

Inverclyde Council

Audited Annual Accounts

2015-2016



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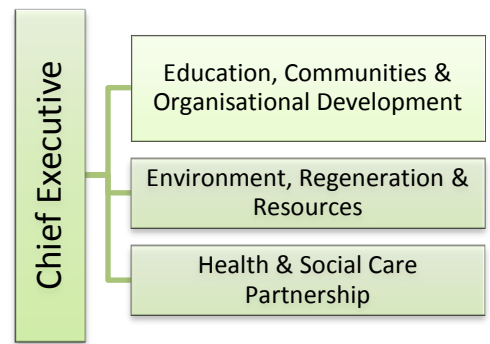
1. Introduction

This publication contains the financial statements of both Inverclyde Council and its group for the year ended 31 March 2016, and its main purpose is to demonstrate the stewardship of public funds entrusted to the Council. This foreword outlines the objectives and strategy of the Council and its financial performance for the year 2015-2016. It 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 Scotland along the River Clyde. It is one of the smallest local authorities in Scotland, covering 61 square miles and serving a population of 79,500 (1.5% of the total population of Scotland). The Council employs 4,186 employees and provides a wide range of vital services to the public such as education, social services, leisure and recreation, libraries and museums, regeneration, planning and building standards, roads and transport, street cleaning and refuse collection. The Council transferred its housing stock to River Clyde Homes, a not-for-profit social housing provider, in 2007. Inverclyde Council and NHS Greater Glasgow and Clyde created an Integrated Joint Board for the delivery of Health and Social Care Services during 2015-2016 although budgets will not be delegated to the IJB until 1 April 2016.

Inverclyde Council has twenty councillors elected every five years to represent the interest of the local community. The Council has a minority Labour administration with Councillor Stephen McCabe as its Leader. During 2015-2016 the management of Inverclyde Council was led by the Chief Executive, John Mundell. The operational structure is divided into three directorates as shown on the right. 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.



2. Objectives and Strategy of the Council

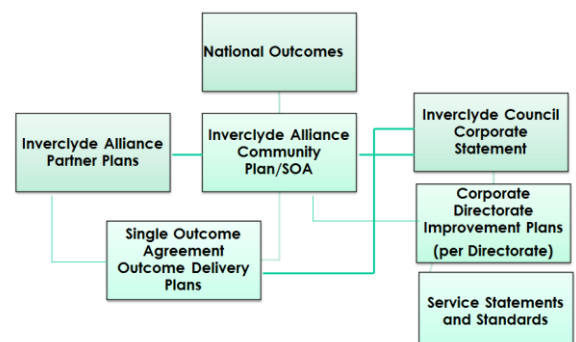
Getting it Right for Every Child, Citizen and Community

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 various organisations involved in community planning. 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 an established framework in place that integrates strategic planning with performance management to ensure the effective delivery of corporate and service outcomes. The main aspects of the framework are illustrated in the diagram right.

The Scottish Government publishes a set of "national outcomes" for public services and engages with each local authority to reach agreement on local outcomes and measures which are set out in SOA. This will become Inverclyde's Local Outcome Improvement Plan (as set out in the Community Empowerment (Scotland) Act 2015). Inverclyde Council's Corporate Statement sets out the key outcomes the Council is committed to delivering with its partners.



Management Commentary

Services demonstrate how their own activities link to the Council's vision and priorities through their Corporate Directorate Improvement Plans (CDIPs). 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 of how the Council is performing. 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 CDIPs also contain details about financial and non-financial performance indicators. The most recent indicators, including snapshots of these, can be found at <http://www.inverclyde.gov.uk/council-and-government/performance/statutory-performance-indicators>.

The most recent available data for the Council's performance relates to 2014-2015. Figures for the 2015-2016 Local Government Benchmarking Framework are being finalised and are not yet available. Some of the 2014-2015 performance highlights are:

- Costs per pre-school registration and cost per primary and secondary school pupil have gone up, whilst attainment, satisfaction with schools and the proportion of pupils entering positive destinations has also risen.
- Inverclyde's older people's care costs per hour are the lowest in Scotland. Our net cost of residential care for older adults (65 and over) per week fell by £35.21 in 2014/15. Our cost is also £55.55 lower than the national average.
- The Council sits near the Scottish average for the percentage of people 65 and over with intensive needs receiving care at home yet satisfaction with social care or social work services fell by 15% in 2014/15 to 58%; however, our figure is still higher than the national average.
- The cost per attendance at sport facilities decreased and satisfaction with leisure facilities increased. During the Spring 2015 survey, libraries were rated highly on the list of Council services that respondents were either satisfied or very satisfied with, attracting a score of 81%.
- Inverclyde ranks second cheapest for both gross and net cost for waste collection per premises, despite costs rising slightly.
- Inverclyde currently spends the most proportionately on the maintenance per kilometre of roads, reflecting its significant investment plan. This investment now shows fewer roads requiring maintenance treatment.
- The proportion of operational buildings that are suitable for their current use and the proportion of internal floor area of operational buildings in satisfactory condition are both increasing reflecting the Council's approach to reducing its foot print and improving accommodation. Performance on both is above the national average.
- The Council is ranked first for the percentage of unemployed people assisted into work from Council operated or funded employability programmes. Our score is also almost 11% higher than the national average.

Further information and commentary on these indicators can be found on the Council's website using the web links above.

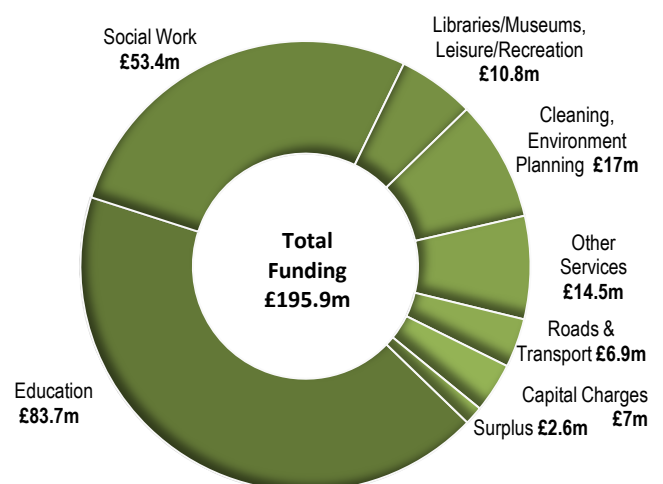
The Annual Budget and Setting Council Tax

2015-2016 was the final year of the Council's three-year budget and was approved by the Council on 19 February 2015. A decision was taken at this meeting to approve a two-year budget covering the financial years 2015-2016 and 2016-2017. The budget was based on the Council Tax for band D remaining at £1,198 for the eighth successive year.

For 2015-2016, spending of £193.3 million was planned after taking account of Government Grants, inflation, borrowing costs, approved savings plus a surplus of £2.6 million. The planned surplus would be carried forward into 2016-2017 to help balance the budget on the assumption of no increase in council tax.

The Council also approved a £98 million three-year capital investment programme covering 2015-2018 of which over

Revenue Budget 2015-2016



Funding from Scottish Government (Non-domestic Rates and Government Grants) £162.6m (83%) and Council Tax (including Council Tax Reduction costs) £33.3m (17%)

£72 million would be funded by the Council with the balance met from government grants. The major areas of planned investment were the ongoing programme of construction and refurbishment of schools, key improvements to the roads and lighting infrastructure plus significant capital work on other Council properties.

3. Financial Performance in 2015-2016

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 23 shows a surplus of £4.1 million. The Council budgeted to return a surplus of £2.6 million in 2015-2016. This was achieved and in addition to this the Council saved on Council contribution to Council Tax Reduction Scheme of £0.5 million, underutilised inflation contingencies of £2.4 million, a one off underspend within pressures contingency of £0.5 million, benefitted from Grant redeterminations of £0.8 million and from the advancement of savings and turnover savings generated underspends of £2.0 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 the surplus in the year of £4.1 million.

Combining the surplus with the accumulated funds brought forward from 2014-2015 of £45.0 million, produces a working balance of £49.1 million to be carried forward to 2016-2017. Of the balance, £40.3 million has been earmarked for particular purposes as detailed in Note 2 on Page 30. This leaves a balance of £8.8 million of unallocated reserves (4.5% of the Council's budgeted net annual running costs). This is £5.0 million more than the recommended level of £3.8 million (2% of annual turnover based on the 2015-2016 budget), and the Council will consider uses for the excess later in 2016.

Capital Budget

The Council continues to make significant capital investment in schools, roads, leisure, community and town centre estate with £30.5 million being spent in 2015-2016. The largest individual element of the capital expenditure for the year was the £8.3 million spent on building and refurbishing educational properties as part of the Council's School Estates Strategy. Funding of capital expenditure included £4.4 million from revenue, £0.5 million from receipts, and £16.1 million from Government grants with the balance of £9.5 million being met through internal funding and borrowing. Further information about the spending on capital projects is shown in Note 10 on page 38.

Major projects progressed during the year included:

- £3.2 million on the Regeneration of Gourock Pierhead
- £7.2 million on the Roads Asset Management Plan
- £1.9 million on the Office and Depot Rationalisation Programme
- £2.9 million on the replacement of St Patrick's Primary School

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 £30.5 million was managed within the "Prudential Framework" limits approved by the Council. There was net advancement of £0.9 million (3%) against the approved capital programme. This is an improvement on 2014-2015 where there was slippage of £4.1 million (14.0%) against the approved capital programme.

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.

Management Commentary

Financial Indicator	Commentary	2015-2016	2014-2015
Reserves			
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.	4.50%	2.60%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.	£3.8m increase	£0.2m increase
Council Tax			
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 2015-2016 was the Council's highest level to date.	95.12%	94.8%
Council Tax			
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 2007-2008 levels.	12.89%	13.26%
Financial Management			
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.	93.53%	95.39%
Actual contribution to/from Unallocated General Fund Balance compared to Budget.		2.08%	1.08%
Debt/Long-term Borrowing			
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.	£302.2m	£303.8m
External Debt Levels for the current year		£281.0m	£284.1m
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.	12.21%	12.50%
Impact of Capital Investment on Council Tax		£3.25	£4.62

Assets and Liabilities

The Balance Sheet on page 26 summarises the Council's assets and liabilities as at 31 March 2016 and explanatory notes are provided. Net Assets have increased by £103.3 million to £123.4 million. Within this headline figure, there have been significant changes in both asset values and liabilities. Property, plant & equipment has increased by £49.2 million while cash and cash equivalents have increased by £10.9 million; on the liabilities side the pensions liability has reduced by £46.8 million and borrowing and lease finance has reduced by £3.8 million. The major changes in the Council's Balance Sheet between March 2015 and March 2016 are explained in more detail in the following paragraphs.

Non-current and Current Assets

Property, Plant & Equipment have increased in value by £49.2 million to £471.0 million. This substantial increase in asset values is mostly a result of the independent five-yearly revaluation of the Council's land and buildings plus the Council's investment in key capital projects. Short term investments have reduced by £5.6 million whilst cash equivalents have increased by £10.9 million. This has arisen as a result of prevailing interest rates and funding requirements for 2016-2017. Long and short-term Debtors and Creditors decreased by a net £2.3 million.

Pensions Position

The Council's pension position has improved over the year and the net liability has reduced by £46.8 million. The improvement is mostly due to a change in the discount rate used by the appointed actuaries to calculate the current value of future payments to pensioners according to accounting standards. The net discount rate has increased bringing down the value of future liabilities. Other contributory factors are lower rates of increase assumed in the actuarial projections for future salaries and pensions. The details are shown in Note 17.

The change in the valuation of the net liability does not 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 £3.8 million during the year. Short-term borrowing and lease financing increased by £4.1 million, whilst long-term borrowing and lease financing reduced by £7.9 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 21. 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 £281.0 million at 31 March 2016 compared to the CFR limit of £302.2 million. The Council's average loans rate was 3.84% for 2015-2016, a decrease of 0.09% from 2014-2015. The Council made no additional long-term borrowings during the year.

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

Financial Outlook

The pressure on public finances is scheduled to continue to at least 2021. The Scottish Government's grant settlement for 2016-2017 was significantly less than Scottish local authorities had anticipated in their financial planning assumptions. The remaining revenue funding gap for Inverclyde for the two-year period 2016-2018 is £3.4 million and is being addressed through the budget planning process by a combination of further savings, a possible Council Tax increase and the use of reserves.

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 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 health and social care.

In addition to this, other factors will impact on future budgets in the medium term including implementation of the Scottish Fiscal Framework, the re-emergence of inflationary pressures and implementation of auto enrolment of pensions in October 2017.

Management of Risk

The Council has strengthened its Financial Strategy to address the challenges of forward planning, preparatory investment and a sufficient lead-in period prior to implementation of both savings and investment over the short, medium and longer term.

Over the short-term, the primary financial challenge and risk facing the Council will be to stay within the approved revenue budget and deliver a capital programme that continues to maintain a high level of investment in key infrastructure.

Over the medium to longer term, the major challenges and risks faced by the Council include the changes to the fiscal arrangements, increasing demands upon services and the Council's finances including depopulation, demographic change and the need for a better alignment between available resources across all agencies and the outcomes identified in the SOA. Given the difficult position the Council faces on capital expenditure, future capital expenditure proposals are largely self-financing through the release of other capital assets, in addition to delivering efficiencies that will secure ongoing revenue savings.

The Annual Governance Statement, shown on pages 11-15, 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.

Change in Accounting

A major change for the 2016-2017 Annual Accounts will be the move to re-measure the Highways Network Asset (HNA) at depreciated replacement cost. The change in the basis of measurement will align local authority assets – such as carriageways and footpaths, street lighting, bridges and traffic lights etc. – with how such assets are measured by HM Treasury. These assets are currently held on the Council's balance sheet at depreciated historic cost. The value of HNA in Inverclyde Council's balance sheet will increase considerably as a result. There will be no direct effect upon useable reserves, council tax or the taxpayer as the impact will be absorbed by adjustments between the accounting basis and funding basis under regulations. Preparations for the change-over are well advanced including the early involvement of external and internal audit.

Plans for the Future

2016 will be a hugely important year for the Scottish Public Sector with the outcome of the EU Referendum and the new Scottish Parliament setting out a vision for the next Parliamentary term. The combination of anticipated cost pressures, coupled with reduced Government Grant, presents major challenges and financial risks to the Council over the medium term. Inverclyde Council estimates that over the three financial years 2017 to 2020 further budget reductions of between £13.1 million (optimistic) to £37.4 million (pessimistic) could be required, depending upon different assumptions around Government Grant, income, inflation and budget pressures. Cost reductions of this level will require a fundamental review of priorities, income levels and how services are delivered to the public.

The Single Outcome Agreement 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. The Council and Community Planning Partnership are developing approaches to implement the requirements set out in the Community Empowerment Act including approaches to locality planning (in line with the Health and Social Care Partnership), community participation and engagement. Communities will have a key role to play in shaping local public 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 headline projects within the Inverclyde area are the developments to the Greenock Ocean Terminal and the Greenock Inchgreen dockland plus the Inverkip transport interchange.

The recently revised Financial Strategy demonstrates that the Council is clear both about the outcomes it wants to achieve for the communities in Inverclyde and the financial challenges that must be addressed if the Council is to successfully deliver on these outcomes.

5. Supplementary Information

Common Good

The Common Good Fund, administered by the Council, returned a deficit of £0.085 million on the usable reserves available for spending and an unrealised surplus of £0.187 million on the revaluation of its land and buildings. The total usable reserves of the Common Good Fund now stand at £0.014 million, this is below the recommended minimum level of £0.100 million for this fund. Action has been taken in the 2016-2018 budget to address this and return reserves to an acceptable level. The financial statements and notes of the Common Good Fund are detailed on pages 63-64.

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 net assets and total reserves by £3.568 million representing the Council's share of the net assets in these entities.

Inverclyde Leisure (IL) provides leisure facilities within the Inverclyde Council area to the general public and manages sports and leisure facilities, community centres, swimming pools and parks and pitches owned by the Council. A number of significant new facilities were opened to the public during the year. Membership rates increased as a result. The opening of the £1.2 million Ravenscraig Activity Centre added new attractions, the gym equipment in the Birkmyre Park leisure centre was comprehensively renewed and Boglestone and Ravenscraig leisure facilities introduced the affordable "Fitness for Less" fitness model. All of these developments have contributed to IL's mission statement of "getting people active".

Riverside Inverclyde (ri) is the urban regeneration company responsible for a series of regeneration projects predominately on a 4.5 mile stretch of waterfront at Greenock and Port Glasgow and in the town centres of Gourock, Greenock and Port Glasgow. During the year, ri commissioned a review of the future delivery of regeneration services. This highlighted the success of the first two years of the innovative Single Operating Plan partnership between ri and the Council. The recommendations in the report have been fully adopted by both organisations and a revised and extended Single Operating Plan developed for the three-year period to March 2019. The revised Plan reflects the transition towards an increased focus on public realm and environmental improvements and less on creating new speculative business premises. The joint working between ri and the Council continues to maximise the efficiency and collective impact of the two organisations in the face of increasingly scarce resources.

Strathclyde Partnership for Transport (SPT) and Strathclyde Concessionary Travel Scheme (SCTS) are public transport related Joint Boards and look after the public transport policy for the twelve local authorities in the area of the former Strathclyde Region. During the year, SPT provided funding to the Council for cycle routes and quality bus corridor improvements in Inverclyde. SCTS looked after the operation of the concessionary fares scheme for public transport. The main focus for Renfrewshire Valuation Joint Board was preparation for the forthcoming Revaluation of Non-domestic Property which comes into effect on 1 April 2017.

Further details about the associates in the Inverclyde Council group and their financial results can be found on pages 66 to 71.

Carbon Emissions and Energy Consumption

The Council takes its responsibilities with regard to reducing the effects of climate change seriously. This is most visibly demonstrated in the drafting of its five-year Carbon Management Plan 2012-2017. The Council has set a target to reduce carbon emissions, the largest contributor to climate change, from its operations by 12% by 31 March 2017 from a 1 April 2012 baseline.

Energy use from its buildings is the Council's largest carbon emitter, making up almost half of its total emissions. Between the baseline and financial year 2014-2015, the year that there is most recent data available, the Council has reduced carbon emissions from buildings by nearly 7%. This equates to 873 tonnes of carbon. The Council continues to develop projects with which to reduce carbon emissions from its buildings and other operations.

Equality and Diversity

Inverclyde Council is firmly 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. 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.

Information on the Council's Equality Outcomes and its mainstreaming report can be found on its website at <http://www.inverclyde.gov.uk/council-and-government/equality-and-diversity>.

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 seeks the views of the workforce through regular consultations with staff and trade unions. Inverclyde Council is an accredited Living Wage Employer and was voted the best government services employer in the UK in the Bloomberg Best Employer Awards 2016.

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 Publication

An explanation of the financial statements which follow and their purpose are shown at the top of each page. The accounting policies and a glossary of terms can be found at the end of this publication and these provide an explanation of the main guidelines and terms used.

On Our Website

Further information about Inverclyde Council can be obtained on the Council's website (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), Riverside Inverclyde (www.riversideinverclyde.com), SPT (www.spt.co.uk) and Renfrewshire Valuation Joint Board (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 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. This 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



Aubrey Fawcett
Chief Executive



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

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 29th September 2016.

Signed on behalf of Inverclyde Council

Cllr Stephen McCabe
Leader of the Council

Date: 29 September 2016

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 2016.

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

Date: 29 September 2016

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. During 2015-2016, the Inverclyde Health and Social Care Joint Board was established for the formal integration of health and care services between Inverclyde Council and the NHS Greater Glasgow and Clyde. The commissioning of services for the joint service operations will commence from 1 April 2016.

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 2016 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 2015-2016 assessments and to identify actions they proposed to take during 2016-2017 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 were no significant governance issues identified by the review but 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 2015-2016 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 2015-2016 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. 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 2016-2017.

	Where are we now?	Where do we want to be?	How will we know we are getting there?	Who is responsible?
1	Work is ongoing to address organisation-wide issues identified by the Corporate Complaints audit.	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 corporate complaints procedures.	Corporate Complaints Steering Group March 2017
2	Key governance documentation requires to be reviewed and updated to take account of organisational changes.	Key governance documentation is up to date.	Key governance documentation will be reviewed and updated including: <ul style="list-style-type: none"> • Scheme of Delegation • Scheme of Administration • Standing Orders Relating to Contracts • Financial Regulations 	Head of Legal and Property Services / Chief Financial Officer 30 September 2016
3	The Council has recently established a corporate fraud team. Policies and procedures and awareness arrangements require to be reviewed and implemented.	Corporate Fraud Policies and Procedures are in place.	Action plans for reviewing corporate fraud policy and training and awareness arrangements will be developed and implemented over 2016-2017.	Chief Internal Auditor 31 October 2016

	Where are we now?	Where do we want to be?	How will we know we are getting there?	Who is responsible?
4	<p>Organisational Development Strategy 2013-2016 is currently being reviewed and updated to cover areas such as:</p> <ul style="list-style-type: none"> • Mandatory training • Succession planning • Performance appraisal process 	Organisational Development Strategy is up to date and covers all key areas.	Organisational Development Strategy 2013-2016 will be reviewed and updated.	<p>Head of Organisational Development, Human Resources and Corporate Communications.</p> <p>31 March 2017</p>
5	<p>Corporate guidance on document management has been approved and rolled out across Directorates for hard copy documentation.</p> <p>Corporate guidance on electronic information filing and archiving requires to be developed as part of the Council's Business Classification Scheme.</p>	Up to date corporate guidance on document management for hard copy and electronic records is implemented across the Council in line with the Business Classification Scheme.	The business classification scheme is being developed by the Information Governance Steering Group. This will inform the Council's approach to the filing and archiving of electronic records.	<p>Information Governance Steering Group.</p> <p>2016-2018</p>
6	Training and development plan for members requires to be refreshed for 2016-2017.	Members have access to suitable training in order to discharge their responsibilities.	Personal development plans are in the process of being refreshed to inform the Members training and development plan for 2016-2017.	<p>Head of Legal and Property Services.</p> <p>31 October 2016</p>
7	The Council requires to clarify and agree its role and relationship with the Integrated Joint Board.	The Council's role and relationship with the Integrated Joint Board is clearly defined and agreed.	The Council's role and relationship with the Integrated Joint Board will be defined and agreed.	<p>Chief Executive.</p> <p>31 March 2017</p>

8. Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2015-2016 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

29th September 2016

Aubrey Fawcett
Chief Executive

29th September 2016

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 18, will be 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 £27,878 per annum (2014-2015 £27,602) and for the Provost is £20,909 per annum (2014-2015 £20,702).

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 £169,353 per annum (2014-2015 £167,679) and whose salaries individually must be on a specified scale, currently £16,726 to £20,909 (2014-2015 £16,560 to £20,702). 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 £18,817 per annum (2014-2015 £18,631). Councillors received a 1% pay award in 2015-2016.

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 2015-2016.

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 2016. The remuneration of the Corporate Director Health and Social Care Partnership is 50% funded by NHS Greater Glasgow and Clyde Health Board through the Inverclyde HSCP Partnership. The remuneration of the Corporate Director Environment, Regeneration and Resources is 35% funded by Riverside Inverclyde. The table below contains remuneration details for those persons who were Senior Officers in 2015-2016. Salaries are paid four-weekly and the figures in the table include the effect of the leap year.

Senior Officers	Year ended 31 March 2016				2014-2015	
	Gross salary	Other Fees and Allowances (5)	Taxable Expenses	Compensation for Loss of Employment (6)	Total Remuneration	Total Remuneration
	£	£	£	£	£	£
Mundell, J: Chief Executive	119,028	2,968			121,996	123,453
Bain, W: Corporate Director Education, Communities & Organisational Development (1)	37,627				37,627	0
Cassidy, P: Corporate Director Education, Communities & Organisational Development (1)	23,734	150		38,993	62,877	104,385
Fawcett, A: Corporate Director Environment, Regeneration & Resources (2)	105,935	200			106,135	104,435
Malone, G: Head of Legal & Property Services	86,296	2,880			89,176	85,888
Moore, B: Corporate Director, Health and Social Care Partnership (3)	105,935	150	68		106,153	104,453
Puckrin, A: Chief Financial Officer (4)	86,296	200			86,496	96,608
Totals	564,851	6,548	68	38,993	610,460	619,222

- (1) Mrs Bain joined on 23 November 2015; Mrs Cassidy left on 21 June 2015. The full-time equivalent for the Corporate Director of Education, Communities & Organisational Development's post is £105,646.
- (2) Mr Fawcett's remuneration is 35% funded by Riverside Inverclyde. In the prior year, 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 Moore is the Chief Officer of Inverclyde HSCP. 50% of his salary is funded by NHS Greater Glasgow & Clyde.
- (4) In the prior year, 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.
- (5) Election payments shown in the column "Other Fees & Allowances" are reimbursed by the Scottish Government.
- (6) Includes any other payment made to the person in connection with the termination of their employment.

Salaries are paid four-weekly and the above figures include the effect of the leap year.

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 2016. The table contains remuneration details for those persons who were Senior Councillors in 2015-2016. Salaries are paid four-weekly and the figures in the table include the effect of the leap year.

Remuneration Report

Leader of the Council, Provost and Senior Councillors	Year ended 31 March 2016			2014-2015
	Gross salary	Taxable expenses	Total Remuneration	Total Remuneration
	£	£	£	£
Ahlfeld, R: Chair, Licensing Board	18,869	0	18,869	18,638
Clocherty, J: Depute Leader of the Council	18,869	0	18,869	18,631
Dorrian, G: Chair, General Purposes	18,869	253	19,122	19,022
Loughran, T: Convenor, Education	18,869	220	19,089	18,936
McCabe, S: Leader of the Council	27,954	218	28,172	27,815
McCormick, M: Convenor, Environment & Regeneration	18,869	0	18,869	18,631
McEleny, C: Leader of the Opposition	18,869	0	18,869	18,631
McIlwee, J: Convenor, Health & Social Care	18,869	0	18,869	18,631
Moran, R: Provost	20,966	0	20,966	20,702
Rebecchi, L: Convenor, Audit	18,869	0	18,869	18,631
Wilson, D: Chair, Planning	18,869	320	19,189	18,945
Totals	218,741	1,011	219,752	217,213

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, the pension is based on a career average from 1 April 2015. For service before this date, 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 (NRA) for service post 1 April 2015 is the same as for the state pension; the NRA for service pre 1 April 2015 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. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

A LGPS member's contribution depends upon his or her full-time equivalent pay. The tables for the allocation of rates for 2015-2016 and 2014-2015 are shown below.

Tiered Contribution Pay Rates

Full Time Equivalent (FTE) Pensionable Pay (2015/2016)	Rate (%)
On earnings up to and including £20,500	5.50%
On earnings above £20,500 and up to £25,000	7.25%
On earnings above £25,000 and up to £34,400	8.50%
On earnings above £34,400 and up to £45,800	9.50%
On earnings above £45,800	12.00%

Remuneration Report

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 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 2016 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 2015-2016.

Senior Officers	Accrued Pension Benefits		Change in Accrued Benefits		Pension Contributions made by Inverclyde		Length of Service at 31 March 2016
	as at 31 March 2016		since 31 March 2015		2015-2016	2014-2015	
	Pension £	Lump Sum £	Pension £	Lump Sum £	£	£	
Mundell, J: Chief Executive	66,071	155,270	3,523	2,712	22,972	22,571	41/288
Bain, W: Corporate Director Education, Communities & Organisational Development	44,358	0	644	0	7,262	0	32/56
Cassidy, P: Corporate Director Education, Communities & Organisational Development	2,312	0	473	0	4,581	20,088	1/104
Fawcett, A: Corporate Director Environment, Regeneration & Resources	41,524	86,352	2,834	1,508	20,445	20,088	28/270
Malone, G: Head of Legal & Property Services	38,117	83,217	2,384	1,455	16,655	16,364	32/262
Moore, B: Corporate Director Health & Social Care Partnership	53,086	121,038	3,036	2,114	20,445	20,088	36/360
Puckrin, A: Chief Financial Officer	39,909	85,618	1,749	(1)	16,655	18,568	30/268
Totals	285,377	531,495	14,643	7,788	109,015	117,767	

Leader of the Council, Provost and Senior Councillors	Accrued Pension Benefits		Change in Accrued Benefits		Pension Contributions made by Inverclyde Council	
	as at 31 March 2016		since 31 March 2015		2015-2016	2014-2015
	Pension	Lump Sum	Pension	Lump Sum		
	£	£	£	£	£	£
Ahlfeld, R: Chair, Licensing Board	2,180	0	404	0	3,642	3,596
Clocherty, J: Depute Leader of the Council	2,858	1,431	406	13	3,642	3,596
Dorrian, G: Chair, General Purposes	2,698	1,339	283	(17)	3,642	3,596
Loughran, T: Convenor, Education	2,730	1,357	113	(71)	3,642	3,596
McCabe, S: Leader of the Council	2,974	2,159	583	0	5,395	5,327
McCormick, M: Convenor, Environment & Regeneration	2,816	887	383	0	3,642	3,596
McIlwee, J: Convenor, Health & Social Care	1,159	0	261	0	3,642	3,596
Moran, R: Provost	3,012	1,495	3	(118)	4,046	3,995
Rebecchi, L: Convenor, Audit	2,643	1,307	429	27	3,642	3,596
Wilson, D: Chair, Planning	2,859	1,432	406	14	3,642	3,596
Totals	25,929	11,407	3,271	(152)	38,577	38,090

Notes:

- Councillor McEleny is not a member of the Strathclyde Pension Fund.
- Strathclyde Pension Fund Office has reviewed each individual's calculations this year. This has led to the adjustments in accrued benefits shown above.

7. Councillors' Remuneration

The Council paid the salaries, allowances and expenses to Councillors (including the Senior Councillors above) detailed in the table below for 2015-2016. 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).

All Councillors	2015-2016	2014-2015
	£	£
Salaries	370,512	365,444
Travel costs - reimbursed	7,808	7,984
Travel costs - paid directly by the Council	8,035	3,719
Subsistence expenses - accommodation	414	226
Subsistence expenses - meals	98	187
Training and conferences - reimbursed	0	0
Training and conferences - paid directly by the Council	1,443	2,570
Telephone and ICT expenses - reimbursed	1,498	1,293
Telephone and ICT expenses - paid directly by the Council	2,900	3,904
Other allowances and expenses	8	0
Totals	392,716	385,327

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 2015-2016 in bands of £5,000; the details of the number of those employees who left the employment of the Council during 2015-2016; and the details of the number of those employees who were part or fully funded by other bodies.

Officers over £50,000 Remuneration Bands	Number of Employees		Left during	Part funded or fully funded by
	2015-2016	2014-2015	2015-2016	other organisations
£50,000 - £54,999	64	49	3	7
£55,000 - £59,999	17	18	2	0
£60,000 - £64,999	4	5	1	0
£65,000 - £69,999	1	3	0	0
£70,000 - £74,999	4	4	1	0
£75,000 - £79,999	5	6	0	2
£80,000 - £84,999	2	1	0	0
£85,000 - £89,999	2	1	0	0
£90,000 - £94,999	0	1	0	0
£95,000 - £99,999	0	2	0	0
£100,000 - £104,999	0	3	0	0
£105,000 - £109,999	2	0	0	2
£110,000 - £114,999	0	0	0	0
£115,000 - £119,999	0	0	0	0
£120,000 - £124,999	1	1	0	0
£125,000 - £129,999	0	0	0	0
Totals	102	94	7	11

Of the 7 employees who left during the year, none would 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 on page 22. 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.

Remuneration Report

Exit package cost band (including special payments)	(b)		(c)		(d)		(e)	
	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015-16	2014-15	2015-16	2014-15	[(b) + (c)]		£'s	£'s
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
£0 - £20,000	0	0	3	0	3	0	24,501	0
£20,001 - £40,000	0	0	3	0	3	0	99,269	0
£40,001 - £60,000	0	0	5	1	5	1	256,114	50,847
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	2	0	2	0	198,334	0
£100,001 - £150,000	0	0	4	0	4	0	468,420	0
£150,001 - £200,000	0	0	2	0	2	0	351,792	0
£200,001 - £250,000	0	0	0	0	0	0	0	0
Total	0	0	19	1	19	1	1,398,430	50,847

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 17 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 2015-2016. Included in the above table are liabilities relating to these releases of £0.992 million (2014-2015 £0.037 million).

Cllr Stephen McCabe

Leader of the Council

Aubrey Fawcett

Chief Executive

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into "Usable Reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and 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 2016

	Usable Reserves						Unusable Reserves	Total Reserves of the Council
	General Fund Balance	Capital Grants Unapplied Account	Capital Fund	Repairs & Renewal Fund	Insurance Fund	Total Usable Reserves		
	£000	£000	£000	£000	£000	£000		
Balance at 31 March 2015	44,991	0	2,590	2,959	3,860	54,400	(34,292)	20,108
Movement in Reserves during 2015-2016								
Surplus or (Deficit) on Provision of Services	4,198	0	0	0	0	4,198	0	4,198
Other Comprehensive Expenditure & Income	0	0	0	0	0	0	99,113	99,113
Total Comprehensive Expenditure & Income	4,198	0	0	0	0	4,198	99,113	103,311
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 1)	171	0	0	0	0	171	(171)	0
Net Increase or (Decrease) before Transfers to Other Statutory Reserves	4,369	0	0	0	0	4,369	98,942	103,311
Transfers (to) and from Other Statutory Reserves	(305)	396	(272)	226	(45)	0	0	0
Increase or (Decrease) in the Year	4,064	396	(272)	226	(45)	4,369	98,942	103,311
Balance at 31 March 2016 Carried Forward	49,055	396	2,318	3,185	3,815	58,769	64,650	123,419

Movement in Reserves Statement

Comparative Figures for Year ended 31 March 2015

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

Comprehensive Income & Expenditure Statement

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*.

2014-2015				2015-2016		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
3,302	(1,282)	2,020	Central Services to the Public	3,243	(1,322)	1,921
13,605	(1,136)	12,469	Cultural & Related Services	13,704	(1,369)	12,335
91,748	(3,189)	88,559	Education Services	92,430	(4,283)	88,147
14,529	(1,902)	12,627	Environmental Services	14,663	(1,943)	12,720
44,248	(40,738)	3,510	Housing Services	43,252	(39,968)	3,284
11,967	(3,648)	8,319	Planning and Development Services	11,574	(3,681)	7,893
10,925	(3,590)	7,335	Roads & Transportation	11,813	(4,372)	7,441
69,899	(15,470)	54,429	Social Work	72,084	(15,787)	56,297
2,173	0	2,173	Corporate and Democratic Core	2,007	0	2,007
854	(3)	851	Non-Distributable Costs	409	(6)	403
263,250	(70,958)	192,292	Cost of Services	265,179	(72,731)	192,448
		6,811	Other Operating Expenditure and (Income) - (Gain)/Loss on disposal of non-current assets			(245)
		20,349	Financing and Investment (Income) and Expenditure (Note 3)			18,718
		(204,441)	Taxation and Non-specific Grant Income (Note 4)			(215,119)
		15,011	(Surplus) or Deficit on the Provision of Services			(4,198)
		(504)	(Surplus) or deficit on the revaluation of non current assets			(43,146)
		1,470	Impairment losses on non-current assets charged to the Revaluation Reserve			0
		17,488	Remeasurement of the net defined benefit pensions liability (Note 17)			(55,967)
		18,454	Other Comprehensive (Income) and Expenditure			(99,113)
		33,465	Total Comprehensive (Income) and Expenditure			(103,311)

Balance Sheet

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” which 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 2015		Note	31 March 2016
£000			£000
421,877	Property, Plant & Equipment	8	471,048
18,059	Heritage Assets	11	18,059
172	Intangible Assets		121
2,137	Long-term Debtors	12	2,659
442,245	Non-current Assets		491,887
17,582	Short-term Investments	21	12,017
0	Assets Held for Sale	9	500
284	Inventories		339
10,606	Short-term Debtors	12	9,670
27,567	Cash and Cash Equivalents	13	38,489
56,039	Current Assets		61,015
(3,668)	Short-term Borrowing	21	(7,974)
(24,830)	Short-term Creditors	14	(26,705)
(1,514)	Short-term Provisions	15	(1,538)
(2,084)	Short-term Finance Leases	16&20	(1,908)
(32,096)	Current Liabilities		(38,125)
(497)	Long-term Provisions	15	(497)
(214,249)	Long-term Borrowing	21	(208,212)
	Other Long-term Liabilities:		
(67,727)	Finance Leases	16&20	(65,819)
(163,607)	Pensions	17	(116,830)
(446,080)	Long-term Liabilities		(391,358)
20,108	Net Assets		123,419
54,400	Usable Reserves	2	58,769
(34,292)	Unusable Reserves	19	64,650
20,108	Total Reserves		123,419

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

Issued on: 29 September 2016

These financial statements replace the unaudited financial statements issued on 28th June 2016.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from 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.

2014-2015 £000		2015-2016 £000
(15,011)	Net surplus or (deficit) on the provision of services	4,198
41,687	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements (Note 27)	35,004
	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and	
1,749	financing activities (Note 27)	(2,510)
28,425	Net cash inflow from Operating Activities (Note 27)	36,692
(23,953)	Investing Activities (Note 28)	(22,495)
(7,750)	Financing Activities (Note 29)	(3,275)
(3,278)	Net increase or (decrease) in cash and cash equivalents	10,922
30,845	Cash and cash equivalents at the beginning of the reporting period	27,567
27,567	Cash and cash equivalents at the end of the reporting period (Note 13)	38,489

Notes to the Principal Financial Statements

Note 1 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 2014-2015 are provided in an additional table for the purposes of comparison.

2015-2016	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	23,660				(23,660)			(23,660)
Amortisation of intangible assets	141				(141)			(141)
Capital grants and contributions applied	(16,139)				16,139			16,139
Capital expenditure charged in-year to the General Fund balance.	(4,385)				4,385			4,385
Net gain or (loss) on non-current asset disposals	(245)				245			245
Statutory provision for the principal repayment of loan charges.	(11,127)				11,127			11,127
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	(629)					629		629
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 17).	20,381			(20,381)				(20,381)
Employers' pension contributions payable in the year.	(11,191)			11,191				11,191
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.	(295)						295	295
Total Adjustments	171	0	0	(9,190)	8,095	629	295	(171)

Comparative Information 2014-2015

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 17).	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
Total Adjustments	16,231	2,346	0	(8,465)	(10,326)	130	84	(18,577)

Note 2 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 2016 £000	31 March 2015 £000
Modernisation Fund	323	308
School Estate Management Plan	5,701	2,942
Contribution to Riverside Inverclyde	1,690	1,858
Miscellaneous Community Health & Social Care Partnership Reserves	326	996
Fostering & Adoption	682	1,143
Miscellaneous Policy and Resources Committee Reserves	790	724
Miscellaneous Environment & Regeneration Committee Reserves	3,120	1,861
Renewal of Clune Park Area	1,910	1,835
Asset Management Plan	1,344	1,578
Support for Owners	921	713
Flooding Works	1,863	1,863
Roads Asset Management Plan	0	2,165
Early Retiral / Voluntary Severance Reserve	2,571	3,562
Capital Funded from Current Revenue	5,926	3,623
Integrated Care Fund	704	0
Miscellaneous Education & Communities Reserves	1,295	999
Vehicle Replacement Programme	208	255
Equal Pay	4,561	4,668
Youth Employment	70	151
Deferred Income - Health & Social Care	116	407
Repopulating/Promoting Inverclyde	385	606
Beacon Arts Centre	129	1,950
Temporary Use of Reserves - Revenue Budget	2,000	3,298
Welfare Reforms	1,027	1,007
Loans Charges Reserve	2,152	1,200
Roads Defects & Drainage Works	468	291
Total Earmarked Reserves	40,282	40,003
Non-earmarked balance	8,773	4,988
Total General Fund Balance	49,055	44,991
Capital Grants Unapplied Account	396	0
Capital Fund	2,318	2,590
Repairs & Renewal Fund	3,185	2,959
Insurance Fund	3,815	3,860
Total Usable Reserves	58,769	54,400

Note 3 Financing and Investment Income and Expenditure

	2015-2016	2014-2015
	£000	£000
(Surplus) or deficit on trading undertakings not reported elsewhere	303	465
Interest payable and similar charges:		
- Schools' Public Private Partnership finance lease	4,885	4,960
- Other finance leases	0	0
- Other interest payments and similar charges	9,038	9,701
Net interest on the defined benefit pension liability	5,297	5,968
Interest receivable and similar income	(805)	(745)
Total	18,718	20,349

Note 4 Taxation and Non-specific Grant Income

	2015-2016	2014-2015
	£000	£000
Income from Council Tax	(27,730)	(27,116)
Distribution from Non-Domestic Rates pool	(24,443)	(22,832)
General Revenue Grant	(146,410)	(145,322)
Recognised Capital Grants and contributions	(16,536)	(9,171)
Total	(215,119)	(204,441)

The Council credited the following grants, contributions and donations to the CIES in 2015-2016.

	2015-2016	2014-2015
	£000	£000
Credited to Taxation and Non-specific Grant Income		
General Revenue Grant	(146,410)	(145,322)
Distribution from Non-Domestic Rates pool	(24,443)	(22,832)
General Capital Grant (excludes amounts directly credited to Services)	(10,516)	(8,425)
Capital Grants	(6,020)	(746)
Credited to Services		
Housing Benefit	(35,480)	(35,581)
Housing Benefit Administration	(602)	(635)
Other Housing	(2,049)	(2,675)
Community Service Grant	(128)	(228)
Social Work	(1,967)	(2,006)
Education	(2,106)	(1,363)
Employability	(561)	(459)
Other	(198)	(227)
Total	(230,480)	(220,499)

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.	£9.423 million.
Housing Services	Rent Allowances.	£35.399 million
Housing Services	DWP – Rent Allowances	£34.701 million

Note 6 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.

	2015-2016	2014-2015
	£000	£000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year.	262	262
	262	262

Note 7 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 Service Reporting Code of Practice (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.

During 2015-2016 the management of Inverclyde Council was led by the Chief Executive, John W Mundell. The operational structure of the Council as at 31 March 2016 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 (2015-2016)

	Committees				Total
	Health & Social Care	Education & Communities	Policy & Resources	Environment & Regeneration	
	£000	£000	£000	£000	£000
Fees, charges and other service income	(14,352)	(3,872)	(2,347)	(10,003)	(30,574)
Government grants	(1,967)	(4,289)	(36,110)	(725)	(43,091)
Total Income	(16,319)	(8,161)	(38,457)	(10,728)	(73,665)
Employee expenses	26,223	56,617	9,269	11,549	103,658
Other service expenses	40,033	31,860	43,964	19,304	135,161
Total Operating Expenses	66,256	88,477	53,233	30,853	238,819
Net Expenditure	49,937	80,316	14,776	20,125	165,154

Committees' Income and Expenditure (2014-2015 Comparative Figures)

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

Reconciliation of Committees' Income and Expenditure to "Cost of Services" in Comprehensive Income & Expenditure Statement (CIES)

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

	2015-2016	2014-2015
	£000	£000
Net expenditure in the Committee analysis tables above	165,154	163,776
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	27,294	28,516
Amounts included in the analysis not included in the CIES	0	0
Cost of Services in the Comprehensive Income & Expenditure Statement	192,448	192,292

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.

Notes to the Principal Financial Statements

2015-2016

	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	(30,574)				934	(29,640)		(29,640)
Interest and investment income						0		0
Income from Council Tax						0	(27,730)	(27,730)
Government grants and contributions	(43,091)					(43,091)	(187,389)	(230,480)
Total Income	(73,665)	0	0	0	934	(72,731)	(215,119)	(287,850)
Employee expenses	103,658		3,493		(3,493)	103,658		103,658
Other service expenses	135,161				(6,246)	128,915		128,915
Support services recharges					8,805	8,805		8,805
Depreciation, amortisation & impairment			23,801			23,801		23,801
Interest payments						0	18,718	18,718
(Gain) or loss on disposal of non-current assets						0	(245)	(245)
Total Expenditure	238,819	0	27,294	0	(934)	265,179	18,473	283,652
(Surplus) or Deficit on the Provision of Services	165,154	0	27,294	0	0	192,448	(196,646)	(4,198)

2014-2015 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	(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)
Total Income	(81,630)	0	0	0	(1,351)	(82,981)	(204,441)	(287,422)
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
Total Expenditure	245,406	0	28,516	0	1,351	275,273	27,160	302,433
(Surplus) or Deficit on the Provision of Services	163,776	0	28,516	0	0	192,292	(177,281)	15,011

Notes to the Principal Financial Statements

Note 8 Property, Plant & Equipment

Movement on Balances

The movements on balances for Property, Plant & Equipment (PPE) are shown in the following table. Figures for 2014-2015 are provided in an additional table below for the purposes of comparison.

Movements in 2015-2016

	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
Cost or Valuation								
At 1 April 2015	479,902	36,316	56,884	5,466	4,142	455	88,046	671,211
Additions in year	14,984	3,105	10,982	369	6	979	33	30,458
Disposals in year	(305)	(769)						(1,074)
Revaluation adjustments to Revaluation Reserve	7,955	0	2,440	124	(12)		6,987	17,494
Revaluation adjustments to CIES	(12,488)	(436)	84	(108)	(15)			(12,963)
Reclassifications to/from Held for Sale	(718)							(718)
Other reclassifications*	(174,087)	(92)	(1,332)	(2,629)	(862)		(4,207)	(183,209)
At 31 March 2016	315,243	38,124	69,058	3,222	3,259	1,434	90,859	521,199
Depreciation and Impairment								
At 1 April 2015	192,876	30,660	13,984	2,630	891		8,293	249,334
Depreciation charge for the year	8,799	2,093	2,032		16		1,779	14,719
Impairment losses to Revaluation Reserve								0
Impairment losses to CIES								0
Depreciation on disposals	(33)	(768)						(801)
On Revaluations to Revaluation Reserve	(20,198)		(26)		(48)		(5,562)	(25,834)
On Revaluations to CIES	(4,001)	(22)						(4,023)
Reclassifications to/from Held for Sale	(35)							(35)
Other reclassifications*	(174,087)	(92)	(1,332)	(2,629)	(862)		(4,207)	(183,209)
At 31 March 2016	3,321	31,871	14,658	1	(3)	0	303	50,151
Balance Sheet amount at 31 March 2016	311,922	6,253	54,400	3,221	3,262	1,434	90,556	471,048
Balance Sheet amount at 31 March 2015	287,026	5,656	42,900	2,836	3,251	455	79,753	421,877
Nature of asset holding								
Ow ned	294,923	6,253	54,400	3,221	3,262	1,434		363,493
Finance lease	16,999							16,999
PPP							90,556	90,556

*other reclassifications relate to the write back of depreciation from prior years revaluations.

Comparative Movements in 2014-2015

	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
Cost or Valuation								
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
At 31 March 2015	479,902	36,316	56,884	5,466	4,142	455	88,046	671,211
Depreciation and Impairment								
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
Depreciation on disposals	(867)	(578)						(1,445)
On Revaluations to Revaluation Reserve	(576)							(576)
On Revaluations to CIES	(129)							(129)
Reclassifications to/from Held for Sale								0
Other reclassifications								0
At 31 March 2015	192,876	30,660	13,984	2,630	891	0	8,293	249,334
Balance Sheet amount at 31 March 2015	287,026	5,656	42,900	2,836	3,251	455	79,753	421,877
Balance Sheet amount at 31 March 2014	302,910	5,187	36,739	2,836	3,261	1,247	81,687	433,867
Nature of asset holding								
Ow ned	272,301	5,656	42,900	2,836	3,251	455		327,399
Finance lease	14,725							14,725
PPP							79,753	79,753

Depreciation

The depreciation methods used and the useful lives or depreciation rates used are disclosed separately in Note 34 Accounting Policies under section S "Property, Plant & Equipment".

Commitments under Capital Contracts

At 31 March 2016, 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 £16.989 million. Similar contracts at 31 March 2015 were £6.909 million. The major capital commitments include:

Notes to the Principal Financial Statements

	£000
Greenock Municipal Buildings - District Court Offices	2,062
Vehicle Maintenance Shed	3,801
St Patrick's PS New Build	3,976
Kilmacolm PS Refurbishment	2,694
Neil St Children's Home Replacement	1,630

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 34 Accounting Policies under section S "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	6,947	6,253	50,024	1,769	0	1,434	0	66,427
Valued at fair value as at:								
31 March 2016	284,340		4,163	1,437	3,249		90,556	383,745
31 March 2015	1,349							1,349
31 March 2014								0
31 March 2013	18,342		198	15				18,555
31 March 2012	944		15		13			972
Total Cost or Valuation	311,922	6,253	54,400	3,221	3,262	1,434	90,556	471,048

Note 9 Assets Held for Sale

At 31 March 2016, the Council had one asset held for sale valued at £0.500 million (31 March 2015 nil).

	31 March 2016 £000	31 March 2015 £000
Opening Balance at 1 April	0	0
Assets newly classified as "held for sale": Property, plant & equipment	682	0
Revaluation adjustments to Revaluation Reserve	(182)	0
Closing Balance at 31 March	500	0

Note 10 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.

	2015-2016	2014-2015
	£000	£000
Opening Capital Financing Requirement	303,781	304,506
Capital Investment:		
~ Capital Expenditure	30,549	24,600
~ Leased equipment and Schools PPP assets	0	0
Total Capital Investment for the year	30,549	24,600
Sources of Finance:		
~ Capital receipts from the sale of assets	(518)	(213)
~ Government grants and other contributions	(16,139)	(9,171)
~ Capital from current revenue	(4,385)	(5,455)
~ Loans Fund principal repayment (including finance leases & PPP)	(11,127)	(10,486)
Total Capital Financing for the year	(32,169)	(25,325)
Closing Capital Financing Requirement	302,161	303,781

	2015-2016	2014-2015
	£000	£000
Explanation of movements in the year:		
~ Increase/(Reduction) in underlying need to borrow	464	1,228
~ Increase/(Reduction) in finance leases obligations	0	0
~ Increase/(Reduction) in PPP finance lease creditor	(2,084)	(1,953)
Increase/(Reduction) in Capital Financing Requirement	(1,620)	(725)

Notes to the Principal Financial Statements

Note 11 Heritage Assets

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

	2015-2016 Total Assets £000	2014-2015 Total Assets £000
Valuation or Cost		
1 April	18,059	18,059
Revaluations	0	0
31 March	18,059	18,059

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 12 Debtors

	31 March 2016				31 March 2015			
	Short-term £000		Long-term £000		Short-term £000		Long-term £000	
Scottish Government (including NHS bodies)		1,670		0		1,494		0
Central Government bodies		2,028		0		1,624		0
Other Local Authorities		88		0		199		0
Council Tax receivable from tax payers	16,360		0		16,270		0	
Impairment	(14,123)		0		(14,209)		0	
Council Tax (net of impairment)		2,237		0		2,061		0
Trade debtors	8,260		0		9,757		0	
Impairment	(4,673)		0		(4,646)		0	
Trade Debtors (net of impairment)		3,587		0		5,111		0
Other entities and individuals	60		2,659		117		2,137	
Impairment	0		0		0		0	
Other entities and individuals (net of impairment)		60		2,659		117		2,137
Totals for Short-term and Long-term Debtors		9,670		2,659		10,606		2,137

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. In March 2016, the Council made a £0.6 million loan to Inverclyde Leisure. This is shown within 'other entities and individuals (net of impairment)'.

Notes to the Principal Financial Statements

Note 13 Cash and Cash Equivalents

	31 March 2016	31 March 2015
	£000	£000
Cash held by the Council	6	5
Bank current accounts	24,874	12,471
Deposits up to three months with UK Banks, Buildings Societies and Local Authorities	13,609	15,091
Total Cash and Cash Equivalents	38,489	27,567

Note 14 Creditors

Short Term Creditors

	31 March 2016	31 March 2015
	£000	£000
Scottish Government (including NHS bodies)	(1,585)	(350)
Central Government bodies	(2,524)	(3,751)
Other Local Authorities	(1,063)	(1,072)
Trade creditors	(21,078)	(19,160)
Public Corporations	(455)	(497)
Total Short-term Creditors	(26,705)	(24,830)

Note 15 Provisions

Short-term Provisions - Movement on Balances 2015-2016

	Balance at 1 April 2015	Additional Provisions made in 2015-2016	Amounts used in 2015-2016	Unused amounts written back in 2015-2016	Balance at 31 March 2016
	£000	£000	£000	£000	£000
Compensation Payments (note 1)	(665)	0	158	0	(507)
Municipal Mutual Insurance Claims (note 2)	(379)	(14)	0	0	(393)
Gourock Waterfront Redevelopment (note 3)	(50)	0	0	0	(50)
Clune Park Provision (note 4)	0	(200)	0	0	(200)
Greenock Academy Site Contamination Provision (note 5)	(420)	0	32	0	(388)
Total Short-term Provisions	(1,514)	(214)	190	0	(1,538)

Long-term Provisions - Movement on Balances 2015-2016

	Balance at 1 April 2015	Additional Provisions made in 2015-2016	Amounts used in 2015-2016	Unused amounts written back in 2015-2016	Balance at 31 March 2016
	£000	£000	£000	£000	£000
Former St Stephen's High School Demolition Provision (note 6)	(497)	0	0	0	(497)
Total Long-term Provisions	(497)	0	0	0	(497)

Notes

1. For the potential outcome of conceded outstanding equal pay claims.
2. For any potential shortfall in the current Scheme of Arrangement to meet any new claims.
3. For the potential outcome of a dispute relating to works carried out for Gourrock waterfront redevelopment.
4. For the potential outcome of on-going legal action in relation to the Clune Park Area.
5. For the removal of asbestos from the Greenock Academy site.
6. For the demolition of the former St Stephen's High School on termination of short-term lease.

Note 16 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 8 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 2016 (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	Subsequent RPI Changes	Total
	£000	£000	£000	£000	£000
Not later than one year	2,825	1,908	4,053	779	9,565
Later than 1 year and not later than 5 years	13,671	7,111	15,098	3,938	39,818
Later than 5 years and not later than 10 years	19,086	10,986	16,360	7,389	53,821
Later than 10 years and not later than 15 years	22,400	13,752	12,565	9,944	58,661
Later than 15 years and not later than 20 years	26,680	16,928	8,003	12,374	63,985
Payable within twenty one to twenty five years	22,142	17,042	2,214	11,729	53,127
Total	106,804	67,727	58,293	46,153	278,977

Fair Value of Liability

The treasury advisor to Inverclyde Council has assessed the fair value of the lease liability as £96.4 million. The impact of a 1% increase in the discount factor is assessed at £9.7 million and would reduce the fair value to £86.7 million. More information on the assessment of fair values is available in Note 21 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:

	2015-2016	2014-2015
	£000	£000
Balance outstanding at the start of the year	69,811	71,764
Payments during the year	(2,084)	(1,953)
Capital expenditure incurred in the year	0	0
Balance outstanding at year-end	67,727	69,811
Included in Balance Sheet		
~ Current	1,908	2,084
~ Non-current	65,819	67,727
	67,727	69,811

Note 17 Defined Benefit Pension Schemes

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.
- A new Career Average Related Earnings (CARE) pension scheme has been introduced from 1 April 2015. The pension accrual rate guarantees a pension that is built up at a rate of 1/49th of the pensionable pay in the financial year. The amount built up in the year is transferred to the member's Pension Account and at the end of each financial year the total in the member's Pension Account is adjusted in line with the cost of living to ensure it retains its purchasing power.
- For pension contributions from 2009 to 2015, the pension is based on 1/60th of final pensionable salary and years of service, and prior to 2009, the accrual rate guarantees a pension based on 1/80th and a lump sum based on 3/80th of final pensionable pay 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 limits set by the Finance Act 2004. The scheme's retirement age is the normal age for the state pension. Pensions are increased annually in line with changes to the Pensions (Increase) 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. The Strathclyde Pension Fund Board meets alongside the Strathclyde Pension Fund Committee. It helps with compliance and to take account of all shareholder interests. The Board has eight members, four employer representatives and four from trade unions.

- 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 1.

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 2015-2016 and the prior year 2014-2015.

	31 March 2016	31 March 2015
	£000	£000
Comprehensive Income & Expenditure Statement (CIES)		
<i>Cost of Services:</i>		
<i>Service Cost comprising:</i>		
~ Current service cost	14,904	13,486
~ Past service costs (including curtailments)	180	392
~ Unfunded benefits	0	0
<i>Financing and Investment Income and Expenditure:</i>		
~ Net interest expense	5,297	5,968
Total Post-employment Benefit charged to (Surplus) or Deficit on the Provision of Services	20,381	19,846
<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	2,628	(24,770)
~ Actuarial (gains) or losses arising on changes in demographic assumptions	0	13,968
~ Actuarial (gains) or losses arising on changes in financial assumptions	(51,568)	58,235
~ Actuarial (gains) or losses arising on changes in experience assumptions	(7,027)	(29,945)
Total Post-employment Benefit Charged to the CIES	(55,967)	17,488
Movement in Reserves Statement (MiRS)		
~ Reversal of net charges made to the (Surplus) or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	67,158	(6,107)
Actual amount charged against the General Fund balance for pensions in the year:		
Employers' contributions payable to Strathclyde Pension Fund	11,191	11,381

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 2016	31 March 2015
	£000	£000
Present value of the defined benefit obligation*	(563,326)	(603,325)
Fair value of pension fund assets	446,496	439,718
Net Liability arising from Defined Benefit Obligation	(116,830)	(163,607)
<i>*Unfunded liabilities included in the figure for present value of liabilities</i>		
~ unfunded liabilities for Pension Fund	(21,203)	(22,485)
~ teachers' unfunded pensions	(13,287)	(14,740)
~ unfunded liabilities prior to 1996 local government reorganisation	(7,163)	(8,046)

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

	2015-2016	2014-2015
	£000	£000
Opening balance at 1 April	(603,325)	(537,557)
Current service cost	(14,904)	(13,486)
Interest cost	(19,295)	(23,107)
Contributions by Pension Fund participants	(2,782)	(2,889)
Re-measurement gains and (losses)		
~ Actuarial gains/(losses) from changes in demographic assumptions	0	(13,968)
~ Actuarial gains/(losses) from changes in financial assumptions	51,568	(58,235)
~ Actuarial gains/(losses) from changes in experience assumptions	7,027	29,945
Past service costs (including curtailments)	(180)	(392)
Settlements	0	0
Benefits paid	18,565	16,364
Closing balance at 31 March	(563,326)	(603,325)

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

	2015-2016	2014-2015
	£000	£000
Opening fair value of pension fund assets	439,718	399,903
Interest income	13,998	17,139
Re-measurement gains and (losses):		
~ expected rate of return on pension fund assets	(2,628)	24,770
The effect of changes in foreign exchange rates	0	0
Contributions from employers	11,191	11,381
Contributions from employees into the scheme	2,782	2,889
Benefits paid	(18,565)	(16,364)
Closing fair value of pension fund assets	446,496	439,718

Analysis of Pension Fund's Assets

Inverclyde Council's share of the Pension Fund's assets at 31 March 2016 comprised:

	31 March 2016			31 March 2015		
	Quoted Prices in Active Markets £000	Prices not Quoted in Active Markets £000	Totals £000	Quoted Prices in Active Markets £000	Prices not Quoted in Active Markets £000	Totals £000
Cash and cash equivalents	14,909	476	15,385	0	10,804	10,804
Equity instruments	162,445	351	162,796	161,199	333	161,532
Debt instruments	0	1	1	0	2	2
Real Estate	0	47,966	47,966	0	40,174	40,174
Derivatives	108	0	108	135	0	135
Private Equity	0	43,431	43,431	0	42,788	42,788
Investment Funds	4,035	172,774	176,809	4,791	179,492	184,283
Asset-backed Securities	0	0	0	0	0	0
Structured Debt	0	0	0	0	0	0
Total assets	181,497	264,999	446,496	166,125	273,593	439,718

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 2016. The significant assumptions used by the actuary are shown in the table below. Note 37 includes a sensitivity analysis for the pension obligation based on possible changes of these assumptions occurring at the reporting date.

	2015-2016	2014-2015
Long-term expected rate of return on assets in the Fund:		
~ Equity investments	3.5%	3.2%
~ Bonds	3.5%	3.2%
~ Property	3.5%	3.2%
~ Cash	3.5%	3.2%
Mortality Assumptions:		
Longevity at 65 for current pensioners (years):		
~ Men	22.1	22.1
~ Women	23.6	23.6
Longevity at 65 for future pensioners (years):		
~ Men	24.8	24.8
~ Women	26.2	26.2
Rate of inflation	2.2%	2.4%
Rate of increase in salaries	4.2%	4.3%
Rate of increase in pensions	2.2%	2.4%
Rate for discounting Fund liabilities	3.5%	3.2%
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 2017 is £8.824 million.

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

Note 18 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 1.22% during the year ended 31 March 2015. The actual contributions for the year ended 31 March 2016 will not be published until November 2016, however the Council assumes that the percentage contribution will be similar to 31 March 2015.

In 2015-2016, Inverclyde Council paid £4.737 million in respect of teachers' retirement benefits, representing 16.2% of pensionable pay. The figures for 2014-2015 were £4.295 million and 14.9%. There were no contributions remaining payable at the year-end.

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 2016 £ 000	31 March 2015 £ 000
Revaluation Reserve	151,681	108,764
Capital Adjustment Account	35,886	27,563
Financial Instruments Adjustment Account	(2,755)	(3,385)
Pensions Reserve	(116,830)	(163,607)
Employee Statutory Adjustment Account	(3,332)	(3,627)
Balance at 31 March	64,650	(34,292)

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.

	2015-2016	2014-2015
	£000	£000
Balance at 1 April	108,764	110,107
Revaluation of non-current assets not posted to the Surplus or (Deficit) on the Provision of Services	43,146	504
Difference between fair value depreciation and historical cost depreciation written off to Capital Adjustment Account	(229)	(377)
Impairments Charged to Revaluation Reserve Account	0	(1,470)
Accumulated gains or (losses) transferred to the Capital Adjustment Account	0	0
Balance at 31 March	151,681	108,764

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 1 provides a summary of transactions posted to the Account during the year.

	2015-2016	2014-2015
	£000	£000
Balance at 1 April	27,563	37,513
Items relating to capital expenditure charged to CIES:		
~ Charges for depreciation and impairment of non-current assets	(23,801)	(26,281)
~ Disposals of non-current assets	(273)	(9,371)
Transfers from Revaluation Reserve	229	377
Capital financing applied in the year:		
~ Use of the Capital Receipts Reserve to finance new capital expenditure	517	213
~ Capital grants and contributions credited to the CIES that have been applied to capital financing	16,139	9,171
~ Loans Fund principal repayments	11,127	10,486
~ Capital financed from current revenue	4,385	5,455
Balance at 31 March	35,886	27,563

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.

	2015-2016	2014-2015
	£000	£000
Balance at 1 April	(3,385)	(3,515)
Amount by which finance costs charged to the CIES Statement are different from finance costs chargeable in the year in accordance with statutory requirements	630	130
Balance at 31 March	(2,755)	(3,385)

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.

	2015-2016	2014-2015
	£000	£000
Balance at 1 April	(163,607)	(137,654)
Actuarial gains or (losses) on pension assets and liabilities	55,967	(17,488)
Reversal of items relating to net charges for retirement benefits charged to Surplus or (Deficit) on the Provision of Services in the CIES	(20,381)	(19,846)
Employers' pension contributions paid to Strathclyde Pension Fund	11,191	11,381
Balance at 31 March	(116,830)	(163,607)

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.

	2015-2016	2014-2015
	£000	£000
Balance at 1 April	(3,627)	(3,712)
Settlement or cancellation of accrual made at the end of the preceding year	3,627	3,712
Amounts accrued at the end of the current year	(3,332)	(3,627)
Balance at 31 March	(3,332)	(3,627)

Note 20 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 £16.999 million (2014-2015 £14.725 million) that relates to these assets. This comprises Greenock Municipal Buildings (£3.532 million), Port Glasgow Town Hall (£2.389 million), Port Glasgow Pool (£1.933 million), Gourrock Outdoor Pool (£3.360 million), Lady Octavia Sports Centre (£1.728 million), Battery Park Pavilion (£1.457 million) and miscellaneous recreational facilities, parks and other property (£2.600 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 2015-2016 were £0.167 million (2014-2015 £0.186 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 2016	31 March 2015
	£000	£000
Not later than one year	138	160
Later than one year and not later than five years	300	411
Later than five years	19	19
	457	590

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 2015-2016 was £0.688 million (2014-2015 £0.774 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 2016	31 March 2015
	£000	£000
Not later than one year	562	612
Later than one year and not later than five years	1,484	1,659
Later than five years	1,049	1,257
	3,095	3,528

Note 21 Financial Instruments

Categories of Financial Instruments

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

	Long-term		Short-term	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Investments				
Loans and receivables	0	0	12,017	17,582
Cash and Cash Equivalents				
Cash and Cash Equivalents	0	0	38,489	27,567
Debtors				
Loans and receivables (note 1)	2,659	2,137	4,203	6,246
Borrowings				
Financial liabilities at amortised cost	(208,212)	(214,249)	(7,974)	(3,668)
Other Long Term Liabilities				
PPP and finance lease liabilities	(65,819)	(67,727)	(1,908)	(2,084)
Creditors				
Financial liabilities at amortised cost (note 2)	0	0	(23,322)	(21,536)

Notes

1. Per Balance Sheet, Short-term Loans and Receivables net of £5.467m (2014-2015 £4.360m) not regarded as Financial Instruments.
2. Per Balance Sheet, Short-term Financial Liabilities net of £3.383m (2014-2015 £3.294m) 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 £9.018 million (2014-2015 £9.216 million) and interest income of £0.443 million (2014-2015 £0.410 million) that were recognised in the CIES for the year.

Financial Guarantees

The Council has provided a financial guarantee in respect of a bank loan obtained by Inverclyde Leisure to fund fitness suite equipment. This has been initially recognised at fair value. Subsequently, this is measured at the higher of the amount recognised initially or the amount determined in accordance with IAS37 Provisions, Contingent Liabilities and Assets less, when appropriate, cumulative depreciation.

Fair Values of Financial Assets and Financial Liabilities

All 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 such cases, the Regulations require a set of additional disclosures about 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. Further information about how the Council has assessed fair value (and the fair value hierarchy) is provided below.

The fair values calculated (and compared to carrying values) are as follows:

Financial Assets	31 March 2016		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and receivables - deposits with banks	12,017	12,030	17,582	17,604
Loans and receivables - cash and cash equivalents	38,489	38,489	27,567	27,567
Long-term debtors	2,659	2,659	2,137	2,137
Short-term debtors (at cost)	4,203	4,203	6,246	6,246
TOTAL	57,368	57,381	53,532	53,554

The fair value of loans and receivables – deposits with banks 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.

Notes to the Principal Financial Statements

Financial Liabilities	31 March 2016		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Borrowing - PWLB & Non-PWLB Debt	216,186	279,493	217,916	273,491
School PPP Lease	67,727	96,414	69,811	99,290
Long-term creditors	0	0	0	0
Short-term creditors (at cost)	23,322	23,322	21,536	21,536
TOTAL	307,235	399,229	309,263	394,317

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.

Fair Value Hierarchy for Financial Assets and Financial Liabilities

The inputs to the measurement techniques are explained in the Accounting Policies, section J.

The Council uses Level 2 inputs for all its fair value calculations for financial assets and financial liabilities, with the exception of cash and cash equivalents, debtors and creditors that are carried at cost as this is considered a fair approximation of their value. This is considered most appropriate to the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

	31 March 2016	31 March 2015
	Level 2	Level 2
	(Other Significant Observable Inputs)	(Other Significant Observable Inputs)
	£000	£000
<i>Recurring fair value measurements using:</i>		
Financial Assets		
Loans & receivables	12,030	17,604
Total	12,030	17,604
Financial Liabilities		
Financial Liabilities held at amortised cost:		
- PWLB & Non-PWLB Borrowings	279,493	273,491
- PPP Finance Lease Liabilities	96,414	99,290
TOTAL	375,907	372,781

The fair values of the above financial assets and financial liabilities in the above table have been arrived at using a discounted cash flow technique with the most significant inputs being the discount rate. The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following methodology and assumptions:

- The valuation date is 31 March 2016
- No early repayment or impairment is recognised

- The discount factor used in the NPV calculations is the comparable new borrowing or deposit rate of the same financial instruments from a comparable lender with a published market rate at the valuation date, using bid process 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 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 obligation at 31 March 2016 and applying an annuity repayment profile using the PWLB new borrowing rate for a comparable period (24 years) at 31 March 2016.

Note 22 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 £52.279 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 2016 that this is 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.

Notes to the Principal Financial Statements

The Council has a potential maximum credit risk exposure of £4.673 million (2014-2015 £4.646 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 £8.876 million of the £11.535 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 2016 £000	31 March 2015 £000
Less than three months	8,230	10,393
Three to six months	112	55
Six months to one year	133	64
More than one year	401	380
	8,876	10,892

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 2016 £000	31 March 2015 £000
Less than one year	31,296	25,204
Between one and two years	441	5,529
Between two and five years	30,649	26,038
Between five and ten years	25,187	30,239
Between ten and thirty years	8,878	8,878
Between thirty and fifty years	58,500	40,000
Over fifty years	83,900	102,400
	238,851	238,288

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.

Notes to the Principal Financial Statements

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 2016, with all other variables held constant.

	31 March 2016 £000	31 March 2015 £000
Impact on taxpayer		
Increase on interest payable on variable rate borrowings	315	669
Increase in interest receivable on variable rate lending	(523)	(456)
Net effect on Comprehensive Income & Expenditure Statement	(208)	213
Other presentational changes		
A decrease in the "fair value" of fixed rate borrowing (disclosure confined to the Notes to the Accounts)	(35,252)	(24,476)
	(35,252)	(24,476)

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.

Note 23 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.

The Scottish Government

The Scottish Government has significant influence over the general operations of the Council, being responsible for providing the statutory framework within which the Council operates. The Scottish Government also provides the majority of the Council's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (such as Council Tax bills and Housing Benefits). Grants received from the Scottish Government are disclosed in Note 4 Taxation and Non-Specific Grant Income on page 31.

Elected Members

Elected Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015-16 is shown in the Remuneration Report on page 16. There are no other significant related party transactions with members of the Council. Elected Members 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 does not take part in any discussion or decision relating to that interest. The Register of Interests of each Member is available on the Councils' website <http://www.inverclyde.gov.uk/council-and-government/councillors/>.

Senior Officers

Senior Officers, as listed within the Remuneration Report on page 16, 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. Interests identified are disclosed in the table below.

Entities Controlled or Significantly Influenced by the Council

The Council has entered into a number of transactions under associates and other trading arrangements deemed to be a related party mainly through the Council's ability to exert influence over the entity through its representation on the respective Boards. The relevant transactions with the bodies are detailed below.

	2015-2016				2014-2015			
	Income from Related Parties	Expenditure to Related Parties	Amounts Due to Related Parties	Amounts Owed by Related Parties	Income from Related Parties	Expenditure to Related Parties	Amounts Due to Related Parties	Amounts Owed by Related Parties
	£000	£000	£000	£000	£000	£000	£000	£000
Inverclyde Leisure Limited*1	(522)	1,832	(61)	1,187	(144)	1,852	(19)	537
Riverside Inverclyde Limited*1	(5)	4,849	(351)	0	(5)	2,610	(741)	10
Inverclyde Renovations Limited	0	0	0	0	0	0	0	0
Greenock Arts Guild Ltd (the Beacon Arts Centre)	0	2,298	0	0	0	117	(44)	0
Inverclyde Community Development Trust	(35)	2,941	0	0	(50)	2,696	(15)	0
River Clyde Homes	(228)	2,601	(43)	42	(87)	2,607	(41)	5

Notes:

*1 Further details of these entities are disclosed in the Group Accounts Note 30 Combining Entities.

Grants from government are disclosed in Note 4 Taxation and Non-Specific Grant Income.

Inverclyde Integration Joint Board

Inverclyde Integration Joint Board was established on 27 June 2015. The Council provides assistance in kind in terms of Board staff (Chief Officer) and administrative support for the operation of the Board. Delegation of resources by the Council to the Board is with effect from 1 April 2016.

Strathclyde Pension Fund

The Council is an admitted body to the local government pension scheme and has made payments as shown in Note 17 Defined Benefits Pension schemes on page 42.

Joint Boards

The Council is a member of the Joint Boards for Valuation, Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme. The Council's contributions are disclosed in the Group Accounts Note 30 Combining Entities on pages 69-70.

Note 24 Agency Services

The Council bills and collects non-domestic rates on behalf of the Scottish Government. During 2015-2016 the Council collected £20.6 million and received £0.23 million contribution from the non-domestic rates pool (2014-2015 £20.8 million and £0.52 million). The Council also bills and collects domestic water and sewerage charges on behalf of Scottish Water with its own Council Tax. During 2015-2016 the Council collected and paid over £11.53 million (2014-2015 £11.23 million) and received £0.302 million (2014-2015 £0.312 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 £12.46 million in 2015-16 (£12.06 million in 2014-15).

Note 25 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 2016.

Note 26 Events after the Balance Sheet Date

The accounts were approved on 29 September 2016. There have been no 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 27 Cash Flow Statement – Operating Activities

	2015-2016	2014-2015
	£ 000	£ 000
Net surplus or (deficit) on the Provision of Services	4,198	(15,011)
Adjustments to net surplus or (deficit) on the provision of services for non-cash movements		
Depreciation, amortisation & impairment	23,801	26,281
Net (gain) or loss on non-current assets	(245)	6,811
Retirement benefits	9,190	8,465
(Increase) or decrease in inventories	(55)	34
(Increase) or decrease in debtors	414	(428)
Increase or (decrease) in creditors and provisions	1,899	524
Other non-cash movements	0	0
	35,004	41,687
Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities		
Non-cash capital movements	(535)	1,946
Non-cash borrowing movements	(540)	(180)
Non-cash investing movements	(1,435)	(17)
	(2,510)	1,749
Net cash flow from Operating Activities	36,692	28,425

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

	2015-2016	2014-2015
	£ 000	£ 000
Interest received	482	471
Interest paid	(9,001)	(9,246)
Interest element of finance lease and PPP payments	(4,885)	(4,960)
Net cash flow from Servicing of Finance	(13,404)	(13,735)

Note 28 Cash Flow Statement – Investing Activities

	2015-2016	2014-2015
	£000	£000
Purchase of property, plant and equipment and intangible assets	(30,013)	(24,200)
Purchase of short-term and long-term investments	(39,500)	(47,376)
Other payments for investing activities	0	0
Proceeds from sale of property, plant and equipment and intangible assets	518	213
Proceeds from short-term and long-term investments	46,500	47,410
Other receipts from investing activities	0	0
Net cash flows from investing activities	(22,495)	(23,953)

Note 29 Cash Flow Statement – Financing Activities

	2015-2016	2014-2015
	£000	£000
Cash receipts of short-term and long-term borrowing	1	1
Cash payments for the reduction of the outstanding liabilities relating to finance leases for schools PPP contracts	(2,084)	(1,953)
Repayment of short-term and long-term borrowing	(1,192)	(5,798)
Net cash flows from financing activities	(3,275)	(7,750)

Council Tax Income Account

Councils raise taxes from residents by way of 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.

	2015-2016	2014-2015
	£000	£000
Gross Council Tax levied and contributions in lieu	40,139	40,005
Adjustment: Council Tax Reduction Scheme	(6,457)	(6,716)
Less:		
Other discounts and reductions	(5,551)	(5,624)
Write offs	(11)	(13)
Provision for bad and doubtful debts	(534)	(719)
Net Council Tax income	27,586	26,933
Less Prior years' Council Tax adjustments	144	183
Net Council Tax income transferred to General Fund	27,730	27,116

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
Band A*				43	14	0	40	8	5/9	18
Band A	19,119	1,144	43	23	9,041	487	15,451	4,266	6/9	7,457
Band B	5,845	214	23	17	2,652	117	4,904	1,187	7/9	2,891
Band C	3,504	104	17	15	1,225	54	3,065	555	8/9	2,231
Band D	3,305	69	15	32	1,047	51	2,966	266	9/9	2,700
Band E	3,468	57	32	19	850	60	3,156	142	11/9	3,684
Band F	1,912	28	19	10	345	32	1,773	61	13/9	2,473
Band G	1,422	15	10	0	212	30	1,329	17	15/9	2,187
Band H	212	5	0	0	23	4	199	2	18/9	394

* 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 1.92%

Council Tax Base

2

24,037

(461)

23,576

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 2015-2016 was £1,198.

	£ Per Year
Band A	799
Band B	932
Band C	1,065
Band D	1,198
Band E	1,464
Band F	1,730
Band G	1,997
Band H	2,396

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 £24.443m. The sum actually collected locally and contributed to the pool was £20.582m.

	2015-2016	2014-2015
	£000	£000
Gross rates levied	29,304	29,548
Relief and other remissions	(7,953)	(7,926)
Payment of interest	0	0
Provision for bad and doubtful debts	(792)	(839)
Net non-domestic rate income	20,559	20,783
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	23	523
Net non-domestic rate income transferred to General Fund	20,582	21,306

	2015	2014
	£000	£000
Rateable values at 1 April		
Commercial	31,155	30,230
Industrial / freight transport	8,828	8,871
Others	20,256	21,159
	60,239	60,260

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 2015-2016 the charge was 48p in the £ sterling for properties with a rateable value under £35,000. Properties with a rateable value over £35,000, the charge was 49.3p.

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 2016. Each year, applications for funding support are considered by the Council's Policy & Resources Committee. The Common Good Fund is not included within the Principal financial statements of the Council or its Group.

Summary Income and Expenditure Account for the Year Ended 31 March 2016

2014-2015		Usable Reserves:	Unusable Reserves:	2015-2016
£000		Revenue	Revaluation Reserve	Total
		£000	£000	£000
323	Gross Expenditure	255	0	255
(142)	Gross Income	(116)	0	(116)
181	Cost of Service	139	0	139
0	Interest Payable and Similar Charges	0	0	0
(1)	Interest and Investment Income	(1)	0	(1)
(1)	Financing and Investment Income and Expenditure	(1)	0	(1)
180	(Surplus) or Deficit on Provision of Services	138	0	138
	Other Income and Expenditure			
	Unrealised gains on revaluation of land and buildings	0	(187)	(187)
		138	(187)	(49)
	Transfers between Reserves			
0	Transfer from Revaluation Reserve	(53)	53	0
180	(Increase) or Decrease in the Year	85	(134)	(49)
(1,676)	Balance on Reserves brought forward	(99)	(1,397)	(1,496)
(1,496)	Balance on Reserves carried forward	(14)	(1,531)	(1,545)

Balance Sheet at 31 March 2016

31 March 2015		Notes	31 March 2016
£000			£000
	Non-current Assets		
1,397	Property, Plant & Equipment	1	1,531
	Current Assets		
2	Short-term investments		2
3	Short-term debtors		3
94	Deposits up to 3 months with Inverclyde Council		9
	Current Liabilities		
0	Short-term creditors		0
1,496	Net Assets		1,545
99	Usable Reserves: Revenue Reserve		14
1,397	Unusable Reserves: Revaluation Reserve		1,531
1,496	Total Reserves		1,545

Notes to the Common Good

1. Property, Plant & Equipment

	2015-2016 Other Land & Buildings £000	2014-2015 Other Land & Buildings £000
Cost or Valuation		
At 1 April	2,002	2,002
Revaluation Adjustments to Revaluation Reserve	28	0
Other reclassifications*	(461)	0
At 31 March	1,569	2,002
Depreciation and Impairment		
At 1 April	605	552
Depreciation charge for the year	53	53
Depreciation on revaluation to the revaluation reserve	(159)	0
Other reclassifications*	(461)	0
At 31 March	38	605
Balance Sheet amount at 31 March	1,531	1,397

*other reclassifications relate to the write back of depreciation from prior years revaluations.

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 20 on pages 49-50). A full revaluation of all Common Good land and buildings took place at 31 March 2016.

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 2015-2016 was £0.110 million (2014-2015 £0.142 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 2016	31 March 2015
	£000	£000
Not later than one year	99	110
Later than one year and not later than five years	220	234
Later than five years	308	342
	627	686

The Council has 7 trust funds, 2 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 2015-2016 are as follows:

	2015-2016				2014-2015
	Income £000	Expenditure £000	Revaluations £000	Reserves £000	Reserves £000
1. The Birkmyre Trust To ensure the availability of recreational facilities within the Birkmyre Park, Kilmacolm.	15	(5)	141	1,270	1,119
2. The Watt Institution Trust For the maintenance, preservation, repair, improvement and furnishing of the Watt Library and McLean Museum and Art Gallery.	0	(1)	0	117	118
3. McLeod Trust Port Glasgow High School To provide scholarships for pupils of Port Glasgow High School from disadvantaged backgrounds or with no history of further education.	2	(4)	(6)	68	76
4. The Talented Children and Young People Endowment* To provide endowments for talented children and young people mostly in the areas of arts, creativity, music and sport.	0	(61)	0	0	61
5. Lady Alice Shaw-Stewart Memorial Trust (SC019228) For financial and other assistance to women offenders recommended to the trustees by the Inverclyde Criminal Justice Women's Service	0	(1)	0	45	46
6. Peter Stanton Memorial Trust (SC021862) For the promotion of recreational or other leisure activities for disabled persons in Inverclyde.	1	(2)	0	11	12
7. William Stewart of St Fillans Bequest* For the poor and destitute of Greenock	0	(1)	0	0	1
Total Trust Funds	18	(75)	135	1,511	1,433

*These trusts were closed during the year. The Stewart Bequest was also removed from the Scottish Charity Register.

Group Movement in Reserves Statement

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 2016

	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
Balance at 31 March 2015	44,991	6,819	2,590	54,400	(34,292)	2,706	3,806	26,620
Movement in Reserves during 2015-2016								
Surplus or (Deficit) on Provision of Services	4,198	0	0	4,198	0	1,649	(61)	5,786
Other Comprehensive (Expenditure) and Income	0	0	0	0	99,113	(106)	2,086	101,093
Total Comprehensive (Expenditure) and Income	4,198	0	0	4,198	99,113	1,543	2,025	106,879
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 1)	171	0	0	171	(171)	(638)	638	0
Net Increase or (Decrease) before Transfers to/from Other Statutory Reserves	4,369	0	0	4,369	98,942	905	2,663	106,879
Transfers (to) and from Other Statutory Reserves	(305)	181	124	0	0	209	(209)	0
Increase or (Decrease) in the Year	4,064	181	124	4,369	98,942	1,114	2,454	106,879
Balance at 31 March 2016 Carried Forward	49,055	7,000	2,714	58,769	64,650	3,820	6,260	133,499

Comparative Figures for 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
Balance at 31 March 2014	42,890	7,004	940	50,834	2,739	4,968	4,529	63,070
Movement in Reserves during 2014-2015								
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)
Total Comprehensive (Expenditure) and Income	(15,011)	0	0	(15,011)	(18,454)	(2,065)	(920)	(36,450)
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 1)	16,231	0	2,346	18,577	(18,577)	781	(781)	0
Net Increase or (Decrease) before Transfers to/from Other Statutory Reserves	1,220	0	2,346	3,566	(37,031)	(1,284)	(1,701)	(36,450)
Transfers (to) and from Other Statutory Reserves	881	(185)	(696)	0	0	(978)	978	0
Increase or (Decrease) in the Year	2,101	(185)	1,650	3,566	(37,031)	(2,262)	(723)	(36,450)
Balance at 31 March 2015 Carried Forward	44,991	6,819	2,590	54,400	(34,292)	2,706	3,806	26,620

Group Comprehensive Income and Expenditure Statement

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*.

2014-2015				2015-2016		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
3,302	(1,282)	2,020	Central Services to the Public	3,243	(1,322)	1,921
13,605	(1,136)	12,469	Cultural & Related Services	13,704	(1,369)	12,335
91,748	(3,189)	88,559	Education Services	92,430	(4,283)	88,147
14,529	(1,902)	12,627	Environmental Services	14,663	(1,943)	12,720
44,248	(40,738)	3,510	Housing Services	43,252	(39,968)	3,284
11,967	(3,648)	8,319	Planning and Development Services	11,574	(3,681)	7,893
10,925	(3,590)	7,335	Roads & Transportation	11,813	(4,372)	7,441
69,899	(15,470)	54,429	Social Work	72,084	(15,787)	56,297
2,173	0	2,173	Corporate and Democratic Core	2,007	0	2,007
854	(3)	851	Non-Distributable Costs	409	(6)	403
263,250	(70,958)	192,292	Cost of Services	265,179	(72,731)	192,448
		6,811	Other Operating Expenditure and (Income) -			
			(Gain)/Loss on disposal of non-current assets			(245)
		20,349	Financing and Investment (Income) and Expenditure (Note 3)			18,718
		(204,441)	Taxation and Non-specific Grant Income (Note 4)			(215,119)
		15,011	(Surplus) or Deficit on the Provision of Services			(4,198)
		(1,073)	Share of the (surplus) or deficit on the provision of services by associates (Note 32)			(1,588)
		13,938	Group (Surplus) or Deficit			(5,786)
		(504)	(Surplus) or deficit on the revaluation of non current assets			(43,146)
		1,470	Impairment losses on non-current assets charged to the Revaluation Reserve			0
		17,488	Remeasurement of the net defined benefit pensions liability (Note 17)			(55,967)
		4,058	Share of other Comprehensive (Income) and Expenditure of associates (Note 32)			(1,980)
		22,512	Other Comprehensive (Income) and Expenditure			(101,093)
		36,450	Total Comprehensive (Income) and Expenditure			(106,879)

Group Balance Sheet

The Balance Sheet is a snapshot of the value at the 31 March 2016 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 2015		Note	31 March 2016
£000			£000
421,877	Property, Plant & Equipment	8	471,048
18,059	Heritage Assets	11	18,059
172	Intangible Assets		121
8,412	Investments in Associates	33	10,738
2,137	Long-term Debtors	12	2,659
450,657	Non-current Assets		502,625
17,582	Short-term Investments	21	12,017
0	Assets Held for Sale	9	500
284	Inventories		339
10,606	Short-term Debtors	12	9,670
27,567	Cash and Cash Equivalents	13	38,489
56,039	Current Assets		61,015
(3,668)	Short-term Borrowing	21	(7,974)
(24,830)	Short-term Creditors	14	(26,705)
(1,514)	Short-term Provisions	15	(1,538)
(2,084)	Short-term Finance Leases	20	(1,908)
(32,096)	Current Liabilities		(38,125)
(497)	Long-term Provisions	15	(497)
(214,249)	Long-term Borrowing	21	(208,212)
(1,900)	Liabilities in Associates	33	(658)
	Other Long-term Liabilities:		
(67,727)	Finance Leases	20	(65,819)
(163,607)	Pensions	17	(116,830)
(447,980)	Long-term Liabilities		(392,016)
26,620	Net Assets/(Liabilities)		133,499
54,400	Usable Reserves of the Council	2	58,769
(34,292)	Unusable Reserves of the Council	19	64,650
2,706	Usable Reserves, Share of Reserves of Associates		3,820
3,806	Unusable Reserves, Share of Reserves of Associates		6,260
26,620	Total Reserves		133,499

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

Issued on: 29 September 2016

These financial statements replace the unaudited financial statements issued on 28th June 2016.

Note 30 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 2016. 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. In 2015-2016, Inverclyde Council contributed £1.478 million or 3.95% (2014-2015 £1.478 million) of the Partnership's estimated running costs and its share of the year-end net asset of £7.081 million (2014-2015 £6.164 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, 131 St Vincent Street, Glasgow G2 5JF.

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 2015-2016, Inverclyde Council contributed £0.171 million or 4.02% (2014-2015 £0.171 million) of the Board's estimated running costs and its share of the year-end net asset of £0.067 million (2014-2015 £0.066 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, 131 St Vincent Street, Glasgow G2 5JF.

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 2015-2016, Inverclyde Council contributed £0.532 million or 23.70% (2014-2015 £0.541 million) of the Board's estimated running costs and its share of the year-end net liability of £0.658 million (2014-2015 £0.949 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, swimming pools, parks and pitches owned by the Council. Inverclyde Leisure is paid a management fee by the Council for the provision of these services. The charity's net asset at 31 March 2016 was £0.132 million (2014-2015 £2.092 million liability) and its net deficit for the year was £0.188 million (2014-2015 £0.294 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 2015-2016, Inverclyde Council contributed £1.832 million (as per related notes) or 30.31% of the charity's turnover and its share of the year-end net assets of £0.060 million (2014-2015 £0.951 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 Inverclyde area. 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 2016 were £10.591 million (2014-2015 £6.546 million) and its net profit for the year was £2.200 million (2014-2015 £3.272 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, Clydeview, 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 2015-2016, Inverclyde Council contributed £4.849 million (2014-2015 £2.610 million) or 69.9% of the charity's turnover, and its share of the year-end asset of £3.530 million (2014-2015 £2.182 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.

Non-Material Interest in Other Entities

The Council has an interest in a number of other organisations. The Council's share of their net assets or liabilities is not material to the fair understanding of the financial position and transactions of the Council. Accordingly, the Group Accounts do not include these organisations. Under Accounting Regulations, the Council is required to disclose the business nature of each organisation.

- Scotland Excel is a joint committee established through Section 57 of the Local Government (Scotland) Act 1973. The main purpose of the committee includes co-ordination of collaborative buying initiatives, representation of interests in public sector contracts, and the development and operation of a centre of procurement expertise for Local Government in Scotland.
- During the financial year, a new joint venture, Inverclyde Health and Social Care Partnership was established by Inverclyde Council with NHS Greater Glasgow and Clyde to formally integrate health and care provision within Inverclyde. The commissioning of services for the joint service operations did not commence until 1 April 2016 and as a result the transactions in the first year are not material and accordingly have not been consolidated in the Group Accounts of the Council. Inverclyde Council contributed £0.026 million to the running costs in 2015-2016.
- Clyde Muirshiel Park Authority is a joint committee of three councils – Renfrewshire, Inverclyde and North Ayrshire. The Authority is responsible for the management and maintenance of the Clyde Muirshiel Park that extends from Greenock in the north down the Clyde coast to Inverkip, Largs and West Kilbride and inland to Lochwinnoch. Inverclyde Council contributed £0.200 million to the committee's estimated running costs in 2015-2016 (£0.217 million in 2014-2015).
- Greenock Arts Guild Ltd runs the main arts venue for the Inverclyde Area, the Beacon Arts Centre in Greenock. During 2015-2016 the Council provided revenue and capital grants to the Beacon Arts Centre totalling £2.298 million (£0.117 million in 2014-2015).
- The Common Good Fund is for the benefit of the geographical areas of the former burgh and is administered by the Council. The Common Good Account is included within the Council's core financial statements on pages 63-64.

Note 31 Group Cash Flow Statement

The cash flow of the Group is identical to that disclosed for Inverclyde Council on page 27. 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 32 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*.

	2015-2016	2014-2015
	£000	£000
Share of the (surplus) or deficit on the provision of services by associates		
Strathclyde Partnership for Transport	(415)	(160)
Strathclyde Concessionary Travel Scheme Joint Board	(1)	(1)
Renfrewshire Valuation Joint Board	65	45
Inverclyde Leisure	79	134
Riverside Inverclyde	(1,316)	(1,091)
	<u>(1,588)</u>	<u>(1,073)</u>
Share of Other Comprehensive (Income) and Expenditure of Associates		
Strathclyde Partnership for Transport	(502)	234
Strathclyde Concessionary Travel Scheme Joint Board	0	0
Renfrewshire Valuation Joint Board	(356)	312
Inverclyde Leisure	(1,090)	335
Riverside Inverclyde	(32)	3,177
	<u>(1,980)</u>	<u>4,058</u>

Note 33 Group Assets and Liabilities of Associates

	2015-2016	2014-2015
	£000	£000
Net Assets of Associates		
Strathclyde Partnership for Transport	7,081	6,164
Strathclyde Concessionary Travel Scheme Joint Board	67	66
Riverside Inverclyde	3,530	2,182
Inverclyde Leisure	60	0
	<u>10,738</u>	<u>8,412</u>
Net Liabilities of Associates		
Renfrewshire Valuation Joint Board	(658)	(949)
Inverclyde Leisure	0	(951)
	<u>(658)</u>	<u>(1,900)</u>

Note 34 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 2015-2016 and the Service Reporting Code of Practice (SeRCOP) 2015-2016, 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 non-current assets during the year:

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

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' Pension 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 credit 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 3.5%) based on an average of 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 also 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 Fair Value Measurement

The Council measures the carrying value of some of its non-financial assets, mostly surplus assets, at fair value at each reporting date. Fair value is broadly the amount for which an asset could be exchanged or a liability settled.

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

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

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

J 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.

K Financial Liabilities

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.

L 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.

M 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.

N 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.

O 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 66 to 71 combine the results of the Council with its share of its associates. More information about the associates is detailed in Note 30.

P 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.

Q 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.

R 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.

S 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-minimis 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 & assets under construction – depreciated historic cost.
- Surplus assets – current value as estimated at highest and best use from an open market perspective (fair value).
- All other assets - current 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 2015-2016 by GVA James Barr, a professional firm of chartered surveyors, and was completed on 31 March 2016.

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.

T 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.

U 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.

V 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 Unusable Reserves.

W 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.

Group Accounting Policies

A Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom 2015-2016 (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. The Accounting Policies in the preceding sections of this note apply to the Council and its Group members; where Group Accounting Policies differ these 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 30 Combining Entities.

During the financial year, a new joint venture, Inverclyde Health and Social Care Partnership Integrated Joint Board was established by Inverclyde Council with NHS Greater Glasgow and Clyde to formally integrate health and care provision within Inverclyde. The commissioning of services for the joint service operations did not commence until 1 April 2016 and as a result the transactions in the first year are not material and accordingly have not been consolidated in the Group Accounts of the Council.

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)).

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 17 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 current value 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 35 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. The standards introduced in the 2016/17 applicable to the Council are:

- Amendments to IAS19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendment to IFRS11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS16 Property, Plant and Equipment and IAS38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendment to IAS1 Presentation of Financial Statements (Disclosure Initiative)

The Council does not anticipate that these amendments will have a material impact on the information provided in the Financial Statements. The most noticeable change will arise as a result of the Telling the Story review of local authority financial statements. In the 2016-2017 year, the comparator (2015-2016) Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats and reporting requirements. A new Expenditure and Funding Analysis is being introduced also.

Note 36 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 34, 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 25. 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 2016.
- 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 37 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 2016 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"> • A 0.5% decrease in the real discount rate would result in an 10% increase (£55.3 million) in the employer's obligation. • A one year increase in member life expectancy would result in a 3% increase (£16.9 million) in the employer's obligation. • A 0.5% increase in the salary increase rate would result in a 3% increase (£18.5 million) in the employer's obligation. • A 0.5% increase in the pension increase rate would result in a 6% increase (£35.8 million) in the employer's obligation.
Trade Debtors - Collection levels of arrears	At 31 March 2016, the Council had a balance of trade debtors of £8.4 million. A review of significant balances suggested that an allowance for doubtful debts of 55.8% (£4.7 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 £4.7 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 £1.1 million for every year that useful lives had to be reduced.

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 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the council-only Council Tax Income Account, Non-domestic Rates Income 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 2015/16 (the 2015/16 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 council 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 annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of the council and its group as at 31 March 2016 and of the income and expenditure of the council and its group 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 2015/16 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

29th September 2016

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 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.

12. Capital Programme

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

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 Carrying 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. Short-term Borrowing

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

72. Significant Interest

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

73. Soft Loans

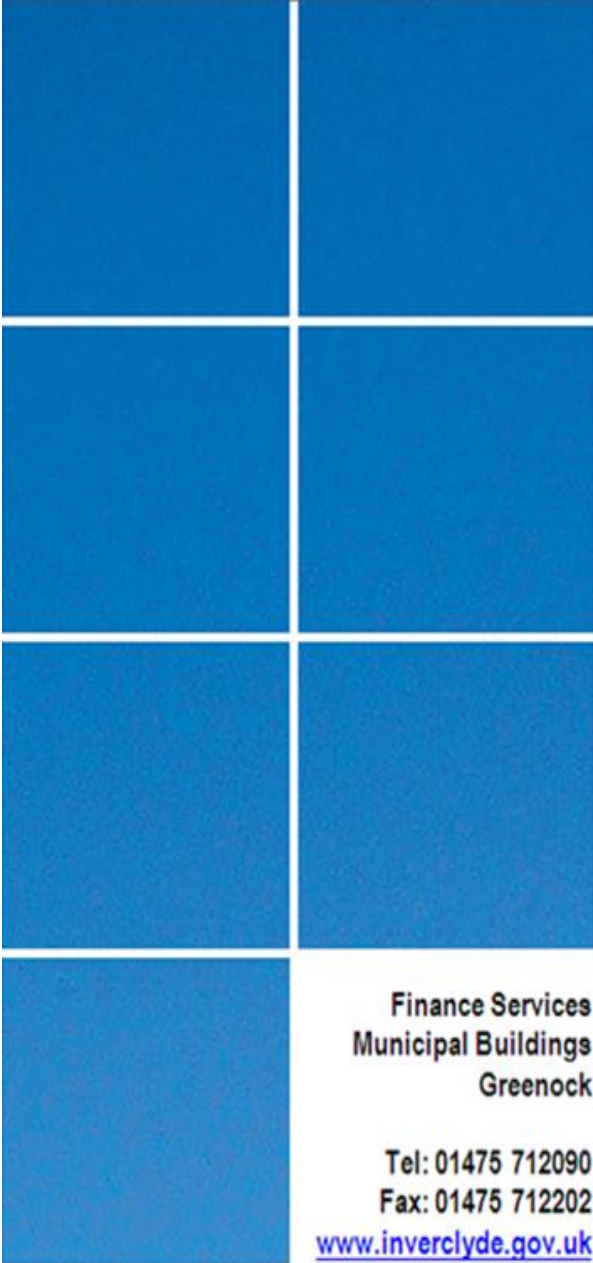
Loans made at significantly below market rates are deemed "soft loans" because there may be some element of subsidy between what the loan would have cost at market rates and the amount of interest actually charged. Examples include small start-up loans to small businesses.

74. Trust Funds

Funds administered by the Council for such purposes as awards and specific projects. Some of the Trusts are Charities.

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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