

Inverclyde Council
Audited Annual Accounts

2013-2014



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Foreword by the Acting Corporate Director of Environment, Regeneration & Resources (Section 95 Officer)

1. Introduction

This publication contains the financial statements of both Inverclyde Council and its group for the year ended 31 March 2014, which have been compiled in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2013-2014 ("The Code"). This Foreword outlines key messages regarding the financial performance of the Council over the 2013-2014 financial year and also provides an indication of issues and risks which may impact upon the finances of the Council in the future.

2. Overview of the Council's Finances for the Year

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

Financial Indicator	Commentary	2013-2014
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>Financial Performance</i> section below.	2.77%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.	(13.48)%
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 2013/14 was our highest level to date.	94.51%
Ratio of Council Tax Income to Overall Level of Funding	Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within Local Authority control. Inverclyde Council in common with all Scottish Local Authorities has frozen Council Tax bills at 2008/09 levels.	13.19%
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>Financial Performance</i> section below.	97.06%
Actual contribution to/from Unallocated General Fund Balance compared to Budget.		2.94%

Financial Indicator	Commentary	2013-2014
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</i> section below.	£304.51m
External Debt Levels for the current year		£291.88m
Ratio of financing costs to net revenue stream	These two ratios compliment the assurances of borrowing only being for capital purposes with an indication of the Council's ability to service the borrowing costs. The Council's cost of borrowing remains consistently below the Scottish average; is affordable; and fits with the Council's medium to long-term financial strategy.	12.50%
Impact of Capital Investment on Council Tax		£14.96

3. Financial Performance

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 20 shows a deficit of £2.4 million. The Council budgeted to return a surplus of £4.3 million in 2013/2014. This was achieved and in addition to this the Council underspent on loans charges of £0.6 million, back dated refunds for Non-Domestic Rates of £0.3 million and from the advancement of savings and turnover savings generated underspends of £1.0 million across all Service areas. This has been fully offset by a planned spend on earmarked reserves carried forward from previous years which has resulted in an in year deficit of £2.4 million.

Combining the deficit with the accumulated funds brought forward from 2012-2013 of £45.3 million, produces a cumulative working balance of £42.9 million to be carried forward to 2014-2015. Of the balance, £38.1 million has been earmarked for particular purposes as detailed in Note 18 on Pages 47 to 48. This leaves a balance of £4.8 million of unallocated reserves (2.8% of the Council's net annual running costs). This is £1.0 million more than the recommended level of £3.8 million, and the Council will consider uses for the excess later in 2014.

The Council sets aside the majority of its general reserves for specific purposes such as schools, social, economic and environmental purposes plus funding reductions in the workforce for the next year and beyond. In addition the Council has agreed via its reserve policy to set aside 2% of its annual turnover for unforeseen eventualities.

Capital Budget

The Council continues to make significant capital investment in schools, leisure, community and town centre estate, £32.6 million was spent in 2013-2014. The major part of the capital expenditure for the year was the £22.0 million spent on building and refurbishing educational properties as part of the Council's School Estates Strategy and the detail is shown below. Funding of capital expenditure included £6.4 million from revenue, £0.4 million from receipts, and £7.7 million from Government grants with the balance of £18.1 million being met through internal funding and borrowing. Further information about the spending on capital projects is shown in Note 28 on page 58.

Major projects progressed during the year included:

- £1.4 million on the Leisure Strategy.
- £13.1 million on the construction of the Community Campus/ASN School.
- £5.6 million on refurbishment of St Columba's High School.
- £2.1 million on the Office and Depot Rationalisation Programme.
- £4.2 million on Roads and Transportation Projects.

The Council is able to regulate its own capital spending limits within a Prudential Framework recommended by CIPFA and endorsed by the Scottish Government. The Council's performance confirms its overall capital spending of £32.6 million was managed within the "Prudential Framework" limits approved by the Council. There was slippage of £5.1 million (13.0%) against the approved capital programme. This is a deterioration on 2012-2013 where there was slippage of £3.8 million (7.0%) against the approved capital programme. Analysis of the slippage shows a combination of internal slippage/delay, slippage caused by third parties and reductions in project costs.

4. Assets and Liabilities

The Balance Sheet on page 23 summarise the Council's assets and liabilities as at 31 March 2014 and explanatory notes are provided. Total net assets have increased by £4.2 million to £53.6 million. Within this headline figure, there have been significant changes in both asset values and liabilities. Property, plant and equipment has increased by £33.1 million while investments have reduced by £15.4 million; on the liabilities side the pensions liability has increased by £19.0 million and borrowing and lease finance has reduced by £6.4 million. The major changes in the Council's Balance Sheet between March 2013 and March 2014 are explained in more detail in the following paragraphs.

Non-current and Current Assets

Property, Plant & Equipment have increased in value by £33.1 million to £433.9 million. An increase in asset values resulting from major capital investment and a revaluation exercise of some assets was offset by depreciation charges for the year. Short term investments have decreased by £15.4 million and cash equivalents have reduced by £4.1 million. This has arisen as a result of the Council spending funds without undertaking borrowing. This is explained further in the "Management of Treasury Risks" section. Long and short-term Debtors and Creditors increased by a net £3.7 million.

Pensions Position

The details of the Council's net pension position are disclosed in Note 33 in the new format required by International Accounting Standard 19 Employee Benefits (IAS19). The Fund actuaries have confirmed a deterioration of £19.0 million in their assessment of the actuarial deficit of the local government pension fund. This movement is the net outturn of both increased liabilities linked to a lower discount rate as at 31 March 2014 than the year previous (a lower discount rate leading to an increased value in future liabilities) and better than expected investment returns in the year.

The major part of the change during the year is disclosed as a post-employment actuarial loss on pension liabilities (£12.4 million) in the Comprehensive Income and Expenditure Statement. There is no impact upon the General Fund balance. Scottish Government regulations require the General Fund balance to be charged with the amount payable by the Council to the pension fund or to pensioners in the year, not the amount calculated according to accounting standards.

Long-term and Short-term Borrowing and Lease Finance

The Council's net borrowing (including finance leases) reduced by £6.4 million during the year. Short-term borrowing increased by £1.4 million whilst long-term borrowing and lease financing reduced by £7.8 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 majority of the Council's borrowing comes from market loans and from borrowing from the Public Works Loan Board. Further details are provided at Note 36. 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 £291.9 million at 31 March 2014 compared to the CFR limit of £304.5 million. The Council's average loans rate was 3.83% for 2013-2014, an increase of 0.02% from 2012-2013.

Provisions, Contingencies and Write-offs

The Council has provided £1.8 million in the Balance Sheet for eventualities which may have an impact on the financial position of the Council (see Note 17). The reasons for the provisions made are outlined in the Note. While the Council has made provision for potential equal pay claims, there may be additional costs arising under the terms of the Equal Pay Act 1970 (As Amended). The Council continues to progress its workforce planning arrangements in recognition of the need to reduce and reshape the workforce. This process will incur costs related to the release of employees through redundancy and early retirement.

There was a write-off against bad debt provision during the year of irrecoverable debt due to the Council of £0.2 million for Council Tax and £0.04 million of other debts which was approved by the Acting Corporate Director of Environment, Regeneration & Resources (Section 95 Officer) under delegated authority. The Council impaired non-current assets at the year-end by £6.1 million and made a provision at the year-end of £18.4 million for non-collection of debt, an increase of £0.5 million.

Prior Period Adjustments

In year a material error of £9.194m was found and corrected in accordance with IAS8 – Accounting Policies, Changes in Accounting Estimates and Errors. The error related to an asset being accounted for twice within the balance sheet and the impact of the correcting adjustment had the following impact on the 2012-2013 audited accounts:

- A reduction in the Total Reserves of the Council within the Movement in Reserves Statement Balance carried forward from £58.639m to £49.445m;
- An increase in Total Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement from £(0.071m) to £9.123m;
- A decrease in the Net Assets of the Council within the Balance Sheet from £58.639m to £49.445m; and
- A decrease in the Total reserves of the Council within the Balance Sheet from £58.639m to £49.445m.

The other prior period adjustment concerns the change of accounting policy for the Council's defined benefits pension scheme as detailed on the previous page under section 4. The key change relates to the expected return on assets. In order to provide a meaningful comparison between financial years, some comparative figures have been re-presented to conform to the new disclosure requirements. There is no impact on the General Fund balance or the net pension liability. There has been a redistribution of costs within the Comprehensive Income and Expenditure Statement in the comparative year's figures. The pension interest cost within the Surplus or Deficit on the Provision of Services has increased by £3.0 million with a corresponding reduction in the actuarial (gains) or losses on pension assets and liabilities in Other Comprehensive Income and Expenditure. Note 33 provides more details.

5. Financial Outlook and Key Risks

Management of Treasury Risk

The pressure on public finances continues, despite the improvement in the general UK economy over the course of the year. There still remains an underlying weakness of the recovery across Europe, although immediate concerns about European banking systems and sovereign debt within the Eurozone continue to recede. The Council continues to mitigate the risks associated with security of cash deposits by actively considering debt restructuring as opportunities arise, monitoring and reviewing in consultation with our treasury advisors the criteria for placing deposits with financial institutions on the Council's approved counterparty list, and making use of immediately accessible deposit facilities. As part of the Council's treasury strategy, the Council continues to utilise internal cash balances, deferring external borrowing requirements to reduce the level of cash deposits held by the Council, whilst generating ongoing savings in overall net interest costs. This strategy is reviewed regularly in order that the Council retains sufficient cash balances to support its requirements and remains alert to any anticipated adverse movement in future borrowing rates.

Key Financial Risks

The period of austerity and reduction in the overall level of UK public sector expenditure is anticipated to extend for at least another four years, despite more encouraging signs over the past year of a UK economic recovery. The government grant settlement and agreed pay award for the next financial year (2014-2015) was in line with the financial planning assumptions the Council has made. In the following year (2015-2016), a minor increase in the Council's grant funding is assumed, while thereafter economic commentators continue to forecast pressure on public expenditure until at least 2018. The timing of the UK Government's 2015 Comprehensive Spending Review (which follows the 2015 General Election) will leave little time for the Council to respond to what is expected to be further pressure for the period through to 2018, and as such, the Council, in line with prudent financial practice, continues to adopt a medium term horizon for financial planning purposes and decisions.

At the same time, the Council faces ongoing service and cost pressures arising from a range of issues, most significantly demographic and socio-economic factors which continue to play a major role in driving spending pressures for the Council, particularly in relation to social care services. The UK Government's welfare reform agenda continues with the introduction of changes to the benefits system providing challenges for the Council in terms of demand for services and support. In terms of structural reform, Inverclyde Council has been actively preparing for the Scottish Government's policy to integrate elements of health and social care. These service changes are covered further in section 10.

The combination of anticipated cost pressures, coupled with reduced government grant income in the context of a significant ongoing public sector reform, presents significant challenges and financial risks to the Council over the medium term. The Council estimates that between 2016 and 2018 further budget reductions of £17.8 million will be required. The Community Plan and Inverclyde Alliance Community Engagement Strategy provide a helpful focus in terms of the policy priorities for the Council whilst recognising the financial pressures existing and forecast. The Council has a programme of Workstreams which will continue to address some of these financial challenges through the delivery of efficiency savings, but it is recognised that the scale of the financial challenge will require a fundamental review of aspects of its service delivery as the Council maintains its financial stability moving forward and protects its ability to deliver the most important services in the future. The Council continues to develop its longer term financial planning arrangements, which will support the identification of key longer term financial risks and appropriate longer term mitigation strategies. The ongoing funding pressures highlight the need for the Council to maintain stringent financial control and to continue to drive out efficiencies through the Council's budget process.

6. Public Private Partnership

The Council entered into a Public Private Partnership for the provision of educational buildings, maintenance and other facilities in 2008. This agreement provided the Council with replacement buildings for two primary and two secondary schools. The provider is required to ensure the availability of the buildings to a pre-agreed standard. During the financial year 2013-2014, £9.2 million was paid to the contractor under the terms of the agreement.

7. Business Premises Renovation Allowance Scheme

The Council has used the Business Premises Renovation Allowance (BPRA) to help fund a capital project to rationalise and integrate the Council's main offices in Greenock and Port Glasgow. The redevelopment of these empty office buildings has the exceptional opportunity of benefitting from capital tax allowances known as Business Premises Renovation Allowance. The scheme provides access to tax allowances to higher rate taxpayers who contribute towards the refurbishment costs. This mechanism will permit the delivery of these redevelopments at significantly less cost to the Council. The development is being undertaken by Inverclyde Property Renovations LLP. The two sites will become operational in 2014.

8. Common Good

The Common Good Fund, administered by the Council, returned a deficit of £0.023 million. Outgoings on various community events exceeded income, mostly from rents. The total usable reserves of the Common Good now stand at £0.226 million which is available for use in future years. The financial statements and notes of the Common Good Fund are detailed on pages 77-79.

9. The 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 on pages 81 to 90 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. Police and fire services, that previously were part of the Inverclyde Council Group, transferred to the Scottish Government on 1 April 2013. The Council's share of the demitting joint boards, Strathclyde Joint Police Board and Strathclyde Fire and Rescue Joint Board has accordingly been removed from the Group Accounts.

The effect of the inclusion of the five associate bodies in the Group Balance Sheet is to increase both the "total assets less liabilities" and "total balances and reserves" by £9.497 million representing the Council's share of the net liabilities in these entities. This reflects the combined pension position of these associates.

10. Service Changes and Future Developments

The Council became responsible on 1 April 2013 for the management of certain welfare benefits as part of the UK Government's wider welfare reforms. The Council was actively involved across a range of national groups to ensure the Council's financial interests were appropriately protected during the transition process and that appropriate governance and partnership arrangements were established at a local level in the context of the new national arrangements.

The Council has been actively preparing for the Scottish Government's policy reform programme in the area of Health and Social Care reform. A formal integration of adult care services between Inverclyde Council and Greater Glasgow Health Board will occur on 1 April 2015, which will have financial and governance implications for both local government and the NHS in Scotland. Inverclyde Community Health Care Partnership will be responsible for commissioning future care services across Inverclyde. Budgets for integrated services will be integrated to form a pool of resource which will have the flexibility to be redirected within the Partnership to address service pressures. The Council continues to work closely with the Scottish Government, professional associations and local NHS partners to ensure the new Partnership is well placed to deliver integrated services.

There have been no other changes to the statutory functions undertaken by the Council.

11. The Financial Statements

The requirements governing the format and content of Local Authorities' annual accounts are contained in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). A brief summary of the main financial statements and their purpose is outlined below.

Statement of Responsibilities for the Annual Accounts

This statement sets out the respective responsibilities of the Council and the Acting Corporate Director of Environment, Regeneration & Resources (Section 95 Officer) for the financial statements.

Annual Governance Statement

This statement explains the arrangements for the governance of the Council's affairs, including the arrangements for the management of risk, and details improvement actions that will be undertaken.

Remuneration Report

This statement sets out the disclosures required under statute for the arrangements for the remuneration of Senior Councillors and Senior Officers, the amounts paid for each "relevant" person and the post held, and their accrued pension benefits.

Principal Financial Statements

An explanation of the financial statements which follow and their purpose are:

- The Movement in Reserves Statement shows the movement in the year of the different reserves the Council holds; analysed into usable reserves (i.e. those that can be applied to fund future expenditure or reduce local taxation) and other reserves.
- The Comprehensive Income and Expenditure Statement reports the costs in the year of providing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with Regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- The Balance Sheet brings together all the assets and liabilities of the Council. It is a statement of the resources of the Council and the means by which they have been financed. It is also a report on the Council's financial position at one particular point in time, a snapshot of its financial affairs at the close of the year expressed in accounting terms.
- The Cash Flow Statement summarises the change in cash and cash equivalents of the Council during the 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 Notes to the Principal Financial Statements give further information on the Council's financial statements as required under The Code.

Supplementary Financial Statements

An explanation of the supplementary financial statements and their purposes are:

- The Council Tax Income Account shows the gross and net income from the Council Tax, together with details of the number of properties on which Council Tax is levied, and the charge per property.
- The Non-Domestic Rates Income Account shows the gross and net income from non-domestic rates and details the amount payable to or by the national non domestic rates pool, and the resulting net redistribution of non-domestic rate income for the financial year to the Council.

12. Conclusion

The continuation of prudent financial management and medium term financial planning have allowed the Council to successfully manage its financial affairs within budget and the financial objectives prescribed, whilst at the same time progressing major strategic initiatives such as the School Estate Strategy, Leisure Strategy and Riverside Inverclyde. I am pleased to record that the Council has successfully managed its financial affairs which reflects well on both the efforts and professionalism of the employees and the effectiveness of our financial management procedures.

I would like to take this opportunity to acknowledge the significant effort in producing the Annual Accounts and to record my thanks to both my own team and colleagues in other services for their continued hard work and support. I greatly appreciate the significant efforts of all who were involved.

Further information on the Accounts can be obtained on the Council's website (www.inverclyde.gov.uk/council-and-government/about-our-organisation/annual-accounts) or from Finance Services, Municipal Buildings, Clyde Square, Greenock PA15 1LY.

Alan Puckrin C.P.F.A.
Acting Corporate Director of Environment, Regeneration & Resources
(Section 95 Officer)
19 June 2014

Statement of Responsibilities for the Annual Accounts

1. The Council's Responsibilities

The Council is required to:

- (i) Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In Inverclyde Council, that officer is the Acting Corporate Director of Environment, Regeneration & Resources (Section 95 Officer).
- (ii) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (iii) Approve the Statement of Accounts within two months of receipt of the Auditor's certificate.

2. The Acting Corporate Director of Environment, Regeneration & Resources (Section 95 Officer)'s Responsibilities

The Acting Corporate Director of Environment, Regeneration & Resources (Section 95 Officer) of Inverclyde Council is responsible for the preparation of the Council's Annual Accounts, in accordance with proper practice set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("The Code of Practice").

In preparing this Statement of Accounts, the Acting Corporate Director of Environment, Regeneration & Resources (Section 95 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 the Code of Practice.

The Acting Corporate Director of Environment, Regeneration & Resources (Section 95 Officer) has also:

- (i) Kept proper accounting records which are up to date.
- (ii) Taken reasonable steps for the prevention and detection of fraud and other irregularities
- (iii) Signed and dated the Statement of Accounts.

The Statement of Accounts represents a "true and fair view" of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2014.

Annual Governance Statement

1. Scope of Responsibility

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

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

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

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

2. The Purpose of the Governance Framework

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

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

This governance framework has been in place at Inverclyde Council for the year ended 31 March 2014 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 Acting Director of Environment, Regeneration and Resources 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 training 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. During 2013-2014, the existing process was developed to incorporate the wider governance framework. The process, already well developed across the Council, had previously supported the provision of the assurance only on the Council's system of internal financial control.

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. 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 2013-2014 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 2013-2014 financial year, there have been no significant issues reported by Internal Audit. Furthermore, on the basis of the audit work undertaken during the 2013-2014 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 Acting Corporate Director of Environment, Regeneration & Resources (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 sound. 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 2014-2015.

	Where are we now?	Where do we want to be?	How will we know we are getting there?	Who is responsible?
1	The strategic procurement framework identified that improvement is required in the understanding of contract management process and appropriate levels of contract management.	Improved understanding of contract management process and appropriate levels of contract management supported by increased reporting to Committee.	Improved score in Procurement Capability Assessment and improved performance from suppliers in key contracts.	Corporate Procurement Manager.
2	Refresher training is required for Members in relation to their roles and responsibilities in relation to membership on boards of external organisations.	Members are clear about their roles and responsibilities in relation to membership on boards of external organisations.	Improved understanding and clarity for members on their roles and responsibilities in relation to membership on boards of external organisations.	Head of Legal and Property Services.

	Where are we now?	Where do we want to be?	How will we know we are getting there?	Who is responsible?
3	Induction process for staff requires improvement to include dissemination of key governance documents. In addition, there is currently an inconsistent induction process at senior manager level.	All senior managers are provided with a consistent induction process which covers key governance documents.	Improved understanding of the Council's governance processes by senior managers.	Corporate Directors supported by the Head of Organisational Development, HR & Corporate Communications.
4	Oversight arrangements in relation to employee conflicts of interest and gifts and entertainment procedures could be improved.	Employees fully comply with conflicts of interest and gifts and entertainment requirements.	Improved understanding by employees of conflicts of interest and gifts and entertainment policies.	Head of Legal & Property Services.
5	Operational Risk Management Group has not met for some time due to organisational structure changes.	Improved oversight of risk management processes.	As part of the Risk Management Action Plan for 2014-2015, the Operational Risk Management Group will be re-established.	Chief Internal Auditor.
6	Although the 2013/2014 corporate target of 75% was achieved, some services are still not carrying out performance appraisals on an annual basis.	All services are meeting the corporate target of 90% completed performance appraisals in year.	Reported quarterly by Organisational Development, HR and Corporate Communications and reported thereafter as part of CDIP updates to Committee.	Corporate Directors.
7	Mandatory training has not been completed by all employees.	Employees comply with mandatory training requirements.	All employees complete relevant mandatory training and providing refresher training on FOI, data protection and equalities for some staff groups. Performance to be reported via CDIP updates to Committee.	Corporate Directors.
8	Succession planning is not undertaken in a formal manner.	Succession planning becomes an embedded process within services.	All relevant services have succession plans in place.	Corporate Directors supported by Head of Organisational Development, HR & Corporate Communications.
9	Risk management processes within partner organisations is undertaken on an ad hoc basis.	Risk management becomes an embedded process within partner organisations.	All relevant partner organisations have embedded risk management processes within their strategic planning and performance management framework.	Chief Internal Auditor.

8. Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2013-2014 provides reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

Cllr Stephen McCabe
Leader of the Council

Date: 19 June 2014

John W. Mundell
Chief Executive

Date: 19 June 2014

Remuneration Report

1. Introduction

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

All information disclosed in the tables in this Remuneration Report will be audited by the appointed auditors Grant Thornton 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 £27,329 per annum (2012-2013 £27,058) and for the Provost is £20,497 per annum (2012-2013 £20,294).

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 £166,023 per annum (2012-2013 £164,376) and whose salaries individually must be on a specified scale, currently £16,396 to £20,497 (2012-2013 £16,234 to £20,294). 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 £18,447 per annum (2012-2013 £18,264). Councillors received a 1% pay award in 2013-2014.

3. Remuneration Policy for Senior Employees

The salaries of Senior Employees 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 Employees received a 1% pay award in 2013-2014.

4. Remuneration of Senior Employees

The Regulations define a Senior Employee 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, Acting Corporate Director of Environment, Regeneration & Resources (Section 95 Officer) and the Head of Legal and Democratic 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 Employees, 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 2014. The remuneration of the Corporate Director Environment, Regeneration and Resources is fully funded by Riverside Inverclyde from 1 October 2013 and the remuneration of the Corporate Director Community Care and Health Partnership is 50% funded by Greater Glasgow and Clyde Health Board through the CHCP partnership. The table below contains remuneration details for those persons who were Senior Officers in 2013-2014.

	Year ended 31 March 2014				Total Remuneration £	2012-2013 Total Remuneration £
	Gross salary £	Other Fees and Allowances £	Taxable Expenses £	Compensation for Loss of Employment (1) £		
	Mundell, J: Chief Executive	115,791	0	0		
Cassidy, P: Corporate Director Education, Communities & Organisational Development (from 10 March 2014)	6,211	0	0	0	6,211	0
Fawcett, A: Corporate Director Environment, Regeneration & Resources (until 30 September 2013).	103,054	0	0	0	103,054	102,154
Henderson, A: Corporate Director Education, Communities & Organisational Development (until 31 March 2014)	103,054	0	0	0	103,054	102,154
Moore, B: Corporate Director, Community Care and Health Partnership	103,054	0	0	0	103,054	84,992
Paterson, E: Head of Legal and Democratic Services (until 31 March 2014)	83,949	0	0	45,885	129,834	84,251
Puckrin, A: Acting Corporate Director Environment, Regeneration & Resources (Section 95 Officer) (from 7 October 2013).	93,161	0	0	0	93,161	83,118
Totals	608,274	0	0	45,885	654,159	569,747

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

(2) Mr Fawcett's substantive post is Corporate Director of Environment, Regeneration and Resources. He was seconded to Riverside Inverclyde as its Interim Chief Executive from 1 October 2013. Mr Fawcett's remuneration is fully reimbursed by Riverside Inverclyde under the terms of his secondment.

(3) Mr Puckrin's substantive post is Chief Financial Officer. He was appointed as Acting Corporate Director of Environment, Regeneration & Resources from 7 October 2013. His appointment as the Council's Section 95 Officer is unaffected.

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 2014. The table contains remuneration details for those persons who were Senior Councillors in 2013-2014.

<u>Leader of the Council, Provost and Senior Councillors</u>	Year ended 31 March 2014			2012-2013
	Gross salary	Taxable expenses	Total Remuneration	Total Remuneration
	£	£	£	£
Ahlfeld, R: Chair, Licensing Board	18,447	0	18,447	15,862
Brooks, K: Leader of the Opposition (until 8 April 2013)	404	0	404	16,075
Clocherty, J: Depute Leader of the Council	18,447	22	18,469	17,614
Dorrian, G: Chair, General Purposes	18,447	221	18,668	16,061
Loughran, T: Convenor, Education	18,447	345	18,792	17,860
McCabe, S: Leader of the Council	27,329	368	27,697	26,371
McCormick, M: Convenor, Environment and Regeneration	18,447	0	18,447	17,797
McEleny, C: Leader of the Opposition (from 9 April 2013)	18,043	0	18,043	0
Mcllwee, J: Convenor, Health & Social Care	18,447	0	18,447	17,614
Moran, R: Provost	20,497	50	20,547	19,408
Rebecchi, L: Convenor, Audit	18,447	0	18,447	15,962
Wilson, D: Chair, Planning	18,447	373	18,820	17,909
Totals	213,849	1,379	215,228	198,533

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 made which are not in the above table.
3. No Senior Councillor received any remuneration from a subsidiary of the Council as a representative of the Council.

6. Pension Entitlement

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

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

A LGPS member's contribution depends upon his or her full-time equivalent pay. The table for the allocation of rates for 2013-2014 is shown below.

Tiered Contribution Pay Rates

Full Time Equivalent (FTE) Pensionable Pay (2013/2014)	Rate (%)
On earnings up to and including £19,400	5.50%
On earnings above £19,400 and up to £23,700	7.25%
On earnings above £23,700 and up to £32,500	8.50%
On earnings above £32,500 and up to £43,300	9.50%
On earnings above £43,300	12.00%

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

The value of benefits in the table below has been provided by the Strathclyde Pension Fund Office and is calculated on the basis of the age at which the person will first become entitled to a full pension on retirement without reduction on account of its payment at that date: without exercising any option to commuter 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 Employees and Senior Councillors for the year to 31 March 2014 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 2013-2014. All Senior Employees and Senior Councillors shown in the tables were members of the LGPS. Mrs Cassidy's LGPS pension entitlements prior to her employment with Inverclyde Council are not included in the figures in the table. Her accrued benefits are in the process of being transferred from her previous employer's scheme, the North East Scotland Pension Fund.

<u>Senior Employees</u>	Accrued Pension Benefits as at 31 March 2014		Change in Accrued Benefits since 31 March 2013		Pension Contributions made by Inverclyde Council during 2013-2014	Length of Service at 31 March 2014
	Pension	Lump Sum	Pension	Lump Sum	£	
	£	£	£	£		
Mundell, J: Chief Executive	59,999	151,048	3,907	5,143	22,348	39/287
Cassidy, P: Corporate Director Education, Communities & Organisational Development (from 10 March 2014)	104	0	104	0	1,199	0/22
Fawcett, A: Corporate Director Environment, Regeneration & Resources	36,589	84,003	2,063	832	19,889	26/269
Henderson, A: Corporate Director Education, Communities & Organisational Development	56,843	144,766	2,263	1,433	19,889	42/168
Moore, B: Corporate Director Community Care & Health Partnership	47,837	117,746	4,275	6,528	19,889	34/359
Paterson, E: Head of Legal & Democratic Services	32,039	75,132	1,702	744	16,202	28/316
Puckrin, A: Acting Corporate Director Environment, Regeneration & Resources (Section 95 Officer)	35,399	82,907	5,201	8,938	17,980	28/267
Totals	268,810	655,602	19,515	23,618	117,396	

<u>Leader of the Council, Provost and Senior Councillors</u>	Accrued Pension Benefits as at 31 March 2014		Change in Accrued Benefits since 31 March 2013		Pension Contributions made by Inverclyde Council during 2013-2014
	Pension	Lump Sum	Pension	Lump Sum	£
	£	£	£	£	
Ahlfeld, R: Chair, Licencing Board	1,450	0	324	0	3,560
Clocherty, J: Depute Leader of the Council	2,118	1,415	343	11	3,560
Dorrian, G: Chair General Purposes	2,161	1,377	553	105	3,560
Loughran, T: Convenor of Education	2,332	1,446	694	151	3,560
McCabe, S: Leader of the Council	1,927	2,133	178	101	1,084
McCormick, M: Convenor, Environment and Regeneration	2,098	896	316	(23)	3,560
McIlwee, J: Convenor, Health and Social Care	444	0	273	0	3,560
Moran, R: Provost	2,598	1,592	823	188	3,956
Rebecchi, L: Convenor Audit	1,885	1,259	334	33	3,560
Wilson, D: Chair, Planning	2,119	1,415	344	11	3,560
Totals	19,132	11,533	4,182	577	33,520

7. Councillors' Remuneration

The Council paid the salaries, allowances and expenses to Councillors (including the Senior Councillors above) detailed in the table below for 2013-2014. The annual return of Councillors' salaries and expenses is available for any member of the public to view at all Council libraries and public offices during normal working hours and is also available on the Council's website at <http://www.inverclyde.gov.uk/council-and-government/councillors/elected-members-expenses/>

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

<u>All Councillors</u>	2013-2014	2012-2013
	£	£
Salaries	362,256	354,703
Travel costs - reimbursed	8,762	8,296
Travel costs - paid directly by the Council	5,357	3,967
Subsistence expenses - reimbursed	568	100
Subsistence expenses - paid directly by the Council	82	62
Training and conferences - reimbursed	0	0
Training and conferences - paid directly by the Council	3,315	3,120
Telephone and information communication technology expenses - reimbursed	1,302	1,285
Telephone and information communication technology expenses - paid directly by the Council	3,852	4,568
Other allowances and expenses	0	954
Totals	385,494	377,055

8. Remuneration of Employees 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 2013-2014 in bands of £5,000; the details of the number of those employees who left the employment of the Council during 2013-2014; and the details of the number of those employees who were part or fully funded by other bodies.

Remuneration Bands	Number of Employees		Left during 2013-2014	Part funded or fully funded by other organisations
	2013-2014	2012-2013		
£50,000 - £54,999	42	48	3	7
£55,000 - £59,999	13	10	0	
£60,000 - £64,999	6	4	0	
£65,000 - £69,999	4	2	3	
£70,000 - £74,999	10	10	1	1
£75,000 - £79,999	1	1	1	
£80,000 - £84,999	1	2	1	
£85,000 - £89,999	0	1	0	
£90,000 - £94,999	1	0	0	
£95,000 - £99,999	0	1	0	
£100,000 - £104,999	3	2	1	2
£105,000 - £109,999	0	0	0	
£110,000 - £114,999	0	1	0	
£115,000 - £119,999	2	0	1	
£120,000 - £124,999	0	0	0	
£125,000 - £129,999	1	0	1	
Totals	84	82	12	10

Of the 12 employees who left during the year, 8 would not have appeared in this note if costs associated with redundancy or early retirement payments were excluded.

Councillor Stephen McCabe
Leader of the Council

..... 19 June 2014

John W. Mundell
Chief Executive

..... 19 June 2014

Movement in Reserves Statement for the Year ended 31 March 2014

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 and 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 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 2014

	General Fund Balance	Capital Receipts Reserve	Usable Reserves			Repairs & Renewal Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council
			Capital Grants Unapplied Account	Capital Fund						
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 31 March 2013	45,253	0	396	1,742	1,088	4,437	52,916	(3,471)	49,445	
Movement in Reserves during 2013-2014										
Surplus or (Deficit) on Provision of Services	8,718	0	0	0	0	0	8,718	0	8,718	
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	(4,590)	(4,590)	
Total Comprehensive Expenditure and Income	8,718	0	0	0	0	0	8,718	(4,590)	4,128	
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7)										
	(10,800)	0	0	0	0	0	(10,800)	10,800	0	
Net Increase or (Decrease) before Transfers to Other Statutory Reserves										
	(2,082)	0	0	0	0	0	(2,082)	6,210	4,128	
Transfers (to) and from Other Statutory Reserves	(281)	0	(396)	(802)	1,639	(160)	0	0	0	
Increase or (Decrease) in the Year	(2,363)	0	(396)	(802)	1,639	(160)	(2,082)	6,210	4,128	
Balance at 31 March 2014 Carried Forward	42,890	0	0	940	2,727	4,277	50,834	2,739	53,573	

Comparative Figures for Year ended 31 March 2013 (Restated)

	General Fund Balance	Capital Receipts Reserve	Usable Reserves			Repairs & Renewal Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council
			Capital Grants Unapplied Account	Capital Fund						
			£000	£000	£000					
Balance at 31 March 2012	40,712	0	0	1,733	626	4,467	47,538	11,030	58,568	
Movement in Reserves during 2012-2013										
Surplus or (Deficit) on Provision of Services	(23,379)	0	0	0	0	0	(23,379)	0	(23,379)	
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	14,256	14,256	
Total Comprehensive Expenditure and Income	(23,379)	0	0	0	0	0	(23,379)	14,256	(9,123)	
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7)	28,757	0	0	0	0	0	28,757	(28,757)	0	
Net Increase or (Decrease) before Transfers to Other Statutory Reserves	5,378	0	0	0	0	0	5,378	(14,501)	(9,123)	
Transfers (to) and from Other Statutory Reserves	(837)	0	396	9	462	(30)	0	0	0	
Increase or (Decrease) in the Year	4,541	0	396	9	462	(30)	5,378	(14,501)	(9,123)	
Balance at 31 March 2013 Carried Forward	45,253	0	396	1,742	1,088	4,437	52,916	(3,471)	49,445	

Comprehensive Income & Expenditure Statement for the Year ended 31 March 2014

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 taxation position is shown in the *Movement in Reserves Statement*.

2012-2013 (Restated)				2013-2014		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
9,702	(8,343)	1,359	Central Services to the Public	3,192	(1,167)	2,025
18,762	(1,317)	17,445	Cultural & Related Services	13,706	(1,572)	12,134
107,029	(3,331)	103,698	Education Services	73,925	(3,142)	70,783
14,501	(1,952)	12,549	Environmental Services	13,263	(1,903)	11,360
5,841	0	5,841	Fire & Rescue Services*	0	0	0
42,824	(40,527)	2,297	Housing Services	42,274	(39,045)	3,229
13,295	(3,771)	9,524	Planning and Development Services	12,823	(3,612)	9,211
7,217	(242)	6,975	Police Services*	0	0	0
10,336	(3,579)	6,757	Roads & Transportation	10,420	(3,566)	6,854
67,776	(14,105)	53,671	Social Work	66,836	(14,258)	52,578
2,239	0	2,239	Corporate and Democratic Core	2,014	0	2,014
1,574	(79)	1,495	Non-Distributable Costs	2,708	(5)	2,703
301,096	(77,246)	223,850	Cost of Services	241,161	(68,270)	172,891
	(27)		Other Operating Income			(332)
	17,072		Financing and Investment Income and Expenditure (Note 8)			19,478
	(217,516)		Taxation and Non-specific Grant Income (Note 9)			(200,755)
	23,379		(Surplus) or Deficit on the Provision of Services			(8,718)
	(40,677)		(Surplus) or deficit on the revaluation of non current assets			(11,093)
	6,883		Impairment losses on non-current assets charged to the Revaluation Reserve			3,261
	19,538		Remeasurement of the net defined benefit pensions liability (Note 33)			12,422
	0		Other unrealised (gains) or losses			0
	(14,256)		Other Comprehensive Income and Expenditure			4,590
	9,123		Total Comprehensive Income and Expenditure			(4,128)

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

Balance Sheet as at 31 March 2014

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 are usable reserves, i.e. those 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 (for example the Capital Reserve may only be used to fund capital expenditure or repay loan charges). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves that hold unrealised gains or losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the *Movement in Reserves Statement* line "Adjustments between accounting basis and funding basis under regulations".

31 March 2013 (Restated) £000		Note	31 March 2014 £000	31 March 2013 (Restated) £000		Note	31 March 2014 £000
400,722	Property, Plant and Equipment	10	433,867				
18,059	Heritage Assets	12	18,059				
151	Intangible Assets	11	200				
2,175	Long-term Debtors	14	2,147				
421,107	Non-current Assets		454,273	49,445	Net Assets		53,573
33,007	Short-term Investments	13	17,599	52,916	Usable Reserves	18	50,834
185	Assets Held for Sale		0	(3,471)	Unusable Reserves	19	2,739
324	Inventories		318				
11,283	Short-term Debtors	14	10,168	49,445	Total Reserves		53,573
34,909	Cash and Cash Equivalents	15	30,845				
79,708	Current Assets		58,930				
(7,039)	Short-term Borrowing	13	(8,447)				
(28,515)	Short-term Creditors	13 & 16	(24,006)				
(1,296)	Provisions	17	(1,832)				
(1,965)	Short-term Finance Leases	29 & 30	(1,953)				
(38,815)	Current Liabilities		(36,238)				
(799)	Long-term Creditors	13 & 16	(480)				
(221,250)	Long-term Borrowing	13	(215,447)				
	Other Long-term Liabilities:						
(71,839)	Finance Leases	29 & 30	(69,811)				
(118,667)	Pensions	33	(137,654)				
(412,555)	Long-term Liabilities		(423,392)				

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 Alan Puckrin C.P.F.A
 Acting Corporate Director of Environment,
 Regeneration & Resources (Section 95 Officer)
 Issued on 19 June 2014

The unaudited accounts were issued on 19 June 2014 and the audited accounts were authorised for issue on 23 September 2014.

Cash Flow Statement for the Year ended 31 March 2014

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.

2012-2013 (Restated) £000		2013-2014 (Restated) £000
(23,379)	Net surplus or (deficit) on the provision of services	8,718
52,698	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 20)	10,273
11,855	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 20)	(10,328)
41,174	Net cash inflow from Operating Activities (Note 20)	8,663
(52,785)	Investing Activities (Note 21)	(6,498)
27,926	Financing Activities (Note 22)	(6,229)
16,315	Net increase or (decrease) in cash and cash equivalents	(4,064)
18,594	Cash and cash equivalents at the beginning of the reporting period	34,909
34,909	Cash and cash equivalents at the end of the reporting period (Note 15)	30,845

Notes to the Principal Financial Statements

Note 1 Accounting Policies

The Council is required to prepare an annual "Statement of Accounts" by the Local Authority Accounts (Scotland) Regulations 1985. 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 2013-2014 and the Service Reporting Code of Practice (SeRCOP) 2013-2014, 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.

B 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 Distributed Costs: The cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, 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 based on the seven principles laid down in the SeRCOP.

C 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.

D Charges to Revenue for Non-Current Assets

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

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

E 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 Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises the costs for a restructuring.

Post Employment Benefits

The Council participates in two separate pension schemes; the Local Government Pension Scheme which is administered by Strathclyde Pension Fund; and the Scottish Teachers' Superannuation Scheme which is administered by the Scottish Government. Liabilities for the teacher's 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 Scheme and a pension reserve are recognised in the Balance Sheet. The CIES recognises changes during the year in the pension liability. Service expenditure includes pension costs based on employers' pension contributions payable and payments to pensioners in the year.

Liabilities are included in the Balance Sheet on an actuarial basis using the "projected unit method" i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about longevity, projected earnings and so on. Liabilities are discounted to their value at current prices, using a discount rate (currently 4.3%) based on an average of sterling gilts and high quality corporate bonds. Assets are included in the Balance Sheet at their fair value, principally the bid price for quoted securities, estimated fair value for unquoted securities and market price for property.

The Council has also restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to rise 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.

F 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.

G 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 Comprehensive Income and Expenditure Statement or in the notes to the Accounts, depending on how significant the items are to an understanding of the Council's financial performance.

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.

H Financial Assets

The financial assets of the Council comprise 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

I Financial Liabilities

Borrowing

Financial liabilities are recognised on the Balance Sheet when the Council becomes contractually obliged by the financial instrument and the liabilities are measured at fair value and then carried at their amortised cost. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest, and interest charged to the Comprehensive Income and Expenditure Statement 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 Income and Expenditure Account in the year of repayment of the original debt in accordance with accounting regulations. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, Scottish Government regulations permit the costs of restructuring to be released to revenue over the period of the replacement loan.

J 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 Income (for capital grants). Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out in the General Fund balance in the Movement in Reserves Statement.

K 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 Authority 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 Authority's general provisions relating to the disposal of property, plant and equipment. Disposals proceeds are disclosed separately in the notes to the financial statements.

L 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 (i.e. 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 Comprehensive Income and Expenditure Statement.

M 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 attributable profits and allowances for foreseeable losses.

N 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 for the obligation to pay the lessor.

Operating Leases

Rentals paid under operating leases are charged to the appropriate service account in the Comprehensive Income and Expenditure Statement 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.

O 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 a 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 and Equipment* will be reclassified to “*asset held for sale*”. The date of reclassification will normally follow the approval by Committee to sell the asset.

P Property, Plant and 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 and 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 Comprehensive Income and Expenditure Statement. This de-minimus also applies to assets acquired under finance leases. It does not apply where certain categories of assets that individually cost less than £6,000 are grouped together and form part of the approved capital programme.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Impairment

The Council recognises the impairment of non-current assets in accordance with IAS36 whereby any material reduction in asset value as a result of changing market conditions or clear consumption of an asset is recognised in the Comprehensive Income and Expenditure Statement 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 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 Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously 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;
- 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.

Q 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 Comprehensive Income and Expenditure Statement 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 of resources will be required or the amount of the obligation 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.

R 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.

S 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 Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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.

T VAT

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

Note 2 Accounting Standards Issued not Adopted

The CODE requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

For 2013-2014, the material accounting policy changes that need to be reported relate to group accounts and are covered by revisions to three standards namely IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities.

Broadly, these changes amend the definition of control for accounting purposes in group accounts. These revisions may impact upon the current accounting treatment of the Council's interest in other entities. The Council is currently considering the entities within its group and at this stage does not expect material change.

There are revisions to four other standards, none of which are considered will make any material change to the Council's current financial reporting namely IAS 27 Separate Financial Statements, IAS 28 Investments in Associates and Joint Ventures, IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements.

Note 3 Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- The Council has entered into commercial lease agreements both as landlord and tenant for land and buildings on a variety of lease terms. These arrangements are accounted for as operating leases. The Council has considered the tests under IAS17 and concluded that there is no transfer of the risks and rewards of ownership.
- The Council has entered into an arrangement to manage various land and buildings, including the Greenock Municipal Buildings that belong to the Common Good. This management arrangement is accounted for as a finance lease. The Council has considered the tests under IFRIC4 and concluded that the arrangement has the substance of a lease under which the Council has assumed the risks and rewards of ownership. The assets covered by the management arrangement are carried as Property, Plant & Equipment in the Balance Sheet of the Council.
- The Council has entered into a Public Private Partnership (PPP) for the provision of educational buildings, their maintenance and related facilities. The Council has considered the tests under IFRIC12 and concluded this is a service concession.
- Two Joint Boards (SPT and Concessionary Travel) are included within the Group Accounts under the wider definition of an "associate" although the Council holds less than 20% of voting rights that is normally presumed to confer significant influence. This is in view of the funding arrangements between the constituent local authorities and the Joint Boards.
- The Council has considered its exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required and the amount of the obligation can be measured reliably. Where it has not been possible to measure the obligation, or it is not probable in the Council's opinion that a transfer of economic benefits will be required, material contingent liabilities have been disclosed in Note 35. 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.

Note 4 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or 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 2014 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.	<p>The sensitivities regarding the principal assumptions used by the consulting actuaries to measure the scheme liabilities are set out below:</p> <ul style="list-style-type: none"> • A 0.5% decrease in the real discount rate would result in a 12% increase (£62.4 million) in the employer's obligation. • A one year increase in member life expectancy would result in a 3% increase (£15.9 million) in the employer's obligation. • A 0.5% increase in the salary increase rate would result in a 5% increase (£25.8 million) in the employer's obligation. • A 0.5% increase in the pension increase rate would result in an 8% increase (£43.4 million) in the employer's obligation.
Trade Debtors - Collection levels of arrears	At 31 March 2014, the Council had a balance of trade debtors of £9.0 million. A review of significant balances suggested that an allowance for doubtful debts of 46.74% (£4.3 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 £4.3 million to be set aside as an allowance.

Note 5 Material Items of Income and Expenditure

Where items are not disclosed on the face of the Comprehensive Income and 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.	£9.175 million.

Note 6 Events after the Balance Sheet Date

The Acting Corporate Director of Environment, Regeneration & Resources (Section 95 Officer) issued the unaudited Statement of Accounts on 19 June 2014. There have been no material events after the balance sheet date, which necessitate revision to the figures in the financial statements or notes thereto including contingent assets or liabilities.

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. Figures for 2012-2013 are provided in an additional table below for the purposes of comparison.

2013-2014

	Usable Reserves		Corresponding Adjustments to Unusable Reserves					
	Adjustments to Comprehensive Income & Expenditure	Adjustment to Capital Fund (Usable Reserve)	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Employee Statutory Adjustment Account	Net Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Charges for depreciation and impairment of non-current assets.	7,042				(7,042)			(7,042)
Amortisation of intangible assets.	140				(140)			(140)
Capital grants and contributions applied.	(7,724)				7,724			7,724
Capital expenditure charged in-year to the General Fund balance.	(6,445)				6,445			6,445
Net gain or (loss) on non-current asset disposals.	(142)				142			142
Statutory provision for the principal repayment of loan charges.	(10,448)				10,448			10,448
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement (see note 33).	17,439			(17,439)				(17,439)
Employers' pension contributions payable in the year.	(10,874)			10,874				10,874
Amount by which employees' remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements.	342						(342)	(342)
Total Adjustments	(10,800)	0	0	(6,565)	17,577	130	(342)	10,800

Comparative Information 2012-2013

	Usable Reserves		Corresponding Adjustments to Unusable Reserves					
	Adjustments to Comprehensive Income & Expenditure	Adjustment to Capital Fund (Usable Reserve)	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Employee Statutory Adjustment Account	Net Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Charges for depreciation and impairment of non-current assets	49,692		(769)		(48,923)			(49,692)
Amortisation of intangible assets	318				(318)			(318)
Capital grants and contributions applied	(10,049)				10,049			10,049
Capital expenditure charged in-year to the General Fund balance.	(3,388)				3,388			3,388
Net gain or (loss) on non-current asset disposals	(27)				27			27
Statutory provision for the principal repayment of loan charges.	(9,991)				9,991			9,991
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	(129)					129		129
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 33).	13,513			(13,513)				(13,513)
Employers' pension contributions payable in the year.	(10,614)			10,614				10,614
Amount by which employees' remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(568)						568	568
Total Adjustments	28,757	0	(769)	(2,899)	(25,786)	129	568	(28,757)

Note 8 Financing and Investment Income and Expenditure

	2013-2014	2012-2013
	£000	£000
(Surplus) or deficit on trading undertakings not reported elsewhere	375	138
Interest payable and similar charges:		
- Schools Public Private Partnership finance lease	4,947	4,930
- Other finance leases	0	9
- Other interest payments and similar charges	9,742	9,783
Net interest on the defined benefit pension liability	5,367	4,300
Interest receivable and similar income	(953)	(2,088)
Total	19,478	17,072

Note 9 Taxation and Non-specific Grant Income

	2013-2014	2012-2013
	£000	£000
Income from Council Tax and Community Charge	(26,492)	(33,153)
Distribution from Non-Domestic Rates pool	(21,279)	(20,445)
General Revenue Grant	(145,655)	(153,473)
Recognised Capital Grants and contributions	(7,329)	(10,445)
Total	(200,755)	(217,516)

Note 10 Property, Plant & Equipment

Movement on Balances

The movements on balances for Property, Plant and Equipment (PPE) are shown in the following table. Figures for 2012-2013 are provided in an additional table below for the purposes of comparison.

Movements in 2013-2014

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets not for Sale	Asset Under Construction	Schools PPP Assets	Total PPE
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2013	403,340	33,539	44,560	5,311	4,091	40,885	76,022	607,748
Additions in year	6,324	1,396	4,449	88	2	20,162	32	32,453
Disposals in year	(50)	(644)						(694)
Revaluation adjustments to Revaluation Reserve	11,093							11,093
Revaluation adjustments to CIES	9,575							9,575
Reclassifications to/from Held for Sale								0
Other reclassifications	47,808					(59,800)	11,992	0
At 31 March 2014	478,090	34,291	49,009	5,399	4,093	1,247	88,046	660,175
Depreciation and Impairment								
At 1 April 2013	161,405	27,211	10,710	2,476	814		4,410	207,026
Depreciation charge for the year	7,895	2,485	1,412		16		1,949	13,757
Impairment losses to Revaluation Reserve	3,197		8	54	2			3,261
Impairment losses to CIES	2,683		140	33				2,856
On disposals		(592)						(592)
Reclassification to Held for Sale								0
Other reclassifications								0
At 31 March 2014	175,180	29,104	12,270	2,563	832	0	6,359	226,308
Balance Sheet amount at 31 March 2014	302,910	5,187	36,739	2,836	3,261	1,247	81,687	433,867
Balance Sheet amount at 31 March 2013	241,935	6,328	33,850	2,835	3,277	40,885	71,612	400,722
Nature of asset holding								
Owned	287,476	5,187	36,739	2,836	3,261	1,247		336,746
Finance lease	15,434							15,434
PPP							81,688	81,688

Comparative Movements in 2012-2013

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets not for Sale	Asset Under Construction	Schools PPP Assets	Total PPE
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2012	389,296	32,911	36,730	14,845	4,916	5,592	76,692	560,982
Additions in year	9,699	1,341	4,839	1,934	5	30,641		48,459
Disposals in year	(21)	(713)						(734)
Revaluation adjustments to Revaluation Reserve	32,855		3,429	7,216	(614)	(1,688)	(670)	40,528
Revaluation adjustments to CIES	(20,281)		(638)	(4,317)	(216)	(6,539)		(31,991)
Reclassifications to/from Held for Sale	(348)							(348)
Other reclassifications	1,288		200	(14,367)		12,879		0
At 31 March 2013	412,488	33,539	44,560	5,311	4,091	40,885	76,022	616,896
Depreciation and Impairment								
At 1 April 2012	153,463	25,354	8,978	1,517	807		2,335	192,454
Depreciation charge for the year	8,998	2,557	1,225	610	7		2,075	15,472
Impairment losses to Revaluation Reserve	6,582			301				6,883
Impairment losses to CIES	595		507	1,120				2,222
On disposals		(700)						(700)
Reclassification to Held for Sale	(157)							(157)
Other reclassifications	1,072			(1,072)				0
At 31 March 2013	170,553	27,211	10,710	2,476	814	0	4,410	216,174
Balance Sheet amount at 31 March 2013	241,935	6,328	33,850	2,835	3,277	40,885	71,612	400,722
Balance Sheet amount at 31 March 2012	235,833	7,557	27,752	13,328	4,109	5,592	74,357	368,528
Nature of asset holding								
Owned	225,792	6,203	33,850	2,835	3,277	40,885		312,842
Finance lease	16,143	125						16,268
PPP							71,612	71,612

Depreciation

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

Commitments under Capital Contracts

At 31 March 2014, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment and for contributions to capital works budgeted to cost £21.142 million. Similar contracts at 31 March 2013 were £29.497 million. The major capital commitments include:

	£000
St Patrick's Primary School	5,342
Ardgowan Primary School	4,765
Gourock Development	4,128
Replacement Depot	2,197
Central Library Conversion	1,960

Revaluation Programme

The following statement shows the progress of the Council's programme for the revaluation of Property, Plant and Equipment that ensures all its PPE assets required to be measured at fair value are revalued at least every five years. The measurement bases used for determining the gross carrying amount, the valuers, and the significant assumptions applied in estimating the fair values are disclosed separately in Note 1 Accounting Policies under section P "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	80,539	5,187	32,590	2,039		1,247	46	121,648
Valued at fair value as at								
31 March 2014	11,502						184	11,686
31 March 2013	208,903		4,148	797	1,290		81,458	296,596
31 March 2012								0
31 March 2011	250							250
31 March 2010	145				1,965			2,110
31 March 2009	1,571				6			1,577
Total Cost or Valuation	302,910	5,187	36,738	2,836	3,261	1,247	81,688	433,867

Note 11 Intangible Assets

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

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

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

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

	2013-2014	2012-2013
	Purchased Software Licences	Purchased Software Licences
	£000	£000
Balance at start of year:		
~ Gross carrying amounts	4,514	4,390
~ Accumulated amortisation	(4,363)	(4,045)
Net carrying amount at 1 April	151	345
Additions:		
~ Purchases	189	124
~ Disposals	0	0
Amortisation for the period	(140)	(318)
Net carrying amount at 31 March	200	151
Comprising:		
~ Gross carrying amounts	4,703	4,514
~ Accumulated amortisation	(4,503)	(4,363)
	200	151

Note 12 Heritage Assets

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

	2013-2014	2012-2013
	Total Assets	Total Assets
	£000	£000
Valuation or Cost		
1 April	18,059	17,914
Revaluations	0	145
31 March	18,059	18,059

The valuation disclosed in the Balance Sheet is based on the assessment by the Council's previous insurers (AIG Europe Ltd) of the replacement value for the combined collections. These insurance valuations are updated annually. 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/tourism-and-visitor-attractions/mclean-museum-and-art-gallery/museum-collections/>.

Note 13 Financial Instruments

Categories of Financial Instruments

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

	Long-term		Short-term	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Investments				
Loans and receivables	0	0	17,599	33,007
Debtors				
Loans and receivables	2,147	2,175	5,566	5,836
Borrowings				
Financial liabilities at amortised cost	(215,447)	(221,250)	(8,447)	(7,039)
Other Long Term Liabilities				
PPP and finance lease liabilities	(69,811)	(71,839)	(1,953)	(1,965)
Creditors				
Financial liabilities at amortised cost	(480)	(799)	(20,709)	(25,142)

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 £9.364 million (2012-2013 £9.236 million) and interest income of £0.737 million (2012-2013 £1.717 million) that were recognised in the Comprehensive Income and Expenditure Account for the year.

Fair Values of Assets and Liabilities

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

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

- The valuation date is 31 March 2014.
- The discount factor used in the NPV calculations is the comparable new borrowing or deposit rate of the same financial instrument from a comparable lender with a published market rate at the valuation date, using bid prices where applicable. A consistent approach has been applied to assets and liabilities.
- For all Public Works Loan Board (PWLB) debt, the new borrowing rate at 31 March 2014 has been used as the discount rate.
- The fair values include accrued interest up to and including the valuation date.
- Where an instrument will mature within the next twelve months, carrying amounts are assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- The fair value of the Schools PPP liability has been assessed taking the carrying value of the obligation at 31 March 2014 and applying an annuity repayment profile using the PWLB annuity new borrowing rate for a comparable period (26 years) at 31 March 2014.

The fair values are calculated as follows:

	31 March 2014		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and receivables	17,599	17,632	33,007	33,235
Long-term debtors	2,147	2,147	2,175	2,175
Short-term debtors (at cost)	5,566	5,566	5,836	5,836

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

	31 March 2014		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	223,893	229,032	228,289	246,582
School PPP Lease	71,674	88,697	73,694	99,424
Long-term creditors	480	480	799	799
Short-term creditors (at cost)	20,709	20,709	24,226	24,226

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

Note 14 Debtors

	31 March 2014				31 March 2013			
	Short-term		Long-term		Short-term		Long-term	
	£000	£000	£000	£000	£000	£000	£000	£000
Scottish Government (including NHS bodies)		3,067		0		2,400		0
Central Government bodies		1,550		0		143		0
Other Local Authorities		163		0		1,023		0
Council Tax and Community Charge receivable from taxpayers	16,154		0		15,779		0	
Impairment	(14,123)		0		(13,773)		0	
Council Tax and Community Charge (net of impairment)		2,031		0		2,006		0
Trade debtors	7,603		0		9,850		0	
Impairment	(4,326)		0		(4,139)		0	
Trade Debtors (net of impairment)		3,277		0		5,711		0
Other entities and individuals	80		2,147		0		2,175	
Impairment	0		0		0		0	
Other entities and individuals (net of impairment)		80		2,147		0		2,175
Totals for Short-term and Long-term Debtors		10,168		2,147		11,283		2,175

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

Note 15 Cash and Cash Equivalents

	31 March 2014	31 March 2013
	£000	£000
Cash held by the Council	7	26
Bank current accounts	15,702	9,330
Deposits up to three months with UK Banks, Buildings Societies and Local Authorities.	15,136	25,553
Total Cash and Cash Equivalents	30,845	34,909

Note 16 Creditors

Short Term Creditors

	31 March 2014	31 March 2013
	£000	£000
Scottish Government (including NHS bodies)	(651)	(564)
Central Government bodies	(3,443)	(3,476)
Other Local Authorities	(1,229)	(1,048)
Trade creditors	(18,683)	(23,427)
Total Short-term Creditors	(24,006)	(28,515)

Long Term Creditors

	31 March 2014	31 March 2013
	£000	£000
Trade creditors	(480)	(799)
Total Long-term Creditors	(480)	(799)

Note 17 Provisions

Movement on Balances 2013-2014

	Balance at 1 April 2013	Additional Provisions made in 2013-2014	Amounts used in 2013-2014	Unused amounts written back in 2013-2014	Balance at 31 March 2014
	£000	£000	£000	£000	£000
Provisions					
Compensation Payments (note 1)	(764)	(705)	92	0	(1,377)
Insurance Claims (note 2)	(39)	0	23	0	(16)
Municipal Mutual Insurance Claims (note 3)	(403)	0	58	0	(345)
Gourock Waterfront Redevelopment (note 4)	(50)	0	0	0	(50)
Utilities Dispute (note 5)	(40)	(4)	0	0	(44)
Total Provisions	(1,296)	(709)	173	0	(1,832)

Notes

1. For the potential outcome of conceded outstanding equal pay claims.
2. An assessment of identified liabilities in respect of insurance claims outstanding for Strathclyde Regional Council.
3. For any potential shortfall in the current Scheme of Arrangement to meet any new claims.
4. For the potential outcome of a dispute relating to works carried out for Gourrock waterfront redevelopment.
5. For the potential outcome of a Utilities Dispute.

Note 18 Usable Reserves

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

	31 March 2014	31 March 2013
	£000	£000
Modernisation Fund	514	493
School Estate Management Plan	3,461	3,086
Contribution to Riverside Inverclyde	1,245	1,585
Miscellaneous CHCP Reserves	811	558
Fostering & Adoption	1,257	0
Miscellaneous Policy and Resources Committee Reserves	1,084	1,072
Miscellaneous Environment & Regeneration Committee Reserves	2,131	1,384
Greenock Town Centre Parking Strategy	84	300
Renewal of Clune Park Area	1,590	1,281
Asset Management Plan	1,603	1,231
Support For Owners	886	806
Flooding Works	1,249	1,264
Roads Asset Management Plan	5,158	5,900
Early Retiral / Voluntary Severance Reserve	2,427	4,260
Capital Funded from Current Revenue	4,690	3,987
Area Renewal Fund	195	211
Miscellaneous Education & Communities Reserves	664	1,624
Vehicle Replacement Programme	311	205
Support for Community Facilities	183	525
Education Equipment Fund	166	142
Equal Pay	2,984	4,076
Youth Employment	702	810

	31 March 2014 £000	31 March 2013 £000
Change Fund – Older People	294	401
Deferred Income	203	458
Independent Living	451	630
Business Support Initiative	219	462
Repopulating/Promoting Inverclyde	886	1,000
Miscellaneous Approvals – Nov 2012	0	1,250
Miscellaneous Approvals – Feb 2013	0	712
Welfare Reforms	949	0
Loans Charges Post 16/17	1,200	0
Roads Defects & Drainage Works	500	0
Total Earmarked Reserves	38,097	39,713
Non-earmarked balance	4,793	5,540
Total General Fund Balance	42,890	45,253
Capital Grants Unapplied	0	396
Capital Fund	940	1,742
Repairs & Renewal Fund	2,727	1,088
Insurance Fund	4,277	4,437
Total Usable Reserves	50,834	52,916

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 2014 £000	31 March 2013 (Restated) £000
Revaluation Reserve	110,107	102,275
Capital Adjustment Account	37,513	19,936
Financial Instruments Adjustment Account	(3,515)	(3,645)
Pensions Reserve	(137,654)	(118,667)
Employee Statutory Adjustment Account	(3,712)	(3,370)
Balance at 31 March	2,739	(3,471)

Movement on Balances – Revaluation Reserve

The Revaluation Reserve contains the unrealised gains made by the Council arising from the 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.

	2013-2014	2012-2013 (Restated)
	£000	£000
Balance at 1 April	102,275	69,250
Revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	11,093	40,674
Difference between fair value depreciation and historical cost depreciation written off to Capital Adjustment Account	0	(769)
Impairments Charged to Revaluation Reserve Account	(3,261)	(6,880)
Accumulated gains or (losses) transferred to the Capital Adjustment Account	0	0
Balance at 31 March	110,107	102,275

Movement on Balances – Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. Note 7 provides a summary of transactions posted to the Account during the year.

	2013-2014	2012-2013
	£000	£000
Balance at 1 April	19,936	45,722
Items relating to capital expenditure charged to Comprehensive Income and Expenditure Statement		
~ Charges for depreciation and impairment of non-current assets	(7,182)	(49,241)
~ Disposals of non-current assets	(287)	(32)
Transfers from Revaluation Reserve	0	0
Capital financing applied in the year:		
~ Use of the Capital Receipts Reserve to finance new capital expenditure	429	59
~ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	7,724	10,049
~ Loans Fund principal repayments	10,448	9,991
~ Capital from current revenue	6,445	3,388
Balance at 31 March	37,513	19,936

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.

	2013-2014	2012-2013
	£000	£000
Balance at 1 April	(3,645)	(3,774)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	130	129
Balance at 31 March	(3,515)	(3,645)

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. Employers' contribution rates and contribution strategy will be reviewed following the next formal valuation as at 31 March 2014 which is expected later in 2014.

	2013-2014	2012-2013
	£000	£000
Balance at 1 April	(118,667)	(96,230)
Actuarial gains or (losses) on pension assets and liabilities	(12,422)	(19,538)
Reversal of items relating to net charges for retirement benefits charged to Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(17,439)	(13,513)
Employers' pension contributions paid to Strathclyde Pension Fund	10,874	10,614
Balance at 31 March	(137,654)	(118,667)

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.

	2013-2014	2012-2013
	£000	£000
Balance at 1 April	(3,370)	(3,938)
Settlement or cancellation of accrual made at the end of the preceding year	3,370	3,938
Amounts accrued at the end of the current year	(3,712)	(3,370)
Balance at 31 March	(3,712)	(3,370)

Note 20 Cash Flow Statement – Operating Activities

	2013-2014	2012-2013
	£000	£000
Net surplus or (deficit) on the Provision of Services	8,718	(23,379)
Adjustments to net surplus or (deficit) on the provision of services for non-cash movements		
Depreciation, amortisation & impairment	7,182	50,010
Net (gain) or loss on fixed assets	(332)	(27)
Retirement benefits	6,565	2,899
(Increase) or decrease in inventories	6	179
(Increase) or decrease in debtors	1,143	(2,724)
Increase or (decrease) in creditors and provisions	(4,291)	2,361
Other non-cash movements	0	0
	10,273	52,698
Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities		
Non-cash capital movements	(552)	(187)
Non-cash borrowing movements	(205)	193
Non-cash investing movements	(9,571)	11,849
	(10,328)	11,855
Net cash flow from Operating Activities	8,663	41,174

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

	2013-2014	2012-2013
	£000	£000
Interest received	1,567	1,171
Interest paid	(9,418)	(9,034)
Interest element of finance lease and PPP payments	(4,947)	(4,939)
Net cash flow from Servicing of Finance	(12,798)	(12,802)

Note 21 Cash Flow Statement – Investing Activities

	2013-2014	2012-2013
	£000	£000
Purchase of property, plant and equipment and intangible assets	(32,096)	(48,344)
Purchase of short-term and long-term investments	(50,038)	(57,500)
Other payments for investing activities	0	0
Proceeds from sale of property, plant and equipment and intangible assets	619	59
Proceeds from short-term and long-term investments	75,017	53,000
Other receipts from investing activities	0	0
Net cash flows from investing activities	(6,498)	(52,785)

Note 22 Cash Flow Statement – Financing Activities

	2013-2014	2012-2013
	£000	£000
Cash receipts of short-term and long-term borrowing	5,003	35,004
Cash payments for the reduction of the outstanding liabilities relating to finance leases for office printers and schools PPP contracts	(1,930)	(1,847)
Repayment of short-term and long-term borrowing	(9,302)	(5,231)
Net cash flows from financing activities	(6,229)	27,926

Note 23 Amounts Reported for Resource Allocation Decisions

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

The management of Inverclyde Council is led by the Chief Executive, John Mundell. The operational structure of the Council as at 31 March 2014 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 Comprehensive Income and Expenditure Statement).
- 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 departments.

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 (2013-2014)

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

Committees Income and Expenditure (2012-2013 Comparative Figures)

	Committees				Total £000
	Health & Social Care £000	Education & Communities £000	Policy & Resources £000	Environment & Regeneration £000	
Fees, charges and other service income	(12,918)	(3,618)	(12,869)	(8,060)	(37,465)
Government grants	(2,297)	(3,339)	(43,953)	(1,265)	(50,854)
Total Income	(15,215)	(6,957)	(56,822)	(9,325)	(88,319)
Employee expenses	26,693	54,326	5,590	11,791	98,400
Other service expenses	37,875	30,467	74,648	18,098	161,088
Support service recharges	0	0	0	0	0
Total Operating Expenses	64,568	84,793	80,238	29,889	259,488
Net Expenditure	49,353	77,836	23,416	20,564	171,169

Reconciliation of Committee Income and Expenditure to “Cost of Services” in Comprehensive Income and Expenditure Statement

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

	2013-2014	2012-2013
	£000	£000
Net expenditure in the Committee analysis tables above.	164,754	171,169
Net expenditure of services and support services not included in the analysis.	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis.	8,137	52,681
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	0	0
Cost of Services in the Comprehensive Income and Expenditure Statement	172,891	223,850

Reconciliation to Subjective Analysis

This table shows how the figures in the analysis of Committee Income and Expenditure reconcile to a subjective analysis of the “Surplus or Deficit on the Provision of Services” included in the Comprehensive Income and Expenditure Statement.

	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
2013-2014								
Fees, charges and other service income	(36,134)	0	0	0	(315)	(36,449)	0	(36,449)
Interest and investment income	0	0	0	0	0	0	0	0
Income from Council Tax	0	0	0	0	0	0	(26,492)	(26,492)
Government grants and contributions	(42,156)	0	0	0	0	(42,156)	(174,263)	(216,419)
Total Income	(78,290)	0	0	0	(315)	(78,605)	(200,755)	(279,360)
Employee expenses	104,017	0	1,086	0	5,917	111,020	0	111,020
Other service expenses	139,027	0	0	0	3,439	142,466	0	142,466
Support services recharges	0	0	0	0	(9,041)	(9,041)	0	(9,041)
Depreciation, amortisation and impairment	0	0	7,051	0	0	7,051	0	7,051
Interest payments	0	0	0	0	0	0	19,478	19,478
(Gain) or loss on disposal of fixed assets	0	0	0	0	0	0	(332)	(332)
Total Expenditure	243,044	0	8,137	0	315	251,496	19,146	270,642
(Surplus) or Deficit on the Provision of Services	164,754	0	8,137	0	0	172,891	(181,609)	(8,718)

2012-2013 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	(37,465)	0	0	0	(308)	(37,773)	0	(37,773)
Interest and investment income	0	0	0	0	0	0	0	0
Income from Council Tax	0	0	0	0	0	0	(33,153)	(33,153)
Government grants and contributions	(50,854)	0	0	0	0	(50,854)	(184,363)	(235,217)
Total Income	(88,319)	0	0	0	(308)	(88,627)	(217,516)	(306,143)
Employee expenses	98,400	0	2,824	0	5,832	107,056	0	107,056
Other service expenses	161,088	0	0	0	4,593	165,681	0	165,681
Support services recharges	0	0	0	0	(10,117)	(10,117)	0	(10,117)
Depreciation, amortisation and impairment	0	0	49,857	0	0	49,857	0	49,857
Interest payments	0	0	0	0	0	0	17,072	17,072
(Gain) or loss on disposal of fixed assets	0	0	0	0	0	0	(27)	(27)
Total Expenditure	259,488	0	52,681	0	308	312,477	17,045	329,522
(Surplus) or Deficit on the Provision of Services	171,169	0	52,681	0	0	223,850	(200,471)	23,379

Note 24 Agency Services

The Council bills and collects non-domestic rates on behalf of the Scottish Government. During 2013-2014 the Council collected £19.8 million and received £1.45 million contribution from the non-domestic rates pool (2012-2013 £19.20 million and £1.24 million). The Council also bills and collects domestic water and sewerage charges on behalf of Scottish Water with its own Council Tax. During 2013-2014 the Council collected and paid over £10.94 million (2012-2013 £10.57 million) and received £0.228 million (2012-2013 £0.226 million) for providing this service.

The Council provides Care in the Community Services to Greater Glasgow and Clyde Health Board under an agency agreement and received £11.16 million in 2013-2014 (2012-2013 £10.93 million).

Note 25 External Audit Fees

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

	2013-2014	2012-2013
	£000	£000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year.	264	265
	264	265

Note 26 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013-2014.

	2013-2014	2012-2013
	£000	£000
Credited to Taxation and Non-specific Grant Income		
General Revenue Grant	(145,655)	(153,473)
Redistribution from Non-Domestic Rates Pool	(21,279)	(20,445)
General Capital Grant (excludes amounts directly credited to Services)	(5,552)	(5,465)
Capital Grants	(1,777)	(4,980)
Credited to Services		
Housing Benefit	(35,839)	(35,738)
Council Tax Subsidy	0	(7,217)
Housing Benefit and Council Tax Administration	(857)	(998)
Other Housing	(845)	(1,784)
Police Grant	0	(242)
Community Service Grant	(158)	(30)
Social Work	(2,208)	(2,297)
Education	(1,374)	(1,270)
Employability	(589)	(411)
Other	(286)	(867)
Total	(216,419)	(235,217)

Note 27 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions and balances allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

	2013-2014				2012-2013			
	Income from Related Parties £000	Expenditure to Related Parties £000	Amounts Due to Related Parties £000	Amounts Owed by Related Parties £000	Income from Related Parties £000	Expenditure to Related Parties £000	Amounts Due to Related Parties £000	Amounts Owed by Related Parties £000
Joint Boards*¹								
Strathclyde Partnership for Transport		3,487	(167)	5		3,548	(186)	26
Strathclyde Concessionary Travel Scheme		171				156		
Renfrewshire Valuation Joint Board		541	(13)			557	(2)	
Companies								
Inverclyde Leisure Limited* ²	(139)	1,853	(209)		(134)	2,049	(209)	
Riverside Inverclyde Limited* ²		1,940				2,756		
Other Entities and Individuals								
Inverclyde Common Good	(62)	1	(217)		(58)	1	(228)	
Sundry Trusts	(10)	3	(352)	126	(9)	2	(373)	134

Notes:

*¹ Further details are disclosed in the Group Accounts Note 38 Combining Entities.

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

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

Note 28 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the assets acquired under finance leases and PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue, as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement, a measure of capital expenditure incurred historically by the Council that has yet to be financed.

	2013-2014	2012-2013
	£000	£000
Opening Capital Financing Requirement	296,906	271,815
Capital Investment		
~ Capital Expenditure	32,646	48,531
~ Leased equipment and Schools PPP assets	0	47
Total Capital Investment for the year	32,646	48,578
Sources of Finance:		
~ Capital receipts from the sale of assets	(429)	(59)
~ Government grants and other contributions	(7,724)	(10,049)
~ Capital from current revenue	(6,445)	(3,388)
~ Loans Fund principal repayment (including finance leases & PPP)	(10,448)	(9,991)
Total Capital Financing for the year	(25,046)	(23,487)
Closing Capital Financing Requirement	304,506	296,906

	2013-2014	2012-2013
	£000	£000
Explanation of movements in the year:		
~ Increase/(Reduction) in underlying need to borrow	9,655	26,895
~ Increase/(Reduction) in finance leases obligations	(125)	(7)
~ Increase/(Reduction) in PPP finance lease creditor	(1,930)	(1,797)
Increase in Capital Financing Requirement	7,600	25,091

Note 29 Leases

Finance Leases

The Council has entered into a finance lease type agreement to manage various Common Good land and buildings. The agreement is on a full repairs basis by the Council and at a peppercorn rental of £1 on demand. Included with the "Other Land & Buildings" figure on the balance sheet is £15.434 million (2012-2013 £16.143 million) that relates to these assets. This mainly comprises Greenock Municipal Buildings (£3.408 million), Port Glasgow Town Hall (£1.994 million), Port Glasgow Baths (£1.744 million), Gourrock Outdoor Pool (£3.027 million), Lady Octavia Sports centre (£1.556 million), Battery Park Pavilion (£1.267 million) and miscellaneous recreational facilities and parks (£1.055 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 2013-2014 were £0.225 million (2012-2013 £0.359 million) and this expenditure has been included in the Comprehensive Income and Expenditure Account. The rental commitments in future years under non-cancellable leases are shown in the table below.

	Future Rental Payable	
	31 March 2014	31 March 2013
	£000	£000
Not later than one year	167	133
Later than one year and not later than five years	371	124
Later than five years	90	21
	628	278

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 2013-2014 was £0.823 million (2012-2013 £0.791 million) and is included in the CI&ES. The rents receivable years under non-cancellable leases in future years are shown in the table below.

	Future Rental Receivable	
	31 March 2014	31 March 2013
	£000	£000
Not later than one year	610	508
Later than one year and not later than five years	1,804	1,406
Later than five years	1,137	1,229
	3,551	3,143

Note 30 Schools Public Private Partnership

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

Property, Plant and Equipment

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in value over the year are detailed in the analysis of the movement in Note 10 Property, Plant and 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 2014 (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 Rate as adjusted	Subsequent RPI Changes	Total
	£000	£000	£000	£000	£000
Payable within one year	2,459	1,953	4,296	694	9,402
Payable one to five years	11,851	7,621	15,986	3,692	39,150
Payable within five to ten years	19,192	9,364	17,549	6,649	52,754
Payable within ten to fifteen years	20,452	13,219	14,198	9,706	57,575
Payable within fifteen to twenty years	25,518	15,369	9,923	11,897	62,707
Payable within twenty to twenty five years	27,670	20,968	4,706	15,387	68,731
Payable within twenty five to thirty years	6,257	3,270	108	2,282	11,917
Total	113,399	71,764	66,766	50,307	302,236

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:

	2013-2014	2012-2013
	£000	£000
Balance outstanding at the start of the year	73,694	75,491
Payments during the year	(1,930)	(1,797)
Capital expenditure incurred in the year	0	0
Balance outstanding at year-end	71,764	73,694
Included in Balance Sheet		
~ Current	1,953	1,929
~ Non-current	69,811	71,765
	71,764	73,694

Note 31 Officers Remuneration

Exit Packages of Employees

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

Exit package cost band (including special payments)	(a)		(b)		(c)		(d)		(e)	
	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [(b) + (c)]		Total cost of exit packages in each band £'s		£'s	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
£0 - £20,000	0	0	5	1	5	1	69,519	6,538		
£20,001 - £40,000	0	0	9	1	9	1	234,948	28,610		
£40,001 - £60,000	0	0	6	4	6	4	292,108	190,860		
£60,001 - £80,000	0	0	3	4	3	4	200,090	273,537		
£80,001 - £100,000	0	0	6	2	6	2	535,002	192,648		
£100,001 - £150,000	0	0	8	1	8	1	968,139	113,592		
£150,001 - £200,000	0	0	2	6	2	6	314,623	964,143		
£200,001 - £250,000	0	0	1	1	1	1	201,152	201,954		
Total	0	0	40	20	40	20	2,815,581	1,971,882		

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 33 Defined Benefit Pension Scheme.
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 ("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 2013-2014, included in the above table are liabilities relating to these releases of £1.656 million (2012-2013 £1.180 million).

Note 32 Impairment Losses

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

	2013/14
	£000
Central Library	1,719
Lomond View Academy	656
St Andrews Primary School	495
Ardgowan Primary School	468
Waterfront Leisure Complex	408
Larkfield Nursery/Sacred Heart	376
St Mary's Primary School	286
St Ninian's Primary School	190
Moorfoot Primary School	178
Lady Alice Primary School	167
Port Glasgow Town Hall	144
Parklea Stadium and Pavilion	128
Pottery Street Garage	127
Greenock Municipal Buildings	125
	<hr/>
	5,467
Other Properties	650
Total	<hr/> 6,117

The major impairment on the Community Campus has occurred as a result in the change in valuation method from Cost to "Fair Value", (otherwise known as "Existing Use Value") on the school coming into operation. Such impairment is not uncommon on assets of this nature.

Participation in Pension Schemes

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

Benefits

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

Governance

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

Principal Risks

- The principal risks to the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amount due by statute as described in the accounting policy note.

Discretionary Post-employment Benefits

- Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when an award is made. There are no 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 made in the accounting statements in 2013-2014 and the prior year 2012-2013.

	31 March 2014	31 March 2013
	£000	(Restated) £000
Comprehensive Income and Expenditure Statement (CIES)		
<i>Cost of Services:</i>		
<i>Service Cost comprising:</i>		
~ Current service cost	11,325	8,929
~ Past service costs (including curtailments)	747	284
~ Unfunded benefits	0	0
<i>Financing & Investment Income & Expenditure:</i>		
~ Net interest expense	5,367	4,300
Total Post-employment Benefit charged to Surplus or Deficit on the Provision of Services	17,439	13,513
<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	(8,393)	(32,677)
~ Actuarial (gains) or losses arising on changes in demographic assumptions	0	0
~ Actuarial (gains) or losses arising on changes in financial assumptions	20,096	52,338
~ Actuarial (gains) or losses arising on changes in experience assumptions	719	(123)
Total Post-employment Benefit Charged to the CIES	12,422	19,538
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	(1,548)	(8,924)
Actual amount charged against the General Fund balance for pensions in the year:		
Employers' contributions payable to Strathclyde Pension Fund	10,874	10,614

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 2014	31 March 2013 (Restated)
	£000	£000
Present value of the defined benefit obligation*	(537,557)	(495,031)
Fair value of pension fund assets	399,903	376,364
Net Liability arising from Defined Benefit Obligation	(137,654)	(118,667)
*Unfunded liabilities included in the figure for present value of liabilities		
~ unfunded liabilities for Pension Fund	(19,437)	(18,399)
~ teachers' unfunded pensions	(13,336)	(12,885)
~ unfunded liabilities prior to 1996 local government reorganisation	(7,924)	(8,048)

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

	2013-2014	2012-2013 (Restated)
	£000	£000
Opening balance at 1 April	(495,031)	(426,032)
Current service cost	(11,325)	(8,929)
Interest cost	(22,264)	(20,365)
Contributions by Pension Fund participants	(2,791)	(2,740)
Re-measurement gains and (losses)		
~ Actuarial gains/(losses) from changes in demographic assumptions	0	0
~ Actuarial gains/(losses) from changes in financial assumptions	(20,096)	(52,338)
~ Actuarial gains/(losses) from changes in experience assumptions	(719)	123
Past service costs (including curtailments)	(747)	(284)
Settlements	0	0
Benefits paid	15,416	15,534
Closing balance at 31 March	(537,557)	(495,031)

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

	2013-2014	2012-2013 (Restated)
	£000	£000
Opening fair value of pension fund assets	376,364	329,802
Interest income	16,897	16,065
Re-measurement gains and (losses):		
~ expected rate of return on pension fund assets	8,393	32,677
The effect of changes in foreign exchange rates	0	0
Contributions from employers	10,874	10,614
Contributions from employees into the scheme	2,791	2,740
Benefits paid	(15,416)	(15,534)
Closing fair value of pension fund assets	399,903	376,364

Analysis of Pension Fund's Assets

Inverclyde Council's share of the Pension Fund's assets at 31 March 2014 comprised:

	31 March 2014			31 March 2013 (Restated)		
	Quoted Prices in Active Markets	Prices not Quoted in Active Markets	Totals	Quoted Prices in Active Markets	Prices not Quoted in Active Markets	Totals
	£000	£000	£000	£000	£000	£000
Cash and cash equivalents	0	19,126	19,126	0	13,648	13,648
Equity instruments	145,802	307	146,109	136,574	151	136,725
Debt instruments	0	3	3	0	2	2
Real Estate	0	28,015	28,015	0	24,143	24,143
Derivatives	85	0	85	(66)	0	(66)
Private Equity	0	37,716	37,716	0	36,338	36,338
Investment Funds	9,898	158,951	168,849	10,249	155,325	165,574
Asset-backed Securities	0	0	0	0	0	0
Structured Debt	0	0	0	0	0	0
Total assets	155,785	244,118	399,903	146,757	229,607	376,364

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 about mortality rates, salary levels and so on.

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 2014. The significant assumptions used by the actuary are shown in the table below. Note 4 includes a sensitivity analysis for the pension obligation based on reasonably possible changes of these assumptions occurring at the reporting date.

	2013-2014	2012-2013
Long-term expected rate of return on assets in the Fund:		
~ Equity investments	4.3%	4.5%
~ Bonds	4.3%	4.5%
~ Property	4.3%	4.5%
~ Cash	4.3%	4.5%
Mortality Assumptions:		
Longevity at 65 for current pensioners (years):		
~ Men	21.0	21.0
~ Women	23.4	23.4
Longevity at 65 for future pensioners (years):		
~ Men	23.3	23.3
~ Women	25.3	25.3
Rate of inflation	2.8%	2.8%
Rate of increase in salaries	5.1%	5.1%
Rate of increase in pensions	2.8%	2.8%
Rate for discounting Fund liabilities	4.3%	4.5%
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 asset and liability matching strategy (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, bonds, properties and in cash.

Impact on the Authority'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. Employer's contributions have been set at 19.3% for 2014-2015. The next three years will be set following completion of the triennial valuation as at 31 March 2014.

The Fund will need to take account of impending national changes to the Local Government Pension Scheme in Scotland such as the move from 1 April 2015 to a new Career Average Revalued Earning Scheme (CARE) for future accruals.

The total contributions expected to be made by the Council to Strathclyde Pension Fund in the year to 31 March 2015 is £8.402 million.

The assumed weighted average duration of the defined benefit obligation is 17.8 years (This is different from the mortality assumptions quoted in the table above in "Basis for Estimating Assets and Liabilities").

Change in Accounting Policy IAS19R

On 1 April 2013, the Council implemented a change of accounting policy relating to the June 2011 amendments to the accounting standard IAS19 Employee Benefits. The key change relates to the expected return on assets. In order to permit a meaningful comparison between financial years, some figures in the previous year's audited financial statements have been amended.

There has been a redistribution of costs within the CIES. The pensions interest cost within the Surplus or Deficit on the Provision of Services has increased with a corresponding reduction in actuarial (gains) or losses on pension assets and liabilities in Other Comprehensive Income and Expenditure. Essentially, the expected return on scheme assets that was credited to the Surplus or Deficit on the Provision of Services has been effectively replaced with an equivalent figure using the discount rate.

The effects of the restatement on the financial statements are as follows (only those lines that have changed are shown):

Effect on Comprehensive Income and Expenditure Statement

	As Previously Stated	As Restated	Amendment
	2012-2013	2012-2013	2013-2014
	£000	£000	£000
Financing and Investment Income and Expenditure	14,072	17,072	3,000
(Surplus) or Deficit on the Provision of Services	20,379	23,379	3,000
Actuarial (gains) or losses on pension fund assets	22,538	19,538	(3,000)

Note 34 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 during the year ended 31 March 2014, the authority's own contributions equate to approximately 1.25%

In 2013-2014, Inverclyde Council paid £4.297 million in respect of teachers' retirement benefits, representing 14.7% of pensionable pay. The figures for 2012-2013 were £4.310 million and 14.8%. There were no contributions remaining payable at the year-end.

Note 35 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.

The Council is unaware of any other material contingent asset or liability at 31 March 2014 and has made no further provisions.

Note 36 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 and 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 £48.936 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 2014 that this was likely to crystallise.

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

The Council has a potential maximum credit risk exposure of £4.294 million (2012-2013 £4.139 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 £9.860 million of the £12.0 million debtors 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 2014	31 March 2013
	£000	£000
Less than three months	9,428	10,877
Three to six months	88	35
Six months to one year	203	128
More than one year	141	187
	9,860	11,227

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 and Resources Committee. The maturity analysis of financial liabilities is as follows:

	31 March 2014	31 March 2013
	£000	£000
Less than one year	32,453	31,265
Between one and two years	1,189	5,795
Between two and five years	16,424	7,203
Between five and ten years	45,381	48,256
Between ten and thirty years	8,878	16,414
Between thirty and fifty years	40,000	40,000
Over fifty years	102,400	102,400
	246,725	251,333

Management of Market Risk

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

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

To illustrate the impact of changes in interest rates upon the Council, the following table shows the financial effect if rates had been 1% higher at 31 March 2014, with all other variables held constant.

	31 March 2014	31 March 2013
	£000	£000
Impact on taxpayer		
Increase on interest payable on variable rate borrowings	479	470
Increase in interest receivable on variable rate lending	(489)	(680)
Net effect on Comprehensive Income and Expenditure Statement	(10)	(210)
Other presentational changes		
A decrease in the "fair value" of fixed rate borrowing (disclosure confined to the Notes to the Accounts)	(21,243)	(23,935)
	(21,243)	(23,935)

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

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

Council Tax Income Account

Local Councils raise taxes from residents by way of a property tax, the Council Tax, which is based on property values. Each dwelling house in a local authority area is placed into one of eight bands A to H with band A being the lowest. The Council declares a tax for Band D properties and all other properties are charged a proportion of this. Lower valued properties pay less; higher valued properties pay more. The net income is transferred to the Comprehensive Income and Expenditure Statement of the Authority. 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 Statement below.

	2013-2014	2012-2013
	£000	£000
Gross Council Tax levied and contributions in lieu	39,992	40,341
Adjustment: Council Tax Reduction Scheme	(7,073)	0
Less:		
Council Tax benefits (net of Government Grant)	0	0
Other discounts and reductions	(5,672)	(6,058)
Write offs	(10)	(14)
Provision for bad and doubtful debts	(754)	(900)
Net Council Tax income	26,483	33,369
Less Prior years' Council Tax adjustments:		
Billing amendments	144	82
Write offs	(198)	(379)
Net Council Tax income for the year	26,429	33,072
Council Tax benefits adjustments	62	73
Arrears of Community Charge recovered during the year	1	8
Net Council Tax income transferred to General Fund	26,492	33,153

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	13		40	19	5/9	12
Band A	19,423	1,277	43	26	9,179	469	15,600	8,902	6/9	4,466
Band B	5,782	219	26	16	2,648	99	4,842	2,148	7/9	2,095
Band C	3,432	88	16	19	1,244	45	3,014	874	8/9	1,902
Band D	3,278	69	19	30	1,005	52	2,943	396	9/9	2,547
Band E	3,411	51	30	18	822	65	3,110	204	11/9	3,552
Band F	1,849	19	18	12	334	41	1,720	70	13/9	2,383
Band G	1,405	25	12	2	212	25	1,305	20	15/9	2,142
Band H	211	5	2	0	19	6	196	2	18/9	388

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

Contributions in Lieu - Band D equivalents

Total

Provision for Bad Debt at 2.78%

Council Tax Base

2

19,489

(542)

18,947

Calculation of the Council Tax

Dwellings fall within a valuation band between A to H which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax base i.e. band D equivalents. This value is then decreased or increased dependent on the band. The band D charge for 2013-2014 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 local authority from the national non-domestic rate pool is transferred to the Comprehensive Income and Expenditure Statement of the Authority. 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 Authority".

	2013-2014 £000	2012-2013 £000
Gross rates levied	28,253	27,021
Relief and other remissions	(7,609)	(7,045)
Payment of interest	0	0
Provision for bad and doubtful debts	(817)	(775)
Net non-domestic rate income	19,827	19,201
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	1,452	1,244
Net non-domestic rate income transferred to General Fund	21,279	20,445

	2013 £000	2012 £000
Rateable values at 1 April		
Commercial	30,699	31,228
Industrial / freight transport	8,620	8,765
Others	20,306	20,282
	59,625	60,275

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 2013-2014 the charge was 46.2p in the £ sterling for properties with a rateable value under £35,000. Properties with a rateable value over £35,000, the charge was 47.1p.

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 2014. Each year, applications for funding support are considered by the Council's Policy & Resources Committee. The Common Good Fund is not included within the financial statements of the Council or it's Group.

Summary Income and Expenditure Account for the Year Ended 31 March 2014

2012-2013		2013-2014
£000		£000
265	Gross Expenditure	194
(214)	Gross Income	(117)
51	Cost of Service	77
0	Interest Payable and Similar Charges	0
(1)	Interest and Investment Income	(1)
(1)	Financing and Investment Income and Expenditure	(1)
50	(Surplus) or Deficit on Provision of Services	76
(79)	Transfer from Revaluation Reserve	(53)
(29)	(Increase) or Decrease in the Year	23
(220)	Balance on Revenue Reserves brought forward	(249)
(249)	Balance on Revenue Reserves carried forward	(226)

Balance Sheet at 31 March 2014

31 March 2013 £000		Notes	31 March 2014 £000
	Non-current Assets		
1,503	Property, Plant and Equipment	1	1,450
	Current Assets		
2	Short-term investments		3
19	Short-term debtors		7
228	Deposits up to 3 months with Inverclyde Council		216
	Current Liabilities		
0	Short-term creditors		0
1,752	Net Assets		1,676
249	Usable Reserves: Revenue Reserves		226
1,503	Unusable Reserves: Revaluation Reserve		1,450
1,752	Total Reserves		1,676

1. Property, Plant & Equipment

	2013-2014 Other Land & Buildings £000	2012-2013 Other Land & Buildings £000
Cost or Valuation		
At 1 April	2,002	2,002
At 31 March	2,002	2,002
Depreciation and Impairment		
At 1 April	499	511
Impairment losses to Revaluation Reserve	53	(12)
At 31 March	552	499
Balance Sheet amount at 31 March	1,450	1,503

The values above relate to advertising hoardings and the site at Bogston. The majority of land and buildings of the Common Good requires, under accounting regulations, to be disclosed on the Balance Sheet of the Council and accordingly is 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. A full revaluation of all Common Good land and buildings took place at 31 March 2013.

2. Operating Leases

The Common Good has granted commercial leases for properties to various tenants on a variety of lease terms. These arrangements are accounted for as operating leases. The rental income receivable in 2013-2014 was £0.145 million (2012-2013 £0.153 million) and is included in the Comprehensive Income and Expenditure Statement. 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 2014 £000	31 March 2013 £000
Not later than one year	122	119
Later than one year and not later than five years	294	261
Later than five years	318	395
	734	775

Trust Funds

The Council has 11 trust funds, 5 of which are registered Scottish charities. The funds do not represent assets of the Council and as such have not been included in the Balance Sheet. Most of the trust funds have small reserves. The reserves of the trusts for 2013-2014 are as follows:

	2013-2014				2012-2013
	Income £000	Expenditure £000	Revaluations £000	Reserves £000	Reserves £000
1. The Birkmyre Trust	17	8	0	1,110	1,101
To ensure the availability of recreational facilities within the Birkmyre Park, Kilmacolm.					
2. The Watt Institution Trust	0	16	0	133	149
For the maintenance, preservation, repair, improvement and furnishing of the Watt Library and McLean Museum and Art Gallery.					
3. McLeod Trust Port Glasgow High School	3	1	(5)	73	76
To provide scholarships for pupils of Port Glasgow High School from disadvantaged backgrounds or with no history of further education.					
4. The Talented Children and Young People Endowment	1	2	0	63	64
To provide endowments for talented children and young people mostly in the areas of arts, creativity, music and sport					
5. Lady Alice Shaw-Stewart Memorial Trust (SC019228)	0	1	0	47	48
For the assistance of female cases recommended to the Corporation by the Probation Officer for the time being in the Burgh of Greenock.					
6. Peter Stanton Memorial Trust (SC021862)	2	2	0	15	15
For the promotion of recreational or other leisure activities for disabled persons in Inverclyde.					
7. Various other Trust Funds	0	6	0	3	9
Total Trust Funds	23	36	(5)	1,444	1,462

Group Movement in Reserves Statement for the Year ended 31 March 2014

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 Associates is an unusable reserve (i.e. it cannot be used to fund expenditure or reduce taxation).

Year ended 31 March 2014

	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 2013	45,253	5,525	2,138	52,916	(3,471)	3,877	(242,608)	(189,286)
Transfer of Police and Fire Services to Scottish Government*						0	246,305	246,305
Revised Balance at 1 April 2013	45,253	5,525	2,138	52,916	(3,471)	3,877	3,697	57,019
Movement in Reserves during 2013-2014								
Surplus or (Deficit) on Provision of Services	8,718	0	0	8,718	0	102	(6)	8,814
Other Comprehensive Expenditure and Income	0	0	0	0	(4,590)	1,240	587	(2,763)
Total Comprehensive Expenditure and Income	8,718	0	0	8,718	(4,590)	1,342	581	6,051
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7)	(10,800)	0	0	(10,800)	10,800	(251)	251	0
Net Increase or (Decrease) before Transfers to/from Other Statutory Reserves	(2,082)	0	0	(2,082)	6,210	1,091	832	6,051
Transfers (to) and from Other Statutory Reserves	(281)	1,479	(1,198)	0	0	0	0	0
Increase or (Decrease) in the Year	(2,363)	1,479	(1,198)	(2,082)	6,210	1,091	832	6,051
Balance at 31 March 2014 Carried Forward	42,890	7,004	940	50,834	2,739	4,968	4,529	63,070

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

Comparative Figures for Year ended 31 March 2013 (Restated)

	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				
Balance at 31 March 2012	40,712	5,093	1,733	47,538	11,030	7,956	(204,834)	(138,310)
Movement in Reserves during 2012-2013								
Surplus or (Deficit) on Provision of Services	(23,379)	0	0	(23,379)	0	(12,082)	58	(35,403)
Other Comprehensive Expenditure and Income	0	0	0	0	14,256	(2,057)	(27,772)	(15,573)
Total Comprehensive Expenditure and Income	(23,379)	0	0	(23,379)	14,256	(14,139)	(27,714)	(50,976)
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7)	28,757	0	0	28,757	(28,757)	10,072	(10,072)	0
Net Increase or (Decrease) before Transfers to/from Other Statutory Reserves	5,378	0	0	5,378	(14,501)	(4,067)	(37,786)	(50,976)
Transfers (to) and from Other Statutory Reserves	(837)	432	405	0	0	(12)	12	0
Increase or (Decrease) in the Year	4,541	432	405	5,378	(14,501)	(4,079)	(37,774)	(50,976)
Balance at 31 March 2013 Carried Forward	45,253	5,525	2,138	52,916	(3,471)	3,877	(242,608)	(189,286)

Group Comprehensive Income and Expenditure Statement for the Year ended 31 March 2014

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*.

Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
9,702	(8,343)	1,359	Central Services to the Public	3,192	(1,167)	2,025
18,762	(1,317)	17,445	Cultural & Related Services	13,706	(1,572)	12,134
107,029	(3,331)	103,698	Education Services	73,925	(3,142)	70,783
14,501	(1,952)	12,549	Environmental Services	13,263	(1,903)	11,360
5,841	0	5,841	Fire & Rescue Services*	0	0	0
42,824	(40,527)	2,297	Housing Services	42,274	(39,045)	3,229
13,295	(3,771)	9,524	Planning and Development Services	12,823	(3,612)	9,211
7,217	(242)	6,975	Police Services*	0	0	0
10,336	(3,579)	6,757	Roads & Transportation	10,420	(3,566)	6,854
67,776	(14,105)	53,671	Social Work	66,836	(14,258)	52,578
2,239	0	2,239	Corporate and Democratic Core	2,014	0	2,014
1,574	(79)	1,495	Non-Distributable Costs	2,708	(5)	2,703
301,096	(77,246)	223,850	Cost of Services	241,161	(68,270)	172,891
	(27)		Other Operating Income			(332)
	17,072		Financing and Investment Income and Expenditure (Note 8)			19,478
	(217,516)		Taxation and Non-specific Grant Income (Note 9)			(200,755)
	23,379		(Surplus) or Deficit on the Provision of Services			(8,718)
	12,024		Share of the surplus or deficit on the provision of services by associates (Note 40)			(96)
	35,403		Group Surplus or Deficit			(8,814)
	(40,677)		(Surplus) or deficit on the revaluation of non-current assets			(11,093)
	6,883		Impairment losses on non-current assets charged to the Revaluation Reserve			3,261
	19,538		Actuarial (gains) or losses on pension assets and liabilities (Note 33)			12,422
	29,829		Share of other Comprehensive Income and Expenditure of associates (Note 40)			(1,827)
	15,573		Other Comprehensive Income and Expenditure			2,763
	50,976		Total Comprehensive Income and Expenditure			(6,051)

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

Group Balance Sheet as at 31 March 2014

The Balance Sheet is a snapshot of the value at the 31 March 2014 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).

2013 (Restated) £000			2014			2013 (Restated) £000			2014		
	Note	£000		Note	£000		Note	£000		Note	£000
400,722	10	Property, Plant and Equipment	433,867								
18,059	12	Heritage Assets	18,059								
151	11	Intangible Assets	200								
8,239	41	Investments in Associates	10,571								
2,175	14	Long-term Debtors	2,147								
429,346		Non-Current Assets	464,844			(189,286)		Net Assets/(Liabilities)			63,070
33,007	13	Short-term Investments	17,599			52,916	18	Usable Reserves of the Council			50,834
185		Assets Held for Sale	0			(3,471)	19	Unusable Reserves of the Council			2,739
324		Inventories	318			3,877		Usable Reserves, Share of Reserves of Associates			4,968
11,283	14	Short-term Debtors	10,168			(242,608)		Unusable Reserves, Share of Reserves of Associates			4,529
34,909	15	Cash and Cash Equivalents	30,845			(189,286)		Total Reserves			63,070
79,708		Current Assets	58,930								
(7,039)	13	Short-term Borrowing	(8,447)								
(28,515)	13&16	Short-term Creditors	(24,006)								
(1,296)	17	Provisions	(1,832)								
(1,965)	29 & 30	Short-term Finance Leases	(1,953)								
(38,815)		Current Liabilities	(36,238)								
(799)	13&16	Long-term Creditors	(480)								
(221,250)	13	Long-term Borrowing	(215,447)								
(246,970)	41	Liabilities in Associates	(1,074)								
		Other Long-term Liabilities:									
(71,839)	29 & 30	Finance Leases	(69,811)								
(118,667)	33	Pensions	(137,654)								
(659,525)		Long-term Liabilities	(424,466)								

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Alan Puckrin C.P.F.A.
Acting Corporate Director of Environment,
Regeneration & Resources (Section 95 Officer)
Issued on 19 June 2014

The unaudited accounts were issued on 19 June 2014 and the audited accounts were authorised for issue on 23 September 2014.

A Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom 2013-2014 (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.

B Combining Entities and Group Boundary

The Group Accounts consolidate the results of the Council with five other entities (seven in prior year):

- Strathclyde Partnership for Transport (SPT)
- Strathclyde Concessionary Travel Scheme Joint Board
- Renfrewshire Valuation Joint Board
- Inverclyde Leisure
- Riverside Inverclyde
- Prior Year Only – Strathclyde Police Joint Board and Strathclyde Fire and Rescue Joint Board

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 38 Combining Entities.

C Basis of Preparation of Group Statements and Going Concern

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

For two of the five entities, the Council has a share in a net liability. In the prior year, the significant negative balances on Police and Fire and Rescue arose from the inclusion of liabilities related to the defined benefit pension schemes as required by IAS19 (i.e. their pension liability to pay retirement benefits in the long term).

The effect of inclusion of the above associate bodies on the Group Balance Sheet is to increase both the “total assets less liabilities” and “total balances and reserves” by £9.497 million representing the Council's share of the net liabilities in these entities.

All associates consider it appropriate that their Statement of Accounts should follow the “going concern” basis of accounting. In common with these public bodies, 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 Scheme. This is explained in Note 33 Defined Benefit Pension Schemes. The associates have accounting policies for pensions accounting that are consistent with those of the Council.

Police and Fire-fighters have separate pension arrangements. The Police Pension Scheme and the Fire-fighter’s Pension Scheme are unfunded and therefore in the prior year net pension payments were charged to the Comprehensive Income and Expenditure Statement in the year in which payment was made.

E Property, Plant and Equipment

Measurement

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

- I. The Valuation Joint Board and Concessionary Travel Scheme Joint Board have no fixed assets.
- II. The SPT holds exceptional types of fixed 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 38 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 2014. 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 Police Joint Board

Inverclyde Council was a member of the Police Joint Board until 31 March 2013. The Board was a statutory corporate body established under the Strathclyde Combined Police Area Amalgamation Order 1995 that provided a comprehensive range of policing services on behalf of the 12 constituent local authorities in the West of Scotland. In 2012-2013 the Council contributed £6.24 million or 3.57% of the Board’s estimated running costs and its share of the year-end net liability of £186.554 million is included in the 2012-13 Group Balance Sheet. The audited accounts of the Board for 2012-13 can be obtained from the Treasurer to Strathclyde Police Joint Board, Glasgow City Chambers, Glasgow G2 1DU. The Police Board was merged into a single national Police Service for Scotland from 1 April 2013.

Strathclyde Fire and Rescue Joint Board

Inverclyde Council was a member of the Strathclyde Fire and Rescue Joint Board until 31 March 2013. The Board provided fire and emergency cover for the 12 constituent local authorities in the West of Scotland. In 2012-2013 Inverclyde Council contributed £5.88 million or 3.95% to the Board's estimated running costs and its share of the year-end net liability of £59.751 million is included in the 2012-13 Group Balance Sheet. The audited accounts of the Board for 2012-13 can be obtained from the Treasurer to Strathclyde Fire and Rescue Joint Board, Bothwell Road, Hamilton ML3 0EA. The Fire Board was merged into a single national Fire Service for Scotland from 1 April 2013.

Strathclyde Partnership for Transport

This is the statutory body responsible for formulating the public transport policy for the 12 local authorities in the West of Scotland plus Dumfries and Galloway Council. In 2013-2014, Inverclyde Council contributed £1.478 million or 3.95% (2012-2013 £1.478 million) of the Partnership's estimated running costs and its share of the year-end net asset of £6.238 million (2012-2013 £6.309 million) is included in the Group Balance Sheet. The audited accounts of the Board can be obtained from the Treasurer to Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

Strathclyde Concessionary Travel Scheme Joint Board

This Travel Scheme comprises the 12 Councils within the West of Scotland 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. The Strathclyde Partnership for Transport administers the Scheme on behalf of the Board. In 2013-2014, Inverclyde Council contributed £0.171 million or 4.02% (2012-2013 £0.156 million) of the Board's estimated running costs and its share of the year-end net asset of £0.065 million (2012-2013 £0.056 million) is included in the Group Balance Sheet. The audited accounts of the Board can be obtained from the Treasurer to Strathclyde Concessionary Travel Scheme, Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

Renfrewshire Valuation Joint Board

This Board was formed in 1996 at local government re-organisation by Act of Parliament and is responsible for the maintenance of the electoral, council tax and non-domestic rates registers for the three Councils of East Renfrewshire, Renfrewshire and Inverclyde. Its principal place of business is The Robertson Centre, 16 Glasgow Road, Paisley PA1 3QF. The Board's running costs are met by the three member Councils. Surpluses or deficits on the Board's operations are shared between the Councils. In 2013-2014, Inverclyde Council contributed £0.541 million or 23.70% (2012-2013 £0.557 million) of the Board's estimated running costs and its share of the year-end net liability of £0.592 million (2012-2013 £0.485 million net liability) is included in the Group Balance Sheet. The audited accounts of the Board can be obtained from the Treasurer to the Renfrewshire Valuation Joint Board, Renfrewshire House, Paisley PA1 1JB.

Inverclyde Leisure

This is a charitable company registered in Scotland that provides leisure facilities within Inverclyde Council's area to the general public and operates sports & leisure centres, community centres and swimming pools owned by the Council. Inverclyde Leisure is paid a management fee by the Council for the provision of these services. The charity's net liability at 31 March 2014 was £1.060 million (2012-2013 £0.396 million liability) and its net deficit for the year was £0.016 million (2012-2013 £0.157 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 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 2013-2014, Inverclyde Council contributed £1.853 million (as per related notes) or 33.01% of the charity's turnover and its share of the year-end net liabilities of £0.482 million (2012-2013 £0.180 million net liabilities) is included in the Group Balance Sheet.

Riverside Inverclyde

This is an Urban Regeneration Company limited by guarantee with charitable status and two member organisations, Inverclyde Council and Scottish Enterprise Renfrewshire. The charitable company has been established to improve and regenerate the riverside area stretching from Port Glasgow through to Greenock. The company's operations are funded by grants from the Scottish Government, Inverclyde Council and Scottish Enterprise Renfrewshire. The Charity's net assets at 31 March 2014 were £12.804 million (2012-2013 £9.381 million) and its net profit for the year was £0.382 million (2012-2013 £0.569 million net profit). The Council has no commitment to meet any losses of the company. The audited 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 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 2013-2014, Inverclyde Council contributed £1.940 million (2012-2013 £2.756 million) or 31.19% of the charity's turnover, and its share of the year-end asset of £4.268 million (2012-2013 £1.874 million) is included in the Group Balance Sheet.

Note 39 Group Cash Flow Statement

The cash flow of the Group is identical to that disclosed for Inverclyde Council on page 24. 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 40 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 Comprehensive Income and Expenditure Statement. This note should be read in conjunction with the disclosures for the Council in Note 5 *Material Items of Income and Expenditure*.

	2013-2014 £000	2012-2013 £000
Share of the (surplus) or deficit on the provision of services by associates		
Strathclyde Police Joint Board (Transferred 1 April 2013)	0	9,362
Strathclyde Fire and Rescue Joint Board (Transferred 1 April 2013)	0	3,324
Strathclyde Partnership for Transport	(9)	(480)
Strathclyde Concessionary Travel Scheme Joint Board	(9)	8
Renfrewshire Valuation Joint Board	42	(5)
Inverclyde Leisure	7	(71)
Riverside Inverclyde	(127)	(114)
	(96)	12,024
Share of Other Comprehensive (Income) and Expenditure of Associates		
Strathclyde Police Joint Board (Transferred 1 April 2013)	0	20,034
Strathclyde Fire and Rescue Joint Board (Transferred 1 April 2013)	0	7,094
Strathclyde Partnership for Transport	80	242
Strathclyde Concessionary Travel Scheme Joint Board	0	1
Renfrewshire Valuation Joint Board	65	140
Inverclyde Leisure	294	289
Riverside Inverclyde	(2,266)	2,029
	(1,827)	29,829

Note 41 Group Assets and Liabilities of Associates

	2013/2014	2012/2013
	£000	£000
Net Assets of Associates		
Strathclyde Partnership for Transport	6,238	6,309
Strathclyde Concessionary Travel Scheme Joint Board	65	56
Riverside Inverclyde	4,268	1,874
	10,571	8,239
Net Liabilities of Associates		
Strathclyde Police Joint Board (Transferred 1 April 2013)	0	(186,554)
Strathclyde Fire & Rescue Joint Board (Transferred 1 April 2013)	0	(59,751)
Renfrewshire Valuation Joint Board	(592)	(485)
Inverclyde Leisure	(482)	(180)
	(1,074)	(246,970)

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 2014 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the Council Tax Income Account, the Non-domestic Rates Income Account 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 2013/14 (the 2013/14 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.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Responsible Financial Officer and auditor

As explained more fully in the Statement of Responsibilities, the Responsible 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 group's and the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Responsible Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2013/14 Code of the state of the affairs of the group and of the body as at 31 March 2014 and of the income and expenditure of the group and the body 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 2013/14 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 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 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we 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 does not comply 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.

Gary Devlin, for and on behalf of Grant Thornton UK LLP
7 Exchange Crescent
Edinburgh
EH3 8AN
23 September 2014

Glossary of Terms

1. Accounting Period

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

2. Accruals

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

3. Actuarial Gains and Losses (Pensions)

For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

4. Asset

An item having value to the Council in monetary terms. Assets are categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock). A non-current asset provides benefit to the Council and to the Services it provides for a period of more than one year.

5. Associates

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

6. Audit of Accounts

An independent examination of the Council's financial affairs.

7. Balance Sheet

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

8. Capital Adjustment Account

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

9. Capital Expenditure

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

10. Capital Financing

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

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

11. Capital Programme

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

12. Capital Grants Unapplied Account

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

13. Capital Receipt

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

14. CIES

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

15. CIPFA

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

16. The Code

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

17. Community Assets

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

18. Consistency

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

19. Contingent Liability

A contingent liability is either

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

20. Corporate and Democratic Core

The Corporate and Democratic Core comprises all activities which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same service.

21. Creditor

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

22. Current Service Cost (Pensions)

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

23. Debtor

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

24. Defined Benefit Pension Scheme

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

25. Depreciation

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

26. Discretionary Benefits (Pensions)

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

27. Employee Statutory Adjustment Account

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

28. Entity

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

29. Equity

The Council's value of total assets less liabilities.

30. Events after the Balance Sheet Date

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

31. Exceptional Items

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

32. Extinguishment

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

33. Fair Value

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

34. Financial Instruments Adjustment Account

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

35. Finance Lease

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

36. General Revenue Grant

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

37. Going Concern

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

38. Government Grants

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

39. Gross Expenditure

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

40. Gross Income

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

41. Heritage Asset

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

42. IFRS

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

43. Impairment

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

44. Infrastructure Assets

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

45. Insurance Fund

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

purposes.

46. Intangible Assets

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

47. Interest Cost (Pensions)

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

48. Inventories

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

49. Liability

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

50. MiRS

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

51. National Non Domestic Rates Pool

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

52. Net Book Value

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

53. Non-current Assets

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

54. Non Distributed Costs

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

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 a hereditament, 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, its Corporate Directors and their close family and household members.

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 for example the Greenock Cut.

67. Reserves

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

68. Residual Value

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

69. Revaluation Reserve

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

70. Revenue Expenditure

The day-to-day expenses of providing services.

71. Significant Interest

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

72. Soft Loans

Loans made at significantly below market rates are known as "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. Inverclyde Council sometimes makes loans at less than market rates where a service would justify the authority making a concession. Examples include small start-up loans to small business and industries.

73. Short-term Borrowing

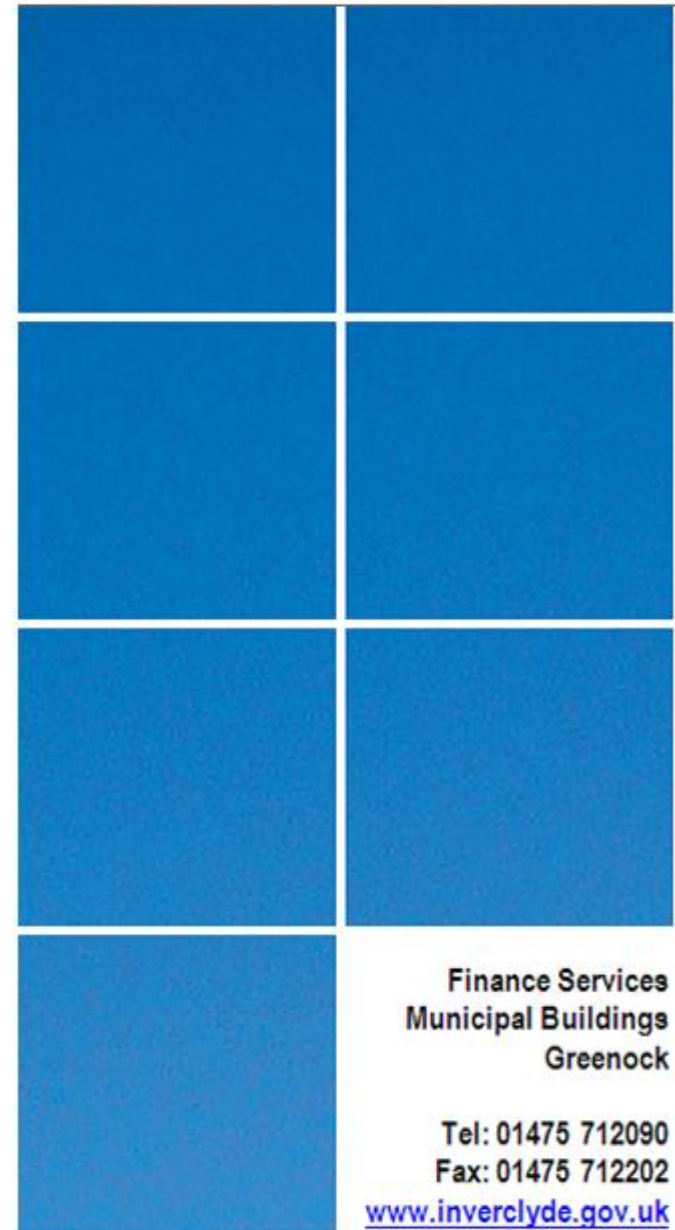
Money borrowed for a period of less than a year.

74. Trust Funds

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

75. Useful Economic Life

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



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