be consumed in the provision of services (e.g. road salt, transport fuel);
- Stocks held for sale or distribution (e.g. publications, leaflets).

### Valuation Definitions:

- **Average Cost:** Where goods such as stocks may be purchased at different times and at different prices, an average cost is calculated to give a value to goods held at the balance sheet date.
- **Cost:** Purchase price, costs of conversion and other costs in bringing the inventories to their present location and condition.
- **Net Realisable Value:** the estimated selling price of an asset after all the costs attributed to bringing an asset to a point at which it can be sold, have been deducted.

- **Work in Progress:** The value of rechargeable work which has not been recharged at the end of the financial year.

### Investment Properties

Assets which are held with a view to providing income, capital appreciation or both. Examples of investment properties are:

- Land held for long term capital appreciation;
- A building held under a finance lease and rented out;
- A property under construction or development / redevelopment for future use as an investment property.

### Investments

Short-term investments comprise deposits of temporary surplus funds with banks or similar institutions. Long term investments comprise similar funds held for a period of more than one year.

### Joint Venture

A Joint Venture is an arrangement under which two or more parties have contractually agreed to share control, such that decisions about the activities of the arrangement are given unanimous consent from all parties. The Council has one joint venture, CoSocius Limited which is included in the Group accounts.

### Leasing

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

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

### Loans and Receivables

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

### Long Term Borrowing

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

### Materiality

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

### Minimum Revenue Provision (MRP)

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

## Movement in Reserves Statement (MiRS)

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

## Non Distributed Costs

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

## Pensions

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

- **Actuarial Assumptions:** Assumptions made by the Pension Fund Actuary in valuing the Fund's assets and liabilities.
- **Actuarial Gains and Losses:** A combination of the effects of changes in actuarial assumptions and experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred, including reflection of any funding valuation which has taken place since the last report).
- **Actuarial Valuation:** The valuation of the Pension Fund's assets and liabilities. The Actuary then calculates how much needs to be paid into the Fund by both the employer and contributing members to ensure there will be adequate funds to pay pensions when they become due.
- **Actuary:** An independent qualified professional who is engaged in the valuation of pension scheme assets and liabilities. The Local Government Pension Scheme Actuary reassesses the rate of employer contributions to the Pension Fund every three years.
- **Current Service Cost:** The increase in the present value of the defined benefit obligation resulting from employee service in the current period.
- **Curtailments:** costs arising from early payment of accrued pensions in respect of any redundancies during the year.
- **Deferred Benefits:** A future benefit which is being paid for in the current accounting period.
- **Defined Benefit Obligation:** the liability of a pension scheme, as shown on the balance sheet
- **Defined Benefit Pension Scheme:** A pension scheme which is constructed to provide pre-determined pension benefits for retired members, with employers' and employees' contribution rates being calculated based on actuarial assumptions.
- **Defined Contribution Pension Scheme:** A pension scheme where the level of benefits depends on the value of the contributions paid in respect of each member and the investment performance achieved on those contributions.
- **Net Interest Expense:** The increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to payment.
- **Net Defined Benefit Liability:** the difference between the fair value of the scheme assets and the present value of the defined benefit obligation, shown as either an asset or liability on the balance sheet (depending on whether a surplus or deficit).
- **Past Service Cost:** The increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

- **Projected Unit Credit Method:** An accrued benefits valuation method in which the Fund liabilities make allowance for projected earnings.
- **Remeasurement Gains/Losses:** changes in the balance sheet value of a scheme liability relating to year on year changes in the assumptions applied by the actuary.
- **Settlements:** liabilities settled at a cost materially different to the IAS 19 reserve during the year.

### Prepayments

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

### Prior Period Adjustments

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

### Private Finance Initiative (PFI)

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

### Property, Plant and Equipment (PPE):

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

#### Key Definitions used for PPE:

- **Accumulated Depreciation:** The cumulative accounting estimate (excluding the current year) relating to the consumption of a non-current asset.
- **Amortisation:** The process of writing down capitalised expenditure (usually on intangible assets) to the Cost of Services over the estimated useful life of the asset.
- **Community Assets:** Assets that the Council intends to hold in perpetuity, that have no determinable finite useful life and in addition may have restrictions on their disposal (e.g. parks and historic buildings).
- **Depreciated Historic Cost:** The value of an asset shown in the balance sheet calculated from the original cost less depreciation to date.
- **Depreciation:** The process of writing down capitalised expenditure (usually on Plant and Equipment) to the Cost of Services over the estimated useful life of the asset.
- **Disposals:** the value of assets which have been disposed of or decommissioned.
- **Existing Use Value (EUV):** The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing. The fair value of land and buildings is to be interpreted as the amount that would be paid for an asset in its existing use.
- **Gross Book Value:** The historical cost or the revalued amount of the asset before depreciation.
- **Infrastructure Assets:** Cheshire East Council's network of roads, pavements, and bridges included within Property, Plant and Equipment.
- **Net Book Value:** The amount at which assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.
- **Net Current Replacement Cost:** The estimated cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its

replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

- **Net Realisable Value:** The expected proceeds from the sale of an asset when sold on the open market between a willing buyer and a willing seller less all the expenses incurred in selling the asset.
- **Rateable Value:** The annual assumed rental value of a property that is used for business purposes.

### Provisions

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

### Receipts in Advance

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

### Related Party

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

### Reserves

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

- **Usable Reserves:** These include the revenue and capital resources at the Council's disposal which can be used to fund expenditure or reduce local taxation. Usable reserves include:
  - Capital Receipts Reserve
  - Capital Grants Unapplied
  - Reserves and Balances Held by Schools
  - General Fund Earmarked Reserves (various)
  - General Fund Reserve.
- **Unusable Reserves:** These include unrealised gains and losses, particularly in relation to the revaluation of property, plant and equipment where the value of the asset would only become available to fund the provision of services if the asset was sold. Also included are adjustment accounts used to absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure. Unusable Reserves include:
  - Revaluation Reserve
  - Available for Sale Financial Instruments Reserve
  - Capital Adjustment Account
  - Capital Receipts Deferred
  - Financial Instrument Adjustment Account
  - Pensions Reserve
  - Collection Fund Adjustment Account
  - Accumulated Absences Account.

## **Revenue Expenditure**

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

## **Section 151 Officer**

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

## **Share Accruals**

These are the proportional amounts of Net Profit / (Loss) which are shared in accordance with the profit sharing agreement made between Cheshire East Council and its subsidiary and or joint venture entities.

## **Shared Services**

This is a process of merging functions with other organisations to streamline mainstream services, standardise functions and deliver more efficient and effective services. This also enables the Council to have greater leverage and buying power within government.

## **Slippage**

This is when delays occur in capital works and therefore payments are not made in the financial year originally anticipated.

## **Subsidiary**

This is an entity over which the Council is able to demonstrate it has control, such as a shareholding or representation on the entity's Board of Directors.

## **Surplus**

Arises when income exceeds expenditure or when expenditure is less than available budget.

## **Surplus Assets**

Property, plant and equipment held by the Council which are not currently used in the provision of Council services.

## **'The Code'**

The Code is a code of practice on Local Authority accounting that has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. The Code is based on International Financial Reporting Standards (IFRS), on which local authority accounts are now required to be based.

## **Transfer Payments**

Relates to payments for which no goods or services are received by the Council e.g. rent allowances.

## **Trust Funds**

Accounts for which the Council acts as trustee but for which it is not financially responsible and does not own. These amounts are not included within the Council's balance sheet.