WARRINGTON
Borough Council

2018/19
Statement of Accounts

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NARRATIVE REPORT

Message from the Deputy Chief Executive and 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 2019 and is structured as below:

1. An Introduction to Warrington
2. Performance Commentary for 2018/19
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5. Impact of BREXIT
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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), of which 80% are economically active compared with a national average of 78%.

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 circa 9,775 business enterprises in the Borough employing over 135,000 people. The unemployment rate in Warrington is low at 3.2%, compared to that of the Northwest (4.0%) and all of Great Britain (4.2%) (2018). This reflects a high functioning economy. There are broad and diverse range of employment options available, with Professional, Scientific & Technical Activities making up the largest share of employment at 16.3% (Broad Industrial Categories). There is a nuclear industry cluster and a number of back office operations, specifically call centres, located in the Borough.

The 2018 Centre for Cities report declared that Warrington's economy continues to perform strongly and Warrington features at 4th highest in the UK in terms of the number of private to public sector jobs at 4.27 (the national average is 2.89). Nationally, Warrington is the only urban economy in the North to feature in the top 10.

Moreover, in its table of 'Cities and jobs likely to see an increase in demand to 2030', i.e. those cities which have been successful in attracting jobs to date and react to the changing labour market, Warrington was ranked as 6th best in the UK, the only city in the North of England in the top 10 and, indeed, it ranked higher than London which was placed 9th. Warrington ranks 5th out of the 63 cities when it comes to the high-skill private sector occupations that are likely to grow up to 2030, suggesting that the trajectory of Warrington's economy is looking strong on a national scale.

Warrington also has one of the highest Gross Value Added (GVA) in the North of England with an average of £49,985 (the national average is £57,632).

The Council's operating revenues amounted to £468.793m in 2018/19. However, a sizeable chunk of this is related to services that are essentially pass-through. For instance, the central government funds £105.3m (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 £133.370m in 2018/19.

Council tax receipts of £95.651m (note 12) in 2018/19 funded over half of the direct budget requirement. Council taxes were increased by 2.98% in 2018/19, as the Government temporarily raised the limit above which local authorities are required to hold a referendum for approval from 2% to 3%. In 2018/19, the Government allowed Councils to apply an additional 3% levy on council tax to fund Adult Social Care pressures. This raised an additional £2.6m for the Council to spend specifically on adult social care. Band D Council Tax (excluding precepts) was £1,315.90 in 2018/19.

Revenue Support Grant (Government Funding) declined to £10.259m in 2017/18 from £17m the previous year. The 2018/19 year saw further declines to £5.814 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 £60m (18/19 £15.5m; 17/18 £8.8m; 16/17 £20.5m; 15/16 £15.5m) of savings over the previous four years and plan to make a further £45m of savings over the four year period from 2019/20.

However, Revenue Support Grant accounts for just 4% 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 £28.8 million in 2017/18. In 2018/19, this increased to £31.932m (note 12). The government have announced that local authorities will retain 75% of business rates, as opposed to the 50% (with top-ups and tariffs) they now retain, with implementation from 2020/21. This could 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 2018/19. 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 online 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 5,651 people (2,712 WBC, 2,939 schools).

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.

The composition of the Council is currently:

43 Labour Councillors
12 Liberal Democrat Councillors
1 Conservative Councillors
2 Independent
58 Council members

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, Corporate Services 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 2018/19

Warrington Council's vision as set out in the refreshed corporate strategy 2018/19:

"We will work together with our residents, businesses and partners to create a place that works for all."

The strategy sets out four pledges:

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

A set of key indicators was determined for 2018/19 and targets were set for each of these. In addition, there are a number of key projects underway in line with these priorities.

Opportunities for the Most Vulnerable

The number of children in care as of the 31st March 2019 is 390, which is the lowest it has been over the last 2 years. Since June 2018 there has been a month on month decline. The rates of children in care per 10,000 of population have decreased from 93.4 in June 2018 to 91.2 in September 2018 and 87.4 in March. There is still a significant gap with National (62) & Statistical Neighbour rates (62). We are just above the North West average of 86. Unaccompanied Asylum Seekers (UASCs) continue to be a challenge and there are currently 24 UASC in Warrington.

During the year there were 16 children who had been adopted and 17 placed for adoption. In 2018/19 21 children were also discharged from care to a Special Guardianship Order (provisional figures, confirmation July 2019).

In December 2018 the Council was subject to a statutory SEND inspection by Ofsted and Care Quality Commission (CQC). The inspection reviewed our effectiveness around the identification and assessment of children with special educational needs and disabilities, and the work done to improve outcomes for them and their families. The council continues to play an active part in the regional and national self-evaluation process with positive improvements made. We are actively involved in the regional peer challenge and the upcoming LGA Peer Reviews, in areas such as Early Years and Permanence. The full inspection report was published on 15th February 2019.

The latest quarter data for Delayed Transfers of Care (DToC) is quarter 3, October to December 2018. During this time there were 2466 delayed days in total, 57% were NHS delay (1414), 33% (819) were Social Care delay and 9% were both (233). 28% (695) of delayed days were down to 'Waiting Further NHS non acute care' and 21% (521) were down to 'Awaiting care package in own home'. The full quarter 4 figures are not yet available, however January and February have reported a much reduced count of delayed days. Work continues around this area with several Better Care Fund (BCF) schemes designed to address this issue. The specific DToC Working Group met early April to review definitions and ensure delayed days and reasons are being accurately reflected in data submissions. The most recent published data (February) ranked Warrington 8th in the Northwest in this measure with a daily average of 8.8 per 100,000 aged 18+ (Northwest average was 11.9).

During quarter 4, 84.2% of older people accessing re-ablement services were home 91 days after discharge from hospital. This is better than the target of 83.5% and slightly lower than the quarter 3 outturn of 87.1%. Of the 146 clients discharged from hospital that received a re-ablement service, 123 were successfully re-abled. Of the remaining 23 clients, 12 passed away, 8 were readmitted to hospital and 3 needed to go into 24 hour care.

The Adult Social Care Transformation Programme continues to deliver across all work streams. A local training offer to sustain our 'Strength Based Approach' has been established and this is supported by a strong resource base for practitioners and the development of advocates in all teams. The redesigned 'First Response Service' continues to respond to new demand in a timely manner and signpost to alternative preventative services where appropriate. The financial targets associated with 'demand management' and the programme in 2018/19 were challenging, however £1.8m was achieved in actual savings and further financial benefits through cost avoidance.

Quarter 4 has seen a fall in the number of home care hours awaiting allocation as domiciliary care agencies are able to provide the care without the long delays we have previously seen. At the beginning of January there were 47 people that required 450 hours of care. By the end of March this fell to 13 people requiring 104 hours of home care between them. The gradual, but significant, fall in hours waiting reflects the rise and flow of need during winter that reduces slowly towards April and May. It is of note that the peaks during winter and the speed of return to a more sustainable position are significantly better this year than the previous two.

During quarter 4 our Free School application was successful. This will be an Autistic Spectrum Disorder Special School and will support children not to go out of Borough for education. We are delivering a strong alternative provision offer at primary and secondary to reduce the need for children to move to an external placement. Work is being undertaken across Children's, Adults and Commissioning to develop an in-borough alternative education offer alongside supported accommodation to keep young people in Borough.

Foster4, the collaborative foster carer recruitment service for the four Cheshire Local Authorities, and based at Warrington Borough Council has been operational for one year. There has been a 33% increase in enquiries overall and a 37% increase in enquiries for Warrington specifically, compared to last year. Warrington has recruited 2 new fostering households in quarter 4. These households can provide up to 4 placements. During quarter 4 there were 2 de-registrations from carers who could have provided up to 4 placements. Therefore there has been no net loss or gain of placements during this period. During the year there has been a net gain of 21 placements, with 16 households recruited in total. As of 1st April 2019, there are 5 more households in assessment and due at panel during quarter 1 2019/20.

Grow a strong economy for all

Cheshire and Warrington's economic performance improved during the year and the sub-region is enjoying greater growth than anywhere else in England, according to recent figures published by the Office for National Statistics (ONS). It means that Cheshire and Warrington now boasts a £30.9bn economy, with every person in Cheshire and Warrington producing goods and services worth an average of £33,384 per year. This is almost 40% higher than the North West average and more than 21% higher than the UK average. Cheshire East has the highest level of output per head in the sub-region at £36,292, with Warrington appearing in the same statistics as the most productive town in the North.

The Time Square construction continues to programme and progress is being made in relation to commercial occupiers of the scheme. The programme is due for completion mid-2019, followed by fit-out and opening is anticipated February 2020. The New Council Offices are also due to be completed in February 2020 and the transfer of staff will occur after this point. There are a number of work streams as part of this project; Staff, Technology, Facilities, Move and Ground Floor Vision which all remain in track. Significant engagement has taken place during quarter 4 with Members, Senior and Middle Managers and staff, sharing the current progress update. This has been well received.

The permanent Business Improvement District Board has been agreed and meets either as a whole or in "task and finish" groups. Primark's Local Store Manager has retained the position of Chair. A monthly electronic newsletter is distributed, and training courses, such as Health and Safety, are available for levy paying businesses. Several seasonal events are being considered for funding and these will be announced in the summer.

The Council is successfully delivering a number of critical infrastructure projects:

- Warrington West: The construction of the rail station continues to make excellent progress with the new station building now being fitted out, the car park and access road approaching completion and works to construct the rail infrastructure progressing well. Construction of the scheme is due to be complete in August 2019 with a soft opening to follow. This remains within budget.

- Centre Park Link: The Highways Compulsory Purchase Order is now implemented and due to conclude and transfer land in to Council ownership by the end of June. Construction contract was awarded to Balfour Beatty who are in the process of mobilising to site. Works will commence in earnest in early June and will be complete by Winter 2020. The scheme remains within budget.

- Warrington East Phases 2 & 3: Phase 1 is complete. Both Phase 2 and 3 have commenced on site and both are progressing ahead of programme and are being delivered within budget. The Council continues to maximise the costs savings associated with dual running of the two projects and minimising the duration of disruption to the highway network in this area. Both Phase 2 and 3 are programmed to be complete in late 2019.

- Western Link: A positive decision was received from Department for Transport on 12th April 2019, indicating a grant funding contribution of £142.5m to the scheme. Initial discussions are under way to develop the governance structure, delivery programme and assess the internal and external procurement of resource which will be required to deliver the project.

Build strong, active and resilient communities

The Local Housing Companies were registered in February 2019 with Directors holding regular board meetings. The bank accounts are being established and, once in place, the companies can register for VAT and Group relief. The Local Housing Companies have entered into Framework Agreement for master planning and business appraisals of sites at Foxwood and Sycamore Lane. Accelerated Construction funding has been agreed in principle with Homes England and appropriate contractors for modern methods of construction are being evaluated.

Maintaining good attendance in schools is a key priority for Warrington. The third half term showed an improvement in attendance across all school phases. There has also been a reduction in persistent absence across all phases, except for special schools. There are some concerns regarding attendance of children in care and these are being addressed by the Virtual School. Some of this is due to instability of placements and this is under careful review.

A priority is to improve educational outcomes for non-core subjects and a more focussed approach is being implemented through the Secondary Curriculum Group. The new school improvement model should give more opportunity to focus on specific themes and subjects specialisms. The new Ofsted framework being implemented in Sept 2019 should further support the development of this. Training is still ongoing to schools within their Ofsted window.

The percentage of primary school pupils achieving reading, writing and maths (RWM) combined at the end of Key Stage 2 (KS2) has been historically strong in Warrington and well above average national figures. In 2016 61% of all KS2 pupils achieved RWM combined compared to a national figure of 53%. In 2017 Warrington pupils achieved 69% for combined as compared to the national average figure of 62%. This year, 2018, Warrington pupils have achieved 70%, up 1 percentage point from the previous year and above the national average of 64%. Warrington is tenth in the country for KS2 RWM and second in the North West. This has not been at the same accelerated rate as their non-disadvantaged peers. In 2016, 45% of disadvantaged pupils achieved RWM combined, a gap of 20.8 percentage points compared to all other pupils. In 2017, 50% of disadvantaged pupils achieved RWM combined. The KS2 RWM disadvantaged pupils figure for 2018 is provisionally 54.2%.

Secondary school data shows Warrington's average Attainment 8 score is 47, slightly higher than the England average of 46.4. Warrington is ranked fifth in the North West for average Attainment 8 score and third in the North West for % achieving English and Maths grades 9 to 5. Although our progress 8 score (-0.14) is slightly better than the North West (-0.16), we fall below the England average (-0.02).

Create a Place to be Proud of

Planning permission for a new waste transfer station was not obtained, this has led to a change in the procurement strategy for waste disposal contracts and reduced scope for service financial savings. The procurement process for Residual Waste and Dry Mixed Recyclate is progressing with dialogue meetings scheduled with contractors for the new financial year. Government Waste Strategy may influence long term vision re waste programme. Community Recycling Centre (CRC) infrastructure improvements are progressing, however, the appointed contractor has gone into financial administration. Works at Woolston CRC are complete and works at Gatewarth are slightly delayed until a new contractor is appointed.

Household waste collected during the year was 522 tonnes and is better than the target set (target 555). The quarter 4 figure was 130 tonnes against a target of 138.75 tonnes. This is slightly higher than quarter 3 figure of 125.09 tonnes. The recycling rate for quarter 4 is 47% and is slightly below the target set (target 50%). These are provisional figures and are yet to be audited. The green waste income has exceeded target for 2018.

During 2018/19 the Culture Board and Cultural Consortium were fully developed delivering the recommendations made by the Cultural Commission. Project groups have been formed for the Pyramid, Museum and Art Gallery, and new Theatre, with Business Cases underway to support funding opportunities.

Delivering our Vision

The Council underwent its first corporate LGA Peer Challenge. The purpose was to reflect, learn and consider areas for improvement. A team of 6, spent 4 days with us meeting 90 people and held 35 meetings. Their focus was to consider our understanding and practices of how we operate locally, our plans and priorities, organisational leadership, our governance arrangements, financial planning and viability and our capacity to deliver services.

There were a significant number of strengths reported along with some areas for consideration and improvement. The full report will be made public in due course and we are currently producing the action plan to respond to it.

The average wait time for telephone calls in Contact Warrington during quarter 4 was 291 seconds (4 minutes and 51 seconds), which is an increase from the quarter 3 outturn of 256 seconds (4 minutes, 19 seconds). This is also a 10 second increase since quarter 4 last year (281 seconds). However, the quarter 4 outturn is still under the target of 300 seconds (5 minutes). No additional resource was used to assist with subscriptions for Green Waste and this decision proved successful as wait times remained on target with a saving in staff costs. Council Tax training to upskill existing staff proved successful. Work with back office teams on Council Tax bill design has also seen a reduction in calls.

There have been 430 all stages complaints at quarter 4, April 2018 to March 2019 (there were 121 in the quarter 4 period, January to March). This is higher than the full year figures in 2017-18 of 362. 75.3% of complaints were responded to within timescales which is just under the target and lower/worse than target than the same period last year (76.5%) and lower/worse than the previous quarter (quarter 3, 76.2%). The majority of complaints are from members of the public (98%). 40% of complaints were within Environment, Transport and Growth, 45% Families and Wellbeing and 15% Corporate Services. For the quarter 4 period 80.5% of valid complaints were responded to within timescale - this is 91 out of 113 (113 closed complaints).

The average days lost due to sickness for the 12 month period ending in quarter 4 was 12.48 days per person. This was an increase on the same period last year (12.19 per person). The figure at this time is higher than the target for this year (target 12).

At the end of March the overall spend on non-contracted staff was 2.7% of the overall salary costs. This is under target and a positive achievement which we have made in liaison with Trade Union colleagues. Economic Regeneration, Growth & Environment currently has the highest proportion of costs vs the salary costs.

The numbers of FOI's have increased in this quarter (quarter 4, 335) from the previous quarter (quarter 3, 284). The cumulative number of FOIs received in the year (2018/19) is 1268. This is an increase from the 2017/18 count of 1151. There has been a marginal improvement in response times for quarter 4 with 90.6% dealt with within timescales, from the previous quarter (quarter 3 90.4%) against the target of 95%. In addition, 27 FOIs have been referred to the publication scheme.

The Warrington 20:20 Transformation Programme HR work stream is almost complete and benefits have been realised in line with the business case profile. The Contact Centre work stream is in progress with an anticipated go live date for all processes by Summer 2019 (the actual delivery will be phased from Spring throughout Summer). Business case targets are expected to be exceeded in this area, although delivery will be phased. The separate website project has now been brought into the programme and the full cost of this has been absorbed within the programme budget, which has been possible due to underspends on staffing to date. The key risks to the programme remain its overall affordability (due to availability of capital receipts), the potential for duplication of savings across services and the ability to attract and retain skilled resources at a price the Council is willing to pay. The programme is currently on track against the business case.

The Council delivers on a full training prospectus which is driven by need across the organisation. Bespoke training is designed and delivered as required. Apprenticeship Levy is being increasingly used across all levels of the organisation including Chartered Manager and Leadership Level 7 opportunities due for launch this year. A significant increase in uptake by staff of our Mandatory E Learning courses ensures that all those with access to the system complete courses as directed by Strategic Management Team.

FINANCIAL PERFORMANCE

Revenue Outturn

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

The Council's 2018/19 revenue outturn position is shown in the table below. The original budget set at the Council meeting on 26 February 2018 was £136.836m. As the year progressed various amendments to the Council's budget took place. This resulted in total changes of £3.463m. Quarterly budget monitoring reports are received by the Council's Executive Board during the year.

The outturn for the Council is an overspend of £0.316m after making a contribution from reserves of £0.295m in 2018/19.

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

	Budget £'000	Actual £'000	Variance £'000
Corporate Services	4,758	5,291	-533
Families & Wellbeing	105,598	110,993	-5,395
Economic Regeneration, Growth & Environment	24,531	23,919	612
Corporate Financing	-1,514	-6,514	5,000
Movement in General Fund Reserve	**133,373**	**133,689**	**316**

The Corporate Services Directorate which provides the Corporate Services function to the Council recorded an overspend of £0.533m. This was due to the allocation of Cross Authority savings targets that are not aligned with activity.

The Families and Wellbeing Directorate, as a whole, overspent by £5.395m. The main areas of overspend across the directorate are reflected in Adult Social Care, Children's Social Care and Home to School / Special Education & Needs Transport.

The Economic Regeneration, Growth & Environment Directorate recorded an underspend of £0.612m which was largely due to underspends within the areas of Asset Maintenance and Street Works and Warrington & Co.

Corporate Finance, which manages the Corporate Budgets for the Council (e.g. Treasury Management, VAT, Concessionary Travel), recorded an underspend of £5.000m. This position reflects the continued growth and success of the Council's Enterprising Warrington Strategy and Treasury Management Strategy.

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 26 February 2018, Council approved a three year capital programme of £948.918m incorporating a 2018/19 capital programme of £389.542m. Revisions to the capital programme 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 (£45.311m) took place in 2018/19.

The table below shows that the Council spent £230.686m on its capital programme in 2018/19, representing a delivery rate of 67% 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.

2018/19 Capital Programme

Capital Programme	2018/19 Quarter 3 Budget £m	2018/19 Capital Outturn £m	2018/19 Variance £m	% Spent
Families & Wellbeing	11.083	10.470	- 0.613	94%
Corporate Services	5.991	4.397	- 1.594	73%
Economic Regeneration, Growth & Environment	55.398	44.523	- 10.874	80%
2018/19 Capital Programme (excluding Invest to Save)	**72.472**	**59.390**	**- 13.081**	**82%**
Invest to Save Programme	271.759	171.296	- 100.463	63%
2018/19 Invest to Save Programme	**271.759**	**171.296**	**- 100.463**	**63%**
Total 2018/19 Capital Programme	**344.231**	**230.686**	**- 113.545**	**67%**

2018/19 Capital Financing

Capital Programme Funding	2018/19 Quarter 3 Funding £m	2018/19 Actual Funding £m	2018/19 Variance
Council Unsupported Borrowing	301.735	194.834	- 106.901
Capital Grants and Reserves	24.008	21.762	- 2.246
Capital Receipts	6.324	4.488	- 1.836
Revenue Funding	0.726	0.744	0.018
External Funding	11.438	8.858	- 2.580
2018/19 Capital Programme Funding	**344.231**	**230.686**	**- 113.545**

As can be seen above, there was a variation between forecast capital expenditure and the final outturn. The majority of the expenditure will, however, be reprofiled into 2019/20 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 £113.545m 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.

The major scheme underspent on the Invest to Save Programme is Loans to Housing Associations (£153.250m). Other schemes that slipped in 2018/19 were Highways Maintenance Investment (£1.921m) and Warrington East Phase 2 (£1.556m).

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 principle 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 Associations and Commercial

Loans Scheme. Other major areas of expenditure on the Invest to Save schemes in 2018/19 were Property Investment Programme, Redwood Bank and Time Square.

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

- **Primary Schools – Total Spend £1.648m**

- **Secondary Schools – Total Spend £3.175m**
  Secondary Places St Gregory's High - £2.016m
  Great Sankey High School Expansion - £1.023m

- **Customer & Business Transformation – Total Spend £2.835m**
  Customer & Business Transformation - £1.900m
  ICT - £0.935m

- **Great Sankey Hub – Total Spend £3.090m**

- **Transportation & Environment – Total Spend £40.799m**
  Community Recycling Centres Infrastructure - £1.119m
  Highways Maintenance Investment - £3.747m
  Road Maintenance - £1.589m
  Omega Local Highways Phase 2A - £3.539m
  Parks & Open Spaces - £1.003m
  Refuse Collection Vehicle Replacements - £1.001m
  Walton Estate - £1.747m
  Warrington East Phase 2 - £3.763m
  Warrington East Phase 3 - £1.176m
  Warrington West Station - £10.427m

- **Invest to Save - Total Spend £171.295m**
  Property Investment Programme - £87.278
  Birchwood Park - £4.852m
  Time Square Project - £38.610m
  Loans to Housing Associations - £16.750m
  Redwood Bank - £20.053m
  Street Lighting - £2.100m

LARGE SCHEME UPDATE

Birchwood Park - The Council acquired the benefit of Birchwood Park (Business Park in Warrington) in September 2017. There is careful and detailed ongoing management of the Park through both a Council officer group and external professional bodies. The performance of the asset manager Patrizia is also being monitored on a weekly basis to ensure the Park continues to be operated on a commercial basis for the benefit of the Council. A three year Business Plan is in place that sets the standards of performance, income expectation and cost management through to December 2020.

In recent months, new lettings at the Park have maintained with occupancy (over 94%) remaining higher than when the Park was acquired with annual gross income in excess of £14 million.

Further development of the Park for the purposes of economic growth and more rental income has commenced. Construction is underway for up to 169,785 square feet (15,773 square metres) of prime industrial accommodation to meet with current demand in the region.

Other Property Investment - Alongside Birchwood Park, the Council has carefully acquired a number of property investment assets to secure further net annual income. This small portfolio covers different business classes, locations and size of investment ensuring a balanced approach to spread and minimise risk to the Council. This portfolio is also managed by a professional team supported by external investment market expertise. The income in 2018/19 from these assets exceeded forecast.

Time Square - The Time Square Town Centre development project has progressed well during 2018/19. The temporary market building and the multi-storey car park completed in early winter 2017 continue to operate successfully on a commercial basis. Electric Vehicle charging points have been installed in the new multi storey car park and are due to go live in spring 2019.

The phase 4 construction which started in 2017 is on course for achieving practical completion in summer 2019 in line with the original timescales. Construction of the Leisure block, Council Offices, New Market Hall and commercial units on Dolmans Lane are close to completion. The cinema operator is due to get on site to complete their fit out in summer 2019.

A market leading restaurant operator has been signed up for the large restaurant unit within the leisure block with interest in the remaining units increasing. An operator for the current temporary market building has been signed up to take the large unit when the market moves into its new permanent home.

The whole site is due for completion spring 2020 in line with original estimates with the Cinema and restaurant operator aiming for a November 2019 opening ahead of schedule.

Redwood Bank - The Council took a 33% stake in Redwood Bank in 2017 and planned to make an investment of up to £30m investment. The £30m was paid in fours instalments £10m and £0.249min 2017/18 and the balance of £20m was paid in two instalments in 2018/19. The Banks purpose is to lend the Small Medium Sized Enterprises (SMEs). A full comprehensive business case was drawn up and agreed by the Council's Executive Board and in line with the results of a Warrington Business survey carried out in 2013 which showed there was high need for this type of bank. The Bank is operating successfully and to business plan.

During the 2017/18 audit of the Statement of Accounts a member of the public raised an objection to the accounts based on the Redwood Bank transaction. This objection is still being reviewed by the Council's external auditors Grant Thornton and because of this Grant Thornton have yet to sign off the 2017/18 Statement of Accounts.

Loans to Housing Associations - The Council continued its loans programme to Housing Associations in 2018/19 to promote House Building and to generate an investment return to the Council. The loans programme is operating very successfully. At 31/03/19 the Council had loan facilities in place with 14 Housing Associations of £500.383m with £116m drawn down to date.

Hull & York Solar Farms - The Council are in the process of building two new solar farms at a cost of £62m in Hull and York. Hull is a 25 megawatt solar farm, which will save 10k tonnes worth of carbon and generate enough energy to power the equivalent of 8,000 homes. The power from Hull will be used to power the Council, generating a saving to the Council and making the Council the first 100% green energy powered Council. The York solar farm is 35 m/w, it will generate enough energy to power the equivalent of 8,000 homes and will save 15k tonnes worth of carbon. The power from York will be sold to another public sector body or a Warrington business.

CAPITAL STRATEGY

The Council fully complies with statute when formulating and operating its Capital Programme. The Council also has regard to Ministry of Housing Communities and Local Government (MHCLG) Minimum Revenue Provision and Investment Guidance.

For 2018/19 the MHCLG issued new Investment Guidance that all Councils needed to produce and publish a new Capital Strategy. The Council was one of the first Councils to implement a Capital Strategy that was agreed by full Council in February 2018.

Balance Sheet

Significant movements in the Council's 2018/19 Balance Sheet (page 31) where:

- The Council's net worth decreased by £51.707m, this was mainly due to an increase in the Council's pension liability of £56.293m.

- Long term assets increased by £123.296m. Plant, Property and Equipment have increased by £66.735m largely due to the redevelopment of Time Square. Investment Property has increased by £87.670m. Long Term Investments has decreased by £39.673m. Long Term Debtors have increased by £7.661m.

- Short term assets also increased (by £40.111m) with increases in Cash and Cash Equivalents of £12.324m), and an increase in Short Term Investments (£23.232m).

- Short term liabilities decreased by £22.443m, of which the biggest contributors were borrowing (a decrease of £27.004m) offset by creditors (an increase of £3.547m).

- Long term liabilities increased by £237.557m. This was mainly due to an increase in long term borrowing (an increase of £172.884m), as well as an increase in the Council's pension liability of £56.293m.

Reserves

The table below shows the position of the Council's reserves (pages 47 & 77). The Council's cash backed reserves decreased by £3.671m to £54.852m (2018/19) from £58.523m in 2017/18. This includes a decrease in capital reserves of £3.377m. The revenue reserves decreased slightly by £0.294m and shows the Council's financial resilience to austerity.

The Council's non-cash backed reserves (unusable) also decreased in year. The decrease of £48.035m was mainly due to movements in the pension reserve.

	2017/18 £'000	2018/19 £'000	Movement £'000
Usable Reserves (Cash Backed Reserves)			
Revenue			
General Fund	(1,278)	(962)	316
Earmarked Reserves (WBC)	(36,398)	(35,762)	636
Earmarked Reserves (Schools)	(4,933)	(5,591)	(658)
Total Revenue Reserves	**(42,609)**	**(42,315)**	**294**
Capital			
Capital Receipts	(5,219)	(3,250)	1,969
Capital Grants	(10,695)	(9,287)	1,408
Total Capital Reserves	**(15,914)**	**(12,537)**	**3,377**
Total Usable Reserves	**(58,523)**	**(54,852)**	**3,671**
Unusable Reserves (Non-cash Backed Reserves)	**(180,968)**	**(132,933)**	**48,035**
TOTAL RESERVES	**(239,491)**	**(187,785)**	**51,706**

Pensions

The table below shows the in-year movement on the Council's pension liability (page 70); the liability has increased by £56.293m. 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 1 April '18	(170,724)
Current Service Cost	(29,304)
Employer's Contributions	15,146
Past Service Costs	(727)
Impact of Settlements & Curtailments	1,498
Expected Return on Assets in the Scheme	36,565
Interest on Pension Scheme Liabilities	(4,763)
Changes in assumptions	(74,708)
Closing Balance as at 31 March '19	**(227,017)**

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 352 rating appeals outstanding.

Business Rates rating appeals provision	£5.921m at 31 March 2018	£7.086m at 31 March 2019
Business Rates write-off	£4.100m in 2017/18	£676k in 2018/19

Treasury Management

At the 31st March 2019 the Council had borrowings of £875.529m and investments of £287.866m, giving the Council a net borrowing position of £587.663m.

During the year the Council undertook £226.6m worth of additional borrowing to fund its capital programme via £176.5m from Public Works Loan Board, £50.1m of short term loans from Local Authority market. There was nearly £77m of loans repaid during the year.

The Council, 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 awarded the Council a rating of A1 (rated as high quality and very low credit risk) in June 2018. This is the fifth highest rating possible and on par with Japan and China.

The A1 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 programme 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 A1 rating also reflects Moody's 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

	31/03/17 £'000	31/03/18 £'000	31/03/19 £'000
Cash and cash equivalents	(1,061)	(5,431)	(2,031)
Short-term Deposits	44,235	20,775	29,816
Total	**43,173**	**15,344**	**27,785**

Total cash and cash equivalents at 31 March 2019 is £27.785m. 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.

Group Accounts

The Council is sole owner of Warrington Borough Transport; a local bus company, which is consolidated into the Group Accounts as a subsidiary business.

In 2017/18, the Council purchased a 33% share in Redwood Financial Partners Limited (RFPL) that wholly owns Redwood Bank. Redwood Bank is a new challenger bank, with its main purpose of investing in small business. This bank obtained its banking licence in August 2017 and is currently trading well to its business plan. The Council has invested £30m in the bank. The equity share in RFPL is consolidated into the Council's Group Accounts as an Associate.

Redwood Bank was subject to a comprehensive business case and risk assessment that was scrutinised and agreed by the Financial Conduct Authority (FCA) and the Prudential Regulatory Authority.

In September 2017, the Council purchased Birchwood Park. Birchwood Park is a 123 acre business park which is home to 165 businesses within the Borough. In order to purchase the business park it was structured in a Jersey based JPUT. The reasons for the purchase were for investment return and economic regeneration.

The Due Diligence and Governance process followed by the Council with regards to Birchwood Park was used as a good practice case study in the CIPFA publication "The

Practicalities of Prudence Key principles of due diligence for local authorities.'' Strong ongoing governance structures are also in place to monitor these investments.

The strength of the Council's governance processes and systems around commercial schemes is best evidenced by the Council being one of the first councils to adopt and publish, from 1st April 2018, a Capital Strategy that fully complies with the latest MHCLG Investment Guidance published in January 2018.

Birchwood Park is consolidated into the Group Accounts as a Subsidiary business.

The Council is also a 50/50 partner with Langtree Land and Property PLC in a Joint Venture company, Wire Regeneration Ltd. The net assets of the company were deemed to be material in 2018/19 and have been consolidated into the Group Accounts as Joint Venture using equity accounting. As this is a change in policy the Group Accounts have been restated for the new Group Entity.

Further details of these investments can be found in the Group Accounts and Financial Instrument (note 34) to the accounts.

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 specific additional funding allocations.

The DSG is ring-fenced 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 2018/19 by £0.194m. This total overspend was mitigated by an underspend on pre-school activity. The continued increasing demand for special educational places in non-LA settings, both pre- and post-16 generated an overspend of £0.559m. The consolidated overspend represented 0.18% of Warrington's total DSG of £105.3m (after recoupment for Academy budgets). Further details can be found in Note 19.

At the end of 2017/18, school balances for Warrington maintained schools totalled £4.933m, while at the end of 2018/19 the aggregate of balances had increased to £5.591m. The actual increase in balances for maintained schools was actually more, as £0.319m of 2017/18 balances transferred out with the in-year Academy conversions. The 'true' like-for-like balance increase is therefore £0.977m. Overall balances now stand at 6%, up from 5% last year.

These conversions meant there was an additional transfer of assets from the Council's Balance Sheet of £8.239m. Funding of all current mainstream Academies resulted in a revenue recoupment from DSG of £58.742m (taking into account the part-year effect - £3.83m - of five new primary conversions).

LOCAL GOVERNMENT ASSOCIATION (LGA) PEER CHALLENGE

The Council in March 2018 participated voluntarily in a LGA Peer Challenge. The purpose was to reflect, learn and consider areas for improvement. A team of 6, (Leader of Bury Council, Chief Executive of Birmingham Council, other Elected Member from Cambridgeshire and 3 senior officers) spent 4 days with us meeting 90 people and held 35 meetings. Their focus was to consider our understanding and practices of how we operate locally, our plans and priorities, organisational leadership, our governance arrangements, financial planning and viability and our capacity to deliver services.

The outcomes were as follows:

- We have an open and engaging style with our community
- Strong evidence base for making our decisions
- Stable and enthusiastic workforce with a genuine positive mind set and feel there is an open and honest culture
- Forward thinking political leadership, particularly in the commercial area
- Strong and inclusive working between all Elected Members
- Members and Officer relationships good with mutual respect
- Good engagement with the voluntary and business sector
- Strong foundations for our work with Health partners
- The strong leadership we have shown is driving regeneration, and sustaining economic growth, it is valued by residents, businesses and the local media
- Middle Managers are open and hungry for change and challenge
- Good effective Trade Union relationships
- Good effective corporate governance with regular monitoring and updating

There are some areas for consideration and improvement which will be addressed during 2019/20 these are:

- Developing a new Vision for the Council and considering our priorities.
- Providing a Budget Implementation Plan for 2019/20 to ensure we achieve efficiencies and meet the challenging targets in the agreed budget for the year. We will have to ensure this is a key focus as well as continuing to concentrate on the commercial agenda which we have done well. New accountability arrangements for achieving the agreed efficiencies will need to be agreed quickly.
- Take a “One Council” approach to all we do and enhance corporate communication and engagement (internal and external).
- Re-invigorate our communication with residents to understand their priorities.

PRINCIPAL RISKS AND UNCERTAINTIES

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

1. Meeting Council's additional responsibilities for managing homelessness
2. Pandemic Flu outbreak
3. Failure to maintain financial stability
4. Failure in corporate governance
5. Climate Change
6. Adult & Childrens Social Care Pressures
7. Cyber Charge
8. Brexit
9. Big project risk particularly in relation to Time Square and Livewire

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 sifting 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 2018/19 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 2018 to 31 March 2019.

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, Corporate Services 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.

Lynton Green CPFA
Deputy Chief Executive & 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 2019 and its income and expenditure for the year ended 31 March 2019.

Signed

Dated 31 May 2019

Lynton Green CPFA
Deputy Chief Executive & 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).

2018/19	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
Corporate Services	5,291	-	5,291
Families & Wellbeing	110,994	-	110,994
Economic Regeneration, Growth & Environment	23,925	-	23,925
Corporate Finance	(11,782)	-	(11,782)
Central Charges	(9,846)	52,128	42,282
Net Cost of Services	**118,582**	**52,128**	**170,710**
Other Income and Expenditure	(118,287)	(30,499)	(148,786)
(Surplus) or Deficit	**295**	**21,629**	**21,924**
Opening General Fund at 31 March 2018	**(42,610)**		
Less/Plus (Surplus) or Deficit on General Fund in Year	295		
Closing General Fund at 31 March 2019	**(42,315)**		

2017/18	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
Corporate Services	5,624	-	5,624
Families & Wellbeing	111,891	-	111,891
Economic Regeneration, Growth & Environment	22,317	-	22,317
Corporate Finance	(3,082)	-	(3,082)
Central Charges	(33,429)	74,837	41,408
Net Cost of Services	**103,321**	**74,837**	**178,158**
Other Income and Expenditure	(98,435)	(23,996)	(122,431)
(Surplus) or Deficit	**4,886**	**50,841**	**55,727**
Opening General Fund at 31 March 2017	**(47,496)**		
Less/Plus (Surplus) or Deficit on General Fund in Year	4,886		
Closing General Fund at 31 March 2018	**(42,610)**		

Movement in Reserves Statement for the Year Ended 31 March 2019	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
Balance as at 1 April 2017		**47,496**	**5,023**	**8,104**	**60,623**	**199,782**	**260,405**
Movement in Reserves during the year							
Total Comprehensive Income and Expenditure		(55,727)	-	-	**(55,727)**	34,813	**(20,914)**
Adjustments between accounting basis & funding basis under regulations	**7**	50,841	196	2,591	**53,628**	(53,628)	**-**
Increase or (Decrease) in Year		**(4,886)**	**196**	**2,591**	**(2,099)**	**(18,815)**	**(20,914)**
Balance as at 31 March 2018		**42,610**	**5,219**	**10,695**	**58,524**	**180,967**	**239,491**
Movement in Reserves during the year							
Total Comprehensive Income and Expenditure		(21,924)	-	-	**(21,924)**	(29,783)	**(51,707)**
Adjustments between accounting basis & funding basis under regulations	**7**	21,629	(1,969)	(1,408)	**18,252**	(18,252)	**-**
Increase or (Decrease) in Year		**(295)**	**(1,969)**	**(1,408)**	**(3,672)**	**(48,035)**	**(51,707)**
Balance as at 31 March 2019		**42,315**	**3,250**	**9,287**	**54,852**	**132,932**	**187,784**

Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

2017/18 Gross Expenditure £'000	2017/18 Gross Income £'000	2017/18 Net Expenditure £'000		Note(s)	2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000
10,527	(4,903)	5,624	Corporate Services		25,032	(19,741)	5,291
289,169	(177,278)	111,891	Families & Wellbeing		283,999	(173,005)	110,994
36,021	(13,704)	22,317	Economic Regeneration, Growth & Environment		39,734	(15,809)	23,925
53,014	(56,096)	(3,082)	Corporate Finance		46,841	(58,623)	(11,782)
41,408	-	41,408	Central Charges		42,282	-	42,282
430,139	**(251,981)**	**178,158**	**Cost of Services**		**437,888**	**(267,178)**	**170,710**
		33,289	Other Operating Expenditure	**10**			9,778
		7,363	Financing & Investment Income & Expenditure	**11**			9,466
		(163,083)	Taxation and Non-Specific Grant Income	**12**			(168,030)
		55,727	**(Surplus) or Deficit on Provision of Services**				**21,924**
		(10,072)	(Surplus) or Deficit on revaluation of non-current assets	**33**			(8,360)
		(613)	(Surplus) or Deficit on revaluation of available for sale financial assets	**33**			-
		(24,128)	Remeasurement of the net defined benefit liability	**32**			38,143
		(34,813)	**Other Comprehensive Income and Expenditure**				**29,783**
		20,914	**Total Comprehensive Income and Expenditure**				**51,707**

Balance Sheet as at 31 March 2019

	Notes	31st March 2018 £000	31st March 2019 £000
Property, Plant & Equipment	**21**	652,955	719,690
Heritage Assets	**22**	15,962	16,544
Investment Property	**23**	44,610	132,280
Intangible Assets		211	532
Long Term Investments	**34**	302,399	262,726
Long Term Debtors	**25**	134,066	141,727
Long Term Assets		**1,150,203**	**1,273,499**
Short Term Investments	**34**	1,908	25,140
Inventories		662	845
Short Term Debtors	**26**	55,953	59,620
Cash and Cash Equivalents	**27**	15,461	27,785
Assets Held for Sale		-	705
Current Assets		**73,984**	**114,095**
Cash and Cash Equivalents	**27**	(117)	-
Short Term Borrowing	**34**	(75,463)	(48,459)
Short Term Creditors	**28**	(54,491)	(58,038)
Provisions	**29**	(7,547)	(8,678)
Current Liabilities		**(137,618)**	**(115,175)**
Long Term Creditors	**28**	(4,121)	(3,949)
Grants Receipts in Advance - Capital	**20**	(1,102)	(2,145)
Grants Receipts in Advance - Revenue	**20**	(14,310)	(21,864)
Provisions	**29**	(2,635)	(2,590)
Long Term Borrowing	**34**	(654,186)	(827,070)
Long Term Pension Liabilities	**32**	(170,724)	(227,017)
Long Term Liabilities		**(847,078)**	**(1,084,635)**
Net Assets		**239,491**	**187,784**
Usable Reserves	**9**	58,523	54,851
Unusable Reserves	**33**	180,968	132,933
Total Reserves		**239,491**	**187,784**

Cash Flow Statement for the year ended 31 March 2019

2017/18 £'000		Note(s)	2018/19 £'000
(55,727)	Net (surplus) or deficit on the provision of services		(21,924)
44,391	Adjustments to net surplus or deficit on the provision of services for non-cash movements	**36**	88,644
(38,527)	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	**36**	(81,975)
(49,863)	**Net Cash Flows from Operating Activities**		**(15,255)**
(298,064)	Investing Activities	**37**	(121,831)
320,097	Financing Activities	**38**	149,527
(27,830)	**Net (increase) or decrease in cash and cash equivalents**		**12,441**
43,174	Cash and cash equivalents at the beginning of the reporting period		15,344
15,344	**Cash and cash equivalents at the end of the reporting period**	**27**	**27,785**

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 21th April 2019.

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

At the balance sheet date the following new standards and amendments to existing standards have been published, but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

- **IAS 40 Investment Property:** Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.

- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

- **IFRIC 23 Uncertainty over Income Tax Treatments** provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the single entity accounts and minimal impact on the group accounts.

- **IFRS 9 Financial instruments**: prepayment features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.

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. The Council's interests in two group entities (Redwood Bank and Birchwood Park) are now material to the Council's overall financial position. Therefore group accounts have been prepared to consolidate the Council's interests in these entities and other entities within the group boundary into the Council's Group Accounts.

- Collecting in excess of £106.445m in 2018/19, the assumptions around the outcome of appeals against the NNDR valuations (either received to date or expected to be received in future years) represent a material and critical judgement applied to the accounts. The appeals provision is empirically derived from past experience of both the 2005 and 2010 Lists as well appeals determinations so far made against the 2017 List. A 1% variance in the determined appeals provision would alter the net locally retained income to the Council by £1.06m. Due to the technical adjustment relating to the Collection Fund Adjustment Account this would not result in any change to the level of General Reserves.

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 2018 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 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. During 2018/19 the Council's actuaries advised that the net pension liability had increased by £56.293m as a result of updating of the assumptions.	• A decrease of 0.5% in Real Discount Rate could increase the Council's liability by £103.925m. • An increase of 0.5% in Salary Increase Rate could increase the Council's liability by £16.729m. • An increase of 0.5% in Pension Increase Rate could increase the Council's liability by £85.335m.
Property, Plant and Equipment/ Investment Properties	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	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	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. 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.	Comprehensive Income and Expenditure Statement. If the value of the Council's investment properties were to reduce by say 10%, this would result in a circa £4.461m charge to the Comprehensive Income and Expenditure Statement.
Fair Value Measurements	When the fair values of Investment Assets. PPE Surplus Assets and Assets Held for Sale cannot be measured on quoted prices in active markets (i.e. Level 1 inputs) their fair value is measured using the following approaches and valuation techniques: 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. Where the inputs to these valuation techniques are based on	Changes in the assumptions used could affect the fair value (either upwards or downwards) of the Council's assets and liabilities. 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.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	observable data they are categorised as Level 2. 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.	
Arrears	At 31 March 2019 the Council had a balance of debtors of £71.019m. A review of significant balances suggested that an impairment of doubtful debts of £11.398m was appropriate.	If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required.
Business Rate Appeals	2018/19 is the fifth year of the Business Rates Retention Scheme whereby the Council retains 27.7% of the business rates income it collects (£24.941m out of £106.445m), but is subject to a £16.075m 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 made for the estimated success of future appeals for losses for the period to the end of March 2019 of £14.462m. A safety net system protects the Council from losses below baseline funding levels of £28.495m.	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).
Britain leaving the European Union: asset values and pension liability	There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time there are three possible scenarios: a 'no deal' Brexit, an agreement with a transition period and an extension to EU membership of unknown length. It is not possible to predict which path will be taken and	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly.	

5 Events after the Balance Sheet Date

There were no material events after the Balance Sheet date.

6 Note to the Expenditure and Funding Analysis

Please note the following tables use the new Directorate titles for the comparator year, as explained under the Comprehensive Income and Expenditure Statement.

2018/19 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
Corporate Services	-	-	-	-
Families & Wellbeing	-	-	-	-
Economic Regeneration, Growth & Environment	-	-	-	-
Corporate Finance	-	-	-	-
Central Charges	39,007	13,387	(266)	52,128
Net Cost of Services	**39,007**	**13,387**	**(266)**	**52,128**
Other Income and Expenditure	(30,386)	1,314	(1,427)	(30,499)
Difference between the General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit	**8,621**	**14,701**	**(1,693)**	**21,629**

2017/18 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
Corporate Services	-	-	-	-
Families & Wellbeing	-	-	-	-
Economic Regeneration, Growth & Environment	-	-	-	-
Corporate Finance	-	-	-	-
Central Charges	63,571	11,510	(244)	74,837
Net Cost of Services	**63,571**	**11,510**	**(244)**	**74,837**
Other Income and Expenditure	(31,276)	4,871	2,409	(23,996)
Difference between the General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit	**32,295**	**16,381**	**2,165**	**50,841**

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

	2017/18 £'000	2018/19 £'000
Corporate Services	(18,680)	(18,356)
Families & Wellbeing	(61,055)	(58,932)
Economic Regeneration, Growth & Environment	(14,145)	(15,786)
Corporate Finance	(9,880)	(19,659)
Central Charges	-	
Total Revenue from External Customers	**(103,760)**	**(112,733)**

Interest Revenue

	2017/18 £'000	2018/19 £'000
Corporate Services	(4)	(3)
Families & Wellbeing	(25)	(49)
Economic Regeneration, Growth & Environment	-	-
Corporate Finance	(7,816)	(9,225)
Central Charges	(1,798)	(1,798)
Total Revenue from External Customers	**(9,643)**	**(11,075)**

Segmental Expenditure

Expenditure received on a segmental basis is analysed below:

Interest Expense

	2017/18 £'000	2018/19 £'000
Corporate Services	-	-
Families & Wellbeing	-	-
Economic Regeneration, Growth & Environment	-	-
Corporate Finance	11,549	16,094
Central Charges	-	-
Total Revenue from External Customers	**11,549**	**16,094**

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.

2018/19	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	(14,701)	-	-
- Financial instruments (transferred to the Financial Instruments Adjustment Account)		(114)	-	-
-Pooled Investment (transferred from the Pooled Investments Mitigation Reserve)		61	-	-
- Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)		1,480	-	-
- Holiday pay (transferred to Accumulated Abensences Reserve)		266	-	-
- 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)		(41,378)	-	(14,383)
Total Adjustments to Revenue Resources		**(54,386)**	**-**	**(14,383)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	9	2,519	(2,519)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	24	282	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)		29,956	-	-
Total Adjustments between Revenue and Capital Resources		**32,757**	**(2,519)**	**-**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	24	-	4,488	-
Application of capital grants to finance capital expenditure	9	-	-	15,791
Cash payments in relation to deferred capital receipts	9	-	-	-
Total Adjustments to Capital Resources		**-**	**4,488**	**15,791**
Total Adjustments		**(21,629)**	**1,969**	**1,408**

2017/18	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	(16,381)	-	-
- Financial instruments (transferred to the Financial Instruments Adjustment Account)		(113)	-	-
- Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)		(2,296)	-	-
- Holiday pay (transferred to Accumulated Abensences Reserve)		244	-	-
- 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)		(63,571)	-	(13,676)
Total Adjustments to Revenue Resources		**(82,117)**	**-**	**(13,676)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	9	3,107	(3,107)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	24	275	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)		27,894	-	-
Total Adjustments between Revenue and Capital Resources		**31,276**	**(3,107)**	**-**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	24	-	2,915	-
Application of capital grants to finance capital expenditure	9	-	-	11,085
Cash payments in relation to deferred capital receipts	9		(4)	-
Total Adjustments to Capital Resources		**-**	**2,911**	**11,085**
Total Adjustments		**(50,841)**	**(196)**	**(2,591)**

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 2018/19.

	Balance at 31 March 2017 £'000	Transfers out 2017/18 £'000	Transfers in 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers out 2018/19 £'000	Transfers in 2018/19 £'000	Balance at 31 March 2019 £'000
Schools							
School Balances	5,019	(295)	209	4,933		658	5,591
Schools Re-organisation Contingency	2,405	(193)	-	2,212	(1,331)		881
Total Schools Reserves	**7,424**	**(488)**	**209**	**7,145**	**(1,331)**	**658**	**6,472**

	Balance at 31 March 2017 £'000	Transfers out 2017/18 £'000	Transfers in 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers out 2018/19 £'000	Transfers in 2018/19 £'000	Balance at 31 March 2019 £'000
Council							
Anson & Blenheim PFI	1	-	-	1	-	-	1
BCF Pooled	115	(94)	-	21	-	-	21
Birchwood Park	-	-	1,000	1,000	-	-	1,000
Business Rates Smoothing	6,436	(4,335)	6,632	8,733	(5,196)	7,622	11,159
Children's Comfort Funds	7	-	-	7	-	-	7
Community Drug & Alcohol Misuse	10	-	-	10	(9)	-	1
Community Investment Fund	91	-	-	91	-	-	91
Coroners Judicial Review	71	-	45	116	-	36	152
Criminal Injuries Compensation	12	(12)	-	-	-	-	-
Early Release	609	-	1	610	-	-	610
Economic Regeneration, Growth & Environment Services (ERGE)	1,080	(1,001)	499	578	(499)	319	398
Families and Wellbeing Service Adults	625	(631)	948	942	(942)	1,047	1,047
Families and Wellbeing Service Childrens	3,521	(3,521)	2,775	2,775	(2,775)	1,821	1,821
Financial Protection Team	20	-	-	20	-		20
Home to School Transport	-	-	-	-	-	-	-
Homelessness	91	-	-	91	-	-	91
Insurance Fund	2,129	-	-	2,129	-	-	2,129
Local Authority Mortgage Scheme	725	-	-	725	-	-	725
Local Land Charges	-	-	-	-	-	-	-
Loans & Investment	3,000	-	-	3,000	-	1,500	4,500
Local Public Service Agreement	-	-	-	-	(45)	211	166
Market Tenants Advertising	-	-	2	2	-	6	8
Mayor's Charity	56	(37)	-	19	(2)	-	17
Members Voluntary Initiative	8	-	-	8	-	-	8
Municipal Mutual Insurance (MMI)	465	-	-	465	-	45	510
Medium Term Financial Plan	7,794	(4,846)	569	3,517	(3,186)	3	334

	Balance at 31 March 2017 £'000	Transfers out 2017/18 £'000	Transfers in 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers out 2018/19 £'000	Transfers in 2018/19 £'000	Balance at 31 March 2019 £'000
Museum Arts	13	-	-	13	-	-	13
Parish Council Elections	-	-	-	-	-	11	11
Prison Substance Misuse Service	-	-	-	-	-	-	-
Public Health Grant	931	(931)	903	903	(903)	1,278	1,278
Resources & Strategic Commissioning	3,196	(2,741)	61	516	(270)	12	258
Salary Sacrifice Car Lease	93	-	-	93	-	-	93
SALIX Revolving Fund	129	-	-	129	-	-	129
Schools Forum Service Development	59	-	-	59	-	-	59
Sinking Fund	301	-	208	509	-	218	727
Solar Panels Lifecycle Fund	280	-	-	280	-	-	280
Strategic Reserve	4,760	-	-	4,760	-	-	4,760
Taxi Account	58	(33)	-	25	-	93	118
Time Square	-	-	-	-	-	-	-
Town Centre Sinking Fund	274	(45)	-	229	-	-	229
Union Learner Reps	17	-	-	17	-	-	17
Unitary Charge	1,031	-	277	1,308	-	366	1,674
Walton Hall	5	-	-	5	-	-	5
Walton Zoo	9	(9)	-	-	-	-	-
Winwick Road	111	-	-	111	-	-	111
2 Way Youth Offending Team (YOT)	-	-	-	-	-	-	-
Warrington YOT	199	(58)	16	157	(58)	36	135
Halton YOT	229	(99)	16	146	(81)	36	101
Cheshire West YOT	109	(58)	16	67	(36)	36	67
Cheshire East YOT	-	-	-	-	(36)	36	-
3 Way Youth Offending Team (YOT)	-	-	-	-	-	-	-
Total Council Reserves	**38,670**	**(18,451)**	**13,968**	**34,187**	**(14,038)**	**14,732**	**34,881**
Total Earmarked Reserves	**46,094**	**(18,939)**	**14,177**	**41,332**	**(15,369)**	**15,390**	**41,353**
Net Transfer to/(from) Reserves			**(4,762)**			**21**	

Purpose of Reserve

Schools	
School Balances	
Schools Re-organisation Contingency	To contribute to the school deficit upon closure

	Purpose of Reserve
<u>Council</u>	
Anson & Blenheim PFI	PFI credits ring-fenced to mitigate any future liabilities
BCF Pooled	To fund better care pooled arrangements.
Birchwood Park	To act as a contingency for Birchwood Park activity
Business Rates Smoothing	To fund fluctuations in business rates deficit estimates.
Children's Comfort Funds	Held on behalf of children in care
Community Drug & Alcohol Misuse	To fund the Council's drug and alcohol misuse strategy
Community Investment Fund	To fund Community Investment Schemes
Coroners Judicial Review	To fund any one off costs of future judicial reviews
Criminal Injuries Compensation	To provide for criminal injury claims from children in care
Early Release	To fund movements in the redundancy calculation
Economic Regeneration, Growth & Environment Services (ERGE)	To fund future expenditure in ERGE
Families and Wellbeing Service Adults	To fund future expenditure in FWB Adults
Families and Wellbeing Service Childrens	To fund future expenditure in FWB Children's
Financial Protection Team	To fund expenditure for Adults with specific criteria
Home to School Transport	Future potential home to school transport claims
Homelessness	To fund bond/deposits to secure accomodfation for the homeless
Insurance Fund	Third party claim excesses and self insure areas of risk
Local Authority Mortgage Scheme	Potential future LAMS defaults
Local Land Charges	Statutory 3 year fee setting ring-fence surplus/deficit
Loans & Investment	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
Local Public Service Agreement	To fund 'Local Public Service Agreement' activity.
Market Tenants Advertising	To fund market tenants advertising

	Purpose of Reserve
Council	
Mayor's Charity	Money's collected for mayoral supported charities
Members Voluntary Initiative	To fund International Partnerships initiative
Municipal Mutual Insurance (MMI)	To fund future potential MMI clawback
Medium Term Financial Plan	To ensure the council's future financial sustainability
Museum Arts	To fund future museum exhibitions or art acquisitions
Parish Council Elections	To fund fluctuations in parish council elections income and expenditure
Prison Substance Misuse Service	To fund the Council's prison substance misuse strategy
Public Health Grant	To fund public health expenditure
Resources & Strategic Commissioning	To fund future expenditure in RaSC
Salary Sacrifice Car Lease	Potential future liability on salary sacrifice car lease
SALIX Revolving Fund	Energy efficiency schemes
Schools Forum Service Development	Financial and advisory support to Schools Forum
Sinking Fund	Alder Lodge Homeless Unit refurbishment/enhancement
Solar Panels Lifecycle Fund	Future replacement cost on solar panels
Strategic Reserve	For emergency events such as unforeseen financial liabilities or natural disasters
Taxi Account	Ring-fenced account of Taxi Service surplus/deficit
Time Square	Regeneration of Time Square
Town Centre Sinking Fund	Potential future Town Centre overspends
Union Learner Reps	Monies set aside to increase participation in union training services
Unitary Charge	Future variations on unitary charge on PFI schemes
Walton Hall	Walton Hall refurbishment
Walton Zoo	Walton Hall animals
Winwick Road	Alder Lodge Homeless Unit refurbishment/enhancement
2 Way Youth Offending Team (YOT)	Warrington and Halton Council's joint provision of YOT
Warrington YOT	Warrington Council YOT
Halton YOT	Halton Council YOT
Cheshire West YOT	Cheshire West Council YOT
Cheshire East YOT	Cheshire East Council YOT
3 Way Youth Offending Team (YOT)	Warrington, Halton and Cheshire West Council's joint provision for the provision of YOT

9 Usable Reserves

Movements in the Council's earmarked reserves are detailed in the Movement in Reserves Statement and Note 8.

	Note(s)	31/03/18 £'000	31/03/19 £'000
Held for Revenue Purposes			
General Fund		1,277	962
Earmarked Reserves	8	41,332	41,353
General Fund Balance	MiRS	**42,609**	**42,315**
Held for Capital Purposes			
Capital Receipts Reserve	MiRS	5,219	3,250
Capital Grants Unapplied Reserve	MiRS	10,695	9,287
Total Usable Reserves		**58,523**	**54,852**

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)	31/03/18 £'000	31/03/19 £'000
Balance as at 1 April		**5,023**	**5,219**
Tfr from Deferred Capital Receipts	7	4	-
Capital receipts from year	7	3,107	2,519
		8,134	**7,738**
Less:			
Capital receipts used for financing	7	(2,915)	(4,488)
Balance as at 31 March		**5,219**	**3,250**

Capital Grants Unapplied

	Note(s)	31/03/18 £'000	31/03/19 £'000
Balance as at 1 April		**8,104**	**10,695**
Grants received in year		13,676	14,383
Tfr to Capital Adjustment Account in year		(11,085)	(15,791)
Balance as at 31 March		**10,695**	**9,287**

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

2017/18 £'000		2018/19 £'000
1,996	Parish council precepts	2,122
31,168	Losses on the disposal of non-current assets	7,529
125	Levies	127
33,289		**9,778**

11 Financing and Investment Income and Expenditure

2017/18 £'000		2018/19 £'000
11,549	Interest payable and similar charges	16,094
4,871	Pensions interest cost and expected return on pension assets	4,763
(8,970)	Interest receivable and similar income	(11,122)
(87)	Income and expenditure in relation to investment properties and changes in their fair value	(269)
7,363		**9,466**

12 Taxation and Non Specific Grant Incomes

2017/18 £'000		2018/19 £'000
(90,143)	Council Tax Income	(95,651)
(28,758)	NDR Redistribution	(31,932)
(18,795)	Non-ringfenced government grants	(12,862)
(25,387)	Capital grants	(27,585)
(163,083)		**(168,030)**

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**
Penketh South Community Primary School	2,360
Alderman Bolton Community Primary School	2,079
Glazebury CE Primary School	689
Hollins Green CE Primary School	263
Beamont Community Primary School	2,848
TOTAL	**8,239**

14 Members' Allowances

During the year allowances paid to Members were £0.721m (£0.713m in 2017/18) and expenses paid were £0.083m (£0.088m in 2017/18).

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 2018/19

Officer	Year	Salary, Fees and Allowances (note 3) £	Expenses Allowances £	Taxable Benefits £	Other Non-Cash Benefits £	Compensation for Loss of Office £	Pension Contribution £	Total £
Professor Steven Broomhead	**2018/19**	**144,331**	**846**	**-**	**-**	**-**	**-**	**145,177**
Chief Executive (Note 1)	2017/18	133,640	846	-	-	-	-	134,486
Steve Reddy	**2018/19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Executive Director Families & Wellbeing (Left 30/09/17)	2017/18	71,596	423	-	-	-	-	72,019
Steve Peddie	**2018/19**	**122,779**	**1,582**	**-**	**5,229**	**-**	**28,607**	**158,197**
Executive Director Families & Wellbeing (Start 01/10/17)	2017/18	60,135	677	-	2,615	-	15,630	79,056
Andy Farrall	**2018/19**	**117,603**	**846**	**-**	**-**	**-**	**27,401**	**145,850**
Executive Director Economic Regeneration, Growth & Environment	2017/18	115,297	846	-	-	-	26,288	142,431
Lynton Green	**2018/19**	**105,880**	**2,285**	**-**	**11,723**	**-**	**24,670**	**144,558**
Deputy Chief Executive/Director of Corporate Services	2017/18	93,609	1,646	-	10,365	-	21,343	126,964
Dr Abdel Aziz	**2018/19**	**132,037**	**846**	**-**	**-**	**-**	**30,764**	**163,647**
Director of Public Health	2017/18	117,781	846	-	-	-	26,854	145,481
Matthew Cumberbatch	**2018/19**	**76,500**	**846**	**-**	**-**	**-**	**17,824**	**95,170**
Head of Legal & Democratic Services	2017/18	72,316	1,184	-	-	-	16,488	89,988
Assistant Director	**2018/19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Targeted Services (Left 25/02/18)	2017/18	94,868	768	-	-	-	19,905	115,541
Director of Environment & Transport	**2018/19**	**93,981**	**846**	**-**	**-**	**-**	**21,898**	**116,725**
	2017/18	90,376	846	-	500	-	20,720	112,442
Assistant Director	**2018/19**	**91,349**	**440**	**-**	**1,345**	**-**	**21,284**	**114,418**
Integrated Adult Health & SCC (Note 2)	2017/18	86,874	1,396	-	4,002	-	19,807	112,079
Interim Assistant Director - Education	**2018/19**	**35,032**	**353**	**-**	**-**	**30,000**	**7,427**	**72,811**
(Post Restructured 31/08/17)	2017/18	39,128	353	-	-	-	7,317	46,797
Operational Director Adult Services (Left 30/09/17)	**2018/19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2017/18	46,809	678	-	2,615	-	8,753	58,856
Assistant Director	**2018/19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Partnerships & Performance (Left 08/06/17)	2017/18	25,226	160	-	-	109,490	3,914	138,790
Gareth Hopkins	**2018/19**	**87,243**	**1,648**	**-**	**5,451**	**-**	**3,317**	**97,659**
Assistant Director Customer & Business Transformation	2017/18	85,372	1,581	-	5,504	-	9,738	102,196
Director of Growth	**2018/19**	**86,037**	**2,469**	**-**	**7,944**	**-**	**20,047**	**116,497**
	2017/18	82,932	2,344	-	7,944	-	18,908	112,128
Targeted Services	**2018/19**	**81,788**	**846**	**-**	**-**	**-**	**19,056**	**101,690**
	2017/18	74,236	846	-	-	-	16,926	92,007
Operational Director (Targeted Services)/ Deputy DCS	**2018/19**	**82,349**	**746**	**-**	**-**	**-**	**18,984**	**102,079**
(Started 14/05/18)	2017/18	-	-	-	-	-	-	-
Operational Director Adult Services (Deptuty DASS)	**2018/19**	**49,087**	**505**	**-**	**-**	**-**	**12,571**	**62,163**
(Started 27/08/18)	2017/18	-	-	-	-	-	-	-

- **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.

2017/18					2018/19			
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**
14	26	2	42	£50,000 to £54,999	17	20	3	40
11	28	1	40	£55,000 to £59,999	21	27	3	51
9	24	-	33	£60,000 to £64,999	8	29	1	38
15	7	1	23	£65,000 to £69,999	11	11	1	23
3	2	1	6	£70,000 to £74,999	3	6	2	11
5	3	3	11	£75,000 to £79,999	5	1	-	6
1	-	-	1	£80,000 to £84,999	3	1	-	4
2	2	1	5	£85,001 to £89,999	1	1	-	2
4	-	-	4	£90,000 to £94,999	4	1	1	6
1	-	-	1	£95,000 to £99,999	1	-	1	2
-	-	-	-	£100,000 to £104,999	1	-	1	2
1	-	-	1	£105,000 to £109,999	-	-	-	-
1	-	-	1	£110,000 to £114,999	-	-	-	-
2	-	-	2	£115,000 to £119,999	2	-	-	2
-	-	1	1	£120,000 to £124,999	-	-	-	-
1	-	-	1	£125,000 to £129,999	1	-	1	2
1	-	-	1	£130,000 to £134,999	2	-	-	2
-	-	-	-	£135,000 to £139,999	-	-	-	-
-	-	-	-	£140,000 to £144,999	-	-	-	-
-	-	-	-	£145,000 to £149,999	1	-	-	1
71	**92**	**10**	**173**		**81**	**97**	**14**	**192**

Exit Packages 2018/19

2018/19	No. of Compulsory Redundancies			No. of Other Departures Agreed			Total No. of Exit Packages			Total Cost of Exit Packages		
Exit Package Cost Band (including special payments)	Schools	Non-Schools	Total	Schools	Non-Schools	Total	Schools	Non-Schools	Total	Schools £	Non-Schools £	Total £
£0 - £20,000	-	5	**5**	4	10	**14**	**4**	**15**	**19**	3,095	124,312	**127,408**
£20,001 - £40,000	-	2	**2**	-	8	**8**	**-**	**10**	**10**	-	318,195	**318,195**
£40,001 - £60,000	-	1	**1**	-	2	**2**	**-**	**3**	**3**	-	144,849	**144,849**
£60,001 - £80,000	-	1	**1**	-	3	**3**	**-**	**4**	**4**	-	268,765	**268,765**
£80,001 - £100,000	-	-	**-**	-	1	**1**	**-**	**1**	**1**	-	84,273	**84,273**
£100,001 - £150,000	-	1	**1**	-	3	**3**	**-**	**4**	**4**	-	523,530	**523,530**
£150,001 - £200,000	-	-	**-**	-	-	**-**	**-**	**-**	**-**	-	-	**-**
£200,001 - £250,000	-	-	**-**	-	-	**-**	**-**	**-**	**-**	-	-	**-**
Total	**-**	**10**	**10**	**4**	**27**	**31**	**4**	**37**	**41**	**3,095**	**1,463,925**	**1,467,020**

Exit Packages 2017/18

2017/18	No. of Compulsory Redundancies			No. of Other Departures Agreed			Total No. of Exit Packages			Total Cost of Exit Packages		
Exit Package Cost Band (including special payments)	Schools	Non-Schools	Total	Schools	Non-Schools	Total	Schools	Non-Schools	Total	Schools £	Non-Schools £	Total £
£0 - £20,000	-	9	**9**	11	10	**21**	**11**	**19**	**30**	89,051	122,026	**211,077**
£20,001 - £40,000	-	-	**-**	-	8	**8**	**-**	**8**	**8**	-	215,477	**215,477**
£40,001 - £60,000	-	2	**2**	1	4	**5**	**1**	**6**	**7**	44,889	303,790	**348,680**
£60,001 - £80,000	-	-	**-**	-	1	**1**	**-**	**1**	**1**	-	60,126	**60,126**
£80,001 - £100,000	-	-	**-**	-	5	**5**	**-**	**5**	**5**	-	456,789	**456,789**
£100,001 - £150,000	-	1	**1**	-	3	**3**	**-**	**4**	**4**	-	449,807	**449,807**
£150,001 - £200,000	-	1	**1**	-	-	**-**	**-**	**1**	**1**	-	152,367	**152,367**
£200,001 - £250,000	-	-	**-**	-	1	**1**	**-**	**1**	**1**	-	211,485	**211,485**
Total	**-**	**13**	**13**	**12**	**32**	**44**	**12**	**45**	**57**	**133,941**	**1,971,868**	**2,105,808**

16 Termination Benefits

The Council terminated the contracts of 41 employees in 2018/19, incurring redundancy liabilities of £696,407 (2017/18 £975,257) and pension fund liabilities of £770,613 (2017/18 £1,130,551) 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 £97,916 (2017/18 £127,163). The fee payable for the certification of grant claims and returns for the year was £7,652 (£7,652 in 2017/18). The fee payable with regard to other services for the year was £0 (2017/18 £13,000).

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.

Expenditure/Income	2017/18 £'000	2018/19 £'000
Expenditure		
Employee benefits expenses	183,062	176,407
Other service expenses	261,399	260,432
Depreciation, amortisation, impairment	55,608	31,783
Interest payments	11,510	15,994
Expenditure realting to investment properties	553	470
Precepts and levies	1,996	2,122
Total expenditure	**514,128**	**487,208**
Income		
Fees, charges and other service income	(129,111)	(140,316)
Interest and investment income	(9,617)	(11,075)
Income relating to investment properties	(640)	(739)
Income from council tax, non-domestic rates	(90,143)	(95,651)
Government grants and contributions	(228,890)	(217,503)
Total Income	**(458,401)**	**(465,284)**
Surplus or Deficit on the Provision of Services	**55,727**	**21,924**

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 2018/19 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Funding Total £'000
Final DSG for 2018/19 before academy recoupment			164,042
Academies figure recouped for 2018/19			(58,742)
Total DSG after academy recoupment for 2018/19			105,300
Plus: Brought forward from 2017/18			
Less: Carry forward to 2019/20			
Agreed initial budgeted distribution in 2018/19	21,997	86,731	108,728
In-year adjustments	429	(3,857)	(3,428)
Final budget distribution for 2018/19	22,426	82,874	105,300
Less: Actual Central Expenditure	(22,620)		(22,620)
Less: Actual Individual Schools Budget deployed to schools		(82,874)	(82,874)
Plus: Local Authority contribution for 2018/19	-	-	-
Carry forward to 2018/19	**(194)**	**-**	**(194)**

20 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19.

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	2017/18 £'000	2018/19 £'000
Revenue		
Business Rates Retention Scheme Income	28,758	31,932
Revenue Support Grant	10,259	5,814
New Homes Bonus	4,604	2,691
Education Services Grant	609	-
Business Rates Section 31 Grants	1,747	3,726
Other Grants credited to Taxation & Non Specific Grant Income	1,576	631
Total Revenue Grants	**47,553**	**44,794**
Capital Grants and Contributions	25,387	27,585
Total	**72,940**	**72,379**

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

Credited to Services	2017/18 £'000	2018/19 £'000
Grants		
Dedicated Schools Grant	109,190	105,266
Rent Allowance Subsidy	42,573	36,772
Public Health Grant	12,583	12,259
Pupil Premium	5,717	5,549
Improved Better Care Fund	3,338	3,581
Universal Schools Meals Grant	2,460	2,015
Substance Misuse Grant	1,183	1,190
Capital Grant Income to fund Revenue Expenditure	2,507	2,370
Other Grants	9,357	11,123
Total Grants	**188,908**	**180,125**
Contributions		
High Costs Care Packages Contributions	1,020	1,231
NHS CCG contributions	17,080	18,743
Coroner Service Contributions	1,170	1,260
Other Contributions	7,904	8,442
Total Contributions	**27,174**	**29,676**

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.

Grants Receipts in Advance (Short and Long-term)	2017/18 £'000	2018/19 £'000
Capital Grants	**1,102**	**2,145**
Revenue Grants		
Commuted Sums	7,365	7,087
S106 Agreements	6,944	14,777
Dedicated Schools Grant	1	-
Miscellaneous Revenue Grants	148	1,327
Total Revenue Grants	**14,458**	**23,191**
Total	**15,560**	**25,336**

21 Property, Plant and Equipment (PPE)

Movements on Balances

Movements in 2018/19:

	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 2018	**341,607**	**238,351**	**54,566**	**15,074**	**69,417**	**4,785**	**723,800**	**7,493**	**51,191**
Additions	4,464	23,971	2,227	811	62,622	-	**94,095**		31
Accumulated depreciation & impairment written out to Gross Carrying Amount (GCA)	(4,688)						**(4,688)**		
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,737						**7,737**		
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,988)						**(6,988)**		
Derecognition - disposals	(8,763)		(1,206)		(812)	(1,043)	**(11,824)**		(1,127)
Reclassifications & transfers	21,943	987		116	(23,046)		**-**		
Reclassified (to)/from Assets Held for Sale	(705)						**(705)**		
Reclassified (to)/from Investment Properties	(317)						**(317)**		
Balance as at 31 March 2019	**354,290**	**263,309**	**55,587**	**16,001**	**108,181**	**3,742**	**801,110**	**7,493**	**50,095**
Depreciation and Impairment									
Balance as at 1 April 2018	**16,748**	**31,173**	**22,626**	**6**	**-**	**292**	**70,845**	**505**	**7,388**
Depreciation charge	7,160	5,965	4,030			48	**17,203**	229	2,126
Accumulated depreciation written out to GCA	(4,688)						**(4,688)**		
Depreciation - disposals	(748)		(815)			(340)	**(1,903)**		(226)
Reclassifications & transfers							**-**		
Reclassified (to)/from Assets Held for Sale							**-**		
Reclassified (to)/from Investment Properties	(37)						**(37)**		
Balance as at 31 March 2019	**18,435**	**37,138**	**25,841**	**6**	**-**	**-**	**81,420**	**734**	**9,288**
Net Book Value									
Balance as at 31 March 2019	**335,855**	**226,171**	**29,746**	**15,995**	**108,181**	**3,742**	**719,690**	**6,759**	**40,807**
Balance as at 31 March 2018	**324,859**	**207,178**	**31,940**	**15,068**	**69,417**	**4,493**	**652,955**	**6,988**	**43,803**

Comparable Movement in 2017/18:

	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 2017	**333,615**	**206,277**	**54,572**	**14,253**	**53,972**	**6,666**	**669,355**	**7,493**	**59,321**
Additions	4,484	31,539	1,477	574	48,233	13	**86,320**	-	151
Accumulated depreciation & impairment written out to Gross Carrying Amount (GCA)	(2,175)	-	-	-	-	(300)	**(2,475)**	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10,590	-	-	-	-	(629)	**9,961**	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,709)	-	-	-	-	(965)	**(7,674)**	-	-
Derecognition - disposals	(30,766)	-	(2,674)	-	(2,856)	-	**(36,296)**	-	(8,281)
Reclassifcations & transfers	27,708	535	1,191	247	(29,681)	-	**-**	-	-
Reclassified (to)/from Investment Properties	4,860	-	-	-	(251)	-	**4,609**	-	-
Balance as at 31 March 2018	**341,607**	**238,351**	**54,566**	**15,074**	**69,417**	**4,785**	**723,800**	**7,493**	**51,191**
Depreciation and Impairment									
Balance as at 1 April 2017	**13,823**	**26,010**	**18,916**	**6**	**-**	**476**	**59,231**	**276**	**5,908**
Depreciation charge	6,951	5,163	4,468	-	-	116	**16,698**	229	2,355
Accumulated depreciation written out to GCA	(2,175)	-	-	-	-	(300)	**(2,475)**	-	-
Depreciation - disposals	(1,851)	-	(758)	-	-	-	**(2,609)**	-	(875)
Reclassifcations & transfers	-	-	-	-	-	-	**-**	-	-
Reclassified (to)/from Investment Properties	-	-	-	-	-	-	**-**	-	-
Balance as at 31 March 2018	**16,748**	**31,173**	**22,626**	**6**	**-**	**292**	**70,845**	**505**	**7,388**
Net Book Value									
Balance as at 31 March 2018	**324,859**	**207,178**	**31,940**	**15,068**	**69,417**	**4,493**	**652,955**	**6,988**	**43,803**
Balance as at 31 March 2017	**319,792**	**180,267**	**35,656**	**14,247**	**53,972**	**6,190**	**610,124**	**7,217**	**53,413**

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 1.15 in Annexe 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 2019 were £59.478m. This includes the following major projects:

- Warrington West Station - £3.874m
- Time Square - £30.750m
- Highways Maintenance Investment - £2.478m
- Walton Estate - £1.056m
- Cenotaph Riverbank Stabilisation - £1.304m
- Great Sankey High School Expansion - £1.980m
- Omega Local Highways Phase 2A - £1.033m
- Warrington East Phase 2 - £4.442m
- Warrington East Phase 3 - £6.503m

Similar commitments at 31 March 2018 were £90.931m relating to previous year commitment totals for all of the projects listed above as well as Warrington West Station, Time Square Regeneration, and Highways Maintenance Investment.

Revaluations

The Council carries out a rolling programme of revaluations in accordance with Accounting Policy 1.15 (Annexe 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.

	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	27,357	263,309	55,587	16,001	108,181	-	**470,435**
Valued at fair value as at:							
31 March 2019	72,788	-	-	-	-	-	**72,788**
31 March 2018	82,430	-	-	-	-	3,742	**86,172**
31 March 2017	11,402	-	-	-	-	-	**11,402**
31 March 2016	29,347	-	-	-	-	-	**29,347**
31 March 2015	130,966	-	-	-	-	-	**130,966**
Total Cost or Valuation	**354,290**	**263,309**	**55,587**	**16,001**	**108,181**	**3,742**	**801,110**

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
<u>**Cost or Valuation**</u>					
Balance as at 31 March 2017	**9,702**	**309**	**2,601**	**3,239**	**15,851**
Revaluations	-	-	-	111	**111**
Balance as at 31 March 2018	**9,702**	**309**	**2,601**	**3,350**	**15,962**
Revaluations	320	15	109	138	**582**
Balance as at 31 March 2019	**10,022**	**324**	**2,710**	**3,488**	**16,544**

Additions, Disposals and Donations of Heritage Assets

There were no additions or disposals of Heritage Assets during 2018/19 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

	2017/18 £'000	2018/19 £'000
Rental income from investment property	(640)	(739)
Net (gains)/losses from fair value adjustments	(359)	(203)
Direct operating expenses arising from investment property	912	673
Net (gain)/loss	**(87)**	**(269)**

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:

	2017/18 £'000	2018/19 £'000
Balance as at the start of the year	**50,136**	**44,610**
Disposals	(1,276)	(127)
Net gains/(losses) from fair value adjustments	359	243
Additions	-	87,275
Transfers (to)/ from Property, Plant and Equipment	(4,609)	279
Balance as at end of the year	**44,610**	**132,280**

Fair Value Hierarchy

Details of Warrington Borough Council investment properties and information about the fair value hierarchy as at 31 March 2019 and 2018 are as follows:

2018/19	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 2019 £000
Industrial Ground Rents	-	3,918	6,849	10,767
Retail Units	-	2,307	3,193	5,500
Industrial Units	-	-	2,508	2,508
Retail Warehouse	-	8,696	3,799	12,495
Offices	-	27,172	-	27,172
Retail	-	32,684	-	32,684
Warehouse	-	27,419	-	27,419
Other	-	13,074	661	13,735
Total	**-**	**115,270**	**17,010**	**132,280**

2017/18	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 2018 £000
Industrial Ground Rents	-	10,167	840	11,007
Retail Units	-	2,123	3,146	5,269
Industrial Units	-	1,480	971	2,451
Retail Warehouse	-	8,675	3,852	12,527
Other	-	10,091	3,265	13,356
Total	**-**	**32,536**	**12,074**	**44,610**

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

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.

	31 March 2018 £000	31 March 2019 £000
Opening Balance	17,762	12,074
Correction to Opening balance	-	(118)
Transfers into Level 3	3,852	8,986
Transfers out of Level 3	(9,831)	(3,826)
Total gains (or losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	291	14
Additions	-	-
Disposals	-	(120)
Closing Balance	**12,074**	**17,010**

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

	As at 31/03/2019 £000	Valuation technique used to measure fair value	Unobservable inputs	Range	Sensitivity
Industrial Ground Rents	6,849	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	661	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	3,193	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
Retail Warehouse	3,799	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	2,508	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.

	Note(s)	2017/18 £'000	2018/19 £'000
Opening Capital Financing Requirement		**387,887**	**708,946**
Capital Investment			
Property, Plant and Equipment	21	85,630	94,095
Investment Properties	23	-	87,275
Intangible Assets		155	383
Revenue Expenditure Funded by Capital Under Statute		5,214	7,278
Redwood Bank		10,314	20,053
Birchwood Park JPUT		209,853	4,852
Long Term Debtor - Loans to Registered Providers		41,500	16,750
Long Term Debtor - Loan to OWL - Omega Warrington Ltd		1,636	-
		354,302	**230,686**
Sources of Finance			
Capital Receipts	9	(2,915)	(4,488)
Deferred Capital Receipts		-	-
Government Grants & Other Contributions		(23,978)	(28,560)
Payments Received for:			
Long Term Debtor - LAMS		(3,500)	-
Long Term Debtor - Warrington Housing Association		(110)	(116)
Long Term Debtor - Golden Gates Housing		(48)	(51)
Long Term Debtor - Your Housing		(74)	(77)
Long Term Debtor - Equity		(255)	(264)
Long Term Debtor - Muir		(313)	(326)
Long Term Debtor - Helena		(353)	(371)
Long Term Debtor - Loan to OWL - Omega Warrington Ltd		-	(8,393)
Long Term Debtor - Warrington Borough Transport		(65)	-
Long Term Debtor - Wirral Methodist		(30)	(120)
Long Term Debtor - Arawak Walton		-	(16)
Long Term Debtor - One Housing Group Ltd		-	(1,480)
Sums set aside from Revenue:			
Developers Contribution (S106)		(1,327)	(2,804)
Minimum Revenue Provision		(275)	(282)
		(33,243)	**(47,348)**
Closing Capital Financing Requirement		**708,946**	**892,284**
Explanations of movements in year			
Increase in underlying need for borrowing		321,059	183,338

25 Long Term Debtors

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

	31/03/18 £'000	31/03/19 £'000
Long-term Debtors		
Other entities and individuals:		
Deferred Care Charges	1,695	996
Charged Properties	-	-
Finance Leases (Where Council is Lessor)	31,888	31,888
Local Authority Mortgage Schemes	-	-
Warrington Housing Association	3,278	3,278
Golden Gates Housing	1,512	1,512
Muir Housing Group	11,498	11,498
Arena Housing Group	2,695	2,695
Equity Housing Group	9,295	9,296
Helena Housing Association	13,465	13,465
Wulvern Housing Limited	10,000	10,000
Omega Warrington Limited	7,915	-
Wirral Methodist Housing	2,845	3,845
Peaks & Plains Housing	4,000	4,000
Arawak Walton Housing	-	734
One Housing Group	33,980	48,520
Total Long-term Debtors	**134,066**	**141,727**

26 Debtors

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

	31/03/18 £'000	31/03/19 £'000
Short-term Debtors		
Central Government Bodies	7,403	13,348
Other Local Authorities	1,030	1,522
NHS Bodies	4,386	8,690
Public Corporations and Trading Funds	(2)	-
Other Entities and Individuals	43,136	36,060
Total Short-term Debtors	**55,953**	**59,620**

The amounts above are shown net of impairment for doubtful debts. For 2018/19 the impairment for doubtful debts totalled £11.398m of which £8.386m relates to Council Tax and Business Rates (2017/18: £11.143m with £8.171m 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:

	31/03/18 £'000	31/03/19 £'000
Cash on hand and balances with banks	(5,314)	(2,031)
Short-term Deposits	20,775	29,816
Total Cash and Cash Equivalents	**15,461**	**27,785**
Cash Overdrawn	(117)	-
Net Cash and Cash Equivalents	**15,344**	**27,785**

28 Creditors

The Council’s creditors are as follows:

	31/03/18 £'000	31/03/19 £'000
Short-term Creditors		
Central Government Bodies	8,187	9,435
Other Local Authorities	3,203	4,142
NHS Bodies	403	1,611
Public Corporations and Trading Funds	60	36
Other Entities and Individuals	42,638	42,814
Total Short-term Creditors	**54,491**	**58,038**
Long-term Creditors		
Other Entities and Individuals	4,121	3,949
Total Creditors	**58,612**	**61,987**

29 Provisions

	Injury and Damage Compensation Claims £'000	Other Provisions £'000	Total £'000
Balance at 31 March 2017	**2,551**	**6,824**	**9,375**
Additional provisions made in year	-	1,664	1,664
Amounts used in year	-	(857)	(857)
Unused amounts reversed in year	-	-	-
Balance at 31 March 2018	**2,551**	**7,631**	**10,182**
Additional provisions made in year	-	1,393	1,393
Amounts used in year	-	(94)	(94)
Unused amounts reversed in year	-	(45)	(45)
Provisions unwound in year	-	(168)	(168)
Balance at 31 March 2019	**2,551**	**8,717**	**11,268**

	31/03/18 £'000	31/03/19 £'000
Short-term Provisions	7,547	8,678
Long-term Provisions	2,635	2,590
Total Provisions	**10,182**	**11,268**

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.
- 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 11th year of a 30 year contract in 2018/19. 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 2019 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Anson & Blenheim Close

Total at 31/03/2018 £'000		Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total at 31/03/2019 £'000
307	Payable in 2019/20	41	62	202	305
1,218	Payable within 2 to 5 years	164	305	749	1,218
1,523	Payable within 6 to 10 years	211	557	755	1,523
1,522	Payable within 11 to 15 years	220	848	455	1,523
989	Payable within 16 to 20 years	82	532	69	683
-	Payable within 21 to 25 years	-	-	-	-
5,559		**718**	**2,304**	**2,230**	**5,252**

John Morris House

Total at 31/03/2018 £'000		Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total at 31/03/2019 £'000
187	Payable in 2018/19	35	56	96	187
749	Payable within 2 to 5 years	144	256	350	750
937	Payable within 6 to 10 years	184	407	346	937
937	Payable within 11 to 15 years	191	530	216	937
843	Payable within 16 to 20 years	176	465	54	695
40	Payable within 21 to 25 years	-	-	-	-
3,693		**730**	**1,714**	**1,062**	**3,506**

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

	2017/18 £'000	2018/19 £'000
Balance outstanding at start of year	(2,413)	(2,361)
Payments during the year	52	57
Balance outstanding at end of year	**(2,361)**	**(2,304)**

John Morris House

	2017/18 £'000	20178/19 £'000
Balance outstanding at start of year	(1,818)	(1,767)
Payments during the year	51	53
Balance outstanding at end of year	**(1,767)**	**(1,714)**

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 2018 £'000	31 March 2019 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	-	-
Non-current	690	690
Finance costs payable in future years	7,452	7,355
Minimum lease payments	**8,142**	**8,045**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000
Not later than one year	96	96	-	-
Later than one year and not later than five years	386	386	-	-
Later than five years	7,660	7,563	690	690
	8,142	**8,045**	**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 2018/19 £76,175 contingent rents were payable by the Council (2017/18 £102,975).

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 £173k and receives rental income of £45k in relation to these properties.

The council also sub-let other property resulting in total sub-lease rental income of £337k (2017/18 £338k).

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:

	2017/18 £'000	2018/19 £'000
Leases rolling over regularly	1,900	1,984
Not later than one year	340	209
Later than one year and not later than five years	646	497
Later than five years	6,617	6,535
	9,503	**9,225**

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

2018/19	Resources and Strategic Commissioning £'000	Families and Wellbeing: Children £'000	Economic Regeneration, Growth & Environment £'000	Families and Wellbeing: Adults £'000	Total £'000
Minimum lease payments	3	278	1,878	17	**2,176**
Sublease payments receivable	-	-	(79)	-	**(79)**
	3	**278**	**1,799**	**17**	**2,097**

2017/18	Resources and Strategic Commissioning £'000	Families and Wellbeing: Children £'000	Economic Regeneration, Growth & Environment £'000	Families and Wellbeing: Adults £'000	Total £'000
Minimum lease payments	3	278	1,878	17	**2,176**
Sublease payments receivable	-	-	(14)	-	**(14)**
	3	**278**	**1,864**	**17**	**2,162**

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 2019, the total outstanding receivable amount remaining on this lease was £30.614m repayable over a 187 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 2018 £'000	31 March 2019 £'000
Finance lease debtors (net present value of minimum lease payments):		
Current	-	-
Non-current	31,888	31,887
Unearned finance income	291,676	289,879
Gross investment in the lease	**323,564**	**321,766**

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 187 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 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000
Not later than one year	1,798	1,798	1,798	1,798
Later than one year and not later than five years	7,192	7,192	7,192	7,192
Later than five years	314,574	312,776	314,574	312,766
	323,564	**321,766**	**323,564**	**321,756**

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 2018/19 £70,393 contingent rents were receivable by the Council (2017/18 £59,875).

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:

	2017/18 £'000	2018/19 £'000
Leases rolling over regularly	2,096	1,941
Not later than one year	1,636	813
Later than one year and not later than five years	4,403	5,023
Later than five years	60,954	57,063
	69,089	**64,840**

The minimum lease payments receivable include rents that were contingent on events taking place after the lease was entered into up until 31 March 2019, 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 2018 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:

	31/03/18 NBV £'000	31/03/19 NBV £'000
Investment Property	22,351	22,625
Land & Buildings	75,876	86,555
	98,227	**109,180**

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 2018/19, the Council paid £5,725,634to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.07% of pensionable pay. The figures for 2017/18 were £6,204,014 and 16.01%. 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 2018/19, the Council paid £88,393 to NHS Pensions in respect of Public Health professionals' retirement benefits, representing 15.2% of pensionable pay (£92,561 and 15.1% in 2017/18). 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.

	2017/18 £'000	2018/19 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service cost comprising		
Current service cost	29,483	29,304
Past service costs (including curtailments)	898	727
(Gains) and losses on settlements	(1,207)	(1,498)
Financing and Investment Income and Expenditure		
Net interest expense	4,871	4,763
Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services	**34,045**	**33,296**
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	7,007	36,565
Actuarial gains and losses arising on the changes in demographic assumptions	-	-
Actuarial gains and losses arising on the changes in other experience	-	-
Actuarial gains and losses arising on changes in financial assumptions	17,121	(74,708)
Remeasurement of the net defined benefit liability	***24,128***	***(38,143)***
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	**58,173**	**(4,847)**

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	(9,009)	(18,150)
Actual amount charged against the General Fund balance for pensions in the year		
Employers' contribution payable to the scheme	(25,036)	(15,146)

Pension Assets and Liabilities Recognised in the Balance Sheet

	2017/18 £'000	2018/19 £'000
Present value of the defined benefit obligation	(875,116)	(980,322)
Fair value of plan assets	704,392	753,305
Sub-total	**(170,724)**	**(227,017)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £227.017m 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 2020 is £14,233k.

Assets and Liabilities in Relation to Post-Employment Benefits

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

	2017/18 £'000	2018/19 £'000
Opening balance as at 1 April	**859,921**	**875,116**
Current service cost	29,483	29,304
Interest cost	22,437	23,620
Contributions by scheme participants	4,722	4,855
Remeasurement gains and (losses):		
Actuarial gains and losses arising on the changes in demographic assumptions	-	-
Actuarial gains and losses arising on changes in financial assumptions	(17,121)	74,708
Other	-	-
Past service costs (including curtailments)	898	727
Benefits paid	(21,411)	(22,538)
Liabilities extinguished on settlements	(3,813)	(5,470)
Closing balance as at 31 March	**875,116**	**980,322**

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

	2017/18 £'000	2018/19 £'000
Opening fair value of scheme assets	**674,078**	**704,392**
Interest income	17,566	18,857
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	7,007	36,565
Contributions from employers	25,036	15,146
Contributions from employees into the scheme	4,722	4,855
Benefits paid	(21,411)	(22,538)
Other	(2,606)	(3,972)
Closing fair value of scheme assets	**704,392**	**753,305**

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:

	2017/18	2018/19
Long-term expected rate of return on assets in the scheme:		
Equity investments	2.7%	2.4%
Bonds	2.7%	2.4%
Property	2.7%	2.4%
Cash	2.7%	2.4%
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	22.3 years	22.3 years
Women	24.5 years	24.5 years
Longevity at 65 for future pensioners:		
Men	23.9 years	23.9 years
Women	26.5 years	26.5 years
Inflation/pension increase rate	2.4%	2.5%
Salary increase rate	2.7%	2.8%
Rate of increase in pensions	2.7%	2.4%
Rate for discounting scheme liabilities	2.7%	2.4%
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:

	Period Ended 31 March 2019			
Asset Category	**Quoted prices in active markets £'000**	**Quoted prices not in active markets £'000**	**Total £'000**	**Percentage of Total Assets**
Equity Securities:				
Consumer	12,155	-	**12,155**	2%
Manufacturing	9,366	-	**9,366**	1%
Energy and Utilities	1,707	-	**1,707**	0%
Financial Institutions	14,495	-	**14,495**	2%
Health and Care	4,341	-	**4,341**	1%
Information Technology	45,220	-	**45,220**	6%
Other	3,313	-	**3,313**	0%
Debt Securities:				
Other	-	-	**-**	0%
Private Equity:				
All	-	20,973	**20,973**	3%
Real Estate:				
Uk Property	-	64,484	**64,484**	9%
Overseas Property	-	1,148	**1,148**	0%
Investment Funds and Unit Trusts:				
Equities	74,402	-	**74,402**	10%
Bonds	282,660	54,785	**337,445**	45%
Hedge Funds	-	105,953	**105,953**	14%
Other	-	32,265	**32,265**	4%
Cash and Cash Equivalents:				
All	-	17,938	**17,938**	2%
Totals	**447,659**	**297,546**	**745,205**	**100%**

	Period Ended 31 March 2018			
Asset Category	**Quoted prices in active markets £'000**	**Quoted prices not in active markets £'000**	**Total £'000**	**Percentage of Total Assets**
Equity Securities:				
Consumer	14,620	-	**14,620**	2%
Manufacturing	9,753	-	**9,753**	1%
Energy and Utilities	1,379	-	**1,379**	0%
Financial Institutions	12,898	-	**12,898**	2%
Health and Care	4,297	-	**4,297**	1%
Information Technology	49,772	-	**49,772**	7%
Other	2,545	-	**2,545**	0%
Debt Securities:				
Other	-	-	**-**	0%
Private Equity:				
All	-	22,493	**22,493**	3%
Real Estate:				
Uk Property	-	53,043	**53,043**	8%
Overseas Property	-	1,076	**1,076**	0%
Investment Funds and Unit Trusts:				
Equities	72,941	-	**72,941**	10%
Bonds	264,007	50,251	**314,258**	45%
Hedge Funds	-	89,343	**89,343**	13%
Other	-	31,091	**31,091**	4%
Cash and Cash Equivalents:				
All	-	24,884	**24,884**	4%
Totals	**432,212**	**272,181**	**704,393**	**100%**

33 Unusable Reserves

	31/03/2018 £000	31/03/2019 £000
Capital Adjustment Account	210,105	211,169
Revaluation Reserve	119,178	121,231
Financial Instruments Adjustment Account	(643)	(757)
Available-for-Sale Reserve	7,341	-
Pooled Investment Mitigation Reserve	-	3,576
Financial Instruments Revaluation Reserve	-	3,825
Pensions Reserve	(178,096)	(230,940)
Deferred Capital Receipts Reserve (England and Wales)	31,889	31,889
Collection Fund Adjustment Account	(4,330)	(2,850)
Accumulating Compensated Absences Adjustment Account	(4,476)	(4,210)
Total Unusable Reserves	**180,968**	**132,933**

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)	31/03/18 £'000	31/03/19 £'000
Balance as at 1 April		**237,181**	**210,105**
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	(16,698)	(17,265)
Revaluation loss on PPE	21	(7,674)	(6,992)
Amortisation of intangible assets		(70)	-
Revenue expenditure funded from capital under statute	24	(5,214)	(7,278)
Carrying amount of non-current assets sold		(27,637)	(5,130)
		(57,293)	**(36,665)**
Adjusting amounts written out of the Revaluation Reserve		1,364	1,389
Net written out of the cost of non-current assets consumed in year		**(55,929)**	**(35,276)**
Capital financing applied in year:			
Restated Use of the Capital Receipts Reserve	9	2,915	4,488
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		14,219	15,573
Application of grants from the Capital Grants Unapplied Account	7	11,085	15,791
Statutory provision for the financing of capital investment		275	282
		28,494	**36,134**
Movements in the market value of Investment Properties	23	359	206
Balance as at 31 March		**210,105**	**211,169**

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.

	31/03/18 £'000	31/03/19 £'000
Balance as at 1 April	**117,107**	**119,178**
Upward revaluation of assets	10,072	8,360
Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services	**10,072**	**8,360**
Disposal of non-current assets	(6,637)	(4,918)
Difference between fair value depreciation and hsitorical cost depreciation	(1,364)	(1,389)
Balance as at 31 March	**119,178**	**121,231**

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.

	31/03/18 £'000	31/03/19 £'000
Balance at 1 April	**6,728**	**7,341**
Disolution of Reserve	-	(7,341)
Revised Balance at 1 April	**6,728**	**-**
Surplus or deficit on revaluation of financial assets not posted to the Surplus on the Provision of Services	613	-
Balance as at 31 March	**7,341**	**-**

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.

	31/03/18 £'000	31/03/19 £'000
Balance as at 1 April	**31,893**	**31,889**
Restated Tfr to Capital Receipts Reserve	(4)	-
Balance as at 31 March	**31,889**	**31,889**

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.

	31/03/18 £'000	31/03/19 £'000
Balance as at 1 April	**(4,720)**	**(4,476)**
Settlement or cancellation of accrual made at the end of the preceding year	4,720	4,476
Amounts accrued at the end of the current year	(4,476)	(4,210)
Balance as at 31 March	**(4,476)**	**(4,210)**

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.

	31/03/18 £'000	31/03/19 £'000
Balance as at 1 April	**(185,843)**	**(178,096)**
Actuarial gains or losses on pensions assets and liabilities	24,128	(38,143)
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	(16,381)	(14,701)
Balance as at 31 March	**(178,096)**	**(230,940)**

Pooled Investments Mitigation Reserve

In 2018/19 MHCLG introduced legislation that required authorities to reverse the impact of fair value movements to a mitigation reserve for a maximum of five years, to lessen the impact of the movement of IFRS 9. This was required to be reported separately, and is shown below.

	31/03/18 £000	31/03/19 £000
Balance at 1 April	**-**	**3,515**
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	61
Balance at 31 March	**-**	**3,576**

Financial Investments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains or losses of equity instruments designated at fair value through other comprehensive income.

	31/03/18 £000	31/03/19 £000
Balance at 1 April	**-**	**3,825**
Surplus or deficit on revaluation of financial assets not posted to the Surplus on the Provision of Services	-	-
Balance at 31 March	**-**	**3,825**

34 Financial Instruments, Risk and Collateral

Reclassification of Financial Instruments Due to the Adoption of IFRS 9

To meet new Code requirements, financial assets are now classified into one of three categories:

- Financial assets held at amortised cost: These represent loans and loan-type arrangements where repayments of interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.
- Financial Assets Designated as Fair Value through Other Comprehensive Income (FVOCI): These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of. They were assessed as being Fair Value through Profit and Loss, however in line with the Standard, the Council has chosen to designate them as Fair Value through Other Comprehensive Income as they are equity assets that are being held for strategic purposes.
- Fair Value through Profit and Loss (FVTPL): These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

The table below shows the reclassification from the previous accounting standard (IAS 39) to the newly adopted standard (IFRS 9).

Category of Financial Assets under IAS 39	Balance as at 31 March 2018 £'000	Reclassification £'000	Balance as at 1 April 2018 £'000	Category of Financial Assets under IFRS 9
Long Term Investments				**Long Term Investments**
Loans and Receivables at Amortised Cost	62,389	(200)	62,189	Amortised Cost
	-	200	200	Fair Value Through Profit & Loss
Available for Sale Financial Assets	15,165	(15,165)	-	Available for Sale Financial Assets
	-	13,515	13,515	Fair Value Through Profit & Loss
	-	1,650	1,650	Designated to Fair Value Through Other Comprehensive Income & Expenditure
Equity Investment in Group Assets	224,845	-	224,845	Equity Investment in Group Assets
Total Long Term Investments	**302,399**	**-**	**302,399**	**Total Long Term Investments**
Long Term Debtors				**Long Term Debtors**
Loans and Receivables at Amortised Cost	134,066	-	134,066	Amortised Cost
Total Long Term Debtors	**134,066**	**-**	**134,066**	**Total Long Term Debtors**
Total Financial Assets	**436,465**	**-**	**436,465**	**Total Financial Assets**

IFRS 9 also applies to financial liabilities, which have been assessed to be categorised as amortised cost which is equivalent to the old classification of loans and receivables, under which all of the Council's financial liabilities fall (excluding PFI and leases).

Reclassification to FVTPL

The Council has two financial assets CCLA Property Fund and Municipal Bond Agency that have been classified as Fair Value through Profit and Loss.

- The CCLA Property Fund has been classified FVTPL as an element of the income is derived from rental income.
- The investment in the Municipal Bond Agency has been classified FVTPL as the returns of the investment is open to market fluctuations.

All of the information that follow are based on the new standard.

Categories of Financial Instruments

The Council's financial instruments include financial assets (investments 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 instruments are carried on the Balance Sheet:

Financial Assets

	Long Term				Short Term				
	Investments		Debtors		Investments		Debtors		Total
	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2019 £'000
Amortised Cost	38,689	549	134,066	141,727	25,408	15,140	55,952	59,620	217,037
Fair Value through Profit or Loss	13,715	10,776	-	-	-	10,000	-	-	20,777
Fair Value through Other Comprehensive Income - Designated Equity Instruments	1,650	1,650	-	-	-	-	-	-	1,650
Total Financial Assets	**54,054**	**12,976**	**134,066**	**141,727**	**25,408**	**25,140**	**55,952**	**59,620**	**239,463**
Equity in Group Entities	224,845	249,750	-	-	-	-	-	-	249,750
Total	**278,899**	**262,726**	**134,066**	**141,727**	**25,408**	**25,140**	**55,952**	**59,620**	**489,213**

Financial Liabilities

	Long Term				Short Term				
	Borrowings		Creditors		Borrowings		Creditors		Total
	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2019 £'000
Amortised Cost	650,168	823,170	183	183	75,353	48,341	54,491	58,038	929,732
Fair Value through Profit or Loss	-	-	-	-	-	-	-	-	-
Total Financial Liabilities	**650,168**	**823,170**	**183**	**183**	**75,353**	**48,341**	**54,491**	**58,038**	**929,732**
PFI	4,018	3,900	3,247	3,075	110	118	-	-	7,093
Leases	-	-	691	691	-	-	-	-	691
Total	**654,186**	**827,070**	**4,121**	**3,949**	**75,463**	**48,459**	**54,491**	**58,038**	**937,516**

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.

	2017/18		2018/19	
	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000
Net gains/losses on:				
• financial assets measured at amortised cost	(2,972)	-	(3,012)	-
• financial assets measured at fair value through profit or loss	613	-	61	-
•financial assets measured at fair value through other comprehensive income	-	-	-	-
• investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-
• financial liabilities measured at amortised cost	-	-	-	-
• financial liabilities measured at fair value through profit or loss	-	-	-	-
Total net gains/losses	**(2,359)**	**-**	**(2,951)**	**-**
Interest revenue:				
• financial assets measured at amortised cost	8,970	-	11,122	-
Total interest revenue	**8,970**	**-**	**11,122**	**-**
Interest expense				
Fee income:				
• financial assets or financial liabilities that are not at fair value through profit or loss	-	-	-	-
Total fee income	**-**	**-**	**-**	**-**
Interest Fee expense:				
• financial assets or financial liabilities that are not at fair value through profit or loss	(11,549)	-	(16,094)	-
Total fee expense	**(11,549)**	**-**	**(16,094)**	**-**

Equity Held in Group Entities

The Council has purchased either wholly or in part equity in Group Entities as listed below. Group Entities are outside the scope of the Financial Instruments standard (IFRS 9) and are held at cost.

	As at 31/03/18 £'000	As at 31/03/19 £'000
Wire Regeneration (50% Holding)	3,790	3,790
Warrington Borough Transport (100% Holding)	888	888
Redwood Financial Partners Ltd (33% Holding)	10,314	30,368
Birchwood Park (100% Holding)	209,853	214,705
TOTAL	**224,845**	**249,751**

Fair Value of Equity Instruments Designated at Fair Value through Other Comprehensive Income include the following:

	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2018 £'000	31 March 2019 £'000
Long Term Assets - Non-Listed Securities				
Warrington Sports Holdings Ltd	Level 2	% Equity held of net worth	1,650	1,650
Total			**1,650**	**1,650**

Fair Values of Financial Assets and Financial Liabilities

<u>Fair Values of Financial Assets</u>

Some of the authority's financial assets are measured 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				
Recurring fair value measurements	**Input level in fair value hierarchy**	**Valuation technique used to measure fair value**	**As at 31/03/18 £'000**	**As at 31/03/19 £'000**
Fair Value through Profit or Loss				
Investment in CCLA Property Fund*	Level 1	Unadjusted quoted prices in active markets for identical shares	13,515	10,576
Investment in Municipal Bond Agency	Level 3	% Equity held of net worth	200	200
Altana Wealth	Level 3	Unobservable inputs for the asset or liability	-	10,000
Total			**13,715**	**20,777**

*Please note £3m worth of CCLA units were sold during the year

Transfers between Levels of Fair Value Hierarchy
There were no transfers between input levels 1 and 2 during the year.

Changes in the Valuation Technique
There has been no change in the valuation technique used during the year for financial instruments.

Reconciliation of Fair Value Measurements for Financial Assets Carried at Fair Value Categorised within Level 3 of the Fair Value Hierarchy for Financial Assets

	2017/18 £'000	2018/19 £'000
Opening balance	**200**	**200**
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Total gains or losses for the period:	-	-
• Included in the Surplus or Deficit on the Provision of Services	-	-
• Included in Other Comprehensive Income and Expenditure	-	-
Additions	-	10,000
Disposals	-	-
Closing Balance	**200**	**10,200**

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 financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the authority are carried in the Balance Sheet at amortised costs. The fair values calculated are as follows:

	31 March 2018		31 March 2019	
Financial Liabilities	**Carrying Amount £'000**	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Financial liabilities held at amortised cost:				
Borrowings	729,649	805,662	875,529	967,802
Creditors	58,612	58,612	61,987	61,987
Total	**788,261**	**864,274**	**937,516**	**1,029,789**

	31 March 2018		31 March 2019	
Financial Assets	**Carrying Amount £'000**	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Financial assets held at amortised cost:				
Investments	64,097	64,097	15,689	15,689
Debtor General	89,535	89,535	92,504	92,504
Long-term Debtor Housing Associations	100,483	134,647	108,844	150,982
Total	**254,116**	**288,280**	**217,037**	**259,175**

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

Fair Value Hierarchy for Financial Assets and Financial Liabilities that are Not Measured at Fair Value

31 March 2019	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Financial liabilities held at amortised cost:				
Borrowings	-	966,818	984	967,802
Creditors	-	-	61,987	61,987
Total	**-**	**966,818**	**62,971**	**1,029,789**
Financial assets held at amortised cost:				
Investments	-	-	15,689	15,689
Debtors	-	-	243,486	243,486
Total	**-**	**-**	**259,175**	**259,175**

31 March 2018	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Financial liabilities held at amortised cost:				
Borrowings	-	800,982	4,681	805,662
Creditors	-	-	58,612	58,612
Total	**-**	**800,982**	**63,293**	**864,274**
Financial assets held at amortised cost:				
Investments	-	-	64,097	64,097
Debtors	-	-	224,183	224,183
Total	**-**	**-**	**288,280**	**288,280**

The measurement technique of Level 3 measurements is at cost only.

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities are exposed to a variety of financial risks. The key risks are:

- 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;
- Re-financing Risk - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market Risk - the possibility that financial loss might arise for the Council as a result of changes in measures such as interest rates, stock market and property 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 have 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 Council operated within its 2018/19 Treasury Management Strategy during 2018/19 and a full 2018/19 Treasury Management Outturn Report will be reported to full Council in July 2019.

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 reported to the Audit and Corporate Governance Committee.

The Council also employs a Treasury Management Advisor (Link Treasury Solutions), who advise on risk mitigation strategies and keep the Council up to date daily on treasury market developments.

In 2018/19 the Council also has adopted a Capital Strategy that presents the Council’s position statement with regard to capital expenditure and the resources available for its funding. The strategy links to the Treasury Management Strategy, Asset Management Strategy, Property Investment Strategy, MTFP and Corporate Plan. It also outlines the Council’s Risk Appetite Statement and how it monitors and manages risk. The Capital Strategy is in line with MHCLG Guidance on Local Government Investments and Statutory Guidance on MRP.

The Council has also created the following groups to monitor and manage the various strands of the Capital and Treasury Strategies:

- Treasury Management Board,
- Corporate Loans Groups,
- Property Investment Acquisition Officer Group, and
- Birchwood Park Panel.

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 Poor's Rating Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. The Annual Investment Strategy is contained within the Council's approved Treasury Management Strategy.

The Council uses the creditworthiness services provided by our Treasury Management Consultants (Link). This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, 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 2018/19 was approved by Full Council February 2018. 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 £317.682m deposited with a number of banks and financial institutions at 31 March 2019, 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 2019 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 collectability over the last few financial years:

Counterparties	Link Asset Services Credit Rating	Counterparty Type Rating	Category of Instrument	Amount at 31 March 2018 £'000	Amount at 31 March 2019 £'000
Deposits with Banks and Financial Institutior					
Cash and Cash Equivalent					
Santander (Alliance & Leicester)	up to 6 months	A+	Amortised	10,750	-
Bank of Scotland	up to 12 months	A+	Amortised	-	-
Natwest Select Liquidity	100 days	A	Amortised	10,000	5,516
Handelsbanken	up to 12 months	AA	Amortised	-	-
Federated Prime Rate MMF	up to 5 years	AAA	Amortised	-	16,280
Legal and General MMF	up to 5 years	AAA	Amortised	-	-
Standard Life (Ignis) MMF	up to 5 years	AAA	Amortised	-	-
Deutsche MMF	up to 5 years	AAA	Amortised	-	-
CCLA MMF	up to 5 years	AAA	Amortised	25	-
Goldman Sachs	up to 5 years	AAA	Amortised	-	-
Amundi MMF	up to 5 years	AAA	Amortised	-	-
Invested Bank Account (Escrow Account)	no credit rating	-	Amortised	-	8,020
Investments					
Rockfire Capital Solar Bond	no credit rating	-	Amortised	51,500	5,000
LiveWire	no credit rating	-	Amortised	549	549
Just for Cash Bond	no credit rating	-	Amortised	10,140	10,140
CCLA Property Fund	no credit rating	-	FV P&L	13,515	10,576
Altana Wealth	no credit rating	-	FV P&L	-	10,000
Non-Treasury Investments					
Municipal Bond Agency	no credit rating	-	FV P&L	200	200
Warr Sports Holding Ltd	no credit rating	-	FV OCI	1,650	1,650
Joint Venture with Wire Regeneration	no credit rating	-	Group	3,790	3,790
Warrington Borough Transport	no credit rating	-	Group	888	888
Redwood Bank	no credit rating	-	Group	10,314	30,368
Birchwood Park	no credit rating	-	Group	209,853	214,705
Financial Instrument Long Term Debtors					
Adult Social Care	no credit rating		Amortised	1,695	996
PFI Finance Lease	no credit rating	-	Amortised	31,888	31,888
Registered Providers/Housing Associations		-	Amortised	100,483	108,844
Total				**457,240**	**459,409**

No credit limits were exceeded during the reporting period and the Council does not expect any losses from 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. The past due but not impaired amount can be analysed by age as follows:

Short Term Debtor Age Analysis	Amount at 31 March 2018 £'000	Amount at 31 March 2019 £'000
Less than three months	5,154	8,077
Three to six months	893	971
Six months to one year	1,176	917
More than one year	4,775	5,257
Total	**11,998**	**15,221**

During 2015/16 Warrington obtained a credit rating from Moody's, one of the world's leading credit rating agencies. This credit rating is reviewed by Moody's annually. In June 2018 Warrington was awarded the fifth highest credit rating possible of A1 (rated as high quality and low credit risk).

The A1 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 A1 rating also reflects Moody's assessment of support from the UK government and the high likelihood it would intervene in the event that WBC 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.

Financial Assets Age Analysis	Cash & Equivalent £'000	Investments £'000	Non-Treasury Investments £'000	Adult Social Care** £'000	PFI Finance Lease £'000	Housing Associations £'000	Total £'000	31 March 2019 Total %
Less than 1 year	29,816	25,140	-	-	-	3,083	58,039	13%
Between 1 and 2 years	-	10,824	-	-	1	3,139	13,963	3%
Between 3 and 4 years	-	301	30,368	-	-	6,456	37,125	8%
Between 5 and 9 years	-	-	6,528	996	1	17,315	24,840	5%
Between 10 and 19 years	-	-	214,705	-	9	44,994	259,707	57%
Between 20 and 29 years	-	-	-	-	18	33,858	33,875	7%
Between 30 and 39 years	-	-	-	-	38	-	38	0%
Between 40 and 49 years	-	-	-	-	86	-	86	0%
More than 50 years	-	-	-	-	31,733	-	31,733	7%
	29,816	**36,266**	**251,600**	**996**	**31,885**	**108,844**	**459,407**	**100%**

**Estimate of Long Term Debtor

Financial Assets Age Analysis	Cash & Equivalent £'000	Investments £'000	Non-Treasury Investments £'000	Adult Social Care** £'000	PFI Finance Lease £'000	Housing Associations £'000	Total £'000	31 March 2018 Total %
Less than 1 year	20,775	19,000	-	-	1	4,345	44,121	10%
Between 1 and 2 years	-	12,140	-	-	1	2,399	14,540	3%
Between 3 and 4 years	-	30,748	10,314	-	1	12,883	53,946	12%
Between 5 and 9 years	-	13,817	6,528	1,695	3	13,546	35,588	8%
Between 10 and 19 years	-	-	209,853	-	5	33,236	243,094	53%
Between 20 and 29 years	-	-	-	-	5	34,419	34,424	7%
Between 30 and 39 years	-	-	-	-	5	4,000	4,005	1%
Between 40 and 49 years	-	-	-	-	5	-	5	0%
More than 50 years	-	-	-	-	31,863	-	31,863	7%
	20,775	**75,704**	**226,695**	**1,695**	**31,888**	**104,829**	**461,586**	**100%**

Please note: only 2017/18 Long Term Debtors for Housing Associations reported in Counterparty tables above and not the Short Term Debtor value of £4.3m

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.

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.

						31 March 2019
Financial Liabilities Age Analysis	**PWLB £'000**	**LOBO* £'000**	**Other £'000**	**Total £'000**	**Total %**	**Approved Maximum %**
Less than 1 year	3,201	-	45,140	48,341	6%	30%
Between 1 and 2 years	5,057	-	25,000	30,057	3%	30%
Between 3 and 4 years	136,900	-	5,000	141,900	16%	35%
Between 5 and 9 years	109,183	-	-	109,183	13%	30%
Between 10 and 19 years	157,351	-	-	157,351	18%	100%
Between 20 and 29 years	17,558	40,000	-	57,558	7%	100%
Between 30 and 39 years	72,778	-	50,012	122,790	14%	100%
Between 40 and 49 years	135,000	15,000	15,000	165,000	19%	100%
More than 50 years	-	13,500	25,000	38,500	4%	100%
	637,027	**68,500**	**165,152**	**870,679**	**100%**	

* The LOBO maturity profile assumes that the lender will not exercise their option until maturity, rather than the 6 monthly call in date.

Financial Liabilities Age Analysis	PWLB £'000	LOBO* £'000	Other £'000	Total £'000	Total %	31 March 2018 Approved Maximum %
Less than 1 year	2,487	-	69,190	71,677	10%	30%
Between 1 and 2 years	2,528	-	5,000	7,528	1%	30%
Between 3 and 4 years	25,464	-	25,000	50,464	7%	35%
Between 5 and 9 years	78,795	-	-	78,795	11%	30%
Between 10 and 19 years	122,301	-	-	122,301	17%	100%
Between 20 and 29 years	23,987	40,000	-	63,987	9%	100%
Between 30 and 39 years	50,778	-	50,012	100,790	14%	100%
Between 40 and 49 years	157,000	15,000	15,000	187,000	26%	100%
More than 50 years	-	13,500	25,000	38,500	5%	100%
	463,340	**68,500**	**189,202**	**721,042**	**100%**	

Lender Option Borrower Option Loans (LOBO's)

A Lenders Option Borrowers Option (LOBO) loan has certain additional characteristics 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 carry 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 eight LOBO's with four different lenders over a number of years.
- The Council constantly reviews opportunities to refinance the LOBO's, if appropriate.
- 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 which are 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.

The LOBO maturity profile assumes that the lender will not exercise their option until maturity. The LOBOs are of fixed rates, ranging between 4.23% and 5.8%. Of the total amount £23.5m have a break clause of every 5 years, whilst £45m have a break clause at every interest payment date twice a year. However, in the current low interest rate environment, it is unlikely that the lender will exercise their option to request their option for an early repayment of these LOBOs.

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 market factors. These factors will have an impact on the overall performance on the financial markets and can be reduced by diversification into assets that are not correlated with the market. There are several different risk factors that make up market risk, such as currency risk, equity risk, inflation risk, commodity risk and interest rate risk.

Interest Rate Risk

The Council is exposed to risk in terms of interest rate movements on its borrowing and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. 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 (no impact on revenue balances);
- 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 (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, 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. The annual Treasury Management Strategy aims 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 ameliorated 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 cost

£0.542m, comprising of (£0.294m) additional interest income on investments and £0.835m 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 £117.9070m. A 1% fall in interest rates would result in movements being reversed.

Price Risk

The Council has invested £11.402m in three companies (i.e. Warrington Borough Transport, Local Capital Finance Company Ltd (Municipal Bond Agency) and this year Redwood Bank), as unquoted long term investment. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the price of the valuation of shares. (Please note: these investments have been re-classified as available for sale financial assets).

Detailed below is a summary of the amount which has been invested in financial assets. The Council is exposed to losses arising from movements in change prices or valuation as outlined below:

• Both the CCLA Property Fund and Altana Wealth are Pooled Investments. MHCLG issued legislation concerning mitigation for this type of investments. This means that all movements in price will impact on gains and losses recognised in the Pooled Investments Mitigation Reserve (up to April 2022). A general shift of 1% in the general price of shares (positive or negative) would thus have resulted in £205.76k gain or loss being recognised in the Pooled Investments Mitigation Reserve.
• The investment in the Municipal Bond Agency was purchased using the Council's Capital powers. This means that all movements in price will impact on gains and losses recognised in the Capital Adjustment Account. A general shift of 1% in the general price of shares (positive or negative) would thus have resulted in £2k gain or loss being recognised in the Capital Adjustments Account.
• Equity held in Warrington Sports Holdings are designated as Fair Value through Other Comprehensive Income and Expenditure, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve. A general shift of 1% in the general price of shares (positive or negative) would thus have resulted in £16.5k gain or loss being recognised in the Financial Instruments Revaluation Reserve.

	As at 31/03/18 £'000	**As at 31/03/19 £'000**
CCLA Property Fund	13,515	10,576
Altana Wealth	-	10,000
Municipal Bond Agency	200	200
Warrington Sports Holding Limited	1,650	1,650
TOTAL	**15,365**	**22,426**

The Council's investments in the Group Entities are held at cost and are open to price risk at the point of sale. Any gain or loss would be directly taken to the General Fund. A 1% reduction in the sale price would result in a loss of £2.50m**.**

	As at 31/03/18 £'000	As at 31/03/19 £'000
Joint Venture with Wire Regeneration	3,790	3,790
Warrington Borough Transport	888	888
Redwood Bank	10,314	30,368
Birchwood Park	209,853	214,705
TOTAL	**224,845**	**249,751**

In August 2015 the Council borrowed £150m via a City of London bond offer, of which £50m was drawn down in August 2015 with the option to draw down the remaining £100m being at the Council's future discretion. The bond was taken out to fund the capital programme. The bond is over a 40 year period and is amortised from year 30. The bond is Consumer Price Index (CPI) linked with a coupon of 0.846% and a maximum CPI collar of 3% meaning the maximum interest rate that can ever be paid on the bond is 3.846%.

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 2018/19 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 2019 this was £151.490m. This is broken down further into 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**.**

	£000
Deferred Care Charges	2,371
Loans to Registered Social Landlords	346,833
Total	**349,204**

The Council holds collateral by way of security on property for Social Services Residential Charges, legal charges loans held by the Council and general credit debts. The Council chooses not to sell or repledge the collateral it holds on the basis of the vulnerability of many of the parties concerned, the time-expiry of the discounts, loans and grants and the considered opinion that the categories are thought to be of such little commercial value that it is unlikely that they would be an attractive proposition for a third party.

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 2019.

- 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 have legal proceedings (in licensing in childcare in 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.

- In July 2017 the Government suspended the minimum wage enforcement for sleep-in shifts in the social care sector, until it had made a decision on how the back pay would be met and minimise the impact on the social care sector. At this stage it is unclear as to how this back pay will be funded.

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 2019.

- 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 £37k of such receipts in 2018/19.

- 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 £2.197m of right to buy receipts in 2018/19.

- 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 2018/19 amounted to £70k.

36 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

31/03/18 £'000		Note(s)	31/03/19 £'000
(9,285)	Interest received		(10,177)
12,983	Interest paid		16,896
3,698			**6,719**

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

31/03/18 £'000		Note(s)	31/03/19 £'000
16,698	Depreciation	21	19,959
7,315	Revaluation (loss)/gain		7,529
70	Amortisation		61
(833)	Increase/decrease in impairment for bad debts		(254)
6,461	Increase/decrease in creditors		(894)
(36,867)	Increase/decrease in debtors		(12,800)
(61)	Increase/decrease in inventories		(183)
16,381	Movement in pension liability		14,701
7,525	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised		49,500
27,702	Other non-cash items charged to the net surplus or deficit on the provision of services		11,025
44,391			**88,644**

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

31/03/18 £'000		Note(s)	31/03/19 £'000
(3,107)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)		(2,519)
(7,525)	Proceeds from sale of property, plant and equipment, investment property and intangible assets		(49,500)
(27,895)	Any other items for which the cash effects are investing or financing cashflows		(29,956)
(38,527)			**(81,975)**

37 Cash Flow Statement – Investing Activities

31/03/18 £'000		Note(s)	31/03/19 £'000
(79,381)	Purchases of property, plant & equipment, investment propert and intangible assets		(177,484)
(257,831)	Purchase of short-term and long-term investments		(34,906)
3,107	Proceeds from the sale of property, plant & equipment, investment property and intangible assets		2,519
7,525	Proceeds of short-term and long-term investments		49,500
28,516	Other receipts for investing activities		38,540
(298,064)			**(121,831)**

38 Cash Flow Statement – Financing Activities

31/03/18 £'000		Note(s)	31/03/19 £'000
451,731	Cash receipts of short-term and long-term borrowing		231,790
(98)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		(110)
(131,536)	Repayments of short-term and long-term borrowing		(82,153)
320,097			**149,527**

Reconciliation of Liabilities Arising from Financing Activities

	31 March 2018 £'000	Financing Cash Flows £'000	Non-Cash Changes £'000	31 March 2019 £'000
Long Term Borrowing				
• Long Term Borrowing	(650,168)	(168,687)	(4,315)	(823,170)
• PFI Liabilities	(4,018)	110	8	(3,900)
Long Term Borrowing	*(654,186)*	*(168,577)*	*(4,307)*	*(827,070)*
Short Term Borrowing				
• Short Term Borrowing	(75,353)	19,050	7,962	(48,341)
• PFI Liabilities	(110)	-	(8)	(118)
Short Term Borrowing	*(75,463)*	*19,050*	*7,954*	*(48,459)*
Long Term Leases*	31,888	-	-	31,888
Total Liabilities from Financing Activities	**(697,761)**	**(149,527)**	**3,647**	**(843,641)**

* Long Term Leases are included in Long Term Creditors on the Balance Sheet.

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 2019 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 2018/19 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 2018/19 twenty-one Members held material interests in the following organisations with whom the Council carried out business – this also includes any grants made to local voluntary bodies. Asterisks* indicate that the organisation was not a related party in the relevant year.

Payments/Grants to Organisations where Members or their spouse hold a personal interest	Expenditure 2017/18 £	Expenditure 2018/19 £	Creditors 31 Mar 2019 £
Birchwood Community Academy	*	40,958	0
Burtonwood Community Primary Academy	*	80,564	0
Catalyst Choices	10,219,621	8,420,880	2,178
Cheshire Day Nursery	264,735	223,587	0
Culture Warrington	1,218,102	1,610,842	930
Edge Hill University	0	5,240	0
Golden Gates Housing Trust	321,861	130,765	2,404
HC One Ltd (Callands)	1,964,863	2,499,504	0
Healthwatch Warrington	*	114,167	0
Helena Partnerships	500,588	1,000	0
Langtree	265,502	300,620	0
Livewire	4,419,600	5,230,167	8,630
Lymm High Academy	60,289	67,215	0
North West Employers	30,948	22,448	0
Neighbour Favour	3,000	3,085	0
Room at the Inn	33,000	36,000	0
RPS Consulting Services Ltd	0	15,144	0
Seashell Trust	1,507,821	1,209,958	0
Sir Thomas Boteler Academy	*	20,251	0
Urban Building Projects Ltd	0	14,700	0
Warrington's Own Buses (previous Warrington Borough Transport)	463,303	519,240	0
Warrington Credit Union	4,000	1,950	0
Warrington District Citiziens Advice Bureau	485,624	461,517	53,659
Warrington Ethnic Communities Association	*	8,450	0
Warrington Labour Group	17,870	13,900	0
Warrington Wolves Foundation	24,150	34,178	0
Wire Regeneration Ltd	4,288	137,947	133,313

Receipts from Organisations where Members or their spouse hold a personal interest	Income 2017/18 £	Income 2018/19 £	Debtors 31 March 2019 £
Biolsel LTD	0	6,398	321
Birchwood Community Academy	*	48,179	96
Bridgewater NHS Trust	*	6,649	5,987
Burtonwood Community Primary Academy	*	97,286	772
Burtonwood & Winwick Community Bus	*	3,225	0
Catalyst Choices	515,646	302,316	29,871
Culture Warrington	86,184	88,501	452
Edge Hill University	0	5,600	0
Golden Gates Housing Trust	511,792	563,444	56,538
Helena Partnership/Torus	365,188	80,495	10,219
Langtree	0	4,890	0
Livewire	1,247,405	1,356,242	891,528
Lymm High Academy	90,910	78,001	2,355
Warrington's Own Buses (previous Warrington Borough Transport)	314,801	199,265	4,813
Warrington Credit Union	0	1,110	0
Warrington Wolves Foundation	16,384	4,435	854
Wire Regeneration	6,400	4,320	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 and Helena Partnerships (now merged as the Torus Group) have loans with Warrington Borough Council, which are classed as long term debtors and shown in Note 34 Financial Instruments.

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 five material declarations in 2018/19, but none were pecuniary interests.

Payments to Organisations where Officers or their spouse hold a personal interest	Expenditure 2017/18 £	Expenditure 2018/19 £	Creditors 31 Mar 2019 £
AECOM Ltd	24,760	165,675	0
Bridgewater Canal Company	1,964	150	0
Mersey Travel	*	41,627	0
Warrington Wolves Foundation	24,150	34,178	0
Wire Regeneration Ltd	4,288	137,947	133,313

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. Also in the receipts table, he has involvement with Recycling Lives.

Both the Chief Executive and the Warrington & Co Managing Director have interests in WBC Birchwood Park UK, WBC Birchwood Park Nominee 1 & 2 Ltd, as they are non-paid directors of these companies which are dormant but part of the Birchwood Park Trust. The Chief Executive is also a director of WBC Birchwood Park Trustee Ltd based in Jersey, which is the active part of the Birchwood Park Trust.

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

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. He is also involved with Mersey Forest, however there is no evidence of control.

The Head of Housing Services is a Director of Livewire Community Energy.

The Chief Internal Auditor is also an Audit Committee member of Mersey Travel.

Receipts from Organisations with personal interest below.

Receipts from Organisations where Officers or their spouse hold a personal interest	Income 2017/18 £	Income 2018/19 £	Debtors 31 March 2019 £
Bridgewater Canal Company	0	17,320	0
Livewire Community Energy	0	21,962	0
Mersey Forest	*	9,900	9,900
Mersey Travel	*	10,337	7,937
Recycling Lives Ltd	5,082	3,558	555
Warrington Wolves Foundation	16,834	4,435	854
Warrington Wolves RLFC	*	13,964	4,597
Wire Regeneration	6,400	4,320	0

Officers' remunerations are detailed in Note 15.

Other Public Bodies

The following table shows the precepts and levies during the year 2018/19.

Precepting & Levying Bodies	Precepts/Levies 2017/18 £	Other Expenditure 2017/18 £	Precepts/Levies 2018/19 £	Other Expenditure 2018/19 £
Police & Crime Commissioner for Cheshire	11,109,765	189,001	11,908,288	392,026
Cheshire Fire Authority	5,736,988	0	6,029,437	0
Town and Parish Councils	1,981,263	22,125	2,122,373	2,608
Cheshire West and Chester Council	684,204	5,713,869	671,197	5,033,326
Manchester Port Health Authority	17,609	16,771	0	0
Environment Agency	123,639	5,789	125,989	612,401

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. Other payments to the Town and Parish Councils are shown here though some members have declared interests in these they are deemed immaterial.

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.

Entities Controlled or Significantly Influenced by the Council
The Council has three 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 three limited companies during the financial year:

- Warrington Borough Transport
- Redwood Financial Partners Ltd
- Jersey Property Unit Trust

Warrington Borough Transport and the Jersey Property Unit Trust are both wholly owned subsidiaries and has been consolidated into the Group Accounts in line with the 2018/19 Code.

The Council owns a 33% share in Redwood Financial Partners Limited and has been consolidated into the Group Accounts as an Associate in line with the 2018/19 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 £2,741,571 of borrowing costs in year in relation to qualifying assets (£1,635,789 – 2018/19). This was calculated using the Council's average borrowing rate in the year expenditure was incurred. This was 2.36% in 2018/19 (2.19% 2017/18).

41 Pooled Budgets

In 2018/19 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:

	2017/18 £'000	2018/19 £'000
Pooled Schemes		
Intermediate Care	8,189	8,358
Protecting Social Care	5,618	6,444
Carers	164	173
Mental Health and Joint Funded Packages	15,670	17,904
Joint Commissioning / Other Support	698	624
Disability Partnership/ WHIA Funding	271	271
Out of Hospital Functions/ Enabling	401	1,480
Total Better Care Fund Revenue Expenditure	**31,011**	**35,254**
Funding Provided to the Pooled Budget		
Warrington Borough Council	10,978	12,576
NHS Warrington Clinical Commissioning Group	16,600	18,315
Improved Better Care Fund Contribution	3,339	4,364
Total Funding Provided to the Pooled Budget	**30,917**	**35,255**
Net Surplus Arising on the Pooled Budget During the Year	**(94)**	**1**

Collection Fund

2017/18				2018/19		
Business Rates £'000	**Council Tax £'000**	**Total £'000**		**Business Rates £'000**	**Council Tax £'000**	**Total £'000**
7,687	**(2,055)**	**5,632**	**Opening fund Balance**	**10,508**	**(967)**	**9,541**
			Amounts required by statute to be credited to the Collection Fund:			
-	(106,894)	(106,894)	Council Tax (net receivable)	-	(113,898)	(113,898)
(106,057)	-	(106,057)	Non-domestic rates (net receivable)	(109,125)	-	(109,125)
9,899	-	9,899	Transitional protection payments non-domestic rates	6,327	-	6,327
(8,169)	-	(8,169)	Contributions towards previous year's Collection Fund deficit - non-domestic rates	(10,604)	-	(10,604)
			Amounts required by statute to be debited to the Collection Fund:			
			Precepts and demands from major preceptors and the authority - council tax			
-	10,940	10,940	*- Cheshire Police Authority*	-	11,908	11,908
-	4,876	4,876	*- Cheshire Fire Service*	-	5,094	5,094
-	89,331	89,331	*- Warrington Borough Council and Parishes*	-	96,039	96,039
			Shares of non-domestic rating income to major preceptors and the authority - non-domestic rates			
1,028	-	1,028	*- Cheshire Fire Service*	1,041	-	1,041
50,371	-	50,371	*- Warrington Borough Council and Parishes*	51,018	-	51,018
50,334	-	50,334	Payment with respect to central share of the non-domestic rating income to be paid to central government by billing authorities	52,059	-	52,059
			Impairment of debts/appeals for council tax:			
-	461	461	*- write-offs of uncollectable amounts*	-	1,089	1,089
-	574	574	*- allowance for impairment*	-	470	470
			Impairment of debts/appeals for non-domestic rates:			
4,100	-	4,100	*- write-offs of uncollectable amounts*	676	-	676
(1,834)	-	(1,834)	*- allowance for impairment*	(374)	-	(374)
295	-	295	Charge to General Fund for allowable collection costs for non-domestic rates	296	-	296
2,854	-	2,854	Other transfers to General Fund in accordance with non-domestic rates regulations	2,378	-	2,378
-	1,800	1,800	Contributions towards previous year's Collection Fund surplus - council tax	-	1,200	1,200
2,821	**1,088**	**3,909**	**Movement on fund balance**	**(6,308)**	**1,902**	**(4,406)**
10,508	**(967)**	**9,541**	**Closing fund Balance**	**4,200**	**935**	**5,135**
			Attributed to:			
5,149	(819)	4,330	Warrington Borough Council	2,058	792	2,850
-	(102)	(102)	Cheshire Police Authority	-	100	100
105	(46)	59	Cheshire Fire Authority	42	43	85
5,254	-	5,254	Government	2,100	-	2,100
10,508	**(967)**	**9,541**	**Total**	**4,200**	**935**	**5,135**

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	31	5/9	17
A	Up to £40,000	23,277	6/9	15,518
B	£40,000 - £52,000	18,332	7/9	14,258
C	£52,000 - £68,000	17,589	8/9	15,634
D	£68,000 - £88,000	10,956	9/9	10,956
E	£88,000 - £120,000	6,827	11/9	8,344
F	£120,000 - £160,000	4,250	13/9	6,139
G	£160,000 - £320,000	2,525	15/9	4,208
H	£320,000 and over	173	18/9	345
		83,960		**75,419**

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	74,803
Less: Tax Base relating to Council Tax Support Allowance	(7,311)
Council Tax Base for Tax Setting	**67,492**

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 (49.3p for 2018/19 and 48.0p 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 £248,258,593.

The business rates shares payable for 2018/19 were estimated before the start of the financial year as £52.059m to Central Government, £1.041m to Cheshire Fire Council and £51.018m to Warrington Council. These sums have been paid in 2018/19 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 2017/18 to the value of £16.075m.

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, WBC Birchwood Park Trustee Limited and Redwood Financial Partners Limited.

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). All other notes are not materially different to the Single Entity Accounts and have not been produced. All note references are to the Single Entity Accounts unless otherwise indicated, and the Group Notes should be read in conjunction with the Single Entity Accounts.

Movement in Reserves Statement for the Year Ended 31 March 2019	**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**	**Total Group Entities**	**Group Reserves £'000**
Restated Balance as at 1 April 2017		**47,496**	**5,023**	**8,104**	**60,623**	**199,782**	**260,405**	**2,382**	**262,787**
Movement in Reserves during the year									
Restated Total Comprehensive Income and Expenditure		(55,727)	-	-	**(55,727)**	**34,813**	**(20,914)**	**4,857**	**(16,057)**
Adjustments between accounting basis & funding basis under regulations	**7**	50,841	196	2,591	**53,628**	**(53,628)**	**-**	**-**	**-**
Restated Increase or (Decrease) in Year		**(4,886)**	**196**	**2,591**	**(2,099)**	**(18,815)**	**(20,914)**	**4,857**	**(16,057)**
Restated Balance as at 31 March 2018		**42,610**	**5,219**	**10,695**	**58,524**	**180,967**	**239,491**	**7,239**	**246,730**
Movement in Reserves during the year									
Total Comprehensive Income and Expenditure		(21,924)	-	-	**(21,924)**	**(29,783)**	**(51,707)**	**(12,397)**	**(64,104)**
Adjustments between accounting basis & funding basis under regulations	**7**	21,629	(1,969)	(1,408)	**18,252**	**(18,252)**	**-**	**-**	**-**
Increase or (Decrease) in Year		**(295)**	**(1,969)**	**(1,408)**	**(3,672)**	**(48,035)**	**(51,707)**	**(12,397)**	**(64,104)**
Balance as at 31 March 2019		**42,315**	**3,250**	**9,287**	**54,852**	**132,932**	**187,784**	**(5,158)**	**182,626**

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

2017/18 Gross Expenditure £'000	2017/18 Gross Income £'000	2017/18 Restated Net Expenditure £'000		Note(s)	2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000
10,527	(4,903)	5,624	Corporate Services		25,032	(19,741)	5,291
289,169	(177,278)	111,891	Families & Wellbeing		283,999	(173,005)	110,994
33,637	(13,704)	19,933	Economic Regeneration, Growth & Environment		39,679	(15,809)	23,870
53,014	(56,096)	(3,082)	Corporate Finance		46,841	(49,973)	(3,132)
41,408	-	41,408	Central Charges		42,282	-	42,282
9,833	(7,618)	2,215	Warrington Borough Transport		10,011	(10,053)	(43)
630	(5,890)	(5,260)	Birchwood Park		1,142	(9,792)	(8,650)
438,218	**(265,489)**	**172,729**	**Cost of Services**		**448,986**	**(278,373)**	**170,612**
		33,291	Other Operating Expenditure	**10**			7,653
		7,415	Financing & Investment Income & Expenditure	**11**			9,515
		(163,083)	Taxation and Non-Specific Grant Income	**12**			(165,908)
		50,352	**(Surplus) or Deficit on Provision of Services**				**21,872**
		516	Restated (Surplus) or Deficit on Provision of Services by Associates & Joint Ventures				(551)
		50,868	**Restated Group (Surplus)/Deficit**				**21,321**
		(10,072)	(Surplus) or Deficit on revaluation of non-current assets	**33**			(6,165)
		(613)	(Surplus) or Deficit on revaluation of available for sale financial assets	**33**			-
		-	Issue of New Units in Birchwood Park				3,670
		2	Share of Other Comprehensive Income and Expenditure of Associates				7,135
		(24,128)	Remeasurement of the net defined benefit liability	**32**			38,143
		(34,811)	**Other Comprehensive Income and Expenditure**				**42,783**
		16,057	**Restated Total Comprehensive Income and Expenditure**				**64,104**

Analysis of Group Comprehensive Income and Expenditure Statement by Group Entities

2017/18 £'000		2018/19 £'000
	Group (Surplus)/ Deficit attributable to:	
55,727	- Warrington Borough Council	21,924
(115)	- Warrington Borough Transport	(52)
(5,260)	- Birchwood Park	-
710	- Redwood Bank	(471)
(194)	- Wire Regeneration	(80)
50,868	**Total Group (Surplus)/ Deficit**	**21,321**
	Other Comprehensive Income and Expenditure attributable to:	
(34,813)	- Warrington Borough Council	29,783
-	- Warrington Borough Transport	-
-	- Birchwood Park	5,865
2	- Redwood Bank	7,135
	- Wire Regeneration	-
(34,811)	**Total Other Comprehensive Income and Expenditur**	**42,783**
16,057	**Total Comprehensive Income and Expenditure**	**64,104**

Group Balance Sheet as at 31 March 2019

	Notes	Restated 1st April £000	Restated 31st March 2018 £000	31st March 2019 £000
Property, Plant & Equipment		614,107	656,162	724,323
Heritage Assets	**22**	15,851	15,962	16,544
Investment Property	**GR 8**	50,136	255,610	343,780
Intangible Assets		125	211	532
Long Term Investments	**GR 12**	42,302	77,554	12,975
Restated Investments in Associates & Joint Ventures		3,790	13,586	27,056
Long Term Debtors	**25**	95,166	134,066	141,727
Long Term Assets		**821,477**	**1,153,151**	**1,266,937**
Short Term Investments	**GR 12**	6,045	1,908	25,140
Inventories		755	843	1,037
Short Term Debtors	**GR 9**	55,965	64,211	68,970
Cash and Cash Equivalents	**GR 10**	43,866	19,850	33,680
Assets Held for Sale		-	-	705
Current Assets		**106,631**	**86,812**	**129,532**
Cash and Cash Equivalents	**GR 10**	(27)	(117)	-
Short Term Borrowing	**GR 12**	(55,861)	(75,463)	(48,459)
Short Term Creditors	**GR 11**	(43,315)	(62,619)	(70,221)
Provisions	**29**	(6,740)	(7,547)	(8,678)
Current Liabilities		**(105,943)**	**(145,746)**	**(127,358)**
Long Term Creditors	**28**	(4,791)	(4,459)	(5,694)
Deferred Tax		(71)	(71)	(105)
Grants Receipts in Advance - Capital	**20**	(487)	(1,102)	(2,145)
Grants Receipts in Advance - Revenue	**20**	(13,288)	(14,310)	(21,864)
Provisions	**29**	(2,635)	(2,635)	(2,590)
Long Term Borrowing	**GR 12**	(352,263)	(654,186)	(827,070)
Long Term Pension Liabilities	**32**	(185,843)	(170,724)	(227,017)
Long Term Liabilities		**(559,378)**	**(847,487)**	**(1,086,485)**
Net Assets		**262,787**	**246,730**	**182,626**
Usable Reserves	**9**	63,005	65,762	49,693
Unusable Reserves	**33**	199,782	180,968	132,933
Total Reserves		**262,787**	**246,730**	**182,626**

Group Cash Flow Statement for the year ended 31 March 2019

2017/18 £'000		Note(s)	2018/19 £'000
(60,852)	Net (surplus) or deficit on the provision of services		(21,872)
53,465	Adjustments to net surplus or deficit on the provision of services for non-cash movements	**GR 13**	93,643
(38,529)	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	**GR 13**	(81,978)
(45,916)	**Net Cash Flows from Operating Activities**		**(10,207)**
(298,062)	Investing Activities	**GR 14**	(126,780)
319,872	Financing Activities	**GR 15**	150,934
(24,106)	**Net (increase) or decrease in cash and cash equivalents**		**13,947**
43,839	Cash and cash equivalents at the beginning of the reporting period		19,733
19,733	**Cash and cash equivalents at the end of the reporting period**	**GR 10**	**33,680**

Notes to the Group Accounts

1 Significant Judgements on 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.

Subsidiaries are consolidated into group accounts on a line by line basis.

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

Associates are consolidated into group accounts using equity accounting. Equity accounting requires the movement in the proportionate shareholding of the company's net assets be added or deducted from the original investment into the associate. This is calculated on an annual basis. This investment is shown on a separate line on the Group Balance Sheet.

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.

The proportionate share of the Joint Venture is consolidated into the group accounts.

<u>Group Entities</u>

Warrington Borough Transport Limited (WBT) trading as Warrington's Own Buses
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.

WBT has been classified as a subsidiary company by the Council, as it is wholly owned by the Council and the Council is able to receive a dividend from Warrington Borough Transport.

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

Warrington Borough Transport Limited
Wilderspool Causeway
Warrington
WA4 6PT

WBC Birchwood Park Trustee Limited (Birchwood Park)
In September 2017 the Council purchased units in a Jersey Property Unit Trust (JPUT) through WBC Birchwood Park Trustee Limited. WBC Birchwood Park Trustee Limited is wholly owned by Warrington Borough Council.

The Trustee Company has three directors, two in Jersey, the third is the CEO of Warrington Borough Council (as outlined in the Related Parties Note to the single entity accounts) who operate the JPUT. The operation of the JPUT is controlled through a Trust Instrument that contains a number of 'Reserved Matters', which the Trust must go back to the Council for decision on.

The Trustee Company through the JPUT solely owns Birchwood Park industrial estate, which is an area in Warrington containing various investment properties.

The Council has classified WBC Birchwood Park Trustee Limited as a subsidiary of the Council as it is wholly owned by the Council, and the Council controls the company through the Trust Instrument, which it must operate under.

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

Patrizia UK Limited
200 Cedarwood
Crockford Lane
Chineham Park
Basingstoke
RG24 8AL

Redwood Financial Partners Limited (Redwood Bank)
In April 2017 the Council invested £10m in Redwood Financial Partners Limited (RFPL), which wholly owns Redwood Bank; an investment bank providing loans to SME's nationally and through a local branch in Warrington. The Council's agreement is to further invest two more payments of £10m if the Bank meets its business plan. This investment gives the council a 33% share of RFPL. If RFPL does not meet its business plan and the

Council chooses not to further invest, its shareholdings will be diluted in line with its investment.

As the Council owns greater than 20% shareholdings in Redwood Financial Partners Limited it has been categorised as an Associate to the Council and has been consolidated into the group accounts.

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

Redwood Financial Partners Limited,
43 Harwood Road,
London
SW6 4QP

Wire Regeneration Limited
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.

For Wire Regeneration Limited, their financial transactions have been found to be material to the single entity financial statement, it has been categorised as a Joint Venture and has been consolidated into group accounts.

Warrington Sports Holdings
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%.

Other Minority Interests
The Council also has interest in Warrington & Co and Warrington 2000+. However, Warrington & Co is not trading entity therefore has no transactions to consolidate within the Group Accounts. Warrington 2000+ has net assets of £1.3m as at 31/03/2018 and was deemed to be immaterial and has not been consolidated into the Group Accounts.

2 Accounting Periods

The financial year-end for Warrington Borough Transport and Wire Regeneration is 31 March. Management accounts as at 31 March 2019 have been used to consolidate them into the Council’s Group Accounts.

The financial year-end for Redwood Bank and Birchwood Park is 31 December.

- Final accounts for 31 December 2018 and management accounts for the first quarter of 2019 have been used to consolidate Redwood Bank into the Group Accounts.

- Draft accounts for 31 December 2018 and management accounts for the first quarter of 2019 have been used to consolidate Birchwood Park into the Group Accounts.

3 Accounting Policies

The accounts for Warrington Borough Transport, Birchwood Park, Wire Regeneration and Redwood Bank are all prepared under FRS 102, which is the updated UK GAAP that came into effect from 1 April 2015. The Accounting Policies of all three entities have been examined and have been found to have no material difference with those of Warrington Borough Council and the Code of Practice.

Therefore there has been no conversion of the group entities accounts as part of the group consolidation.

4 Intra-group Transactions

During the consolidation of the Group Entities 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.

5 Significant Restrictions in Relation to Group Entities

The only significant restriction on the Council's ability to access or use the assets and settle the liabilities of the group entities are the regulatory restrictions surrounding WBC Birchwood Park Trustee Limited, which currently operates through a Jersey Property Unit Trust (JPUT), and must therefore comply with the regulatory framework of Jersey. The JPUT is valued at £211.5m.

6 Risk Associated with Group Entities

A full risk analysis is carried on investments in Group Entities. The Council's Capital Strategy (https://www.warrington.gov.uk/download/downloads/id/18532/2019-20---final-capital-strategy---full-council.pdf) fully explains the risk profile of the Council.

The Council does not have any contractual obligations that require the Council to provide financial support in the event of any losses occurred by the Group Entities.

7 Expenditure and Income Analysed by Nature

Expenditure/Income	2017/18 £'000	2018/19 £'000
Expenditure		
Employee benefits expenses	184,254	177,575
Other service expenses	270,672	268,439
Depreciation, amortisation, impairment	55,608	32,615
Interest payments	11,562	16,043
Expenditure relating to investment properties	553	10,262
Precepts and levies	1,996	2,122
Total expenditure	**524,645**	**507,056**
Income		
Fees, charges and other service income	(139,113)	(150,424)
Interest and investment income	(9,617)	(11,075)
Income relating to investment properties	(6,530)	(10,531)
Income from council tax, non-domestic rates	(90,143)	(95,651)
Government grants and contributions	(228,890)	(217,503)
Total Income	**(474,293)**	**(485,184)**
Surplus or Deficit on the Provision of Services	**50,352**	**21,872**

8 Investment Properties

	2017/18 £'000	2018/19 £'000
Balance as at the start of the year	**50,136**	**255,610**
Disposals	(1,276)	(127)
Net gains/(losses) from fair value adjustments	359	(1,952)
Additions	211,000	89,970
Transfers (to)/ from Assets Held for Sale		-
Transfers (to)/ from Property, Plant and Equipment	(4,609)	279
Balance as at end of the year	**255,610**	**343,780**

Fair Value Hierarchy

Details of Group investment properties and information about the fair value hierarchy as at 31 March 2019 and 2018 are as follows:

2018/19	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 2018 £000
Industrial Ground Rents	-	3,918	6,849	10,767
Retail Units	-	2,307	3,193	5,500
Industrial Units	-	211,500	2,508	214,008
Retail Warehouse	-	8,696	3,799	12,495
Offices	-	27,172	-	27,172
Retail	-	32,684	-	32,684
Warehouse	-	27,419	-	27,419
Other	-	13,074	661	13,735
Total	**-**	**326,770**	**17,010**	**343,780**

2017/18	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 2018 £000
Industrial Ground Rents	-	10,167	840	11,007
Retail Units	-	2,123	3,146	5,269
Industrial Units	-	212,480	971	213,451
Retail Warehouse	-	8,675	3,852	12,527
Other	-	10,091	3,265	13,356
Total	**-**	**243,536**	**12,074**	**255,610**

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 2018 £000	**31 March 2019 £000**
Opening Balance	17,762	12,074
Correction to Opening Balance		(118)
Transfers into Level 3	3,852	8,986
Transfers out of Level 3	(9,831)	(3,826)
Total gains (or losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	291	14
Additions	-	-
Disposals	-	(120)
Closing Balance	**12,074**	**17,010**

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 31/03/2019 £000	Valuation technique used to measure fair value	Unobservable inputs	Range	Sensitivity
Industrial Ground Rents	6,849	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	3,193	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	2,508	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
Retail Warehouse	3,799	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	661	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; except for the Industrial Units contained in the Birchwood Park Industrial Estate, 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.

The valuation for the Birchwood Park Industrial Estate was carried out by Cushman & Wakefield, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

9 Short Term Debtors

	31/03/17 £'000	31/03/18 £'000
Short-term Debtors		
Central Government Bodies	7,403	13,348
Other Local Authorities	1,030	1,522
NHS Bodies	4,386	8,690
Public Corporations and Trading Funds	(2)	-
Other Entities and Individuals	51,394	45,410
Total Short-term Debtors	**64,211**	**68,970**

10 Cash and Cash Equivalents

	31/03/17 £'000	31/03/18 £'000
Cash on hand and balances with banks	(4,472)	3,864
Short-term Deposits	24,322	29,816
Total Cash and Cash Equivalents	**19,850**	**33,680**
Cash Overdrawn	(117)	-
Net Cash and Cash Equivalents	**19,733**	**33,680**

11 Creditors

	31/03/18 £'000	31/03/19 £'000
Short-term Creditors		
Central Government Bodies	8,187	9,435
Other Local Authorities	3,203	4,142
NHS Bodies	403	1,611
Public Corporations and Trading Funds	60	36
Other Entities and Individuals	50,766	54,997
Total Short-term Creditors	**62,619**	**70,221**
Long-term Creditors		
Other Entities and Individuals	4,459	5,694
Total Creditors	**67,078**	**75,915**

12 Financial Instruments

Categories of Financial Instruments

The Council's financial instruments include financial assets (investments 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 instruments are carried on the Balance Sheet:

Financial Assets

	Long Term				Short Term				
	Investments		Debtors		Investments		Debtors		Total
	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2019 £'000
Amortised Cost									
• Warrington Borough Council	38,689	549	134,066	141,727	25,408	15,140	55,950	59,620	217,037
• Warrington Borough Transport	-	-	-	-	-	-	960	871	871
• Birchwood Park	-	-	-	-	-	-	7,301	8,479	8,479
Fair Value through Profit or Loss	13,715	10,776	-	-	-	10,000	-	-	20,777
Fair Value through Other Comprehensive Income - Designated Equity Instruments	1,650	1,650	-	-	-	-	-	-	1,650
Total Financial Assets	**54,054**	**12,976**	**134,066**	**141,727**	**25,408**	**25,140**	**64,211**	**68,970**	**248,813**

Financial Liabilities

	Long Term				Short Term				
	Borrowings		Creditors		Borrowings		Creditors		Total
	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2019 £'000
Amortised Cost									
• Warrington Borough Council	650,168	823,170	183	183	75,353	48,341	54,491	57,983	929,677
• Warrington Borough Transport	-	-	338	1,745	-	-	1,393	1,491	3,236
• Birchwood Park	-	-	-	-	-	-	6,735	10,747	10,747
Fair Value through Profit or Loss	-	-	-	-	-	-	-	-	-
Total Financial Liabilities	**650,168**	**823,170**	**521**	**1,928**	**75,353**	**48,341**	**62,619**	**70,221**	**943,660**
PFI	4,018	3,900	3,247	3,075	110	118	-	-	7,093
Leases	-	-	691	691	-	-	-	-	691
Total	**654,186**	**827,070**	**4,459**	**5,694**	**75,463**	**48,459**	**62,619**	**70,221**	**951,444**

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 financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the authority are carried in the Balance Sheet at amortised costs. The fair values calculated are as follows:

	31 March 2018		31 March 2019	
Financial Liabilities	**Carrying Amount £'000**	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Financial liabilities held at amortised cost:				
Borrowings	729,649	805,662	875,529	967,802
Creditors:				
• Warrington Borough Council	58,612	58,612	61,987	61,987
• Warrington Borough Transport	1,731	1,731	3,236	3,236
• Birchwood Park	6,735	6,735	10,747	10,747
Total	**796,727**	**872,740**	**951,499**	**1,043,772**

	31 March 2018		31 March 2019	
Financial Assets	**Carrying Amount £'000**	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Financial assets held at amortised cost:				
Investments	64,097	64,097	15,689	15,689
Debtor General:				
• Warrington Borough Council	89,535	89,535	92,504	92,504
• Warrington Borough Transport	960	960	871	871
• Birchwood Park	7,301	7,301	8,479	8,479
Long-term Debtor Housing Associations	100,483	134,647	108,844	150,982
Total	**262,377**	**296,541**	**226,387**	**268,525**

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

Fair Value Hierarchy for Financial Assets and Financial Liabilities that are Not Measured at Fair Value

				31 March 2019
	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Financial liabilities held at amortised cost:				
Borrowings	-	966,818	984	967,802
Creditors:				
• Warrington Borough Council	-	-	61,987	61,987
• Warrington Borough Transport	-	-	3,236	3,236
• Birchwood Park	-	-	10,747	10,747
Total	**-**	**966,818**	**76,954**	**1,043,772**
Financial assets held at amortised cost:				
Investments	-	-	15,689	15,689
Debtors:				
• Warrington Borough Council	-	-	243,486	243,486
• Warrington Borough Transport	-	-	871	871
• Birchwood Park	-	-	8,479	8,479
Total	**-**	**-**	**268,525**	**268,525**

				31 March 2018
	Quoted prices in active markets for identical assets (Level 1) £'000	**Other significant observable inputs (Level 2) £'000**	**Significant unobservable inputs (Level 3) £'000**	**Total £'000**
Financial liabilities held at amortised cost:				
Borrowings	-	800,982	4,681	805,662
Creditors:				
• Warrington Borough Council	-	-	58,612	58,612
• Warrington Borough Transport	-	-	1,731	1,731
• Birchwood Park	-	-	6,735	6,735
Total	**-**	**800,982**	**71,759**	**872,740**
Financial assets held at amortised cost:				
Investments	-	-	64,097	64,097
Debtors:				
• Warrington Borough Council	-	-	224,183	224,183
• Warrington Borough Transport	-	-	960	960
• Birchwood Park	-	-	7,301	7,301
Total	**-**	**-**	**296,541**	**296,541**

The measurement technique of Level 3 measurements is at cost only.

13 Cash Flow Statement – Operating Activities

31/03/18 £'000		**Note(s)**	**31/03/19 £'000**
17,406	Depreciation	21	20,791
16,815	Revaluation (loss)/gain		7,529
70	Amortisation		61
(833)	Increase/decrease in impairment for bad debts		(254)
12,637	Increase/decrease in creditors		3,217
(44,265)	Increase/decrease in debtors		(13,949)
(88)	Increase/decrease in inventories		(194)
16,381	Movement in pension liability		14,701
7,525	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised		49,500
27,817	Other non-cash items charged to the net surplus or deficit on the provision of services		12,241
53,465			**93,643**

31/03/18 £'000		Note(s)	31/03/18 £'009
(3,107)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)		(2,519)
(7,525)	Proceeds from sale of property, plant and equipment, investment property and intangible assets		(49,503)
(27,897)	Any other items for which the cash effects are investing or financing cashflows		(29,956)
(38,529)			**(81,978)**

14 Cash Flow Statement – Investing Activities

31/03/18 £'000		Note(s)	31/03/19 £'000
(79,381)	Purchases of property, plant & equipment, investment properties and intangible assets		(182,436)
(257,831)	Purchase of short-term and long-term investments		(34,906)
3,109	Proceeds from the sale of property, plant & equipment, investment property and intangible assets		2,522
7,525	Proceeds of short-term and long-term investments		49,500
28,516	Other receipts for investing activities		38,540
(298,062)			**(126,780)**

15 Cash Flow Statement – Financing Activities

31/03/18 £'000		Note(s)	31/03/19 £'000
451,731	Cash receipts of short-term and long-term borrowing		233,197
(98)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		(110)
(131,761)	Repayments of short-term and long-term borrowing		(82,153)
319,872			**150,934**

16 Summarised Information of Associate

IFRS 12 requires summarised information (except where material) for associates and joint ventures consolidated in to the group accounts. Presented below is a summarised Statement of Consolidated Income and Consolidated Statement of Financial Position for Redwood Financial Partners Limited.

2017/18 £'000	***Statement of Consolidated Income***	2018/19 £'000
(270)	Interest Income	(4,021)
85	Interest Expense	1,176
2,316	Administrative Expenditure	6,001
2,131	**Operating Loss for the Financial Period**	**3,156**
-	Other Comprehensive Income for the Period	24
2,131	**Total Comprehensive Income for the Period**	**3,180**

31/03/18 £'000	***Consolidated Statement of Financial Position***	31/03/19 £'000
	Assets	
35,464	Cash and Cash Equivalents	169,234
5,312	Fixed Assets and Other Assets	713
40,776	**Total Assets**	**169,947**
	Liabilities	
(31,559)	Deposits	(139,955)
(899)	Other Liabilities	6,510
(32,458)	**Total Liabilities**	**(133,445)**
8,318	**Net Assets**	**36,502**
(8,318)	**Equity**	**(36,502)**

Presented below is a summarised Statement of Consolidated Income and Consolidated Statement of Financial Position for Wire Regeneration Limited.

2017/18 £'000	**Statement of Consolidated Income**	2018/19 £'000
1,323	Turnover	832
(809)	Cost of Sales	(386)
514	**Gross Profit**	**446**
(270)	Administrative Expenses	(248)
244	**Operating profit**	**198**
2	Interest Receivable and Similar Income	3
167	Gain Arising on Fair Value of Investment Property	-
413	**Profit Before Tax**	**201**

Statement of Financial Position	2019 £'000	2018 £'000
Fixed Assets		
Tangible assets	-	17
Investment property	9,432	8,667
	9,432	**8,684**
Current Assets		
Debtors	205	147
Cash at Bank and in Hand	325	795
	530	**942**
Creditors	(626)	(353)
Net Current Assets	**(96)**	**589**
Total Assets less Current Liabilities	**9,336**	**9,273**
Deferred Tax	-	(97)
Net Assets	**9,336**	**9,176**
Capital and Reserves		
Share Capital	7,408	7,408
Profit and loss account	1,928	1,769
	9,336	**9,176**

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.

JERSEY PROPERTY UNIT TRUST (JPUT)
A Jersey Property Unit Trust (JPUT) is a specific type of Jersey trust which is commonly used to acquire and hold interests in UK real estate. Unlike a company, a JPUT is not a separate legal entity.

The assets of the JPUT are held by its trustee on trust for the unitholders of the JPUT. The unitholders hold units in the JPUT, similar to shareholders holding shares in a company.

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 form the use of a non-current asset.

WORK IN PROGRESS (WIP)
The cost of work performed on an uncompleted project at the year end.

Annexe A

STATEMENT OF ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at 31 March 2019. The Council is required by the Accounts and Audit Regulations 2015 to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2018/19 (the Code), supported by International Financial Reporting Standards (IFRS)

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 Statement of Accounts has been prepared on a going concern basis.

1.2 Accruals of Income and Expenditure (Creditors and Debtors)

Activity is accounted for in the year that it takes place rather than when cash payments are made or received. In particular:

- Revenue from the sale of goods or services is recognised in accordance with the terms and conditions of the contract.
- 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 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 and cash equivalents are represented by cash in hand, bank accounts and deposits with a fixed maturity of three months or less from the date of acquisition.

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 Council Tax and Business Rates

The Collection Fund shows the transactions of the Council in its capacity as a billing authority, collecting Council Tax and Business Rates and redistributing this income to other local authorities, precepting bodies and central Government. Income reflected in the Collection Fund for Revenue relating to Council Tax and Business Rates is collected from local taxpayers on a statutory basis and is measured at the full amount billed in respect of each financial year net of any impairment losses.

Collection on behalf of other authorities is accounted for on an agency basis and only the precept levied by Warrington Borough Council is included in the main financial statements. There is no requirement for a separate Collection Fund Balance Sheet since any surplus or deficit arising on the Collection Fund is shared between, or recovered from, the major preceptors and the Government respectively.

1.5 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure in the relevant service line in the Comprehensive Income and Expenditure Statement (CIES).

An accrual is made for the cost of holiday pay and other forms of leave entitlements which have been earned by employees but not taken by the end of the year. This accrual is charged to the CIES but then reversed out through the Movement in Reserves Statement (MiRS) so that holiday benefits are charged to revenue in the same financial year that the absence occurs.

Post-Employment Benefits

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

- The Teachers' Pension Scheme, 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, administered by Cheshire West and Chester Council.
- Public Health employees transferred from the NHS – this scheme is administered by NHS Business Service Authority.

All three 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. These schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. Education and Public

Health services are charged with the employer's contributions payable to the Teachers' Pensions and NHS Business Service Authority respectively each financial year.

The Local Government Pension Scheme

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

- 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. This is then discounted to current value using a discount rate based on the expected rate of return on high quality corporate bonds
- The assets of Cheshire Pension Fund attributable to the Council are included in the Balance Sheet at year end fair value as estimated by the pension fund actuary:
- Past and current service costs are recognised as part of the Net Cost of Services in the CIES.
- Interest on the net defined benefit liability is included in the Financing and Investment Income and Expenditure line of the CIES
- Re-measurements comprising the return on plan assets and actuarial gains and losses are charged to the CIES as part of Other Comprehensive Income and Expenditure.

The Council's contributions to Cheshire Pension Fund are charged to the General Fund via a transfer between the Pension Reserve and the MiRS in line with statutory requirements.

1.6 Financial Instruments

Financial assets and liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their cashflow characteristics.

Financial Liabilities

The Council's financial liabilities are all initially measured at fair value and subsequently carried at amortised cost. For most of the Council's borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.
The fair value of PWLB loans is calculated using the certainty rate published by the PWLB on 31 March 2019. For non-PWLB loans the fair value is calculated using the standard new loan rate, also published by the PWLB on 31 March 2019.

Gains and losses on the repurchase or early settlement of borrowing are normally credited and debited to the Financing and Investment Income and Expenditure line in the CIES. Where regulations permit, the premium or discount is spread over future years and the difference between amounts charged to the CIES and the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account.

Financial Assets

To meet new Code requirements, financial assets are now classified into one of three categories:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.

- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account with the balance released to the Surplus or Deficit on the Provision of Services when the asset is eventually disposed of.

- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised as they occur in the Surplus or Deficit on the Provision of Services

When soft loans are made, a loss is recorded in the CIES representing 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.

Where assets are identified as impaired because of the likelihood that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service heading, or to the Financing and Investment Income and Expenditure line in the CIES as appropriate.

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 CIES.

1.7 Fair Value

The following categories of assets are required to be carried in the Balance Sheet at Fair Value:

- Surplus assets and assets held for sale
- Short and long term investments, including investment properties.

Valuations 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.

1.8 Government Grants and Contributions

Government grants and third party contributions are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and that grant monies and contributions will be received. Where conditions attached to grants and contributions remain outstanding, monies received to date are carried forward in the Balance Sheet as creditors (receipts in advance) until the conditions have been satisfied.

1.9 Heritage Assets

Heritage Assets have historic, artistic, scientific, technological, geographical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture. A de minimis level of £10,000 has been established for inclusion of Heritage Assets on the Council's Balance Sheet.

The carrying amounts of Heritage Assets are based upon insurance valuations. Carrying values 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 then 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.

1.10 Interest in Companies and Other Entities

The Council has both controlling and non-controlling interests in companies and other entities. Where the size of these entities is material, and the Council exercises significant control, they have been consolidated into the Group's financial statements. In the Council's own single entity accounts these consolidated entities are recorded as financial assets valued at cost less any provision for losses. Transactions with group interests taking place during the year are disclosed as related party transactions.

For more details regarding the consolidation of the Group Entities, please see Group Accounts on pages 112 to 138.

1.11 Investment Property

Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated but are revalued annually according to market conditions at the balance sheet date (year-end). Gains and losses on revaluation are recorded in the Financing and Investment Income and Expenditure line in the CIES. The same accounting treatment is applied to gains and losses on disposal. However, regulations do not permit unrealised gains and losses to have an impact on the General Fund Balance. Therefore these transactions are reversed out via the MiRS and recorded in either the Capital Adjustment Account or (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.12 Leases

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

Non-current assets held under finance leases are recognised on the Balance Sheet at the assets' fair value measured at lease date inception (or the present value of the minimum lease payments, if lower). The asset is then accounted for in the same way as other property plant and equipment, see 1.15 below.

Recognition of the asset in the Balance sheet is matched by a liability for the obligation to pay the lessor, which reduces over time as principal repayments are made. Any premiums paid on inception are written off over the period of the lease.

Ongoing lease payments are then 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)

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 asset. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments**.**

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 and replaced by a long-term debtor representing the current value of future lease payments. Lease rentals receivable are then 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)

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 CIES on a straight-line basis over the life of the lease, even if this does not match the actual pattern of payments.

1.13 Minimum Revenue Provision

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual set aside towards the reduction in its overall borrowing requirement, known as the Minimum Revenue Provision (MRP), which is calculated in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are reflected in the CIES but replaced by the MRP by way of an adjusting transaction between the Capital Adjustment Account and the General Fund Balance in the MiRS.

1.14 Overheads and Support Services

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

1.15 Property, Plant and Equipment

Recognition

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 value, service potential or useful economic life (eg repairs and maintenance), is charged as an expense when it is incurred.

The Council's usual de minimis level for capital expenditure is £10,000.

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – current value, which is determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Surplus assets – fair value estimated at highest and best use from a market participant's perspective price
- Vehicles, plant and equipment – depreciated historic cost.

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.

Revaluations

If material capital expenditure takes place on a capital scheme, the scheme in question will be revalued upon completion of the additional capital expenditure. Investment properties are revalued every financial year and 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.

All other Property, Plant and Equipment assets are formally revalued over a 5 year period in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Any assets not formally re-valued during the financial year will have a desktop valuation undertaken to determine whether any material change in value has occurred.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value 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 CIES

Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

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.

Impairment

Assets are assessed at each year-end for any indication of impairment. 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 CIES.

Where an impairment loss is subsequently reversed the reversal is credited to the CIES 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 estimated useful lives. An exception is made for assets without a 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
- infrastructure – straight line allocation over 40 years

Revaluation gains are also depreciated, with an amount equal to the difference between depreciation charged on the current value of the 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

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 identified, valued and depreciated separately.

The Council has adopted a policy that recognises that the components of material assets when revalued i.e. assets that have a building value of over £500,000 are to be recognised separately if 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

When an asset is disposed of or decommissioned, the carrying amount of the asset is de-recognised in the Balance Sheet. This amount, net of any receipts from disposal, are accounted for as a gain or loss on disposal and taken to the Other Operating Expenditure line in the CIES. Any revaluation gains previously accounted for in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Any disposal receipts in excess of £10,000 are categorised as capital receipts and must be credited to the Capital Receipts Reserve. A proportion of receipts relating to housing disposals must be paid to the Government.

The written-off value of disposals is not a charge against council tax but is subject to separate arrangements for capital financing. Amounts reflected in the CIES are appropriated to the Capital Adjustment Account via the Movement in Reserves Statement.

1.16 Private Finance Initiative (PFI) and service concession arrangements

PFI and service concession arrangements are contractual agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the lead contractor. The Council recognises the assets used under the contracts in its Balance Sheet within Property, Plant and Equipment because it both controls the services t provided under these contracts such, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge.

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. 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 as set out below:

- the contracted value of services received during the year – debited to the relevant service line in the CIES
- finance costs, debited to the Financing and Investment Income and Expenditure line in the CIES
- rents to be paid for the property during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES
- principal repayments – reduce the Balance Sheet liability
- lifecycle replacement costs –recognised as additions to Property, Plant and Equipment when the relevant works have been carried out

1.17 Provisions, Contingent assets and Contingent Liabilities

Provisions are charged as an expense to the appropriate service line in the CIES in the financial year that the Council becomes aware of the obligation, and are carried forward in the Balance Sheet, 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.

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 required), 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 when it is virtually certain that reimbursement will be received.

Contingent assets and liabilities are not recognised in the Balance Sheet but are included in disclosure notes to the accounts.

1.18 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created and utilised by transferring amounts in or out of General Fund and Housing Revenue Account (HRA) balances into Earmarked Reserves via the MiRS.

Certain reserves are maintained due to legal or accounting requirements in relation to transactions such as capital accounting and financing, financial instruments and retirement benefits, and do not represent usable resources for the Council. The purpose of these reserves is explained in Note 33.

1.19 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Legislation requires defined items of expenditure charged to services within the CIES to be treated as capital expenditure.

All such expenditure is transferred from the General Fund Balance to the Capital Adjustment Account via the Movement in Reserves Statement, and is included in the Council's Capital Financing Requirement, see Note 24.

1.20 Revenue Recognition

The Council's various income streams have been assessed and classified in line with Chapter 2 of the 2018/19 Code of Practice and revenue has been recognised accordingly, with specific consideration given to:

- implied or stated contractual terms for exchange transactions
- obligating events and /or conditions attached to non-exchange transactions
- the significance of the income stream to the Council.

1.21 Schools

Local authority maintained schools are considered to be under the control of the Council therefore the income, expenditure, assets and liabilities of these schools is accounted for as part of the Council's single entity accounts.
The Council has assessed the rights, benefits and obligation of Voluntary Aided Schools and has determined that although the schools are owned by the Diocese, the schools

are expected to receive all of the benefit of the school buildings for the whole of their remaining useful life. These assets and liabilities are therefore included in the Council's Balance Sheet in the same way as for maintained schools. The Council does not, however include the school land as this has an indefinite life and could be used by the Diocese in the future for other purposes.

Academies and Free Schools are outside the Council's control and therefore not included in the Council's Statement of Accounts.

1.22 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