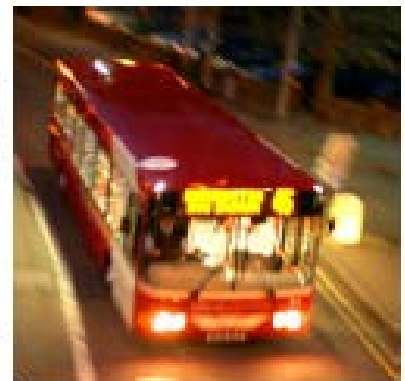


WARRINGTON Borough Council



2016/17 Statement of Accounts



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NARRATIVE REPORT

Message from the Director of Corporate Services - Lynton Green

This Narrative Report provides information about Warrington Borough Council, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position at 31 March 2017 and is structured as below:

1. An Introduction to Warrington
2. Performance Commentary for 2016/17
3. Financial Performance
4. Principal Risks and Uncertainties
5. Impact of BREXIT
6. Explanation of the Financial Statements
7. Receipt of Further Information
8. Acknowledgements

AN INTRODUCTION TO WARRINGTON

The Borough of Warrington was formed in 1974 and became a Unitary Authority in 1998. Warrington covers an area of 70 square miles (181.8 square kilometres) between Manchester and Liverpool at the centre of the North West region's communications network. The M6, M56 and M62 motorways intersect within the borough, connecting it to all parts of the region and beyond. The borough also lies on the main north-south (West Coast Main Line) and east-west (Trans-Pennine) rail routes. It is close to both Manchester International and Liverpool John Lennon Airports.

The number of people living in Warrington is 207,700 representing a 5.6% increase over the last 10 years (7.1% Non-White British and 94.3% born in the UK according to the last Census 2011).

There are 92,223 households. At the time of the last Census it is estimated 30.9% are households with dependent children, 71.6% are owner occupied, 0.7% shared ownership, 15.6% rented from a social landlord and 12.1% privately rented / living rent free.

There are around 7,760 business enterprises employing over 122,000 people. The unemployment rate in Warrington is low at 3.4%, compared to the Northwest (5.0%) and all England (5.1%) (2015). This reflects well-diversified employment options, with Business Administrative and Support Services making up the largest share of employment at 15% (Broad Industrial Categories). There is a nuclear industry cluster and a number of back office operations, specifically call centres, located in the borough.

Warrington benefits from high employment rates, employment growth and low unemployment that point to well-functioning labour markets, where demand for workers among employers is high. Southern cities tend to perform better than cities elsewhere. The 2016 Centre for Cities report ranks Warrington in its top ten locations

best placed to drive national economic growth. The magnitude of this ranking is underlined by Warrington being the only location outside the south of England to feature in the top ten with a rate of 78.5%. Warrington has the fourth highest ratio of Private to Public sector jobs, at 3.9% - the only city outside the South of England. In addition, the number of residents who hold formal qualifications is 94.5 per cent - joint eighth nationally (Cities Outlook 2017).

The Council's operating revenues amounted to £453.491m in 2016/17. However, a sizeable chunk of this is related to services that are essentially pass-through. For instance, the central government funds £111.342m (note 19) that the Council spends on children and education services and nearly half of adult social care costs are borne by the central government. As a result the Council had direct responsibility for a budget of £141.092m in 2016/17.

Council tax of £85.014m (note 12) in 2016-17 funds approximately one half of the direct budget requirement. Council taxes were increased 1.98% in 2016-17, as they have been over the last three years, just below the 2% limit above which local authorities are required to hold a referendum for approval. Band D Council Tax (excluding precepts) was £1,253.50 in 2016/17. In 2016/17 the Government allowed councils to apply an additional 2% levy on council tax to fund Adult Social Care pressures. This raised an additional £1.6m for the Council to spend specifically on adult social care.

Revenue Support Grant (Government Funding) declined to £24.932m in 2015-16 from £34m the previous year. The 2016-17 year saw further declines to £17.192 million and this revenue source will continue to decline and be completely eliminated in 2020/21, creating financial pressures for all local authorities. Due to cuts in Government funding the Council have made £66m (16/17 £20.5m; 15/16 £15.5m; 14/15 £16.2m; 13/14 £13.9m) of savings over the previous four years and plan to make a further £30m of savings over the four year period from 2017/18.

However, Revenue Support Grant accounts for just 12% of total revenues for the Council, which is a lower level than peers. Business rates are the third largest source of own-source funding and amounted to £29.694 million in 2015-16. In 2016-17, this increased to £29.823m (note 12). The government have announced that local authorities will be keeping 100% of business rates, as opposed to the 50% (with top-ups and tariffs), they now retain. This would be positive for the Council as they currently must make tariff payments and retain less than 50% of what they receive. However, the details of this policy have not been disclosed and so we currently cannot assess the exact impact on the Council.

Given the continuing loss of Revenue Support Grant, the Council will need to continue to make efficiency savings. To support this, the Council has progressed with outcome based budgeting for 2016-17. As a result of on-going reductions in government funding, expenditure savings are critical to continued financial viability. The Council has targeted reductions in expenditures via changing service delivery models, specifically by increasingly delivering services on line rather than in person, efficiency savings and sharing services with other local Councils. On a long term planning basis, the Council is focusing on growing Council tax revenues and business rates with its proactive economic regeneration strategy.

Warrington Borough Council employs 6,076 people (2,745 WBC, 3,331 schools) and within Warrington there is one public sector employee to every 4 private sector employees.

The Local Government Boundary Commission for England (LGBCE) carried out a boundary review during 2016. As consequence of this the Council moved to 58 elected members, a rise of one; but the number of wards remained the same at 22.

Following the local “all out election” held on 5 May 2016 the membership of the Council is:

- 45 Labour Councillors
- 11 Liberal Democrat Councillors
- 2 Conservative Councillors

The Council has adopted the Leader and Executive Board 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 Executive Board, the allocation of Portfolios and the delegation of Executive Functions.

Supporting the work of elected Members is the organisational structure of the Council headed by the Strategic Management Team (SMT), led by the Chief Executive Professor Steven Broomhead. The Council is divided up into three Directorates (Economic Regeneration Growth and Environment, Resources and Strategic Commissioning and Families and Wellbeing).

As the financial statements demonstrate, the financial standing of the Council continues to be robust. We have established good financial management disciplines, processes and procedures and, recognising that we operate in an environment of continuous change, we will pursue our drive for on-going improvement and excellence.

PERFORMANCE COMMENTARY FOR 2016/17

Warrington Council’s vision is set out in its corporate strategy 2015-18:

‘We will work together with our residents, businesses and partners to make Warrington a place where everyone can thrive.’

The strategy makes four pledges to Warrington’s residents:

- Protect the most vulnerable
- Grow a strong economy
- Build strong, active and resilient communities
- Create a place to be proud of

A set of key indicators was determined for 2016-17 and targets were set for each of these. In addition, there are a number of key projects underway in line with these priorities.

Protect the Most Vulnerable

In 2016/17 76.2% of older people accessing the re-ablement service were at home 91 days after their discharge from hospital. This figure relates to 419 people out of 550 people. This is below the target of 83.5%.

The (AQuA) NHS and Local Government Quality and Efficiency Scorecard for Frail Elderly regional benchmarking report showed Warrington as one of the best performing authorities across the region. These indicators include measures of non-elective admissions, re-admission rates, delayed transfer of care (bed days) and permanent admissions into residential care. Across the 7 measures, Warrington consistently ranked in the top 10 authorities. 2 of the measures we were ranked in the top 5, these were 'proportion of people aged 65+ discharged direct to residential care' and 'permanent admissions to residential/nursing care aged 65+ per 100,000 pop 65+'.

Adult Social Care has a more challenging demand level due to a 60% growth in people aged 65+ years by 2030 with the most significant increase in those aged 70-75 and 85+. As the levels of complexity are rising in disability and mental health services, we have continued to invest in carer and preventative mental health outreach services. Our Adult Social Care service is proud of its continued focus on quality assurance and safeguarding. The challenges faced in home care and nursing care provision for people with dementia continue, however CQC service inspections show 88% were rated as 'good' and two services rated 'outstanding'.

Provision of stable foster care or residential care placements for our children and young people is a key priority for the council. In 2016-17, 90% of our children had either one or no moves of placement in the year, demonstrating that we are minimising the number of placement moves for children. Furthermore, 77% of children who have been in care for over two and a half years have lived in the same placement for two years or more. This is an extremely positive outcome for those children and means that we are providing strong, stable placements for the majority of our children in care.

In Warrington Healthwatch's report 'Opening the Door: Exploring the Quality & Safety of Care Delivered at Home', service users indicated very positive satisfaction with home care provision as well as highlighting dignified treatment, effective communication and suitable care plans as other good performing areas.

Warrington continues to invest in partnership working within the voluntary and community sector to ensure a wider service offer, strengthened further by the commissioning of an Advocacy Hub.

Grow a Strong Economy

Economic regeneration is a high priority for the council. The Time Square Development in the Town Centre which will provide a cinema, shopping and leisure complex as well as a new Market Hall and council offices, is due for completion in 2019.

The Time Square Regeneration Scheme continues to make good progress with the temporary market due to open at the end of August 2017 and the New Multi-Storey Car Park on Academy Way due to partially open in October 2017. The contract to construct the final phase of the Time Square Regeneration Scheme is due to be let in June 2017.

Strategic land acquisitions that support the Western Link Scheme, bringing substantial commercial and housing developments opportunities, as well as strategic infrastructure for the Borough, have been completed and discussions with government continue to make very good progress with a business case to be completed by Christmas.

Central Trading Industrial Estate has been acquired initially as a revenue-generating commercial asset, but longer term to support the relocation of the Bus Depot that releases development land on the Southern Gateway Scheme. The construction of the Centre Park Link Bridge remains on schedule to commence in late 2017.

Jobs created at Omega to date amount to over 7,000 in the last 3 years. The residential development on Omega South has commenced. The new primary school is now open.

Recent figures indicate that Warrington is maintaining its position as better than Northwest and England averages for employment, as improvements continue in reducing the number of out of work benefits claimants and increasing numbers of those economically active. Recent figures published for job density in Warrington (the number of jobs in the area divided by the resident population aged 16-64) show that there is 1.03 jobs for every resident aged 16-64 eligible to work. This compares favourably to the North West (0.79) and England (0.84) figures.

Build strong, active and resilient communities

Average life expectancy at birth in Warrington is improving, but the pace of improvement has slowed in recent years, and the gap between Warrington and England has not narrowed. Internal inequalities in life expectancy are stark and linked to socio-economic deprivation. At ward level, there is a difference of 9.2 years for males, and 8.5 years for females.

The major causes of premature death are cancer and cardiovascular disease (CVD). Warrington will pilot initiatives to tackle high blood pressure in 2017/18. External

funding has been obtained from Innovation Agency and British Heart Foundation to pilot digital technologies for blood pressure monitoring in the community and new approaches to self-care linked to the NHS health checks.

As well as commissioned services for smoking cessation, lifestyles, sexual health and substance misuse, a number of partnership initiatives are underway like Active Warrington, Safe and Well Checks undertaken by Fire and Rescue service, and mental health awareness. Budget Boosting clubs are run in various parts of the Borough, as helping to improve people's finances has such an impact on their wellbeing. Further opportunities to bring the benefits of economic growth to the more disadvantaged communities are underway. The focus of a central renewal neighbourhood board will be on regeneration and partnership.

The Council's Wellbeing Service has grown over time and positively supports people with debt problems, finding work, increasing confidence, reducing anxiety and reducing isolation. Clients can self-refer or can be referred by any partner agency e.g. GP's, community matrons, Registered Social Landlords and police. Over the last year 135 people have achieved their wellbeing goals.

The Council and Livewire are working closely to review library provision within the borough. A libraries' modernisation programme has been established aimed at ensuring a sustainable libraries offer for Warrington residents. The Council has developed a new strategic vision for Warrington's libraries.

Create a Place to be Proud of

Serious acquisitive crime includes the categories: burglary in a dwelling, robbery and vehicle crime.

Year to date figures for serious acquisitive crime show an increase of 7.7% against the previous year (1294 to 1394). The largest increases have been seen in the East (+35%), Town Centre (+35.7%), followed by the North (+24.6%) policing areas of the town.

Violence with injury remains a key focus for the council and Warrington Community Safety Partnership. There has been increased police activity to address known night time economy hotspots and address the known under reporting of domestic abuse. The full year violence with injury rate shows a 13% increase (1621 incidents for this year compared to 1435 incidents last year). The majority of violence with injury occurs in public spaces. Due to a change in the police Niche crime recording system, there is potentially a data quality issue with Domestic Violence with Injury which is currently being checked.

A key priority for the Town Centre policing area has been anti-social behaviour and public space violence. Rises in violence have been attributed to a number of factors, which include improved compliance with existing police recording (also applies nationally) and increased victim confidence in feeling able to report instances of domestic abuse and hate crime.

A consultation began on the introduction of a Public Space Protection Order (PSPO) to reduce street drinking. The PSPO is not a ban on public drinking, but would enable greater control on areas where this is a problem. It will give police additional powers to confiscate alcohol where there is associated anti-social behaviour. However, as well as enforcement, there would be an equal focus on support for those involved in this behaviour. The consultation closed on 30th April and the results are being processed.

Warrington Waterfront Phase 1 (now renamed Centre Park Link) has an indicative funding allocation of £5.3m from the Local Growth Fund for 2016/17 onwards. Subject to gaining planning consent (submitted in February 2017), completing negotiations for all land required and final approval of the scheme, construction is planned to start late 2017.

In Warrington West, the Council is working with partners on the delivery of a new station on the CLC line in Chapelford Urban Village. The scheme was revised following public consultation and work is underway on the revised planning application for the scheme.

In December 2016, the full business case for the M62 junction 8 improvements was signed-off by the Local Enterprise Partnership (LEP), which confirmed their intent to contribute £5m funding for the scheme. Construction started in January 2017 with the programme of works on track to be completed in Spring 2018.

The Council has worked closely with Cheshire partners to develop a Cheshire and Warrington Major Transport Infrastructure Plan. As part of this, prioritised schemes totalling over £500m have been identified for the sub region between now and 2040. Executive Board recently approved development funding for these for which Local Government Funds 3 (LGF3) will be available from April 2018.

The Council continues to deliver improvements to its cycle networks. Over the next 12 months improvements will be seen to the Cromwell Avenue route through the completion of the missing stretch between Europa Boulevard and Callands Road. There will also be links into Gemini, funded from a combination of Local Transport Plan (LTP) and developer funding. Development work also continues on other strategic links, such as the link between Burtonwood and M62 Junction 8 which will be funded from a combination of LGF3 and developer funding.

The Council is reviewing its Core Strategy. The Core Strategy is the central, overarching strategy within the Local Plan. It sets out a vision, key objectives and strategic planning policies for the borough. Fundamental to the Core strategy is the development of a Multi-modal Transport Model. Following a data collection process, consultants AECOM are now into the main model build with scheme and land use plan testing set to take place later in 2017 to meet the Core Strategy Timescales.

Delivering our Vision

The Council continues to see a positive decrease in the average wait times for telephone answering. The average time for answering telephone calls at the Council's contact centre at quarter 4 2016-17 was 3 minutes 4 seconds, the lowest reported in a 5 year period.

The average contact centre face to face wait time - face to face for quarter 4 was 8 minutes and 1 second. This is within target but a slight increase on the previous year.

Reducing sickness absence remains a priority for the council. The overall target for this year is to reduce sickness absence to 12.5 days. The quarter 4 sickness absence figure was 11.14. The quarter 4 figures have shown an improvement on the figures for the same period last year (12.8). Approximately 61% of absence is in relation to long term absence.

FINANCIAL PERFORMANCE

Revenue Outturn

The Statement of Accounts sets out the Council's spending and funding in line with accounting requirements.

The Council's 2016/17 revenue outturn position is shown in the table below. The original budget set at the Council meeting on 29 February 2016 was £133.891m. As the year progressed various amendments to the Council's budget took place. This resulted in total changes of £7.201m. Quarterly budget monitoring reports are received by the Council's Executive Board during the year.

The outturn for the Council is an underspend of £0.339m after making a contribution from reserves of £2.564m in 2016/17.

The table below reports the Service specific information in the form of the Council's management accounts.

	Budget £'000	Actual £'000	Variance £'000
Resources & Commissioning	14,562	14,240	-322
Economic Regeneration, Growth & Environment	19,993	20,378	385
Families & Wellbeing	93,515	97,945	4,430
Corporate Financing	13,022	8,190	-4,832
Movement in General Fund Reserve	141,092	140,753	-339
Decrease in Earmarked Reserves			112
Increase in Council Reserves			-227
Decrease in Schools Reserves			2,452
DECREASE IN GENERAL FUND BALANCE			2,225

The Resources and Strategic Commissioning Directorate which provides the Corporate Services to the Council recorded an underspend of £0.322m. The main areas of underspend are effective vacancy management, and additional grant/external funding.

The Economic Regeneration, Growth & Environment (ERG&E) directorate comprises of frontline, commercial and strategic functions that directly provide services to the people of Warrington, and promote Warrington as a great place to live, work and do business.

In the 2016/17 financial year the Directorate reported a final outturn of £20.378m against a budget of £19.993m, an overspend of £0.385m or 1.9%.

Changes in the waste market had a significant impact on the value of recyclable materials which resulted in the Authority having to pay for disposal rather than receive an income.

Services across the Directorate are impacted directly by the economic climate which meant that income for planning fees, car parks and commercial operations were not as high as anticipated. Conversely income from highways and street works partly helped to offset this.

Measures were taken to reduce expenditure to essential works only and any planned costs that were not essential to meet Health & Safety requirements were re-programmed. This included Building Maintenance, Street works and parks and open spaces. Further savings were generated as a result of reduced expenditure for Winter Maintenance due to the mild winter and better than anticipated performance across Administrative Buildings.

The Families & Wellbeing directorate comprises Adult's and Children's departments. The directorate, as a whole, overspent by £4.430m or 4.7%. The directorate delivered savings of £6.6m during 2016/17 and in the face of increasing demand introduced a number of strategies (for example re-ablement in Adult services and edge of care in Children's services) to help mitigate even further cost pressures.

The Adults department includes Adult Social Care, Public Health, Housing, Neighbourhoods and the Better Care Fund. The department overall returned a net overspend of £3.044m, of which £3.176m related specifically to Adult social care, which was predominantly due to increased demand and more complex packages of care.

The Better Care fund is a joint fund with the Warrington CCG (Clinical Commissioning Group) under a section 75 agreement, which returned a small underspend of £0.115m carried forward to 2017-18.

The Children's department includes budgets under the direct remit of the Executive Director, Targeted Children & Young People Services (CYPS), Universal CYPS and Early Help and Special Educational Needs (SEN) services. These budget areas returned an overspend of £1.386m, largely attributable to an increase in both number and complexity of need for children placed in care, including a growing demand for supported living placements for 16/17 year olds. In addition, the Council introduced a recruitment and retention strategy for CYPS social work in October 2016 (as part of an invest to save proposal) in an attempt to address key posts in CYPS social work which are difficult to recruit to and retain, and therefore reduce the reliance upon bought in agency staff which tend to be more expensive.

The Dedicated Schools Grant (DSG) returned an overspend at year end of £0.083m, and this included various contributions during 2016-17 to improve this position as agreed at the Warrington Schools' Forum. DSG is reported as a separate note to the

2016-17 accounts and in-line with the terms and conditions of the ring-fenced grant, the deficit is carried forward as a call upon the 2017-18 DSG allocation.

Corporate Finance, which manages the Corporate Budgets for the Council (e.g. Treasury Management, VAT, Concessionary Travel), recorded an underspend of £4.832m. This is largely the result of an underspend on the Council's Treasury Management Activities as a result of lower than budgeted borrowing costs, greater returns on the Council's investments and slippage on the capital programme.

The Council's earmarked reserves reduced by £0.112m, when added to the underspend, this gave a small increase to the Council's revenue reserves of £0.227m. School's revenue reserves decreased by £2.452m; together this gives a decrease to the General Fund Balance of £2.225m.

Capital Outturn

Capital expenditure represents money spent by the Council on purchasing, upgrading and improving assets that will be of benefit to the community over many years. At its meeting of 29 February 2016, Council approved a three year capital programme of £1.240bn incorporating a 2016/17 capital programme of £542.845m. Revisions to the capital to incorporate slippage, additions and deletions take place in-year and are reported to the Executive Board on a quarterly basis. In-year revisions totalling (£376.633m) took place in 2016/17.

The table below shows that the Council spent £115.040m on its capital programme in 2016/17, representing a delivery rate of 69% which is shown in the table below by Directorate level. The financing of the capital programme also presented below shows the major funding sources were Prudential (Unsupported) Borrowing, Government grants and capital receipts.

2016/17 Capital Programme

Capital Programme	2016/17 Quarter 3 Budget £m	2016/17 Capital Outturn £m	2016/17 Variance £m	% Spent
Families & Wellbeing	13.812	10.235	(3.577)	74%
Resources & Strategic Commissioning	7.888	10.904	3.016	138%
Economic Regeneration, Growth & Environment	35.271	28.673	(6.598)	81%
2016/17 Capital Programme (excluding Invest to Save)	56.971	49.812	(7.159)	87%
Invest to Save Programme	109.241	65.228	(44.013)	60%
2016/17 Invest to Save Programme	109.241	65.228	(44.013)	60%
2016/17 Capital Programme	166.212	115.040	(51.172)	69%

2016/17 Capital Financing

Capital Programme	2016/17 Projected Funding £m	2016/17 Actual Funding £m	2016/17 Variance £m
Council Unsupported Borrowing	138.357	87.312	(51.045)
Capital Grants and Reserves	23.781	23.986	0.205
Capital Receipts	1.515	2.455	0.940
Revenue Funding	0.954	1.193	0.239
External Funding	1.605	0.094	(1.511)
2016/17 Capital Programme Funding	166.212	115.040	(51.172)

As can be seen from the above there was a variation between forecast capital expenditure and the final outturn. The majority of the expenditure will, however, be reprofiled into 2017/18 together with the financing and does not therefore present any financial issues for the Council to address. The forecast for planned spend was updated throughout the year and reported in the Quarterly Reviews of Performance to the Executive Board.

The variation of £51.172m between the approved capital programme and the final outturn position primarily relates to an underspend on the Invest to Save Programme. Due to the innovative and partnership nature of this programme, it is difficult to forecast future expenditure with great accuracy.

Schemes that underspent on the Invest to Save Programme were – Loans to Housing Registered Providers (£30m), Business Bank (£10m) and Street Lighting (£2.2m). Other schemes that slipped in 2016/17 were Warrington Youth Zone (£1.5m), Omega M62 Junction 8 (£1m) and Building Maintenance Programme (£1m).

Regeneration, both in terms of employment opportunities and physical redevelopment, is recognised as being very important to the future prosperity of the Borough and is a driver of the capital programme.

The Council has an innovative Invest to Save Programme, which works on the principal that capital resources are invested to generate a financial return to the Council above the cost of the initial investment. One of the major schemes of the Council's Invest to Save Programme is the Housing Registered Providers and Commercial Loans Scheme. Other major areas of expenditure on the Invest to Save schemes in 2016/17 were Street Lighting, Time Square and Property Acquisitions.

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

- **Primary Schools – Total Spend £5.797m**
Barrowhall Primary - £3.375m
- **ICT – Total Spend £1.129m**
- **Great Sankey Hub – Total Spend £7.059m**

- **Transportation & Environment – Total Spend £24.775m**
 Road Maintenance - £1.296m
 Highways Maintenance Investment - £7.052m
 Centre Park Link - £1.928m
 Warrington West Station - £1.171m
 Omega M62 Junction 8 - £2.402m
 Vehicle & Plant Asset Replacement Programme - £1.057m
 Warrington Waterfront Western Link (land acquisition) - £3.239m
- **Invest to Save - Total Spend £65.228m**
 Loans to Housing Registered Providers - £20.000m
 Loans to One Warrington Limited - £3.029m
 Street Lighting - £4.777m
 Acquisition of DW Sports Building - £4.261m
 Acquisition of Central Trading Estate - £4.860m
 Acquisition of Matalan Building - £6.667m
 Time Square Project - £20.368m

Balance Sheet

Significant movements in the Council's 2016/17 Balance Sheet (page 26) where:

- The Council's net worth decreased by £74.909m, this was mainly due to an increase of the pension liability by £70.973m.
- Long term assets increased by £86.555m. Plant, Property and Equipment has increased by £40.158m and Investment Properties has increased by £18.893m largely due to additions. Long Term Investments has increased by £10.344m, being the result of investments in solar bonds. Long Term Debtors has increased by £16.748m with increased loans to Muir Housing Group and a new loan to Equity Housing Group.
- Short term assets also increased (by £43.694m) with Cash and Cash Equivalents (an increase of £29.265m) being the main contributor and Debtors (an increase of £14.769m).
- Short term liabilities increased by £18.229m, of which borrowing was the biggest contributor (an increase of £18.883m).
- Long term liabilities increased by £186.929m. This was mainly due to an increase in long term borrowing (an increase of £118.286m), as well as an increase in the Council's pension liability (as mentioned earlier).

Reserves

The table below shows the position of the Council's reserves (pages 38 & 69). The Council's cash backed reserves decreased by £0.501m to £60.623m (2016/17) from £61.124m in 2015/16. This includes a decrease in school's reserves of £2.452m, and an increase in capital reserves of £1.724m.

The Council's non-cash backed reserves (unusable) also decreased in year. The decrease of £74.408m was mainly due to a worsened position for the pension liability that was then reflected in the pension reserve (movement of £70.973m).

	2015/16 £'000	2016/17 £'000	Movement £'000
Usable Reserves (Cash Backed Reserves)			
<u>Revenue</u>			
General Fund	(1,064)	(1,402)	338
Earmarked Reserves (WBC)	(41,186)	(41,075)	(111)
Earmarked Reserves (Schools)	(7,471)	(5,019)	(2,452)
Total Revenue Reserves	(49,721)	(47,496)	(2,225)
<u>Capital</u>			
Capital Receipts	(5,414)	(5,023)	(391)
Capital Grants	(5,989)	(8,104)	2,115
Total Capital Reserves	(11,403)	(13,127)	1,724
Total Usable Reserves	(61,124)	(60,623)	(501)
Unusable Reserves (Non-cash Backed Reserves)	(274,190)	(199,782)	(74,408)
TOTAL RESERVES	(335,314)	(260,405)	(74,909)

Pensions

The table below shows the in-year movement on the Council's pension liability (page 62); the liability has increased by £70.973m. The table shows that this movement is due to actuarial re-measurements caused primarily by changes in the underlying assumptions upon which the liability is valued.

	£'000
Opening Balance as at 1 April '16	(114,870)
Current Service Cost	(18,252)
Past Service Cost	(1,133)
Interest Cost	(4,035)
Settlements	1,083
Employer Contributions	17,930
Remeasurements	(66,566)
Closing Balance as at 31 March '17	(185,843)

Contingencies

The Council's largest provision relates to Business Rates valuation appeals. Following Business Rates localisation in 2013, the Council has to set aside a provision for any future successful ratepayer appeals against rateable valuations. Warrington has a high and growing non-domestic tax base, in terms of the valuation of commercial properties

and hence a high degree of exposure in this regard. The Council has 1,049 rating appeals outstanding.

Business Rates rating appeals provision	£4.522m at 31 March 2016	£4.522m at 31 March 2017
Business Rates write-off	£1.359m in 2015/16	£1.260m in 2016/17

Post Balance Sheet Event

In April 2017 the Council purchased a 33% shareholding in Redwood Bank for £30m payable over a three year period. Redwood Bank is a new challenger bank that will lend to Small Medium Sized Enterprises (SMEs) in Warrington and nationally.

Treasury Management

At the 31st March 2017 the Council had borrowings of £408.124m and investments of £53.025m.

During the year the Council undertook £212m worth of borrowing to fund its capital programme via £140m from Public Works Loan Board and £72m from Local Authority short term. There was nearly £75m of loans repaid during the year.

The Council continued its policy of investment diversification during the year and invested £24m in the second biggest solar farm in the UK in Swindon, which is a collaborative investment with Thurrock and Newham Councils.

Warrington during 2015/16 obtained a credit rating from Moody's one of the World's leading credit rating agencies. This rating is subject to annual assessment by Moody's (Credit Rating Agency) who, again, awarded the Council the second highest credit rating possible of Aa2.

The Aa2 issuer and debt ratings assigned to Warrington Borough Council reflects: 1) a track record of increasing own source revenues, reducing dependence on declining central government grants; 2) a strong regulatory framework, which allows central government to effectively monitor financial performance; 3) expected increase in debt levels resulting from WBC's movement into two areas outside of the traditional local government service - economic development program and a programme of lending money to housing associations; 4) a high exposure to changes in interest rates in the debt portfolio; and 5) a diversified local economy. The Aa2 rating also reflects our assessment of support from the UK government and the high likelihood it would intervene in the event that WBC was to face acute liquidity stress.

The Council's Corporate & Audit Governance Committee is the body charged with the Governance of Treasury Management and they receive quarterly monitoring reports.

Cash Flow

	31/03/15	31/03/16	31/03/17
	£'000	£'000	£'000
Cash and cash equivalents	(2,846)	(4,204)	(1,061)
Short-term deposits	9,563	14,207	44,235
Total	6,717	10,003	43,174

Total cash and cash equivalents at 31 March 2017 is (£1,061m) (page 56). The main factors that would affect cash in the future are:

- Acquisitions and disposals relating to the capital programme;
- The value of reserve balances;
- Appeals provisions;
- Grants and contributions unapplied.

Schools

The Council's expenditure on schools and education is predominantly funded by grant monies provided by the Government through the Dedicated Schools Grant (DSG), Pupil Premium, and 35 Sixth form places in Woolston Learning Village, are separate specific funding allocations.

The DSG is ringfenced and can only be used to cover either school's expenditure, or specific central education services provided by the Council, mainly related to supporting High Needs. The Council overspent on its DSG in 2016/17 by £0.082m, chiefly as a result of additional capacity requirements in special and designated provision, as well as increasing demand for special educational provision generally. This overspend represented 0.075% of Warrington's total DSG of £111.165m (after recoupment, or DSG clawback). Further details can be found in Note 19.

At the end of 2015/16, school balances for Warrington maintained schools totalled £7.471m, while at the end of 2016/17 the aggregate of balances had decreased significantly to £5.019m. A small part of this reduction (5.6%) was because the conversion to Academy status of three primary schools during 2016/17 removed £129,271 of aggregate surplus from the respective figures.

These conversions meant there was an additional transfer of assets from the Council's Balance Sheet of £11.340m. Funding all current Academies resulted in a revenue recoupment of £40.709m (taking into account the part-year effect of £1.637m of the three new conversions).

PRINCIPAL RISKS AND UNCERTAINTIES

The top SIX risks currently facing the Council that are recorded in the Council's Strategic Risk Register are:

1. The local social care market, particularly services for adults, becomes unstable.
2. Warrington experiences a significant failure in the health and social care system.
3. Warrington experiences a Pandemic Flu outbreak.
4. The Council receives legal challenges to the Local Plan.
5. The Council's financial position becomes unstable because of a failure to deliver the planned transformation programme (demand management, commercialisation and digitalisation).
6. The Council experiences a failure in its corporate governance arrangements. To include consideration of partnership governance and contract management arrangements, governing the Council's relationships with key partners and suppliers.

IMPACT OF BREXIT

The full impact of BREXIT on the Council and Local Government is not yet fully known. The major current potential impacts identified to date are:

1. Funding – the Council receives very little European funding and the removal of this in the future will not affect the Council's financial strategies.
2. Investment - After Brexit, there is a possibility that European firms will be deterred from investing in the UK. This could reduce economic development and the collection of business rates.
3. Devolution - the devolution agenda is, however, now threatened by the prospect of leaving the EU. The UK government is currently inundated with shifting through Brexit-related legislation and policy implications. As a result, the negotiation process with the EU has become a priority of the UK government whilst policies such as local government devolution have been placed on the back burner.
4. Legal - Local government currently complies with a plethora of EU legislation. This encompasses procurement, local economic development, waste collection and employment legislation. But following Brexit, the supremacy of EU law will no longer apply. With no obligation to follow EU legislation, the government will have the jurisdiction to amend or repeal EU laws. Local government now has the task of steering through all these challenges, whilst facing a future of uncertainty.
5. Labour Supply – future controls on the migration of labour may reduce the supply of labour and increase costs in the construction industry.
6. Economic Uncertainty – Promotes interest rate, inflation and exchange rate uncertainty,

EXPLANATION OF THE FINANCIAL STATEMENTS

The 2016/17 Statement of Accounts shows the core financial statements together with detailed disclosure notes followed by the supplementary statements. The core financial statements are:

Expenditure and Funding Analysis (EFA)

While this is a note to the accounts it has been given prominence as it shows the annual expenditure of the Council and how it was funded. It clearly ties in with the Council's in year budget monitoring and shows how expenditure was allocated for decision making purposes between the Council's directorates.

The Movement in Reserves Statement (MIRS)

This shows the movement in Council reserves during the year, split between those reserves which are available for the Council to spend (usable reserves) and those that have been created to reconcile the technical and statutory aspects of accounting (unusable reserves).

The Comprehensive Income and Expenditure Statement (CIES)

Identifies the income and expenditure on all services the Council provides and brings together all the recognised gains and losses of the Council during the period 1 April 2016 to 31 March 2017.

The Balance Sheet

This 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 reserves.

The Cash Flow Statement

This summarises the changes in cash and cash equivalents during the year.

The Notes

The Notes to the Core Financial Statements provide more detail about the Council's accounting policies and items contained in those statements.

The supplementary statements are:

The Collection Fund

This shows the collection and distribution of Council Tax and National Non-Domestic Rate income.

The main accounting statements are inter-related. Total comprehensive income and expenditure is broken down in the movement in reserves statement between usable and non-usable reserves. These constitute the net worth of the Council in the balance sheet. The reasons for movements during the year in cash (and cash equivalent) balances held on the balance sheet are shown in the cash flow statement.

RECEIPT OF FURTHER INFORMATION

If you would like to receive further information about these accounts, please do not hesitate to contact me at 5th Floor, Resources & Strategic Commissioning Directorate, New Town House / Quattro, Buttermarket Street, Warrington or e-mail me direct at lgreen@warrington.gov.uk.

ACKNOWLEDGEMENTS

The production of this Statement of Accounts would not have been possible without the exceptionally hard work and dedication of the finance team.

I would like to express my gratitude to the team and extend this to colleagues across the Council, Members, the Senior Management Team and our key stakeholders who have all supported the process to enable this achievement. I would also like to thank everyone for all their support during the financial year.



Cllr. Chris Fitzsimmons
Chair of Audit and Corporate
Governance Committee



Lynton Green CPFA
Director of Corporate Services

Statement of Responsibilities

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 Finance Officer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts 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).

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

- Selected suitable accounting policies (Annexe A) and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Local Authority Code

The Chief Finance 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

The Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Signed



Dated 27th July 2017

Lynton Green, Director of Corporate Services

Expenditure and Funding Analysis

Changes to the Code 2016/17 introduced the Expenditure and Funding Analysis, as a new note to the Accounts. The Council has chosen to give this prominence as the note clearly links the accounts to the Councils in year budget monitoring (in accordance with Para 3.4.2.95 of the Code).

2016/17	Net Expenditure chargeable to the General Fund Balance £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Resources & Strategic Commissioning	14,240	0	14,240
Families & Wellbeing	97,945	0	97,945
Economic Regeneration, Growth & Environment	21,906	0	21,906
Corporate Finance	5,587	0	5,587
Central Charges	(12,228)	35,780	23,552
Net Cost of Services	127,450	35,780	163,230
Other Income and Expenditure	(125,225)	(28,677)	(153,902)
(Surplus) or Deficit	2,225	7,103	9,328
Opening General Fund at 31 March 2016	(49,721)		
Less/Plus (Surplus) or Deficit on General Fund in Year	2,225		
Closing General Fund at 31 March 2017	(47,496)		

2015/16	Net Expenditure chargeable to the General Fund Balance £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Resources & Strategic Commissioning	8,161	0	8,161
Families & Wellbeing	95,419	0	95,419
Economic Regeneration, Growth & Environment	23,487	0	23,487
Corporate Finance	10,891	0	10,891
Central Charges	0	35,188	35,188
Net Cost of Services	137,958	35,188	173,146
Other Income and Expenditure	(142,511)	(13,401)	(155,912)
(Surplus) or Deficit	(4,553)	21,787	17,234
Opening General Fund at 31 March 2015	(45,168)		
Less/Plus (Surplus) or Deficit on General Fund in Year	(4,553)		
Closing General Fund at 31 March 2016	(49,721)		

Movement in Reserves Statement for the Year Ended 31 March 2017	Note(s)	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves of the Authority £'000
Restated Balance as at 1 April 2015		45,168	3,206	8,334	56,708	196,661	253,369
<i>Movement in Reserves during the year</i>							
Total Comprehensive Income and Expenditure		(17,234)			(17,234)	99,179	81,945
Adjustments between accounting basis & funding basis under regulations	7	21,787	2,208	(2,345)	21,650	(21,650)	-
Increase or (Decrease) in Year		4,553	2,208	(2,345)	4,416	77,529	81,945
Restated Balance as at 31 March 2016		49,721	5,414	5,989	61,124	274,190	335,314
<i>Movement in Reserves during the year</i>							
Total Comprehensive Income and Expenditure		(9,328)	-	-	(9,328)	(65,581)	(74,909)
Adjustments between accounting basis & funding basis under regulations	7	7,103	(391)	2,115	8,827	(8,827)	-
Increase or (Decrease) in Year		(2,225)	(391)	2,115	(501)	(74,408)	(74,909)
Balance as at 31 March 2017		47,496	5,023	8,104	60,623	199,782	260,405

Restatement and Change in Presentation

The presentation of the Movement in Reserves Statement has been changed in line with changes to the Code 2016/17. Previously, the specific General Fund Reserve and other Earmarked General Fund Reserves were presented separately. They have now been added together and form the General Fund Balance. This has also necessitated a prior period adjustment for the comparator year.

The changes also align the General Fund Balance as presented in the Movement in Reserves Statement to the General Fund as shown in the Expenditure and Funding Analysis.

The Movement in Reserves Statement also now only shows the Total Comprehensive Income and Expenditure Statement, rather than its components; the Surplus or Deficit on Provision of Services and Other Comprehensive Income and Expenditure.

Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

Restated Gross Expenditure £'000	2015/16		Note(s)	2016/17		
	Restated Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
21,147	(12,987)	8,160	Resources & Strategic Commissioning	21,026	(6,786)	14,240
301,837	(206,418)	95,419	Families & Wellbeing	292,576	(194,631)	97,945
38,792	(15,305)	23,487	Economic Regeneration, Growth & Environment	38,335	(16,429)	21,906
70,282	(59,391)	10,891	Corporate Finance	60,363	(54,776)	5,587
35,189	-	35,189	Central Charges	23,552	-	23,552
467,247	(294,101)	173,146	Cost of Services	435,852	(272,622)	163,230
		961	Other Operating Expenditure			11,708
		7,762	Financing & Investment Income & Expenditure			1,971
		(164,635)	Taxation and Non-Specific Grant Income			(167,581)
		17,234	(Surplus) or Deficit on Provision of Services			9,328
		(3,748)	(Surplus) or Deficit on revaluation of non-current assets	33		(439)
		(742)	(Surplus) or Deficit on revaluation of available for sale financial assets	33		204
		(94,689)	Remeasurement of the net defined benefit liability	32		65,816
		(99,179)	Other Comprehensive Income and Expenditure			65,581
		(81,945)	Total Comprehensive Income and Expenditure			74,909

Restatement and Change in Presentation

The presentation of the Comprehensive Income and Expenditure Statement (CIES) has been changed in line with changes to the Code 2016/17. Previously, the Cost of Services section was presented in line with the Service Reporting Code of Practice (SeRCOP). Now Councils are encouraged to present the Cost of Services section in line with the Councils Budget Monitoring as presented to Members and the Councils Senior Leadership Team. This has also necessitated a prior period adjustment for the comparator year.

Balance Sheet as at 31 March 2017

		31st March 2016 £000	31st March 2017 £000
Property, Plant & Equipment	21	569,967	610,124
Heritage Assets	22	15,369	15,851
Investment Property	23	31,243	50,136
Intangible Assets		195	125
Long Term Investments	34	36,635	46,980
Long Term Debtors	25	78,483	95,231
Long Term Assets		731,892	818,447
Short Term Investments	34	6,296	6,045
Inventories		690	601
Short Term Debtors	26	40,233	55,002
Cash and Cash Equivalents	27	13,936	43,201
Current Assets		61,155	104,849
Cash and Cash Equivalents	27	(3,933)	(27)
Short Term Borrowing	34	(36,978)	(55,861)
Short Term Creditors	28	(38,791)	(41,454)
Provisions	29	(6,151)	(6,740)
Current Liabilities		(85,853)	(104,082)
Long Term Creditors	28	(4,282)	(4,293)
Grants Receipts in Advance - Capital	20	(537)	(487)
Grants Receipts in Advance - Revenue	20	(15,588)	(13,288)
Provisions	29	(2,626)	(2,635)
Long Term Borrowing	34	(233,977)	(352,263)
Long Term Pension Liabilities	32	(114,870)	(185,843)
Long Term Liabilities		(371,880)	(558,809)
Net Assets		335,314	260,405
Usable Reserves	9	61,124	60,623
Unusable Reserves	33	274,190	199,782
Total Reserves		335,314	260,405

Cash Flow Statement for the year ended 31 March 2017

2015/16 £'000		Note(s)	2016/17 £'000
(17,234)	Net deficit on the provision of services		(9,328)
52,530	Adjustments to net surplus or deficit on the provision of services for non-cash movements	36	29,801
(26,348)	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	36	(44,406)
8,948	Net Cash Flows from Operating Activities		(23,933)
(68,599)	Investing Activities	37	(76,204)
62,937	Financing Activities	38	133,308
3,286	Net increase in cash and cash equivalents		33,171
6,717	Cash and cash equivalents at the beginning of the reporting period		10,003
10,003	Cash and cash equivalents at the end of the reporting period	27	43,174

Notes to the Single Entity Financial Statements

1 Statement of Accounting Policies

Annexe A contains the full list of accounting policies and as such form part of the single entity accounts, these were reviewed and signed off by the Audit & Corporate Governance Committee on the 23rd March 2017.

2 Accounting Standards that have been issued but have not yet been adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

For 2016/17 there are no applicable changes.

3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has made certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Council is deemed to control the services provided under the agreement for 105 social houses in Anson & Blenheim Close and 38 self-contained flats at John Morris House, for which it has nomination rights at the end of the term. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and are recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- The Voluntary Aided Schools in the borough are owned by three individual dioceses and the Warrington Educational Trust. The dioceses have granted what they deem a 'mere licence' for usage of the school, which they can withdraw at any time. The Council acknowledges that the ownership of the school still lies with the various dioceses, but does not believe that the diocese would withdraw the rights of use for the asset, without giving sufficient notice that a replacement could be found for the further education of the children of the borough.

Looking into the underlying nature of the transaction, the Council has determined that in accordance with the principle of 'substance over form' the school is an entity in its own right, receives all of the economic benefit from the use of the building of the school and should therefore be treated as its asset and consolidated into the Council's single entity accounts in line with the Code. The Council has also determined that the land occupied by the school, which is of an infinite useful life, may have other uses beyond the useful life of the school and should therefore not be consolidated into the accounts. Following consultation with the Diocese on this matter, no explicit instruction was received

from the Diocese that they would withdraw the rights of use for the asset anytime in the near future.

- There is a high degree of uncertainty regarding future levels of funding for local government and the impact of the decision for Britain to leave the European Union remains unclear. However the Council takes the view that this uncertainty is not yet sufficient indication that the value of the Council's assets might need to be impaired due to reduced levels of service provision or the need to close facilities.
- The Council operates joint working arrangements with neighbouring local authorities. These arrangements are referred to as "shared services". These are a Youth Offending Service with Halton and Cheshire West and Chester Councils, an Adoption Service with Wigan and St Helens Councils and a Gypsy & Travellers Service with Cheshire East and Cheshire West & Chester Councils. The Council believes that it is not necessary to impair any non-current assets in light of these shared working arrangements and any current proposals for changes to the way the services are to be delivered by the Council.
- The Council has a number of interests in other entities which fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. For more details see Group Accounts and Accounting Policy 1.10.
- The Council entered into a s75 agreement with NHS Warrington Clinical Commissioning Group (CCG), with Council acting as a host. The Council and the CCG together determined which transactions they were acting as principal and which the council was acting merely as an agent. For more detail see note 41 and Accounting Policy 1.12.

4 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 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions	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	<ul style="list-style-type: none"> • A decrease of 0.5% in Real Discount Rate could increase the Council's liability by £85.634m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson actuaries are contracted to provide the Council with the estimate of the net liability.</p> <p>During 2016/17 the Council's actuaries advised that the net pension liability had increased by £70.973m as a result of updating of the assumptions.</p>	<ul style="list-style-type: none"> • An increase of 0.5% in Salary Increase Rate could increase the Council's liability by £15.372m. • An increase of 0.5% in Pension Increase Rate could increase the Council's liability by £68.871m.
Property, Plant and Equipment/ Investment Properties	<p>Professional opinions of the values of land and buildings are made by the Estates Service and estimates of the useful lives of property, plant and equipment are made by the relevant officers who have knowledge of such issues based on their professional judgement e.g. useful lives of properties are provided by in-house RICS qualified valuers. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual charge for buildings would increase in these circumstances.</p> <p>The present pressure on public sector expenditure could potentially have implications for the useful economic lives of the Council's property due to reduced spending on repairs leading to a decline in the condition of its buildings. There is no evidence that the estimated economic lives are being materially affected at this time, but this issue is being monitored.</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>If the value of the Council's investment properties were to reduce by say 10%, this would result in a circa £5.013m charge to the Comprehensive Income and Expenditure Statement.</p>
Fair Value Measurements	When the fair values of Investment Assets, PPE Surplus Assets and Assets Held for Sale cannot be measured on quoted	Changes in the assumptions used could affect the fair value (either upwards or

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>prices in active markets (i.e. Level 1 inputs) their fair value is measured using the following approaches and valuation techniques:</p> <p>The fair value is based on either the income approach or the market approach and uses a combination of the following valuation techniques: comparison with similar assets in the active market, Development Appraisal models and discounted cash flow (DCF) models.</p> <p>Where the inputs to these valuation techniques are based on observable data they are categorised as Level 2.</p> <p>Where this is not possible judgement is required in establishing fair values. These judgements typically include assumptions as to future growth and include uncertainty and risk and these are categorised at Level 3.</p>	<p>downwards) of the Council's assets and liabilities.</p> <p>The Council uses a combination of market comparables, DCF models and Development Appraisal models to measure the fair value of its Investment Assets, Surplus Assets and Assets held for Sale under IFRS 13 depending on which technique is most appropriate to the Asset.</p>
Arrears	<p>At 31 March 2017 the Council had a balance of debtors of £66.978m. A review of significant balances suggested that an impairment of doubtful debts of £11.976m was appropriate.</p>	<p>If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required.</p>
Business Rate Appeals	<p>2016/17 is the fourth year of the Business Rates Retention Scheme whereby the Council retains 25.15% of the business rates income it collects (£28.673m out of £113.983m), but is subject to a £23.663m tariff. Following the 2010 revaluation of business hereditaments, we have seen unprecedented levels of appeals – the success of which are negatively impacting on the yield. A provision has been</p>	<p>The Council's overall financial losses are protected by the safety net with any variance to our assumptions affecting the scale of the provision but being offset by a movement in the safety net entitlement (which is accrued for at year end).</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	made for the estimated success of future appeals for losses for the period to the end of March 2017 of £9.229m. A safety net system protects the Council from losses below baseline funding levels of £26.522m.	

5 Events after the Balance Sheet Date

In April 2017 the Council acquired a 33% shareholding in Redwood Bank. The total value of the shareholding is £30m with £10m being paid in April 2017 and the remaining £20m over the next two years. The bank will provide business loans to Small Medium Sized Enterprises in Warrington and nationally.

At the Executive Board Meeting on 23 May 2017, the Executive Board approved loan facilities for the Arawak Walton Housing Association (£5m).

Also, at the Executive Board Meeting on 10 July 2017, the Executive Board approved loan facilities for the following Registered Providers: Prestwich and North Western Housing Association (£0.5m), One Housing Group Limited (£100m) and Places for People Housing Association (£50m).

6 Note to the Expenditure and Funding Analysis

2016/17				
Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Resources & Strategic Commissioning	0	0	0	0
Families & Wellbeing	0	0	0	0
Economic Regeneration, Growth & Environment	0	0	0	0
Corporate Finance	0	0	0	0
Central Charges	34,627	1,122	31	35,780
Net Cost of Services	34,627	1,122	31	35,780
Other Income and Expenditure	(31,315)	4,035	(1,397)	(28,677)
Difference between the General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit	3,312	5,157	(1,366)	7,103

2015/16				
Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Resources & Strategic Commissioning	0	0	0	0
Families & Wellbeing	0	0	0	0
Economic Regeneration, Growth & Environment	0	0	0	0
Corporate Finance	0	0	0	0
Central Charges	30,115	5,437	(364)	35,188
Net Cost of Services	30,115	5,437	(364)	35,188
Other Income and Expenditure	(21,593)	6,414	1,778	(13,401)
Difference between the General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit	8,522	11,851	1,414	21,787

Adjustments for Capital Purposes

- 1) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
 - **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
 - **Financing and investment income and expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
 - **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

- 2) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:
 - **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
 - **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Other Differences

- 3) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Segmental Income

Income received on a segmental basis is analysed below:

Revenues from External Customers

	2015/16	2016/17
	£'000	£'000
Resources & Strategic Commissioning	(11,475)	(5,417)
Families & Wellbeing	(173,426)	(173,140)
Economic Regeneration, Growth & Environment	(15,073)	(15,823)
Corporate Finance	(2,530)	(2,235)
Central Charges	-	-
Total Revenue from External Customers	(202,504)	(196,615)

Interest Revenue

	2015/16	2016/17
	£'000	£'000
Resources & Strategic Commissioning	(3)	(4)
Families & Wellbeing	-	(32)
Economic Regeneration, Growth & Environment	-	-
Corporate Finance	(4,367)	(5,844)
Central Charges	(1,808)	(1,803)
Total Revenue from External Customers	(6,178)	(7,683)

Segmental Expenditure

Expenditure received on a segmental basis is analysed below:

Interest Expense

	2015/16 £'000	2016/17 £'000
Resources & Strategic Commissioning	-	-
Families & Wellbeing	-	-
Economic Regeneration, Growth & Environment	-	-
Corporate Finance	6,778	8,027
Central Charges	-	-
Total Revenue from External Customers	6,778	8,027

7 Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	2016/17	Note(s)	Usable Reserves		
			General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
Adjustments to the Revenue Resources					
Amounts by which Income and Expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pension costs (transferred to (or from) the Pensions Reserve)		32	(5,157)	-	-
- Financial instruments (transferred to the Financial Instruments Adjustment Account)			(139)	-	-
- Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)			1,535	-	-
- Holiday pay (transferred to Accumulated Absences Reserve)			(30)	-	-
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)			(32,987)	-	(15,166)
Total Adjustments to Revenue Resources			(36,778)	-	(15,166)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve		9	2,017	(2,017)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)		24	269	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)			27,389	-	-
Total Adjustments between Revenue and Capital Resources			29,675	(2,017)	-
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure		24	-	2,456	-
Application of capital grants to finance capital expenditure		9	-	-	13,051
Cash payments in relation to deferred capital receipts		9	-	(48)	-
Total Adjustments to Capital Resources			-	2,408	13,051
Total Adjustments			(7,103)	391	(2,115)

	2015/16	Note(s)	Usable Reserves		
			General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
Adjustments to the Revenue Resources					
Amounts by which Income and Expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pension costs (transferred to (or from) the Pensions Reserve)		32	(11,851)	-	-
- Financial instruments (transferred to the Financial Instruments Adjustment Account)			(75)	-	-
- Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)			(1,703)	-	-
- Holiday pay (transferred to Accumulated Absences Reserve)			364	-	-
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)			(33,100)	-	(18,582)
Total Adjustments to Revenue Resources			(46,365)	-	(18,582)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve		9	2,355	(2,355)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)		24	260	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)			21,963	-	-
Total Adjustments between Revenue and Capital Resources			24,578	(2,355)	-
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure		24	-	190	-
Application of capital grants to finance capital expenditure		9	-	-	20,927
Cash payments in relation to deferred capital receipts		9	-	(43)	-
Total Adjustments to Capital Resources			-	147	20,927
Total Adjustments			(21,787)	(2,208)	2,345

8 Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16.

	Balance at 31 March 2015 £'000	Transfers out 2015/16 £'000	Transfers in 2015/16 £'000	Balance at 31 March 2016 £'000	Transfers out 2016/17 £'000	Transfers in 2016/17 £'000	Balance at 31 March 2017 £'000	Purpose of Reserve
Schools								
School Balances	7,065	(7,065)	7,471	7,471	(7,471)	5,019	5,019	
Schools Re-organisation Contingency	2,825	(164)	-	2,661	(256)	-	2,405	To contribute to the school deficit upon closure
Total Schools Reserves	9,890	(7,229)	7,471	10,132	(7,727)	5,019	7,424	
Council								
Anson & Blenheim PFI	1	-	-	1	-	-	1	PFI credits ring-fenced to mitigate any future liabilities
BCF Pooled	-	-	88	88	(88)	115	115	To fund better care pooled arrangements.
Business Rates Smoothing	-	(372)	4,411	4,039	(2,583)	4,980	6,436	To fund fluctuations in business rates deficit estimates.
Children's Comfort Funds	7	-	-	7	-	-	7	Held on behalf of children in care
Community Drug & Alcohol Misuse	433	(143)	-	290	(280)	-	10	To fund the Council's drug and alcohol misuse strategy
Community Investment Fund	91	-	-	91	-	-	91	To fund Community Investment Schemes
Coroners Judicial Review	53	-	48	101	(30)	-	71	To fund any one off costs of future judicial reviews
Criminal Injuries Compensation	12	-	-	12	-	-	12	To provide for criminal injury claims from children in care
Early Release	1,397	(788)	-	609	-	-	609	To fund movements in the redundancy calculation
Early Years	92	(92)	-	-	-	-	-	To fund early years provision
Economic Regeneration, Growth & Environment Services (ERGE)	718	(628)	641	731	(641)	990	1,080	To fund future expenditure in ERGE
Families and Wellbeing Service Adults	674	(674)	157	157	(144)	612	625	To fund future expenditure in FWB Adults
Families and Wellbeing Service Childrens	3,643	(3,767)	4,183	4,059	(4,059)	3,521	3,521	To fund future expenditure in FWB Childrens
Financial Protection Team	20	-	-	20	-	-	20	To fund expenditure for Adults with specific criteria
Home to School Transport	44	(44)	71	71	(71)	-	-	Future potential home to school transport claims
Homelessness	56	-	35	91	-	-	91	To fund bond/deposits to secure accomodation for the homeless
Insurance Fund	2,606	(477)	-	2,129	-	-	2,129	Third party claim excesses and self insure areas of risk
Joint Funding Liability	471	(471)	-	-	-	-	-	To fund liability for section117 clients
Local Authority Mortgage Scheme	420	-	152	572	-	153	725	Potential future LAMS defaults
Local Land Charges	21	-	-	21	(21)	-	-	Statutory 3 year fee setting ring-fence surplus/deficit
Loans & Investment	-	-	3,000	3,000	-	-	3,000	To act as a contingency for any future problems which may occur in the repayment of the Council's loan portfolio and act as a pump primer to fund feasibility studies on potential future capital and treasury schemes
Mayor's Charity	5	-	4	9	-	47	56	Money's collected for mayoral supported charities
Members Voluntary Initiative	8	-	-	8	-	-	8	To fund International Partnerships initiative
Municipal Mutual Insurance (MMI)	381	-	84	465	-	-	465	To fund future potential MMI clawback
Medium Term Financial Plan	8,657	(4,826)	3,964	7,795	(5,418)	5,417	7,794	To ensure the council's future financial sustainability
Museum Arts	13	-	-	13	-	-	13	To fund future museum exhibitions or art acquisitions
Prison Substance Misuse Service	55	-	-	55	(55)	-	-	To fund the Council's prison substance misuse strategy
Public Health Grant	1,106	(1,106)	495	495	(495)	931	931	To fund public health expenditure
Resources & Strategic Commissioning	2,444	(1,745)	5,324	6,023	(5,112)	2,285	3,196	To fund future expenditure in RaSC
Salary Sacrifice Car Lease	93	-	-	93	-	-	93	Potential future liability on salary sacrifice car lease
SALIX Revolving Fund	129	-	-	129	-	-	129	Energy efficiency schemes
Schools Forum Service Development	45	-	14	59	-	-	59	Financial and advisory support to Schools Forum
Sinking Fund	116	-	119	235	(238)	304	301	Alder Lodge Homeless Unit refurbishment/enhancement
Solar Panels Lifecycle Fund	240	-	37	277	-	3	280	Future replacement cost on solar panels
Strategic Reserve	4,760	-	-	4,760	-	-	4,760	For emergency events such as unforeseen financial liabilities or natural disasters
Taxi Account	64	-	4	68	(10)	-	58	Ring-fenced account of Taxi Service surplus/deficit
Time Square	71	(68)	-	3	(3)	-	-	Regeneration of Time Square
Town Centre Sinking Fund	400	(32)	-	368	(98)	4	274	Potential future Town Centre overspends
Treasury Management	2,434	(2,434)	-	-	-	-	-	To act as a contingency for any future problems which may occur in the repayment of the Council's loan portfolio and act as a pump primer to fund feasibility studies on potential future capital and treasury schemes
Union Learner Reps	-	-	17	17	-	-	17	Monies set aside to increase participation in union training services

	Balance at 31 March 2015 £'000	Transfers out 2015/16 £'000	Transfers in 2015/16 £'000	Balance at 31 March 2016 £'000	Transfers out 2016/17 £'000	Transfers in 2016/17 £'000	Balance at 31 March 2017 £'000	Purpose of Reserve
Unitary Charge	695	-	141	836	-	195	1,031	Future variations on unitary charge on PFI schemes
Walton Hall	5	-	-	5	-	-	5	Walton Hall refurbishment
Walton Zoo	-	-	-	-	-	9	9	Walton Hall animals
Winwick Road	111	-	-	111	-	-	111	Alder Lodge Homeless Unit refurbishment/enhancement
2 Way Youth Offending Team (YOT)	353	(80)	-	273	(273)	-	-	Warrington and Halton Council's joint provision of YOT
Warrington YOT	-	-	-	-	(73)	272	199	Warrington Council YOT
Halton YOT	-	-	-	-	(42)	271	229	Halton Council YOT
Cheshire West YOT	-	-	-	-	(26)	135	109	Cheshire West Council YOT
3 Way Youth Offending Team (YOT)	437	(159)	61	339	(502)	163	-	Warrington, Halton and Cheshire West Council's joint provision for the provision of YOT
Total Council Reserves	33,381	(17,906)	23,050	38,525	(20,262)	20,407	38,670	
Total Earmarked Reserves	43,271	(25,135)	30,521	48,657	(27,989)	25,426	46,094	
Net Transfer to/(from) Reserves			5,386			(2,563)		

9 Usable Reserves

Movements in the Council's earmarked reserves are detailed in the Movement in Reserves Statement and Note 7.

	Note(s)	31/03/16 £'000	31/03/17 £'000
<u>Held for Revenue Purposes</u>			
General Fund		1,064	1,402
Earmarked Reserves	8	48,657	46,094
General Fund Balance	MIRS	49,721	47,496
<u>Held for Capital Purposes</u>			
Capital Receipts Reserve	MIRS	5,414	5,023
Capital Grants Unapplied Reserve	MIRS	5,989	8,104
Total Usable Reserves		61,124	60,623

Capital Receipts Reserve

The Capital Receipts Reserve contains cash receipts from the sale of Council assets, which have not yet been used to finance capital expenditure.

	Note(s)	31/03/16 £'000	31/03/17 £'000
Balance as at 1 April		3,206	5,414
Tfr from Deferred Capital Receipts	7	43	48
Capital receipts from year	7	2,355	2,017
		5,604	7,479
Less:			
Capital receipts used for financing	7	(190)	(2,456)
Balance as at 31 March		5,414	5,023

Capital Grants Unapplied

	31/03/16	31/03/17
Note(s)	£'000	£'000
Balance as at 1 April	8,334	5,989
Grants received in year	18,582	15,166
Tfr to Capital Adjustment Account in year	(20,927)	(13,051)
Balance as at 31 March	5,989	8,104

The following three notes detail amounts that are included in the (Surplus) or Deficit on Provision of Services on the CIES but are not included in the Cost of Services as these relate to items of Council wide income and expenditure that cannot be allocated to a specific service line.

10 Other Operating Expenditure

2015/16		2016/17
£'000		£'000
1,713	Parish council precepts	1,738
(876)	Losses on the disposal of non-current assets	9,844
124	Levies	126
961		11,708

11 Financing and Investment Income and Expenditure

2015/16		2016/17
£'000		£'000
6,778	Interest payable and similar charges	8,066
6,414	Pensions interest cost and expected return on pension assets	4,035
(6,175)	Interest receivable and similar income	(7,522)
745	Income and expenditure in relation to investment properties and changes in their fair value	(2,608)
7,762		1,971

12 Taxation and Non Specific Grant Incomes

2015/16		2016/17
£'000		£'000
(80,043)	Council Tax Income	(85,014)
(29,694)	NDR Redistribution	(29,823)
(33,808)	Non-ringfenced government grants	(26,966)
(21,090)	Capital grants	(25,778)
(164,635)		(167,581)

13 Material Items of Income and Expense

In the year the Comprehensive Income and Expenditure Statement was charged with the following items of material (greater than £5m) expenditure:

Loss on Disposal (Conversion) of Academies	£'000
Evelyn Street Community Primary School	3,939
Penketh Community Primary School	2,531
Bruce Community Primary School	1,505
Former Barrowhall Lane School Building (tfr to Gt Sankey High)	3,365
TOTAL	11,340

14 Members' Allowances

During the year allowances paid to Members were £0.715m (£0.694m in 2015/16) and expenses paid were £0.090m (£0.088m in 2015/16).

15 Officers' Remuneration

The remuneration paid to the Council's senior employees is included in the table overleaf. The list contains the Chief Executive, Executive Directors and their direct reports. Positions held by agency staff are not included within this disclosure as it relates to employees only.

Officers Remuneration 2016/17

Officer	Year	Salary, Fees and Allowances		Expenses	Taxable Benefits	Other Non-Cash Benefits	Compensation for Loss of Office	Pension Contribution	Total
		(note 3)	£						
Professor Steven Broomhead	2016/17		124,533	846	-	-	-	-	125,379
Chief Executive (Note 1)	2015/16		123,300	879	-	-	-	-	124,179
Katherine Fairclough	2016/17		110,685	776	-	495	-	24,149	136,104
Deputy Chief Executive	2015/16		115,316	1,194	-	2,709	-	24,457	143,676
Steve Reddy	2016/17		121,643	1,391	-	4,995	-	-	128,029
Executive Director Families & Wellbeing (Started	2015/16		118,194	1,706	-	7,190	-	-	127,090
Andy Farrall	2016/17		114,155	846	-	-	-	25,228	140,229
Executive Director Economic Regeneration, Growth & Environment	2015/16		113,025	879	-	-	-	23,876	137,780
Lynton Green	2016/17		86,706	1,607	-	11,163	-	19,378	118,854
Director of Finance & Information Services	2015/16		85,212	1,547	-	11,688	-	18,229	116,676
Dr Rita Robertson	2016/17		9,102	-	-	-	-	1,302	10,404
Director of Public Health (Left 30/04/16)	2015/16		120,163	-	-	-	-	15,701	135,864
Dr Abdel Aziz	2016/17		115,099	846	-	540	-	26,155	142,641
Director of Public Health (Start 01/04/16)	2015/16		-	-	-	-	-	-	-
Tim Date	2016/17		67,482	635	-	-	42,710	14,914	125,741
Solicitor to the Council (Left 31/12/16)	2015/16		89,085	879	-	-	-	18,819	108,783
Matthew Cumberbatch	2016/17		28,000	-	-	-	-	6,188	34,188
Head of Legal & Democratic Services (Start 07/11/16)	2015/16		-	-	-	-	-	-	-
Assistant Director	2016/17		94,976	846	-	-	-	20,989	116,811
Targeted Services	2015/16		94,030	879	-	-	-	19,863	114,772
Assistant Director	2016/17		19,745	186	-	-	91,000	4,801	115,732
Business Planning & Resources (Left 19/06/16)	2015/16		89,085	879	-	-	-	18,819	108,783
Assistant Director	2016/17		88,236	846	-	1,740	-	19,885	110,707
Transportation, Engineering & Operations	2015/16		87,378	879	-	1,707	-	18,819	108,783
Assistant Director	2016/17		83,863	1,344	-	6,113	-	19,000	110,320
Integrated Adult Health & SCC (Note 2)	2015/16		84,409	1,487	-	4,676	-	17,828	108,400
Operational Director Universal Services (Left 20/03/16)	2015/16		91,560	821	-	-	-	19,448	111,829
Operational Director Universal Services (Started 07/03/16)	2016/17		90,118	846	-	540	-	20,035	111,539
Operational Director Adult Services	2015/16		5,987	71	-	45	-	1,429	7,532
Operational Director Adult Services	2016/17		89,525	1,260	-	5,769	-	19,904	116,458
Assistant Director	2015/16		91,582	879	-	473	-	19,446	112,380
Assistant Director	2016/17		89,976	846	-	-	-	19,885	110,707
Partnerships & Performance	2015/16		89,085	879	-	-	-	18,819	108,783
Gareth Hopkins	2016/17		81,018	1,560	-	6,311	-	-	88,889
Assistant Director Human Resources	2015/16		83,119	879	-	725	-	-	84,723
Managing Director Warrington & Co	2016/17		86,666	1,471	-	3,310	-	19,153	110,600
Assistant Director, Regulatory and Public Protection	2015/16		88,803	879	-	282	-	18,819	108,783
Assistant Director, Regulatory and Public Protection	2016/17		76,627	2,495	-	495	82,926	17,044	179,587
Assistant Director, Regulatory and Public Protection	2015/16		75,663	-	-	405	-	16,605	92,673

- **Note 1** - Excludes amounts paid to the Chief Executive for Returning Officer duties. The Chief Executive is 0.8 full time equivalent and is required to be named. In addition, the Council's Senior Management Team are named.
- **Note 2** – 50% funded by Warrington CCG (100% included in the table)
- **Note 3** - Fees for election duties are not included within the table

The number of Council employees including teachers and senior employees receiving more than £50,000 remuneration for the year is included in the following table. The numbers included within this table differ from the first table as employer's pension contributions are excluded.

2015/16					2016/17			
No. of Non-school Employees	No. of School Employees	No. of Agency Staff	Total No. of Staff	Bandings	No. of Non-school Employees	No. of School Employees	No. of Agency Staff	Total No. of Staff
19	22	6	47	£50,000 to £54,999	14	27	6	47
15	41	5	61	£55,000 to £59,999	9	33	4	46
7	13	4	24	£60,000 to £64,999	6	16	1	23
11	6	3	20	£65,000 to £69,999	10	11	7	28
2	4	2	8	£70,000 to £74,999	2	2	2	6
2	3	1	6	£75,000 to £79,999	4	4	-	8
2	1	-	3	£80,000 to £84,999	1	2	1	4
5	-	1	6	£85,001 to £89,999	1	-	1	2
6	-	-	6	£90,000 to £94,999	5	-	3	8
1	-	-	1	£95,000 to £99,999	3	-	-	3
-	-	-	-	£100,000 to £104,999	-	-	-	-
-	-	-	-	£105,000 to £109,999	-	-	1	1
1	-	-	1	£110,000 to £114,999	1	-	-	1
1	-	-	1	£115,000 to £119,999	3	-	-	3
2	-	-	2	£120,000 to £124,999	-	-	-	-
2	-	-	2	£125,000 to £129,999	2	-	-	2
76	90	22	188		61	95	26	182

Exit Packages 2016/17

2016/17 Exit Package Cost Band (including special payments)	No. of Compulsory Redundancies			No. of Other Departures Agreed			Total No. of Exit Packages			Total Cost of Exit Packages		
	Schools	Non-Schools	Total	Schools	Non-Schools	Total	Schools	Non-Schools	Total	Schools £	Non-Schools £	Total £
£0 - £20,000	2	5	7	39	37	76	41	42	83	294,433	296,641	591,074
£20,001 - £40,000	-	-	-	2	15	17	2	15	17	51,976	420,040	472,016
£40,001 - £60,000	-	-	-	-	11	11	-	11	11	-	535,931	535,931
£60,001 - £80,000	-	-	-	-	7	7	-	7	7	-	466,388	466,388
£80,001 - £100,000	-	-	-	-	1	1	-	1	1	-	91,000	91,000
£100,001 - £150,000	-	-	-	-	3	3	-	3	3	-	362,213	362,213
£150,001 - £200,000	-	-	-	-	-	-	-	-	-	-	-	-
Total	2	5	7	41	74	115	43	79	122	346,409	2,172,213	2,518,622

Exit Packages 2015/16

2015/16 Exit Package Cost Band (including special payments)	No. of Compulsory Redundancies			No. of Other Departures Agreed			Total No. of Exit Packages			Total Cost of Exit Packages		
	Schools	Non-Schools	Total	Schools	Non-Schools	Total	Schools	Non-Schools	Total	Schools £	Non-Schools £	Total £
£0 - £20,000	4	2	6	17	26	43	21	28	49	97,857	322,249	420,106
£20,001 - £40,000	-	2	2	1	16	17	1	18	19	28,644	512,992	541,636
£40,001 - £60,000	-	2	2	-	7	7	-	9	9	-	419,421	419,421
£60,001 - £80,000	-	1	1	-	-	-	-	1	1	-	68,620	68,620
£80,001 - £100,000	-	-	-	-	1	1	-	1	1	-	84,221	84,221
£100,001 - £150,000	-	-	-	-	4	4	-	4	4	-	477,062	477,062
£150,001 - £200,000	-	-	-	-	1	1	-	1	1	-	155,233	155,233
Total	4	7	11	18	55	73	22	62	84	126,501	2,039,799	2,166,300

16 Termination Benefits

The Council terminated the contracts of 84 employees in 2016/17, incurring redundancy liabilities of £1,601,507 (2015/16 £1,236,193) and pension fund liabilities of £1,012,572 (2015/16 £47,568) as part of the Council's budget savings.

17 External Audit Costs

The fee payable to Grant Thornton UK LLP with regard to external audit services carried out for the year was £127,163 (2015/16 £127,163). The fee payable for the certification of grant claims and returns for the year was £16,673 (£7,652 in 2015/16). The fee payable with regard to other services for the year was £38,913 (2015/16 £56,600).

18 Expenditure and Income Analysed by Nature

The income and expenditure of the Council's directorates recorded in the budget reports for the year was as follows.

	2015/16	2016/17
	£'000	£'000
Expenditure/Income		
Expenditure		
Employee benefits expenses	183,573	176,521
Other service expenses	267,351	259,444
Depreciation, amortisation, impairment	27,621	28,742
Interest payments	6,778	8,066
Expenditure relating to investment properties	1,349	(1,949)
Precepts and levies	1,713	1,738
Total expenditure	488,385	472,562
Income		
Fees, charges and other service income	(202,507)	(196,814)
Interest and investment income	(6,175)	(7,522)
Income relating to investment properties	(604)	(658)
Income from council tax, non-domestic rates	(80,043)	(85,014)
Government grants and contributions	(181,822)	(173,226)
Total Income	(471,151)	(463,234)
Surplus or Deficit on the Provision of Services	17,234	9,328

19 Dedicated Schools Grant

The Council's expenditure on schools and education is funded primarily by the Dedicated Schools Grant (DSG). An element of DSG is provided to fund academy schools within the Borough. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2016/17 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Issue Total £'000	Funding Total £'000
Final DSG for 2016/17 before academy recoupment				152,700
Academies figure recouped for 2016/17				(41,535)
Total DSG after academy recoupment for 2016/17				111,165
Plus: Brought forward from 2015/16				177
Less: Carry forward to 2017/18				
Agreed initial budgeted distribution in 2016/17	15,906	135,982	151,888	
In-year adjustments	4	(40,709)	(40,705)	
Final budget distribution for 2016/17	15,910	95,273	111,183	-
Less: Actual Central Expenditure	(15,992)		(15,992)	
Less: Actual Individual Schools Budget deployed to schools		(95,274)	(95,274)	
Plus: Local Authority contribution for 2014/15	-	-	-	
Carry forward to 2017/18	(82)	(1)	(83)	111,342

20 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17.

The grants that are credited to Taxation and non-Specific Grant Income are shown in the following table. The revenue grants shown are the non-ringfenced Grants that, once combined with the Council Tax Income, form the Council's Net Budget for the year.

Credited to Taxation and Non-specific Grant Income	2015/16 £'000	2016/17 £'000
Revenue		
Business Rates Retention Scheme Income	29,694	29,823
Revenue Support Grant	24,932	17,192
New Homes Bonus	4,576	5,575
Education Services Grant	2,467	2,224
Business Rates Section 31 Grants	1,618	1,285
Other Grants credited to Taxation & Non Specific Grant Income	215	690
Total Revenue Grants	63,502	56,789
Capital Grants and Contributions	21,090	25,778
Total	84,592	82,567

The grants and contributions shown overleaf are specific to certain services and are therefore included on specific income lines in the Cost of Services.

	2015/16	2016/17
	£000	£'000
Credited to Services		
Grants		
Dedicated Schools Grant	111,908	111,183
Rent Allowance Subsidy	52,895	49,092
Public Health Grant	11,358	12,901
Pupil Premium	5,733	5,763
Transformation Challenge	5,000	-
Universal Schools Meals Grant	2,627	2,570
Support for Social Care	1,145	-
Substance Misuse Grant	1,118	1,205
Admin Subsidy	1,049	917
Capital Grant Income to fund Revenue Expenditure	875	1,610
Other Grants	7,206	7,719
Total Grants	200,914	192,960
Contributions		
High Costs Care Packages Contributions	-	1,068
NHS CCG contributions	1,103	465
Coroner Service Contributions	1,159	1,126
Other Contributions	5,899	6,691
Total Contributions	8,161	9,350
Total	209,075	202,310

The following grants have yet to be recognised as income in the CIES as they have grant conditions which have not yet been met and will be repayable if not used for the specified purpose.

	2015/16	2016/17
	£'000	£'000
Grants Receipts in Advance (Short and Long-term)		
Capital Grants	537	487
Revenue Grants		
Commuted Sums	7,408	7,676
S106 Agreements	8,180	5,612
Dedicated Schools Grant	177	-
Miscellaneous Revenue Grants	352	36
Total Revenue Grants	16,117	13,324
Total	16,654	13,811

21 Property, Plant and Equipment (PPE)

Movements on Balances

Movement in 2016/17:

	Council Dwellings £'000	Land & Buildings £'000	Infrastructure Assets £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total PPE £'000	PFI Assets included in PPE £'000	VA Schools included in PPE £'000
Cost or Valuation										
Balance as at 1 April 2016	-	324,207	181,514	52,850	13,507	36,020	6,672	614,770	7,493	55,947
Additions (Note 24)	-	7,484	24,763	2,453	602	35,753	12	71,067	-	2,873
Accumulated depreciation & impairment written out to Gross Carrying Amount (GCA)	-	(442)	-	-	-	-	-	(442)	-	(107)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	(44)	-	-	-	-	-	(44)	-	608
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(3,251)	-	-	-	-	-	(3,251)	-	-
Derecognition - disposals	-	(9,486)	-	(731)	(20)	(2,223)	(18)	(12,478)	-	-
Reclassifications & transfers	-	15,414	-	-	164	(15,578)	-	-	-	-
Reclassified (to)/from Investment Properties	-	(267)	-	-	-	-	-	(267)	-	-
Balance as at 31 March 2017	-	333,615	206,277	54,572	14,253	53,972	6,666	669,355	7,493	59,321
Depreciation and Impairment										
Balance as at 1 April 2016	-	7,779	21,466	14,997	6	196	359	44,803	47	3,827
Depreciation charge	-	6,619	4,544	4,297	-	-	117	15,577	229	2,188
Accumulated depreciation written out to GCA	-	(442)	-	-	-	-	-	(442)	-	(107)
Depreciation - disposals	-	(329)	-	(378)	-	-	-	(707)	-	-
Reclassifications & transfers	-	196	-	-	-	(196)	-	-	-	-
Reclassified (to)/from Investment Properties	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2017	-	13,823	26,010	18,916	6	-	476	59,231	276	5,908
Net Book Value										
Balance as at 31 March 2017	-	319,792	180,267	35,656	14,247	53,972	6,190	610,124	7,217	53,413
Balance as at 31 March 2016	-	316,428	160,048	37,853	13,501	35,824	6,313	569,967	7,446	52,120

Comparable Movements in 2015/16:

	Council Dwellings £'000	Land & Buildings £'000	Infrastructure Assets £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total PPE £'000	PFI Assets included in PPE £'000	VA Schools included in PPE £'000
Cost or Valuation										
Balance as at 1 April 2015	6,725	300,407	154,121	47,919	11,740	29,018	7,137	557,067	7,493	55,857
Asset reclassification	-	734	-	-	-	(729)	-	5	-	-
Adjusted Opening Balance	6,725	301,141	154,121	47,919	11,740	28,289	7,137	557,072	7,493	55,857
Additions (Note 24)	-	20,390	27,393	4,740	985	19,649	11	73,168	-	12
Accumulated depreciation & impairment written out to Gross Carrying Amount (GCA)	-	(2,116)	-	-	-	-	-	(2,116)	-	(61)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	2,776	-	-	-	-	177	2,953	-	139
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(14,879)	-	-	-	-	3	(14,876)	-	-
Derecognition - disposals	-	(264)	-	(131)	-	(380)	(656)	(1,431)	-	-
Reclassifications & transfers	(6,725)	17,159	-	322	782	(11,538)	-	-	-	-
Reclassified (to)/from Investment Properties	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2016	-	324,207	181,514	52,850	13,507	36,020	6,672	614,770	7,493	55,947
Depreciation and Impairment										
Balance as at 1 April 2015	-	4,077	17,607	11,518	6	120	293	33,621	17	1,702
Depreciation charge	-	6,052	3,859	3,405	-	-	147	13,463	30	2,186
Accumulated depreciation written out to GCA	-	(2,116)	-	-	-	-	-	(2,116)	-	(61)
Depreciation - disposals	-	(71)	-	(13)	-	-	(81)	(165)	-	-
Reclassifications & transfers	-	(163)	-	87	-	76	-	-	-	-
Reclassified (to)/from Investment Properties	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2016	-	7,779	21,466	14,997	6	196	359	44,803	47	3,827
Net Book Value										
Balance as at 31 March 2016	-	316,428	160,048	37,853	13,501	35,824	6,313	569,967	7,446	52,120
Balance as at 31 March 2015	6,725	296,330	136,514	36,401	11,734	28,898	6,844	523,446	7,476	54,155

PFI Assets are those relating to Private Finance Initiatives.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment (PPE) assets by the allocating their depreciable amounts over their useful lives, however some exceptions apply. See Accounting Policy 1.18 in Appendix A. Depreciation is calculated on the following basis:

- Dwellings & other buildings and plant & services components from other buildings – straight line allocation over 5 to 60 years, dependant on the initial value of the asset
- Vehicles, plant, furniture and equipment – straight line allocation over 3 to 10 years, dependant on the initial value of the asset
- Infrastructure – straight line allocation over 40 years

Capital Commitments

The total capital commitments as at 31 March 2017 were £31.329m. This includes the following major projects:

- Warrington Priority Infrastructure £10.274m
- Time Square Regeneration £15.282m
- Highways Maintenance Investment £2.401m

Similar commitments at 31 March 2016 were £20.427m relating to previous year commitment totals for all of the projects listed above as well as Barrowhall Primary School.

Revaluations

The Council carries out a rolling programme of revaluations in accordance with Accounting Policy 1.18 (Appendix A), as well as desktop reviews of assets not valued within a particular year. Revaluations are made with sufficient regularity to ensure that the carrying value of assets is not materially different to fair value.

The valuations were undertaken by the Estates Division of the Council in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors. All assets are valued as at 31 March, as part of a five year programme as shown below.

	Council Dwellings £'000	Land & Buildings £'000	Infrastructure Assets £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total PPE £'000
Carried at historic cost	-	20,838	206,277	54,572	14,253	52,090	792	348,822
Valued at fair value as at:								
31 March 2017	-	14,898	-	-	-	-	-	14,898
31 March 2016	-	89,333	-	-	-	-	828	90,161
31 March 2015	-	160,889	-	-	-	-	-	160,889
31 March 2014	-	47,657	-	-	-	1,882	5,046	54,585
31 March 2013	-	-	-	-	-	-	-	-
Total Cost or Valuation	-	333,615	206,277	54,572	14,253	53,972	6,666	669,355

22 Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

The Council's Heritage Assets held on the Balance Sheet at insurance valuation constitute:

- Museum Exhibits and Artworks
- Civic Regalia
- Ornamental Gates
- Statues and Town Centre Artwork

Insurance valuations increase annually by the increase in the rebuild annual index for estate items in the absence of any other relevant indices.

	Museum Exhibits & Artworks £'000	Civic Regalia £'000	Ornamental Gates £'000	Statues & Town Centre Artwork £'000	Total Assets £'000
Cost or Valuation					
Balance as at 31 March 2015	8,971	278	2,405	2,999	14,653
Revaluations	448	-	120	148	716
Balance as at 31 March 2016	9,419	278	2,525	3,147	15,369
Revaluations	283	31	76	92	482
Balance as at 31 March 2017	9,702	309	2,601	3,239	15,851

Additions, Disposals and Donations of Heritage Assets

There were no additions or disposals of Heritage Assets during 2015/16 and there have been no movements in acquisitions, donations or disposals over the past five years.

23 Investment Properties

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

	2015/16 £'000	2016/17 £'000
Rental income from investment property	(604)	(658)
Net (gains)/losses from fair value adjustments	(594)	(2,883)
Direct operating expenses arising from investment property	1,943	933
Net (gain)/loss	745	(2,608)

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

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

	2015/16 £'000	2016/17 £'000
Balance as at the start of the year	29,993	31,243
Disposals	(191)	(91)
Net gains/(losses) from fair value adjustments	(594)	2,883
Additions	2,035	15,834
Transfers (to)/ from Property, Plant and Equipment	-	267
Balance as at end of the year	31,243	50,136

Fair Value Hierarchy

Details of Warrington Borough Council investment properties and information about the fair value hierarchy as at 31 March 2017 and 2016 are as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2017 £000
2016/17				
Industrial Ground Rents	-	3,020	8,814	11,834
Retail Units	-	1,725	3,592	5,317
Industrial Units	-	1,465	971	2,436
Retail Warehouse	-	17,788	-	17,788
Other	-	8,376	4,385	12,761
Total	-	32,374	17,762	50,136

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2016 £000
2015/16				
Industrial Ground Rents	-	2,481	8,348	10,829
Retail Units	-	660	3,050	3,710
Industrial Units	-	1,513	947	2,460
Retail Warehouse	-	2,000	-	2,000
Other	-	6,747	5,497	12,244
Total	-	13,401	17,842	31,243

Transfers between Levels of the Fair Value Hierarchy

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

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The fair value for the industrial and retail units (at market rents) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant Unobservable Inputs – Level 3

The industrial and retail units located in the local authority area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the council's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

The council's industrial and retail units are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

Highest and Best Use of Investment Properties

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy

	31 March 2016 £000	31 March 2017 £000
Opening Balance	17,144	17,842
Transfers into Level 3	629	618
Transfers out of Level 3	-	(1,111)
Total gains (or losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	69	413
Additions	-	-
Disposals	-	-
Closing Balance	17,842	17,762

Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3

	As at 31/03/2017 £000	Valuation technique used to measure fair value	Unobservable inputs	Range	Sensitivity
Industrial Ground Rents	8,814	Income approach using a discounted cash flow technique	Rental Growth: Capitalisation Yield	4-6%	Significant changes in rent growth and capitalisation yield will result in a significantly lower or higher fair value
Other	4,385	Income approach using a discounted cash flow technique	Rental Growth: Capitalisation Yield	4-6%	Significant changes in rent growth and capitalisation yield will result in a significantly lower or higher fair value
Retail Units	3,592	Income approach using a discounted cash flow technique	Rental Growth: Capitalisation Yield	8-10%	Significant changes in rent growth and capitalisation yield will result in a significantly lower or higher fair value
Industrial Units	971	Income approach using a discounted cash flow technique	Rental Growth: Capitalisation Yield	5-8%	Significant changes in rent growth and capitalisation yield will result in a significantly lower or higher fair value

Valuation Process for Investment Properties

The fair value of the council's investment property is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

24 Capital Expenditure and Capital Financing

Total capital expenditure incurred in the year is shown in the table overleaf (including the value of assets acquired under finance leases and Private Finance Initiative (PFI))

contracts), together with the relevant financing. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

		2015/16	2016/17
	Note(s)	£'000	£'000
Opening Capital Financing Requirement		249,881	304,831
Capital Investment			
Property, Plant and Equipment	21	73,168	71,067
Investment Properties	23	2,035	15,834
Intangible Assets		25	-
Revenue Expenditure Funded by Capital Under Statute		2,491	5,110
Long Term Debtor - Loans to Registered Providers		1,000	20,000
Long Term Debtor - Loan to OWL - Omega Warrington Ltd		5,444	3,029
Long Term Debtor - Loan to LiveWire		302	-
		84,465	115,040
Sources of Finance			
Capital Receipts	9	(190)	(2,456)
Government Grants & Other Contributions		(21,774)	(22,476)
Payments Received for:			
Long Term Debtor - Warrington Housing Association		(101)	(105)
Long Term Debtor - Golden Gates Housing		(44)	(46)
Long Term Debtor - Your Housing		(67)	(70)
Long Term Debtor - Equity		-	(185)
Long Term Debtor - Muir		(58)	(266)
Long Term Debtor - Helena		(409)	(336)
Long Term Debtor - Wulvern Housing Group		(89)	-
Long Term Debtor - Loan to OWL - Omega Warrington Ltd		(3,922)	(2,478)
Long Term Debtor - Warrington Borough Transport		(130)	(195)
Long Term Debtor - Loan to LiveWire		-	(301)
Long Term Debtor - Wirral Methodist		-	(5)
Sums set aside from Revenue:			
Developers Contribution (S106)		(2,471)	(2,796)
Minimum Revenue Provision		(260)	(269)
		(29,515)	(31,984)
Closing Capital Financing Requirement		304,831	387,887
Explanations of movements in year			
Increase in underlying need for borrowing		54,950	83,056

25 Long Term Debtors

The Council's long term debtors (over 12 months) are as follows:

	31/03/16 £'000	31/03/17 £'000
<u>Long-term Debtors</u>		
Other entities and individuals:		
Deferred Care Charges	1,970	1,618
Charged Properties	-	22
Finance Leases (Where Council is Lessor)	31,893	31,888
Local Authority Mortgage Schemes	3,500	2,000
Warrington Housing Association	3,504	3,394
Golden Gates Housing	130	1,563
Muir Housing Group	1,611	11,823
Arena Housing Group	2,836	2,773
Equity Housing Group	2,846	9,560
Helena Housing Association	-	13,836
Warrington Borough Transport	14,189	-
Wulvern Housing Limited	10,000	10,000
Omega Warrington Limited	5,728	6,279
Wirral Methodist Housing	276	-
LiveWire	-	475
Total Long-term Debtors	78,483	95,231

26 Debtors

The Council's short term debtors (under 12 months) are as follows:

	31/03/16 £'000	31/03/17 £'000
<u>Short-term Debtors</u>		
Central Government Bodies	7,959	9,129
Other Local Authorities	903	1,123
NHS Bodies	1,170	6,026
Public Corporations and Trading Funds	(2)	-
Other Entities and Individuals	29,750	38,724
Total Short-term Debtors	39,780	55,002

The amounts above are shown net of impairment for doubtful debts. For 2016/17 the impairment for doubtful debts totalled £11.976m of which £9.009m relates to Council Tax and Business Rates (2014/15: £12.1m with £9.4m relating to Council Tax and Business Rates).

27 Cash and Cash Equivalents

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

	31/03/16	31/03/17
	£'000	£'000
Cash on hand and balances with banks	(271)	(1,034)
Short-term Deposits	14,207	44,235
Total Cash and Cash Equivalents	13,936	43,201
Cash Overdrawn	(3,933)	(27)
Net Cash and Cash Equivalents	10,003	43,174

28 Creditors

The Council's creditors are as follows:

	31/03/16	31/03/17
	£'000	£'000
Short-term Creditors		
Central Government Bodies	6,062	4,672
Other Local Authorities	4,300	3,771
NHS Bodies	1,694	705
Public Corporations and Trading Funds	43	36
Other Entities and Individuals	26,692	32,270
Total Short-term Creditors	38,791	41,454
Long-term Creditors		
Other Entities and Individuals	4,282	4,293
Total Creditors	43,073	45,747

29 Provisions

	Injury and Damage Compensation Claims £'000	Other Provisions £'000	Total £'000
Balance at 31 March 2015	2,186	4,789	6,975
Additional provisions made in year	392	1,410	1,802
Amounts used in year	-	-	-
Unused amounts reversed in year	-	-	-
Balance at 31 March 2016	2,578	6,199	8,777
Additional provisions made in year	(27)	893	866
Amounts used in year	-	-	-
Unused amounts reversed in year	-	(268)	(268)
Balance at 31 March 2017	2,551	6,824	9,375

	31/03/16	31/03/17
	£'000	£'000
Short-term Provisions	6,151	6,740
Long-term Provisions	2,626	2,635
Total Provisions	8,777	9,375

The provision for Injury and Damage Compensation Claims was established to meet excessive insurance claims taken out with third party organisations and to self-insure and for certain areas of risk.

Other provisions relate to:

- Staff provisions for potential future payments for redundancy.
- The Carbon Reduction Commitment (CRC) provision for future obligation to purchase and surrender CRC Allowances in relation to carbon dioxide emissions.
- MMI provision for future obligation to pay insurance payment clawback arising from Municipal Mutual Insurance (MMI) Scheme of Arrangement. This is a long term provision.
- NDR Appeals Provision - As from 1st April 2013 the Council has taken over the liability generated by any appeals against the valuation amount with regard to Business Rates. This provision is based on the Council's best estimate of that liability.

30 Private Finance Initiatives

The Council has two PFI Schemes, both of which were in the 9th year of a 30 year contract in 2015/16. The Anson Close and Blenheim Close scheme is for the construction, maintenance and tenancy management of 105 social houses and the John Morris House scheme is for the construction, maintenance and tenancy management of 38 self-contained flats for social housing. This scheme focused on providing supported housing for 16 to 25 year olds with short to medium term housing needs.

The Council has nomination rights over all the social dwelling on both schemes and at the end of the term, has the following options:

- Purchase the dwellings at their open market value at existing use for social housing purposes (both schemes)
- Retender the provision of the services (Anson Close and Blenheim Close)
- Do neither of the above and walk away (Anson Close and Blenheim Close)
- Return the dwellings to the Operator (John Morris House)

In return for these combined construction and operations contract, the Council will make quarterly unitary charge payments to the Operator. The payments may vary according to the quality/performance of the service and availability of dwellings, but in substance, it is not expected there would be any significant unavailability of the dwellings. This means that the Council is in substance committed to a fixed payment stream independent of the demand for the assets. The payments are not subject to any indexation. The Operator is also able to charge rents to the tenants. These are set in accordance with the Warrington Area Target Registered Providers rent.

Property, Plant and Equipment

The assets used to provide services at both schemes are recognised on the Council's Balance Sheet and movements in their value over the year are detailed in the analysis of the movement on the PPE balance in Note 21.

Payments

Payments remaining to be made under the PFI contract at 31 March 2016 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Anson & Blenheim Close

Total at 31/03/2016 £'000		Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total at 31/03/2017 £'000
304	Payable in 2016/17	39	52	212	303
1,218	Payable within 2 to 5 years	162	258	798	1,218
1,522	Payable within 6 to 10 years	208	471	843	1,522
1,523	Payable within 11 to 15 years	216	716	590	1,522
1,523	Payable within 16 to 20 years	175	916	206	1,297
76	Payable within 21 to 25 years	-	-	-	-
6,166		800	2,413	2,649	5,862

John Morris House

Total at 31/03/2016 £'000		Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total at 31/03/2017 £'000
188	Payable in 2016/17	35	51	102	188
749	Payable within 2 to 5 years	142	231	377	750
937	Payable within 6 to 10 years	182	366	389	937
937	Payable within 11 to 15 years	188	477	272	937
937	Payable within 16 to 20 years	195	622	121	938
320	Payable within 21 to 25 years	57	71	2	130
4,068		799	1,818	1,263	3,880

The payments made to the Operator have been calculated to compensate the Operator for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay to the Operator for capital expenditure incurred is as follows:

Anson & Blenheim Close

	2015/16 £'000	2016/17 £'000
Balance outstanding at start of year	(2,506)	(2,462)
Payments during the year	44	49
Balance outstanding at end of year	(2,462)	(2,413)

	2015/16 £'000	2016/17 £'000
Balance outstanding at start of year	(1,911)	(1,866)
Payments during the year	45	48
Balance outstanding at end of year	(1,866)	(1,818)

31 Leases

Council as Lessee

Finance Leases

The Council has acquired various land and buildings under finance leases. The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and the 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:

	31 March 2016 £'000	31 March 2017 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	-	-
Non-current	690	690
Finance costs payable in future years	7,644	7,548
Minimum lease payments	8,334	8,238

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Not later than one year	96	96	-	-
Later than one year and not later than five years	386	386	-	-
Later than five years	7,852	7,756	690	690
	8,334	8,238	690	690

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17 £102,975 contingent rents were payable by the Council (2015/16 £53,131).

The Council has sub-let some of the retail accommodation held under these finance leases. The above disclosure shows the net result of the lessee and lessor finance leases in relation to this accommodation. The Council currently incurs a rental charge of £199k and receives rental income of £18k in relation to these properties.

The council also sub-let other property resulting in total sub-lease rental income of £368k (2015/16 £364k).

Operating Leases

The Council has acquired numerous vehicles, plant and equipment and land and buildings by entering into operating leases, with a range of typical lives. The future minimum lease payments due under non-cancellable leases in future years are:

	2015/16 £'000	2016/17 £'000
Leases rolling over regularly	354	634
Not later than one year	580	1,266
Later than one year and not later than five years	1,205	928
Later than five years	6,854	6,699
	8,993	9,527

The expenditure charged to each directorate line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	Resources and Strategic Commissioning £'000	Families and Wellbeing: Children £'000	Economic Regeneration, Growth & Environment £'000	Families and Wellbeing: Adults £'000	Total £'000
2016/17					
Minimum lease payments	3	278	1,707	17	2,005
Sublease payments receivable	-	-	(14)	-	(14)
	3	278	1,693	17	1,991

	Resources and Strategic Commissioning £'000	Families and Wellbeing: Children £'000	Economic Regeneration, Growth & Environment £'000	Families and Wellbeing: Adults £'000	Total £'000
2015/16					
Minimum lease payments	3	503	606	17	1,129
Sublease payments receivable	-	-	(14)	-	(14)
	3	503	592	17	1,115

Council as Lessor

Finance Leases

The Council has leased out land and buildings at various locations on finance leases with remaining terms of 5 to 191 years.

Included within these leases is a material lease relating to Golden Square Shopping Centre Development. As at 31 March 2017, the total outstanding receivable amount remaining on this lease was £30.614m repayable over a 190 year period. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term, and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2016	31 March 2017
	£'000	£'000
Finance lease debtors (net present value of minimum lease payments):		
Current	48	5
Non-current	31,893	31,888
Unearned finance income	295,276	293,473
Gross investment in the lease	327,217	325,366

The unearned finance income relates to future income due from tenants over the term of the leases. The longest of these leases will be running for the next 191 years.

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

	Gross investment in the lease		Minimum Lease Payments	
	31 March 2016	31 March 2017	31 March 2016	31 March 2017
	£'000	£'000	£'000	£'000
Not later than one year	1,851	1,802	1,851	1,802
Later than one year and not later than five years	7,196	7,192	7,196	7,192
Later than five years	318,170	316,372	318,170	316,372
	327,217	325,366	327,217	325,366

As there is a possibility that worsening financial circumstances might result in lease payments not being made, the Council has set aside an allowance for uncollectable amounts as part of its sundry debtor impairment which includes rental income debtors raised by the Estates Department. The level of debtor impairment required is reviewed on an annual basis and is based on average actual collection rates.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17 £59,875 contingent rents were receivable by the Council (2015/16 £52,125).

Operating Leases

The Council leases out land and buildings under operating leases. The future minimum lease payments receivable under non-cancellable leases in future years are:

	2015/16	2016/17
	£'000	£'000
Leases rolling over regularly	1,455	1,716
Not later than one year	2,328	3,594
Later than one year and not later than five years	6,339	10,771
Later than five years	69,307	67,525
	79,429	83,606

The minimum lease payments receivable include rents that were contingent on events taking place after the lease was entered into up until 31 March 2017, such as adjustments following rent reviews. The minimum lease payments do not include future contingent rents such as adjustments following rent reviews from 1 April 2016 onwards.

The authority leases out both land and property under operating leases. The value of these assets is included within Land & Buildings (Note 21) and Investment Properties (Note 23), and is presented below:

	31/03/16	31/03/17
	NBV	NBV
	£'000	£'000
Investment Property	10,576	11,445
Land & Buildings	78,594	80,685
	89,170	92,130

Prior Period Adjustment

As part of the preparation of the 2016/17 Statement of Accounts, the net book value declared above for the year ending 31/03/16, was found to be in error. The values previously declared were £4,696k and £29,751k respectively.

32 Pension Schemes

Defined Contribution Pension Schemes

Teachers Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by the Department for Education. 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 Scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/17, the Council paid £6,625,789 to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.09% of pensionable pay. The figures for 2015/16 were £6,651,868 and 15.9%. A small number of schools used external payroll providers and provided appropriate breakdowns of the amounts paid, which are replicated on the Council's accounts.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teacher's scheme.

NHS Pensions Schemes Accounted for as Defined Contribution Schemes

Public Health professionals employed by the Council are members of the NHS Pension Scheme administered by the Department of Health. The Scheme provides lifestyle professionals 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 Scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department of Health uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/17, the Council paid £88,863 to NHS Pensions in respect of Public Health professionals' retirement benefits, representing 14.7% of pensionable pay (£110,322 and 14% in 2015/16). There were no contributions remaining payable at the year end.

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 will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be accounted for at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Cheshire Pension Fund by Cheshire West and Chester Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised 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 required to be 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.

	2015/16 £'000	2016/17 £'000
Comprehensive Income and Expenditure Statement		
<u>Cost of Services:</u>		
<i>Service cost comprising</i>		
Current service cost	21,490	18,252
Past service costs (including curtailments)	195	1,133
(Gains) and losses on settlements	(80)	(333)
 <i>Financing and Investment Income and Expenditure</i>		
Net interest expense	6,414	4,035
Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services	28,019	23,087
 <u>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</u>		
<i>Remeasurement of the net defined benefit liability comprising:</i>		
Return on plan assets (excluding the amount included in the net interest expense)	11,586	51,767
Actuarial gains and losses arising on the changes in demographic assumptions	-	554
Actuarial gains and losses arising on the changes in other experience	9,343	23,478
Actuarial gains and losses arising on changes in financial assumptions	73,760	(141,615)
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	122,708	(42,729)
 Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	11,851	(5,157)
 Actual amount charged against the General Fund balance for pensions in the year		
Employers' contribution payable to the scheme	(16,168)	(17,930)

Pension Assets and Liabilities Recognised in the Balance Sheet

	2015/16 £'000	2016/17 £'000
Present value of the defined benefit obligation	(716,255)	(859,921)
Fair value of plan assets	601,385	674,078
Sub-total	(114,870)	(185,843)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £185.843m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid

The total contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2018 is £23,965k.

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2015/16 £'000	2016/17 £'000
Opening balance as at 1 April	769,443	716,255
Current service cost	21,490	18,252
Interest cost	24,711	25,064
Contributions by scheme participants	4,720	4,684
Remeasurement gains and (losses):		
Actuarial gains and losses arising on the changes in demographic assumptions	-	(554)
Actuarial gains and losses arising on changes in financial assumptions	(73,760)	141,615
Other	(9,343)	(23,478)
Past service costs (including curtailments)	195	1,133
Benefits paid	(20,664)	(21,967)
Liabilities extinguished on settlements	(537)	(1,083)
Closing balance as at 31 March	716,255	859,921

Reconciliation of fair value of the scheme (plan) assets:

	2015/16 £'000	2016/17 £'000
Opening fair value of scheme assets	571,735	601,385
Interest income	18,297	21,029
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	11,586	51,767
Contributions from employers	16,168	17,930
Contributions from employees into the scheme	4,720	4,684
Benefits paid	(20,664)	(21,967)
Other	(457)	(750)
Closing fair value of scheme assets	601,385	674,078

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as a 31 March 2016.

The principal assumptions used by the actuary have been:

	2015/16	2016/17
Long-term expected rate of return on assets in the scheme:		
Equity investments	3.5%	2.6%
Bonds	3.5%	2.6%
Property	3.5%	2.6%
Cash	3.5%	2.6%
Mortality assumptions		
<i>Longevity at 65 for current pensioners:</i>		
Men	22.3 years	22.3 years
Women	24.4 years	24.5 years
<i>Longevity at 65 for future pensioners:</i>		
Men	24.1 years	23.9 years
Women	26.7 years	26.5 years
Inflation/pension increase rate	2.2%	2.4%
Salary increase rate	3.2%	2.7%
Rate of increase in pensions	3.5%	2.6%
Rate for discounting scheme liabilities	3.5%	2.6%
Take-up option to convert annual pension into retirement lump sum:		
Service to April 2008	50.0%	50.0%
Service post April 2008	75.0%	75.0%

The Discretionary Benefit arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Asset Category	Period Ended 31 March 2017			
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets
Equity Securities:				
Consumer	21,592	-	21,592	3%
Manufacturing	16,126	-	16,126	2%
Energy and Utilities	3,362	-	3,362	1%
Financial Institutions	18,537	-	18,537	3%
Health and Care	5,085	-	5,085	1%
Information Technology	58,756	-	58,756	9%
Other	2,596	-	2,596	1%
Debt Securities:				
Other	-	-	-	0%
Private Equity:				
All	-	29,695	29,695	4%
Real Estate:				
Uk Property	-	44,442	44,442	6%
Overseas Property	-	1,171	1,171	0%
Investment Funds and Unit Trusts:				
Equities	98,554	-	98,554	15%
Bonds	195,175	49,029	244,204	36%
Hedge Funds	-	82,226	82,226	12%
Other	-	31,943	31,943	5%
Cash and Cash Equivalents:				
All	-	15,790	15,790	2%
Totals	419,783	254,296	674,079	100%

Asset Category	Period Ended 31 March 2016			
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets
Equity Securities:				
Consumer	18,375	-	18,375	3%
Manufacturing	14,031	-	14,031	2%
Energy and Utilities	3,623	-	3,623	1%
Financial Institutions	18,090	-	18,090	3%
Health and Care	4,876	-	4,876	1%
Information Technology	53,927	-	53,927	9%
Other	2,465	-	2,465	0%
Debt Securities:				
Other	-	-	-	0%
Private Equity:				
All	-	31,634	31,634	5%
Real Estate:				
Uk Property	-	47,538	47,538	8%
Overseas Property	-	1,044	1,044	0%
Investment Funds and Unit Trusts:				
Equities	76,239	-	76,239	13%
Bonds	163,165	42,041	205,206	34%
Hedge Funds	-	79,458	79,458	13%
Other	-	31,953	31,953	5%
Cash and Cash Equivalents:				
All	-	12,926	12,926	2%
Totals	354,791	246,594	601,385	100%

33 Unusable Reserves

	31/03/2016	31/03/2017
	£000	£000
Capital Adjustment Account	238,285	237,181
Revaluation Reserve	120,552	117,107
Financial Instruments Adjustment Account	(391)	(530)
Available-for-Sale Reserve	6,932	6,728
Pensions Reserve	(114,870)	(185,843)
Deferred Capital Receipts Reserve (England and Wales)	31,941	31,893
Collection Fund Adjustment Account	(3,569)	(2,034)
Accumulating Compensated Absences Adjustment Account	(4,690)	(4,720)
Total Unusable Reserves	274,190	199,782

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account also contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

	Note(s)	31/03/16 £'000	31/03/17 £'000
Balance as at 1 April		245,208	238,285
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
Depreciation and impairment of non-current assets	21	(13,385)	(15,577)
Revaluation loss on PPE	21	(14,954)	(3,251)
Amortisation of intangible assets		(77)	(70)
Revenue expenditure funded from capital under statute	24	(2,491)	(5,110)
Carrying amount of non-current assets sold		(1,338)	(11,862)
		(32,245)	(35,870)
Adjusting amounts written out of the Revaluation Reserve		1,158	3,884
Net written out of the cost of non-current assets consumed in year		(31,087)	(31,986)
Capital financing applied in year:			
Restated Use of the Capital Receipts Reserve	9	190	2,456
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		3,381	12,223
Application of grants from the Capital Grants Unapplied Account	7	20,927	13,051
Statutory provision for the financing of capital investment		260	269
		24,758	27,999
Movements in the market value of Investment Properties	23	(594)	2,883
Balance as at 31 March		238,285	237,181

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.

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its PPE. 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 consolidated into the balance on the Capital Adjustment Account.

	31/03/16 £'000	31/03/17 £'000
Balance as at 1 April	118,222	120,552
Upward revaluation of assets	3,748	439
Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services	3,748	439
Disposal of non-current assets	(260)	(2,517)
Difference between fair value depreciation and historical cost depreciation	(1,158)	(1,367)
Balance as at 31 March	120,552	117,107

Available-for-Sale Financial Instrument Reserve

The Available-for-Sale Financial Instruments Reserve contains the gains made by the Authority arising from the increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are: -

- Revalued downwards or impaired and the gains are lost;
- Disposed of and the gains are realised.

	31/03/16 £'000	31/03/17 £'000
Balance at 1 April	6,190	6,932
Surplus or deficit on revaluation of financial assets not posted to the Surplus on the Provision of Services	742	(204)
Balance as at 31 March	6,932	6,728

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	31/03/16 £'000	31/03/17 £'000
Balance as at 1 April	31,984	31,941
Restated Tfr to Capital Receipts Reserve	(43)	(48)
Balance as at 31 March	31,941	31,893

Accumulated Absences Account

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

	31/03/16 £'000	31/03/17 £'000
Balance as at 1 April	(5,054)	(4,690)
Settlement or cancellation of accrual made at the end of the preceding year	5,054	4,690
Amounts accrued at the end of the current year	(4,690)	(4,720)
Balance as at 31 March	(4,690)	(4,720)

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 Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore 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.

	31/03/16 £'000	31/03/17 £'000
Balance as at 1 April	(197,708)	(114,870)
Actuarial gains or losses on pensions assets and liabilities	94,689	(65,816)
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	(11,851)	(5,157)
Balance as at 31 March	(114,870)	(185,843)

34 Financial Instruments, Risk and Collateral

Categories of Financial Instruments

The Council's financial instruments include financial assets (cash and cash equivalents and loans and receivables) and financial liabilities (trade payables arising from day-to-day operations and borrowings). The main purposes of the Council's financial instruments are to raise finance to support the Council's day-to-day operations (by investing surplus cash balances where appropriate) and finance investment undertaken through the capital programme.

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term		Short-term	
	31/03/2016 £'000	31/03/2017 £'000	31/03/2016 £'000	31/03/2017 £'000
Borrowings				
Financial liabilities (principal amount)	228,968	347,354	34,863	53,516
+ Accrued interest	-	-	2,019	2,243
+/- Other accounting adjustments	728	781	-	-
Financial liabilities at amortised cost (Note 1)	229,696	348,135	36,882	55,759
Financial liabilities at fair value through profit or loss (Note 2)	-	-	-	-
PFI and finance lease liabilities	4,232	4,129	96	102
Financial guarantees (Note 3)	-	-	-	-
Soft loans (Note 4)	48	-	-	-
Total Borrowings	233,976	352,264	36,978	55,861
Creditors				
PFI finance liabilities at amortised cost	4,282	4,293	-	-
Financial liabilities carried at contract cost	-	-	20,867	26,755
Total Creditors	4,282	4,293	20,867	26,755
Total Liabilities	238,258	356,557	57,845	82,616
<hr/>				
	Long-term		Short-term	
	31/03/2016 £'000	31/03/2017 £'000	31/03/2016 £'000	31/03/2017 £'000
Investments				
Loans and Receivables (principal amount)	17,200	27,749	5,000	4,500
+ Accrued Interest	-	-	1,296	1,545
+/- Accounting adjustments	-	-	-	-
Cash & Cash Equivalents	-	-	10,003	43,159
Loans and Receivables at amortised cost (Note 1)	17,200	27,749	16,299	49,204
Available-for-sale financial assets	16,897	18,343	-	-
Financial Assets at fair value through profit or loss (Note 2)	-	-	-	-
Unquoted equity investment at cost	2,538	888	-	-
Total Investments	36,635	46,980	16,299	49,204
Debtors				
Loans and receivables	76,514	93,591	17,811	34,506
Total Debtors	76,514	93,591	17,811	34,506
Soft loans provided (Note 4)	-	-	-	-
Total Assets	113,149	140,571	34,110	83,710

Note 1 - Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note 2 - Fair value has been measured by:

- Direct reference to published price quotations in an active market; and
- Estimating using a valuation technique.

Note 3 - Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The Council have not provided a financial guarantee.

Note 4 Soft Loan

The Council has not made any loans to voluntary organisations at less than market rates (soft loans).

The Council has received a soft loan from Salix. When a soft loan is made, a benefit is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account. The detailed soft loans information is as follows:

	Soft Loans Received				Soft Loans Provided			
	Long-term		Short-term		Long-term		Short-term	
	31/03/2016 £'000	31/03/2017 £'000	31/03/2016 £'000	31/03/2017 £'000	31/03/2016 £'000	31/03/2017 £'000	31/03/2016 £'000	31/03/2017 £'000
Opening balance	198	48	-	-	-	-	-	-
+ New loans granted	-	-	-	-	-	-	-	-
- Fair value adjustment	-	-	-	-	-	-	-	-
- Loans repaid	(144)	-	-	-	-	-	-	-
- Impairment losses	-	-	-	-	-	-	-	-
+ increase in the discounted amount	-	-	-	-	-	-	-	-
+/- Other changes	(6)	-	-	-	-	-	-	-
Closing Balance	48	48	-	-	-	-	-	-
Nominal value carried forward	48	48	-	-	-	-	-	-

Valuation Assumptions

The interest rate at which these soft loans have been recognised is calculated by applying the interest rate of a comparable PWLB loan at the date of recognition. Any gains and losses that arise on derecognition of the assets are credited/debited to the Comprehensive Income and Expenditure Statement.

Employee Car Loans

The Council previously made loans for car purchase to employees who were in posts that required them to drive regularly on the authority's business. No interest was charged on the loans. The final repayment of the car loans was made in the financial year 2014/15.

Reclassifications

In 2016/17 the Council has not made any reclassifications.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows.

	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available for Sale Assets £'000	2015/16 £000	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available for Sale Assets £'000	2016/17 £000
Interest expense	(6,778)	-	-	(6,778)	(8,066)	-	-	(8,066)
Impairment losses	-	(2,723)	-	(2,723)	-	(2,967)	-	(2,967)
Total expense in Surplus or Deficit on the Provision of Services	(6,778)	(2,723)	-	(9,501)	(8,066)	(2,967)	-	(11,033)
Interest income	-	6,175	-	6,175	-	7,522	-	7,522
Total income in Surplus or Deficit on the Provision of Services	-	6,175	-	6,175	-	7,522	-	7,522
Gains on revaluation	-	-	-	-	-	-	-	-
Losses on revaluation	-	-	-	-	-	-	(205)	(205)
Surplus or loss arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(205)	(205)
Net gain/(loss) for the year	(6,778)	3,452	-	(3,326)	(8,066)	4,555	(205)	(3,716)

Fair Values of Assets

Some of the Council's financial assets are measured in the balance sheet at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial assets measured at fair value			Long-term		Short-term	
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31/03/2016 £'000	31/03/2017 £'000	31/03/2016 £'000	31/03/2017 £'000
Total Loans and Receivables			-	-	-	-
Available for Sale						
Churches, Charities and Local Authority (CCLA) Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	13,107	12,903	-	-
Warrington Sports Holdings Ltd (WSHL)	Level 2	% Equity held of Net Worth	1,650	1,650	-	-
Total Available for Sale			14,757	14,553	-	-
Total Unquoted Equity Investment at Cost			-	-	-	-

The fair value of the assets has been accounted for as the valuation of the Council's portfolio of investments.

Warrington Sports Holding Ltd (WSHL)

The Council has an investment of 22,222 shares valued at approximately £1,650,000 which represents a 12.81% shareholding in Warrington Sports Holding Ltd (WSHL). It has been determined that the Council does not have control of the company and it is not a subsidiary of the Council.

As the fair value of the shares cannot be easily determined (due to the shares having no quoted market price in an active market) the fair value of the investment has been taken from the net asset value of WSHL (£10.6m). The Council's share value has been estimated at 12.81% of £10.6m totalling £1.650m.

The Council also has investments in the following companies:

- Warrington Borough Transport representing £888,000

- Wire Regeneration Joint Venture representing £3,789,977 and
- Municipal Bond Agency (previously named Local Capital Finance Company Limited representing £200,000.

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of rates at 31 March 2017 of 1.17% to 2.34% for loans from the PWLB and 2.19% and 2.57% for other loans receivable and payable, based on new lending rates for equivalent loans at that date (information taken from Capita Portfolio Valuation)
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

Fair Value Hierarchy

All financial assets and liabilities have been categorised in line with the fair value hierarchy as described in paragraph 2.10.2.29 of the Code, which categorises the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset or liability.

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, the loans have been assessed at the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which could be viewed as a proxy for transfer value);
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;

- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Valuation for Financial Instruments

As at 31st March the Council held £96.184m financial assets and £408.124m financial liabilities for which Level 1 and 3 valuations will apply. All the financial assets are classed as Loans and Receivables and held with Money Market Funds and Notice Accounts and Bonds. The financial liabilities are held with PWLB and Market lenders. All of these investments and the majority of the borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount the Council has used a financial model valuation provided by Capita Asset Services. This valuation applies the Net Present Value approach which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. The accounting policy uses new borrowing rates to discount the future cash flows.

The following gives and analysis of liabilities by type of debt and the fair values:

Financial Liabilities	Fair Value Hierarchy	Long-term				Short-term				Total Liabilities	
		31/03/2016		31/03/2017		31/03/2016		31/03/2017		31/03/2017	
		Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Public Works Loan Board	3	35,465	45,709	173,850	183,127	2,693	2,718	1,326	1,326	175,176	184,453
Money Market Loans (Lender Option Borrower Option)	3	108,500	178,457	68,500	106,792	-	-	-	-	68,500	106,792
Money Market Loans	3	-	-	40,000	63,335	-	-	-	-	40,000	63,335
Money Market Loans (City Bond)	1	50,000	47,870	50,000	58,589	-	-	-	-	50,000	58,589
Money Market Loans Local Authority	3	35,000	37,160	15,000	15,380	15,000	15,331	20,000	20,117	35,000	35,497
Money Market Loans Mortgages	3	4	4	4	4	-	-	-	-	4	4
Money Market Loans Adjustment	3	727	727	781	781	-	-	-	-	781	781
Other Temporary Loans Local Authority	3	-	-	-	-	17,000	17,076	32,000	31,984	32,000	31,984
Other Temporary Loans Charities & Parish Council	3	-	-	-	-	170	170	190	190	190	190
Accrued Interest	3	-	-	-	-	2,019	2,019	2,243	2,243	2,243	2,243
Total Financial Liabilities		229,696	309,927	348,135	428,008	36,882	37,314	55,759	55,860	403,894	483,868
Salix	3	48	48	-	-	-	-	-	-	-	-
Private Finance Initiative	3	4,232	4,232	4,129	4,129	96	96	102	102	4,231	4,231
Total Borrowings		233,976	314,207	352,264	432,137	36,978	37,410	55,861	55,962	408,125	488,099
Private Finance Initiative Creditors	3	4,282	4,282	4,293	4,293	-	-	-	-	4,293	4,293
Creditors	3	-	-	-	-	20,867	20,867	26,755	26,755	26,755	26,755
Total Liabilities		238,258	318,489	356,557	436,430	57,845	58,277	82,616	82,717	439,173	519,147
Total Liabilities 2015/16		238,258	318,489			57,845	58,277			296,103	376,766
Total Liabilities 2016/17				356,557	436,430			82,616	82,717	439,173	519,147

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2017) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £183.643m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the premature repayment rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £175.176m would be valued at £184.139m. But, if the Council were to seek to avoid the project loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £8.367m.

The following gives and analysis of assets by type and the fair values:

	Fair Value Hierarchy	Long-term				Short-term				Total Liabilities	
		31/03/2016		31/03/2017		31/03/2016		31/03/2017		31/03/2017	
		Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Assets											
Solar Bond Rockfire	3	17,000	17,000	27,000	27,000	-	-	4,500	4,500	31,500	31,500
UK Municipal Bond Agency PLC	3	200	200	200	200	-	-	-	-	200	200
LiveWire Energy Limited	3	-	-	549	549	-	-	-	-	549	549
Bank Fixed Investments	3	-	-	-	-	5,000	5,079	-	-	-	-
Loans & Receivables		17,200	17,200	27,749	27,749	5,000	5,079	4,500	4,500	32,249	32,249
Churches, Charities and Local Authority	3	13,107	13,107	12,903	12,903	-	-	-	-	12,903	12,903
Joint Venture	3	3,790	3,790	3,790	3,790	-	-	-	-	3,790	3,790
Warrington Sports Holdings Ltd (WSHL)	3	1,650	1,650	1,650	1,650	-	-	-	-	1,650	1,650
Available for Sale		18,547	18,547	18,343	18,343	-	-	-	-	18,343	18,343
Warrington Borough Transport	3	888	888	888	888	-	-	-	-	888	888
Unquoted Equity Investment		888	888	888	888	-	-	-	-	888	888
Accrued Interest	3	-	-	-	-	1,296	1,296	1,545	1,545	1,545	1,545
Total Investments		36,635	36,635	46,980	46,980	6,296	6,375	6,045	6,045	53,025	53,025
Cash Held by Authority	3	-	-	-	-	121	121	116	116	116	116
Bank Current Accounts	3	-	-	-	-	(392)	(392)	(1,165)	(1,165)	(1,165)	(1,165)
Short Term Deposits	3	-	-	-	-	14,207	14,207	44,235	44,235	44,235	44,235
Bank Current Accounts (Overdraft)	3	-	-	-	-	(3,933)	(3,933)	(27)	(27)	(27)	(27)
Total Financial Assets		36,635	36,635	46,980	46,980	16,299	16,378	49,204	49,204	96,184	96,184
Debtors	3	76,514	111,639	93,591	115,227	17,811	17,811	34,506	34,506	128,097	149,733
Total Assets		113,149	148,274	140,571	162,207	34,110	34,189	83,710	83,710	224,281	245,917
Total Assets 2015/16		113,149	148,274	-	-	34,110	34,189	-	-	147,259	182,463
Total Assets 2016/17		-	-	140,571	162,207	-	-	83,710	83,710	224,281	245,917

The fair value of the assets is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2017) arising from a commitment to receive interest from lenders above current market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

For information on the collateral held by the Council please see below.

Loan Portfolio

The Council at 31st March 2017 had £289m of loan facilities in place (£225m with eight Registered Providers, £12.9m with Omega Warrington Limited and £0.650m with Warrington BC Group and £0.500m with LiveWire Energy Company) and £50m is pending with two Registered Providers). At 31 March 2017 £71m of these loan facilities had been drawn down and are recorded in the accounts as long term debtors.

Stringent Corporate Governance arrangements are in place around these loans. All loans are agreed by the Executive Board following an independent due diligence exercise. The Audit and Corporate Governance Committee and Treasury Management Board meet on a quarterly basis to review the loans. A senior officer project group meet on a monthly basis to oversee the loan portfolio the loans are also monitored on a daily basis as part of the contract monitoring procedures that are in place.

Long Term Debtor	Long-term						Short-term			
			31/03/2016		31/03/2017		31/03/2016		31/03/2017	
	Facility £'000	Drawn down £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Registered Providers										
Warrington Housing Association	10,000	1,000	849	1,586	820	1,161	27	27	28	28
Warrington Housing Association	-	3,000	2,656	4,493	2,573	3,408	79	79	82	82
Golden Gates Housing Trust	1,819	1,819	1,611	2,946	1,563	2,189	46	46	48	48
Muir Housing Group	30,000	2,000	1,876	3,686	1,830	2,722	44	44	46	46
Muir Housing Group	-	1,000	960	1,631	936	1,249	23	23	24	24
Muir Housing Group		4,000	-	-	3,809	4,873	-	-	98	98
Muir Housing Group		2,000	-	-	1,912	2,302	-	-	51	51
Muir Housing Group		3,500	-	-	3,337	3,758	-	-	94	94
Your Housing Group (Arena)	10,000	3,000	2,846	4,935	2,773	3,763	70	70	74	74
Equity Housing Group	20,000	10,000	-	-	9,560	11,526	-	-	255	255
Helena Housing Group	90,000	15,000	14,189	26,108	13,836	19,604	336	336	353	353
Wulvern Housing Group	60,000	10,000	10,000	19,136	10,000	14,584	-	-	-	-
Wirral Methodist Housing Association	3,000	500	-	-	475	583	-	-	20	20
Total Registered Providers	224,819	56,819	34,987	64,521	53,424	71,722	625	625	1,173	1,173
Commercial Loans										
Warrington Borough Transport	250	250	50	73	-	-	50	50	25	26
Warrington Borough Transport	400	400	80	125	-	-	80	80	40	43
Omega Warrington limited £7.5m	7,500	7,500	4,075	7,207	3,025	3,941	-	-	-	-
Omega Warrington limited £5.4m	5,400	4,159	1,653	3,122	3,254	4,435	-	-	-	-
LiveWire	301	301	276	420	-	-	25	25	-	-
Total Commercial Loans	13,851	12,610	6,134	10,947	6,279	8,376	155	155	65	69
Pending										
Peaks & Plains Housing	25,000	-	-	-	-	-	-	-	-	-
St Vincents Housing	25,000	-	-	-	-	-	-	-	-	-
Total Pending Facilities	50,000	-	-	-	-	-	-	-	-	-
Total Loan Portfolio	288,670	69,429	41,121	75,468	59,703	80,098	780	780	1,238	1,242
PFI	-	-	31,893	31,893	31,888	31,888	48	48	5	5
LAMS	-	-	3,500	3,500	2,000	2,000	-	-	1,500	1,500
Trade Debtors	-	-	-	-	-	-	8,675	8,675	12,364	12,364
Other Debtors	-	-	-	-	-	-	8,309	8,309	19,399	19,399
Total Long Term Debtors	288,670	69,429	76,514	110,861	93,591	113,986	17,812	17,812	34,506	34,510

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in measures such as interest rates and stock market movements

Overall procedures for managing risk

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

The Council has adopted the CIPFA Code of Practice for Treasury Management in Public Services. It maintains and operates a Treasury Management Policy comprising an overview of the principles and practices to which the activity will comply. Alongside this Policy, the Department for Communities and Local Government has issued guidance under section 15(1) (1) of the Local Government Act 2003, to which local authorities must have regard. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- By approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures to the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

Annually the Council approves a Treasury Management Strategy for the forthcoming year. A Yearly outturn report is also reported to Full Council. The Council's Audit and Corporate Governance Committee is also charged with the Governance of treasury management and receive quarterly update reports on its activities. The Council also has a Treasury Management Board consisting of several members of the Audit and

Corporate Governance Committee who meet on a regular basis to discuss key elements of the Council's Treasury Management Strategy.

The key issues within the strategy were:

- The Authorised Limit for 2016/17 was set at £928.215m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was set at £747.485m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 40%.
- The use of investments to fund the capital programme, thus reducing borrowing costs.

The Council operated within its 2016/17 Treasury Management Strategy during 2016/17 and a full 2016/17 Treasury Management Outturn Report will be reported to full Council in June 2017.

All Treasury Management Policies and strategies are implemented by the Council's Treasury Management Team. The Council maintains written principles for overall operation of Treasury Management (Treasury Management Practices Statement TMPS) which are annually reported to the Audit and Corporate Governance Committee.

The Council also employ Treasury Management Advisors (Capita), who advise on risk mitigation strategies and keep the Council up to date daily on treasury market developments.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch, Moody's and Standard and Poors Rating Services. The Annual Investment Strategy also imposes a maximum sum to be invested and a maximum length of investment with a financial institution located within each category.

The Council uses the creditworthiness service provided by our Treasury Management Consultants (Capita). This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2016/17 was approved by Full Council in February 2016. The Audit and Corporate Governance Committee receives quarterly reports to monitor borrowing and investments.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings and parameters set by the Council.

The Council had a total of £89.187m deposited with a number of banks and financial institutions at 31 March 2017. The full amount is potentially exposed to credit risk. There is a specific risk attached to amounts deposited with the individual institutions based on their ability to make interest payments and repay the principal outstanding. It is however more difficult to assess the risk in general terms. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on its financial assets, based on experience of default and uncollectability over the last few financial years:

Counterparties	Capita Credit Rating	Counterparty Type/Rating	Amount at 31 March 2016 £'000	Amount at 31 March 2017 £'000
Deposits with Banks and Financial Institutions				
Santander	Red	A/A1	8,345	10,000
Bank of Scotland	Red	A/A1	1,035	-
National Westminster	Blue	A-/A2	4,802	1,425
Handelsbanken	Orange	AA-/A1+	-	-
Federated Prime Rate MMF	Yellow	AAA	-	10,000
Legal and General MMF	Yellow	AAA	-	2,785
Standard Life (Ignis) MMF	Yellow	AAA	-	20,000
CCLA Money Market Fund	Yellow	AAA	25	25
Rockfire Capital Solar Bond	no credit rating	n/a	17,000	31,500
Aldermore Bank	no credit rating	n/a	5,000	-
Sainsbury Bank	no credit rating	n/a	-	-
LiveWire	no credit rating	n/a	-	549
CCLA Property Fund	Blue	AAA	13,107	12,903
Total Banks and Financial Institutions			49,314	89,187
Debtors				
Short Term				
Trade Debtors			8,675	12,364
Other Debtors			7,707	22,142
Long Term				
PFI Finance Lease			31,893	31,888
Registered Providers			41,121	59,703
Mortgage Scheme Debtors			3,500	2,000
Total Debtors			92,896	128,097
Total			142,210	217,284

No credit limits were exceeded during the reporting period and the Council does not expect any losses or non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow any credit for customers but some of the current balance is past its due date for payment. Although the Council has robust procedures

for the collection of debt, the debtors have increased slightly. The past due but not impaired amount can be analysed by age as follows:

Short Term Debtor Age Analysis	31/03/2016 £'000	31/03/2017 £'000
Less than three months	3,460	5,934
Three to six months	568	999
Six months to one year	1,258	1,000
More than one year	3,389	4,431
	8,675	12,364

Warrington during 2015/16 obtained a credit rating from Moody's, one of the world's leading credit rating agencies. Moody's awarded the Council the second highest credit rating possible of Aa2.

The Aa2 issuer and debt ratings assigned to Warrington Borough Council reflects:

- a) a track record of increasing own source revenues and reducing dependence on declining central government grants;
- b) a strong regulatory framework, which allows the central government to effectively monitor financial performance;
- c) expected increase in debt levels resulting from WBC's movement into two areas outside of the traditional local government service - economic development program and a programme of lending money to housing associations;
- d) a high exposure to changes in interest rates in the debt portfolio; and
- e) a diversified local economy.

The Aa2 rating also reflects our assessment of support from the UK government (Aa1 stable) and the high likelihood it would intervene in the event that the Council were to face acute liquidity stress.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practices. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

	31/03/2016	31/03/2017
Financial Assets	£'000	£'000
Less than three months	18,299	49,204
Three to six months	-	-
Six months to one year	-	-
More than one year	36,635	46,980
	54,934	96,184

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investment to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

Financial Liabilities Age Analysis	Approved	Approved	31/03/2016	31/03/2016	31/03/2017	31/03/2017
	Minimum	Maximum	£'000	% Portfolio	£'000	% Portfolio
Less than 1 year	0%	25%	35,007	13%	53,516	13%
Between 1 and 2 years	0%	25%	20,000	7%	10,000	2%
Between 2 and 5 years	0%	35%	15,000	6%	15,000	4%
Between 5 and 10 years	0%	30%	278	0%	45,278	11%
Between 10 and 20 years	40%	100%	488	0%	47,006	12%
Between 20 and 30 years	40%	100%	78,885	29%	90,789	23%
Between 30 and 40 years	40%	100%	50,555	19%	50,790	13%
Between 40 and 50 years	40%	100%	20,222	8%	50,000	12%
More than 50 years	40%	100%	48,500	18%	38,500	10%
			268,935	100%	400,879	100%

Note (i): Group of loans 10 years and above would be 40% to 100% of portfolio

Note (ii): £68.5m LOBO could be called within six months (and so could be included in < 1 year), detailed above as full maturity of loan

Note (iii): Not included in above portfolio (Total Fin Liabilities £403.893 - £400.878 = £3.015): £2.243m interest accrual, £0.781m stepped loan adjustment, £0.003m Mortgages and £0.012m not included.

Lender Option Borrow Option Loans (LOBO's)

A Lenders Option Borrowers Option (LOBO) loan has certain additional characteristic above and beyond an ordinary loan. With these loans, after an initial period at a fixed rate, the lender has an option to change the rate of the loan; if this is unacceptable to the borrower they have the option to repay the loan without penalty. These loans could potentially be called by the lender within the next six month period but they are unlikely to do so due to the current low interest rate environment. The money market loans consist of £68.5m of LOBO loans. The LOBO portfolio carries an average rate of interest of 4.4%.

The Council's exposure to this risk has been mitigated by a number of actions:

- The Council has spread the risk by having eleven LOBO's with six different lenders over a number of years.
- The Council's portfolio of LOBO's is structured so that the call dates (the date a lender can exercise their option to review rates) are staggered with the next call date on each LOBO falling at different times and at different frequencies. Therefore, the Council is not exposed to all Lenders wanting to exercise their option at a similar time or to short term fluctuations in the financial markets.
- The Council has investments of a significant element of which is very short term and could be called upon to provide significant funding very quickly if it did need to repay a LOBO.
- The Council also has access to the PWLB to take out new borrowing to refinance the repayment of any LOBO's if unacceptable rate increases were being requested.
- The Council has worked hard to obtain its Aa2 credit rating that will also allow it to have access to the best rates available in the wider market if it did need to refinance any LOBO.

Therefore, given all these factors it is unlikely the Council would need to renew a LOBO if the terms were unfavourable. The loans are monitored and reported to the Audit and Corporate Governance Committee on a quarterly basis.

The Council is currently benefitting from slightly lower interest rates on its standard LOBO's than what was available from PWLB at the time the LOBO was taken out and has mitigated the risk if any lender exercises an option to increase rates to an unacceptable level.

All trade and other payables are due to be paid in less than one year.

Market Risk

The Council is exposed to market risk in terms of the value that an instrument will fluctuate due to changes in:

Interest Rate Risk

The Council is exposed to risk in terms of interest rate movements in its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 40% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rates loans will be repaid early to limit exposure to losses. The risk of loss is mitigated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

If interest rates had been 1% higher throughout the year, based on the transactions undertaken in year and all other variables constant, the Surplus or Deficit on the Provision of Service in the Comprehensive Income and Expenditure Statement would have benefited by £0.549m, comprising of £0.251m additional interest income on investments and £0.800m extra interest payments on borrowing costs.

The decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income and Expenditure Statement) would have been £54.856m. A 1% fall in interest rates would result in movements being reversed.

Price Risk

The Council does not generally invest in equity shareholding but does have a £2.738m investment in three companies (i.e. Warrington Sports Holding Limited, Warrington Rugby and Local Capital Finance Company Limited), as unquoted long term investment. Also £18.343m invested in Available for Sale Financial Assets (i.e. Churches, Charities and Local Council and Joint Venture with Wire Regeneration). Consequently the Council is not exposed to losses arising from movements in share prices.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Collateral

The Council has not pledged any financial assets as collateral for liabilities or contingent liabilities in 2016/17 as this is not permitted under Section 13 of the Local Government Act 2003.

Collateral held

Where the Council is permitted to sell or re-pledge collateral in the absence of default by the owner of the collateral, the Code requires its fair value to be disclosed. At 31 March 2017 this was £138.468m. This is broken down further in the following two sections: Deferred Care Charges and Loans to Registered Providers. The figures exclude collateral held for council tax and non-domestic rates as permitted by the Code. Collateral held for Right to Buy Discounts is also excluded because the amount receivable is determined by the selling price of properties.

Deferred Care Charges

These are charges against private properties for receiving adult social care packages. The Council initially meets the cost of the care package and the costs are then met by the eventual sale of the client's property. The value for 2016/17 is £3.743m (£3.894m 2015/16).

Loans to Registered Providers (RP's)

The Council has given loans to RP's to promote housing development in the Borough. Collateral is held against the organisations properties to the value of the loan plus 10%. The total loans for 2016/17 were £54.597m with the value of collateral of £134.725m (for 2015/16 the total loans were £40.714m and the value of collateral was £133.885m).

35 Contingent Assets and Liabilities

Contingent Liabilities

A Contingent Liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council has identified the following contingent liabilities as at 31 March 2017.

- The Council has made a provision for NNDR Appeals based upon its best estimates of the actual liability as at the year-end in respect of known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office, so there is a risk to the Council that national and local appeals may have a future impact on the accounts.
- A number of Property Research Companies are seeking to claim refunds of fees paid to local authorities to access land charges data. This litigation has been largely settled though costs are still being quantified.

- The Council has legal proceedings (in licensing, childcare and criminal prosecution) where costs could be awarded against the Council.
- A number of agreements in accordance with Section 106 of the Town and Country Planning Act 1990 exist between the Council and developers, associated with the planning conditions attached to new developments. In respect of contributions received to date, should the conditions in the agreement not be met by the Council, then amounts would become repayable to developers.
- The Municipal Insurance Scheme of Arrangement was enacted in 2012/13. The liability upon the Council, as a scheme creditor, cannot be fully estimated at this stage in respect of unknown claims incurred, but not reported, between 1974 and 1992. Whilst the council has considered the financial impact in producing its Statement of Final Accounts, there is a risk that the Council's financial liability could increase from this level.
- The Council submits grant claims on an on-going basis. From time to time the interpretation of legislation may be a matter of professional and technical judgement. In this context it may lead to possible grant qualifications by the external auditors. It is not possible to produce a reliable forecast for the cost of any grant qualifications.
- On 19 March 2014, the Supreme Court handed down its judgment in the case of "P v Cheshire West and Chester Council and another" and "P and Q v Surrey County Council". This judgement held that a deprivation of liberty can occur in domestic settings where the State is responsible for imposing such arrangements. Anything that the courts regard as a deprivation of liberty that has occurred, without authorisation pursuant to legal process, will attract common law damages. At this stage it is unclear whether there are any such cases to be brought within Warrington.
- The Council have invested £200k in the Local Government Municipal Bonds Agency. If in the future the Council takes out borrowing via a bond from the agency it will need to sign a Joint and Several Guarantee. This will make the Council liable if another bond holder defaults on their repayment. The agreement ensures that the call on a council is proportional to its share of local authorities' borrowing via the Agency.
- The Council has entered into a number of long-term contracts for services that have been outsourced to service providers. These often involve the transfer of Council employees to the new service provider. Employee's rights are protected under the provision in Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). However, pension rights are not fully covered within TUPE regulations. The Council have thus given pension guarantees to the following organisations, Livewire, Culture Warrington, Catalyst, Lafarge and Your Housing Group. This guarantee means that if an admitted body fails to pay its pension obligations then the Council will be responsible for taking on those obligations.

Contingent Assets

A contingent asset is an asset that may be received but only if a certain future event occurs. The Council has identified the following contingent assets as at 31 March 2017.

- Following the transfer of its Housing Stock to Golden Gates Housing Trust the Council entered into an agreement to reclaim the VAT on Improvement Works to dwellings. The estimated value of these works is £276m over the next 25 years and so it is expected that £55m of VAT would be recoverable. The agreement put in place, means that WBC would expect to receive up to £28m. The Council received £0.170m of such receipts in 2016/17.
- The Council has entered into an agreement with Golden Gates Housing Trust relating to the future sales under the Prescribed Right to Buy (PRTB) regulations. This relates to any future sales of the transferred stock to existing tenants until November 2040. The Council will receive capital receipts at the end of each financial year for any dwellings sold within the year. The only exclusion to this agreement is former Commission for New Town dwellings where the sale proceeds must be passed onto the Homes and Community Agency. The Council will receive 100% of the receipt generated net of administrative costs and the net income foregone that is detailed in Schedule 13 of the Transfer Agreement. The Council received £1.164m of right to buy receipts in 2016/17.
- The Council has contingent assets in relation to Section 106 Agreements.
- Contingent Rents: Contingent rent is such amount that is paid as part of lease payments, but is not fixed or agreed in advance at the inception of the lease. Rather the amount to be paid is dependent on some future event. For 2016/17 this amounted to £0.042m.

36 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

31/03/16	31/03/17
£'000	£'000
(4,994) Interest received	(7,273)
6,367 Interest paid	7,843
1,373	570

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

31/03/16		31/03/17
£'000	Note(s)	£'000
13,463	Depreciation	15,577
15,472	Revaluation (loss)/gain	368
77	Amortisation	70
(1,418)	Increase/decrease in impairment for bad debts	(304)
5,547	Increase/decrease in creditors	1,379
(4,376)	Increase/decrease in debtors	(19,949)
13	Increase/decrease in inventories	89
11,851	Movement in pension liability	5,157
3,627	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	15,000
8,274	Other non-cash items charged to the net surplus or deficit on the provision of services	12,414
52,530		29,801

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

31/03/16		31/03/17
£'000	Note(s)	£'000
(2,354)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(2,017)
(2,029)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(15,000)
(21,965)	Any other items for which the cash effects are investing or financing cashflows	(27,389)
(26,348)		(44,406)

37 Cash Flow Statement – Investing Activities

31/03/16		31/03/17
£'000	Note(s)	£'000
(77,339)	Purchases of property, plant & equipment, investment property and intangible assets	(85,606)
(21,301)	Purchase of short-term and long-term investments	(25,050)
2,354	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	2,017
2,029	Proceeds of short-term and long-term investments	15,000
25,658	Other receipts for investing activities	17,435
(68,599)		(76,204)

38 Cash Flow Statement – Financing Activities

31/03/16		31/03/17
£'000	Note(s)	£'000
93,060	Cash receipts of short-term and long-term borrowing	172,120
(130)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(49)
(29,993)	Repayments of short-term and long-term borrowing	(38,763)
62,937		133,308

Note 39 Related Parties

The Council is required to disclose material transactions 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. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. In this context, related parties include:

- Central Government
- Members
- Officers
- Other Public Bodies
- Entities controlled or significantly influenced by the Council

Materiality

Materiality has been assessed with regards to the Council and the related party.

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are set out in the subjective analysis in Note 18 Expenditure and Income Analysed by Nature. Grant receipts outstanding at 31 March 2017 are shown in Note 20. Any debtors and creditors relating to Central Government are shown in Notes 26 and 28, respectively.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2016/17 is shown in Note 14.

Members are required to complete a declaration of interests, disclosing any party where they, or their spouse, have control or influence.

The register of Members' interests is available for public inspection at the Town Hall upon request and on the Council's website.

Members also have to declare interests in any matter on Committee/Executive Board agendas and any offers of hospitality.

Business Activities

In 2016/17 twenty-two Members held material interests in the following organisations with whom the Council carried out business. Asterisks* indicate that the organisation was not a related party in the relevant year.

Payments to Organisations where Members or their spouse hold a personal interest	Expenditure 2015/16 £	Expenditure 2016/17 £	Creditors 31 Mar 2017 £
Beamont Collegiate Academy	*	125,355	2,850
Birchwood Community Academy	*	3,461	0
Cheshire Day Nursery	146,793	484,745	116,306
Culture Warrington	1,744,437	808,520	1,866
Golden Gates Housing Trust	1,778,846	521,630	107,000
HC One Ltd (Callands)	1,808,144	2,282,590	6,825
Helena Partnerships	0	15,045	0
Langtree	482	289,260	31,645
Livewire	5,901,773	6,017,699	108,067
Livewire Community Energy	*	549,044	0
Lymm High Academy	43,075	85,566	5,878
North West Employers	38,300	34,081	0
Seashell Trust	648,449	560,912	3,379
Warrington 2000+	25,397	0	0
Warrington Borough Transport	614,391	610,022	121,103
Warrington Labour Group	16,656	17,435	0
Warrington Wolves Foundation	56,645	37,138	4,500
Wire Regeneration Ltd	2,705	3,435	0

Receipts from Organisations where Members or their spouse hold a personal interest	Income 2015/16 £	Income 2016/17 £	Debtors 31 March 2017 £
Beamont Collegiate Academy	128,179	246,482	138
Culture Warrington	204,502	107,151	102,516
Golden Gates Housing Trust	1,370,187	1,211,238	561,768
Helena Partnership	733,979	513,162	468,490
Livewire	1,043,543	1,823,665	1,619,112
Lymm Community Energy	*	4,800	0
Lymm High Academy	120,402	6,586	0
Urban Building & Development	734	13,700	0
Warrington Borough Transport	343,381	141,755	65,011
Warrington Wolves Foundation	1,992	21,953	5,828
Wire Regeneration	1,200	4,200	0

In each of these cases, Members are not involved in the commissioning of services from these organisations, and the level of activity with each party is not unusual.

Also Golden Gates Housing Trust, Helena Partnerships and Warrington Housing Association have loans with Warrington Borough Council, which are classed as long term debtors and shown in Note 34 Financial Instruments.

Grants Made

The following grants were made to local voluntary groups where Members have a level of influence; however, grants were not awarded by Members directly.

Grants to Organisations where Members or their close relatives hold a personal interest	Expenditure 2015/16 £	Expenditure 2016/17 £	Creditors 31 Mar 2017 £
Friends of Longbarn Park	5,485	0	0
Latchford West Community planning	*	1,000	0
St. Rocco's Hospice	481	595	0
Warrington Credit Union	200	2,810	0
Warrington District Citizens Advice Bureau	549,857	489,625	0

Officers

All Executive Directors of the Council, plus Assistant and Operational Directors were required to complete a declaration of interests. Individual Departmental Management Teams also had discretion to cascade the forms down to lower levels of budget holder if deemed appropriate.

Most of the officers' declarations were immaterial, or it could not be demonstrated that the officer had influence over the transactions.

There were eleven material declarations in 2016/17, but none were pecuniary interests.

Payments to Organisations where Officers or their spouse hold a personal interest	Expenditure 2015/16 £	Expenditure 2016/17 £	Creditors 31 Mar 2017 £
AECOM Ltd	39,040	1,132,754	3,209
Alternative Futures	1,592,141	1,852,160	15,866
Bridgewater Canal Company	*	30,618	1,512
Catalyst Choices	8,803,673	8,372,047	118,418
Livewire Community Energy	*	549,044	0
MT Dawe Ltd	80,070	83,268	13,758
Peer Power	*	226	0
Priestley College	208,809	95,102	0
Warrington Wolves Foundation	56,645	37,138	4,500
Wire Regeneration Ltd	2,705	3,435	0

The Chief Executive is a Director of the Warrington Wolves Rugby League Club but plays no part in the commissioning of services or awarding of grants. He is also a director of Wire Regeneration, a joint venture between Warrington BC and Langtree.

The Climate Change manager is the shareholder of AECOM Ltd, a consultant for infrastructure projects.

One consultant is under a long term contract payments represent their remuneration – MT Dawe Ltd.

The Head of Adult Assessment and Care Management has a relative involved with Alternative Futures, however the contract between the Council and the related party predates any involvement of the member of staff and their relative.

The Assistant Director of Transport is a member of the Bridgewater Canal Trust, which the Council pay a management fee to for maintenance of the canal.

Catalyst Choices were previously part of Warrington Borough Council, and the Council have provided services on their behalf.

The Head of Housing Services is a director of both Lynn and LiveWire Community Energy Companies. The Council have invested money with them to make a return on fitting solar panels.

The outgoing Solicitor to the Council was a co-opted governor of Priestley College, a further education establishment in Warrington.

Receipts from Organisations where Officers or their spouse hold a personal interest	Income 2015/16 £	Income 2016/17 £	Debtors 31 March 2017 £
Aecom Ltd	0	2,400	0
Catalyst Choices	1,570,850	575,928	60,704
Livewire Community Energy	*	23,593	23,593
Lymm Community Energy	*	4,800	0
Priestley College	17,124	19,311	500
Warrington Wolves	2,783	21,953	5,858
Wire Regeneration	1,200	4,200	0

Officers' remunerations are detailed in Note 15.

Other Public Bodies

The following table shows the precepts and levies during the year 2016/17.

Precepting & Levying Bodies	Precepts/Levies 2015/16	Other Expenditure 2015/16	Precepts/Levies 2016/17	Other Expenditure 2016/17
	£	£	£	£
Police & Crime Commissioner for Cheshire	10,152,388	379,595	10,677,109	443,630
Cheshire Fire Authority	5,669,695	250	5,828,951	345
Town and Parish Councils	1,712,594	3,282	1,738,252	4,555
Cheshire West and Chester Council	771,276	7,604,581	780,324	6,002,211
Manchester Port Health Authority	16,687	0	16,687	0
Environment Agency	119,368	59,536	120,919	3,389

The precepts paid to the Cheshire Fire Authority, Cheshire Police Authority and the Town and Parish Councils are to distribute Council Tax collected on behalf of the related party.

The levy paid to Cheshire West and Chester Council is with regard to historic Pension costs. There were various other payments made to Cheshire West and Chester Council, with for Concessionary Travel reimbursements, being the most significant.

The payment to the Environment Agency is the Flood Defence levy, where there was some other expenditure primarily for drainage works.

Three Council Members sit on the Board for Cheshire Fire Authority, and two Members sit on the Board for Cheshire Police Authority.

The Council also provided Treasury Management services to the Cheshire Fire Authority during 2016/17.

Entities Controlled or Significantly Influenced by the Council

The Council has one material interest in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses. The Council had interests in one limited company during the financial year:

- Warrington Borough Transport

Warrington Borough Transport is a wholly owned subsidiary and has been consolidated into the Group Accounts in line with the 2017/18 Code.

Pension fund

Warrington Borough Council is a member of the Cheshire Pension Fund but is not an administering Council.

One Member sits on the Board of Cheshire Pension Fund.

Details of the Fund can be found in Note 32.

Pooled Budget

Details of the Council's pooled budgets can be found in Note 41.

40 Capitalisation of Borrowing Costs

In accordance with the Council's accounting policy, the Council capitalised £483,466 of borrowing costs in year in relation to qualifying assets (£446,872 – 2015/16). This was calculated using the Council's average borrowing rate in the year expenditure was incurred. This was 3.16% in 2016/17 (3.06% 2015/16).

41 Pooled Budgets

In 2016/17 Warrington Borough Council entered into a s75 agreement with NHS Warrington Clinical Commissioning Group, with the Council acting as the host. The breakdown of revenue expenditure by relevant scheme and the contributions by the pool members are as follows:

	2015/16 £'000	2016/17 £'000
Pooled Schemes		
Collaborative Care	776	-
Intermediate Care	6,489	7,701
Protecting Social Care	4,312	3,977
Carers	153	148
Mental Health and Joint funded packages	8,808	11,374
Joint Commissioning/ Other support	853	915
Total Better Care Fund Revenue Expenditure	21,391	24,115
Funding Provided to the Pooled Budget		
Warrington Borough Council	7,006	9,297
NHS Warrington Clinical Commissioning Group	14,472	14,933
Total Funding Provided to the Pooled Budget	21,478	24,230
Net Surplus Arising on the Pooled Budget During the Year	87	115

Collection Fund

2015/16			2016/17		
Business Rates £'000	Council Tax £'000	Total £'000	Business Rates £'000	Council Tax £'000	Total £'000
7,560	(2,183)	5,377	9,082	(1,953)	7,129
			Opening fund Balance		
			Amounts required by statute to be credited to the Collection Fund:		
-	(95,400)	(95,400)	-	(101,063)	(101,063)
(110,188)	-	(110,188)	(110,533)	-	(110,533)
817	-	817	(43)	-	(43)
(3,356)	-	(3,356)	(7,653)	-	(7,653)
			Amounts required by statute to be debited to the Collection Fund:		
			Precepts and demands from major preceptors and the authority - council tax		
-	10,024	10,024	-	10,505	10,505
-	4,521	4,521	-	4,682	4,682
-	78,854	78,854	-	83,217	83,217
			Shares of non-domestic rating income to major preceptors and the authority - non-domestic rates		
1,125	-	1,125	1,146	-	1,146
55,101	-	55,101	56,138	-	56,138
			Payment with respect to central share of the non-domestic rating income to be paid to central government by billing authorities		
56,226	-	56,226	57,283	-	57,283
			Impairment of debts/appeals for council tax:		
-	2,178	2,178	-	1,200	1,200
-	(1,347)	(1,347)	-	(443)	(443)
			Impairment of debts/appeals for non-domestic rates:		
1,359	-	1,359	1,260	-	1,260
(1,589)	-	(1,589)	(64)	-	(64)
308	-	308	308	-	308
1,719	-	1,719	763	-	763
-	1,400	1,400	-	1,800	1,800
1,522	230	1,752	(1,395)	(102)	(1,497)
9,082	(1,953)	7,129	7,687	(2,055)	5,632
			Attributed to:		
4,450	(1,644)	2,806	3,767	(1,733)	2,034
-	(213)	(213)	-	(223)	(223)
91	(96)	(5)	77	(99)	(22)
4,541	-	4,541	3,843	-	3,843
9,082	(1,953)	7,129	7,687	(2,055)	5,632

Notes to the Collection Fund Statement

1 Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands by estimating 1 April 1991 values. Individual charges are set by calculating the amount of income to be achieved from Council Tax and dividing this by the Council Tax Base (the total number of properties in each band converted to an equivalent number of Band D properties). The tax for a Band D property is multiplied by the appropriate ratio to give an amount due for properties in each band.

Band	Value Range	Number of Dwellings after Discounts and Exemptions	Ratio	Band D Equivalents
Disabled A	Up to £40,000	27	5/9	15
A	Up to £40,000	22,770	6/9	15,180
B	£40,000 - £52,000	17,935	7/9	13,949
C	£52,000 - £68,000	17,326	8/9	15,401
D	£68,000 - £88,000	10,768	9/9	10,768
E	£88,000 - £120,000	6,526	11/9	7,976
F	£120,000 - £160,000	4,193	13/9	6,056
G	£160,000 - £320,000	2,479	15/9	4,132
H	£320,000 and over	169	18/9	338
		82,193		73,815

The total number of Band D Equivalents is then adjusted for non-collection, new properties and other adjustments to produce the Council Tax Base.

Calculation of Tax Base

Total properties converted to Band D equivalent	73,815
Change in assumptions	60
	<u>73,875</u>
Less allowance for non-collection	(738)
Increase due to decrease of second home discount	151
Council Tax Base for Tax Setting	73,288

2 National Non-Domestic Rates (NNDR)

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. The Government specifies a rate in the pound (49.7p for 2016/17 and 48.4p for small businesses) which is then multiplied by the rateable value to produce a charge to each business. The aggregate rateable value or total value of properties for Warrington is £257,977,330.

The business rates shares payable for 2016/17 were estimated before the start of the financial year as £57.283m to Central Government, £1.146m to Cheshire Fire Council and £56.138m to Warrington Council. These sums have been paid in 2016/17 and charged to the collection fund in year.

When the scheme was introduced, Central Government set a baseline level for each Council identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Warrington Borough Council paid a tariff to Central Government in 2016/17 to the value of £23.664m.

As from 1st April 2014, Warrington, Halton and St Helens Councils formed a business rates pooling arrangement, known as the Mid Merseyside Pool. This arrangement allows the pool to keep any excess growth that had previously paid over to the government as a levy. But, it also means that any breach of the safety net arrangements by the pool would be met by the pool authorities, rather than Central Government. Warrington Borough Council is the administrating Council for the pool.

Group Accounts

The Group Accounts presented on the next few pages are a consolidation of the single entity accounts with accounts from Warrington Borough Transport.

Movement in Reserves Statement for the Year Ended 31 March 2017	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves of the Authority £'000	Subsidiary Reserves £'000	Group Reserves £'000
Note(s)								
Balance as at 1 April 2015	45,168	3,206	8,334	56,708	196,661	253,369	2,235	255,604
<i>Movement in Reserves during the year</i>								
Total Comprehensive Income and Expenditure	(17,234)	-	-	(17,234)	99,179	81,945	49	81,994
Adjustments between WBC and WBT	-	-	-	-	-	-	-	-
Adjustments between accounting basis & funding basis under regulations	7 21,787	2,208	(2,345)	21,650	(21,650)	-	-	-
Increase or (Decrease) in Year	4,553	2,208	(2,345)	4,416	77,529	81,945	49	81,994
Balance as at 31 March 2016	49,721	5,414	5,989	61,124	274,190	335,314	2,284	337,598
<i>Movement in Reserves during the year</i>								
Total Comprehensive Income and Expenditure	(9,327)	-	-	(9,327)	(65,582)	(74,909)	98	(74,811)
Adjustments between WBC and WBT	-	-	-	-	-	-	-	-
Adjustments between accounting basis & funding basis under regulations	7 7,102	(391)	2,115	8,826	(8,826)	-	-	-
Increase or (Decrease) in Year	(2,225)	(391)	2,115	(501)	(74,408)	(74,909)	98	(74,811)
Balance as at 31 March 2017	47,496	5,023	8,104	60,623	199,782	260,405	2,382	262,787

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

2015/16			2016/17			
Restated Gross Expenditure £'000	Restated Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			Note(s)			
21,147	(12,987)	8,160		18,625	(6,786)	11,839
301,837	(206,418)	95,419		292,576	(194,631)	97,945
36,270	(15,045)	21,225		38,335	(16,429)	21,906
70,282	(59,391)	10,891		60,363	(54,776)	5,587
35,189	-	35,189		23,552	-	23,552
9,891	(7,990)	1,901		10,016	(7,917)	2,099
474,616	(301,831)	172,785		443,467	(280,539)	162,928
		1,021	10			11,820
		8,014	11			2,063
		(164,635)	12			(167,581)
		17,185				9,230
		(3,748)	33			(439)
		(742)				204
		(94,689)	32			65,816
		(99,179)				65,581
		(81,994)				74,811

Group Balance Sheet as at 31 March 2017

		31st March 2016 £'000	31st March 2017 £'000
Property, Plant & Equipment	21	574,635	614,107
Heritage Assets	22	15,369	15,851
Investment Property	23	31,243	50,136
Intangible Assets		195	125
Long Term Investments	34	35,747	46,092
Long Term Debtors	25	78,483	95,166
Long Term Assets		735,672	821,477
Short Term Investments	34	6,296	6,045
Inventories		848	755
Short Term Debtors	26	40,897	55,965
Cash and Cash Equivalents	27	14,647	43,866
Current Assets		62,688	106,631
Cash and Cash Equivalents	27	(3,933)	(27)
Short Term Borrowing	34	(36,978)	(55,861)
Short Term Creditors	28	(40,533)	(43,315)
Provisions	29	(6,151)	(6,740)
Current Liabilities		(87,595)	(105,943)
Long Term Creditors	28	(5,498)	(4,791)
Deferred Tax		(71)	(71)
Grants Receipts in Advance - Capital	20	(537)	(487)
Grants Receipts in Advance - Revenue	20	(15,588)	(13,288)
Provisions	29	(2,626)	(2,635)
Long Term Borrowing	34	(233,977)	(352,263)
Other Long Term Liabilities	32	(114,870)	(185,843)
Long Term Liabilities		(373,167)	(559,378)
Net Assets		337,598	262,787
Usable Reserves	9	63,408	63,005
Unusable Reserves	33	274,190	199,782
Total Reserves		337,598	262,787

Group Cash Flow Statement for the year ended 31 March 2017

		2015/116	2016/17
	Notes	£'000	£'000
Net (surplus) or deficit on the provision of services		(17,185)	(9,230)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	36	51,763	29,982
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	36	(26,348)	(44,406)
Net cash flows from Operating Activities		8,230	(23,654)
Investing Activities	37	(68,754)	(76,334)
Financing Activities	38	63,856	133,113
Net (increase) or decrease in cash and cash equivalents		3,332	33,125
Cash and cash equivalents at the beginning of the reporting period	27	7,382	10,714
Cash and cash equivalents at the end of the reporting period	27	10,714	43,839

Notes to the Group Accounts

1 Consolidated and Non-consolidated Entities

The CIPFA Code of Practice requires that where a Council has material financial interests and a significant level of control over one or more entities, or where it would better understanding of partnership arrangements, it should prepare Group Accounts. The aim of these accounts is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities. Before group accounts can be produced, the following actions need to be carried out:

- Determine whether the Council has any form of interest in an entity
- Assess the nature of the relationship between the Council and the entity

Classification of Group Entities

The Council has relationships with a number of entities over which it has varying degrees of control or influence. The Code of Practice requires these to be classified into the categories of subsidiaries, associates and joint ventures. The meanings of these are outlined below.

Subsidiary

An entity is a subsidiary of the reporting Council, if the Council is able to exercise control over the operating and financial policies of the entity and the Council is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.

The following entity is classified as a subsidiary of the Council:

Warrington Borough Transport Limited (WBT)

Warrington Borough Transport Limited is a company set up in accordance with the provision of the Transport Act 1985 to take over the Council's passenger transport undertaking. Warrington Borough Council wholly owns WBT but is not liable for any losses that it may make.

Copies of the audited accounts can be obtained from the following address when available:

Warrington Borough Transport Limited
Wilderspool Causeway
Warrington
WA4 6PT

Associates

An entity is an associate of the reporting Council, if the Council has significant influence over the entity.

The following entities have been deemed to be classified as associates of the Council, as the Council has significant influence over the entities:

Livewire and Culture Warrington

Livewire is a Community Interest Company created by the Council for the provision of libraries and leisure centres within the borough. Culture Warrington is a charitable trust for the provision of the boroughs museum, and the two arts centres, Pyramid and Parr Hall.

Catalyst Choices Community Interest Company

In February 2015 the Council created an employee owned mutual Community Interest Company for the provision of adult social care in the borough.

Joint Venture

An entity in which the reporting Council has an interest on a long term basis and which is jointly controlled by the reporting Council and one or more other entities under a contractual or other binding arrangement.

On March 3rd, 2014 Warrington Borough Council (WBC) and Langtree Land and Property PLC (Langtree) entered into an agreement to create a joint venture company (JVC) "Wire Regeneration Limited". Both WBC and Langtree were issued 3,701,870 £1 Shares in the JVC. Each party has a total of three directors on the board, with WBC being represented by elected members.

Determining the Group Boundary

To ensure that the Group entities incorporated into the Group Accounts are correct, a detailed exercise was carried out, but no companies, other than those detailed above, were determined to be a Group Entity.

Please note that although Warrington Borough Council does have an investment in Warrington Wolves (Warrington Sports Holdings), it was determined that there is no Group Relationship as WBC does not have a significant influence over the organisation as our shareholding is less than 13% and we only have one board member who has a connection with the Council.

The Council also has interest in Warrington & Co and Warrington 2000+. However, neither company is a trading entity therefore there are no transactions to consolidate within the Group Accounts.

Consolidation of Group Entities

All of the arrangements and entities previously outlined have been found to be Group Entities and would normally be consolidated into a set of Group Accounts.

However for Wire Regeneration Limited, their financial transactions have been found to be immaterial to the single entity financial statement, in accordance with paragraph 9.1.1.6 of the Code they have not been consolidated into Group Accounts.

The three Associates would normally be consolidated into Group Accounts using the equity method of consolidation. But, as the Council does not have any equity and in accordance with IPSAS 7, the three entities would not qualify as Associates, and therefore there is no Group Relationship.

Therefore the only consolidation for Group Accounts is with the subsidiary, Warrington Borough Transport.

Group Accounts

The Group Accounts present the main statements and only the notes that are materially different to the Single Entity Accounts (in line with IFRS 12), in this case the Expenditure and Income Analysed by Nature Note. All other notes are not materially different to the Single Entity Accounts.

2 Accounting Policies

The accounting policies for Warrington Borough Transport have been aligned with the Accounting Policies of Warrington Borough Council and the Code of Practice.

Therefore, please refer to Appendix 1 for more detailed accounting policies.

3 Intra-group Transactions

During the consolidation of Warrington Borough Transport with the single entity accounts any intra-group transactions have been eliminated. These include debtors, creditors, any intra-group contracts like concessionary travel, and also the shares owned in the company.

4 Expenditure and Income Analysed by Nature

	2015/16	2016/17
	£'000	£'000
Expenditure		
Employee benefits expenses	189,517	182,411
Other service expenses	268,089	260,636
Depreciation, amortisation, impairment	28,368	29,385
Interest payments	7,030	8,158
Expenditure relating to investment properties	1,349	(1,949)
Precepts and levies	1,713	1,738
Total expenditure	496,066	480,379
Income		
Fees, charges & other service income	(210,237)	(204,731)
Interest and investment Income	(6,175)	(7,522)
Income relating to investment properties	(604)	(658)
Income from council tax, non-domestic rates	(80,043)	(85,014)
Government grants and contributions	(181,822)	(173,226)
Total income	(478,881)	(471,151)
Surplus or Deficit on the Provision of Services	17,185	9,228

Glossary of Terms

AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD

The period of time covered by the accounts; normally a period of twelve months commencing on 1st April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

ASSET

An item having value to the Council in monetary terms. Assets are categorised as either current or fixed:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Council's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BOND

A bond is a debt investment in which an investor loans money to an entity (typically corporate or governmental) which borrows the funds for a defined period of time at a variable or fixed interest rate.

BORROWING

Government support for capital investment is described as either Supported Capital Expenditure (Revenue) known as SCE(R) or Supported Capital Expenditure (Capital Grant) known as SCE(C). SCE can be further classified as either Single Capital Pot (SCP) or ring-fenced.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a non-current asset, which will be used in providing services beyond the current accounting period, or expenditure, which adds to and not merely maintains the value of an existing non-current asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Council intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other non-current assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the Government but they cannot be used to finance revenue expenditure.

CLAW-BACK

Where average council house rents are set higher than the Government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the Council, i.e. it is "clawed-back" by the Government.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's accounts.

CONTINGENT LIABILITY

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 future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that Local Authorities engage in specifically because they are elected, multi-purpose Authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDIT RATING

An assessment of the creditworthiness of a borrower in general terms or with respect to a particular debt or financial obligation. A credit rating can be assigned to any entity that seeks to borrow money. Credit assessment and evaluation for companies and governments is generally done by a credit rating agency such as Standard & Poor's, Moody's or Fitch.

CREDITOR

Amount owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFERRED CHARGES

Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's non-current assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Council's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by Authorities and subsidised by central Government.

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Council.

IMPAIRMENT

A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet.

INCOME AND EXPENDITURE ACCOUNT

The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

INFRASTRUCTURE ASSETS

Non-current assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVENTORIES

Items of raw materials and stores a Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, Authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount;
or
- Traded in an active market

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

NEGATIVE SUBSIDY

If the Subsidy Housing Revenue Account produces a result, which assumes that the Council's income is higher than its expenditure, a "negative subsidy" situation arises. In this case the Council must pay an amount equivalent to the deficit, from its Housing Revenue Account to the Government.

NET BOOK VALUE

The amount at which non-current assets are included in the Balance Sheet, i.e. their historical costs or fair value less the cumulative amounts provided for depreciation.

NET DEBT

The Council's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services

NATIONAL NON-DOMESTIC RATES (NNDR)

The National Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the Government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of central Government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Non-current assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the non-current asset remains with the lessor.

OPERATIONAL ASSETS

Non-current assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

The levy made by precepting Authorities by billing Authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency which provides loans for one year and above to Authorities at interest rates only slightly higher than those at which the Government can borrow itself.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NNDR purposes.

RELATED PARTIES

There is a detailed definition of related parties in IAS 24. For the Council's purposes related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Statement of Recommended Practice requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves are reported in two categories – usable and unusable. Usable reserves are those 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 are those the Council may not use to provide services and are technical adjustments or specific capital reserves.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Items of capital expenditure that do not result in, or remain matched by, the Council's property, plant and equipment.

REVENUE SUPPORT GRANT

A grant paid by Central Government to Authorities contributing towards the general cost of their services.

S106 AGREEMENTS

A Section 106 agreement is a legal agreement between the Council and a developer, concerning specific planning obligations. A contribution by the developer is sometimes made to the Council for the Council to perform the obligation on the developer's behalf. If the obligation is not met, then the contribution is then repaid to the developer.

SOFT LOAN

A soft loan is a loan with a below market rate of interest.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Council will derive benefits from the use of a non-current asset.

WORK IN PROGRESS (WIP)

The cost of work performed on an uncompleted project at the year end.

STATEMENT OF ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2016/17 (the Code), and the 2016/17 Code update, supported by International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

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

As permitted under the Code, the concept of materiality has been utilised when determining appropriate disclosures to be made in the financial statements. Information is not material if omitting or misstating it would not influence the decisions of an informed user of the statements.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

Cash includes all bank credit balances and overdrafts held by the Council as part of its normal cash management, including all deposit accounts accessible without notice.

Cash Equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash Equivalents include investments with a fixed maturity of three months or less from the date of acquisition and available for sale assets such as cash placed in money market funds.

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 cash management.

1.4 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the 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 non-current 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 and impairment losses and amortisations are therefore replaced by the 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.

1.5 Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

1.6 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and 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 holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

The Council does not award long term employee benefits i.e. those which are not expected to be paid or settled within 12 months of the balance sheet date.

Termination Benefits

Termination benefits, whether they are 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, are charged on an accruals basis to the relevant service line (or in discontinued operations) in the Comprehensive Income and Expenditure Statement.

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 such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme is an unfunded scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, known as the Cheshire Pension Fund and administered by Cheshire West and Chester Council.
- Public Health employees transferred from the NHS – this scheme is administered on behalf of the NHS by NHS Pensions.

All schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees working for the Council.

Teachers' and NHS Pension Schemes

The arrangements for the teachers' and the NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet and the service revenue account in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to the Teachers' and NHS Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Cheshire Pension Fund scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees
- Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (based on the indicative rate of return on iBoxx Sterling Corporate Index, AA over 15 years)
- The assets of Cheshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value
- The change in the net pensions liability is analysed into the following components:
 - Service cost comprising:
 - *current service cost* – the increase in liabilities as a result of years of service earned this year; allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - *past service cost* – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years; debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - *net interest on the net deferred liability (asset)* i.e. net interest expense for the Council the charge during the period is the net deferred liability (asset) that came from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the net defined liability (asset) at the beginning of the period taking into account any changes to the net defined benefit liability (asset) during the period as a result of the contribution and benefit payments.
 - *Remeasurements comprising:*

- *the return on fund assets excluding amounts included in net interest on the net defined benefit liability (asset) charged to the Pension Reserve as Other Comprehensive Income and Expenditure.*
- *actuarial gains and losses* – changes on the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions; charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- *contributions paid to the Cheshire Pension Fund* – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement 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. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Employer contribution rates are reviewed every three years. The last review took place at 31 March 2016; effective from 1 April 2016. The employer contribution rate set for the Council was 22.3% for 2016/17 (21.6% in 2015/16). In accordance with current regulations the actuary set the rate at a level sufficient to enable the Pension Fund to meet 100% of existing prospective liabilities, including pension increases.

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.7 Events after the Reporting Period

Events after the reporting period 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 are 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.

1.8 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and 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 for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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 Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The bonds issued by the Council in previous years are carried at a lower amortised cost than the outstanding principal, and interest is charged at a marginally higher effective rate of interest than the rate payable to bondholders as a material amount of costs incurred in its issue which is being financed over the life of the stock.

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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement 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.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. 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 interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments,

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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event, the payments due under the contract will not be made (fixed or determinable payments). Also if fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

1.9 Government Grants and Contributions

Revenue, Revenue Expenditure Funded from Capital under Statute (REFCUS) and Capital grants with conditions attached are held as receipts in advance on the Balance Sheet until such time as the condition no longer applies, at which point the grant is recognised as income in the Comprehensive Income and Expenditure Statement. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset or service 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.

Specific revenue and REFCUS grants are accrued and credited to income within service revenue accounts when the conditions regarding their use are met. Any income credited to service revenue accounts in excess of the expenditure they are intended to fund are, subject to approval, appropriated to revenue grants and contributions unapplied earmarked reserves from the General Fund Balance in the Movement in Reserves Statement until the expenditure is incurred. When the expenditure is incurred, the grant is appropriated back to the General Fund in the Movement in Reserves Statement to ensure that there is no adverse impact on the council tax position. REFCUS grants are reversed out of the General Fund Balance in the Movement in Reserves Statement to either the Capital Adjustment Account if the grant has been used to finance capital expenditure in the year, or to the Capital Grants Unapplied Account Reserve until it is applied to fund capital expenditure, at which point it is transferred to the Capital Adjustment Account.

Non-specific revenue grants, including Revenue Support Grant are credited to Taxation and Non-Specific Grant Income at the foot of the Comprehensive Income and Expenditure Statement.

General revenue grants are subject to the normal carry-forward processes attributable to General Fund balances.

Grants relating to the funding of non-current asset (capital) expenditure are credited to Taxation and Non-Specific Grant Income at the foot of the Comprehensive Income and Expenditure Statement when the conditions regarding their use are met. These charges are reversed out in the Movement in Reserves Statement to either the Capital Adjustment Account if the grant has been used to finance capital expenditure in the year, or to the Capital Grants Unapplied Account Reserve until it is applied to fund capital expenditure, at which point it is transferred to the Capital Adjustment Account.

1.10 Interest in Companies and Other Entities

The Council has interests in companies and other entities. Subject to the level of materiality and exposure to risk, these are consolidated to produce group accounts.

The Council had interests in five other entities during the financial year:

- Warrington Borough Transport Limited
- Wire Regeneration Limited

- LiveWire (Warrington and Neighbourhood Community Interest Company) and Culture Warrington (Warrington Cultural Trust)
- Catalyst Choices Community Interest Company
- Warrington & Co (Regeneration) Limited
- Warrington 2000+
- Warrington Sports Holdings Limited

Warrington Borough Transport Ltd is wholly owned by Warrington Borough Council and is categorised as a Subsidiary of the Council. This has been consolidated into Group Accounts (see Group Accounts).

Wire Regeneration Limited is a Joint Venture Company with Langtree Land and Property PLC, with each investor owning a 50% share in the joint venture. The Council's investment is shown as an available for sale investment asset on the single entity balance sheet.

Livewire is a Community Interest Company created by the Council for the provision of libraries and leisure centres within the borough. Culture Warrington is a charitable trust for the provision of the boroughs museum, and the two arts centres, Pyramid and Parr Hall. Both companies are categorised as Associates of the Council.

Catalyst Choices Community Interest Company is an employee owned mutual Community Interest Company created in February 2015 by the Council for the provision of adult social care in the borough, and is categorised as an Associate of the Council.

Associates to the Council would be consolidated into Group Accounts using the equity method of consolidation. However, the Council holds no equity in any of the associates, and as the Council does not have any equity and in accordance with IPSAS 7, the three entities would not qualify as Associates, and therefore there is no Group Relationship.

The Council has an investment of 22,222 shares valued at approximately £1,374,400 which represents a 12.81% shareholding in Warrington Sports Holding Ltd (WSHL), and is held as a long term investment by the Council on the Balance Sheet, and is shown as such in both the Single Entity and Group Accounts.

Both Warrington & Co and Warrington 2000+ are limited companies created by the Council. However, neither company is a trading entity therefore there are no transactions to consolidate within the Group Accounts.

For more details regarding the consolidation of the Group Entities, please see Group Accounts.

1.11 Interest Receivable or Payable

The effective interest rate method is used to measure the carrying value of a financial asset or liability measured at amortised cost, and to allocate associated interest income or expense to the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to equal the amount at initial recognition. The effective interest is

adjusted to the actual interest payment or receipt through the Movement in Reserves Statement to ensure only actual interest is charged to Council Tax.

For financial assets and liabilities carried at cost because the effective rate of interest is the same as the carrying rate of interest, the carrying value is adjusted for accrued interest.

1.12 Better Care Fund

The Council entered into an s75 agreement with NHS Warrington Clinical Commissioning Group, with the Council acting as the host. This is effectively a principal and agent relationship. Note 41 shows the expenditure and funding for the whole pooled arrangements. But, as the Council acts as the agent for certain transactions within the pool and principal for others, the single entity accounts only includes the transactions for which the Council is acting as the principal.

1.13 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, in accordance with IFRS 13. Properties are not depreciated but are revalued annually according to market conditions at the balance sheet date (year-end). Gains and losses on revaluation are recorded in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. 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 recorded in the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.14 Joint Ventures

A Joint Venture is an arrangement under which two or 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 with Langtree Land and Property PLC, which is not material and thus group accounts have not been produced, for more detail see Group Accounts.

1.15 Leases

In accordance with IAS 17 all leases are assessed and classified as to whether they are finance leases or operating leases. Leases are classified as finance leases when the

terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lesser 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 is 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 and 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 is 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 in the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the 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 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 recorded out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets 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.

1.16 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

1.17 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of the transactions, other events and the conditions on the Council's financial position and financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

A change in accounting policy generally requires the disclosure of three Balance Sheets to reflect the impact on the current period, the end of the preceding period and the impact on the opening Balance Sheet of the previous period.

Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change, there is no prior period adjustment.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.18 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

Assets are capitalised in accordance with the Council's capitalisation and componentisation policies.

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 does not have a formal de minimis level for capital expenditure. However in normal circumstances, individual items of expenditure below £10,000 would be treated as revenue expenditure, except in regard to vehicles, which by their nature can be purchased at an amount lower than £10,000. Where a specific case can be made for capitalising the expenditure where it relates to a capital grant, or where there are many items below the de minimis limit that in aggregate are above the limit.

Measurement

Assets are initially measured at cost comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Council capitalises borrowing costs incurred whilst material assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. Assets included in the Balance Sheet at fair value are revalued regularly to ensure that their carrying amount is not materially different from their fair value at the year-end. All PPE Assets are formally revalued over a 5 year period. Any PPE asset that is not formally valued in a financial

year will have a desktop valuation undertaken at the end of the Accounting period to determine if there is any material difference that requires further consideration.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for:

- 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)
- 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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Revaluations

The Council carries out a rolling programme of revaluations that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. If material capital expenditure takes place on a capital scheme, the scheme in question will be revalued upon completion of the additional capital expenditure. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values of the PPE property assets were for those assets valued on the Depreciated Replacement Cost method whereby they were valued by adopting the "instant build" approach as set in the Government Financial Reporting Manual. The Council carries out a revaluation of property assets classed as investment assets every year.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Examples of events and changes in circumstances that indicate impairment may have incurred include:

- significant decline (i.e. more than expected as a result of the passage of time or normal use) in an asset's carrying amount during the period, that is specific to the asset
- evidence of obsolescence or physical damage of an asset
- a commitment by the Council to undertake a significant reorganisation
- a significant adverse change in the statutory or other regulatory environment in which the Council operates

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 follows:

- 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)
- 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.

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) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

- dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight line allocation over 3 to 10 years, dependant on the initial value of the asset or where the item is in fact a component of a land and building asset the asset is depreciated on a straight line basis over the useful life as estimated by the valuer
- infrastructure – straight line allocation over 40 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between fair 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 Policy

Component accounting is a concept involving the splitting of assets into significant component parts.

The main purpose of component accounting is to produce accurate primary statements with the cost of the use of an asset correctly reflected in the Comprehensive Income and Expenditure Statement by carrying the correct depreciation associated with non-current assets and also with the correct values of non-current assets presented in the Balance Sheet.

Components have also been depreciated over different lives than the host (main) asset and recognised where they have a significant value when compared to the value of the host assets.

The Council has adopted a policy that recognises that material assets when revalued i.e. assets that have a building value of over £500,000 are to be recognised separately. The component has to have a value of at least 20% of the building value and a useful life which is at least 20% lower than the asset as a whole.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset (or disposal group) will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset (or disposal group) 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 recorded 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 previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets (or disposal group) 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.

A 'disposal group' is a group of assets, possibly with some associated liabilities, which the Council intends to dispose of in a single transaction. The measurement basis required for non-current assets classified as held for sale is applied to the group as a whole, and any resulting loss reduces the carrying amount of the non-current assets in the disposal group in the order of allocation required by IAS 36.

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 (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. 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.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets 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.

Heritage Assets

Heritage Assets are tangible assets with historic, artistic, scientific, technological, geographical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Due to the cost of obtaining valuations for Heritage Assets outweighing the accounting benefit, especially in the current climate of local government funding cuts, the policy adopted is to carry these assets at their insured value.

A de minimis level of £10,000 has been established for inclusion of Heritage Assets on the asset register. Any assets with a value of less than the de-minimis are not significant, e.g. fossils, minor water-colour paintings etc. The Council does not hold any Heritage Assets which have a value in excess of the de minimis which are not disclosed on the Balance Sheet.

Any new Heritage Assets will be recognised and subsequently measured at valuation or cost. For significant Heritage Assets donated to the Council a valuation will be obtained where possible, at which value the asset shall be recognised. If a valuation cannot be obtained, the asset will not be recognised on the Balance Sheet but will be disclosed in the notes to the core financial statements, along with the reason why a valuation cannot be given.

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

No depreciation is charged on these assets as they are deemed to have indeterminable lives.

Any disposals will follow the Council's de-recognition of Non-Current Asset Policy, including the legislative arrangements to ensure no impact on the General Fund for gains and losses on disposal.

Further details on Heritage Assets can be found in note 22 to the accounts.

1.19 Private Finance Initiative (PFI)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under the PFI schemes, and as ownership of the property, plant and equipment may pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The Council has two housing PFI schemes. Anson and Blenheim Close where the operator was responsible for constructing 105 new dwellings for social housing, the maintenance of the properties and tenancy management services. John Morris House is the second scheme where the operator was responsible for constructing 38 new self-contained flats for social housing and the maintenance of the properties together with a tenancy management service. These PFI schemes have been accounted for as in the paragraph above.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For John Morris House the liability was written down by an initial capital contribution of £395k. No applicable contribution was recorded for Anson and Blenheim Close.

Non-current assets 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 operators 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 of 5.718% for John Morris House and 9.040% for Anson and Blenheim Close on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in 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 in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and is recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out

With both the Council's PFI schemes the operator is allowed to retain third party income (the operator keeps all the rental income from the dwellings). This is accounted for by the credit side of the PFI scheme being pro-rated between a finance lease creditor and a deferred income balance. Essentially, the deferred income balance represents the benefits that the Council is to receive over the life of the contract. This balance is then

released to the Comprehensive Income and Expenditure Statement over the life of the contract.

The MRP charged on the Council's two PFI schemes will be reversed out of the accounts via the Capital Adjustment Account.

1.20 Provisions

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. In accordance with the Code, provisions are made when the Council has a present obligation (either legal or constructive) as a result of a past event; it is probable that a transfer of economic benefit will be required to settle it; and a reliable estimate can be made of the financial obligation. If it becomes probable that a transfer of economic benefit is no longer required to settle the obligation, the provision is reversed.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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 – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.21 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. 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 against the Surplus of Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The appropriate reserve amount 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 processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

1.22 Self Insurance

The Council maintains an Insurance Fund to meet the excess amount of any insurance claims not covered by its external insurers and to self-insure for a number of risks. The Fund consists of an Insurance Provision to cover known actual claims made and an Insurance Reserve which provides an additional contingency to meet further claims.

1.23 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

1.24 Revenue Recognition

The revenue recognition policy covers the sale of goods (produced by the Council for the purpose of sale or purchased for resale), the rendering of services (excluding services directly related to construction contracts), interest, royalties and dividends, non-exchange transactions (i.e. council tax) and where previously a liability had been recognised (i.e. creditor) on satisfying the revenue recognition criteria.

Revenue is recognised and measured at the fair value of the consideration receivable. However, if payment is on deferred terms, the consideration receivable is recognised initially at the cash price equivalent. The difference between this amount and the total payments received is recognised as interest revenue in the Surplus or Deficit on provision of services. Short duration receivables with no stated interest rate are measured at

original invoice amount where the effect of discounting is immaterial. There is no difference between the delivery and payment dates for non-contractual, non-exchange transactions i.e. revenue relating to council tax and business rates, and therefore these transactions are measured at their full amount receivable.

1.25 Trade and Other Creditors

Trade and other creditors are not recognised when the Council becomes committed to purchase the goods or services but when the ordered goods or services have been delivered or rendered. With the exception of financial instruments, creditors are recognised and measured in accordance with the revenue recognition policy.

1.26 Trade and Other Debtors

Trade and other debtors are not recognised when the Council becomes committed to supply the goods or services but when the goods or services have been supplied or rendered. With the exception of financial instruments, debtors are recognised and measured in accordance with the revenue recognition policy.

1.27 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty’s Revenue and Customs. VAT receivable is excluded from income.

1.28 Local Taxation

The Council is a Council Tax and Business Rates Billing Council collecting on behalf of other authorities as well as itself. The collection on behalf of other authorities is treated as being on an agency basis and thus only the elements of Council Tax and Business Rates that relate to the authorities are included in its main financial statements. The collection fund account covers all local taxation collected by the Council on behalf of itself, other local authorities and the government.

1.29 Schools

Schools

As per Appendix E of the 2016/17 Code, schools are to be classified as entities in their own right and as such should be consolidated into the Council’s Statement of Accounts. The Code allows local authorities to consolidate the schools into their single entity accounts, rather than prepare group accounts.

The number of maintained schools that are held on the Council’s asset register are:

Category	Number of Schools
Infant School	2
Junior School	2
Nursery School	1
Pupil Referral Unit	1
Primary School	30

Secondary School	4
Special School	6
Total	46

Asset Transactions Relating to Voluntary Aided Schools

The Council has assessed the rights, benefits and obligation of Voluntary Aided (VA) Schools and has determined that although the school assets is owned by the Diocese, the school as an entity in its own right, receives all of the benefit of the school building for its finite useful life and should therefore be consolidated into the Council's Balance Sheet in a similar fashion to PFI assets. The Council does not consolidate, however the school land as this has an indefinite useful life and could be used by the Diocese in the future for other purposes.

1.30 Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming the market participants' acts in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

1.31 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

The Authority is currently in one joint operation arrangement with NHS Warrington Clinical Commissioning Group (CCG), as such the Authority as a joint operator recognises:

- Its expenses, including its share of any expenses incurred jointly
- Its income, including its share of any income received jointly.

For more details see Note 41 – Pooled Budgets.