

Inverclyde Council  
Audited Annual Accounts

2014-2015





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# Management Commentary

## 1. Introduction

This Management Commentary outlines key messages regarding the objectives and strategy of the Council and its financial performance over the 2014-2015 financial year and also provides an indication of issues and risks which may impact upon the finances of the Council in the future.

### Principal Activities

Inverclyde Council was established in 1996 as part of local government reorganisation in Scotland under the Local Government (Scotland) Act 1994. The Council has responsibility for providing local authority services for the residents of Inverclyde which is located in West Central Scotland along the south bank of the River Clyde. It is one of the smallest local authorities in Scotland, covering 61 square miles and serving a population of 79,860 (1.5% of the total population of Scotland). The Council employs 4,108 employees and provides a wide range of vital services to the public such as education, leisure and recreation, regeneration, planning and building standards, social services, street cleaning and refuse collection. Responsibility for the stock of council housing was transferred to River Clyde Homes, a not-for-profit social housing provider in 2007. The formal integration of health and care services between Inverclyde Council and Greater Glasgow and Clyde Health Board is due to take place during 2015-2016 although a Community Health & Care Partnership has been in operation since 2010.

The Council has twenty councillors elected every five years to represent the interest of the local community. The management of Inverclyde Council is led by the Chief Executive, John Mundell. The operational structure is divided into three directorates: Health and Social Care; Education, Communities and Organisational Development; and Environment, Regeneration and Resources. The Council has established two Arms' Length Organisations – Inverclyde Leisure and Riverside Inverclyde – to deliver certain services more effectively on the Council's behalf. Section 5 has more details of these and the other entities in the Inverclyde Council group and section 6 has links to their websites.

### Annual Accounts 2014-2015

This publication contains the financial statements of both Inverclyde Council and its group for the year ended 31 March 2015, and its main purpose is to demonstrate the stewardship of public funds entrusted to the Council. The Annual Accounts have been compiled in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2014-2015 ("The Code") which governs the format and content of local authorities' annual accounts.

## 2. Objectives and Strategy of the Council

### Getting it Right for Every Child, Citizen and Community

The Corporate Statement is a public facing, focused statement, setting out the Council's vision for Inverclyde, which is "*Getting it Right for Every Child, Citizen and Community*". Inverclyde Council wants all of its residents to be "*safe, healthy, achieving, nurtured, active, respected, responsible and included*". In addition the Inverclyde Alliance Single Outcome Agreement (SOA) has established eight local strategic outcomes based on local evidence, partner experiences and the priorities and aspirations of the local community. The outcomes cover repopulation, successful communities, best start in life for children and young people, economic regeneration, employability, alcohol misuse, tackling inequalities, the environment, and creating better, best value services. Responsibility for the delivery of these outcomes rests with Outcome Delivery Groups which include representation from across various organisations involved in community planning. In 2013, Inverclyde Council won a Gold CoSLA Excellence Award in the Achieving Better Outcomes category for its "Nurturing Inverclyde" approach. The SOA and SOA Annual Report can be found on the Council's website at <http://www.inverclyde.gov.uk/council-and-government/community-planning-partnership>.

## Delivering the Strategy

Inverclyde Council has a well-established framework in place that integrates strategic planning with performance management to ensure the effective delivery of corporate and service outcomes. The framework is underpinned by a system of robust self-evaluation in order to promote a culture of continuous improvement and help to ensure the Council continues to deliver Best Value. The main aspects of the framework are illustrated in the diagram on the right.

The Scottish Government publishes a set of “national outcomes” for local authorities in the provision of public services and engages with each local authority to reach agreement on eight local outcomes and wellbeing indicators in a SOA. Inverclyde Council’s Corporate Statement sets out the key outcomes the Council is committed to delivering with its partners, as set out in the Community Plan and what it will do to deliver on the eight outcomes. It also sets out a high level budget by key services.

Services are able to demonstrate how their own activities link to the Council’s vision and priorities through their Corporate Directorate Improvement Plans (CDIPs). The Inverclyde Alliance Community Plan sets out the Alliance’s approach for engaging with stakeholders. Consultation on the future vision and activities of the Council is undertaken through the Council’s Citizens’ Panel and through specific consultations.

## Public Performance Reporting

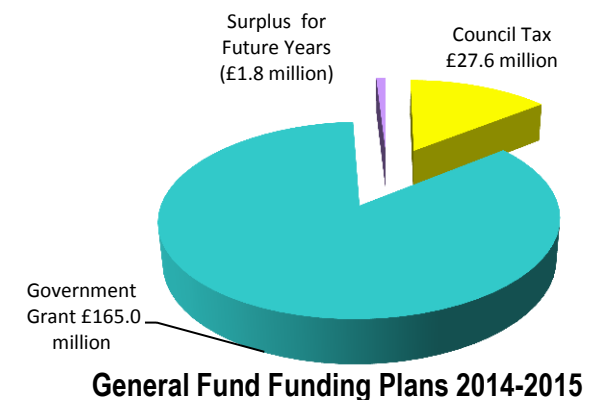
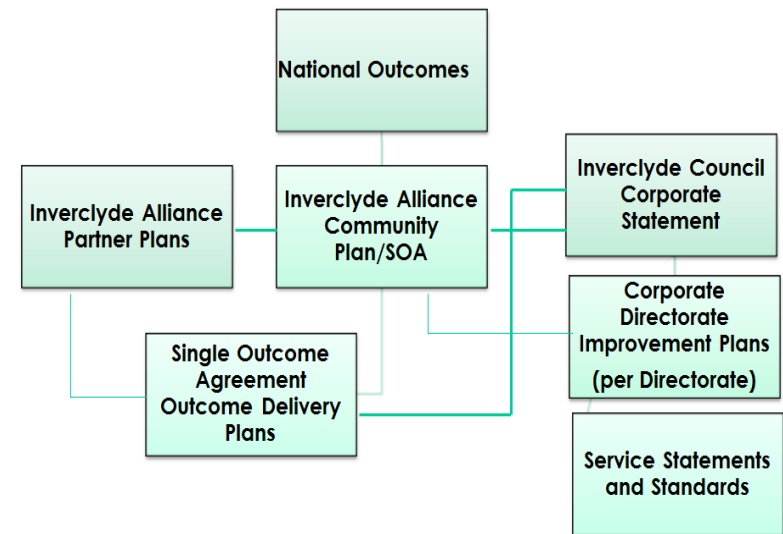
Inverclyde Council publishes a wide range of comprehensive and diverse performance indicators to allow the public to make an informed assessment. In addition to the performance indicators that the Council publishes as part of the Local Government Benchmarking Framework, it also publishes a wide range of service indicators covering 17 separate categories.

Full details of the Council’s performance can be found by following the link to the Council’s performance pages on its website <http://www.inverclyde.gov.uk/council-and-government/performance>. The Directorate Performance Reports also contain details about financial and non-financial performance indicators. The most recent ones can be found at <http://www.inverclyde.gov.uk/council-and-government/performance/statutory-performance-indicators>.

## The Annual Budget and Setting Council Tax

2014-2015 was the second year of the Council’s three-year budget and was formally approved by the Council on 20 February 2014. The budget was based on the Council Tax for band D remaining at £1,198 for the seventh successive year. For 2014-2015, a surplus of £1.8 million was planned after taking account of government grants, inflation, borrowing costs and approved savings. The planned surplus would be carried forward into future years to fund one-off expenditure proposals.

The Council also approved a £113 million three-year capital investment programme, again covering 2013-2016 of which £87 million would be funded by the Council with the balance coming from government grants. Of this, £86 million was planned to be delivered over 2014-2016 and into future years. The Council also took decisions to invest approximately £5 million from its projected surplus Revenue Reserves. The expenditure was planned to supplement the capital investment programme in addition to which there were sums set aside to assist with regeneration projects across Inverclyde and to smooth a temporary increase in associated capital financing costs.



### 3. Financial Performance in 2014-2015

#### General Revenue Budget

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules provide otherwise. The General Fund is funded by Government Grant and Council Tax revenues and the Movement in Reserves Statement on page 24 shows a surplus of £2.1 million. The Council budgeted to return a surplus of £1.8 million in 2014-2015. This was achieved and in addition to this the Council over recovered on Council Tax by £0.5 million, underspent on loans charges of £0.6 million, underutilised inflation contingencies of £2.6 million and from the advancement of savings and turnover savings generated underspends of £2.6 million across all Service areas. This has been partly offset by a planned spend on earmarked reserves carried forward from previous years and a review on the amounts set aside within certain earmarked reserves which has resulted in a reduced surplus in the year of £2.1 million.

Combining the surplus with the accumulated funds brought forward from 2013-2014 of £42.9 million, produces a cumulative working balance of £45.0 million to be carried forward to 2015-2016. Of the balance, £40.0 million has been earmarked for particular purposes as detailed in Note 18 on Pages 52 to 53. This leaves a balance of £5.0 million of unallocated reserves (2.60% of the Council's net annual running costs). This is £1.0 million more than the recommended level of £4.0 million (2% of annual turnover based on the 2015-2016 budget), and the Council will consider uses for the excess later in 2015.

#### Capital Budget

The Council continues to make significant capital investment in schools, roads, leisure, community and town centre estate, £24.6 million was spent in 2014-2015. The largest individual element of the capital expenditure for the year was the £7.8 million spent on building and refurbishing educational properties as part of the Council's School Estates Strategy. Funding of capital expenditure included £5.5 million from revenue, £0.2 million from receipts, and £9.2 million from Government grants with the balance of £10.5 million being met through internal funding and borrowing. Further information about the spending on capital projects is shown in Note 28 on page 63.

Major projects progressed during the year included:

- £1.5 million on the Regeneration of Gourock Pierhead.
- £4.9 million on refurbishment of Ardgowan Primary School.
- £3.5 million on the Office and Depot Rationalisation Programme.
- £6.0 million on Roads and Transportation Projects.

The Council is able to regulate its own capital spending limits within a Prudential Framework recommended by CIPFA and endorsed by the Scottish Government. The Council's performance confirms its overall capital spending of £24.6 million was managed within the "Prudential Framework" limits approved by the Council. There was slippage for services (particularly depots) of £4.1 million (14.0%) against the approved capital programme. This is a deterioration in percentage terms on 2013-2014 where there was slippage of £5.1 million (13.0%) against the approved capital programme. Analysis of the slippage shows a combination of internal slippage/delay, slippage relating to third parties and reductions in project costs.

#### Key Financial Ratios

The Chartered Institute of Public Finance and Accountancy (CIPFA) Directors of Finance Section recommends that certain "financial ratios" are included in the Management Commentary to assist the reader to assess the performance of the Council over the financial year and of the affordability of its ongoing commitments. The following table provides the indicators with an explanation of each, grouped into CIPFA categories for the various areas of financial activity.

Financial Indicator	Commentary	2014-2015	2013-2014
<b>Reserves</b>			
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's Policy is 2% of annual turnover which is considered appropriate in the context of the Council's financial and ongoing risk profile. More information is provided in the <i>General Revenue Budget</i> section above.	2.60%	2.77%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.	4.49%	(13.48)%
<b>Council Tax</b>			
In-year collection rate	Reflects the Council's effectiveness in collecting Council Tax debt and financial management. The Council continues to achieve high collection levels despite the current economic climate and its effect on the local economy. Collection in 2014-15 was the Council's highest level to date.	94.8%	94.51%
Ratio of Council Tax Income to Overall Level of Funding	Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within Local Authority control. Inverclyde Council, in common with all Scottish Local Authorities, has frozen Council Tax bills at 2007-08 levels.	13.26%	13.19%
<b>Financial Management</b>			
Actual Outturn compared to Budgeted Expenditure	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. This indicator is based on the format of budget monitoring as reported throughout the year. More details are provided in the <i>General Revenue Budget</i> section above.	95.39%	97.06%
Actual contribution to/from Unallocated General Fund Balance compared to Budget.		4.61%	2.94%
<b>Debt/Long-term Borrowing</b>			
Capital Financing Requirement (CFR) for the current year	External debt levels are less than the CFR. This demonstrates that borrowing is for capital investment purposes only. More information is provided within the <i>Long-term and Short-term Borrowing and Lease Finance</i> section below.	£303.78m	£304.51m
External Debt Levels for the current year		£284.13m	£291.88m
Ratio of financing costs to net revenue stream	These two ratios compliment the assurances of borrowing only being for capital purposes with an indication of the Council's ability to service the borrowing costs. The Council's cost of borrowing remains consistently below the Scottish average; is affordable; and fits with the Council's medium to long-term financial strategy.	12.50%	12.50%
Impact of Capital Investment on Council Tax		£4.62	£14.96

### Assets and Liabilities

The Balance Sheet on page 27 summarises the Council's assets and liabilities as at 31 March 2015 and explanatory notes are provided. Total Net Assets have reduced by £33.5 million to £20.1 million. Within this headline figure, there have been significant changes in both asset values and liabilities. Property, plant & equipment has reduced by £12.0 million while cash and cash equivalents have reduced by £3.3 million; on the liabilities side the pensions liability has increased by £26.0 million and borrowing and lease finance has reduced by £7.9 million. The major changes in the Council's Balance Sheet between March 2014 and March 2015 are explained in more detail in the following paragraphs.

### **Non-current and Current Assets**

Property, Plant & Equipment have reduced in value by £12.0 million to £421.9 million. An increase in asset values resulting from major capital investment was offset by disposals, revaluations and depreciation charges for the year. Short term investments are largely unchanged whilst cash equivalents have reduced by £3.3 million. This has arisen as a result of the Council spending funds without undertaking further borrowing. Long and short-term Debtors and Creditors decreased by a net £0.1 million.

### **Pensions Position**

The details of the Council's net pension position are disclosed in Note 32 in the format required by International Accounting Standard 19 Employee Benefits (IAS19). The Pension Fund actuaries have assessed an increase of £26.0 million in the net liability of the local government pension fund. This movement is the net outturn of both increased liabilities linked to a lower discount rate as at 31 March 2015 than the year previous (a lower discount rate leading to an increased value in future liabilities) and better than expected investment returns in the year.

The major change during the year is disclosed as a post-employment actuarial loss on pension liabilities (£17.5 million) less an improvement on investment returns (£29.9 million) in the Comprehensive Income & Expenditure Statement (CIES). There is no impact upon the General Fund balance. Scottish Government regulations require the General Fund balance to be charged with the amount payable by the Council to the pension fund or to pensioners in the year, not the amount calculated according to accounting standards.

### **Long-term and Short-term Borrowing and Lease Finance**

The Council's net borrowing (including finance leases) reduced by £7.9 million during the year. Short-term borrowing and lease financing reduced by £4.6 million whilst long-term borrowing and lease financing reduced by £3.3 million. This reflects the funding of the capital programme this year and the repayment of borrowing and lease finance.

The borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. The Council's borrowing comes from market loans and from borrowing from the Public Works Loan Board. Further details are provided at Note 35. The Council regulates its capital spending limits within a prudential framework recommended by CIPFA and endorsed by the Scottish Government. Each year, the Council calculates its capital financing requirement (CFR) for the forthcoming year. The CFR is a prudent assessment of the external borrowings for capital investment purposes that are affordable and sustainable over the longer-term. The Council's external borrowings have only been for capital investment purposes. The Council's gross external debt was £284.13 million at 31 March 2015 compared to the CFR limit of £303.78 million. The Council's average loans rate was 3.93% for 2014-2015, an increase of 0.10% from 2013-2014.

### **Provisions, Contingencies and Write-Offs**

The Council has provided £2.0 million in the Balance Sheet for eventualities which may have an impact on the financial position of the Council (see Note 17). The reasons for the provisions made are outlined in the note. While the Council has made provision for potential equal pay claims, there may be additional costs arising under the terms of the Equal Pay Act 1970 (As Amended). The Council continues to progress its workforce planning arrangements in recognition of the need to reduce and reshape the workforce. This process will incur costs related to the release of employees through redundancy and early retirement.

There was a write-off against bad debt provision during the year of irrecoverable debt due to the Council of £0.3 million for Council Tax and £0.13 million of other debts which was approved by the Chief Financial Officer under delegated authority. The Council impaired non-current assets at the year-end by £9.1 million and made a provision at the year-end of £18.8 million for non-collection of debt, an increase of £0.3 million.



## 4. Financial Outlook, Key Risks & Plans for the Future

### Financial Outlook

The pressure on public finances continues, despite the perceived improvement in the general UK economy over the course of the year. There still remains an underlying weakness of the recovery across Europe, although immediate concerns about European banking systems and sovereign debt within the Eurozone continue to recede. The Council continues to mitigate the risks associated with security of cash deposits by monitoring and reviewing in consultation with our treasury advisors the criteria for placing deposits with financial institutions on the Council's approved counterparty list, and making use of immediately accessible deposit facilities. As part of the Council's treasury strategy, the Council continues to utilise internal cash balances, deferring external borrowing requirements to reduce the level of cash deposits held by the Council, whilst generating ongoing savings in overall net interest costs.

The period of austerity and reduction in the overall level of UK public sector expenditure is anticipated to extend for at least another four years, despite more encouraging signs over the past year of a UK economic recovery. The government grant settlement for the next financial year (2015-2016) was in line with the financial planning assumptions the Council has made. Thereafter, economic commentators continue to forecast pressure on public expenditure until at least 2019. The Council, in line with prudent financial practice, continues to adopt a medium term horizon for financial planning purposes and decisions.

At the same time, the Council faces ongoing service and cost pressures arising from a range of issues, most significantly demographic and socio-economic factors which continue to play a major role in driving spending pressures for the Council, particularly in relation to social care services. The UK Government's welfare reform agenda continues with the introduction of changes to the benefits system providing challenges for the Council in terms of demand for services and support. In terms of structural reform, Inverclyde Council has been actively preparing for the Scottish Government's policy to integrate elements of health and social care. In addition to this, other factors will influence the availability of funding for the public sector including elections in each of the next two years, financial powers arising from the Scotland Act 2012, recommendations arising from the Smith Commission, and the introduction of a Single Tier State Pension Scheme in 2016 affecting employers' national insurance contributions.

### Management of Risk

The most significant risks faced by the Council over the medium to longer term can be summarised as follows: the impact of Welfare Reform on the residents of Inverclyde; the increased demand for services and the Council's finances; the wider financial environment; and the socio-economic inequalities prevalent in Inverclyde. The Annual Governance Statement details the arrangements the Council has put in place for the proper governance of the Council's affairs and for the management of risk. This Statement explains the system of internal control in place and sets out improvements actions to the governance framework identified from the Council's ongoing review of these arrangements. As part of these arrangements, the Council has a treasury strategy in place to ensure Council retains sufficient cash balances to support its requirements and remains alert to any anticipated adverse movement in future borrowing rates.

### Plans for the Future

The Council has been actively preparing for the Scottish Government's policy reform programme in the area of Health and Social Care reform. A formal integration of health and care services between Inverclyde Council and Greater Glasgow & Clyde Health Board will occur, which will have financial and governance implications for both local government and the NHS in Scotland. Inverclyde Health and Social Care Partnership will be responsible for commissioning future care services across Inverclyde. Budgets for integrated services will be integrated to form a pool of resource which will have the flexibility to be redirected within the Partnership to address service pressures. The Council continues to work closely with the Scottish Government, professional associations and local NHS partners to ensure the new Partnership is well placed to deliver integrated services.

Inverclyde Council is one of the member local authorities of the £1.1 billion Glasgow and Clyde Valley City Deal, the largest in the UK and the first of its kind in Scotland. This is one of the most significant funding arrangements to take place in Scotland and will fund major infrastructure projects and greatly add to the value of the wider local economy

over the next 20 years. The anticipated projects within the Inverclyde area are a £14.2 million development to the Greenock Ocean Terminal, £9.4 million to the Greenock Inchgreen dockland and £3.2 million for the Inverkip transport interchange.

The combination of anticipated cost pressures, coupled with reduced government grant income in the context of significant ongoing public sector reform, presents major challenges and financial risks to the Council over the medium term. The Financial Strategy estimates that between 2016 and 2018 further budget reductions of £12.6 million could be required. The Community Plan and Inverclyde Alliance Community Engagement Strategy provide a helpful focus in terms of the policy priorities for the Council whilst recognising the financial pressures existing and forecast.

It is recognised that the scale of the financial challenge will require a fundamental review of aspects of its service delivery as the Council maintains its financial stability moving forward and protects its ability to deliver the most important services in the future. The Council continues to develop its longer term financial planning arrangements, which will support the identification of key longer term financial risks and appropriate longer term mitigation strategies. The ongoing funding pressures highlight the need for the Council to maintain stringent financial control and to continue to drive out efficiencies through the Council's budget process.

## 5. Supplementary Information

### Public Private Partnership

The Council entered into a Public Private Partnership for the provision of educational buildings, maintenance and other facilities in 2008. This agreement provided the Council with replacement buildings for two primary and two secondary schools. The provider is required to ensure the availability of the buildings to a pre-agreed standard. During the financial year 2014-2015, £9.4 million was paid to the contractor under the terms of the agreement.

### Business Premises Renovation Allowance Scheme

The Council has used the Business Premises Renovation Allowance (BPRA) to help fund a capital project to rationalise and integrate the Council's main offices in Greenock and Port Glasgow. The redevelopment of these empty office buildings has the exceptional opportunity of benefitting from BPRA capital tax allowances. The scheme provides access to tax allowances to higher rate taxpayers who contribute towards the refurbishment costs. This mechanism will permit the delivery of these redevelopments at significantly less cost to the Council. The development was undertaken by Inverclyde Property Renovations LLP. The two sites became operational during the reporting period. BPRA is also planned to be used to assist the financing of the redevelopment of a vacant Council office building in William Street Greenock, planned to commence in 2016.

### Common Good

The Common Good Fund, administered by the Council, returned a deficit of £0.127 million. Outgoings on various community events and refurbishment of properties exceeded income, mostly from rents. The total usable reserves of the Common Good Fund now stand at £0.099 million which is available for use in future years. The financial statements and notes of the Common Good Fund are detailed on pages 81-83.

### Inverclyde Council Group

Local Authorities are required to prepare Group Accounts in addition to their own Council's accounts where they have a material interest in other organisations. The Group Accounts consolidate the results of the Council with its share of five other entities – Inverclyde Leisure, Riverside Inverclyde, Strathclyde Partnership for Transport, Strathclyde Concessionary Travel Scheme Joint Board, and Renfrewshire Valuation Joint Board. The effect of the inclusion of the five associate bodies in the Group Balance Sheet is to increase both the "total assets less liabilities" and "total balances and reserves" by £6.512 million representing the Council's share of the net liabilities in these entities. This reflects the combined pension position of these associates. Further details of the nature of the business of these entities and their financial results can be found on pages 85 to 93.

### Financial Instruments

Information in respect of the financial risk management objectives and policies of the Council and the exposure of the Council to price risk, credit risk, liquidity risk and cash flow risk are disclosed in Note 35.

### Carbon Emissions and Energy Consumption

In its Carbon Management Plan (CMP) 2012-2017, drafted as part of the Carbon Trust Revisited Programme, Inverclyde Council set a target to reduce carbon dioxide equivalent (CO<sub>2</sub>e) emissions from its operations by 12% by the end of financial year 2016-2017, from a 2011-2012 baseline. The CMP incorporated CO<sub>2</sub>e from the consumption of electricity, gas and oil in buildings, consumption of electricity for street lighting, use of diesel for its transport fleet, mileage claims for business travel, waste sent to landfill, recycled and composted and consumption of water.

The most recent available data for performance against this target relates to 2013-2014. Figures for 2014-2015 are being finalised and are not yet available. Inverclyde Council had by March 2014 reduced CO<sub>2</sub>e by 0.8%, significantly below the overall target. The main reason for this is the increase in electricity and gas consumption, which make up a large proportion of Inverclyde Council's total CO<sub>2</sub>e. Inverclyde Council has recognised this issue and is looking to further improve processes and invest in energy efficient technologies that will aid in reducing CO<sub>2</sub>e from the consumption of electricity and gas.

### Equality and Diversity

Inverclyde Council believes in, and is committed to, the principle of equality of opportunity. The Council recognises its responsibility as a community leader, service provider and employer to encourage the fair treatment of all individuals and to tackle social exclusion. As an equal opportunities employer, Inverclyde Council welcomes applications for employment from disabled persons and actively seeks to provide an environment where they and any employees who become disabled can contribute to the work of the Council. The Council is also committed to eradicate all forms of discrimination, direct or indirect and aims to eliminate discriminatory practices and promote measures to combat its effects.

### Consultation and Communication with Workforce

Inverclyde Council has in place employee governance arrangements to ensure its employees are well informed, involved in decisions, appropriately trained, treated fairly and consistently and provided with a safe environment. The Council carries out periodic employee surveys and its Human Resources department seeks the views of the workforce through regular consultations with staff and trade unions. The Corporate Communications Unit e-mails bulletins and posts updates on the Council's internal website ICON. There are team meetings and briefings for staff that do not have access to the internet e.g. refuse collectors and home care staff.

### Events after the Balance Sheet Date

Events from the Balance Sheet Date until the Date of Signing the Accounts have been taken into consideration. There are no significant post balance sheet events to report.

## 6. Where to Find More Information

### In This Document

An explanation of the financial statements which follow and their purpose is shown at the top of each page. A glossary of terms can be found at the end of this document and this provides an explanation of the main terms used.

### On Our Website

Further information about Inverclyde Council can be obtained on the Council's website ([www.inverclyde.gov.uk](http://www.inverclyde.gov.uk)) or from Finance Services, Municipal Buildings, Clyde Square, Greenock PA15 1LY.

### On Group Entities' Websites

Further information about the entities within the Inverclyde Council group, the nature of their business and their financial results can be found on Inverclyde Leisure ([www.inverclydeleisure.com](http://www.inverclydeleisure.com)), Riverside Inverclyde ([www.riversideinverclyde.com](http://www.riversideinverclyde.com)), SPT ([www.spt.co.uk](http://www.spt.co.uk)) and Renfrewshire Valuation Joint Board ([www.renfrewshire-vjb.gov.uk](http://www.renfrewshire-vjb.gov.uk)).

## 7. Conclusion and Acknowledgements

The continuation of prudent financial management and medium term financial planning have allowed the Council to successfully manage its financial affairs within budget and the financial objectives prescribed, whilst at the same time progressing major strategic initiatives such as the School Estate Strategy, the Road Assets Management Plan, the formation of the Health and Social Care Partnership, the Leisure Strategy and regeneration via Riverside Inverclyde. We are pleased to report that the Council has successfully managed its financial affairs which reflects well on both the efforts and professionalism of the employees and the effectiveness of our financial management procedures.

We would like to take this opportunity to acknowledge the significant effort in producing the Annual Accounts and to record our thanks to our colleagues for their continued hard work and support. We greatly appreciate the significant efforts of all who were involved.

**Cllr Stephen McCabe**  
Leader of the Council

**Date:** 24 September 2015

**John W. Mundell**  
Chief Executive

**Date:** 24 September 2015

**Alan Puckrin C.P.F.A.**  
Chief Financial Officer

**Date:** 24 September 2015

# Statement of Responsibilities for the Annual Accounts

## 1. The Council's Responsibilities

The Council is required to:

- (i) Make arrangements for the proper administration of its financial affairs and to ensure that the proper officer of the authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Chief Financial Officer.
- (ii) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (iii) Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- (iv) Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by Inverclyde Council's Audit Committee at its meeting on 24 September 2015.

Signed on behalf of Inverclyde Council

**Cllr Stephen McCabe**

Leader of the Council

**Date:** 24 September 2015

## 2. The Chief Financial Officer's Responsibilities

The Chief Financial Officer of Inverclyde Council is responsible for the preparation of the Council's Annual Accounts, in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("The Accounting Code").

In preparing the Annual Accounts, the Chief Financial Officer has:

- (i) Selected suitable accounting policies and then applied them consistently.
- (ii) Made judgements and estimates that were reasonable and prudent.
- (iii) Complied with legislation.
- (iv) Complied with the Local Authority Accounting Code (in so far as it is compatible with legislation).

The Chief Financial Officer has also:

- (i) Kept adequate accounting records which were up to date.
- (ii) Taken reasonable steps for the prevention and detection of fraud and other irregularities.
- (iii) Signed and dated the Balance Sheet.

I certify that the financial statements give a true and fair view of the financial position of the local authority and its group at the reporting date and the transactions of the local authority and its group for the year ended 31 March 2015.

**Alan Puckrin**

Chief Financial Officer

**Date:** 24 September 2015

# Annual Governance Statement

## 1. Scope of Responsibility

Inverclyde Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Under the Local Government in Scotland Act 2003, the Council also has a statutory duty to make arrangements to secure best value, which is defined as continuous improvement in the performance of the Council's functions.

In discharging these responsibilities, Elected Members and the Corporate Management Team are responsible for putting in place proper arrangements for the governance of the Council's affairs, and for facilitating the effective exercise of its functions, including the arrangements for the management of risk. The Council has established two Arms Length External Organisations – Inverclyde Leisure and Riverside Inverclyde - to deliver services more effectively on the Council's behalf, and which report regularly to Elected Members and to the Corporate Management Team.

The Council has adopted a Local Code of Corporate Governance ("the Local Code") consistent with the six principles of CIPFA and the Society of Local Authority Chief Executives (SOLACE) framework, "*Delivering Good Governance in Local Government*". A copy of the Local Code can be obtained from the Corporate Policy Unit, Municipal Buildings, Greenock, PA15 1LY.

This statement explains how Inverclyde Council has complied with the Local Code and also meets the Code of Practice on Local Authority Accounting in the UK, which details the requirements for an Annual Governance Statement.

## 2. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled and through which it accounts to, and engages with communities. It enables the Council to monitor the achievement of its key corporate priorities and strategic objectives set out in the Council's Corporate Statement. It enables the Council to consider whether those objectives have led to the delivery of appropriate value for money services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. Internal control cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

This governance framework has been in place at Inverclyde Council for the year ended 31 March 2015 and up to the date of the approval of the Statement of Accounts.

## 3. The Governance Framework

The main features of the Council's governance arrangements are described in the Local Code but are summarised below:

- The overarching strategic vision and objectives of the Council are detailed in the Council's Corporate Statement which sets out the key outcomes the Council is committed to delivering with its partners, as set out in the Community Plan and Single Outcome Agreement.
- Services are able to demonstrate how their own activities link to the Council's vision and priorities through their Corporate Directorate Improvement Plans. Performance management and monitoring of service delivery is reported principally through the Policy & Resources Committee and to other Committees as appropriate on a regular

basis. The Corporate Management Team monitors performance information. The Council publishes information about its performance regularly as part of its public performance reporting requirements at <http://www.inverclyde.gov.uk/council-and-government/performance/>.

- The Inverclyde Alliance Community Engagement Strategy sets out the Alliance's approach for engaging with stakeholders. Consultation on the future vision and activities of the Council is undertaken through the Inverclyde Alliance, and through service specific consultations and the Council actively engages the Council's partners through existing community planning networks.
- Effective scrutiny and service improvement activities are supported by the formal submission of reports, findings and recommendations from Audit Scotland, the external auditor, Inspectorates and the Internal Audit section to the Corporate Management Team, the relevant service Committee of the Council and, where appropriate, the Audit Committee.
- The Council operates within an established procedural framework. The roles and responsibilities of Elected Members and officers are defined within the Council's Standing Orders and Scheme of Administration, Contract Standing Orders, Scheme of Delegation and Financial Regulations; these are subject to regular review. The Council facilitates policy and decision making through a thematic Committee structure.
- Responsibility for maintaining and operating an effective system of internal financial control rests with the Council's Chief Financial Officer as Section 95 Officer. The system of internal financial control is based on a framework of regular management information, Financial Regulations, administrative procedures (including segregation of duties), management and supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council.
- The Council's approach to risk management is set out in the risk management strategy and is being embedded within the Council's Strategic Planning and Performance Management Framework. Regular reporting on risk management is undertaken and reported at least bi-annually to the Audit Committee.
- The Council has adopted a code of conduct for its employees. Elected Members observe and comply with terms of the Councillors' Code of Conduct. In addition, the Council has developed a protocol on Member/officer relations, a multi-member ward protocol and guidance on Member/Member relationships.
- Comprehensive arrangements are in place to ensure Members and officers are supported by appropriate learning and development.

#### 4. Review of Effectiveness

Inverclyde Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness of the framework is informed by the work of the Corporate Management Team who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and reports from the external auditors and other review agencies and inspectorates.

The review of the Council's governance framework is supported by a process of self-assessment and assurance certification by Heads of Service. Heads of Service were provided with a "Self-assessment Checklist" to complete and return as evidence of review of six key areas of the Council's governance framework. As part of this process, Heads of Service were asked to identify their progress on implementing improvement actions identified as part of their 2014-2015 assessments and to identify actions they proposed to take during 2015-2016 to address service governance arrangements. The Corporate Directors then considered the completed evaluations and provided a Certificate of Assurance for their Directorate. In addition, the review of the effectiveness of governance arrangements and the systems of internal control within the group entities places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control.

There was one audit review which received a "requires improvement" audit opinion in relation to Corporate Complaints Procedures. A working group has been set up to address a number of organisation-wide control issues identified. In addition, a number of issues worthy of noting were identified and are detailed in Section 7. We propose over the coming year to take steps to address these matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements which were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

## 5. Roles and Responsibilities of the Audit Committee and the Chief Internal Auditor

Elected Members and officers of the Council are committed to the concept of sound governance and the effective delivery of Council services. The Council's Audit Committee operates in accordance with CIPFA's *Audit Committee Principles in Local Authorities in Scotland* and *Audit Committees: Practical Guidance for Local Authorities*.

The Audit Committee performs a scrutiny role in relation to the application of CIPFA's *Public Sector Internal Audit Standards 2013 (PSIAS)* and regularly monitors the performance of the Council's Internal Audit service. The Council's Chief Internal Auditor has responsibility to review independently and report to the Audit Committee annually, to provide assurance on the adequacy and effectiveness of conformance with the PSIAS.

The Internal Audit service undertakes an annual programme of work, approved by the Audit Committee, based on a strategic risk assessment. The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control. The Chief Internal Auditor has conducted a review of all Internal Audit reports issued in 2014-2015 and the Certificates of Assurance from Corporate Directors. In conclusion, although no systems of internal control can provide absolute assurance, nor can Internal Audit give that assurance, on the basis of the audit work undertaken during the 2014-2015 financial year, the Chief Internal Auditor is able to conclude that a reasonable level of assurance can be given that the system of internal control is operating effectively within the Council.

## 6. Compliance with Best Practice

The Council complies with the requirements of the CIPFA Statement on "*The Role of the Chief Financial Officer in Local Government 2010*". The Council's Chief Financial Officer (Section 95 Officer) has overall responsibility for the Council's financial arrangements, and is professionally qualified and suitably experienced to lead the Council's finance function and to direct finance staff.

The Council complies with the requirements of the CIPFA Statement on "*The Role of the Head of Internal Audit in Public Service Organisations 2010*". The Council's Chief Internal Auditor has responsibility for the Council's Internal Audit function and is professionally qualified and suitably experienced to lead and direct the Council's Internal Audit staff. The Internal Audit service generally operates in accordance with the CIPFA "*Public Sector Internal Audit Standards 2013*".

## 7. Governance Issues and Planned Actions

The Council continues to recognise the need to exercise strong management arrangements to manage the financial pressures common to all Local Authorities. Regular reviews of the Council's arrangements are undertaken by Internal Audit and overall the Council's arrangements are satisfactory. For 2014-2015, there was one audit review which received a "requires improvement" audit opinion in relation to Corporate Complaints Procedures. A working group has been set up to address a number of organisation-wide control issues identified.

In addition, the table below sets out improvement actions to the governance framework identified from the Council's ongoing review and monitoring of the effectiveness of its governance arrangements. These represent corporate initiatives that will be undertaken or further progressed during 2015-2016.



	Where are we now?	Where do we want to be?	How will we know we are getting there?	Who is responsible?
1	The introduction of the mandatory training matrix has provided a focus for services in terms of corporate training needs for staff. However, the number of courses and timescales for completion of courses requires to be reviewed as not all services have been able to comply with the requirements.	Mandatory training is embedded within the Council's Organisational Development strategy and workplan, and all employees undertake relevant training in a timely manner.	Key areas for mandatory training requirements will be reviewed and agreed, and method of delivery e.g. face to face or via e-learning.  Management information on completion of mandatory training by employees will form part of the regular Workforce Information and Activity Report to Directorates.	Head of Organisational Development, Human Resources and Corporate Communications.
2	Training and development plan for members requires to be refreshed for 2015-2016 and beyond.	Members have access to suitable training in order to discharge their responsibilities.	Implementation of Members training and development plan.	Head of Legal and Property Services.
3	Induction process for staff could be improved to include a follow up of the completion status of corporate induction training and induction checklists. In addition, some services have found it challenging to comply with the current corporate induction process for non-office based staff groups including cleaning, catering, sessionals etc.	All employees undertake corporate induction training.	The corporate induction process is being reviewed. The Workforce Information and Activity Report will be further developed to include management information in relation to corporate induction training for staff.	Corporate Directors supported by Head of Organisational Development, Human Resources and Corporate Communications.
4	Oversight arrangements in relation to employee conflicts of interest and gifts and entertainment procedures could be improved. In addition, not all gifts and entertainment whether accepted or declined are consistently recorded by services.	Employees fully comply with conflicts of interest and gifts and entertainment requirements.	Refresher training will be provided to Extended Corporate Management Team on employee conflicts of interest and recording of gifts and entertainment.	Head of Legal and Property Services.
5	Records management arrangements could be improved in some services to ensure records are retained in accordance with Council's retention policy.	Records are retained in accordance with the Council's retention policy.	Action plans are being progressed via the Records Management Working Group to assist services to comply with the retention policy requirements.	Corporate Directors supported by the Information Governance Steering Group.

	Where are we now?	Where do we want to be?	How will we know we are getting there?	Who is responsible?
6	For 2014-2015 the Council achieved an overall completion rate of 83% for performance appraisals. However, some services are finding it challenging to carry out performance appraisals for non-office staff groups.	All services are meeting the corporate target of 90% completed performance appraisals in year.	Focussed work will be undertaken for specific groups where existing process has been challenging.	Corporate Directors supported by Head of Organisational Development, Human Resources and Corporate Communications.
7	Complaints procedures across a number of services could be improved including logging and recording information on LAGAN (the Customer Relation Management System), reviewing relevant management information to ensure complaints are being handled in accordance with agreed timescales and undertaking root cause analysis for service improvements.	Complaints procedures become fully embedded within services processes.	Action plans will be progressed via the Complaints Working Group to assist services to comply with the complaints procedures.	Corporate Directors supported by the Complaints Working Group.
8	Succession planning is not undertaken in a formal manner.	Succession planning becomes an embedded process within services.	Corporate succession planning guidance is being reviewed as part of the Organisational Development strategy with a view to rolling out new guidance during 2015-2016 for services to comply.	Corporate Directors supported by Head of Organisational Development, Human Resources & Corporate Communications.

### 8. Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2014-2015 provides reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

**Cllr Stephen McCabe**  
Leader of the Council

**Date:** 24 September 2015

**John W. Mundell**  
Chief Executive

**Date:** 24 September 2015

# Remuneration Report

## 1. Introduction

The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No. 2011/64) amend the Local Authority Accounts (Scotland) Regulations 1985 (SI No. 1985/267) and require Local Authorities in Scotland to prepare a Remuneration Report as part of the statutory Annual Accounts.

All information disclosed in the tables in this Remuneration Report, with the exception of the Tiered Contribution Pay Rates table on Page 19, has been audited by the appointed auditors Grant Thornton UK LLP and the information reviewed by them to ensure it is consistent with other sections of the Annual Accounts.

## 2. Remuneration Policy for the Leader of the Council, the Provost and Senior Councillors

The annual salary of the Leader of the Council and the upper limit for the annual salary of the Provost are set out by the Scottish Government in terms of the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007, as amended by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2008. The salary for the Leader of the Council is £27,602 per annum (2013-2014 £27,329) and for the Provost is £20,702 per annum (2013-2014 £20,497).

In terms of the same Regulations, the Scottish Government permits Inverclyde Council to nominate up to nine Senior Councillors (in addition to the Leader of the Council and the Provost) whose salaries in aggregate must not exceed a specified amount, currently £167,679 per annum (2013-2014 £166,023) and whose salaries individually must be on a specified scale, currently £16,560 to £20,702 (2013-2014 £16,396 to £20,497). The Inverclyde Council Members' Salary and Expense scheme was agreed at a meeting of the full Council on 24 May 2006. On 17 May 2012 the Council approved that Inverclyde would have nine senior Councillors, (four Strategic Committee Convenors, three Regulatory Board Chairs, one Depute Leader and one Leader of the Opposition); each paid a salary of £18,631 per annum (2013-2014 £18,447). Councillors received a 1% pay award in 2014-2015.

## 3. Remuneration Policy for Senior Officers

The salaries of Senior Officers are set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets out the salary for the Chief Executives of Scottish Local Authorities. The salaries of the Corporate Directors and Heads of Service are based on a fixed percentage of the Chief Executive's salary as agreed at a special committee meeting of the full Council on 20 June 2006. Corporate Directors receive 89%; two Heads of Service receive 72.5%; and other Heads of Service receive 64.5% of the Chief Executive's salary. Inverclyde Council does not pay bonuses or performance related pay. In line with all Local Government employee groups, Senior Officers received a 1% pay award in 2014-2015.

## 4. Remuneration of Senior Officers

The Regulations define a Senior Officer as an employee who meets one or more of the following criteria:

- Who has responsibility for the management of the Local Authority to the extent that the person has the power to direct or control the major activities of the Authority, whether solely or collectively with other persons;
- Who holds a post that is politically restricted by reason of section 2(1) (a),(b) or (c) of the Local Government and Housing Act 1989; or
- Whose annual remuneration, including any annual remuneration from a Local Authority subsidiary body, is £150,000 or more.

The Council has interpreted the above criteria as including the Chief Executive, Corporate Directors, Chief Financial Officer and the Head of Legal & Property Services.

The term *remuneration* means gross salary, fees and bonuses, allowances and taxable expenses, and compensation for loss of employment. The table below outlines the remuneration details for Senior Officers, including prior year figures. The table shows the relevant amounts, before tax and other deductions, for each of the persons named for the year to 31 March 2015. The remuneration of the Corporate Director Environment, Regeneration & Resources was fully funded by Riverside Inverclyde until 31 October 2014. The remuneration of the Corporate Director Community Care and Health Partnership is 50% funded by Greater Glasgow and Clyde Health Board through the CHCP Partnership. The table below contains remuneration details for those persons who were Senior Officers in 2014-2015.

Senior Officers	Year ended 31 March 2015				2013-2014	
	Gross salary	Other Fees and Allowances (5)	Taxable Expenses	Compensation for Loss of Employment (1)	Total Remuneration	Total Remuneration
	£	£	£	£	£	£
Mundell, J: Chief Executive	116,949	6,489	15	0	123,453	115,791
Cassidy, P: Corporate Director Education, Communities & Organisational Development	104,085	300	0	0	104,385	6,211
Fawcett, A: Corporate Director Environment, Regeneration & Resources (2)	104,085	350	0	0	104,435	103,054
Malone, G: Head of Legal & Property Services	84,788	1,100	0	0	85,888	0
Moore, B: Corporate Director, Community Care and Health Partnership	104,085	300	68	0	104,453	103,054
Puckrin, A: Chief Financial Officer (3), (4)	96,208	400	0	0	96,608	93,161
<b>Totals</b>	<b>610,200</b>	<b>8,939</b>	<b>83</b>	<b>0</b>	<b>619,222</b>	<b>421,271</b>

(1) Includes any other payment made to the person in connection with the termination of their employment.

(2) Mr Fawcett was seconded to Riverside Inverclyde as its Interim Chief Executive until 31 October 2014. For the period of his secondment, Mr Fawcett's remuneration was fully reimbursed by Riverside Inverclyde.

(3) Mr Puckrin was Acting Corporate Director of Environment, Regeneration & Resources from 7 October 2013 to 2 November 2014. His appointment as the Council's Section 95 Officer was unaffected.

(4) The full time equivalent salary of the Chief Financial Officer's post is £84,788

(5) Election payments shown in the column "Other Fees & Allowances" are reimbursed by the Scottish Government.

## 5. Remuneration of Senior Councillors

Under the Regulations, remuneration disclosures are to be made for the Leader of the Council, the Provost and any Councillor designated a Senior Councillor. The table below shows the relevant amounts, before tax and other deductions, for each of the persons named for the year to 31 March 2015. The table contains remuneration details for those persons who were Senior Councillors in 2014-2015.

<u>Leader of the Council, Provost and Senior Councillors</u>	Year ended 31 March 2015			2013-2014
	Gross salary	Taxable expenses	Total Remuneration	Total Remuneration
	£	£	£	£
Ahlfeld, R: Chair, Licensing Board	18,631	7	18,638	18,447
Clocherty, J: Depute Leader of the Council	18,631	0	18,631	18,469
Dorrian, G: Chair, General Purposes	18,631	391	19,022	18,668
Loughran, T: Convenor, Education	18,631	305	18,936	18,792
McCabe, S: Leader of the Council	27,602	213	27,815	27,697
McCormick, M: Convenor, Environment & Regeneration	18,631	0	18,631	18,447
McEleny, C: Leader of the Opposition	18,631	0	18,631	18,043
Mcllwee, J: Convenor, Health & Social Care	18,631	0	18,631	18,447
Moran, R: Provost	20,702	0	20,702	20,547
Rebecchi, L: Convenor, Audit	18,631	0	18,631	18,447
Wilson, D: Chair, Planning	18,631	314	18,945	18,820
<b>Totals</b>	<b>215,983</b>	<b>1,230</b>	<b>217,213</b>	<b>214,824</b>

1. All figures shown reflect the remuneration for the period of the appointment as a Senior Councillor in the reporting periods.  
2. No payments were made in connection with loss of employment or office, nor were any other payments received which are not in the above table.  
3. No Senior Councillor received any remuneration from a subsidiary of the Council as a representative of the Council.

## 6. Pension Entitlement

Pension benefits for Councillors and Local Government employees are provided through the Local Government Pension Scheme (LGPS). The pension is based on the person's pensionable service (how long he or she has been a member of the LGPS) and his or her pay. For Councillors, the pension is based on a "career average" – the aggregate of each year's pay (adjusted by inflation) is divided by the total number of years and part years they have been a member of the LGPS.

For officers, pay is based on their final year's salary. For most people, the annual pension is calculated by dividing their pay by 80 (60 for service after 31 March 2009) and multiplying this by their total membership. The normal retirement age is 65. Pensions payable are increased annually in line with changes in the Pensions (Increase) Act 1971 and Section 59 of the Social Security Pension Act 1975.

A LGPS member's contribution depends upon his or her full-time equivalent pay. The table for the allocation of rates for 2014-2015 is shown below.

### Tiered Contribution Pay Rates

Full Time Equivalent (FTE) Pensionable Pay (2014/2015)	Rate (%)
On earnings up to and including £20,335	5.50%
On earnings above £20,335 and up to £24,853	7.25%
On earnings above £24,853 and up to £34,096	8.50%
On earnings above £34,096 and up to £45,393	9.50%
On earnings above £45,393	12.00%

The lump sum, which is automatically paid when the person retires for service up to 31 March 2009, is normally three times his or her annual pension and is tax-free. There is no automatic lump sum for service after 31 March 2009. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

The value of benefits in the table below has been provided by the Strathclyde Pension Fund Office and is calculated on the basis of the age at which the person will first become entitled to a full pension on retirement without reduction on account of its payment at that date: without exercising any option to commute pension entitlement into a lump sum: and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service, and not just their current appointment.

The pension entitlements for Senior Officers and Senior Councillors for the year to 31 March 2015 are shown in the tables below, together with the contribution made by the Council to each person's pension during the year. The tables contain information for those persons who were Senior Officers or Senior Councillors in 2014-2015. All Senior Officers and Senior Councillors shown in the tables were members of the LGPS. Mrs Cassidy's LGPS pension entitlements prior to her employment with Inverclyde Council are not included in the figures in the table. Her accrued benefits are in the process of being transferred from her previous employer's scheme, the North East Scotland Pension Fund.

<u>Senior Officers</u>	Accrued Pension Benefits		Change in Accrued Benefits		Pension Contributions made by Inverclyde Council		Length of Service at
	as at 31 March 2015		since 31 March 2014		2014-2015	2013-2014	
	Pension	Lump Sum	Pension	Lump Sum			
	£	£	£	£	£	£	
Mundell, J: Chief Executive	62,548	152,558	2,549	1,510	22,571	22,348	40/287
Cassidy, P: Corporate Director Education, Communities & Organisational Development	1,839	0	1,735	0	20,088	1,199	1/22
Fawcett, A: Corporate Director Environment, Regeneration & Resources	38,690	84,844	2,101	841	20,088	19,889	27/269
Malone, G: Head of Legal & Property Services	35,733	81,762	14,478	31,124	16,364	N/A	31/261
Moore, B: Corporate Director Community Care & Health Partnership	50,050	118,924	2,213	1,178	20,088	19,889	35/359
Puckrin, A: Chief Financial Officer	38,160	85,619	2,761	2,712	18,568	17,980	29/267
<b>Totals</b>	<b>227,020</b>	<b>523,707</b>	<b>25,837</b>	<b>37,365</b>	<b>117,767</b>	<b>81,305</b>	

<u>Leader of the Council, Provost and Senior Councillors</u>	Accrued Pension Benefits		Change in Accrued Benefits		Pension Contributions made by Inverclyde Council	
	as at 31 March 2015		since 31 March 2014		2014-2015	2013-2014
	Pension	Lump Sum	Pension	Lump Sum		
	£	£	£	£	£	£
Ahlfeld, R: Chair, Licensing Board	1,776	0	326	0	3,596	3,560
Clocherty, J: Depute Leader of the Council	2,452	1,418	334	3	3,596	3,560
Dorrian, G: Chair, General Purposes	2,415	1,356	254	(21)	3,596	3,560
Loughran, T: Convenor, Education	2,617	1,428	285	(18)	3,596	3,560
McCabe, S: Leader of the Council	2,391	2,159	464	26	5,327	1,084
McCormick, M: Convenor, Environment and Regeneration	2,433	887	335	(9)	3,596	3,560
McIlwee, J: Convenor, Health & Social Care	898	0	454	0	3,596	3,560
Moran, R: Provost	3,009	1,613	411	21	3,995	3,956
Rebecchi, L: Convenor, Audit	2,214	1,280	329	21	3,596	3,560
Wilson, D: Chair, Planning	2,453	1,418	334	3	3,596	3,560
<b>Totals</b>	<b>22,658</b>	<b>11,559</b>	<b>3,526</b>	<b>26</b>	<b>38,090</b>	<b>33,520</b>

Note: Councillor McIlwee is not a member of the Strathclyde Pension Fund

## 7. Councillors' Remuneration

The Council paid the salaries, allowances and expenses to Councillors (including the Senior Councillors above) detailed in the table below for 2014-2015. The annual return of Councillors' salaries and expenses is available for any member of the public to view at all Council libraries and public offices during normal working hours and is also available on the Council's website at <http://www.inverclyde.gov.uk/council-and-government/councillors/elected-members-expenses/>

The annual return of Councillors' salaries and expenses is compiled under Scottish Local Authority Remuneration Committee (SLARC) guidance for public records whereas the Remuneration Report is compiled under a Scottish Statutory Instrument (SSI).

<u>All Councillors</u>	2014-2015	2013-2014
	£	£
Salaries	365,444	362,256
Travel costs - reimbursed	7,984	8,762
Travel costs - paid directly by the Council	3,719	5,357
Subsistence expenses - reimbursed	226	568
Subsistence expenses - paid directly by the Council	187	82
Training and conferences - reimbursed	0	0
Training and conferences - paid directly by the Council	2,570	3,315
Telephone and information communication technology expenses - reimbursed	1,293	1,302
Telephone and information communication technology expenses - paid directly by the Council	3,904	3,852
Other allowances and expenses	0	0
<b>Totals</b>	<b>385,327</b>	<b>385,494</b>



## 8. Remuneration of Officers receiving more than £50,000

The following table details the number of employees whose remuneration, excluding pension contributions, was in excess of £50,000 during 2014-2015 in bands of £5,000; the details of the number of those employees who left the employment of the Council during 2014-2015; and the details of the number of those employees who were part or fully funded by other bodies.

Remuneration Bands	Number of Employees		Left during 2014-2015	Part funded or fully funded by other organisations
	2014-2015	2013-2014		
£50,000 - £54,999	49	42	3	6
£55,000 - £59,999	18	13	1	0
£60,000 - £64,999	5	6	0	0
£65,000 - £69,999	3	4	1	0
£70,000 - £74,999	4	10	1	1
£75,000 - £79,999	6	1	1	0
£80,000 - £84,999	1	1	1	0
£85,000 - £89,999	1	0	0	0
£90,000 - £94,999	1	1	1	0
£95,000 - £99,999	2	0	1	1
£100,000 - £104,999	3	3	0	2
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	0	0	0	0
£115,000 - £119,999	0	2	0	0
£120,000 - £124,999	1	0	0	0
£125,000 - £129,999	0	1	0	0
<b>Totals</b>	<b>94</b>	<b>84</b>	<b>10</b>	<b>10</b>

Of the 10 employees who left during the year, 7 would not have appeared in this note if costs associated with redundancy or early retirement payments were excluded.

## 9. Exit Packages of Employees

The Council has agreed a number of exit packages as detailed in the table below. The exit packages agreed were all on a voluntary basis - there were no compulsory redundancies. The Council only agrees exit packages where they are consistent with wider workforce planning and service delivery objectives; and where the savings accruing from an individual ceasing employment with the Council exceed the costs of the exit package within an acceptable period.

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	£'s 2014-15	£'s 2013-14
	£0 - £20,000	0	0	0	5	0	5	0
£20,001 - £40,000	0	0	0	9	0	9	0	234,948
£40,001 - £60,000	0	0	1	6	1	6	50,847	292,108
£60,001 - £80,000	0	0	0	3	0	3	0	200,090
£80,001 - £100,000	0	0	0	6	0	6	0	535,002
£100,001 - £150,000	0	0	0	8	0	8	0	968,139
£150,001 - £200,000	0	0	0	2	0	2	0	314,623
£200,001 - £250,000	0	0	0	1	0	1	0	201,152
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>40</b>	<b>1</b>	<b>40</b>	<b>50,847</b>	<b>2,815,581</b>

Notes:

1. The above exit package values include redundancy, pension strain, and compensatory lump sums for all retirees, the cost of which is reported under Note 32 Defined Benefit Pension Schemes.
2. For employees with pensions provided by the Scottish Public Pensions Agency (the pension provider for teachers), the values include the notional capitalised cost of compensatory added years. The notional cost has not been assessed by the pensions provider and the values have instead been calculated by the local authority using a calculator developed and provided by the pensions provider on the understanding that it is fit for purpose.
3. For employees with pensions provided by the Strathclyde Pension Fund (the pensions provider for all employees other than teachers), the values also include the notional capitalised cost of added years. These costs are based on an assessment by the pensions provider itself of the present value of all future payments to the retiree until death.

**Termination Benefits of Employees**

The Council terminated the contracts of a number of employees in 2014-2015. Included in the above table are liabilities relating to these releases of £0.037 million (2013-2014 £1.656 million).

**Cllr Stephen McCabe**  
Leader of the Council

.....

**Date:** 24 September 2015

**John W. Mundell**  
Chief Executive

.....

**Date:** 24 September 2015

## Movement in Reserves Statement for the Year ended 31 March 2015

This statement shows the movement in the year on the different reserves held by the Council, analysed into "Usable Reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the cost of providing the Council's services in accordance with accounting practice, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The Net Increase or (Decrease) before Transfers (to) and from Other Statutory Reserves shows the statutory General Fund Balance before any discretionary transfers to and from the other statutory reserves of the Council.

### Year ended 31 March 2015

	General Fund Balance	Capital Receipts Reserve	Usable Reserves Capital Grants Unapplied Account	Capital Fund	Repairs & Renewal Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2014</b>	<b>42,890</b>	<b>0</b>	<b>0</b>	<b>940</b>	<b>2,727</b>	<b>4,277</b>	<b>50,834</b>	<b>2,739</b>	<b>53,573</b>
<b>Movement in Reserves during 2014-2015</b>									
Surplus or (Deficit) on Provision of Services	(15,011)	0	0	0	0	0	(15,011)	0	(15,011)
Other Comprehensive Expenditure & Income	0	0	0	0	0	0	0	(18,454)	(18,454)
<b>Total Comprehensive Expenditure &amp; Income</b>	<b>(15,011)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(15,011)</b>	<b>(18,454)</b>	<b>(33,465)</b>
Adjustments between Accounting Basis and Funding									
Basis under Regulations (Note 7)	16,231	0	0	2,346	0	0	18,577	(18,577)	0
<b>Net Increase or (Decrease) before Transfers to</b>									
<b>Other Statutory Reserves</b>	<b>1,220</b>	<b>0</b>	<b>0</b>	<b>2,346</b>	<b>0</b>	<b>0</b>	<b>3,566</b>	<b>(37,031)</b>	<b>(33,465)</b>
Transfers (to) and from Other Statutory Reserves	881	0	0	(696)	232	(417)	0	0	0
<b>Increase or (Decrease) in the Year</b>	<b>2,101</b>	<b>0</b>	<b>0</b>	<b>1,650</b>	<b>232</b>	<b>(417)</b>	<b>3,566</b>	<b>(37,031)</b>	<b>(33,465)</b>
<b>Balance at 31 March 2015 Carried Forward</b>	<b>44,991</b>	<b>0</b>	<b>0</b>	<b>2,590</b>	<b>2,959</b>	<b>3,860</b>	<b>54,400</b>	<b>(34,292)</b>	<b>20,108</b>

## Comparative Figures for Year ended 31 March 2014

	General Fund Balance	Capital Receipts Reserve	Usable Reserves			Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council
			Capital Grants Unapplied Account	Capital Fund	Repairs & Renewal Fund				
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2013</b>	<b>45,253</b>	<b>0</b>	<b>396</b>	<b>1,742</b>	<b>1,088</b>	<b>4,437</b>	<b>52,916</b>	<b>(3,471)</b>	<b>49,445</b>
<b>Movement in Reserves during 2013-2014</b>									
Surplus or (Deficit) on Provision of Services	8,718	0	0	0	0	0	8,718	0	<b>8,718</b>
Other Comprehensive Expenditure & Income	0	0	0	0	0	0	0	(4,590)	<b>(4,590)</b>
<b>Total Comprehensive Expenditure &amp; Income</b>	<b>8,718</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,718</b>	<b>(4,590)</b>	<b>4,128</b>
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7)	(10,990)	0	0	190	0	0	(10,800)	10,800	<b>0</b>
<b>Net Increase or (Decrease) before Transfers to Other Statutory Reserves</b>	<b>(2,272)</b>	<b>0</b>	<b>0</b>	<b>190</b>	<b>0</b>	<b>0</b>	<b>(2,082)</b>	<b>6,210</b>	<b>4,128</b>
Transfers (to) and from Other Statutory Reserves	(91)	0	(396)	(992)	1,639	(160)	0	0	<b>0</b>
<b>Increase or (Decrease) in the Year</b>	<b>(2,363)</b>	<b>0</b>	<b>(396)</b>	<b>(802)</b>	<b>1,639</b>	<b>(160)</b>	<b>(2,082)</b>	<b>6,210</b>	<b>4,128</b>
<b>Balance at 31 March 2014 Carried Forward</b>	<b>42,890</b>	<b>0</b>	<b>0</b>	<b>940</b>	<b>2,727</b>	<b>4,277</b>	<b>50,834</b>	<b>2,739</b>	<b>53,573</b>

## Comprehensive Income & Expenditure Statement for the Year ended 31 March 2015

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with regulations, and this is different from the accounting cost. The position for Council Tax is shown in the *Movement in Reserves Statement*.

2013-2014				2014-2015		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
3,192	(1,167)	2,025	Central Services to the Public	3,302	(1,282)	2,020
13,706	(1,572)	12,134	Cultural & Related Services	13,605	(1,136)	12,469
73,925	(3,142)	70,783	Education Services	91,748	(3,189)	88,559
13,263	(1,903)	11,360	Environmental Services	14,529	(1,902)	12,627
42,274	(39,045)	3,229	Housing Services	44,248	(40,738)	3,510
12,823	(3,612)	9,211	Planning and Development Services	11,967	(3,648)	8,319
10,420	(3,566)	6,854	Roads & Transportation	10,925	(3,590)	7,335
66,836	(14,258)	52,578	Social Work	69,899	(15,470)	54,429
2,014	0	2,014	Corporate and Democratic Core	2,173	0	2,173
2,708	(5)	2,703	Non-Distributable Costs	854	(3)	851
<b>241,161</b>	<b>(68,270)</b>	<b>172,891</b>	<b>Cost of Services</b>	<b>263,250</b>	<b>(70,958)</b>	<b>192,292</b>
	(332)		Other Operating Expenditure and (Income) - (Gain)/Loss on disposal of non-current assets			6,811
	19,478		Financing and Investment (Income) and Expenditure (Note 8)			20,349
	(200,755)		Taxation and Non-specific Grant Income (Note 9)			(204,441)
	<b>(8,718)</b>		<b>(Surplus) or Deficit on the Provision of Services</b>			<b>15,011</b>
	(11,093)		(Surplus) or deficit on the revaluation of non current assets			(504)
	3,261		Impairment losses on non-current assets charged to the Revaluation Reserve			1,470
	12,422		Remeasurement of the net defined benefit pensions liability (Note 32)			17,488
	<b>4,590</b>		<b>Other Comprehensive (Income) and Expenditure</b>			<b>18,454</b>
	<b>(4,128)</b>		<b>Total Comprehensive (Income) and Expenditure</b>			<b>33,465</b>

## Balance Sheet as at 31 March 2015

The Balance Sheet is a snapshot of the value at the reporting date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is “usable reserves”. These are reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is “unusable reserves” and these are not available to provide services. This category of reserves holds unrealised gains or losses (in for example the Revaluation Reserve) and timing differences (as detailed in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”).

31 March 2014 £000		Note	31 March 2015 £000	31 March 2014 £000		Note	31 March 2015 £000
433,867	Property, Plant & Equipment	10	421,877				
18,059	Heritage Assets	12	18,059				
200	Intangible Assets	11	172	53,573	Net Assets		20,108
2,147	Long-term Debtors	14	2,137				
<b>454,273</b>	<b>Non-current Assets</b>		<b>442,245</b>				
17,599	Short-term Investments	13	17,582	50,834	Usable Reserves	18	54,400
0	Assets Held for Sale		0	2,739	Unusable Reserves	19	(34,292)
318	Inventories		284	53,573	<b>Total Reserves</b>		<b>20,108</b>
10,168	Short-term Debtors	14	10,606				
30,845	Cash and Cash Equivalents	15	27,567				
<b>58,930</b>	<b>Current Assets</b>		<b>56,039</b>				
(8,447)	Short-term Borrowing	13	(3,668)				
(24,006)	Short-term Creditors	16	(24,830)				
(1,832)	Short-term Provisions	17	(1,514)				
(1,953)	Short-term Finance Leases	30	(2,084)				
<b>(36,238)</b>	<b>Current Liabilities</b>		<b>(32,096)</b>				
(480)	Long-term Creditors	16	0				
0	Long-term Provisions	17	(497)				
(215,447)	Long-term Borrowing	13	(214,249)				
	Other Long-term Liabilities:						
(69,811)	Finance Leases	30	(67,727)				
(137,654)	Pensions	32	(163,607)				
<b>(423,392)</b>	<b>Long-term Liabilities</b>		<b>(446,080)</b>				

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Alan Puckrin C.P.F.A.  
Chief Financial Officer  
Issued on 24 September 2015

These financial statements replace the unaudited financial statements issued on 18th June 2015.

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

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

2013-2014 £000		2014-2015 £000
8,718	Net surplus or (deficit) on the provision of services	(15,011)
10,273	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements (Note 20)	41,687
(10,328)	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities (Note 20)	1,749
<b>8,663</b>	<b>Net cash inflow from Operating Activities (Note 20)</b>	<b>28,425</b>
(6,498)	Investing Activities (Note 21)	(23,953)
(6,229)	Financing Activities (Note 22)	(7,750)
<b>(4,064)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(3,278)</b>
34,909	Cash and cash equivalents at the beginning of the reporting period	30,845
<b>30,845</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 15)</b>	<b>27,567</b>

# Notes to the Principal Financial Statements

## Note 1 Accounting Policies

The Council is required to prepare an annual "Statement of Accounts" by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires such accounts to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014-2015 and the Service Reporting Code of Practice (SeRCOP) 2014-2015, supported by International Financial Reporting Standards (IFRS). These are issued jointly by CIPFA and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a "true and fair view" of the financial performance of the Council and its Group. The Annual Accounts have been prepared on a "going concern" basis. The accounting convention adopted in the Annual Accounts is principally historic cost, modified by the revaluation of certain categories of non-current and financial assets.

### A Accruals of Expenditure and Income

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

- All known specific and material sums payable to the Council have been brought into account. Revenue from the sale of goods or the provision of services is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser or can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Interest receivable and dividend income is recognised when it is probable that the economic benefits associated with the transaction will flow to the Council.
- 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The Council Tax income for the year is the accrued income for the year less reliefs and remissions. The net income is transferred to the Comprehensive Income & Expenditure Statement (CIES). The Non-domestic Rates income for the year is the accrued income for the year less reliefs and remissions. The net Non-domestic Rate income plus the contribution to the local authority from the national Non-domestic Rate pool is transferred to the CIES.

### B Agency Agreements

Where the council acts as an agent for another entity, transactions are not reflected in the Council's financial statements, with the exception of cash collected or expenditure incurred by the council on behalf of the other entity, in which case there is a debtor or creditor position in the balance sheet for amounts due or owed.

### C Allocation of Central Support Costs and Recharges to Capital (Overheads and Support Services)

The net cost of central support services is fully allocated to user services with the exception of:

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



These two cost categories are accounted for as separate headings in the CIES, as part of the Cost of Services. All overheads not defined as corporate and democratic core or non-distributable costs are fully charged to service expenditure headings. The method of allocation is determined by the individual support services and is consistent with the principles laid down in the SeRCOP.

#### **D Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the balance sheet date and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### **E Charges to Revenue for Non-Current Assets**

Services are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

#### **F Employee Benefits**

##### **Benefits Payable During Employment**

Short-term employee benefits such as salaries, wages, overtime and paid annual leave for current employees are recognised as an expense in the year in which employees render service to the Council. The Council has made provision for the costs of settling claims for equal pay arising before the Council implemented its equal pay strategy. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year.

##### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before their normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the appropriate service line in the CIES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for a restructuring.

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

The Council participates in two separate pension schemes; the Local Government Pension Scheme which is administered by Strathclyde Pension Fund; and the Scottish Teachers' Superannuation Scheme which is administered by the Scottish Government. Liabilities for the teachers' scheme cannot be identified specifically to the Council, therefore the scheme is accounted for as a defined contributions scheme.

The Local Government Pension Scheme (LGPS) is accounted for as a "defined benefit" scheme in accordance with International Accounting Standard 19 (IAS19). Inverclyde Council's share of the net pension liability in the Strathclyde Pension Fund and a pension reserve are recognised in the Balance Sheet. The CIES recognises changes during the year in the pension liability. Service expenditure includes pension costs based on employers' pension contributions payable and payments to pensioners in the year.

Liabilities are included in the Balance Sheet on an actuarial basis using the "projected unit method" i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about longevity, projected earnings and so on. Liabilities are discounted to their value at current prices, using a discount rate (currently 3.2%) based on an average of sterling gilts and high quality corporate bonds. Assets are included in the Balance Sheet at their fair value, principally the bid price for quoted securities, estimated fair value for unquoted securities and market price for property.

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

### **G Events after the Reporting Period**

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. An adjustment is made to the financial statements where there is evidence that the event relates to the reporting period; otherwise the financial statements are not adjusted, and where the amount is material, a disclosure is made in the notes.

### **H Exceptional Items and Prior Period Adjustments**

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

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes are made by adjusting the opening balances and comparative amounts for the prior period.

### **I Financial Assets**

The financial assets of the Council are comprised entirely of Loans and Receivables i.e. assets that have fixed or determinable payments but are not quoted in an active market.

Loans and Receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. For the Council's short-term deposits and most of its other lending, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest, and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

### **J Financial Liabilities**

#### **Borrowing**

Financial liabilities are recognised on the Balance Sheet when the Council becomes contractually obliged by the financial instrument and the liabilities are measured at fair value and then carried at their amortised cost. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest, and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Costs associated with debt restructuring (premiums and discounts) are charged to the Financing and Investment Income and Expenditure line in the CIES in the year of repayment of the original debt in accordance with accounting regulations. Where premiums and discounts have been charged to the CIES, Scottish Government regulations permit the costs of restructuring to be released to revenue over the period of the replacement loan.

### **K Government Grants and Contributions**

Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. Where conditions are satisfied, the grant or contribution is credited to the relevant service line (for revenue grants) or Taxation and Non-specific Grant Income (for capital grants). Where capital grants are credited to the CIES, they are reversed out in the General Fund balance in the Movement in Reserves Statement.

### **L Heritage Assets**

The Council holds and conserves heritage assets for future generations in support of the primary objective of increasing the knowledge, understanding and appreciation of the history of the area of Inverclyde.

As a general policy, heritage assets are recognised on the Balance Sheet where the Council has information on the cost or value of the asset. Where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the asset is not recognised on the Balance Sheet.

The carrying amount of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. It is likely that disposals of heritage assets will be made only very occasionally. Where this does occur, the proceeds of such items are accounted for in accordance with the Council's policies relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements.

### **M Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that it will bring benefits to the Council for more than twelve months. Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life (assessed as between one to six years) to the relevant service lines in the CIES.

### **N Interest in Companies and Other Entities**

Inverclyde Council has interests in a number of entities that it considers to be associates, because it has a significant influence over their financial and operating policies. The Council does not hold any direct investment in these entities and accordingly no interests are shown in the accounts of the Council itself. The Group Accounts on pages 85 to 93 combine the results of the Council with its share of its associates. More information about the associates is detailed in Note 37.

### **O Inventories**

Inventories include consumable stock and work-in-progress. Consumable stock brought into account is included in the Balance Sheet at the lower of cost and net realisable value. The valuation of work-in-progress has been made at cost plus an appropriate proportion of overheads, together with allowances for foreseeable losses.

### **P Leases**

Leases are classified as finance leases where the terms of the lease transfer the majority of the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

## The Council as Lessee

### Finance Leases

Assets held under finance leases are recognised on the Balance Sheet at the commencement of the lease at their fair value measured at the lease's inception. The asset recognised has a corresponding liability to pay the lessor.

### Operating Leases

Rentals paid under operating leases are charged to the appropriate service account in the CIES as an expense of the services benefitting from use of the leased property over the term of the lease.

## The Council as Lessor

### Operating Leases

Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet.

## Q Property Held for Sale

Property, land and buildings are classified as "*Held for Sale*" when the following criteria are met:

- The property is available for immediate sale in its present condition.
- The sale must be highly probable; and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year (although events or circumstances may extend the period to complete the sale beyond one year).

When these criteria are met, assets within the category of *Property, Plant & Equipment* will be reclassified to "*Assets Held for Sale*". The date of reclassification will normally be the date approval was granted by Committee to sell the asset.

## R Property, Plant & Equipment

Assets that have physical substance and are held for use in the supply of services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as *Property, Plant & Equipment*.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure that merely maintains the condition of an asset e.g. repairs and maintenance is charged as an expense when it is incurred.

Plant, furniture and computer equipment costing less than £6,000 are not treated as Property, Plant and Equipment and are charged to the appropriate service line in the CIES. This de-minimus also applies to assets acquired under finance leases. It does not apply where certain categories of assets that individually cost less than £6,000 are grouped together and form part of the approved capital programme.

### Measurement

Assets are initially measured at cost, comprising:

- The purchase price, and
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

- Infrastructure, community assets, and assets under construction: Depreciated historical cost.
- All other assets: Fair value, determined as the amount that would be paid for the asset in its existing use (existing use value).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, in a limited number of instances depreciated replacement cost or insurance replacement cost has been used as an estimate of fair value. For non-property assets that have short useful lives or low values, depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end. The Council revalues its land and buildings in a single exercise at five-yearly intervals. An independent valuation of all Council owned land and buildings was undertaken during 2012-2013 by James Barr, a professional firm of chartered surveyors, and was completed on 31 March 2013.

### Impairment

The Council recognises the impairment of non-current assets in accordance with Financial Standard IAS36 (Impairment of Assets) whereby any material reduction in asset value as a result of changing market conditions or clear consumption of an asset is recognised in the CIES only to the extent that the loss exceeds the balance on the Revaluation Reserve relating to the specific asset. An impairment review is conducted annually by the Council's Valuer who is Royal Institution of Chartered Surveyors (RICS) qualified.

### Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is taken to the CIES. Gains in fair value are recognised only up to the amount of any previously recognised losses in the (Surplus) or Deficit on Provision of Services.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable finite useful life (i.e. land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is charged on a straight-line basis over the useful life of the assets (as advised by a suitably qualified officer). No depreciation is charged in the year of acquisition but a full year's depreciation is charged in the year of disposal.

The periods of depreciation and categories of assets are:

- Buildings – 10 to 60 years;
- Schools – 10 to 60 years;
- Vehicles, equipment and plant – 2 to 10 years;
- Infrastructure – 2 to 40 years.

Where a material item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately in accordance with the Council approved policy for material assets with a value in excess of £1 million. Significant components are deemed to be those whose value is 25% or more of the total value of the asset.

## S Provisions, Contingent Assets and Liabilities

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

### Contingent Assets and Liabilities

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

Contingent liabilities and assets are not recognised in the Balance Sheet but disclosed in a Note to the Accounts where they are deemed material.

## T Public Private Partnership Schemes

The Public Private Partnership (PPP) agreement for the provision of school buildings, their maintenance and other facilities is accounted for in accordance with International Financial Reporting Interpretations Committee (IFRIC) 12 Service Concession Arrangements. The Council carries the assets and the associated liability to the PPP operator on its Balance Sheet. The annual amount payable to the PPP operator (the unitary charge) is apportioned between operating costs, interest payments and the repayment of debt. The property, plant and equipment of the PPP scheme are depreciated over the useful life of the assets and the associated liability to the operator is reduced by the principal repayments paid as part of the unitary charge.

## U Reserves

Reserves are created by appropriating amounts from the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service within the CIES. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

### Usable Reserves

The Council has several reserve funds within this category. The Insurance Fund covers the main classes of insurance and is earmarked for insurance purposes. The Repairs and Renewal Fund provides for the upkeep of specific assets held by the Council. The Capital Fund is used to meet the costs of capital investment in assets and for the repayment of the principal element of borrowings.

### Unusable Reserves

Certain reserves are kept to manage the accounting process for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the authority. These reserves are explained in Note 19.

## V VAT

Income in the accounts excludes VAT because all VAT charged by the Council is paid to HM Revenue & Customs. Expenditure in the accounts only includes VAT that cannot be recovered from HM Revenue & Customs.

### Note 2 Accounting Standards Issued not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015-16 Code:

- IFRS 13 Fair Value Measurement (May 2011)
- Annual Improvements to IFRSs (2011-2013 Cycle)
- IFRIC 21 Levies

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014-2015 financial statements.

IFRS13 introduces the concept of "fair value" in the valuation of Property, Plant and Equipment. For a small number of the Council's land and buildings, those that are classified as "surplus" at 31 March 2016, there may be a minor change to the valuation basis in 2015-16. The amendments introduced by the annual improvements to IFRS's and IFRIC 21 Levies principally provide clarification of policy and are not significant in the context of Inverclyde Council. Overall, these new or amended standards are not expected to have a significant impact on the financial statements.

### Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- The Council has entered into commercial lease agreements both as landlord and tenant for land and buildings on a variety of lease terms. These arrangements are accounted for as operating leases. The Council has considered the tests under IAS17 and concluded that there is no transfer of the risks and rewards of ownership.
- The Council has entered into an arrangement to manage various land and buildings, including the Greenock Municipal Buildings, that belong to the Common Good. This management arrangement is accounted for as a finance lease. The Council has considered the tests under IFRIC4 and concluded that the arrangement has the substance of a lease under which the Council has assumed the risks and rewards of ownership. The assets covered by the management arrangement are carried as Property, Plant & Equipment in the Balance Sheet of the Council.
- The Council has entered into a Public Private Partnership (PPP) for the provision of educational buildings, their maintenance and related facilities. The Council has considered the tests under IFRIC12 and concluded this is a service concession.
- Two Joint Boards (SPT and Concessionary Travel) are included within the Group Accounts under the wider definition of an "associate" although the Council holds less than 20% of voting rights that is normally presumed to confer significant influence. This is in view of the funding arrangements between the constituent local authorities and the Joint Boards.
- The Council has considered its exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required and the amount of the obligation can be measured reliably. Where it has not been possible to measure the obligation, or it is not probable in the Council's opinion that a transfer of economic benefits will be required, material contingent liabilities have been disclosed in Note 34. This includes the potential cost of claims by other groups of employees for equal pay compensation and the potential costs of unassessed remedial work on contaminated land.

- In the opinion of the Council Valuer, the current value of property, plant and equipment is not materially different from fair value at 31 March 2015.
- The accounts have been prepared on a going concern basis as it is expected that future local government finance settlements, aligned with the Council's robust process, which drives through efficiency savings, will provide sufficient resources to finance future liabilities.

#### Note 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 other factors that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2015 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Results differ from Assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Strathclyde Pension Fund has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied.	The sensitivities regarding the principal assumptions used by the consulting actuaries to measure the scheme liabilities are set out below: <ul style="list-style-type: none"> <li>• A 0.5% decrease in the real discount rate would result in an 11% increase (£67.1 million) in the employer's obligation.</li> <li>• A one year increase in member life expectancy would result in a 3% increase (£17.9 million) in the employer's obligation.</li> <li>• A 0.5% increase in the salary increase rate would result in a 5% increase (£28.3 million) in the employer's obligation.</li> <li>• A 0.5% increase in the pension increase rate would result in an 8% increase (£45.4 million) in the employer's obligation.</li> </ul>
Trade Debtors - Collection levels of arrears	At 31 March 2015, the Council had a balance of trade debtors of £9.8 million. A review of significant balances suggested that an allowance for doubtful debts of 47.6% (£4.6 million) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require an additional £4.6 million to be set aside as an allowance.
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.9 million for every year that useful lives had to be reduced.



### Note 5 Material Items of Income and Expenditure

Where items are not disclosed on the face of the Comprehensive Income & Expenditure Statement (CIES), *The Code* requires a disclosure of the nature and amount of material items. The material items in the Council's CIES are as follows:

Item	Nature	Amount
Cost of Service:		
Education Services	Schools PPP operator, payment for provision of educational facilities.	£9.361 million.
Housing Services	Rent Allowances.	£35.720 million

### Note 6 Events after the Balance Sheet Date

The Chief Financial Officer issued the unaudited Statement of Accounts on 18 June 2015. After that date contaminant was discovered at a former school site which, if not removed, would have an adverse effect on the value of the site. As a result an initial provision of £420,000 has been made for the removal of the contaminant, this is reported in more detail in notes 17 & 34. There have been no further material events after the balance sheet date which necessitate revision of figures in the financial statements or notes thereto including contingent assets or liabilities.

## Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations

Income and expenditure is recognised by the Council in the Comprehensive Income & Expenditure Statement (CIES) in accordance with proper accounting practice. Certain adjustments are then made by law in the Movement in Reserves Statement (MiRS). The adjusted figures are those that are available to meet future capital and revenue expenditure. The table below details these adjustments. Figures for 2013-2014 are provided in an additional table for the purposes of comparison.

### 2014-2015

	Usable Reserves		Corresponding Adjustments to Unusable Reserves					
	Adjustments to Comprehensive Income & Expenditure £000	Adjustment to Capital Fund (Usable Reserve) £000	Revaluation Reserve £000	Pensions Reserve £000	Capital Adjustment Account £000	Financial Instruments Adjustment Account £000	Employee Statutory Adjustment Account £000	Net Movement in Unusable Reserves £000
Charges for depreciation and impairment of non-current assets	26,155				(26,155)			(26,155)
Amortisation of intangible assets	126				(126)			(126)
Capital grants and contributions applied	(9,171)				9,171			9,171
Capital expenditure charged in-year to the General Fund balance.	(5,455)				5,455			5,455
Net gain or (loss) on non-current asset disposals	6,811	2,346			(9,157)			(9,157)
Statutory provision for the principal repayment of loan charges.	(10,486)				10,486			10,486
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	(130)					130		130
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 32).	19,846			(19,846)				(19,846)
Employers' pension contributions payable in the year.	(11,381)			11,381				11,381
Amount by which employees' remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(84)						84	84
<b>Total Adjustments</b>	<b>16,231</b>	<b>2,346</b>	<b>0</b>	<b>(8,465)</b>	<b>(10,326)</b>	<b>130</b>	<b>84</b>	<b>(18,577)</b>

Comparative Information 2013-2014

	Usable Reserves		Corresponding Adjustments to Unusable Reserves											
	Adjustments to Comprehensive Income & Expenditure	Adjustment to Capital Fund (Usable Reserve)	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Employee Statutory Adjustment Account	Net Movement in Unusable Reserves						
									£000	£000	£000	£000	£000	£000
Charges for depreciation and impairment of non-current assets	7,042		0		(7,042)			(7,042)						
Amortisation of intangible assets	140				(140)			(140)						
Capital grants and contributions applied	(7,724)				7,724			7,724						
Capital expenditure charged in-year to the General Fund balance.	(6,445)				6,445			6,445						
Net gain or (loss) on non-current asset disposals	(332)	190			142			142						
Statutory provision for the principal repayment of loan charges.	(10,448)				10,448			10,448						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	(130)					130		130						
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 32).	17,439			(17,439)				(17,439)						
Employers' pension contributions payable in the year.	(10,874)			10,874				10,874						
Amount by which employees' remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements.	342						(342)	(342)						
<b>Total Adjustments</b>	<b>(10,990)</b>	<b>190</b>	<b>0</b>	<b>(6,565)</b>	<b>17,577</b>	<b>130</b>	<b>(342)</b>	<b>10,800</b>						

#### Note 8 Financing and Investment Income and Expenditure

	2014-2015	2013-2014
	£000	£000
(Surplus) or deficit on trading undertakings not reported elsewhere	465	375
Interest payable and similar charges:		
- Schools' Public Private Partnership finance lease	4,960	4,947
- Other finance leases	0	0
- Other interest payments and similar charges	9,701	9,742
Net interest on the defined benefit pension liability	5,968	5,367
Interest receivable and similar income	(745)	(953)
<b>Total</b>	<b>20,349</b>	<b>19,478</b>

#### Note 9 Taxation and Non-specific Grant Income

	2014-2015	2013-2014
	£000	£000
Income from Council Tax	(27,116)	(26,492)
Distribution from Non-Domestic Rates pool	(22,832)	(21,279)
General Revenue Grant	(145,322)	(145,655)
Recognised Capital Grants and contributions	(9,171)	(7,329)
<b>Total</b>	<b>(204,441)</b>	<b>(200,755)</b>

#### Note 10 Property, Plant & Equipment

##### Movement on Balances

The movements on balances for Property, Plant & Equipment (PPE) are shown in the following table. Figures for 2013-2014 are provided in an additional table below for the purposes of comparison.

## Movements in 2014-2015

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets not for Sale	Asset Under Construction	Schools PPP Assets	Total PPE
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2014	478,697	34,291	49,009	5,399	4,093	1,247	88,046	660,782
Additions in year	13,569	2,670	7,875	67	49	271		24,501
Disposals in year	(10,171)	(645)						(10,816)
Revaluation adjustments to Revaluation Reserve	(72)							(72)
Revaluation adjustments to CIES	(3,184)							(3,184)
Reclassifications to/from Held for Sale								0
Other reclassifications	1,063					(1,063)		0
<b>At 31 March 2015</b>	<b>479,902</b>	<b>36,316</b>	<b>56,884</b>	<b>5,466</b>	<b>4,142</b>	<b>455</b>	<b>88,046</b>	<b>671,211</b>
<b>Depreciation and Impairment</b>								
At 1 April 2014	175,787	29,104	12,270	2,563	832		6,359	226,915
Depreciation charge for the year	9,714	2,134	1,644		16		1,934	15,442
Impairment losses to Revaluation Reserve	1,424		3		43			1,470
Impairment losses to CIES	7,523		67	67				7,657
On disposals	(867)	(578)						(1,445)
On Revaluations to Revaluation Reserve	(576)							(576)
On Revaluations to CIES	(129)							(129)
<b>At 31 March 2015</b>	<b>192,876</b>	<b>30,660</b>	<b>13,984</b>	<b>2,630</b>	<b>891</b>	<b>0</b>	<b>8,293</b>	<b>249,334</b>
<b>Balance Sheet amount at 31 March 2015</b>	<b>287,026</b>	<b>5,656</b>	<b>42,900</b>	<b>2,836</b>	<b>3,251</b>	<b>455</b>	<b>79,753</b>	<b>421,877</b>
<b>Balance Sheet amount at 31 March 2014</b>	<b>302,910</b>	<b>5,187</b>	<b>36,739</b>	<b>2,836</b>	<b>3,261</b>	<b>1,247</b>	<b>81,687</b>	<b>433,867</b>
<b>Nature of asset holding</b>								
Owned	272,301	5,656	42,900	2,836	3,251	455		327,399
Finance lease	14,725							14,725
PPP							79,753	79,753

## Comparative Movements in 2013-2014

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets not for Sale	Asset Under Construction	Schools PPP Assets	Total PPE
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2013	403,340	33,539	44,560	5,311	4,091	40,885	76,022	607,748
Additions in year	6,324	1,396	4,449	88	2	20,162	32	32,453
Disposals in year	(50)	(644)						(694)
Revaluation adjustments to Revaluation Reserve	11,700							11,700
Revaluation adjustments to CIES	9,575							9,575
Reclassifications to/from Held for Sale								0
Other reclassifications	47,808					(59,800)	11,992	0
<b>At 31 March 2014</b>	<b>478,697</b>	<b>34,291</b>	<b>49,009</b>	<b>5,399</b>	<b>4,093</b>	<b>1,247</b>	<b>88,046</b>	<b>660,782</b>
<b>Depreciation and Impairment</b>								
At 1 April 2013	161,405	27,211	10,710	2,476	814		4,410	207,026
Depreciation charge for the year	7,895	2,485	1,412		16		1,949	13,757
Impairment losses to Revaluation Reserve	3,197		8	54	2			3,261
Impairment losses to CIES	2,683		140	33				2,856
On disposals		(592)						(592)
On Revaluations to Revaluation Reserve	607							607
Other reclassifications								0
<b>At 31 March 2014</b>	<b>175,787</b>	<b>29,104</b>	<b>12,270</b>	<b>2,563</b>	<b>832</b>	<b>0</b>	<b>6,359</b>	<b>226,915</b>
<b>Balance Sheet amount at 31 March 2014</b>	<b>302,910</b>	<b>5,187</b>	<b>36,739</b>	<b>2,836</b>	<b>3,261</b>	<b>1,247</b>	<b>81,687</b>	<b>433,867</b>
<b>Balance Sheet amount at 31 March 2013</b>	<b>241,935</b>	<b>6,328</b>	<b>33,850</b>	<b>2,835</b>	<b>3,277</b>	<b>40,885</b>	<b>71,612</b>	<b>400,722</b>
<b>Nature of asset holding</b>								
Owned	287,476	5,187	36,739	2,836	3,261	1,247		336,746
Finance lease	15,434							15,434
PPP							81,687	81,687

### Depreciation

The depreciation methods used and the useful lives or depreciation rates used are disclosed separately in Note 1 Accounting Policies under section R "Property, Plant & Equipment".

### Commitments under Capital Contracts

At 31 March 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant & Equipment and for contributions to capital works budgeted to cost £6.909 million. Similar contracts at 31 March 2014 were £21.142 million. The major capital commitments include:

	£000
Refurbishment of St John's Primary School	1,927
Gourock Development	3,247

### Revaluation Programme

The following statement shows the progress of the Council's programme for the revaluation of Property, Plant & Equipment that ensures all its PPE assets required to be measured at fair value are revalued at least every five years. The measurement bases used for determining the gross carrying amount, the valuers, and the significant assumptions applied in estimating the fair values are disclosed separately in Note 1 Accounting Policies under section R "Property, Plant & Equipment".

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets not for Sale £000	Asset Under Construction £000	Schools PPP Assets £000	Total PPE £000
Carried at historical cost	6,529	5,656	38,706	1,479	0	455	0	52,825
Valued at fair value as at								
31 March 2015	4,274							4,274
31 March 2014	195,216		46				59,902	255,164
31 March 2013	79,325		4,148	1,357	1,274		19,851	105,955
31 March 2012								0
31 March 2011	1,682				1,977			3,659
<b>Total Cost or Valuation</b>	<b>287,026</b>	<b>5,656</b>	<b>42,900</b>	<b>2,836</b>	<b>3,251</b>	<b>455</b>	<b>79,753</b>	<b>421,877</b>

## Note 11 Intangible Assets

The Council accounts for purchased software licences held for various Information Technology systems used throughout the Council as intangible assets. The cost of the licenses is written off on a straight-line basis over the expected life of the licenses which is 12 months for all systems, except the financial management system (66 months); Microsoft licenses and licenses used for the Social Work information technology software (maximum of 60 months); and antivirus software (36 months). The Council does not recognise any internally generated intangible assets.

There have been no changes to the estimated useful life of any intangible assets during the year; there have been no revaluations, disposals or transfers of intangible assets; and no charges for impairment have been made.

Amortisation is charged to the individual service headings in Cost of Services within the CIES, consistent with the number and type of licences held.

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

	2014-2015	2013-2014
	Purchased Software Licences	Purchased Software Licences
	£000	£000
Balance at start of year:		
~ Gross carrying amounts	4,703	4,514
~ Accumulated amortisation	(4,503)	(4,363)
<b>Net carrying amount at 1 April</b>	<b>200</b>	<b>151</b>
Additions:		
~ Purchases	98	189
~ Disposals	0	0
Amortisation for the period	(126)	(140)
<b>Net carrying amount at 31 March</b>	<b>172</b>	<b>200</b>
Comprising:		
~ Gross carrying amounts	4,801	4,703
~ Accumulated amortisation	(4,629)	(4,503)
	<b>172</b>	<b>200</b>



## Note 12 Heritage Assets

### Reconciliation of the Carrying Value of Heritage Assets held by the Council

	2014-2015	2013-2014
	Total Assets	Total Assets
	£000	£000
Valuation or Cost		
1 April	18,059	18,059
Revaluations	0	0
<b>31 March</b>	<b>18,059</b>	<b>18,059</b>

The valuation disclosed in the Balance Sheet is based on the assessment by the Council's previous insurers of the replacement value for the combined collections. These insurance valuations are updated periodically. In addition, individual collections are reviewed periodically to ensure the adequacy of the valuation. The Council's policy on management, acquisitions and disposals is contained in its policy document. This document and further information about the collections are publicly available on the Museum's section of Inverclyde Council's website: <http://www.inverclyde.gov.uk/community-life-and-leisure/museum/museum-collections>

During the year, a number of public works of art were transferred from Riverside Inverclyde to the Council and are currently held on the Balance Sheet at £nil value.

## Note 13 Financial Instruments

### Categories of Financial Instruments

The following categories of financial instruments were carried in the Balance Sheet:

	Long-term		Short-term	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
<b>Investments</b>				
Loans and receivables	0	0	17,582	17,599
<b>Debtors</b>				
Loans and receivables (note 1)	2,137	2,147	6,246	5,521
<b>Borrowings</b>				
Financial liabilities at amortised cost	(214,249)	(215,447)	(3,668)	(8,447)
<b>Other Long Term Liabilities</b>				
PPP and finance lease liabilities	(67,727)	(69,811)	(2,084)	(1,953)
<b>Creditors</b>				
Financial liabilities at amortised cost (note 2)	0	(480)	(21,536)	(20,709)

#### Notes

1. Per Balance Sheet, Short-term Loans and Receivables net of £4.360m (2013-2014 £4.647m) not regarded as Financial Instruments.
2. Per Balance Sheet, Short-term Financial Liabilities net of £3.294m (2013-2014 £3.297m) not regarded as Financial Instruments.

### Reclassifications between Categories

The Council did not reclassify any financial assets or liabilities between categories during the year.

### Collateral

The Council holds collateral as security against certain lending and debt due. This takes the form of mortgages on dwelling houses for loans as “lender of last resort” to assist owners to buy or improve their homes and “rolled-up” debt for care home charges due by social work clients, payable on their death or when the house is sold.

### Income, Expense, Gains and Losses

There was interest expenditure of £9.216 million (2013-2014 £9.364 million) and interest income of £0.410 million (2013-2014 £0.737 million) that were recognised in the CIES for the year.

### Fair Values of Assets and Liabilities

Financial assets (represented by lending and long-term debtors) and financial liabilities (represented by borrowing and long-term creditors) are carried in the Balance Sheet at amortised cost in accordance with the accounting regulations. In such cases, the regulations also require the additional disclosure of the “fair value” of these assets and liabilities. Fair value is broadly the amount for which an asset could be exchanged or a liability settled.

The fair values have been assessed with expert professional assistance from the Council’s treasury advisers by calculating the net present value (NPV) of cash flows that will take place over the remaining term of the instrument using the following methodology and assumptions:

- The valuation date is 31 March 2015.
- The discount factor used in the NPV calculations is the comparable new borrowing or deposit rate of the same financial instrument from a comparable lender with a published market rate at the valuation date, using bid prices where applicable. A consistent approach has been applied to assets and liabilities.
- For all Public Works Loan Board (PWLB) debt, the new borrowing rate at 31 March 2015 has been used as the discount rate.
- The fair values include accrued interest up to and including the valuation date.
- Where an instrument will mature within the next twelve months, carrying amounts are assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- The fair value of the Schools PPP liability has been assessed taking the carrying value of the obligation at 31 March 2015 and applying an annuity repayment profile using the PWLB annuity new borrowing rate for a comparable period (25 years) at 31 March 2015.

The fair values are calculated as follows:

	31 March 2015		31 March 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and receivables	17,582	17,604	17,599	17,632
Long-term debtors	2,137	2,137	2,147	2,147
Short-term debtors (at cost)	6,246	6,246	5,521	5,521

The fair value of the loans and receivables is higher than the carrying amount because the Council’s portfolio of investments includes fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date.

	31 March 2015		31 March 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	217,916	273,491	223,893	229,032
School PPP Lease	69,811	99,290	71,674	88,697
Long-term creditors	0	0	480	480
Short-term creditors (at cost)	21,536	21,536	20,709	20,709

The fair value is higher than the carrying amount because the Council's borrowing figure includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above the current market rates increases the amount the Council would have to pay if the lender requested or agreed to early repayment of the loans.

#### Note 14 Debtors

	31 March 2015				31 March 2014			
	Short-term		Long-term		Short-term		Long-term	
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Scottish Government (including NHS bodies)</b>		<b>1,494</b>		<b>0</b>		<b>3,067</b>		<b>0</b>
<b>Central Government bodies</b>		<b>1,624</b>		<b>0</b>		<b>1,550</b>		<b>0</b>
<b>Other Local Authorities</b>		<b>199</b>		<b>0</b>		<b>163</b>		<b>0</b>
Council Tax receivable from taxpayers	16,270		0		16,154		0	
Impairment	(14,209)		0		(14,123)		0	
<b>Council Tax (net of impairment)</b>		<b>2,061</b>		<b>0</b>		<b>2,031</b>		<b>0</b>
Trade debtors	9,757		0		7,603		0	
Impairment	(4,646)		0		(4,326)		0	
<b>Trade Debtors (net of impairment)</b>		<b>5,111</b>		<b>0</b>		<b>3,277</b>		<b>0</b>
Other entities and individuals	117		2,137		80		2,147	
Impairment	0		0		0		0	
<b>Other entities and individuals (net of impairment)</b>		<b>117</b>		<b>2,137</b>		<b>80</b>		<b>2,147</b>
<b>Totals for Short-term and Long-term Debtors</b>		<b>10,606</b>		<b>2,137</b>		<b>10,168</b>		<b>2,147</b>

In March 2013, the Council made a long-term loan of £1.969 million to Inverclyde Property Renovations LLP, a partnership established to develop the offices at Wallace Place, Greenock and Princes Street, Port Glasgow under the Business Premises Renovation Allowance (BPRA) Scheme. This is shown within 'other entities and individuals (net of impairment)'.

### Note 15 Cash and Cash Equivalents

	31 March 2015	31 March 2014
	£000	£000
Cash held by the Council	5	7
Bank current accounts	12,471	15,702
Deposits up to three months with UK Banks, Buildings Societies and Local Authorities	15,091	15,136
<b>Total Cash and Cash Equivalents</b>	<b>27,567</b>	<b>30,845</b>

### Note 16 Creditors

#### Short Term Creditors

	31 March 2015	31 March 2014
	£000	£000
Scottish Government (including NHS bodies)	(350)	(651)
Central Government bodies	(3,751)	(3,443)
Other Local Authorities	(1,072)	(1,229)
Trade creditors	(19,657)	(18,683)
<b>Total Short-term Creditors</b>	<b>(24,830)</b>	<b>(24,006)</b>

#### Long Term Creditors

	31 March 2015	31 March 2014
	£000	£000
Trade creditors	0	(480)
<b>Total Long-term Creditors</b>	<b>0</b>	<b>(480)</b>

## Note 17 Provisions

### Short-term Provisions - Movement on Balances 2014-2015

	Balance at 1 April 2014	Additional Provisions made in 2014-2015	Amounts used in 2014-2015	Unused amounts written back in 2014-2015	Balance at 31 March 2015
	£000	£000	£000	£000	£000
Compensation Payments (note 1)	(1,377)	0	712	0	(665)
Insurance Claims (note 2)	(16)	0	0	16	0
Municipal Mutual Insurance Claims (note 3)	(345)	(34)	0	0	(379)
Gourock Waterfront Redevelopment (note 4)	(50)	0	0	0	(50)
Utilities Dispute (note 5)	(44)	0	44	0	0
Greenock Academy Asbestos Provision (note 6)	0	(420)	0	0	(420)
<b>Total Short-term Provisions</b>	<b>(1,832)</b>	<b>(454)</b>	<b>756</b>	<b>16</b>	<b>(1,514)</b>

### Long-term Provisions - Movement on Balances 2014-2015

	Balance at 1 April 2014	Additional Provisions made in 2014-2015	Amounts used in 2014-2015	Unused amounts written back in 2014-2015	Balance at 31 March 2015
	£000	£000	£000	£000	£000
St Stephen's Demolition Provision (note 7)	0	(497)	0	0	(497)
<b>Total Long-term Provisions</b>	<b>0</b>	<b>(497)</b>	<b>0</b>	<b>0</b>	<b>(497)</b>

#### Notes

1. For the potential outcome of conceded outstanding equal pay claims.
2. An assessment of identified liabilities in respect of insurance claims outstanding for Strathclyde Regional Council.
3. For any potential shortfall in the current Scheme of Arrangement to meet any new claims.
4. For the potential outcome of a dispute relating to works carried out for Gourock waterfront redevelopment.
5. For the potential outcome of a Utilities Dispute.
6. For the removal of asbestos from the Greenock Academy site.
7. For the demolition of St Stephen's on termination of short-term lease.

## Note 18 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement (MiRS). The major part of the General Fund balance shown in the MiRS has been earmarked and effectively committed to fund specific projects in future years. The amounts set aside for earmarked reserves are shown in the following table:

	31 March 2015 £000	31 March 2014 £000
Modernisation Fund	308	514
School Estate Management Plan	2,942	3,461
Contribution to Riverside Inverclyde	1,858	1,245
Miscellaneous Community Health & Care Partnership Reserves	765	1,105
Fostering & Adoption	1,143	1,257
Miscellaneous Policy and Resources Committee Reserves	724	1,084
Miscellaneous Environment & Regeneration Committee Reserves	1,800	2,131
Greenock Town Centre Parking Strategy	30	84
Renewal of Clune Park Area	1,835	1,590
Asset Management Plan	1,578	1,603
Support for Owners	713	886
Flooding Works	1,863	1,249
Roads Asset Management Plan	2,165	5,158
Early Retiral / Voluntary Severance Reserve	3,562	2,427
Capital Funded from Current Revenue	3,623	4,690
Area Renewal Fund	0	195
Miscellaneous Education & Communities Reserves	656	664
Vehicle Replacement Programme	255	311
Support for Community Facilities	163	183
Education Equipment Fund	180	166
Equal Pay	4,668	2,984
Youth Employment	151	702
Deferred Income	407	203
Independent Living	231	451
Business Support Initiative	31	219
Repopulating/Promoting Inverclyde	606	886
Greenock Arts Guild	1,950	0

	31 March 2015 £000	31 March 2014 £000
Temporary Use of Reserves – 2016/17 Budget	3,298	0
Welfare Reforms	1,007	949
Loans Charges Post 16/17	1,200	1,200
Roads Defects & Drainage Works	291	500
<b>Total Earmarked Reserves</b>	<b>40,003</b>	<b>38,097</b>
Non-earmarked balance	4,988	4,793
<b>Total General Fund Balance</b>	<b>44,991</b>	<b>42,890</b>
Capital Fund	2,590	940
Repairs & Renewal Fund	2,959	2,727
Insurance Fund	3,860	4,277
<b>Total Usable Reserves</b>	<b>54,400</b>	<b>50,834</b>

#### Note 19 Unusable Reserves

##### Summary of Year-end Balances

The total for Unusable Reserves in the Balance Sheet is made up of the following reserves:

	31 March 2015 £000	31 March 2014 £000
Revaluation Reserve	108,764	110,107
Capital Adjustment Account	27,563	37,513
Financial Instruments Adjustment Account	(3,385)	(3,515)
Pensions Reserve	(163,607)	(137,654)
Employee Statutory Adjustment Account	(3,627)	(3,712)
<b>Balance at 31 March</b>	<b>(34,292)</b>	<b>2,739</b>

##### Movement on Balances – Revaluation Reserve

The Revaluation Reserve contains the unrealised gains made by the Council arising from increases in the value of its property, plant and equipment. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created.



	2014-2015	2013-2014
	£000	£000
<b>Balance at 1 April</b>	110,107	102,275
Revaluation of non-current assets not posted to the Surplus or (Deficit) on the Provision of Services	504	11,093
Difference between fair value depreciation and historical cost depreciation written off to Capital Adjustment Account	(377)	0
Impairments Charged to Revaluation Reserve Account	(1,470)	(3,261)
Accumulated gains or (losses) transferred to the Capital Adjustment Account	0	0
<b>Balance at 31 March</b>	<b>108,764</b>	<b>110,107</b>

### Movement on Balances – 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. Note 7 provides a summary of transactions posted to the Account during the year.

	2014-2015	2013-2014
	£000	£000
<b>Balance at 1 April</b>	37,513	19,936
Items relating to capital expenditure charged to CIES:		
~ Charges for depreciation and impairment of non-current assets	(26,281)	(7,182)
~ Disposals of non-current assets	(9,371)	(287)
Transfers from Revaluation Reserve	377	0
Capital financing applied in the year:		
~ Use of the Capital Receipts Reserve to finance new capital expenditure	213	429
~ Capital grants and contributions credited to the CIES that have been applied to capital financing	9,171	7,724
~ Loans Fund principal repayments	10,486	10,448
~ Capital financed from current revenue	5,455	6,445
<b>Balance at 31 March</b>	<b>27,563</b>	<b>37,513</b>

### Movement on Balances – Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

	2014-2015	2013-2014
	£000	£000
<b>Balance at 1 April</b>	(3,515)	(3,645)
Amount by which finance costs charged to the CIES Statement are different from finance costs chargeable in the year in accordance with statutory requirements	130	130
<b>Balance at 31 March</b>	<b>(3,385)</b>	<b>(3,515)</b>

### Movement on Balances – 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 Pensions Reserve shows a significant shortfall in the benefits earned by past and current employees and the Council's share of Strathclyde Pension Fund resources available to meet them. The triennial review by the Pension Fund in 2014 set employer's contribution rates for Inverclyde Council at 19.3% for the period 1 April 2015 to 31 March 2018.

	2014-2015	2013-2014
	£000	£000
<b>Balance at 1 April</b>	(137,654)	(118,667)
Actuarial gains or (losses) on pension assets and liabilities	(17,488)	(12,422)
Reversal of items relating to net charges for retirement benefits charged to Surplus or (Deficit) on the Provision of Services in the CIES	(19,846)	(17,439)
Employers' pension contributions paid to Strathclyde Pension Fund	11,381	10,874
<b>Balance at 31 March</b>	<b>(163,607)</b>	<b>(137,654)</b>

### Movement on Balances – Employee Statutory Adjustment Account

The Employee Statutory Adjustment 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.

	2014-2015	2013-2014
	£000	£000
<b>Balance at 1 April</b>	(3,712)	(3,370)
Settlement or cancellation of accrual made at the end of the preceding year	3,712	3,370
Amounts accrued at the end of the current year	(3,627)	(3,712)
<b>Balance at 31 March</b>	<b>(3,627)</b>	<b>(3,712)</b>

**Note 20 Cash Flow Statement – Operating Activities**

	2014-2015	2013-2014
	£000	£000
<b>Net surplus or (deficit) on the Provision of Services</b>	<b>(15,011)</b>	<b>8,718</b>
<b>Adjustments to net surplus or (deficit) on the provision of services for non-cash movements</b>		
Depreciation, amortisation & impairment	26,281	7,182
Net (gain) or loss on non-current assets	6,811	(332)
Retirement benefits	8,465	6,565
(Increase) or decrease in inventories	34	6
(Increase) or decrease in debtors	(428)	1,143
Increase or (decrease) in creditors and provisions	524	(4,291)
Other non-cash movements	0	0
	<b>41,687</b>	<b>10,273</b>
<b>Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities</b>		
Non-cash capital movements	1,946	(552)
Non-cash borrowing movements	(180)	(205)
Non-cash investing movements	(17)	(9,571)
	<b>1,749</b>	<b>(10,328)</b>
<b>Net cash flow from Operating Activities</b>	<b>28,425</b>	<b>8,663</b>

The net cash flow from Operating Activities in the above table includes the following elements of interest paid and received.

	2014-2015	2013-2014
	£000	£000
Interest received	471	1,567
Interest paid	(9,246)	(9,418)
Interest element of finance lease and PPP payments	(4,960)	(4,947)
<b>Net cash flow from Servicing of Finance</b>	<b>(13,735)</b>	<b>(12,798)</b>

### Note 21 Cash Flow Statement – Investing Activities

	2014-2015	2013-2014
	£000	£000
Purchase of property, plant and equipment and intangible assets	(24,200)	(32,096)
Purchase of short-term and long-term investments	(47,376)	(50,038)
Other payments for investing activities	0	0
Proceeds from sale of property, plant and equipment and intangible assets	213	619
Proceeds from short-term and long-term investments	47,410	75,017
Other receipts from investing activities	0	0
<b>Net cash flows from investing activities</b>	<b>(23,953)</b>	<b>(6,498)</b>

### Note 22 Cash Flow Statement – Financing Activities

	2014-2015	2013-2014
	£000	£000
Cash receipts of short-term and long-term borrowing	1	5,003
Cash payments for the reduction of the outstanding liabilities relating to finance leases for schools PPP contracts	(1,953)	(1,930)
Repayment of short-term and long-term borrowing	(5,798)	(9,302)
<b>Net cash flows from financing activities</b>	<b>(7,750)</b>	<b>(6,229)</b>

### Note 23 Amounts Reported for Resource Allocation Decisions

The standard service groups shown on the face of the Comprehensive Income & Expenditure Statement (CIES) are prescribed by the SeRCOP and are designed to make inter-authority comparisons more meaningful. These nationwide generic groups do not reflect the local management of service delivery and budgetary responsibilities as determined by the Council.

The management of Inverclyde Council is led by the Chief Executive, John W Mundell. The operational structure of the Council as at 31 March 2015 was divided into three Directorates reporting to four Committees. Financial reports to management are prepared on a different basis from the accounting policies used in the Statement of Accounts. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the CIES).
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than the current service cost of benefits accrued in the year.
- Expenditure on support services is budgeted for centrally and is not recharged to individual services within financial reports to management.

The income and expenditure of the Council's four Committees as reported to management for the outturn for the financial year is as follows:

### Committees' Income and Expenditure (2014-2015)

	Committees				Total £000
	Health & Social Care £000	Education & Communities £000	Policy & Resources £000	Environment & Regeneration £000	
Fees, charges and other service income	(14,156)	(3,056)	(12,286)	(8,958)	<b>(38,456)</b>
Government grants	(2,006)	(4,266)	(36,262)	(640)	<b>(43,174)</b>
<b>Total Income</b>	<b>(16,162)</b>	<b>(7,322)</b>	<b>(48,548)</b>	<b>(9,598)</b>	<b>(81,630)</b>
Employee expenses	26,241	55,529	9,428	11,823	<b>103,021</b>
Other service expenses	39,482	30,120	53,531	19,252	<b>142,385</b>
Support service recharges	0	0	0	0	<b>0</b>
<b>Total Operating Expenses</b>	<b>65,723</b>	<b>85,649</b>	<b>62,959</b>	<b>31,075</b>	<b>245,406</b>
<b>Net Expenditure</b>	<b>49,561</b>	<b>78,327</b>	<b>14,411</b>	<b>21,477</b>	<b>163,776</b>

### Committees' Income and Expenditure (2013-2014 Comparative Figures)

	Committees				Total £000
	Health & Social Care £000	Education & Communities £000	Policy & Resources £000	Environment & Regeneration £000	
Fees, charges and other service income	(13,039)	(3,386)	(11,433)	(8,276)	<b>(36,134)</b>
Government grants	(2,208)	(2,408)	(36,711)	(829)	<b>(42,156)</b>
<b>Total Income</b>	<b>(15,247)</b>	<b>(5,794)</b>	<b>(48,144)</b>	<b>(9,105)</b>	<b>(78,290)</b>
Employee expenses	26,538	55,579	9,882	12,018	<b>104,017</b>
Other service expenses	37,629	29,131	54,304	17,963	<b>139,027</b>
Support service recharges	0	0	0	0	<b>0</b>
<b>Total Operating Expenses</b>	<b>64,167</b>	<b>84,710</b>	<b>64,186</b>	<b>29,981</b>	<b>243,044</b>
<b>Net Expenditure</b>	<b>48,920</b>	<b>78,916</b>	<b>16,042</b>	<b>20,876</b>	<b>164,754</b>

### Reconciliation of Committee Income and Expenditure to “Cost of Services” in Comprehensive Income & Expenditure Statement (CIES)

This table shows how the figures in the above analysis of Committee Income and Expenditure reconcile to the amounts included in the CIES.

	2014-2015	2013-2014
	£000	£000
Net expenditure in the Committee analysis tables above	163,776	164,754
Net expenditure of services and support services not included in the analysis	0	0
Amounts in the CIES not reported to management in the analysis	28,516	8,137
Amounts included in the analysis not included in the CIES	0	0
<b>Cost of Services in the Comprehensive Income &amp; Expenditure Statement</b>	<b>192,292</b>	<b>172,891</b>

### Reconciliation to Subjective Analysis

This table shows how the figures in the analysis of Committee Income & Expenditure reconcile to a subjective analysis of the “(Surplus) or Deficit on the Provision of Services” included in the CIES.

	Committee Analysis	Service and Support Services not in Analysis	Amounts not Reported to Management	Amounts not Included in CIES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>2014-2015</b>								
Fees, charges and other service income	(38,456)				(1,351)	(39,807)		(39,807)
Interest and investment income						0		0
Income from Council Tax						0	(27,116)	(27,116)
Government grants and contributions	(43,174)					(43,174)	(177,325)	(220,499)
<b>Total Income</b>	<b>(81,630)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,351)</b>	<b>(82,981)</b>	<b>(204,441)</b>	<b>(287,422)</b>
Employee expenses	103,021		2,235		6,374	111,630		111,630
Other service expenses	142,385				4,654	147,039		147,039
Support services recharges					(9,677)	(9,677)		(9,677)
Depreciation, amortisation & impairment			26,281			26,281		26,281
Interest payments						0	20,349	20,349
(Gain) or loss on disposal of non-current assets						0	6,811	6,811
<b>Total Expenditure</b>	<b>245,406</b>	<b>0</b>	<b>28,516</b>	<b>0</b>	<b>1,351</b>	<b>275,273</b>	<b>27,160</b>	<b>302,433</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>163,776</b>	<b>0</b>	<b>28,516</b>	<b>0</b>	<b>0</b>	<b>192,292</b>	<b>(177,281)</b>	<b>15,011</b>

2013-2014 Comparative Figures	Committee Analysis	Service and Support Services not in Analysis	Amounts not Reported to Management	Amounts not Included in CIES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(36,134)				(315)	(36,449)		(36,449)
Interest and investment income						0		0
Income from Council Tax						0	(26,492)	(26,492)
Government grants and contributions	(42,156)					(42,156)	(174,263)	(216,419)
<b>Total Income</b>	<b>(78,290)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(315)</b>	<b>(78,605)</b>	<b>(200,755)</b>	<b>(279,360)</b>
Employee expenses	104,017		1,086		5,917	111,020		111,020
Other service expenses	139,027				3,439	142,466		142,466
Support services recharges					(9,041)	(9,041)		(9,041)
Depreciation, amortisation & impairment			7,051			7,051		7,051
Interest payments						0	19,478	19,478
(Gain) or loss on disposal of non-current assets						0	(332)	(332)
<b>Total Expenditure</b>	<b>243,044</b>	<b>0</b>	<b>8,137</b>	<b>0</b>	<b>315</b>	<b>251,496</b>	<b>19,146</b>	<b>270,642</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>164,754</b>	<b>0</b>	<b>8,137</b>	<b>0</b>	<b>0</b>	<b>172,891</b>	<b>(181,609)</b>	<b>(8,718)</b>

#### Note 24 Agency Services

The Council bills and collects non-domestic rates on behalf of the Scottish Government. During 2014-2015 the Council collected £20.8 million and received £0.52 million contribution from the non-domestic rates pool (2013-2014 £19.8 million and £1.45 million). The Council also bills and collects domestic water and sewerage charges on behalf of Scottish Water with its own Council Tax. During 2014-2015 the Council collected and paid over £11.23 million (2013-2014 £10.94 million) and received £0.312 million (2013-2014 £0.228 million) for providing this service.

The Council provides a range of community based services funded from resource transfer, delayed discharge and other Health Board contributions totalling £12.06 million in 2014-15 (£11.16 million in 2013-14).

### Note 25 External Audit Fees

The Council incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections by the Council's external auditors.

	2014-2015	2013-2014
	£000	£000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year.	262	264
	<b>262</b>	<b>264</b>

### Note 26 Grant Income

The Council credited the following grants, contributions and donations to the CIES in 2014-2015.

	2014-2015	2013-2014
	£000	£000
<b>Credited to Taxation and Non-specific Grant Income</b>		
General Revenue Grant	(145,322)	(145,655)
Distribution from Non-Domestic Rates pool	(22,832)	(21,279)
General Capital Grant (excludes amounts directly credited to Services)	(8,425)	(5,552)
Capital Grants	(746)	(1,777)
<b>Credited to Services</b>		
Housing Benefit	(35,581)	(35,839)
Housing Benefit Administration	(635)	(857)
Other Housing	(2,675)	(845)
Community Service Grant	(228)	(158)
Social Work	(2,006)	(2,208)
Education	(1,363)	(1,374)
Employability	(459)	(589)
Other	(227)	(286)
<b>Total</b>	<b>(220,499)</b>	<b>(216,419)</b>



## Note 27 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 and balances 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.

	2014-2015				2013-2014			
	Income from Related Parties £000	Expenditure to Related Parties £000	Amounts Due to Related Parties £000	Amounts Owed by Related Parties £000	Income from Related Parties £000	Expenditure to Related Parties £000	Amounts Due to Related Parties £000	Amounts Owed by Related Parties £000
<b>Joint Boards*<sup>1</sup></b>								
Strathclyde Partnership for Transport		3,915	0	150		3,487	(167)	5
Strathclyde Concessionary Travel Scheme Joint Board		171				171		
Renfrewshire Valuation Joint Board		541	(5)			541	(13)	
<b>Companies</b>								
Inverclyde Leisure Limited* <sup>2</sup>	(144)	1,852	(19)	537	(139)	1,853	0	273
Riverside Inverclyde Limited* <sup>2</sup>	(5)	2,610	(741)	10	(5)	1,940		
<b>Other Entities and Individuals</b>								
Inverclyde Common Good	(60)	1	(94)		(62)	1	(216)	
Sundry Trusts	(7)	2	(333)	118	(10)	3	(352)	126

### Notes:

\*1 Further details are disclosed in the Group Accounts Note 37 Combining Entities.

\*2 The Council has no shares in or ownership of these charitable companies.

Grants from government are disclosed elsewhere in the Accounts in notes 9 and 26.

Riverside Inverclyde donated a number of heritage assets to the Council which are reflected in the Councils Balance Sheet at £nil value. See note 12 (Heritage Assets) for further details.

Elected Members and Senior Officers are required to declare an interest if he or she believes that there may be a perception that their decision making may be influenced in any way by a personal interest. Should this arise, the relevant Member or Officer does not take part in any discussion or decision relating to that interest. The Register of Interests of each Member is available on the Council's website <http://www.inverclyde.gov.uk/council-and-government/councillors/>.

## Note 28 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the assets acquired under finance leases and PPP contracts), together with the resources that have been used to finance it. 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, a measure of capital expenditure incurred historically by the Council that has yet to be financed.

	2014-2015	2013-2014
	£000	£000
<b>Opening Capital Financing Requirement</b>	304,506	296,906
Capital Investment		
~ Capital Expenditure	24,600	32,646
~ Leased equipment and Schools PPP assets	0	0
<b>Total Capital Investment for the year</b>	<b>24,600</b>	<b>32,646</b>
Sources of Finance:		
~ Capital receipts from the sale of assets	(213)	(429)
~ Government grants and other contributions	(9,171)	(7,724)
~ Capital from current revenue	(5,455)	(6,445)
~ Loans Fund principal repayment (including finance leases & PPP)	(10,486)	(10,448)
<b>Total Capital Financing for the year</b>	<b>(25,325)</b>	<b>(25,046)</b>
<b>Closing Capital Financing Requirement</b>	<b>303,781</b>	<b>304,506</b>

	2014-2015	2013-2014
	£000	£000
<b>Explanation of movements in the year:</b>		
~ Increase/(Reduction) in underlying need to borrow	1,228	9,655
~ Increase/(Reduction) in finance leases obligations	0	(125)
~ Increase/(Reduction) in PPP finance lease creditor	(1,953)	(1,930)
<b>Increase/(Reduction) in Capital Financing Requirement</b>	<b>(725)</b>	<b>7,600</b>

## Note 29 Leases

### Finance Leases

The Council has entered into a finance lease type agreement to manage various Common Good land and buildings. The agreement is on a full repairs basis by the Council and at a peppercorn rental of £1 on demand. Included with the "Property, Plant & Equipment" figure on the Balance Sheet is £14.725 million (2013-2014 £15.434 million) that relates to these assets. This mainly comprises Greenock Municipal Buildings (£3.296 million), Port Glasgow Town Hall (£1.914 million), Port Glasgow Baths (£1.672 million), Gourock Outdoor Pool (£2.944 million), Lady Octavia Sports Centre (£1.498 million), Battery Park Pavilion (£1.233 million) and miscellaneous recreational facilities and parks (£0.955 million).

### Operating Leases, Inverclyde Council as Lessee

The Council leases various properties as tenant on a variety of lease terms that are accounted for as operating leases. The rentals in 2014-2015 were £0.186 million (2013-2014 £0.225 million) and this expenditure has been included in the CIES. The rental commitments in future years under non-cancellable leases are shown in the table below.

	Future Rental Payable	
	31 March 2015	31 March 2014
	£000	£000
Not later than one year	160	167
Later than one year and not later than five years	411	371
Later than five years	19	90
	<b>590</b>	<b>628</b>

### Operating Leases, Inverclyde Council as Lessor

The Council has granted commercial leases for properties to various tenants on a variety of lease terms. These arrangements are accounted for as operating leases. The rental income receivable in 2014-2015 was £0.774 million (2013-2014 £0.823 million) and is included in the CIES. The rents receivable under non-cancellable leases in future years are shown in the table below.

	Future Rental Receivable	
	31 March 2015	31 March 2014
	£000	£000
Not later than one year	612	610
Later than one year and not later than five years	1,659	1,804
Later than five years	1,257	1,137
	<b>3,528</b>	<b>3,551</b>

### Note 30 Schools Public Private Partnership

The Council has entered into a Public Private Partnership (PPP) for the provision of educational buildings, their maintenance and related facilities. The agreement provides the Council with two secondary and two primary schools. The provider is required to ensure the availability of these buildings to a pre-agreed standard. When the agreement ends in 2040, the buildings will be handed back to the Council with a guarantee of no major maintenance requirements for a five-year period.

#### Property, Plant & Equipment

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in value over the year are detailed in the analysis of the movement in Note 10 Property, Plant & Equipment.

#### Remaining Payments under the Agreement

The Council makes payments each year, which are increased by inflation and reduced if the contractor fails to meet availability and performance standards. Payments remaining to be made under the PPP contract at 31 March 2015 (assuming an adjusted inflation rate of 1.67% and excluding any estimation of availability and performance deductions) are as follows:

	Future Payments for services (including lifecycle maintenance)	Repayment of Liability	Finance Interest Estimated Inflation	Finance Interest Subsequent RPI Changes	Total
	£000	£000	£000	£000	£000
Payable within one year	2,467	2,084	4,176	749	9,476
Payable two to five years	12,870	7,261	15,533	3,772	39,436
Payable within six to ten years	19,345	9,974	16,976	6,927	53,222
Payable within eleven to fifteen years	21,072	13,717	13,393	9,872	58,054
Payable within sixteen to twenty years	26,047	16,129	8,987	12,107	63,270
Payable within twenty one to twenty five years	28,177	20,646	3,406	14,612	66,841
<b>Total</b>	<b>109,978</b>	<b>69,811</b>	<b>62,471</b>	<b>48,039</b>	<b>290,299</b>

#### Fair Value of Liability

The treasury advisor to Inverclyde Council has assessed the fair value of the lease liability as £99.3 million. The impact of a 1% increase in the discount factor is assessed at £10.3 million and would reduce the fair value to £89 million. More information on the assessment of fair values is available in Note 13 Financial Instruments.

### Liabilities from PPP Arrangements

Although the payments to the provider are described as unitary payments, they have been calculated to compensate the provider for the fair value of the services they provide and the capital expenditure incurred plus the interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay to the provider for the capital expenditure (the outstanding finance lease obligation) is as follows:

	2014-2015	2013-2014
	£000	£000
<b>Balance outstanding at the start of the year</b>	71,764	73,694
Payments during the year	(1,953)	(1,930)
Capital expenditure incurred in the year	0	0
<b>Balance outstanding at year-end</b>	<b>69,811</b>	<b>71,764</b>
Included in Balance Sheet		
~ Current	2,084	1,953
~ Non-current	67,727	69,811
	<b>69,811</b>	<b>71,764</b>

### Note 31 Impairment Losses

The disclosures on impairment losses by class of asset are shown in Note 10 Property, Plant & Equipment and Note 11 Intangible Assets. The major items of impairment losses are as follows:

	2014/15
	£000
Ardgowan Primary School	3,915
St John's Primary School	832
Port Glasgow Community Campus	712
Greenock Academy	420
St Columba's High School	270
Whinhill Primary School	250
Port Glasgow Town Hall	248
St Ninian's Primary School	223
Greenock Municipal Buildings	184
St Patrick's Primary School	123
Gourock Outdoor Pool	116
	<hr/>
	<b>7,293</b>
Other Properties	1,834
	<hr/>
<b>Total</b>	<b>9,127</b>

### Participation in Pension Schemes

The post employment scheme for employees other than teachers is the Local Government Pension Scheme (LGPS), and is administered in the West of Scotland by Glasgow City Council in respect of all local authorities and admitted bodies in the former Strathclyde area. This is a multi-employer scheme in which it is possible for an employer to identify its share of the assets and liabilities on a consistent and reasonable basis. Employer's liabilities can be evaluated directly by the Actuary at any time on membership data. Individual employer assets have been apportioned to each employer since 2002. Prior to that date, each employer was considered to have the same funding as the whole Fund.

### Benefits

- It is a defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level to balance the pensions liability with investment assets.
- The pensions accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009, the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service.) There is no automatic entitlement to a lump sum. Members of the Pension Scheme may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The scheme's normal retirement age is 65. Pensions are increased annually in line with changes to the Pensions (Increases) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

### Governance

- The Strathclyde Pension Fund is operated under the regulatory framework for the LGPS in Scotland and the governance of the scheme is the responsibility of the Strathclyde Pension Fund Committee. This committee is comprised solely of Elected Members of Glasgow City Council. Employing authorities (including Inverclyde Council) are represented at the Strathclyde Pension Fund Representative Forum.
- Policy is determined in accordance with the Local Government Pension Scheme (Scotland) Regulations. Management of the Fund's investments is carried out by the Fund's Investment Advisory Panel which selects and appoints a number of external investment managers/partners and monitors their investment performance.
- Under the Regulations, employers fall into three categories, scheme employers (also known as schedule bodies) such as Inverclyde Council, community admission bodies and transferee admission bodies. Admission agreements are generally assumed to be open-ended. However, either party can voluntarily terminate the admission agreement by giving an appropriate period of notice to the other parties. Any deficit arising from the cessation valuation will usually be levied on the departing admission body as a capital payment.

### Principal Risks

- The principal risks to the Scheme are the longevity assumptions, statutory changes to the Scheme, changes to inflation, bond yields and the performance of the investments held by the Scheme. The long-term funding strategy and the employer's contribution rates are reviewed triennially and take into account these factors to mitigate the risks. The taxpayer is protected from temporary swings in some of these factors (inflation, bond yields and investment performance) by the adjustments by law to the amount charged to the General Fund as detailed in Note 7.

### Discretionary Post-employment Benefits

- Discretionary post-employment benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when an award is made. There are no pension plan assets built up to meet these pension liabilities.

### Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported Cost of Services when they are earned by the Council's employees, rather than when the benefits are eventually paid as pensions. However, the charge that is statutorily required to be made against the Council Tax is based upon the pension contributions payable by the Council in the year, and an adjustment is made in the Movement in Reserves Statement to achieve this.

The following transactions have been included in the accounting statements in 2014-2015 and the prior year 2013-2014.

	31 March 2015	31 March 2014
	£000	£000
<b>Comprehensive Income &amp; Expenditure Statement (CIES)</b>		
<i>Cost of Services:</i>		
<i>Service Cost comprising:</i>		
~ Current service cost	13,486	11,325
~ Past service costs (including curtailments)	392	747
~ Unfunded benefits	0	0
<i>Financing and Investment Income and Expenditure:</i>		
~ Net interest expense	5,968	5,367
<b>Total Post-employment Benefit charged to (Surplus) or Deficit on the Provision of Services</b>	<b>19,846</b>	<b>17,439</b>
 <i>Other Post-employment Benefits Charged to the CIES:</i>		
<i>Re-measurement of the net defined benefit liability comprising:</i>		
~ Expected return on pension fund assets	(24,770)	(8,393)
~ Actuarial (gains) or losses arising on changes in demographic assumptions	13,968	0
~ Actuarial (gains) or losses arising on changes in financial assumptions	58,235	20,096
~ Actuarial (gains) or losses arising on changes in experience assumptions	(29,945)	719
<b>Total Post-employment Benefit Charged to the CIES</b>	<b>17,488</b>	<b>12,422</b>
 <b>Movement in Reserves Statement (MiRS)</b>		
~ Reversal of net charges made to the (Surplus) or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(6,107)	(1,548)
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>		
<b>Employers' contributions payable to Strathclyde Pension Fund</b>	<b>11,381</b>	<b>10,874</b>



## Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the local authority's obligation in respect of its defined benefit plan is as follows:

	31 March 2015	31 March 2014
	£000	£000
Present value of the defined benefit obligation*	(603,325)	(537,557)
Fair value of pension fund assets	439,718	399,903
<b>Net Liability arising from Defined Benefit Obligation</b>	<b>(163,607)</b>	<b>(137,654)</b>
*Unfunded liabilities included in the figure for present value of liabilities		
~ unfunded liabilities for Pension Fund	(22,485)	(19,437)
~ teachers' unfunded pensions	(14,740)	(13,336)
~ unfunded liabilities prior to 1996 local government reorganisation	(8,046)	(7,924)

A reconciliation of Inverclyde Council's share of the present value of Strathclyde Pension Fund's defined benefit obligation (liabilities) is as follows:

	2014-2015	2013-2014
	£000	£000
<b>Opening balance at 1 April</b>	<b>(537,557)</b>	<b>(495,031)</b>
Current service cost	(13,486)	(11,325)
Interest cost	(23,107)	(22,264)
Contributions by Pension Fund participants	(2,889)	(2,791)
Re-measurement gains and (losses)		
~ Actuarial gains/(losses) from changes in demographic assumptions	(13,968)	0
~ Actuarial gains/(losses) from changes in financial assumptions	(58,235)	(20,096)
~ Actuarial gains/(losses) from changes in experience assumptions	29,945	(719)
Past service costs (including curtailments)	(392)	(747)
Settlements	0	0
Benefits paid	16,364	15,416
<b>Closing balance at 31 March</b>	<b>(603,325)</b>	<b>(537,557)</b>

A reconciliation of the movements in Inverclyde Council's share of the fair value of Strathclyde Pension Fund's assets is as follows:

	2014-2015	2013-2014
	£000	£000
<b>Opening fair value of pension fund assets</b>	399,903	376,364
Interest income	17,139	16,897
Re-measurement gains and (losses):		
~ expected rate of return on pension fund assets	24,770	8,393
The effect of changes in foreign exchange rates	0	0
Contributions from employers	11,381	10,874
Contributions from employees into the scheme	2,889	2,791
Benefits paid	(16,364)	(15,416)
<b>Closing fair value of pension fund assets</b>	<b>439,718</b>	<b>399,903</b>

### Analysis of Pension Fund's Assets

Inverclyde Council's share of the Pension Fund's assets at 31 March 2015 comprised:

	31 March 2015			31 March 2014		
	Quoted Prices in Active Markets	Prices not Quoted in Active Markets	Totals	Quoted Prices in Active Markets	Prices not Quoted in Active Markets	Totals
	£000	£000	£000	£000	£000	£000
Cash and cash equivalents	0	10,804	10,804	0	19,126	19,126
Equity instruments	161,199	333	161,532	145,802	307	146,109
Debt instruments	0	2	2	0	3	3
Real Estate	0	40,174	40,174	0	28,015	28,015
Derivatives	135	0	135	85	0	85
Private Equity	0	42,788	42,788	0	37,716	37,716
Investment Funds	4,791	179,492	184,283	9,898	158,951	168,849
Asset-backed Securities	0	0	0	0	0	0
Structured Debt	0	0	0	0	0	0
<b>Total assets</b>	<b>166,125</b>	<b>273,593</b>	<b>439,718</b>	<b>155,785</b>	<b>244,118</b>	<b>399,903</b>

### Basis for Estimating Assets and Liabilities

The Council's share of the net obligations of the Strathclyde Pension Fund is an estimated figure based on actuarial assumptions about the future and is a snapshot at the end of the financial year. The net obligation has been assessed using the "projected unit method", that estimates the pensions that will be payable in future years dependent upon assumptions principally about mortality rates, salary levels and inflation.

The Fund's obligation has been assessed by Hymans Robertson, an independent firm of actuaries, and the estimates are based on the latest full valuation of the Fund at 31 March 2015. The significant assumptions used by the actuary are shown in the table below. Note 4 includes a sensitivity analysis for the pension obligation based on possible changes of these assumptions occurring at the reporting date.

	2014-2015	2013-2014
Long-term expected rate of return on assets in the Fund:		
~ Equity investments	3.2%	4.3%
~ Bonds	3.2%	4.3%
~ Property	3.2%	4.3%
~ Cash	3.2%	4.3%
Mortality Assumptions:		
Longevity at 65 for current pensioners (years):		
~ Men	22.1	21.0
~ Women	23.6	23.4
Longevity at 65 for future pensioners (years):		
~ Men	24.8	23.3
~ Women	26.2	25.3
Rate of inflation	2.4%	2.8%
Rate of increase in salaries	4.3%	5.1%
Rate of increase in pensions	2.4%	2.8%
Rate for discounting Fund liabilities	3.2%	4.3%
Take-up option to convert annual pension into retirement lump sum	50.0%	50.0%

### Asset and Liability Matching (ALM) Strategy

The main fund (Fund 1) of the Strathclyde Pension Fund does not have an ALM as this is used mainly by mature funds. The Fund does match, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. As is required by the pensions and investment regulations, the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. The Fund invests in equities (i.e. stocks and shares), bonds, properties and in cash.

### Impact on the Council's Cash Flow

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities. The triennial review set employer's contributions for Inverclyde Council at 19.3% for the period 1 April 2015 to 31 March 2018.

The Local Government Pension Scheme in Scotland moved from 1 April 2015 to a new Career Average Revalued Earning Scheme (CARE) for future accruals. The Fund is actively taking account of this and other national changes to the Local Government Pension Scheme in Scotland.

The total contributions expected to be made by the Council to Strathclyde Pension Fund in the year to 31 March 2016 is £9.069 million.

The assumed weighted average duration of the defined benefit obligations is 17.8 years.

### Note 33 Post-employment Benefits Teachers

The Teachers' Pension Scheme is administered directly by the Scottish Government and is technically a "defined benefit" scheme. However the scheme is unfunded and 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. In this Statement of Accounts, it is therefore accounted for on the same basis as a "defined contribution" scheme. As a proportion of the total contributions into the teachers' pension scheme, the Council's own contributions equated to approximately 1.24% during the year ended 31 March 2014. The actual contributions for the year ended 31 March 2015 will not be published until November 2015, however the Council assumes that the percentage contribution will be similar to 31 March 2014.

In 2014-2015, Inverclyde Council paid £4.295 million in respect of teachers' retirement benefits, representing 14.9% of pensionable pay. The figures for 2013-2014 were £4.297 million and 14.7%. There were no contributions remaining payable at the year-end.

### Note 34 Contingent Assets and Liabilities

There is currently a legal case outstanding in respect of part-time employees who may rejoin the Teachers' Pension Scheme. Should this be successful there may be a liability on the employer to backdate the costs associated with this case.

The Council transferred the bulk of its housing stock and some areas of land for the development of social housing to River Clyde Homes in December 2007. The Council retains the risk of any contamination present when the land transferred. The extent of any potential remedial work has not been assessed.

The Council has outstanding Employment Tribunals which, if the Employees' action is successful will result in a liability to the Council.

A recent EU ruling has highlighted that the Council may have some liability in respect of additional Holiday Pay entitlement. The extent of this liability cannot be assessed at this stage.

Due to works carried out at the former Greenock Academy site an issue over the level of the known contamination has arisen. The extent of any additional liability cannot be assessed at this stage.

The Council agreed to act as sponsor with respect to Inverclyde Leisure and Riverside Inverclyde's admission to the Strathclyde Pension Fund. In the event of either organisation ceasing to exist the Council will assume any contingent liability for non-funded costs.

The Council is unaware of any other material contingent asset or liability at 31 March 2015.

### Note 35 Nature and Extent of Risks Arising from Financial Instruments

#### The Management of Treasury Risk by the Council

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

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

The Council's management of treasury risk actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council manages its risk by various means including:

- A full and formal adoption of the requirements of CIPFA's Treasury Management in the Public Services: Code of Practice and by the adoption of a Treasury Policy Statement and treasury management clauses within the Council's financial regulations;
- The adoption of written principles for overall risk management and rigorous observance of the written policies and procedures;
- The approval annually in advance of Prudential Indicators for the forthcoming three years;
- The approval of an investment strategy for the forthcoming year;
- Regular reporting to the members of the Policy & Resources Committee and the full Council on treasury matters.

### Management of Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposure to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Service. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution.

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 the Council's internal ratings procedures.

The Council's maximum exposure to credit risk in relation to its deposits in banks and building societies of £45.616 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Council deposits, but there is no evidence at 31 March 2015 that this was likely to crystallise.

Credit limits were not exceeded during the year. The Council expects full repayment on the due date of deposits placed with its counterparties.

The Council has a potential maximum credit risk exposure of £4.646 million (2013-2014 £4.326 million) from debtors excluding council tax. This estimate is based on past experience and current market conditions.

The Council does not generally allow credit for customers, such that £10.892 million of the £13.029 million debtors regarded as Financial Instruments is past its due date for payment. The past due amount can be analysed by age as shown in the following table. The Council has made provision for the loss of income based on previous experience.

	31 March 2015	31 March 2014
	£000	£000
Less than three months	10,393	9,428
Three to six months	55	88
Six months to one year	64	203
More than one year	380	141
	<b>10,892</b>	<b>9,860</b>

### Management of Liquidity Risk

The Council has a responsive system of safeguards for the management of cash flow that seeks to ensure that cash is available as needed. The Council has ready access to borrowings from market loans and the UK Treasury's Public Works Loan Board. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has secure safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The Council's policy is to ensure that no more than 25% of loans are due to mature within any financial year through a combination of prudent planning of new loans and, where it is economic to do so, making early repayments. Any amendments to these policies, whether short-term or long-term, require the prior approval of the Policy & Resources Committee. The maturity analysis of financial liabilities is as follows:

	31 March 2015	31 March 2014
	£000	£000
Less than one year	25,204	29,156
Between one and two years	5,529	1,669
Between two and five years	26,038	16,424
Between five and ten years	30,239	45,381
Between ten and thirty years	8,878	8,878
Between thirty and fifty years	40,000	40,000
Over fifty years	102,400	102,400
	<b>238,288</b>	<b>243,908</b>

### Management of Market Risk

The key area of market risk for the Council is in terms of its exposure to interest rate movements on its borrowings and investments. Changes in interest rates influence the interest payable on borrowings and on interest receivable on surplus funds invested. The Council has a variety of strategies for managing the uncertainty of future interest rates and the financial impact on the Council:

- It is the policy of the Council to limit its exposure to variable rate borrowing to a maximum of 40% of what it borrows.
- During periods of falling rates and where it is economically advantageous to do so, the Council will consider the repayment and restructuring of fixed interest rate debt.
- The Council takes daily advice from its specialist treasury advisers and actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowings and the restructuring of existing borrowings.

To illustrate the impact of changes in interest rates upon the Council, the following table shows the financial effect if rates had been 1% higher at 31 March 2015, with all other variables held constant.

	31 March 2015	31 March 2014
	£000	£000
<b>Impact on taxpayer</b>		
Increase on interest payable on variable rate borrowings	669	479
Increase in interest receivable on variable rate lending	(456)	(489)
<b>Net effect on Comprehensive Income &amp; Expenditure Statement</b>	<b>213</b>	<b>(10)</b>
<b>Other presentational changes</b>		
A decrease in the "fair value" of fixed rate borrowing (disclosure confined to the Notes to the Accounts)	(24,476)	(21,243)
	<b>(24,476)</b>	<b>(21,243)</b>

The impact of a 1% fall in interest rates would be as above but with the changes being reversed.

Other areas of market risk are price risk and foreign exchange risk. The Council has no exposure to these risks through its treasury activities. The Council does not invest in equity shares (so called "available-for-sale" assets) and consequently is not exposed to gains or losses arising from movements in the prices of shares. The Council does not lend or borrow in foreign currencies and has no exposure to gains or losses arising from movements in exchange rates.



## Council Tax Income Account

Local Councils raise taxes from residents by way of a property tax, the Council Tax, which is based on property values. Each dwelling house in a local authority area is placed into one of eight bands A to H with band A being the lowest. The Council declares a tax for Band D properties and all other properties are charged a proportion of this. Lower valued properties pay less; higher valued properties pay more. The net income is transferred to the Comprehensive Income & Expenditure Statement of the Council. Council Tax Reduction (CTR) was introduced from 1 April 2013 to replace Council Tax benefit (CTB) as part of the Scottish Government's welfare reform programme. The reduction in income is disclosed in a separate line in the table below.

	2014-2015	2013-2014
	£000	£000
Gross Council Tax levied and contributions in lieu	40,005	39,992
Adjustment: Council Tax Reduction Scheme	(6,716)	(7,073)
Less:		
Other discounts and reductions	(5,624)	(5,672)
Write offs	(13)	(10)
Provision for bad and doubtful debts	(719)	(754)
<b>Net Council Tax income</b>	<b>26,933</b>	<b>26,483</b>
Less Prior years' Council Tax adjustments	183	9
<b>Net Council Tax income transferred to General Fund</b>	<b>27,116</b>	<b>26,492</b>

### Calculation of the Council Tax Base

	No. Of Dwellings	No. Of Exemptions	*Disabled Transfer to Lower Band	*Disabled Transfer from Higher Band	Discounts 25%	Discounts 10%-50%	Total Effective No. Of Dwellings	Council Tax Reduction Scheme	Proportion of Band D	Band D Equivalents
<b>Band A*</b>				43	14		40	13	5/9	15
<b>Band A</b>	19,175	1,156	43	23	9,151	381	15,482	5,559	6/9	6,615
<b>Band B</b>	5,816	210	23	17	2,688	71	4,877	1,331	7/9	2,758
<b>Band C</b>	3,485	88	17	16	1,244	28	3,060	546	8/9	2,235
<b>Band D</b>	3,285	69	16	30	1,022	21	2,950	233	9/9	2,717
<b>Band E</b>	3,433	48	30	20	841	28	3,137	111	11/9	3,698
<b>Band F</b>	1,878	25	20	11	351	20	1,739	40	13/9	2,454
<b>Band G</b>	1,415	20	11	1	204	14	1,321	14	15/9	2,178
<b>Band H</b>	212	3	1	0	19	3	200	0	18/9	400

\* Disabled Relief: Disabled relief takes the form of a drop in valuation band e.g. Band D to Band C and is applied where a house has been modified to meet the needs of a disabled person who lives there.

Contributions in Lieu - Band D equivalents

**Total**

Provision for Bad Debt at 2.62%

**Council Tax Base**

2

**23,072**

(605)

**22,467**

### Calculation of the Council Tax

Dwellings fall within a valuation band between A to H based on the value as determined by the Assessor. The Council Tax charge is calculated using the Council Tax base i.e. band D equivalents. This amount is then decreased or increased dependent on the band as is illustrated below. The band D charge for 2014-2015 was £1,198.

£ Per Year

<b>Band A</b>	<b>799</b>
<b>Band B</b>	<b>932</b>
<b>Band C</b>	<b>1,065</b>
<b>Band D</b>	<b>1,198</b>
<b>Band E</b>	<b>1,464</b>
<b>Band F</b>	<b>1,730</b>
<b>Band G</b>	<b>1,997</b>
<b>Band H</b>	<b>2,396</b>

The Council Tax bill is reduced by 25% where a dwelling has only one occupant, by 50% where the property is empty and 10% for second homes and long term empty properties. Total exemptions are available if all the occupants are students, all occupants are under 18 years of age or if all of the occupants are severely mentally impaired.

Charges for water and sewerage are the responsibility of Scottish Water. Inverclyde Council collects total monies and makes a precept payment to the Water Authority on the basis of collection levels based on a pre-determined formula. The above figures exclude the water and sewerage charges.

## Non-Domestic Rates Income Account

This account is an agent's statement that reflects the statutory obligation for billing Authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net Non-Domestic Rate income plus the contribution to the Council from the national Non-Domestic Rate pool is transferred to the Comprehensive Income & Expenditure Statement of the Council. The Business Rates Incentivisation Scheme (BRIS) was introduced from April 2012 and allows Councils that exceed their annual business rates target to retain 50% of any additional income. In accordance with guidance, the table below discloses this element of the Non-Domestic Rate income as "income retained by the Council".

The amount deemed to be collected locally was £22.832m. The sum actually collected locally and contributed to the pool was £21.306m.

	2014-2015 £000	2013-2014 £000
Gross rates levied	29,548	28,253
Relief and other remissions	(7,926)	(7,609)
Payment of interest	0	0
Provision for bad and doubtful debts	(839)	(817)
<b>Net non-domestic rate income</b>	<b>20,783</b>	<b>19,827</b>
Adjustments for years prior to introduction of national non-domestic rate pool	0	0
Non-domestic rates income retained by authority	0	0
Contribution from national non-domestic rate pool	523	1,452
<b>Net non-domestic rate income transferred to General Fund</b>	<b>21,306</b>	<b>21,279</b>

	2014 £000	2013 £000
<b>Rateable values at 1 April</b>		
Commercial	30,230	30,699
Industrial / freight transport	8,871	8,620
Others	21,159	20,306
	<b>60,260</b>	<b>59,625</b>

### The nature and amount of each rate fixed

The rates for each subject is determined by the rateable value placed upon it by the Assessor multiplied by the rate per £ sterling announced each year by the Scottish Government. For 2014-2015 the charge was 47.1p in the £ sterling for properties with a rateable value under £35,000. Properties with a rateable value over £35,000, the charge was 48.2p.

## Common Good Fund

The Common Good, administered by the Council, must be applied for the benefit of the people of Inverclyde. The figures below summarise the income and expenditure for the year as well as providing a snapshot of the assets and liabilities as at 31 March 2015. Each year, applications for funding support are considered by the Council's Policy & Resources Committee. The Common Good Fund is not included within the financial statements of the Council or its Group.

### Summary Income and Expenditure Account for the Year Ended 31 March 2015

2013-2014		2014-2015
£000		£000
194	Gross Expenditure	323
(117)	Gross Income	(142)
<b>77</b>	<b>Cost of Service</b>	<b>181</b>
0	Interest Payable and Similar Charges	0
(1)	Interest and Investment Income	(1)
<b>(1)</b>	<b>Financing and Investment Income and Expenditure</b>	<b>(1)</b>
<b>76</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>180</b>
(53)	Transfer from Revaluation Reserve	(53)
<b>23</b>	<b>(Increase) or Decrease in the Year</b>	<b>127</b>
(249)	Balance on Revenue Reserves brought forward	(226)
<b>(226)</b>	<b>Balance on Revenue Reserves carried forward</b>	<b>(99)</b>

## Balance Sheet at 31 March 2015

31 March 2014 £000		Notes	31 March 2015 £000
	<b>Non-current Assets</b>		
1,450	Property, Plant & Equipment	1	1,397
	<b>Current Assets</b>		
3	Short-term investments		2
7	Short-term debtors		3
216	Deposits up to 3 months with Inverclyde Council		94
	<b>Current Liabilities</b>		
0	Short-term creditors		0
<b>1,676</b>	<b>Net Assets</b>		<b>1,496</b>
226	Usable Reserves: Revenue Reserves		99
1,450	Unusable Reserves: Revaluation Reserve		1,397
<b>1,676</b>	<b>Total Reserves</b>		<b>1,496</b>

## 1. Property, Plant &amp; Equipment

	2014-2015 Other Land & Buildings £000	2013-2014 Other Land & Buildings £000
<b>Cost or Valuation</b>		
At 1 April	2,002	2,002
<b>At 31 March</b>	<b>2,002</b>	<b>2,002</b>
<b>Depreciation and Impairment</b>		
At 1 April	552	499
Impairment losses to Revaluation Reserve	53	53
<b>At 31 March</b>	<b>605</b>	<b>552</b>
<b>Balance Sheet amount at 31 March</b>	<b>1,397</b>	<b>1,450</b>

The values above relate to various buildings and land, mostly commercial properties in Port Glasgow. The majority of land and buildings of the Common Good require, under accounting regulations, to be disclosed on the Balance Sheet of the Council and accordingly are not included in the Common Good's Balance Sheet. The Council is the managing agent and is responsible for all costs and any income of these managed assets (see Note 29 on page 64). A full revaluation of all Common Good land and buildings took place at 31 March 2013.

## 2. Operating Leases

The Common Good has granted commercial leases for properties to various tenants on a variety of lease terms. These arrangements are accounted for as operating leases. The rental income receivable in 2014-2015 was £0.142 million (2013-2014 £0.117 million) and is included in the Summary Income & Expenditure Account. The rents receivable under non-cancellable leases in future years are shown in the table below. (These figures do not include rents that are contingent upon events taking place after the lease was entered into, such as adjustments following rent reviews).

	Future Rental Income Receivable	
	31 March 2015	31 March 2014
	£000	£000
Not later than one year	110	122
Later than one year and not later than five years	234	294
Later than five years	342	318
	<b>686</b>	<b>734</b>

## Trust Funds

The Council has 7 trust funds, 3 of which are registered Scottish charities. The funds do not represent assets of the Council and as such have not been included in the Council's Balance Sheet. The Income & Expenditure reserves of the trusts for 2014-2015 are as follows:

	2014-2015				2013-2014
	Income £000	Expenditure £000	Revaluations £000	Reserves £000	Reserves £000
<b>1. The Birkmyre Trust</b>	19	(10)	0	1,119	1,110
To ensure the availability of recreational facilities within the Birkmyre Park, Kilmacolm.					
<b>2. The Watt Institution Trust</b>	1	(16)	0	118	133
For the maintenance, preservation, repair, improvement and furnishing of the Watt Library and McLean Museum and Art Gallery.					
<b>3. McLeod Trust Port Glasgow High School</b>	3	(3)	3	76	73
To provide scholarships for pupils of Port Glasgow High School from disadvantaged backgrounds or with no history of further education.					
<b>4. The Talented Children and Young People Endowment</b>	0	(2)	0	61	63
To provide endowments for talented children and young people mostly in the areas of arts, creativity, music and sport.					
<b>5. Lady Alice Shaw-Stewart Memorial Trust (SC019228)</b>	0	(1)	0	46	47
For financial and other assistance to women offenders recommended to the trustees by the Inverclyde Criminal Justice Women's Service					
<b>6. Peter Stanton Memorial Trust (SC021862)</b>	0	(3)	0	12	15
For the promotion of recreational or other leisure activities for disabled persons in Inverclyde.					
<b>7. William Stewart of St Fillans Bequest (SC019229)</b>	0	(2)	0	1	3
For the poor and destitute of Greenock					
<b>Total Trust Funds</b>	<b>23</b>	<b>(37)</b>	<b>3</b>	<b>1,433</b>	<b>1,444</b>

## Group Movement in Reserves Statement for the Year ended 31 March 2015

This statement shows the movement in the year on the reserves held by the Council plus its share of the reserves of its associates. The Council's reserves are analysed into those which are "Usable Reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Council's share of the reserves of its Associates is an unusable reserve (i.e. it cannot be used to fund expenditure or reduce taxation).

### Year ended 31 March 2015

	Council Usable Reserves				Council Unusable Reserves	Share of Associates Usable Reserves	Share of Associates Unusable Reserves	Total Group Reserves
	General Fund Balance	Other Revenue Reserves	Capital Reserves	Total Usable Reserves				
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2014</b>	<b>42,890</b>	<b>7,004</b>	<b>940</b>	<b>50,834</b>	<b>2,739</b>	<b>4,968</b>	<b>4,529</b>	<b>63,070</b>
<b>Movement in Reserves during 2014-2015</b>								
Surplus or (Deficit) on Provision of Services	(15,011)	0	0	(15,011)	0	1,112	(39)	(13,938)
Other Comprehensive (Expenditure) and Income	0	0	0	0	(18,454)	(3,177)	(881)	(22,512)
<b>Total Comprehensive (Expenditure) and Income</b>	<b>(15,011)</b>	<b>0</b>	<b>0</b>	<b>(15,011)</b>	<b>(18,454)</b>	<b>(2,065)</b>	<b>(920)</b>	<b>(36,450)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7)	16,231	0	2,346	18,577	(18,577)	781	(781)	0
<b>Net Increase or (Decrease) before Transfers to/from Other Statutory Reserves</b>	<b>1,220</b>	<b>0</b>	<b>2,346</b>	<b>3,566</b>	<b>(37,031)</b>	<b>(1,284)</b>	<b>(1,701)</b>	<b>(36,450)</b>
Transfers (to) and from Other Statutory Reserves	881	(185)	(696)	0	0	(978)	978	0
<b>Increase or (Decrease) in the Year</b>	<b>2,101</b>	<b>(185)</b>	<b>1,650</b>	<b>3,566</b>	<b>(37,031)</b>	<b>(2,262)</b>	<b>(723)</b>	<b>(36,450)</b>
<b>Balance at 31 March 2015 Carried Forward</b>	<b>44,991</b>	<b>6,819</b>	<b>2,590</b>	<b>54,400</b>	<b>(34,292)</b>	<b>2,706</b>	<b>3,806</b>	<b>26,620</b>



## Comparative Figures for Year ended 31 March 2014

	Council Usable Reserves				Council Unusable Reserves	Share of Associates Usable Reserves	Share of Associates Unusable Reserves	Total Group Reserves
	General Fund Balance	Other Revenue Reserves	Capital Reserves	Total Usable Reserves				
	£000	£000	£000	£000				
<b>Balance at 31 March 2013</b>	<b>45,253</b>	<b>5,525</b>	<b>2,138</b>	<b>52,916</b>	<b>(3,471)</b>	<b>3,877</b>	<b>(242,608)</b>	<b>(189,286)</b>
Transfer of Police and Fire Services to Scottish Government*						<b>0</b>	<b>246,305</b>	<b>246,305</b>
<b>Revised Balance at 1 April 2013</b>	<b>45,253</b>	<b>5,525</b>	<b>2,138</b>	<b>52,916</b>	<b>(3,471)</b>	<b>3,877</b>	<b>3,697</b>	<b>57,019</b>
<b>Movement in Reserves during 2013-2014</b>								
Surplus or (Deficit) on Provision of Services	8,718	0	0	<b>8,718</b>	0	102	(6)	<b>8,814</b>
Other Comprehensive (Expenditure) and Income	0	0	0	<b>0</b>	(4,590)	1,240	587	<b>(2,763)</b>
<b>Total Comprehensive (Expenditure) and Income</b>	<b>8,718</b>	<b>0</b>	<b>0</b>	<b>8,718</b>	<b>(4,590)</b>	<b>1,342</b>	<b>581</b>	<b>6,051</b>
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7)	(10,990)	0	190	<b>(10,800)</b>	10,800	(251)	251	<b>0</b>
<b>Net Increase or (Decrease) before Transfers to/from Other Statutory Reserves</b>	<b>(2,272)</b>	<b>0</b>	<b>190</b>	<b>(2,082)</b>	<b>6,210</b>	<b>1,091</b>	<b>832</b>	<b>6,051</b>
Transfers (to) and from Other Statutory Reserves	(91)	1,479	(1,388)	<b>0</b>	0	0	0	<b>0</b>
<b>Increase or (Decrease) in the Year</b>	<b>(2,363)</b>	<b>1,479</b>	<b>(1,198)</b>	<b>(2,082)</b>	<b>6,210</b>	<b>1,091</b>	<b>832</b>	<b>6,051</b>
<b>Balance at 31 March 2014 Carried Forward</b>	<b>42,890</b>	<b>7,004</b>	<b>940</b>	<b>50,834</b>	<b>2,739</b>	<b>4,968</b>	<b>4,529</b>	<b>63,070</b>

\* Responsibility for Police and Fire & Rescue Services transferred to the Scottish Government on 1 April 2013.

## Group Comprehensive Income and Expenditure Statement for the Year ended 31 March 2015

This statement shows the accounting cost in the year of providing the Council's services and its share of the results of its associates in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with regulations, and this is different from the accounting cost. The taxation position is shown in the *Group Movement in Reserves Statement*.

2013-2014				2014-2015		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
3,192	(1,167)	2,025	Central Services to the Public	3,302	(1,282)	2,020
13,706	(1,572)	12,134	Cultural & Related Services	13,605	(1,136)	12,469
73,925	(3,142)	70,783	Education Services	91,748	(3,189)	88,559
13,263	(1,903)	11,360	Environmental Services	14,529	(1,902)	12,627
42,274	(39,045)	3,229	Housing Services	44,248	(40,738)	3,510
12,823	(3,612)	9,211	Planning and Development Services	11,967	(3,648)	8,319
10,420	(3,566)	6,854	Roads & Transportation	10,925	(3,590)	7,335
66,836	(14,258)	52,578	Social Work	69,899	(15,470)	54,429
2,014	0	2,014	Corporate and Democratic Core	2,173	0	2,173
2,708	(5)	2,703	Non-Distributable Costs	854	(3)	851
<b>241,161</b>	<b>(68,270)</b>	<b>172,891</b>	<b>Cost of Services</b>	<b>263,250</b>	<b>(70,958)</b>	<b>192,292</b>
		(332)	Other Operating (Income) and Expenditure			6,811
		19,478	Financing and Investment (Income) and Expenditure (Note 8)			20,349
		(200,755)	Taxation and Non-specific Grant Income (Note 9)			(204,441)
		<b>(8,718)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>			<b>15,011</b>
		(96)	Share of the (surplus) or deficit on the provision of services by associates (Note 39)			(1,073)
		<b>(8,814)</b>	<b>Group (Surplus) or Deficit</b>			<b>13,938</b>
		(11,093)	(Surplus) or deficit on the revaluation of non-current assets			(504)
		3,261	Impairment losses on non-current assets charged to the Revaluation Reserve			1,470
		12,422	Remeasurement of the net defined benefit pensions liability (Note 32)			17,488
		(1,827)	Share of other Comprehensive (Income) and Expenditure of associates (Note 39)			4,058
		<b>2,763</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>22,512</b>
		<b>(6,051)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>36,450</b>

## Group Balance Sheet as at 31 March 2015

The Balance Sheet is a snapshot of the value at the 31 March 2015 of the assets and liabilities recognised by the Council and of its share of the net assets or liabilities of its associates. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The net investment or liability in its associates is matched by its share of the reserves of the associates (i.e. its group reserves).

31 March 2014		31 March 2015		31 March 2014		31 March 2015	
£000	Note	£000		£000	Note	£000	
433,867	10	421,877					
18,059	12	18,059					
200	11	172					
10,571	40	8,412					
2,147	14	2,137					
<b>464,844</b>		<b>450,657</b>		<b>63,070</b>		<b>26,620</b>	
17,599	13	17,582		50,834	18	54,400	
0		0		2,739	19	(34,292)	
318		284		4,968		2,706	
10,168	14	10,606					
30,845	15	27,567		4,529		3,806	
<b>58,930</b>		<b>56,039</b>		<b>63,070</b>		<b>26,620</b>	
(8,447)	13	(3,668)					
(24,006)	16	(24,830)					
(1,832)	17	(1,514)					
(1,953)	30	(2,084)					
<b>(36,238)</b>		<b>(32,096)</b>					
(480)	16	0					
	17	(497)					
(215,447)	13	(214,249)					
(1,074)	40	(1,900)					
(69,811)	30	(67,727)					
(137,654)	32	(163,607)					
<b>(424,466)</b>		<b>(447,980)</b>					

Alan Puckrin C.P.F.A. Chief Financial Officer Issued on 24 September 2015
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These financial statements replace the unaudited financial statements issued on 18th June 2015.

### A Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom 2014-2015 (The Code) requires Local Authorities to consider their interests in all types of entity. This includes other Local Authorities or similar bodies defined in section 106 of the Local Government (Scotland) Act 1973. Authorities are required to prepare a full set of group accounts in addition to their own Council's accounts where they have a material interest in such entities. Accounting Policies as disclosed in Note 1 apply to the Group, where Group Accounting Policies differ they are highlighted below.

### B Combining Entities and Group Boundary

The Group Accounts consolidate the results of the Council with five other entities:

- Strathclyde Partnership for Transport (SPT)
- Strathclyde Concessionary Travel Scheme Joint Board
- Renfrewshire Valuation Joint Board
- Inverclyde Leisure
- Riverside Inverclyde

Under accounting standards, the Council is required to include the results of the above organisations as "associates" because it has a "significant influence" over their financial and operating policies. The Council has no shares in or ownership of any of these organisations which are entirely independent of the Council under law and for taxation.

Two of the three Joint Boards (SPT and Concessionary Travel) are included within the Group Accounts under the wider definition of an "associate" although the Council holds less than 20% of voting rights that is normally presumed to confer significant influence. This is in view of the funding arrangements between the constituent Councils and the Joint Boards. Inverclyde Leisure and Riverside Inverclyde are also included within the Group Accounts as "associates" as the Council does not have a "controlling interest" in these bodies in terms of the voting rights.

The Group's share of Inverclyde Leisure and Riverside Inverclyde is calculated using the Member representation on each company's Board. For all other associates, the Council's share has been calculated on the Council's contribution to revenue costs.

All entities have the same reporting date as the Council. Further details for each entity are provided in Note 37 Combining Entities.

### C Basis of Preparation of Group Statements and Going Concern

The combination has been accounted for under the accounting conventions of the "acquisition basis" using the equity method – the Council's share of the net assets or liabilities of each entity is incorporated and adjusted each year by the Council's share of the entities' results and its share of other gains and losses (recognised in the Group Comprehensive Income & Expenditure Statement (CIES)).

For two of the five entities, the Council has a share in a net liability.

The effect of inclusion of the above associate bodies on the Group Balance Sheet is to increase both the "net assets/(liabilities)" and "total reserves" by £6.512 million representing the Council's share of the net assets in these entities.

All associates consider it appropriate that their Statement of Accounts should follow the “going concern” basis of accounting. The Council’s Group Accounts have been prepared on a “going concern” basis as it is expected that future local government finance settlements, aligned with the Council’s robust budget process, which drives through efficiency savings, will provide sufficient resources to finance future liabilities.

#### **D Employee Benefits: Post-employment Benefits**

In common with Inverclyde Council, all combining entities participate in the Strathclyde Pension Fund. This is explained in Note 32 Defined Benefit Pension Schemes. The associates have accounting policies for pensions accounting that are consistent with those of the Council.

#### **E Property, Plant and Equipment**

##### **Measurement**

The basis of valuation across the combining entities is in accordance with IFRS. PP&E assets are shown at the lower of net replacement cost or net realisable value in existing use with the following exception:

- I. The Valuation Joint Board and Concessionary Travel Scheme Joint Board have no non-current assets.
- II. The SPT holds exceptional types of non-current assets in its balance sheet. Within intangible assets, there are subsidised bus contracts that are recorded at amortised cost. There are also “third-party” assets that are rolling stock and other public assets used by other transport operators but which the SPT has the power to direct to the benefit of the travelling public within the SPT area. These are held at historic cost.
- III. Inverclyde Leisure uses the historic cost convention for its recent leasehold improvements, but this is considered a suitable proxy for market value in existing use on a replacement cost basis.

#### **F Restrictions on Transfer of Funds**

The Council’s share of the reserves of its associates is unusable i.e. it cannot be used to fund the Council’s services or to reduce taxation. All associates are entirely independent of the Council under law and for taxation. The Council is unable to access their reserves, whether classified as usable or otherwise in the associate’s own accounts.

#### **Note 37 Combining Entities**

Inverclyde Council is represented on the Board of a number of organisations. The extent of the Council’s controlling interest has been reviewed in determining those entities that should be consolidated and incorporated within the Group Accounts. Those organisations, which have a significant impact on the Council’s operations, are listed below. The accounting period for all of these bodies is the year to 31 March 2015. In addition to the information included in the Group Accounts on the preceding pages the accounting regulations require specific disclosures about the combining entities and the nature of their business.

##### **Strathclyde Partnership for Transport**

This is the statutory body responsible for formulating the public transport policy for the 12 local authorities in the former Strathclyde Region area plus Dumfries and Galloway Council. In 2014-2015, Inverclyde Council contributed £1.478 million or 3.95% (2013-2014 £1.478 million) of the Partnership’s estimated running costs and its share of the year-end net asset of £6.164 million (2013-2014 £6.238 million) is included in the Group Balance Sheet. The unaudited accounts of the Board can be obtained from the Treasurer to Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

##### **Strathclyde Concessionary Travel Scheme Joint Board**

This Travel Scheme comprises the 12 Councils within the former Strathclyde Region area and oversees the operation of the concessionary fares scheme for public transport within its area. The costs of the Scheme are met by a combination of funding from the 12 Councils and direct grant funding by the Scottish Government. Strathclyde Partnership for Transport administers the Scheme on behalf of the Board. In 2014-2015, Inverclyde Council contributed £0.171 million or 4.02% (2013-2014 £0.171 million) of

the Board's estimated running costs and its share of the year-end net asset of £0.066 million (2013-2014 £0.065 million) is included in the Group Balance Sheet. The unaudited accounts of the Board can be obtained from the Treasurer to Strathclyde Concessionary Travel Scheme, Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

### Renfrewshire Valuation Joint Board

This Board was formed in 1996 at local government re-organisation by Act of Parliament and is responsible for the maintenance of the electoral, council tax and non-domestic rates registers for the three Councils of East Renfrewshire, Renfrewshire and Inverclyde. Its principal place of business is The Robertson Centre, 16 Glasgow Road, Paisley PA1 3QF. The Board's running costs are met by the three member Councils. Surpluses or deficits on the Board's operations are shared between the Councils. In 2014-2015, Inverclyde Council contributed £0.541 million or 23.70% (2013-2014 £0.541 million) of the Board's estimated running costs and its share of the year-end net liability of £0.949 million (2013-2014 £0.592 million net liability) is included in the Group Balance Sheet. The unaudited accounts of the Board can be obtained from the Treasurer to the Renfrewshire Valuation Joint Board, Renfrewshire House, Paisley PA1 1JB.

### Inverclyde Leisure

This is a charitable company registered in Scotland that provides leisure facilities within Inverclyde Council's area to the general public and operates sports & leisure centres, community centres and swimming pools owned by the Council. Inverclyde Leisure is paid a management fee by the Council for the provision of these services. The charity's net liability at 31 March 2015 was £2.092 million (2013-2014 £1.060 million liability) and its net deficit for the year was £0.294 million (2013-2014 £0.016 million). The Council has no commitment to meet any losses of the company. The accounts of the company are published separately and can be obtained from the Chief Executive, Waterfront Leisure Complex, Customhouse Way, Greenock, PA15 1EW which is also the company's principal place of business. The accounts of the Company have not yet been audited.

The Council has no shares in or ownership of this company which is entirely independent of the Council under law and for taxation. The Council has the right to appoint five of the eleven representatives on the company's board, and for the purposes of accounting this equates to an interest of 45.45%. Under accounting standards the Council is required to include the results of Inverclyde Leisure as an associate because it has a "significant influence" over the financial and operating policies of the charity. In 2014-2015, Inverclyde Council contributed £1.852 million (as per related notes) or 32.04% of the charity's turnover and its share of the year-end net liabilities of £0.951 million (2013-2014 £0.482 million net liabilities) is included in the Group Balance Sheet. The Council has guaranteed to accept liability for any unfunded pension costs relating to the company's membership of the Local Government Pension Scheme (LGPS) in the event of the company ceasing to exist or withdrawing from the pension scheme.

### Riverside Inverclyde

This is an Urban Regeneration Company limited by guarantee with charitable status and two member organisations, Inverclyde Council and Scottish Enterprise Renfrewshire. The charitable company has been established to improve and regenerate the riverside area stretching from Port Glasgow through to Greenock. The company's operations are funded by grants from the Scottish Government, Inverclyde Council and Scottish Enterprise Renfrewshire. The Charity's net assets at 31 March 2015 were £6.546 million (2013-2014 £12.804 million) and its net profit for the year was £3.272 million (2013-2014 £0.382 million net profit). The Council has no commitment to meet any losses of the company. The unaudited accounts of the company are published separately and may be obtained from the Chief Executive, Suite G1, Clydevue, 22 Pottery Street, Greenock, PA15 2UZ which is also the company's principal place of business.

The company does not have shareholders and any surpluses are made available for reinvestment in other projects within the area. The company is entirely independent of the Council under law and for taxation. The Council has the right to appoint three of the nine representatives on the company's board, and for the purposes of accounting this equates to an interest of 33.33%. Under accounting standards the Council is required to include the results of Riverside Inverclyde as an associate because it has a 'significant influence' over the financial and operating policies of the charity. In 2014-2015, Inverclyde Council contributed £2.610 million (2013-2014 £1.940 million) or 48.72% of the charity's turnover, and its share of the year-end asset of £2.182 million (2013-2014 £4.268 million) is included in the Group Balance Sheet. The Council has guaranteed to

accept liability for any unfunded pension costs relating to the company's membership of the Local Government Pension Scheme (LGPS) in the event of the company ceasing to exist or withdrawing from the pension scheme.

#### Note 38 Group Cash Flow Statement

The cash flow of the Group is identical to that disclosed for Inverclyde Council on page 28. There is no impact upon cash flow from the consolidation of the associates. Accordingly, no additional cash flow statement is included for the Group.

#### Note 39 Material Items of Group Income and Expenditure

In order to provide the reader with a better understanding of the impact of the inclusion of the results of associates, the following tables provide an analysis of the Council's share of the material amounts of income and expenditure disclosed on the face of the CIES. This note should be read in conjunction with the disclosures for the Council in Note 5 *Material Items of Income and Expenditure*.

	2014-2015 £000	2013-2014 £000
<b>Share of the (surplus) or deficit on the provision of services by associates</b>		
Strathclyde Partnership for Transport	(160)	(9)
Strathclyde Concessionary Travel Scheme Joint Board	(1)	(9)
Renfrewshire Valuation Joint Board	45	42
Inverclyde Leisure	134	7
Riverside Inverclyde	(1,091)	(127)
	(1,073)	(96)
<b>Share of Other Comprehensive (Income) and Expenditure of Associates</b>		
Strathclyde Partnership for Transport	234	80
Strathclyde Concessionary Travel Scheme Joint Board	0	0
Renfrewshire Valuation Joint Board	312	65
Inverclyde Leisure	335	294
Riverside Inverclyde	3,177	(2,266)
	4,058	(1,827)

**Note 40 Group Assets and Liabilities of Associates**

	2014-2015	2013-2014
	£000	£000
<b>Net Assets of Associates</b>		
Strathclyde Partnership for Transport	6,164	6,238
Strathclyde Concessionary Travel Scheme Joint Board	66	65
Riverside Inverclyde	2,182	4,268
	<b>8,412</b>	<b>10,571</b>
<b>Net Liabilities of Associates</b>		
Renfrewshire Valuation Joint Board	(949)	(592)
Inverclyde Leisure	(951)	(482)
	<b>(1,900)</b>	<b>(1,074)</b>



# Independent Auditor's Report to the Members of Inverclyde Council and the Accounts Commission for Scotland

We certify that we have audited the financial statements of Inverclyde Council and its group for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, Group Movement in Reserves Statement, Group Comprehensive Income and Expenditure Statement, Group Balance Sheet, Group Cash Flow Statement, the Council Tax Income Account, the Non-domestic Rate Account, Common Good Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

## Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the authority and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the abstract of accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.

If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the group and of the local authority as at 31 March 2015 and of the income and expenditure of the group and the authority for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

### Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Michael Thomas, for and on behalf of Grant Thornton UK LLP  
Royal Liver Building  
Liverpool  
L3 1PS

28 September 2015

# Glossary of Terms

## 1. Accounting Period

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

## 2. Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

## 3. Actuarial Gains and Losses (Pensions)

For a defined benefit scheme, the changes in actuarial deficits or surpluses 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.

## 4. Asset

An item having value to the Council in monetary terms. Assets are categorised as either current or non-current. 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 benefit to the Council and to the Services it provides for a period of more than one year.

## 5. Associates

These are entities (other than a subsidiary or a joint venture) in which the Council has a participating interest or over whose operating and financial policies the Council is able to exercise significant influence.

## 6. Audit of Accounts

An independent examination of the Council's financial affairs.

## 7. Balance Sheet

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

## 8. Capital Adjustment Account

This account absorbs the timing differences arising from the different arrangements for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

## 9. 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.

## 10. Capital Financing

Funds raised to pay for capital expenditure. There are various methods of financing capital

expenditure including borrowing, leasing, capital receipts and grants, and revenue funding.

## 11. Capital Programme

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

## 12. Capital Grants Unapplied Account

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

## 13. Capital Receipt

The proceeds from the disposal of land or other non-current assets.

## 14. CIES

The Comprehensive Income & Expenditure Statement (CIES) shows the accounting cost of providing services and managing the Council during the year. It includes, on an accruals basis, all of the Council's day-to-day expenses and related income. It also includes transactions measuring the value of non-current assets actually consumed during the year and the real projected value of retirement benefits earned by employees during the year. The statement shows the accounting cost in accordance with generally accepted accounting practices, rather than the cost according to the statutory regulations that specify the net expenditure that Councils need to take into account when setting the annual Council Tax. The required adjustments between accounting basis and funding basis under regulations are shown in the Movement in Reserves Statement.

## 15. CIPFA

The Chartered Institute of Public Finance and Accountancy (CIPFA) is one of the major accountancy bodies in the United Kingdom. It develops and sets accounting standards for the public sector.

## 16. The Code

The Code of Practice on Local Authority Accounting in the United Kingdom (The Code) is the basis on which local authority accounts are prepared. The Code is based on European Union adopted International Financial Accounting Standards (that are primarily drafted for the commercial sector) and where required interprets and adapts these standards to address all the accounting issues relevant to local government in the UK.

## 17. 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 municipal parks.

### 18. Consistency

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

### 19. 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 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.

### 20. Corporate and Democratic Core

The Corporate and Democratic Core comprises all activities which 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 service.

### 21. Creditor

Amounts 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.

### 22. Current Service Cost (Pensions)

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

### 23. 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.

### 24. 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.

### 25. 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.

### 26. Discretionary Benefits (Pensions)

Retirement awards, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers.

### 27. Employee Statutory Adjustment Account

The Employee Statutory Adjustment Account absorbs the difference that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March.

### 28. Entity

A body corporate, partnership, trust, unincorporated association, or statutory body that is delivering a service or carrying on a trade or business with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single entity accounts.

### 29. Equity

The Council's value of total assets less liabilities.

### 30. 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 Annual Accounts are authorised for issue.

### 31. 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.

### 32. Extinguishment

Extinguishment relates to financial liabilities and occurs when the Council's legal obligations end, either through the cancellation or expiry of the obligations or through payment being made to settle the amount owed by the Council.

### 33. 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.

### 34. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

### 35. Finance Lease

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

### 36. General Revenue Grant

A grant paid by the Scottish Government to Councils, contributing towards the general cost of their services.

### 37. Going Concern

The concept that the Annual Accounts are prepared on the assumption that the Council (and its Associate bodies) will continue in operational existence for the foreseeable future.

### 38. 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.

### 39. Gross Expenditure

This includes all expenditure attributable to the service and activity including employee costs, premises and transport costs, supplies and services, third party payments, support services and depreciation.

### 40. Gross Income

This includes grant income and all charges to individuals and organisations for the direct use of the Council's services.

### 41. Heritage Asset

A tangible or intangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

### 42. IFRS

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by the International Accounting Standards Board (IASB) that is becoming the global standard for the preparation of public company financial statements and has been extended into the public sector in the UK.

### 43. Impairment

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

### 44. 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.

### 45. Insurance Fund

The Insurance Fund covers the main classes of insurance and is earmarked for insurance

purposes.

### 46. Intangible Assets

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

### 47. Interest Cost (Pensions)

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

### 48. Inventories

Items of raw materials and stores the 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.

### 49. 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 non-current 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.

### 50. MiRS

The Movement in Reserves Statement (MiRS) shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (those reserves that can be applied to fund expenditure or to reduce taxation) and unusable reserves.

### 51. National Non Domestic Rates Pool

All non domestic rates collected by local authorities are remitted to the national pool and thereafter distributed to Councils by the Scottish Government.

### 52. Net Book Value

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

### 53. Non-current Assets

These are created by capital expenditure incurred by the Council. They include property, vehicles, plant, machinery, roads, computer equipment etc.

### 54. Non-Distributable Costs

These are overhead costs where there is no direct linkage to services. Examples are audit fee and historic pension costs.

#### 55. Operating Lease

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

#### 56. Past Service Cost (Pensions)

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

#### 57. Pension Reserve

The Pension Reserve recognises the Council's share of the actuarial gains and losses in the Strathclyde Pension Fund and the change in the Council's share of the net liability chargeable to the CIES.

#### 58. Pension Scheme Liabilities

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

#### 59. Post Employment Benefits

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

#### 60. 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.

#### 61. 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.

#### 62. Public Works Loan Board (PWLB)

A Central Government Agency which provides loans for one year and above to Councils at interest rates only based on those at which the Government can borrow itself.

#### 63. Rateable Value

The annual assumed rental of land or property, which is for national non-domestic rates purposes.

#### 64. Related Parties

Bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. For the Council's purposes related parties are deemed to include the Elected Members, the Chief Executive and its Corporate Directors.

#### 65. Remuneration

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

#### 66. Repairs and Renewals Fund

The Repairs and Renewals Fund provides for the upkeep of specific assets held by the Council.

#### 67. Reserves

The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

#### 68. Residual Value

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

#### 69. Revaluation Reserve

The Revaluation Reserve represents the store of gains on the revaluation of fixed assets not yet realised through sales.

#### 70. Revenue Expenditure

The day-to-day expenses of providing services.

#### 71. Significant Interest

The reporting authority is actively involved and is influential in the direction of an entity through its participation in policy decisions.

#### 72. Soft Loans

Loans made at significantly below market rates are deemed "soft loans" because there may be some element of subsidy between what the loan would have cost at market rates and the amount of interest actually charged. Examples include small start-up loans to small businesses.

#### 73. Short-term Borrowing

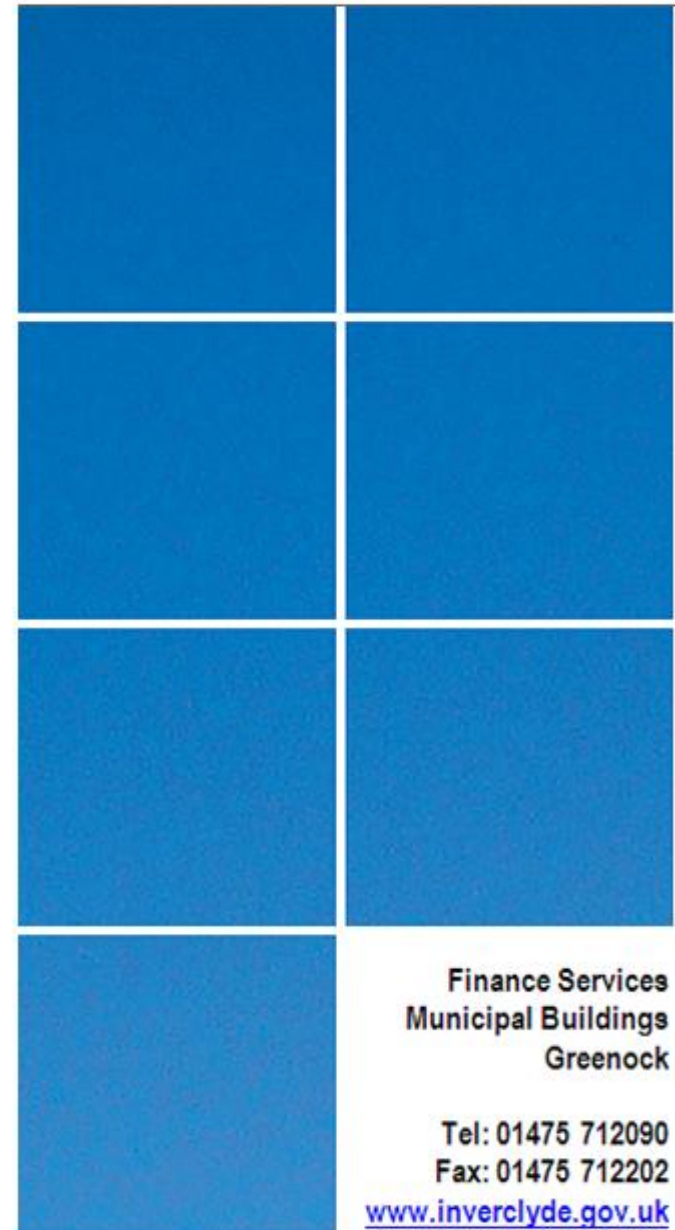
Money borrowed where repayment is due in the following financial year.

#### 74. Trust Funds

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

#### 75. Useful Economic Life

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



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