

Inverclyde Council  
Audited Annual Accounts

2012-2013





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## Foreword by the Chief Financial Officer

### 1. Introduction

This publication contains the financial statements of both Inverclyde Council and its group for the year ended 31 March 2013, which have been compiled in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2012-2013 ("The Code"). This foreword outlines key messages regarding the financial performance of the Council over the 2012-2013 financial year and also provides an outlook for future issues and risks which may impact upon the finances of the Council.

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

The 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 local authority 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	2012-2013
<b>Reserves</b>		
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's Policy is 2% of annual turnover which is considered appropriate in the context of the Council's financial and ongoing risk profile. More information is provided in the <i>Revenue</i> section below.	2.74%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the local authority is using its Uncommitted General Fund Reserve.	(9.54)%
<b>Council Tax</b>		
In-year collection rate	Reflects the authority'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.	94.18%
Ratio of Council Tax Income to Overall Level of Funding	Reflects the local authority'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. More information is provided in the <i>Principal Sources of Finance</i> section below.	15.24%
<b>Financial Management</b>		
Actual Outturn compared to Budgeted Expenditure	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. This indicator is based on the format of budget monitoring as reported throughout the year. More details are provided in <i>Section 4 Budget Performance</i> below.	97.76%
Actual contribution to/from Unallocated General Fund Balance compared to Budget.		2.24%

Financial Indicator	Commentary	2012-2013
<b>Debt/Long-term Borrowing</b>		
Capital Financing Requirement (CFR) for the current year	Although this year's external borrowing marginally exceeds the Capital Financing Limit (by less than one percent), external borrowing will be less than the CFR over the medium term. This demonstrates that borrowing is for capital investment purposes only. More information is provided within the Long-term and Short-term Borrowing section below.	£296.91m
External Debt Levels for the current year		£298.22m
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.	10.93%
Impact of Capital Investment on Council Tax		£13.45

### Revenue

The Comprehensive Income and Expenditure Statement on page 22 summarises the total costs of providing Council services and the income available to fund those services. The General Fund is funded by Government Grant and Council Tax revenues and the Movement in Reserves Statement on page 20 shows a surplus of £4.6 million for the year. When combined with the General Fund Balance of £40.7 million brought forward from 2011-2012 it results in a cumulative balance of £45.3 million to be carried forward to 2013-2014. £39.7 million of this balance is earmarked for particular purposes as detailed in Note 22 on Pages 50 to 51. This leaves £5.6 million as an unallocated balance which is approximately 2.74% of the Council's budgeted cost of service. This is £1.6 million more than the recommended level of £4.0 million, and the Council is due to consider uses for the excess later in 2013.

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.

### Principal Sources of Finance

The principal sources of finance utilised by the Council in 2012-2013 were as follows:

General Revenue Grant	£153.5 million	Provided by the Scottish Government
Other Government Grants	£10.3 million	Provided by Central and Scottish Government
Non-Domestic Rates redistribution	£20.4 million	Provided by the Scottish Government
Council Tax	£33.2 million	Raised from local taxpayers
Other income	£47.9 million	Sales, fees, charges and other contributions for services

### Balance Sheet

The Balance Sheet on page 23 summarise the Council's assets and liabilities as at 31 March 2013 and explanatory notes are provided. Total net assets have increased marginally by £0.1 million to £58.7 million. Within this, there have been significant increases in both asset values and liabilities that broadly compensate. Non-current assets have increased by £43.3 million while cash and cash equivalents have increased by £16.3 million; on the liabilities side borrowing has increased by £30.0 million and the pensions liability has increased by £22.4 million. The major changes in the Council's balance sheet between March 2012 and March 2013 are explained in more detail in the following paragraphs.

### Non-current and Current Assets

Non-current assets have increased in value by £43.3 million to £430.3 million. An increase in asset values resulting from capital investment and a revaluation exercise was offset by depreciation charges for the year. Cash and cash equivalents have increased by £16.3 million and short-term investments have reduced by £7.3 million, an overall increase of £9.0 million. This has arisen as a result of the additional borrowing during the year (note no borrowing was done in the previous year) as part of the Council's approved treasury management activities. Short-term creditors and provisions have increased by £1.6 million.

### Pensions Position

The disclosure requirements for pension benefits under IAS19 are disclosed in Note 37. The appointed actuaries have confirmed a deterioration of £22.4 million in their assessment of the actuarial deficit position of the local government pension fund. This movement is the net outturn from both increased liabilities linked to a lower discount rate as at 31 March 2013 than the year previous (a lower discount rate leading to an increased value in future liabilities) and better than expected returns in the year.

This assessment provides only a snapshot at 31 March 2013 and necessarily changes on a day-to-day basis to reflect stock markets movements in particular. The appointed actuaries remain of the view that the asset holdings of Strathclyde Pension Fund and the contributions from employees and employers provide sufficient security and income to meet future pension liabilities.

The major part of the change during the year is disclosed as a post-employment actuarial loss on pension liabilities (£22.5 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

The Council's net borrowing increased by £30.0 million during the year. Short-term borrowing increased by £4.3 million whilst long-term borrowing increased by £25.7 million.

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 41. The Council regulates its capital spending limits within a prudential framework recommended by CIPFA and endorsed by the Scottish Government. Each year, the Council sets its capital financing requirement (CFR) for the forthcoming year. The CFR is a prudent assessment of the aggregate 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 net external debt was £298.2 million at 31 March 2013 compared to the CFR limit of £296.9 million. The Council's loans fund rate was 3.8% for 2012-2013, a reduction of 0.4% from 2011-2012.

### Provisions, Contingencies and Write-offs

The Council has provided £1.3 million for eventualities which may have a material effect on the financial position of the Council (see Note 21). 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.

As outlined above, the Council has also earmarked £39.7 million within the General Fund Balance for specific purposes.

There was a write-off against bad debt provision during the year of irrecoverable debt due to the Council of £0.39 million for Council Tax and £0.02 million of other debts which was approved by the Chief Financial Officer under delegated authority. In addition, the Council impaired non-current assets at the year-end by £9.11 million and made a provision at the year-end of £17.91 million for non-collection of debt, an increase of £0.75 million.

### 3. Distribution of Reserves of Police and Fire Boards

The Scottish Government determined that police and fire services be merged into single national forces from 1 April 2013. The Police Reform (Scotland) Act 2012 provided that two new bodies – the Scottish Police Authority and the Scottish Fire and Rescue Service – assume responsibility for the functions of the previous regional bodies. The transfer of services from the local authority sector to central government does not negate the presumption of going concern, and the financial statements have been compiled on this basis. The accumulated balance on the usable reserves of Strathclyde Joint Police Board and Strathclyde Fire and Rescue Board will be distributed to member local authorities during 2013-2014.

Allowance has been made in the Council's accounts for 2012-2013 for its share of the reserves of the demitting Boards based on information supplied by the local authorities responsible for the final accounting. Payment of the finally agreed amount will be made in 2013-2014 after the audits of the Police and Fire accounts are complete.

### 4. Budget Performance of the General Fund

The General Fund returned a net surplus of £4.541 million for the year compared to a budgeted surplus of £4.553 million. The marginal change in out-turn of £0.012 million is largely the net impact of the Council's share of Police and Fire Boards reserves of £0.967 million, £0.777 million on increased savings in loans charges, £0.581 million in contingencies not required, offset by a planned spend in earmarked reserves carried forward from previous years.

### 5. Financial Outlook and Key Risks

#### Management of Treasury Risk

The poor economic climate which started with the banking crisis in 2008 continued throughout 2012-2013 and with little prospect of any material recovery in the short-term pressures on public finances have continued to grow. There remain concerns with regards to the longer term stability of the European banking system and sovereign debt within the Eurozone. The Council continues to mitigate the risks associated with security of cash deposits through considering restructuring debt where opportunities arise, and reviewing and strengthening in association with our treasury advisers the criteria for placing deposits with financial institutions on the Council's approved counterparty list. In addition, as part of the Council's ongoing treasury strategy, the Council has sought to defer external borrowing requirements with the dual objective of reducing the level of cash deposits held by the Council, whilst generating ongoing savings in overall interest costs. This strategy is kept under careful review in order that the Council retains sufficient cash balances to support its ongoing requirements and remains alert to any anticipated negative movement in future borrowing rates.

#### Key Financial Risks and the Reform Agenda

The local government grant settlement announced in February 2013 outlined a reduction in the Council's revenue grant of £1.1 million in 2013-2014, with further indicative reductions of £1.0 million in 2014-2015. As referred to above, economic recovery remains very slow and behind previous expectations of the UK Government. As a consequence, the period of austerity and reduction in the overall level of UK public sector expenditure is now anticipated to extend until the next comprehensive spending review period through to 2017-2018. It is expected that the Council's government grant settlement, which remains the primary sources of revenue funding, will continue to decline in absolute terms over the medium term.

Concurrently, the Council continues to face ongoing service and cost pressures arising from a range of key issues, most significantly demographic and socio-economic factors which continue to play a major role in driving spending pressures for the Council. Inverclyde Council has continued to be proactive in its preparation for the anticipated reductions in grant and increased demand pressures. A number of decisions have been taken by the Council throughout 2012-2013 in conjunction with the Council Budget set for the period 2013-2016 which will continue to deliver savings in future years to ensure sustainability.

The public sector reform agenda continues to develop at an increasing pace with the Council facing a wide range of significant change and reform measures which present both uncertainty and risks which the Council needs to plan for and appropriately manage. As explained earlier in this foreword, Police and Fire reform has been progressed by the Scottish Government with the establishment of the Scottish Police Authority and Scottish Fire and Rescue service from 1<sup>st</sup> April 2013. The Council has remained actively

involved across a range of national groups to ensure the Council's financial interests are appropriately protected during this transition process and that appropriate governance and partnership arrangements are established at a local level in the context of the new national arrangements.

During the course of 2012-2013 the UK Government has continued to progress its plans to introduce significant changes to the benefits system as part of the wider welfare reform agenda. This reform programme is wide ranging and complex in terms of its impact and represents a significant risk to the Council, Inverclyde citizens and the local economy. Further, increased demand anticipated for a range of Council services will create a number of specific financial risks and consequences in relation to the delivery and funding of those services. There are well developed programme arrangements within the Council and with key partner agencies both locally and at national level which have ensured the Council is well prepared for implementing associated benefit changes, is alert to financial risks emerging from what is a fast changing environment, but most importantly has been proactively supporting Inverclyde citizens to prepare for and manage the financial impact for themselves and their families.

Looking forward, the Council has been actively preparing for the Scottish Government's policy reform programme in the area of Health and Social Care reform via the development and implementation of the reform proposals with the Scottish Government, Professional Associations and local NHS partners.

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 further savings in order that 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, wherever possible.

### Impact on Asset Valuation

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. The impact of the revaluation exercise has broadly shown an increase in land and building values.

### 6. Significant Trading Operation

The Council has reclassified its "significant trading operation" (STO). The activities of the former Building Services STO are no longer "significant" because of the reduced scale of its operations and accordingly there are no STO's in the current financial year.

### 7. Capital Expenditure and Income

The Council is able to regulate its own capital spending limits within a prudential framework recommended by the Chartered Institute of Public Finance and Accountancy and endorsed by the Scottish Government. The Council's performance confirms its overall capital spending of £48.4 million was managed within the "Prudential Framework" limits approved by the Council. There was slippage of £3.8 million (7.00%) against the approved capital programme. This is an improvement on 2011-2012 where there was slippage of £14.1 million (31.0%) against the approved capital programme. Contributing factors related to a combination of delays in start dates, and a reduction in expected costs of two large schools projects added to slippage in housing grants, modernisation projects and the purchase of vehicles.

The major part of the capital expenditure for the year was the £33.9 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 £3.4 million from revenue, £0.06 million from receipts, £10.0 million from Government grants with the balance of £34.8 million being met through borrowing. Further information about the spending on capital projects is shown in Note 32 on pages 60 to 61.



Major projects progressed during the year included:

- £2.5 million on the Leisure Strategy.
- £21.3 million on the construction of the Community Campus/ASN School.
- £7.5 million on refurbishment of St Columba's High School.
- £3.0 million on the Office and Depot Rationalisation Programme.
- £4.2 million on Roads and Transportation Projects.

### 8. 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 has 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 2012-2013, £9.0 million was paid to the contractor under the terms of the agreement.

### 9. 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 will be undertaken by Inverclyde Property Renovations LLP.

### 10. Common Good

The Common Good Fund, administered by the Council, returned a surplus of £0.03 million. Income, mostly from rents, exceeded outgoings on various community events. The total usable reserves of the Common Good now stand at £0.2 million which is available for use in future years. Common Good is detailed on pages 78-80.

### 11. 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 82 to 91 consolidate the results of the Council with its share of seven other entities – Strathclyde Joint Police Board, Strathclyde Fire and Rescue Joint Board, Strathclyde Partnership for Transport, Strathclyde Concessionary Travel Scheme Joint Board, Renfrewshire Valuation Joint Board, Inverclyde Leisure and Riverside Inverclyde. The effect of the inclusion of the above associate bodies in the Group Balance Sheet is to reduce both the "total assets less liabilities" and "total balances and reserves" by £238.731 million representing the Council's share of the net liabilities in these entities. This reflects the combined pension position of these associates, particularly those recorded for the Police and Fire-fighter's Pension scheme. It should be noted that due to an external review of the Riverside Inverclyde investment in James Watt Dock LLP, the Council have taken a prudent view to fully impair the investment in Riverside Inverclyde's accounts. This does not impact on Riverside Inverclyde's going concern status.

The statements which make up the "Group Accounts" for the Local Authority are; The Group Movement in Reserves Statement, The Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement and Notes to the Group Accounts.

### 12. Service Changes and Future Developments

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

As detailed in earlier sections of this foreword, police and fire services will transfer from the local authority sector to central government on 1 April 2013. The Scottish Government is progressing proposals to integrate health and social care in Scotland, with a Bill to be introduced to Parliament later in 2013. It is likely that more formal integration of services will occur which will have financial and governance implications for both local government and the NHS in Scotland. The Scottish Government will hold a

referendum of the Scottish electorate on the issue of independence from the United Kingdom on 18 September 2014. The implications for local government in Scotland of a yes vote are unknown at present.

### 13. 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 Chief Financial Officer for the financial statements.

#### Statement on the System of Internal Financial Control

This statement sets out the framework within which financial control is managed and reviewed over the main components of the system, including the arrangements for Internal Audit.

#### 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.

#### 14. 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 from Finance Services, Municipal Buildings, Clyde Square, Greenock PA15 1LY

Alan Puckrin C.P.F.A.  
Chief Financial Officer  
25 June 2013

# Statement of Responsibilities for the Annual Accounts

## a) The Authority's Responsibilities

The Authority 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 Chief Financial Officer.
- (ii) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

In addition, the Council is committed to ensuring Best Value in service delivery.

## b) The Chief Financial Officer's Responsibilities

The Chief Financial Officer of Inverclyde Council is responsible for the preparation of the Authority'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 Chief Financial Officer has:

- (i) Selected suitable accounting policies and then applied them consistently.
- (ii) Made judgements and estimates that were reasonable and prudent.
- (iii) Complied with the Code of Practice.

The Chief Financial 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 Authority at the accounting date and its income and expenditure for the year ended 31 March 2013.

## Statement on the System of Internal Financial Control

- 1) This statement is given in respect of the Annual Accounts for Inverclyde Council. For financial year ended 31 March 2013, the statement also covers the other bodies whose activities have now been incorporated into our Group Accounts i.e.
- Inverclyde Leisure Limited
  - Strathclyde Police Joint Board
  - Strathclyde Fire & Rescue Joint Board
  - Strathclyde Partnership for Transport
  - Strathclyde Concessionary Travel Scheme Joint Board
  - Renfrewshire Valuation Joint Board and
  - Riverside Inverclyde.

In respect to Inverclyde Council, we acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned. For the other bodies in the Group, we have placed reliance on the individual bodies' management and Chief Internal Auditors' assurances in relation to the soundness of their systems of internal financial control.

- 2) The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.
- 3) The system of internal financial control is based on a framework of Financial Regulations, regular management information, administrative procedures (including segregation of duties), management supervision and a scheme of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular the system includes:-
- Financial regulations;
  - A comprehensive budgeting system;
  - Regular reviews of periodic and annual financial reports which indicate performance against forecasts;
  - Setting targets to measure financial and other performance;
  - Clearly defined capital expenditure guidelines; and
  - Formal project management disciplines for capital and major ICT initiatives.
- 4) Internal Audit within Inverclyde Council operates as part of the Environment, Regeneration and Resources Directorate. The Service operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK (2006) and ISA 610, and undertakes an annual programme of work, approved by the Audit Committee, to derive sufficient and appropriate audit evidence to confirm the adequacy and effectiveness of the Council's system of internal control.
- 5) In relation to reporting arrangements, the Council's Chief Internal Auditor reports functionally to the Council's Monitoring Officer. The Chief Internal Auditor has a right of access and freedom to report in her own name to all officers and members and particularly those charged with governance. This reporting structure protects the independence of the Chief Internal Auditor and promotes an appropriate profile for the Internal Audit team throughout the organisation.
- 6) Improvement plans are agreed with the appropriate Council officers at the conclusion of all internal and external audits throughout the year. An ongoing monthly follow-up process is in place to monitor progress on implementation of agreed actions.

7) Our review of the effectiveness of the system of internal financial control is informed by:-

- The work of managers within the Council;
- The work of internal audit as described above; and
- The external auditors in their annual audit letter and other reports.

8) From the above, we are satisfied that the Council has in place a sound system of internal financial control, but would draw attention to the specific matters detailed in paragraphs 9 to 11 below.

9) Specific exercises are underway to:-

- Embed the corporate approach to partnership working and the associated risk assessment processes;
- Improve corporate arrangements for information governance and management within the Council.

Once completed, these initiatives will enhance the current system of internal financial control.

10) Work is continuing in line with Audit Action Plans to improve the arrangements for:-

- Improving corporate governance arrangements within key partnerships.

11) During 2012/13 the Council continued to value the importance of maintaining the momentum on risk management and progress has been made in the following:

- Regularly reviewing and updating the Corporate and Service Risk Registers for the Council.
- Maintaining a risk register in conjunction with partners in relation to the Single Outcome Agreement.
- Maintaining a risk register for key Corporate Strategies such as the Financial Strategy and School Estate Management Plan.
- Developing an awareness campaign to promote our Anti-Fraud and Irregularity Policy.
- Developing an e-learning training module on risk management for employees.
- Embedding Risk Management within the overall Strategic Planning and Performance Management Framework.
- Continuing to facilitate the advancement of emergency planning, crisis management and business continuity within the Council and fulfil the Council's legislative requirements under the Civil Contingencies Act 2004 in conjunction with the Joint Civil Contingencies Service.

It is considered important to actively manage the risk management process to achieve further improvement, and key actions to be taken include:-

- Progressing the implementation of risk management processes in key partnerships.

The momentum on risk management will be maintained and its achievement monitored and reported to Audit Committee.

12) We are satisfied that appropriate mechanisms are in place to identify and address areas of material weakness timeously.

## Statement on the Role of the Chief Financial Officer in Local Government

CIPFA published this statement in 2010 and under the Code the Council is required to state whether it complies with the statement, and if not, to explain how their governance arrangements deliver the same impact. The full statement is:

The Chief Financial Officer in a public service organisation:

- is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic sustainably and in the public interest;
- must be actively involved in, and able to bring influence on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and align with the authority's financial strategy; and
- must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

- must lead and direct a finance function that is resourced to be fit for purpose; and
- must be professionally qualified and suitably experienced.

The Council considers that it complies with the above statement.

**Alan Puckrin**  
**Section 95 Officer**

.....

**John Mundell**  
**Chief Executive**

.....

25 June 2013

# Remuneration Report

## Introduction

The remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 1985 (as amended by the Local Authority Accounts (Scotland) Amendment Regulations 2011). These Regulations require various disclosures about the remuneration and pension benefits of senior councillors and senior employees.

For completeness, the disclosure requirements under paragraph 3.4.4.1(6) of The Code for the totals of elected members' salaries, allowances and expenses have been included in a separate table.

All figures disclosed in the tables in this Remuneration Report will be audited by the appointed auditors Grant Thornton and the information in the Report reviewed by them to ensure it is consistent with the other sections of the Annual Accounts.

## Arrangements for Remuneration

The full Council sets the remuneration levels for senior councillors and senior officers. Its role is to ensure the application and implementation of fair and equitable systems for pay and for performance management within the guidelines of and as determined by the Scottish Ministers and the Scottish Government. In reaching its decisions, the Council has regard to the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities; the Council's policies for the improvement of the delivery of local public services; and the funds available to the Council.

The annual salary of the Leader of the Council and the upper limit of the annual salary of the Provost (or civic head) are set out by the Scottish Government in terms of the Local Government (Scotland) Act 2004 (Remuneration) Regulations 2007, as amended by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulation 2008. Since 1 April 2009 the salary for the Leader of the Council has been £27,058 per annum and the salary for the Provost has been £20,294 per annum.

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 £164,376 per annum, and whose salaries individually must be on a specified scale, currently £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 at £18,264; three Regulatory Board Chairs at £18,264; one Deputy Leader at £18,264; and one Leader of the Opposition at £18,264.

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (NJC) for Local Authority Services sets the salaries for the Chief Officer 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% of the Chief Executive's salary, Heads of Service (1) 72.5% and Heads of Service (2) 64.5%. Inverclyde Council does not pay bonuses or performance related pay. Senior employees receive business mileage and subsistence allowances in accordance with amounts either agreed nationally by SNJC or as approved locally by the Council. In line with all local government employee groups, senior employees received no pay awards in 2012-2013.

## Remuneration

The term *remuneration* means gross salary, fees and bonuses, allowances and taxable expenses, and compensation for loss of employment. It excludes pension contributions paid by the Council. Pension contributions made to a person's pension are disclosed as part of the pension benefits disclosure.



### a) Remuneration of Senior Councillors

	Year ended 31 March 2013			2011-2012
	Gross salary	Taxable expenses	Total Remuneration	Total Remuneration
	£	£	£	£
Ahlfeld, R: Convenor, Regeneration (until 03 May 2012) and Chair, Licensing (from 21 June 2012)	15,862		15,862	18,264
Blair, A: Convenor, Audit (until 02 May 2012)	1,601		1,601	18,264
Brooks, K: Leader of the Opposition (from 17 May 2012)	15,962	113	16,075	0
Clocherty, J: Depute Leader of the Council (until 03 May 2012 and from 17 May 2012)	17,614		17,614	18,264
Dorrian, G: Chair, General Purposes (from 17 May 2012)	15,962	99	16,061	0
Loughran, T: Convenor, Education (until 03 May 2012 and from 17 May 2012)	17,614	246	17,860	17,020
McCabe, S: Leader of the Council (until 03 May 2012 and from 17 May 2012)	26,093	278	26,371	17,904
McCormick, M: Provost (until 03 May 2012) and Convenor, Environment and Regeneration (from 17 May 2012)	17,797		17,797	20,294
Mcllwee, J: Convenor, Health & Social Care (until 03 May 2012 and from 17 May 2012)	17,614		17,614	18,264
Moran, R: Convenor, Safe, Sustainable Communities (until 03 May 2012) and Provost (from 17 May 2012)	19,388	20	19,408	18,304
Nelson, I: Leader of the Opposition (until 03 May 2012)	1,651		1,651	18,264
Rebecchi, L: Convenor, Audit (from 17 May 2012)	15,962		15,962	0
White, G: Chair, General Purposes Board (until 03 May 2012)	1,651	61	1,712	17,117
Wilson, D: Chair, Planning (until 03 May 2012 and from 17 May 2012)	17,614	295	17,909	18,645
<b>Totals</b>	<b>202,385</b>	<b>1,112</b>	<b>203,497</b>	<b>200,604</b>

#### Notes

1. The term *senior councillor* means a leader of the Council, the Civic Head or a senior councillor, all as defined by regulation 2 of the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007(3).
2. All figures shown reflect the remuneration for the period of their appointment in the reporting periods.
3. No senior councillor received any remuneration from a subsidiary body as a representative of the Council. The Council has no subsidiary entities.
4. The table discloses only those Members who served as Senior Councillors in 2012/13 and as a result the 2011/12 figures have been re-presented.
5. The full-time equivalent salary for the post of Leader is £27,058, for Provost is £20,294 and for Senior Councillor is £18,264 (both years).

### b) Remuneration paid to Councillors

The Council paid the following salaries, allowances and expenses to all councillors (including the senior councillors above) during the year.

	2012-2013	2011-2012
	£	£
Salaries	354,703	358,788
Allowances	0	0
Expenses	22,352	26,264
<b>Totals</b>	<b>377,055</b>	<b>385,052</b>

Note: The annual return of councillors' salaries and expenses for 2012-2013 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 [www.inverclyde.gov.uk](http://www.inverclyde.gov.uk). 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), this results in a difference.

### c) Remuneration of Senior Employees

	Year ended 31 March 2013				2011-2012
	Gross salary	Taxable Expenses	Election Payments	Total Remuneration	Total Remuneration
	£	£	£	£	£
Mundell, J: Chief Executive	111,849	96	1,133	113,078	120,317
Fawcett, A: Corporate Director Environment, Regeneration and Resources	102,034		120	102,154	102,524
Henderson, A: Corporate Director Education, Communities and Organisational Development	102,034		120	102,154	102,524
Murphy, R: Corporate Director Community Care & Health Partnership (until 31 May 2012) Full year equivalent (£102,034)	17,052		120	17,172	102,524
Moore, B: Corporate Director, Community Care and Health Partnership (from 1 June 2012) Full year equivalent (£102,034)	84,982	10		84,992	0
Paterson, E: Head Legal and Democratic Services	83,118		1,133	84,251	91,584
Puckrin, A: Chief Financial Officer	83,118			83,118	90,874
<b>Totals</b>	<b>584,187</b>	<b>106</b>	<b>2,626</b>	<b>586,919</b>	<b>610,347</b>

#### Notes

- The term *senior employee* means any local authority employee
  - 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 (including activities involving the expenditure of money), during the year to which the Report relates, 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 Local Government and Housing Act 1989 (4); or
  - Whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.
- All the above figures for remuneration are before deduction of income tax. The table discloses only those employees who were Senior Officers in 2012-2013 and as a result the 2011-2012 figures have been re-presented. The Corporate Director Community Care & Health Partnership's Remuneration is 50% funded by Greater Glasgow and Clyde Health Board through the CHCP partnership.

#### d) Remuneration of Employees receiving more than £50,000

The Council's employees receiving more than £50,000 remuneration for the year were paid the following amounts. In accordance with the disclosure requirement of the Regulations, the information in the table shows the number of employees in bands of £5,000. This information includes the senior employees who are subject to the fuller disclosure requirements in the Remuneration Report.

Remuneration Bands	Number of Employees	
	2012-2013	2011-2012
£50,000 - £54,999	48	45
£55,000 - £59,999	10	9
£60,000 - £64,999	4	3
£65,000 - £69,999	2	3
£70,000 - £74,999	10	10
£75,000 - £79,999	1	0
£80,000 - £84,999	2	1
£85,000 - £89,999	1	0
£90,000 - £94,999	0	1
£95,000 - £99,999	1	0
£100,000 - £104,999	2	3
£105,000 - £109,999	0	0
£110,000 - £114,999	1	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	1
<b>Totals</b>	<b>82</b>	<b>76</b>

## Pension Benefits

The term *pension benefits* covers in-year contributions for the employee or councillor by the Council and the named person's accrued pension benefits at the reporting date.

### a) Pension Benefits of Senior Councillors

	In-year pension contributions		Accrued pension benefits			
	For year to	For year to	As at 31 March 2013		Difference from 31 March 2012	
	31 March 2013	31 March 2012	Pension	Lump Sum	Pension	Lump Sum
	£	£	£	£	£	£
Ahlfeld, R: Convenor, Regeneration (until 03 May 2012) and Chair, Licencing (from 21 June 2012)	3,473	3,500	1,126	0	330	0
Clocherty, J: Depute Leader of the Council (until 03 May 2012 and from 17 May 2012)	3,511	3,500	1,775	1,404	353	26
Dorrian, G: Chair, General Purposes (from 17 May 2012)	3,476	3,111	1,608	1,272	313	18
Loughran, T: Convenor, Education (until 03 May 2012 and from 17 May 2012)	3,511	3,472	1,638	1,295	344	41
McCabe, S: Leader of the Council (until 03 May 2012 and from 17 May 2012)	0	1,066	1,749	2,032	66	76
McCormick, M: Provost (until 03 May 2012) and Convenor, Environment and Regeneration (from 17 May 2012)	3,546	3,889	1,782	919	386	12
Mcllwee, J: Convenor, Health & Social Care (until 03 May 2012 and from 17 May 2012)	1,623	0	171	0	171	0
Moran, R: Convenor, Safe, Sustainable Communities (until 03 May 2012) and Provost (from 17 May 2012)	3,853	3,500	1,775	1,404	352	26
Nelson, I: Leader of the Opposition (until 03 May 2012)	3,169	3,500	1,140	0	331	0
Rebecchi, L: Convenor, Audit (from 17 May 2012)	3,476	3,111	1,551	1,226	312	26
White, G: Chair, General Purposes Board (until 03 May 2012)	319	3,472	1,341	1,274	47	20
Wilson, D: Chair, Planning (until 03 May 2012 and from 17 May 2012)	3,511	3,500	1,775	1,404	352	26
<b>Totals</b>	<b>33,468</b>	<b>35,621</b>	<b>17,431</b>	<b>12,230</b>	<b>3,357</b>	<b>271</b>

The table highlights only those Members who served as Senior Councillors in 2012/13 and as a result the 2011/12 figures have been re-presented.

## b) Pension Benefits of Senior Employees

	In-year pension contributions		Accrued pension benefits				Length of Service at 31 March 2013
	For year to 31 March 2013	For year to 31 March 2012	As at 31 March 2013		Difference from 31 March 2012		
	£	£	Pension £	Lump Sum £	Pension £	Lump Sum £	
Mundell, J: Chief Executive	21,587	21,435	56,092	145,905	1,864	0	38/287
Fawcett, A: Corporate Director Environment, Regeneration & Resources	19,693	19,554	34,526	83,171	1,784	223	25/269
Henderson, A: Corporate Director Education, Communities & Organisational Development	19,693	19,554	54,580	143,333	1,838	385	41/168
Murphy, R: Corporate Director Community Care & Health Partnership	3,291	19,554	40,652	175,652	3,635	58,056	34/171
Moore, B: Corporate Director Community Care & Health Partnership	18,787	14,209	43,562	111,218	10,998	24,871	33/359
Paterson, E: Head of Legal & Democratic Services	16,042	15,929	30,337	74,388	1,463	200	27/316
Puckrin, A: Chief Financial Officer	16,042	17,462	30,198	73,969	1,996	8,682	27/267
<b>Totals</b>	<b>115,135</b>	<b>127,697</b>	<b>289,947</b>	<b>807,636</b>	<b>23,578</b>	<b>92,417</b>	

### Notes

- The Local Government Pension Scheme (LGPS) provides benefits on retirement. The pension is based on the member's pensionable service (how long he or she has been a member of the LGPS) and his or her pay. For councillors, pay is based on a "career average" – the aggregate of each year's pay (adjusted for 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, for service up to 31 March 2009, 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. 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.
- 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.
- A Scheme member's contribution depends on his or her full-time equivalent pay. The tiers and members contribution rates are as follows:

Contribution Rate	Whole time pay 2011-2012	Whole time pay 2012-2013
5.50%	On earnings up to and including £18,500	On earnings up to and including £19,400
7.25%	On earnings above £18,500 and up to £22,600	On earnings above £19,400 and up to £23,700
8.50%	On earnings above £22,600 and up to £30,900	On earnings above £23,700 and up to £32,500
9.50%	On earnings above £30,900 and up to £41,200	On earnings above £32,500 and up to £43,300
12.00%	On earnings above £41,200	On earnings above £43,300

4. The value of the accrued benefits in the above tables has been provided by Strathclyde Pension Fund Office and is calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The normal retirement age for members of the LGPS is 65.
5. 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.
6. The above explanatory notes provide general information on the Local Government Pension Scheme and do not override the provisions of the Scheme.
7. The table above discloses only those Officers who served as Senior Officers in 2012/2013 and as a result the 2011/2012 figures have been re-presented.

**Alan Puckrin**  
**Section 95 Officer** .....

**John Mundell**  
**Chief Executive** .....

25 June 2013

## Movement in Reserves Statement for the Year ended 31 March 2013

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 2013

	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	Capital Fund					
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Balance at 31 March 2012</b>	<b>40,712</b>	<b>0</b>	<b>0</b>	<b>1,733</b>	<b>626</b>	<b>4,467</b>	<b>47,538</b>	<b>11,030</b>	<b>58,568</b>	
<b>Movement in Reserves during 2012-2013</b>										
Surplus or (Deficit) on Provision of Services	(20,379)	0	0	0	0	0	(20,379)	0	(20,379)	
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	20,450	20,450	
<b>Total Comprehensive Expenditure and Income</b>	<b>(20,379)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(20,379)</b>	<b>20,450</b>	<b>71</b>	
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7)										
	25,757	0	0	0	0	0	25,757	(25,757)	0	
<b>Net Increase or (Decrease) before Transfers to Other Statutory Reserves</b>	<b>5,378</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,378</b>	<b>(5,307)</b>	<b>71</b>	
Transfers (to) and from Other Statutory Reserves (note 8)	(837)	0	396	9	462	(30)	0	0	0	
<b>Increase or (Decrease) in the Year</b>	<b>4,541</b>	<b>0</b>	<b>396</b>	<b>9</b>	<b>462</b>	<b>(30)</b>	<b>5,378</b>	<b>(5,307)</b>	<b>71</b>	
<b>Balance at 31 March 2013 Carried Forward</b>	<b>45,253</b>	<b>0</b>	<b>396</b>	<b>1,742</b>	<b>1,088</b>	<b>4,437</b>	<b>52,916</b>	<b>5,723</b>	<b>58,639</b>	

## Comparative Figures for Year ended 31 March 2012

	Usable Reserves						Total Usable Reserves	Unusable Reserves	Total Reserves of the Council
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Capital Fund	Repairs & Renewal Fund	Insurance Fund			
	£000	£000	£000	£000	£000	£000			
<b>Balance at 31 March 2011</b>	<b>29,198</b>	<b>0</b>	<b>0</b>	<b>1,722</b>	<b>671</b>	<b>4,848</b>	<b>36,439</b>	<b>95,371</b>	<b>131,810</b>
<b>Movement in Reserves during 2011-2012</b>									
Surplus or (Deficit) on Provision of Services	(4,563)	0	0	0	0	0	(4,563)	0	(4,563)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	(68,679)	(68,679)
<b>Total Comprehensive Expenditure and Income</b>	<b>(4,563)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,563)</b>	<b>(68,679)</b>	<b>(73,242)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7)	15,662	0	0	0	0	0	15,662	(15,662)	0
<b>Net Increase or (Decrease) before Transfers to Other Statutory Reserves</b>	<b>11,099</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,099</b>	<b>(84,341)</b>	<b>(73,242)</b>
Transfers (to) and from Other Statutory Reserves (note 8)	415	0	0	11	(45)	(381)	0	0	0
<b>Increase or (Decrease) in the Year</b>	<b>11,514</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>(45)</b>	<b>(381)</b>	<b>11,099</b>	<b>(84,341)</b>	<b>(73,242)</b>
<b>Balance at 31 March 2012 Carried Forward</b>	<b>40,712</b>	<b>0</b>	<b>0</b>	<b>1,733</b>	<b>626</b>	<b>4,467</b>	<b>47,538</b>	<b>11,030</b>	<b>58,568</b>



## Comprehensive Income & Expenditure Statement for the Year ended 31 March 2013

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*.

2011-2012				2012-2013		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
9,810	(8,372)	1,438	Central Services to the Public	9,702	(8,343)	1,359
15,165	(1,453)	13,712	Cultural & Related Services	18,762	(1,317)	17,445
97,916	(3,310)	94,606	Education Services	107,029	(3,331)	103,698
13,571	(1,925)	11,646	Environmental Services	14,501	(1,952)	12,549
6,222	0	6,222	Fire & Rescue Services	5,841	0	5,841
40,593	(39,803)	790	Housing Services	42,824	(40,527)	2,297
12,630	(4,317)	8,313	Planning and Development Services	13,295	(3,771)	9,524
7,861	(300)	7,561	Police Services	7,217	(242)	6,975
9,224	(3,052)	6,172	Roads & Transportation	10,336	(3,579)	6,757
64,742	(14,467)	50,275	Social Work	67,776	(14,105)	53,671
2,832	0	2,832	Corporate and Democratic Core	2,239	0	2,239
6,259	(8)	6,251	Non-Distributable Costs	1,574	(79)	1,495
<b>286,825</b>	<b>(77,007)</b>	<b>209,818</b>	<b>Cost of Services</b>	<b>301,096</b>	<b>(77,246)</b>	<b>223,850</b>
	(15)		Other Operating Expenditure (Note 9)			(27)
	10,427		Financing and Investment Income and Expenditure (Note 10)			14,072
	(215,667)		Taxation and Non-specific Grant Income (Note 11)			(217,516)
	<b>4,563</b>		<b>(Surplus) or Deficit on the Provision of Services</b>			<b>20,379</b>
	18,287		(Surplus) or deficit on the revaluation of non current assets			(49,871)
	5,754		Impairment losses on non-current assets charged to the Revaluation Reserve			6,883
	44,638		Actuarial (gains) or losses on pension assets and liabilities (Note 37)			22,538
	0		Other unrealised (gains) or losses			0
	<b>68,679</b>		<b>Other Comprehensive Income and Expenditure</b>			<b>(20,450)</b>
	<b>73,242</b>		<b>Total Comprehensive Income and Expenditure</b>			<b>(71)</b>

## Balance Sheet as at 31 March 2013

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 2012 £000		Note	31 March 2013 £000	31 March 2012 £000		Note	31 March 2013 £000
368,528	Property, Plant and Equipment	12	409,916				
17,914	Heritage Assets	14	18,059				
345	Intangible Assets	13	151				
233	Long-term Debtors	17	2,175				
<b>387,020</b>	<b>Non-current Assets</b>		<b>430,301</b>	<b>58,568</b>	<b>Net Assets</b>		<b>58,639</b>
40,356	Short-term Investments	15	33,007	47,538	Usable Reserves	22	52,916
0	Assets Held for Sale	19	185	11,030	Unusable Reserves	23	5,723
503	Inventories	16	324				
10,501	Short-term Debtors	17	11,283	<b>58,568</b>	<b>Total Reserves</b>		<b>58,639</b>
19,625	Cash and Cash Equivalents	18	35,585				
<b>70,985</b>	<b>Current Assets</b>		<b>80,384</b>				
(1,031)	Cash and Cash Equivalents	18	(676)				
(2,764)	Short-term Borrowing	15	(7,039)				
(25,349)	Short-term Creditors	20	(28,515)				
(2,900)	Provisions	21	(1,296)				
(1,837)	Short-term Finance Leases	33 & 34	(1,965)				
<b>(33,881)</b>	<b>Current Liabilities</b>		<b>(39,491)</b>				
0	Long-term Creditors	20	(799)				
(195,559)	Long-term Borrowing	15	(221,250)				
	Other Long-term Liabilities:						
(73,767)	Finance Leases	33 & 34	(71,839)				
(96,230)	Pensions	37	(118,667)				
<b>(365,556)</b>	<b>Long-term Liabilities</b>		<b>(412,555)</b>				

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 Alan Puckrin C.P.F.A  
 Chief Financial Officer  
 Issued on 25 June 2013

The unaudited accounts were issued on 25 June 2013 and the audited accounts were authorised for issue on 26 September 2013.

## Cash Flow Statement for the Year ended 31 March 2013

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.

2011-2012 £000		2012-2013 £000
(4,563)	Net surplus or (deficit) on the provision of services	(20,379)
29,865	Adjustments to net surplus or deficit on the provision of services for non-cash movements	49,698
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and	
0	financing activities	11,855
<b>25,302</b>	<b>Net cash inflow from Operating Activities (Note 24)</b>	<b>41,174</b>
(25,326)	Investing Activities (Note 25)	(52,785)
(5,708)	Financing Activities (Note 26)	27,926
<b>(5,732)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>16,315</b>
24,326	Cash and cash equivalents at the beginning of the reporting period	18,594
<b>18,594</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 18)</b>	<b>34,909</b>

## Notes to the Principal Financial Statements

### Note 1 Accounting Policies

The Annual Accounts summarise the Council's transactions for the 2012-2013 financial year and its position at the year-end of 31 March 2013. 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 2012-2013 and the Service Reporting Code of Practice 2012-2013, supported by International Financial Reporting Standards (IFRS). These are issued jointly by the Chartered Institute of Public Finance and Accountancy (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 accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

#### 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:

- Suppliers' invoices paid in the two weeks following the year-end have been included together with specific accruals in respect of further material items provided the goods and services were received in 2012-2013.
- 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 or service potential 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 Service Reporting Code of Practice.

## 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, support services and trading accounts 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.

The Council is not required to raise council tax to cover depreciation and impairments. Depreciation and impairments are replaced by Loans Fund principal charges in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## 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. All salaries and wages earned up to 31 March 2013 are included in the Statement of Accounts irrespective of when payment was made. 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 the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the relevant Service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to a termination when it has a detailed formal plan for the termination and it is without realistic possibility of withdrawal; and agreement to the termination has been granted by the appropriate Committee.

Where termination benefits involve the enhancement of pensions, the General Fund balance is charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post Employment Benefits

As part of the terms and conditions of employment of its employees, Inverclyde Council offers retirement benefits. The Council participates in two separate pension schemes, one exclusive to teachers and the other open to all of its other employees:

- The Scottish Teachers' Superannuation Scheme, administered by the Scottish Government.
- The Local Government Pension Scheme, administered by Strathclyde Pension Fund.

Both schemes provide "defined benefits" to members (retirement lump sums and pensions), earned as employees work for the Council. Although these benefits will not be payable until employees retire, the Council had a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a "defined contributions" scheme. No liability for future payments of benefits is recognised in the Balance Sheet and the Education service line in the Comprehensive Income and Expenditure Statements is charged with the employer's contributions payable to teachers' pensions in the year.

### The Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is accounted for as a "defined benefits" scheme:

- The liabilities of the Strathclyde Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the "projected credit unit method" i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5%. The discount rate used by the appointed actuaries to place a value on the liability is based on an average of sterling gilts and highly rated corporate bonds, with a term greater than 15 years consistent with the Scheme's liabilities.
- The assets of the Strathclyde Pension Fund attributable to Inverclyde Council are included in the Balance Sheet at their fair value at current bid prices for securities, estimated fair value for unquoted securities and market price for property.

By law, the General Fund must be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year and not the amount calculated according to the accounting standard. The statutory adjustment for the difference between the two is shown in the Movement in Reserves Statement.

### Discretionary Benefits

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

### 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 initially 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. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## J Government Grants and Contributions

Whether paid on account, by instalments or in arrears, 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 Authority'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.

Further information on the Authority's heritage assets is given in Note 14 to the accounts.

## 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 Landfill Allowance Trading Scheme

Landfill allowances became tradable in Scotland on 1 April 2008. Allowances (whether issued free by the Scottish Government or purchased from another Waste Disposal Authority) are recognised as current assets. As landfill is used, a liability is recognised measured at the best estimate of the expenditure required to meet the obligation at the balance sheet date, which is normally the market price. The Scheme is currently under review and the Scottish Government has suspended penalties and trading, therefore no asset or liability has been recognised in the Statements as there is no market for the allowances.

## O Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all 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. Property, plant and equipment recognised under finance leases is accounted for using the Council's policies applied generally to such assets.

#### *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.

## P 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 *held for sale*. The date of reclassification will normally follow the approval by Committee to sell the asset.

### Q 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 on additions to 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 does not apply where certain categories of these assets 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 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 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.

A net gain or loss on the disposal of property, plant and equipment is recognised in the Comprehensive Income and Expenditure Statement depending upon the level of receipt against the net book value of the asset written out. To comply with statutory guidance, this gain or loss is excluded when determining the General Fund surplus or deficit for the year within the Movement in Reserves Statement.

### 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.

## R 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.

### S Public Private Partnership Schemes

The Public Private Partnership (PPP) agreement for the provision of school buildings, maintenance and other facilities is accounted for in accordance with 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.

### T Reserves

Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year so as to be included 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.

Reserves are classified under accounting regulations into two broad categories – usable which are available to support services and unusable which are unrealised and have a deferred impact on taxation.

#### 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 processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Council. The two reserves arising from the system of capital accounting are the Revaluation Reserve and the Capital Adjustment Account. The former of these represents the store of gains on revaluation of fixed assets not yet realised through sales and the latter relates to amounts set aside from capital resources to meet past expenditure. The accounting reserve arising from the restatement of “financial instruments” to “fair value” is the Financial Instruments Adjustment Account. This is a balancing account to allow for differences in statutory requirements and proper accounting practices for lending and borrowing by the Council. The Pensions Reserve arises from IAS19 accounting disclosures for retirement benefits and recognises the Council’s share of actuarial gains and losses in the Strathclyde Pension Fund and the change in the Council’s share of the Pension Fund liability chargeable to the Comprehensive Income and Expenditure Statement. The Employee Statutory Adjustment Account absorbs the difference 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.

## U 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

For 2012-2013, the only accounting policy change that requires to be reported relates to the June 2011 amendments to the accounting standard IAS19 Employee Benefits. The change of accounting policy is effective from 1 April 2013 and there is no impact of this change on the accounts covering the 2012-2013 financial year.

The key change relates to the expected return on scheme assets. The expected return on assets is currently credited to the Surplus or Deficit on the Provision of Services; however from 2013 this is effectively replaced with an equivalent figure using the discount rate.

While the overall impact is expected to be cost neutral, there will be a redistribution of costs within the Comprehensive Income and Expenditure Statement. By way of illustrating the impact of the accounting change upon the current year, there would be an increase in pensions interest cost and expected return on assets of £3 million (as assessed by the actuaries of Strathclyde Pension Fund) chargeable to the Surplus or Deficit on the Provision of Services, with a compensating reduction of £3 million in actuarial (gains) or losses on pension assets and liabilities chargeable to Other Comprehensive Income and Expenditure.

### 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 also acquired a number of printers for its offices under five-year finance leases. The assets acquired under these printer leases are carried as Property, Plant & Equipment in the Balance Sheet of the Council.
- 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.
- Four of the five Joint Boards (Police, Fire & Rescue, 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 Scottish Government has agreed on the future structure of the police and fire services in Scotland. The Council has accounted for these associates on a going concern basis in the Group Accounts because any future change would be “a combination of public sector bodies”.
- 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 40. 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 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Results differ from Assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.7 million for every year that useful lives had to be reduced.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Strathclyde Pension Fund has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied.	The sensitivities regarding the principal assumptions used by the consulting actuaries to measure the scheme liabilities are set out below: <ul style="list-style-type: none"> <li>• A 0.5% decrease in the real discount rate would result in a 12% increase (£57.1 million) in the employer's obligation.</li> <li>• A one year increase in member life expectancy would result in a 3% increase (£14.6 million) in the employer's obligation.</li> <li>• A 0.5% increase in the salary increase rate would result in a 5% increase (£23.6 million) in the employer's obligation.</li> <li>• A 0.5% increase in the pension increase rate would result in a 8% increase (£40.7 million) in the employer's obligation.</li> </ul>
Trade Debtors - Collection levels of arrears	At 31 March 2013, the Council had a balance of trade debtors of £9.8 million. A review of significant balances suggested that an allowance for doubtful debts of 42% (£4.1 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 £4.1 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:		
Fire & Rescue Services	The figures disclosed in the CIES for these two services include the share of reserves returned to the Council from the reorganisation of Strathclyde Fire and Rescue Joint Board and Strathclyde Joint Police Boards.	Fire: reduction in expenditure of £0.381 million.
Police Services		Police: reduction in expenditure of £0.586 million.

#### Note 6 Events after the Balance Sheet Date

The Chief Financial Officer issued the unaudited Statement of Accounts on 25 June 2013. There have been no material events which necessitate revision to the figures in the financial statements or notes thereto including contingent assets or liabilities.

The eight existing police and fire boards merged into a single national Police Service of Scotland and Fire Service for Scotland from 1 April 2013. Both services have been accounted for as continuing operations and full provision has been made for all known income due to the Council from its share of the reserves of Strathclyde Joint Police Board and Strathclyde Fire and Rescue Board as a result of this reorganisation. Payment of the finally agreed amount will be made in 2013-2014 after the audits of the Police and Fire Boards accounts are complete. The future funding of both services will be made directly to the new bodies by the Scottish Government and Government Grant funding to Scottish Local Authorities reduced accordingly.

## 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 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 2011-2012 are provided in an additional table below for the purposes of comparison.

### 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)				26			26
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)					130		130
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 37).	10,513			(10,513)				(10,513)
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
<b>Total Adjustments</b>	<b>25,757</b>	<b>0</b>	<b>(769)</b>	<b>101</b>	<b>(25,787)</b>	<b>130</b>	<b>568</b>	<b>(25,757)</b>

Comparative Information 2011-2012

	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	33,854		(3,621)		(30,233)			(33,854)
Amortisation of intangible assets	588				(588)			(588)
Capital grants and contributions applied	(8,467)				8,467			8,467
Capital expenditure charged in-year to the General Fund balance.	(1,288)				1,288			1,288
Net gain or (loss) on non-current asset disposals	(15)				15			15
Statutory provision for the principal repayment of loan charges.	(9,807)				9,807			9,807
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 37).	13,528			(13,528)				(13,528)
Employers' pension contributions payable in the year.	(11,823)			11,823				11,823
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.	(779)						779	779
<b>Total Adjustments</b>	<b>15,662</b>	<b>0</b>	<b>(3,621)</b>	<b>(1,705)</b>	<b>(11,244)</b>	<b>129</b>	<b>779</b>	<b>(15,662)</b>



### Note 8 Transfers to or from Other Statutory Reserves

This note sets out the amounts set aside from the General Fund in statutory reserves established under Schedule 3 of the Local Government (Scotland) Act 1975 to provide financing for future expenditure plans and the amounts transferred back to meet General Fund expenditure in 2012-2013. Figures for 2011-2012 are provided in an additional table below for the purposes of comparison.

	General Fund Balance £000	Transfers to or from Other Statutory Reserves				
		Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Repair and Renewals Fund £000	Insurance Fund £000
Use of the Capital Fund to finance capital expenditure.	0			0		
Contribution to Capital Reserve from General Fund.	(405)		396	9		
Use of Repair and Renewals Reserve to finance expenditure on repairs.	40				(40)	
Contribution to Repair & Renewal Reserve from General Fund.	(502)				502	
Use of Insurance Fund to meet claims and other costs of insurance.	30					(30)
Contribution to Insurance Fund from General Fund.						
<b>Total Adjustments</b>	<b>(837)</b>	<b>0</b>	<b>396</b>	<b>9</b>	<b>462</b>	<b>(30)</b>

### Comparative Information 2011-2012

	General Fund Balance £000	Transfers to or from Other Statutory Reserves				
		Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Fund £000	Repair and Renewals Fund £000	Insurance Fund £000
Use of the Capital Fund to finance capital expenditure.	0			0		
Contribution to Capital Reserve from General Fund.	(11)			11		
Use of Repair and Renewals Reserve to finance expenditure on repairs.	49				(49)	
Contribution to Repair & Renewal Reserve from General Fund.	(4)				4	
Use of Insurance Fund to meet claims and other costs of insurance.	381					(381)
Contribution to Insurance Fund from General Fund.						
<b>Total Adjustments</b>	<b>415</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>(45)</b>	<b>(381)</b>

### Note 9 Other Operating Expenditure

	2012-2013	2011-2012
	£000	£000
(Gains) or losses on disposal of non-current assets	(27)	(15)
<b>Total</b>	<b>(27)</b>	<b>(15)</b>

### Note 10 Financing and Investment Income and Expenditure

	2012-2013	2011-2012
	£000	£000
(Surplus) or deficit on trading undertakings not reported elsewhere	138	(682)
Interest payable and similar charges	14,722	14,055
Pensions interest cost and expected return on pensions assets	1,300	(1,400)
Interest receivable and similar income	(2,088)	(1,546)
<b>Total</b>	<b>14,072</b>	<b>10,427</b>

### Note 11 Taxation and Non-specific Grant Income

	2012-2013	2011-2012
	£000	£000
Income from Council Tax and Community Charge	(33,153)	(33,021)
Distribution from Non-domestic rates pool	(20,445)	(19,142)
General Revenue Grant	(153,473)	(155,037)
Recognised capital grants and contributions	(10,445)	(8,467)
<b>Total</b>	<b>(217,516)</b>	<b>(215,667)</b>

## Note 12 Property, Plant & Equipment

### Movement on Balances

The movements on balances for Property, Plant and Equipment are shown in the following table. Figures for 2011-2012 are provided in an additional table below for the purposes of comparison.

### 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	0	48,459
Disposals in year	(21)	(713)	0	0	0	0	0	(734)
Revaluation adjustments to Revaluation Reserve	32,855	0	3,429	7,216	(614)	(1,688)	8,524	49,722
Revaluation adjustments to CIES	(20,281)	0	(638)	(4,317)	(216)	(6,539)	0	(31,991)
Reclassifications to/from Held for Sale	(348)	0	0	0	0	0	0	(348)
Other reclassifications	(22,227)	0	200	0	0	22,027	0	0
<b>At 31 March 2013</b>	<b>388,973</b>	<b>33,539</b>	<b>44,560</b>	<b>19,678</b>	<b>4,091</b>	<b>50,033</b>	<b>85,216</b>	<b>626,090</b>
<b>Depreciation and Impairment</b>								
At 1 April 2012	153,463	25,354	8,978	1,517	807	0	2,335	192,454
Depreciation charge for the year	8,998	2,557	1,225	610	7	0	2,075	15,472
Impairment losses to Revaluation Reserve	6,582	0	0	301	0	0	0	6,883
Impairment losses to CIES	595	0	507	1,120	0	0	0	2,222
On disposals	0	(700)	0	0	0	0	0	(700)
Reclassification to Held for Sale	(157)	0	0	0	0	0	0	(157)
Other reclassifications	(9,148)	0	0	0	0	9,148	0	0
<b>At 31 March 2013</b>	<b>160,333</b>	<b>27,211</b>	<b>10,710</b>	<b>3,548</b>	<b>814</b>	<b>9,148</b>	<b>4,410</b>	<b>216,174</b>
<b>Balance Sheet amount at 31 March 2013</b>	<b>228,640</b>	<b>6,328</b>	<b>33,850</b>	<b>16,130</b>	<b>3,277</b>	<b>40,885</b>	<b>80,806</b>	<b>409,916</b>
<b>Balance Sheet amount at 31 March 2012</b>	<b>235,833</b>	<b>7,557</b>	<b>27,752</b>	<b>13,328</b>	<b>4,109</b>	<b>5,592</b>	<b>74,357</b>	<b>368,528</b>
<b>Nature of asset holding</b>								
Owned	212,497	6,203	33,850	16,130	3,277	40,885	0	312,842
Finance lease	16,143	125	0	0	0	0	0	16,268
PPP	0	0	0	0	0	0	80,806	80,806

## Comparative Movements in 2011-2012

	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 2011	405,119	31,804	33,709	8,821	4,606	1,168	21,370	506,597
Additions in year	12,213	2,194	3,021	6,114	310	4,424	56,267	84,543
Disposals in year	(285)	(1,087)	0	0	0	0	0	(1,372)
Revaluation adjustments to Revaluation Reserve	(18,600)	0	0	0	0	0	479	(18,121)
Revaluation adjustments to CIES	(9,151)	0	0	(90)	0	0	(1,424)	(10,665)
Reclassifications to/from Held for Sale	0	0	0	0	0	0	0	0
Other reclassifications	0	0	0	0	0	0	0	0
<b>At 31 March 2012</b>	<b>389,296</b>	<b>32,911</b>	<b>36,730</b>	<b>14,845</b>	<b>4,916</b>	<b>5,592</b>	<b>76,692</b>	<b>560,982</b>
<b>Depreciation and Impairment</b>								
At 1 April 2011	130,119	24,027	7,344	927	491	0	1,773	164,681
Depreciation charge for the year	11,324	2,397	1,158	356	7	0	562	15,804
Impairment losses to Revaluation Reserve	5,754	0	0	0	0	0	0	5,754
Impairment losses to CIES	6,350	17	476	234	309	0	0	7,386
On disposals	(84)	(1,087)	0	0	0	0	0	(1,171)
Reclassification to Held for Sale	0	0	0	0	0	0	0	0
Other reclassifications	0	0	0	0	0	0	0	0
<b>At 31 March 2012</b>	<b>153,463</b>	<b>25,354</b>	<b>8,978</b>	<b>1,517</b>	<b>807</b>	<b>0</b>	<b>2,335</b>	<b>192,454</b>
<b>Balance Sheet amount at 31 March 2012</b>	<b>235,833</b>	<b>7,557</b>	<b>27,752</b>	<b>13,328</b>	<b>4,109</b>	<b>5,592</b>	<b>74,357</b>	<b>368,528</b>
<b>Balance Sheet amount at 31 March 2011</b>	<b>275,000</b>	<b>7,777</b>	<b>26,365</b>	<b>7,894</b>	<b>4,115</b>	<b>1,168</b>	<b>19,597</b>	<b>341,916</b>
<b>Nature of asset holding</b>								
Owned	224,043	7,424	27,752	13,328	4,109	5,592	0	282,248
Finance lease	11,790	133	0	0	0	0	0	11,923
PPP	0	0	0	0	0	0	74,357	74,357

### 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 2013, 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 £29.497 million. Similar contracts at 31 March 2012 were £58.934 million. The major capital commitments include:

	£000
Port Glasgow Community Campus/ ASN School New Build	15,431
St Columba's High School Refurbishment	5,619
Central Library Conversion	3,631
Rankin Park Grass Pitch & Pavilion	1,129

### 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 Q "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	25	6,328	29,477	8,636	0	40,885	0	85,351
Valued at fair value as at								
31 March 2013	227,674	0	4,373	7,494	3,271	0	80,806	323,618
31 March 2012	0	0	0	0	0	0	0	0
31 March 2011	0	0	0	0	0	0	0	0
31 March 2010	75	0	0	0	0	0	0	75
31 March 2009	866	0	0	0	6	0	0	872
<b>Total Cost or Valuation</b>	<b>228,640</b>	<b>6,328</b>	<b>33,850</b>	<b>16,130</b>	<b>3,277</b>	<b>40,885</b>	<b>80,806</b>	<b>409,916</b>

## Note 13 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:

	2012-2013	2011-2012
	Purchased Software Licences	Purchased Software Licences
	£000	£000
Balance at start of year:		
~ Gross carrying amounts	4,390	4,075
~ Accumulated amortisation	(4,045)	(3,457)
<b>Net carrying amount at 1 April</b>	<b>345</b>	<b>618</b>
Additions:		
~ Purchases	124	315
~ Disposals	0	0
Amortisation for the period	(318)	(588)
<b>Net carrying amount at 31 March</b>	<b>151</b>	<b>345</b>
Comprising:		
~ Gross carrying amounts	4,514	4,390
~ Accumulated amortisation	(4,363)	(4,045)
	<b>151</b>	<b>345</b>

There are no items that are individually material to the financial statements.

## Note 14 Heritage Assets

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

	2012-2013	2011-2012
	Total Assets	Total Assets
	£000	£000
Valuation or Cost		
1 April	17,914	18,079
Revaluations	145	(165)
<b>31 March</b>	<b>18,059</b>	<b>17,914</b>

**Note 1:** All carrying values in the above table are stated at insurance values with the exception of the following assets included in the figures.

- Intangible heritage assets (vehicle registration licence) of £0.050 million at an internally assessed valuation.

**Note 2:** The valuation disclosed in the balance sheet is based on the assessment by the Council's 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 publically available on the Museum's section of Inverclyde Council's website.

## Note 15 Financial Instruments

### Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
<b>Investments</b>				
Loans and receivables	0	0	33,007	40,356
<b>Debtors</b>				
Loans and receivables	2,175	233	11,227	10,994
<b>Borrowings</b>				
Financial liabilities at amortised cost	(221,250)	(195,559)	(7,039)	(2,764)
<b>Other Long Term Liabilities</b>				
PPP and finance lease liabilities	(71,839)	(73,767)	(1,965)	(1,837)
<b>Creditors</b>				
Financial liabilities at amortised cost	(799)	0	(24,226)	(19,488)

### 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 £9.236 million (2011-2012 £8.709 million) and interest income of £1.717 million (2011-2012 £0.746 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 2013.
- 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 2013 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 values are calculated as follows:

	31 March 2013		31 March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and receivables	33,007	33,235	40,356	40,625
Long-term debtors	2,175	2,175	233	233

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 2013		31 March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	228,289	246,582	198,323	208,404
Long-term creditors	799	799	0	0

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.

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

## Note 16 Inventories

	2012-2013			2011-2012		
	Consumable	Work-in-	Total	Consumable	Work-in-	Total
	Stock	progress		Stock	progress	
	£000	£000	£000	£000	£000	£000
<b>Balance outstanding at the start of the year</b>	412	91	503	309	26	335
Purchases	2,318	42	2,360	2,188	91	2,279
Recognised as an expense	(2,431)	(91)	(2,522)	(2,086)	(26)	(2,112)
Written off	(17)	0	(17)	1	0	1
<b>Balance outstanding at the year-end</b>	<b>282</b>	<b>42</b>	<b>324</b>	<b>412</b>	<b>91</b>	<b>503</b>

## Note 17 Debtors

	31 March 2013		31 March 2012	
	Current	Long-term	Current	Long-term
	£000	£000	£000	£000
<b>Scottish Government (including NHS bodies)</b>	<b>2,400</b>	<b>0</b>	<b>305</b>	<b>0</b>
<b>Central Government bodies</b>	<b>143</b>	<b>0</b>	<b>3,933</b>	<b>0</b>
<b>Other local authorities</b>	<b>1,023</b>	<b>0</b>	<b>103</b>	<b>0</b>
Council Tax and Community Charge receivable from taxpayers	15,779	0	15,463	0
Impairment	(13,773)	0	(13,296)	0
<b>Council Tax and Community Charge (net of impairment)</b>	<b>2,006</b>	<b>0</b>	<b>2,167</b>	<b>0</b>
Trade debtors	9,850	0	7,854	0
Impairment	(4,139)	0	(3,864)	0
<b>Trade Debtors (net of impairment)</b>	<b>5,711</b>	<b>0</b>	<b>3,990</b>	<b>0</b>
Other entities and individuals	0	2,175	3	233
Impairment	0	0	0	0
<b>Other entities and individuals (net of impairment)</b>	<b>0</b>	<b>2,175</b>	<b>3</b>	<b>233</b>
<b>Totals for Current and Long-term Debtors</b>	<b>11,283</b>	<b>2,175</b>	<b>10,501</b>	<b>233</b>

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

**Note 18 Cash and Cash Equivalents**

	31 March 2013	31 March 2012
	£000	£000
Cash held by the Council	26	26
Bank current accounts	9,330	5,411
Deposits up to three months with UK banks, buildings societies and local authorities.	25,553	13,157
<b>Total Cash and Cash Equivalents</b>	<b>34,909</b>	<b>18,594</b>

**Note 19 Assets Held for Sale (Current)**

At 31 March 2013, the Council had one asset held for sale valued at £0.185m (31 March 2012 £nil).

	31 March 2013	31 March 2012
	£000	£000
<b>Opening Balance at 1 April</b>	<b>0</b>	<b>0</b>
Assets newly classified as "held for sale":		
Property, plant and equipment	190	0
Impairment Losses	(5)	0
<b>Closing balance at 31 March</b>	<b>185</b>	<b>0</b>

**Note 20 Creditors****Short Term Creditors**

	31 March 2013	31 March 2012
	£000	£000
Scottish Government (including NHS bodies)	(564)	(442)
Central Government bodies	(3,476)	(3,630)
Other Local Authorities	(1,048)	(1,789)
Trade creditors	(23,427)	(19,488)
<b>Total Current Creditors</b>	<b>(28,515)</b>	<b>(25,349)</b>

## Long Term Creditors

	31 March 2013	31 March 2012
	£000	£000
Trade Creditors	(799)	0
<b>Total Long Term Creditors</b>	<b>(799)</b>	<b>0</b>

## Note 21 Provisions

### Movement on Balances 2012-2013

	Balance at 1 April 2012	Additional Provisions made in 2012-2013	Amounts used in 2012-2013	Unused amounts written back in 2012-2013	Balance at 31 March 2013
	£000	£000	£000	£000	£000
<b>Current Provisions</b>					
Compensation Payments (note 1)	(2,131)	0	1,367	0	(764)
Insurance Claims (note 2)	(99)	0	0	60	(39)
Municipal Mutual Insurance Claims (note 3)	(468)	0	0	65	(403)
Teachers' Accrued Leave (note 4)	(100)	0	100	0	0
Inter Authority Dispute (note 5)	(52)	0	52	0	0
Gourock Waterfront Redevelopment (note 6)	(50)	0	0	0	(50)
Utilities Dispute (note 7)	0	(40)	0	0	(40)
<b>Total Current Provisions</b>	<b>(2,900)</b>	<b>(40)</b>	<b>1,519</b>	<b>125</b>	<b>(1,296)</b>

## Notes

1. For the potential outcome of conceded outstanding equal pay claims.
2. An assessment of identified liabilities in respect of insurance claims outstanding for Strathclyde Regional Council.
3. For any potential shortfall in the current Scheme of Arrangement to meet any new claims.
4. For the changes in European legislation which allows teachers to accrue all holidays during maternity leave.

5. For the potential outcome of an inter authority dispute for care packages.
6. For the potential outcome for initial works carried out for Gourrock waterfront redevelopment.
7. For the potential outcome of a Utilities Dispute.

### Note 22 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 2013 £000	31 March 2012 £000
Modernisation Fund	493	501
Strategic Housing Reserve	1,164	1,164
School Estate Management Plan	3,086	1,609
Contribution to Riverside Inverclyde	1,585	1,953
Miscellaneous CHCP Reserves	558	415
Miscellaneous Policy and Resources Committee Reserves	1,072	1,028
Miscellaneous Environment & Regeneration Committee Reserves	1,384	1,957
Greenock Town Centre Parking Strategy	300	300
Renewal of Clune Park Area	1,281	682
Asset Management Plan	1,231	1,651
Support For Owners	806	1,510
Flooding Works	1,264	1,502
Roads Asset Management Plan	5,900	0
Early Retiral / Voluntary Severance Reserve	4,260	5,668
Capital Funded from Current Revenue	2,359	2,733
Area Renewal Fund	211	235
Miscellaneous Education & Communities Reserves	460	93
Vehicle Replacement Programme	205	0
Support for Community Facilities	525	946
Education Equipment Fund	142	179
Equal Pay	4,076	3,614
Youth Employment	810	1,050
Change Fund – Older People	401	451
Deferred Income	458	697

	31 March 2013 £000	31 March 2012 £000
Independent Living	630	450
Roads/Footways & Street Lighting Investment 2012/14	1,628	3,600
Business Support Initiative	462	600
Repopulating/Promoting Inverclyde	1,000	0
Miscellaneous Approvals – Nov 2012	1,250	0
Miscellaneous Approvals – Feb 2013	712	0
<b>Total Earmarked Reserves</b>	<b>39,713</b>	<b>34,588</b>
Non-earmarked balance	5,540	6,124
<b>Total General Fund Balance</b>	<b>45,253</b>	<b>40,712</b>
Capital Grants Unapplied	396	0
Capital Fund	1,742	1,733
Repairs & Renewal Fund	1,088	626
Insurance Fund	4,437	4,467
<b>Total Usable Reserves</b>	<b>52,916</b>	<b>47,538</b>

### Note 23 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 2013 £000	31 March 2012 £000
Revaluation Reserve	111,469	69,250
Capital Adjustment Account	19,936	45,722
Financial Instruments Adjustment Account	(3,645)	(3,774)
Pensions Reserve	(118,667)	(96,230)
Employee Statutory Adjustment Account	(3,370)	(3,938)
<b>Total Unusable Reserves</b>	<b>5,723</b>	<b>11,030</b>

#### 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.

	2012-2013	2011-2012
	£000	£000
<b>Balance at 1 April</b>	69,250	96,912
Revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	49,868	(18,287)
Difference between fair value depreciation and historical cost depreciation written off to Capital Adjustment Account	(769)	(3,550)
Impairments Charged to Revaluation Reserve Account	(6,880)	(5,754)
Accumulated gains or (losses) transferred to the Capital Adjustment Account	0	(71)
<b>Balance at 31 March</b>	<b>111,469</b>	<b>69,250</b>

### Movement on Balances – Capital Adjustment Account

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

	2012-2013	2011-2012
	£000	£000
<b>Balance at 1 April</b>	45,722	56,966
Items relating to capital expenditure charged to Comprehensive Income and Expenditure Statement		
~ Charges for depreciation and impairment of non-current assets	(49,241)	(30,892)
~ Disposals of non-current assets	(32)	(202)
Transfers from Revaluation Reserve	0	71
Capital financing applied in the year:		
~ Use of the Capital Receipts Reserve to finance new capital expenditure	59	217
~ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	10,049	8,467
~ Loans Fund principal repayments	9,991	9,807
~ Capital from current revenue	3,388	1,288
<b>Balance at 31 March</b>	<b>19,936</b>	<b>45,722</b>

### Movement on Balances – Financial Instruments Adjustment Account

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

	2012-2013	2011-2012
	£000	£000
<b>Balance at 1 April</b>	(3,774)	(3,903)
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
<b>Balance at 31 March</b>	<b>(3,645)</b>	<b>(3,774)</b>

### Movement on Balances – Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Pensions Reserve shows a significant shortfall in the benefits earned by past and current employees and the Council's share of Strathclyde Pension Fund resources available to meet them. Employers' contribution rates and contribution strategy will be reviewed following the next formal valuation as at 31 March 2013 which is expected later in 2013.

	2012-2013	2011-2012
	£000	£000
<b>Balance at 1 April</b>	(96,230)	(49,887)
Actuarial gains or (losses) on pension assets and liabilities	(22,538)	(44,638)
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	(10,513)	(13,528)
Employers' pension contributions paid to Strathclyde Pension Fund	10,614	11,823
<b>Balance at 31 March</b>	<b>(118,667)</b>	<b>(96,230)</b>

### Movement on Balances – Employee Statutory Adjustment Account

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

	2012-2013	2011-2012
	£000	£000
<b>Balance at 1 April</b>	(3,938)	(4,717)
Settlement or cancellation of accrual made at the end of the preceding year	3,938	4,717
Amounts accrued at the end of the current year	(3,370)	(3,938)
<b>Balance at 31 March</b>	<b>(3,370)</b>	<b>(3,938)</b>



## Note 24 Cash Flow Statement – Operating Activities

The cash flows for “Operating Activities” include the following amounts of interest and dividends.

	2012-2013	2011-2012
	£000	£000
<b>Net surplus or (deficit) on the Provision of Services</b>	<b>(20,379)</b>	<b>(4,563)</b>
<b>Adjustments to net surplus or (deficit) on the provision of services for non-cash movements</b>		
Depreciation, amortisation & impairment	50,010	34,442
Net (gain) or loss on fixed assets	(27)	(15)
Retirement benefits	(101)	1,705
(Increase) or decrease in inventories	179	(168)
(Increase) or decrease in debtors	(2,724)	(730)
Increase or (decrease) in creditors and provisions	2,361	(5,370)
Other non-cash movements	0	1
	<b>49,698</b>	<b>29,865</b>
<b>Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities</b>		
Non-cash capital movements	(187)	0
Non-cash borrowing movements	193	0
Non-cash investing movements	11,849	0
	<b>11,855</b>	<b>0</b>
<b>Net cash flow from Operating Activities</b>	<b>41,174</b>	<b>25,302</b>
The cash flows for Operating Activities include the following amount of interest and dividends.		
Interest received	1,171	1,051
Interest paid	(9,034)	(8,719)
Interest element of finance lease and PPP payments	(4,939)	(4,810)
<b>Net cash flow from Servicing of Finance</b>	<b>(12,802)</b>	<b>(12,478)</b>

### Note 25 Cash Flow Statement – Investing Activities

	2012-2013	2011-2012
	£000	£000
Purchase of property, plant and equipment and intangible assets	(48,344)	(28,512)
Purchase of short-term and long-term investments	(57,500)	(40,356)
Other payments for investing activities	0	0
Proceeds from sale of property, plant and equipment and intangible assets	59	217
Proceeds from short-term and long-term investments	53,000	43,325
Other receipts from investing activities	0	0
<b>Net cash flows from investing activities</b>	<b>(52,785)</b>	<b>(25,326)</b>

### Note 26 Cash Flow Statement – Financing Activities

	2012-2013	2011-2012
	£000	£000
Cash receipts of short-term and long-term borrowing	35,004	13
Cash payments for the reduction of the outstanding liabilities relating to finance leases for office printers and schools PPP contracts	(1,847)	(1,499)
Repayment of short-term and long-term borrowing	(5,231)	(4,222)
<b>Net cash flows from financing activities</b>	<b>27,926</b>	<b>(5,708)</b>

### Note 27 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 Service Reporting Code of Practice 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 2013 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 (2012-2013)

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

### Committees Income and Expenditure (2011-2012 Comparative Figures)

	Committees				Total £000
	Health & Social Care £000	Education & Communities £000	Organisational Improvement & Resources £000	Regeneration & Environment £000	
	Fees, charges and other service income	(13,594)	(3,178)	(13,294)	
Government grants	(2,497)	(4,039)	(42,672)	(1,174)	<b>(50,382)</b>
<b>Total Income</b>	<b>(16,091)</b>	<b>(7,217)</b>	<b>(55,966)</b>	<b>(9,317)</b>	<b>(88,591)</b>
Employee expenses	25,474	55,268	10,469	12,478	<b>103,689</b>
Other service expenses	36,446	31,082	74,491	15,450	<b>157,469</b>
Support service recharges	0	0	0	0	<b>0</b>
<b>Total Operating Expenses</b>	<b>61,920</b>	<b>86,350</b>	<b>84,960</b>	<b>27,928</b>	<b>261,158</b>
<b>Net Expenditure</b>	<b>45,829</b>	<b>79,133</b>	<b>28,994</b>	<b>18,611</b>	<b>172,567</b>

### 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.

	2012-2013	2011-2012
	£000	£000
Net expenditure in the Committee Analysis tables above.	171,169	172,567
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.	52,681	37,251
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0	0
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>223,850</b>	<b>209,818</b>

### 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
<b>2012-2013</b>								
Fees, charges and other service income	(37,465)	0	0	0	0	(37,465)	0	(37,465)
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)
<b>Total Income</b>	<b>(88,319)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(88,319)</b>	<b>(217,516)</b>	<b>(305,835)</b>
Employee expenses	98,400	0	2,824	0	5,832	107,056	0	107,056
Other service expenses	161,088	0	0	0	4,285	165,373	0	165,373
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	14,072	14,072
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	(27)	(27)
<b>Total Expenditure</b>	<b>259,488</b>	<b>0</b>	<b>52,681</b>	<b>0</b>	<b>0</b>	<b>312,169</b>	<b>14,045</b>	<b>326,214</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>171,169</b>	<b>0</b>	<b>52,681</b>	<b>0</b>	<b>0</b>	<b>223,850</b>	<b>(203,471)</b>	<b>20,379</b>

2011-2012 Comparative Figures	Committee Analysis	Service and Support Services not in Analysis	Amounts not reported to management	Amounts not included in CIES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(38,209)	0	0	0	0	(38,209)	0	(38,209)
Interest and investment income	0	0	0	0	0	0	0	0
Income from Council Tax	0	0	0	0	0	0	(33,021)	(33,021)
Government grants and contributions	(50,382)	0	0	0	0	(50,382)	(182,646)	(233,028)
<b>Total Income</b>	<b>(88,591)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(88,591)</b>	<b>(215,667)</b>	<b>(304,258)</b>
Employee expenses	103,689	0	3,023	0	5,600	112,312	0	112,312
Other service expenses	157,469	0	0	0	4,748	162,217	0	162,217
Support services recharges	0	0	0	0	(10,348)	(10,348)	0	(10,348)
Depreciation, amortisation and impairment	0	0	34,228	0	0	34,228	0	34,228
Interest payments	0	0	0	0	0	0	10,427	10,427
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	(15)	(15)
<b>Total Expenditure</b>	<b>261,158</b>	<b>0</b>	<b>37,251</b>	<b>0</b>	<b>0</b>	<b>298,409</b>	<b>10,412</b>	<b>308,821</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>172,567</b>	<b>0</b>	<b>37,251</b>	<b>0</b>	<b>0</b>	<b>209,818</b>	<b>(205,255)</b>	<b>4,563</b>

### Note 28 Agency Services

The Council bills and collects non-domestic rates on behalf of the Scottish Government. During 2012-2013 the Council collected £19.20 million and received £1.24 million contribution from the non-domestic rates pool (2011-2012 £18.39 million and £0.75million). The Council also bills and collects domestic water and sewerage charges on behalf of Scottish Water with its own Council Tax. During 2012-2013 the Council collected and paid over £10.57 million (2011-2012 £10.55 million) and received £0.26 million (2011-2012 £0.23 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 £10.93 million in 2012-2013 (2011-2012 £11.47 million).

### Note 29 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.

	2012-2013	2011-2012
	£000	£000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year.	265	270
	<b>265</b>	<b>270</b>

### Note 30 Grant Income

The Council credited the following Grants, Contributions and Donations to the Comprehensive Income and Expenditure Statement in 2012-2013.

	2012-2013	2011-2012
	£000	£000
<b>Credited to Taxation and Non-specific Grant Income</b>		
General Revenue Grant	(153,473)	(155,037)
Redistribution from Non-Domestic Rates Pool	(20,445)	(19,142)
Scottish Government General Capital Grant (excludes amounts directly credited to Services)	(5,465)	(7,241)
Capital Grants	(4,980)	(1,226)
<b>Credited to Services</b>		
Housing Benefit	(35,738)	(34,359)
Council Tax Subsidy	(7,217)	(7,268)
Housing Benefit and Council Tax Administration	(998)	(1,045)
Other Housing	(1,784)	(1,427)
Police Grant	(242)	(300)
Community Service Grant	(30)	(280)
Social Work	(2,297)	(2,497)
Education	(1,270)	(1,306)
Employability	(411)	(427)
Other	(867)	(530)
<b>Total</b>	<b>(235,217)</b>	<b>(232,085)</b>

## Note 31 Related Parties

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

### Companies

The Council has a close relationship with three companies – Inverclyde Leisure Limited, Riverside Inverclyde Limited and Sail Inverclyde Limited but has no shares in or ownership of these charitable companies. The results of the associate companies are disclosed in the Group Accounts Note 43 Combining Entities.

During the year ended 31 March 2013, the Council paid Inverclyde Leisure Limited a total of £2.278 million (2011-2012 £2.162 million) to provide leisure and community services. The charity in turn paid the Council for ICT, payroll and human resources services. The amount received for the year ended 31 March 2013 was £0.134 million (2011-2012 £0.133 million). In addition, the Council has provided a loan facility of £0.209 million to the organisation for leasehold improvements on which interest is charged at 6.6%. The loan advanced less repayments is £0.038 million; £0.010 million is included within long-term debtors and £0.028 million within short-term debtors.

During the year, the Council made contributions of £2.756 million (2011-2012 £1.319 million) to Riverside Inverclyde Limited in support of regeneration projects.

Sail Inverclyde Ltd was wound up during the year and the Council received £0.022 million in respect of funding previously paid to Sail Inverclyde Ltd which was not required.

Inverclyde Council is a member of Inverclyde Property Renovations LLP, a partnership established to develop the offices in Greenock and Port Glasgow. The Corporate Director, Environment, Regeneration and Resources and the Chief Financial Officer are directors of a wholly owned Council company MN Nova 58 Limited which is a member of the LLP.

The Council has made a long-term loan to Inverclyde Property Renovations LLP as disclosed in Note 17 and has entered into operating leases as disclosed in Note 33.

### Councillors and Officers

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 in relation to that interest. The Register of Interests of each Member is available on the Council's website at [www.inverclyde.gov.uk](http://www.inverclyde.gov.uk)

## Note 32 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. The Capital Financing Requirement is analysed in the second part of this note.

	2012-2013	2011-2012
	£000	£000
<b>Opening Capital Financing Requirement</b>	271,815	206,734
Capital Investment		
~ Capital Expenditure	48,531	28,512
~ Leased equipment and Schools PPP assets	47	56,348
<b>Total capital investment for the year</b>	<b>48,578</b>	<b>84,860</b>
Sources of Finance:		
~ Capital receipts from the sale of assets	(59)	(217)
~ Government grants and other contributions	(10,049)	(8,467)
~ Capital from current revenue	(3,388)	(1,288)
~ Loans Fund principal repayment (including finance leases & PPP)	(9,991)	(9,807)
<b>Total capital financing for the year</b>	<b>(23,487)</b>	<b>(19,779)</b>
<b>Closing Capital Financing Requirement</b>	<b>296,906</b>	<b>271,815</b>
Explanation of movements in the year:		
~ Increase/(Reduction) in underlying need to borrow	26,895	10,232
~ Increase/(Reduction) in finance leases obligations	(7)	22
~ Increase/(Reduction) in PPP finance lease creditor	(1,797)	54,827
<b>Increase in Capital Financing Requirement</b>	<b>25,091</b>	<b>65,081</b>

### Note 33 Leases

#### Inverclyde Council as Lessee

##### Finance Leases

The Council has entered into a finance lease type agreement to manage various Common Good land and buildings including the Greenock Municipal Buildings and several municipal parks. The Council remains responsible for all costs and any income relating to the assets and is entitled to the use of the asset in return for the payment of £1 if asked. The Council has also acquired a number of printers for its offices at various locations under five-year finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	31 March 2013	31 March 2012
	£000	£000
Other Land and Buildings	16,143	11,790
Vehicles, Plant and Equipment	125	134
<b>Total</b>	<b>16,268</b>	<b>11,924</b>



The "Other Land and Buildings" figure of £16.143 million disclosed above mostly comprises Greenock Municipal Buildings (£3.520 million), Port Glasgow Town Hall (£2.075 million), Port Glasgow Baths (£1.795 million), Gourrock Outdoor Pool (£3.110 million), Lady Octavia Sport Centre (£1.615 million), Battery Park Pavilion (£1.300 million) and miscellaneous recreational facilities and parks (£1.155 million).

The Council is committed to making rental payments under these leases, comprising settlement of the long-term liability for the interest in the assets acquired by the Council and finance costs payable by the Council in future years while the liability remains outstanding. The rental payments are made up of the following amounts.

	31 March 2013	31 March 2012
	£000	£000
Finance lease liabilities (excluding finance cost)		
~ Current	36	40
~ Non-current	74	73
	110	113
Finance costs payable in future years	15	19
<b>Total rentals payable in future years</b>	<b>125</b>	<b>132</b>

The future rental payments will be payable over the following periods:

	Future Rental Payments		Finance Lease Element	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	£000	£000	£000	£000
Not later than one year	43	49	7	9
Later than one year and not later than five years	82	83	8	10
Later than five years	0	0	0	0
	<b>125</b>	<b>132</b>	<b>15</b>	<b>19</b>

### Operating Leases

The Council leases various properties as tenant on a variety of lease terms that are accounted for as operating leases. The rentals payable in 2012-2013 were £0.359 million (2011-2012 £0.389 million) and the rentals have been included in the Comprehensive Income and Expenditure Statement. The future rental payments due under non-cancellable leases in future years are as 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 Payable	
	31 March 2013	31 March 2012
	£000	£000
Not later than one year	133	358
Later than one year and not later than five years	124	289
Later than five years	21	24
	<b>278</b>	<b>671</b>

### Inverclyde Council as Lessor

#### Operating Leases

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 premises at Wallace Place Greenock and Princes Street Port Glasgow that form the development under the Business Premises Renovation Scheme have been leased to Inverclyde Property Renovation LLP at a peppercorn rental. The risks and rewards of ownership remain with the Council at all times. The rental income receivable in 2012-2013 was £0.799 million (2011-2012 £0.791 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 2013	31 March 2012
	£000	£000
Not later than one year	508	474
Later than one year and not later than five years	1,406	1,318
Later than five years	1,229	1,065
	<b>3,143</b>	<b>2,857</b>

#### Note 34 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 replacement buildings for 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 12 Property, Plant and Equipment.

### Remaining Payments under the Agreement

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the provider fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2013 (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	Total
	£000	£000	£000	£000
Payable within one year	2,328	1,929	5,030	9,287
Payable within two to five years	10,759	7,984	19,967	38,710
Payable within six to ten years	19,049	8,728	24,308	52,085
Payable within eleven to fifteen years	20,326	12,349	24,176	56,851
Payable within sixteen to twenty years	23,779	15,410	22,755	61,944
Payable within twenty one to twenty five years	28,647	18,867	20,226	67,740
Payable within twenty six to thirty years	11,372	8,427	6,531	26,330
<b>Total</b>	<b>116,260</b>	<b>73,694</b>	<b>122,993</b>	<b>312,947</b>

### 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:

	2012-2013	2011-2012
	£000	£000
<b>Balance outstanding at the start of the year</b>	75,491	20,664
Payments during the year	(1,797)	(1,440)
Capital expenditure incurred in the year	0	56,267
<b>Balance outstanding at year-end</b>	<b>73,694</b>	<b>75,491</b>
Included in Balance Sheet		
~ Current	1,929	1,797
~ Non-current	71,765	73,694

## Note 35 Officers Remuneration

### Exit Packages of Employees

The numbers of exit packages, with total cost per band, and total cost of the compulsory and other redundancies, are set out in the table below:

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		Total cost of exit packages in each band			
	2012-13	2011-12	2012-13	2011-12	[(b) + (c)]		2012-13	2011-12	2012-13	2011-12
£0 - £20,000	0	0	1	7	1	7	£6,538	£93,806		
£20,001 - £40,000	0	0	1	11	1	11	£28,610	£321,476		
£40,001 - £60,000	0	0	4	15	4	15	£190,860	£747,904		
£60,001 - £80,000	0	0	4	10	4	10	£273,537	£706,222		
£80,001 - £100,000	0	0	2	7	2	7	£192,648	£630,056		
£100,001 - £150,000	0	0	1	10	1	10	£113,592	£1,164,226		
£150,001 - £200,000	0	0	6	2	6	2	£964,143	£314,384		
£200,001 - £250,000	0	0	1	0	1	0	£201,954	£0		
<b>Total</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>62</b>	<b>20</b>	<b>62</b>	<b>£1,971,882</b>	<b>£3,978,074</b>		

#### Notes:

1. The above exit package values include redundancy, pension strain, and compensatory lump sums for all retirees, the cost of which is reported under Note 37 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 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 2012-2013, included in the above table are liabilities relating to these releases of £1.180 million (2011-2012 £1.593 million).

## Note 36 Impairment Losses

The disclosures on impairment losses by class of asset are shown in Note 12 Property, Plant and Equipment, Note 13 Intangible Assets in the reconciliation of movements during the year and in Note 19 Assets Held for Sale. The major items of impairment losses (squaring to Impairment Losses on Notes 12 and 13) reported within these figures are as follows:

	2012/13
	£000
Overton Primary School	1,633
Play Areas	1,002
Greenock Municipal Buildings	983
Gourock Outdoor Pool	894
Greenock Sports Centre	626
Moorfoot Primary School	579
Port Glasgow Town Centre	456
Ravenscraig Stadium - Stand	301
Kilmacolm Primary School	266
Central Library	229
Inverkip Primary School	204
Port Glasgow Town Hall	188
South West Library	176
Pottery Street Garage	171
St Mary's Primary School	127
Sacred Heart Primary School	110
Ardgowan Primary School	101
	8,046
Other Properties	1,064
<b>Total</b>	<b>9,110</b>

### Note 37 Defined Benefit Pension Schemes

#### Participation in Pension Schemes

The post-employment scheme for employees other than teachers is The Strathclyde Pension Scheme, and is administered by Glasgow City Council. The Strathclyde Pension Scheme is a multi-employer, defined benefit scheme in which it is possible for an employer to identify its share of the assets and liabilities on a consistent and reasonable basis. This is a "funded" defined benefit final salary scheme, meaning that Inverclyde Council and its employees pay contributions into a fund, calculated at a level intended to balance the pension liability with investment assets.

#### 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 replace the cost of post-employment benefits with employers' contributions.

The following transactions have been made in the accounting statements in 2012-2013 and in the prior year 2011-2012.

	31 March 2013	31 March 2012
	£000	£000
<b>Comprehensive Income and Expenditure Statement (CIES)</b>		
Included within "Cost of Services" in CIES:		
~ Current service cost	8,929	8,989
~ Past service cost	50	3,828
~ Curtailments and unfunded benefits	234	2,111
Included within "Financing & Investment Income & Expenditure" in CIES:		
~ Interest cost	20,365	21,700
~ Expected return on scheme assets	(19,065)	(23,100)
<b>Total Post-employment Benefit charged to Surplus or Deficit on the Provision of Services</b>	<b>10,513</b>	<b>13,528</b>
Other Post-employment Benefits Charged to the CIES:		
~ Actuarial (gains) and losses	22,538	44,638
<b>Total Post-employment Benefit Charged to the CIES</b>	<b>33,051</b>	<b>58,166</b>
<b>Movement in Reserves Statement (MiRS)</b>		
~ Reversal of net charges made to the surplus or deficit for the Provision of Services for retirement benefits in accordance with the Code	(22,437)	(46,343)
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>		
<b>Employers' contributions payable to Strathclyde Pension Fund</b>	<b>10,614</b>	<b>11,823</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement is a loss of £120.453 million (2011-2012 loss of £97.915 million).

#### Assets and Liabilities in Relation to Post-employment Benefits

A reconciliation of Inverclyde Council's share of the present value of Strathclyde Pension Fund's liabilities is as follows:

	2012-2013	2011-2012
	£000	£000
<b>Opening balance at 1 April</b>	426,032	384,541
Current service cost	8,929	8,989
Interest cost	20,365	21,700
Contributions by Pension Fund participants	2,740	2,899
Actuarial (gains )and losses	52,215	16,376
Benefits paid	(15,534)	(14,412)
Past service costs	50	3,828
Settlements and curtailments	234	2,111
<b>Closing balance at 31 March</b>	<b>495,031</b>	<b>426,032</b>

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

	2012-2013	2011-2012
	£000	£000
<b>Opening balance at 1 April</b>	329,802	334,654
Expected rate of return	19,065	23,100
Actuarial gains and (losses)	29,677	(28,262)
Employers' contributions	10,614	11,823
Contributions by Pension Fund participants	2,740	2,899
Benefits paid	(15,534)	(14,412)
Settlements and Curtailments	0	0
<b>Closing balance at 31 March</b>	<b>376,364</b>	<b>329,802</b>

The expected return on the Fund's assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The share of deficit on Fund assets in the year was £118.667 million (2011-2012 deficit of £96.230 million).

The actual return on scheme assets in 2012-2013 was £48.790 million (£3.586 million in 2011-2012).

## Fund History

	31 March 2009	31 March 2010	31 March 2011	31 March 2012	31 March 2013
	£000	£000	£000	£000	£000
Present value of liabilities*	(264,458)	(435,509)	(384,541)	(426,032)	(495,031)
Fair value of assets	224,886	310,833	334,654	329,802	376,364
<b>Surplus or (Deficit) in the Fund</b>	<b>(39,572)</b>	<b>(124,676)</b>	<b>(49,887)</b>	<b>(96,230)</b>	<b>(118,667)</b>
*Unfunded liabilities included in the figure for the Present value of liabilities					
~ Unfunded liabilities for Pension Fund	(10,068)	(16,047)	(15,834)	(17,006)	(18,399)
~ Teachers' unfunded pensions	(3,392)	(7,700)	(8,149)	(12,092)	(12,885)
~ Unfunded liabilities prior to 1996 Local Government Reorganisation	(7,531)	(8,813)	(8,729)	(8,011)	(8,048)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of £118.667 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net asset of £58.639 million. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on Strathclyde Pension Fund will be made good by increased contributions over the remaining working life of employees, as assessed by the Pension Fund actuary.

The total contribution expected to be made by the Council to Strathclyde Pension Fund in the year to 31 March 2014 is £8.285 million.

### Basis for Estimating Assets and Liabilities

The Council's share of the liabilities of Strathclyde Pension Fund has been assessed on an actuarial basis using the projected unit credit 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 liabilities have 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 2011. The principal assumptions used by the actuary have been:

	2012-2013	2011-2012
Long-term expected rate of return on assets in the Fund:		
Equity investments	4.5%	6.3%
Bonds	4.5%	3.9%
Property	4.5%	4.4%
Cash	4.5%	3.5%



	2012-2013	2011-2012
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
~ Men	21.0 years	21.0 years
~ Women	23.4 years	23.4 years
Longevity at 65 for future pensioners:		
~ Men	23.3 years	23.3 years
~ Women	25.3 years	25.3 years
Rate of inflation	2.8%	2.5%
Rate of increase in salaries	5.1%	4.8%
Rate of increase in pensions	2.8%	2.5%
Expected return on assets	4.5%	5.8%
Rate for discounting Fund assets	4.5%	4.8%
Take-up option to convert annual pension into retirement lump sum	50.0%	50.0%

The Pension Fund's assets consist of the following categories by proportion of the total assets held:

	31 March 2013	31 March 2012
	%	%
Equity investments	76	77
Bonds	14	11
Property	7	7
Cash	3	5
	<b>100</b>	<b>100</b>

### History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pension Reserve in 2012-2013 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013. Figures for the four previous years are provided for comparison in accordance with the requirements of The Code.

	31 March 2009	31 March 2010	31 March 2011	31 March 2012	31 March 2013
	%	%	%	%	%
Experience gains and (losses) on assets	(32.70)	22.60	0.64	(8.57)	7.89
Experience gains and (losses) on liabilities	6.60	(0.50)	(0.92)	2.87	0.02

### Note 38 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.

In 2012-2013, Inverclyde Council paid £4.310 million in respect of teachers' retirement benefits, representing 14.8% of pensionable pay. The figures for 2011-2012 were £4.462 million and 14.9%. There were no contributions remaining payable at the year-end.

### Note 39 Post-employment Benefits Police and Fire-fighters Pension Schemes

Local authorities have an obligation to meet the expenditure of the Joint Boards of which they are constituent members. As a consequence, Inverclyde Council has additional liabilities arising from the pension deficits of Strathclyde Police Joint Board and Strathclyde Fire & Rescue Joint Board. In accordance with the accounting regulations, the Group Accounts include a share of the pension liability of the above boards. Further information regarding these deficits can be found in the Annual Reports and Accounts of the relevant bodies whose contact details are shown in the Notes to the Group Accounts.

### Note 40 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 received a claim that the methodology for calculating term time salaries may be subject to challenge, it is too early to assess the liability at this stage.

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

The Council is a joint partner of Riverside Inverclyde (RI) which is an Urban Regeneration Company. RI has entered into a joint arrangement to regenerate the James Watt Dock. Recent information highlights that there may be significant abnormal costs for which the Council may ultimately be partially liable.

The Council is unaware of any other material contingent asset or liability at 31 March 2013 and has made no further provisions.

### Note 41 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 and 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 £68.039 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 2013 that this was likely to crystallise.

Credit limits were generally not exceeded during the year, with the exception of a few occasions which were reported to and ratified by the Policy and Resources Committee. 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 £4.139 million (2011-2012 £3.864 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 £11.227 million of the £13.4 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 2013	31 March 2012
	£000	£000
Less than three months	10,877	10,767
Three to six months	35	44
Six months to one year	128	74
More than one year	187	109
	11,227	10,994

### 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 2013	31 March 2012
	£000	£000
Less than one year	31,265	28,113
Between one and two years	5,795	4,301
Between two and five years	7,203	12,513
Between five and ten years	48,256	26,125
Between ten and thirty years	16,414	2,029
Between thirty and fifty years	40,000	47,000
Over fifty years	102,400	102,400
	<b>251,333</b>	<b>222,481</b>

All amounts payable by the Council for trade creditors are due to be paid in less than one year.

### 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 2013, with all other variables held constant.

	31 March 2013	31 March 2012
	£000	£000
<b>Impact on taxpayer</b>		
Increase on interest payable on variable rate borrowings	470	520
Increase in interest receivable on variable rate lending	(680)	(599)
<b>Net effect on Comprehensive Income and Expenditure Statement</b>	<b>(210)</b>	<b>(79)</b>
<b>Other presentational changes</b>		
A decrease in the "fair value" of fixed rate borrowing (disclosure confined to the Notes to the Accounts)	(23,935)	(19,981)
	<b>(23,935)</b>	<b>(19,981)</b>

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

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

## Council Tax Income Account

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

	2012-2013 £000	2011-2012 £000
Gross Council Tax levied	40,341	40,333
Council Tax benefits (net of Government Grant)	0	0
Other discounts and reductions	(6,058)	(6,295)
Write offs	(14)	(17)
Provision for bad and doubtful debts	(900)	(916)
<b>Net Council Tax income</b>	<b>33,369</b>	<b>33,105</b>
Prior years' Council Tax adjustments:		
Billing amendments	82	105
Write offs	(379)	(281)
<b>Net Council Tax income for the year</b>	<b>33,072</b>	<b>32,929</b>
Council Tax benefits adjustments	73	74
Arrears of Community Charge recovered during the year	8	18
<b>Net Council Tax income transferred to General Fund</b>	<b>33,153</b>	<b>33,021</b>

### Calculation of the Council Tax Base

	No. Of Dwellings	No. Of Exemptions	*Disabled Transfer to Lower Band	*Disabled Transfer from Higher Band	Discounts 25%	Discounts 50%	Total Effective No. Of Dwellings	Proportion of Band D	Band D Equivalents
<b>Band A*</b>				40	11		37	5/9	21
<b>Band A</b>	20,366	2,068	40	27	9,365	508	15,690	6/9	10,460
<b>Band B</b>	5,753	205	27	17	2,618	124	4,822	7/9	3,750
<b>Band C</b>	3,381	97	17	21	1,247	52	2,950	8/9	2,622
<b>Band D</b>	3,251	62	21	28	1,009	62	2,913	9/9	2,913
<b>Band E</b>	3,406	57	28	17	802	67	3,104	11/9	3,794
<b>Band F</b>	1,832	19	17	15	331	42	1,707	13/9	2,466
<b>Band G</b>	1,389	10	15	2	196	27	1,304	15/9	2,173
<b>Band H</b>	212	4	2	0	19	9	197	18/9	394

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

Contributions in Lieu - Band D equivalents

2

**Total**

**28,595**

Provision for Bad Debt at 3.35%

(958)

**Council Tax Base**

**27,637**

### 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 2012-2013 was £1,198.

#### £ Per Year

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

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

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

## Non-Domestic Rates Income Account

This account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool. 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".

	2012-2013 £000	2011-2012 £000
Gross rates levied	27,021	25,837
Relief and other remissions	(7,045)	(6,732)
Payment of interest	0	0
Provision for bad and doubtful debts	(775)	(714)
<b>Net non-domestic rate income</b>	<b>19,201</b>	<b>18,391</b>
Adjustments for years prior to introduction of national non-domestic rate pool	0	0
Non-domestic rates income retained by authority	0	0
Contribution from national non-domestic rate pool	1,244	751
<b>Net non-domestic rate income transferred to General Fund</b>	<b>20,445</b>	<b>19,142</b>

	2012 £000	2011 £000
<b>Rateable values at 1 April</b>		
Commercial	31,228	31,430
Industrial / freight transport	8,765	8,896
Others	20,282	19,638
	<b>60,275</b>	<b>59,964</b>

### The nature and amount of each rate fixed

The rates for each subject is determined by the rateable value placed upon it by the Assessor multiplied by the rate per £ sterling announced each year by the Scottish Government. For 2012-2013 the charge was 45.0p in the £ sterling for properties with a rateable value under £35,000. Properties with a rateable value over £35,000, the charge was 45.8p



## 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 2013. Each year, applications for funding support are considered by the Council's Policy and Resources Committee.

### Summary Income and Expenditure Account for the Year Ended 31 March 2013

2011-2012		2012-2013
£000		£000
360	Gross Expenditure	265
(163)	Gross Income	(214)
<b>197</b>	<b>Cost of Service</b>	<b>51</b>
0	Interest Payable and Similar Charges	0
(2)	Interest and Investment Income	(1)
<b>(2)</b>	<b>Financing and Investment Income and Expenditure</b>	<b>(1)</b>
<b>195</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>50</b>
(56)	Transfer from Revaluation Reserve	(79)
<b>139</b>	<b>(Increase) or Decrease in the Year</b>	<b>(29)</b>
(359)	Balance on Revenue Reserves brought forward	(220)
<b>(220)</b>	<b>Balance on Revenue Reserves carried forward</b>	<b>(249)</b>

## Balance Sheet at 31 March 2013

31 March 2012 £000		Notes	31 March 2013 £000
	<b>Long-term Assets</b>		
1,491	Property, Plant and Equipment	1	1,503
	<b>Current Assets</b>		
2	Short-term investments		2
21	Short-term debtors		19
197	Deposits up to 3 months with Inverclyde Council		228
	<b>Current Liabilities</b>		
0	Short-term creditors		0
<b>1,711</b>	<b>Net Assets</b>		<b>1,752</b>
220	Usable Reserves: Revenue Reserves		249
1,491	Unusable Reserves: Revaluation Reserve		1,503
<b>1,711</b>	<b>Total Reserves</b>		<b>1,752</b>

## 1. Property, Plant &amp; Equipment

	2012-2013 Other Land & Buildings £000	2011-2012 Other Land & Buildings £000
<b>Cost or Valuation</b>		
At 1 April	2,002	2,002
<b>At 31 March</b>	<b>2,002</b>	<b>2,002</b>
<b>Depreciation and Impairment</b>		
At 1 April	511	455
Impairment losses to Revaluation Reserve	(12)	56
<b>At 31 March</b>	<b>499</b>	<b>511</b>
<b>Balance Sheet amount at 31 March</b>	<b>1,503</b>	<b>1,491</b>

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 2012-2013 was £0.153 million (2011-2012 £0.151 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 2013 £000	31 March 2012 £000
Not later than one year	119	108
Later than one year and not later than five years	261	353
Later than five years	395	449
	<b>775</b>	<b>910</b>

## Trust Funds

The Council has 15 trust funds, 9 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 very small reserves. The reserves of the trusts for 2012-2013 are as follows:

	2012-2013				2011-2012
	Income £000	Expenditure £000	Revaluations £000	Reserves £000	Reserves £000
<b>The Watt Institution Trust</b> For the maintenance, preservation, repair, improvement and furnishing of the Watt Library and McLean Museum and Art Gallery.	1	17	0	149	165
<b>The Birkmyre Trust</b> To ensure the availability of recreational facilities within the Birkmyre Park Kilmacolm.	73	63	1,003	1,101	91
<b>Lady Alice Shaw-Stewart Memorial Trust</b> For the assistance of female cases recommended to the Corporation by the Probation Officer for the time being in the Burgh of Greenock.	0	0	0	48	48
<b>McLeod Trust Port Glasgow High School</b> To provide scholarships for pupils of Port Glasgow High School from disadvantaged backgrounds or with no history of higher education.	9	1	0	76	68
<b>The Talented Children and Young People Endowment</b> To provide endowments for talented children and young people mostly in the areas of arts, creativity, music and sport.	0	2	0	64	66
<b>Peter Stanton Memorial Trust</b> For the promotion of recreational or other leisure activities for disabled persons in Inverclyde.	0	3	0	15	18
<b>Various other Trust Funds</b>	1	2	0	9	10
<b>Total Trust Funds</b>	<b>84</b>	<b>88</b>	<b>1,003</b>	<b>1,462</b>	<b>466</b>

## Group Movement in Reserves Statement for the Year ended 31 March 2013

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 2013

	Usable Reserves				Council Unusable Reserves	Share of Associates Usable Reserves	Share of Associates Unusable Reserves	Total Group Reserves
	General Fund Balance	Other Revenue Reserves	Capital Reserves	Total Usable Reserves				
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2012</b>	<b>40,712</b>	<b>5,093</b>	<b>1,733</b>	<b>47,538</b>	<b>11,030</b>	<b>7,956</b>	<b>(204,834)</b>	<b>(138,310)</b>
<b>Movement in Reserves during 2012-2013</b>								
Surplus or (Deficit) on Provision of Services	(20,379)	0	0	(20,379)	0	(12,082)	58	(32,403)
Other Comprehensive Expenditure and Income		0	0		20,450	(2,057)	(27,772)	(9,379)
<b>Total Comprehensive Expenditure and Income</b>	<b>(20,379)</b>	<b>0</b>	<b>0</b>	<b>(20,379)</b>	<b>20,450</b>	<b>(14,139)</b>	<b>(27,714)</b>	<b>(41,782)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7)	25,757	0	0	25,757	(25,757)	10,072	(10,072)	0
<b>Net Increase or (Decrease) before Transfers to Other Statutory Reserves</b>	<b>5,378</b>	<b>0</b>	<b>0</b>	<b>5,378</b>	<b>(5,307)</b>	<b>(4,067)</b>	<b>(37,786)</b>	<b>(41,782)</b>
Transfers (to) and from Other Statutory Reserves (Note 8)	(837)	432	405	0	0	(12)	12	0
<b>Increase or (Decrease) in the Year</b>	<b>4,541</b>	<b>432</b>	<b>405</b>	<b>5,378</b>	<b>(5,307)</b>	<b>(4,079)</b>	<b>(37,774)</b>	<b>(41,782)</b>
<b>Balance at 31 March 2013 Carried Forward</b>	<b>45,253</b>	<b>5,525</b>	<b>2,138</b>	<b>52,916</b>	<b>5,723</b>	<b>3,877</b>	<b>(242,608)</b>	<b>(180,092)</b>

## Comparative Figures for Year ended 31 March 2012

	Usable Reserves				Council Unusable Reserves	Share of Associates Usable Reserves	Share of Associates Unusable Reserves	Total Group Reserves
	General Fund Balance	Other Revenue Reserves	Capital Reserves	Total Usable Reserves				
	£000	£000	£000	£000				
<b>Balance at 31 March 2011</b>	<b>29,198</b>	<b>5,519</b>	<b>1,722</b>	<b>36,439</b>	<b>95,371</b>	<b>7,000</b>	<b>(190,196)</b>	<b>(51,386)</b>
<b>Movement in Reserves during 2011-2012</b>								
Surplus or (Deficit) on Provision of Services	(4,563)	0	0	(4,563)	0	(13,715)	15	(18,263)
Other Comprehensive Expenditure and Income	0	0	0	0	(68,679)	221	(203)	(68,661)
<b>Total Comprehensive Expenditure and Income</b>	<b>(4,563)</b>	<b>0</b>	<b>0</b>	<b>(4,563)</b>	<b>(68,679)</b>	<b>(13,494)</b>	<b>(188)</b>	<b>(86,924)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7)	15,662	0	0	15,662	(15,662)	14,450	(14,450)	0
<b>Net Increase or (Decrease) before Transfers to Other Statutory Reserves</b>	<b>11,099</b>	<b>0</b>	<b>0</b>	<b>11,099</b>	<b>(84,341)</b>	<b>956</b>	<b>(14,638)</b>	<b>(86,924)</b>
Transfers (to) and from Other Statutory Reserves (Note 8)	415	(426)	11	0	0	0	0	0
<b>Increase or (Decrease) in the Year</b>	<b>11,514</b>	<b>(426)</b>	<b>11</b>	<b>11,099</b>	<b>(84,341)</b>	<b>956</b>	<b>(14,638)</b>	<b>(86,924)</b>
<b>Balance at 31 March 2012 Carried Forward</b>	<b>40,712</b>	<b>5,093</b>	<b>1,733</b>	<b>47,538</b>	<b>11,030</b>	<b>7,956</b>	<b>(204,834)</b>	<b>(138,310)</b>

## Group Comprehensive Income and Expenditure Statement for the Year ended 31 March 2013

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*.

2011-2012				2012-2013		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
9,810	(8,372)	1,438	Central Services to the Public	9,702	(8,343)	1,359
15,165	(1,453)	13,712	Cultural & Related Services	18,762	(1,317)	17,445
97,916	(3,310)	94,606	Education Services	107,029	(3,331)	103,698
13,571	(1,925)	11,646	Environmental Services	14,501	(1,952)	12,549
6,222	0	6,222	Fire & Rescue Services	5,841	0	5,841
40,593	(39,803)	790	Housing Services	42,824	(40,527)	2,297
12,630	(4,317)	8,313	Planning and Development Services	13,295	(3,771)	9,524
7,861	(300)	7,561	Police Services	7,217	(242)	6,975
9,224	(3,052)	6,172	Roads & Transportation	10,336	(3,579)	6,757
64,742	(14,467)	50,275	Social Work	67,776	(14,105)	53,671
2,832	0	2,832	Corporate and Democratic Core	2,239	0	2,239
6,259	(8)	6,251	Non-Distributable Costs	1,574	(79)	1,495
<b>286,825</b>	<b>(77,007)</b>	<b>209,818</b>	<b>Cost of Services</b>	<b>301,096</b>	<b>(77,246)</b>	<b>223,850</b>
		(15)	Other Operating Expenditure (Note 9)			(27)
		10,427	Financing and Investment Income and Expenditure (Note 10)			14,072
		(215,667)	Taxation and Non-specific Grant Income (Note 11)			(217,516)
		<b>4,563</b>	<b>(Surplus) or Deficit on the Provision of Services</b>			<b>20,379</b>
		13,700	Share of the surplus or deficit on the provision of services by associates (Note 45)			12,024
		<b>18,263</b>	<b>Group Surplus or Deficit</b>			<b>32,403</b>
		18,287	(Surplus) or deficit on the revaluation of non-current assets			(49,871)
		5,754	Impairment losses on non-current assets charged to the Revaluation Reserve			6,883
		44,638	Actuarial (gains) or losses on pension assets and liabilities (Note 37)			22,538
		0	Other unrealised (gains) or losses			0
		(18)	Share of other Comprehensive Income and Expenditure of associates (Note 45)			29,829
		<b>68,661</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>9,379</b>
		<b>86,924</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>41,782</b>

## Group Balance Sheet as at 31 March 2013

The Balance Sheet is a snapshot of the value at the 31 March 2013 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).

2012 £000	Note	2013 £000	2012 £000	Note	2013 £000
368,528		409,916			
17,914	14	18,059			
345	13	151			
9,964	46	8,239			
233		2,175			
<b>396,984</b>		<b>438,540</b>	<b>(138,310)</b>	<b>Net Assets</b>	<b>(180,092)</b>
40,356		33,007	47,538	Usable Reserves of the Council	52,916
0	19	185	11,030	Unusable Reserves of the Council	5,723
503	16	324	7,956	Usable Reserves, Share of Reserves of Associates	3,877
10,501		11,283	(204,834)	Unusable Reserves, Share of Reserves of Associates	(242,608)
19,625	18	35,585	<b>(138,310)</b>	<b>Total Reserves</b>	<b>(180,092)</b>
<b>70,985</b>		<b>80,384</b>			
(1,031)	18	(676)			
(2,764)		(7,039)			
(25,349)	20	(28,515)			
(2,900)	21	(1,296)			
(1,837)	33 & 34	(1,965)			
<b>(33,881)</b>		<b>(39,491)</b>			
0	20	(799)			
(195,559)		(221,250)			
(206,842)	46	(246,970)			
(73,767)	33 & 34	(71,839)			
(96,230)	37	(118,667)			
0		0			
<b>(572,398)</b>		<b>(659,525)</b>			

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Alan Puckrin C.P.F.A.  
Chief Financial Officer  
Issued on 25 June 2013

The unaudited accounts were issued on 25 June 2013 and the audited accounts were authorised for issue on 26 September 2013.



### A Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom 2012-2013 (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 e.g. statutory bodies such as Police, Fire and Rescue and Valuation Boards. 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 seven other entities:

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

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

Four of the five Joint Boards (Police, Fire and Rescue, 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 the 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 43 Group Combining Entities. The comparative figures have been restated from the values reported in the audited financial statements of the 2011-2012 Group Accounts and exclude the results of the Common Good.

### 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 four of the seven entities, the Council has a share in a net liability. The significant negative balances on Police and Fire and Rescue arise 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 reduce both the “net liabilities” and “total reserves” by £238.731 million representing the Council’s share of the net liabilities in these entities. As above, this reflects the combined pension liability recorded for the Police and Fire & Rescue’ Pension Schemes.

All associates consider it appropriate that their Statement of Accounts should follow the “going concern” basis of accounting. The Police and Fire Boards have been merged into a single national Police Service of Scotland and Fire Service for Scotland from 1 April 2013. Statutory arrangements with the Scottish Government, for the funding of the deficits, means that the financial position of the National Police and Fire Services remains assured. Arrangements with the Council and its organisations for the longer-term funding of Inverclyde Leisure and Riverside Inverclyde are considered sufficient to meet future funding requirements.

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 37 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 Firefighter’s Pension Scheme are unfunded and therefore net pension payments are charged to the Comprehensive Income and Expenditure Statement in the year in which payment is 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 43 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 2013. 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 is a member of the Police Joint Board, a statutory corporate body established under the Strathclyde Combined Police Area Amalgamation Order 1995 that provides 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% (2011-2012 £7.62 million) of the Board's estimated running costs and its share of the year-end net liability of £186.554 million (2011-2012 £157.158 million) is included in the Group Balance Sheet. The audited accounts of the Board can be obtained from the Treasurer to Strathclyde Police Joint Board, Glasgow City Chambers, Glasgow G2 1DU.

### **Strathclyde Fire and Rescue Joint Board**

Inverclyde Council is a member of the Strathclyde Fire and Rescue Joint Board which provides 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 5.07% (2011-2012 £6.259 million) to the Board's estimated running costs and its share of the year-end net liability of £59.751 million (2011-2012 £49.333 million) is included in the Group Balance Sheet. The audited accounts of the Board can be obtained from the Treasurer to Strathclyde Fire and Rescue Joint Board, Bothwell Road, Hamilton ML3 0EA.

### **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 2012-2013, Inverclyde Council contributed £1.478 million or 3.95% (2011-2012 £1.478 million) of the Partnership's estimated running costs and its share of the year-end net asset of £6.309 million (2011-2012 £6.070 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 2012-2013, Inverclyde Council contributed £0.156 million or 4.02% (2011-2012 £0.140 million) of the Board's estimated running costs and its share of the year-end net asset of £0.056 million (2011-2012 £0.065 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 2012-2013, Inverclyde Council contributed £0.557 million or 23.95% (2011-2012 £0.567 million) of the Board's estimated running costs and its share of the year-end net liability of £0.485 million (2011-2012 £0.351 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 2013 were £0.396 million (2011-2012 £0.083 million liability) and its net deficit for the year was £0.157 million (2011-2012 £0.173 million). The Council has no commitment to meet any losses of the company. The accounts of the charitable 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 2012-2013, Inverclyde Council contributed £2.278 million (as per related notes) or 41.52% of the charity's turnover and its share of the year-end net liabilities of £0.180 million (2011-2012 £0.038 million net assets) is included in the Group Balance Sheet.

### Riverside Inverclyde

This is an Urban Regeneration Company (URC) 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 charities net assets at 31 March 2013 were £9.381 million (2011-2012 £18.955 million) and its net profit for the year was £0.569 million (2011-2012 £0.063 million net deficit). 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.

At the time of Inverclyde Council's accounts being published, Riverside Inverclyde's audited accounts were unavailable and as such the unaudited accounts have been used for consolidation purposes. The Council, being aware of an external review of the Riverside Inverclyde investment in James Watt Dock LLP, have taken a prudent view to fully impair the investment shown within Riverside Inverclyde's accounts. This does not impact on Riverside Inverclyde's going concern status.

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 two of the ten representatives on the company's board, and for the purposes of accounting this equates to an interest of 20.0%. 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 2012-2013, Inverclyde Council contributed £2.756 million (2011-2012 £1.319 million) or 40.91% of the charity's turnover, and its share of the year-end asset of £1.874 million (2011-2012 £3.791 million) is included in the Group Balance Sheet.

### Note 44 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 45 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 (CIES). This note should be read in conjunction with the disclosures for the Council in Note 5 *Material Items of Income and Expenditure*.

	2012-2013 £000	2011-2012 £000
<b>Share of the surplus or deficit on the provision of services by associates</b>		
Strathclyde Police Joint Board	9,362	10,771
Strathclyde Fire and Rescue Joint Board	3,324	3,404
Strathclyde Partnership for Transport	(480)	(424)
Strathclyde Concessionary Travel Scheme Joint Board	8	32
Renfrewshire Valuation Joint Board	(5)	(17)
Inverclyde Leisure	(71)	(79)
Riverside Inverclyde	(114)	13
	12,024	13,700
<b>Share of Other Comprehensive Income and Expenditure of Associates</b>		
Strathclyde Police Joint Board	20,034	(655)
Strathclyde Fire and Rescue Joint Board	7,094	(236)
Strathclyde Partnership for Transport	242	780
Strathclyde Concessionary Travel Scheme Joint Board	1	0
Renfrewshire Valuation Joint Board	140	220
Inverclyde Leisure	289	(46)
Riverside Inverclyde	2,029	(81)
	29,829	(18)

**Note 46 Group Assets and Liabilities of Associates**

	2012/2013	2011/2012
	£000	£000
<b>Net Assets of Associates</b>		
Strathclyde Partnership Transport	6,309	6,070
Strathclyde Concessionary Travel Scheme Joint Board	56	65
Riverside Inverclyde	1,874	3,791
Inverclyde Leisure	0	38
	<b>8,239</b>	<b>9,964</b>
<b>Net Liabilities of Associates</b>		
Strathclyde Police Joint Board	(186,554)	(157,158)
Strathclyde Fire & Rescue Joint Board	(59,751)	(49,333)
Renfrewshire Valuation Joint Board	(485)	(351)
Inverclyde Leisure	(180)	0
	<b>(246,970)</b>	<b>(206,842)</b>

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

We certify that we have audited the financial statements of Inverclyde Council and its group for the year ended 31 March 2013 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 the authority-only Cash-Flow Statement, Council Tax Income Account, Non-domestic Rate 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 2012/13 (the 2012/13 Code).

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

## Respective responsibilities of the Responsible Financial Officer and auditor

As explained more fully in the Statement of Responsibilities for the Annual Accounts, 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. 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 2012/13 Code of the state of the affairs of the group and of the body as at 31 March 2013 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 2012/13 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 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 Statement on the System of Internal Financial Control does not comply with the 2012/13 Code; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Grant Thornton UK LLP

7 Exchange Crescent  
Conference Square  
Edinburgh  
EH3 4AN

26 September 2013



# 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 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.

## 9. 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.

## 10. Capital Programme

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

## 11. Capital Receipt

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

## 12. 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.

## 13. Consistency

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

## 14. 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

## 15. 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.

## 16. 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.

## 17. 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.

## 18. 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.

## 19. 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.

## 20. 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.

## 21. 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.

## 22. 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.

## 23. Equity

The Council's value of total assets less liabilities.

## 24. 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.

## 25. 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.

## 26. 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.

## 27. 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 of use of the asset.

## 28. Finance Lease

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

## 29. General Revenue Grant

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

## 30. 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.

## 31. 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.

## 32. 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.

## 33. Impairment

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

## 34. 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.

## 35. 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.

## 36. Interest Cost (Pensions)

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

## 37. 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.

## 38. 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.

### 39. 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.

### 40. Non Distributed Costs

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

### 41. 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.

### 42. Operating Lease

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

### 43. Past Service Cost (Pensions)

For a defined benefit scheme, the increase in the present value of the scheme 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

### 44. Pension Scheme Liabilities

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

### 45. 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.

### 46. 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.

### 47. 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.

### 48. 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.

### 49. Rateable Value

The annual assumed rental of a hereditament, which is for national non-domestic rates purposes.

### 50. 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.

### 51. 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.

### 52. 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.

### 53. Residual Value

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

### 54. Revenue Expenditure

The day-to-day expenses of providing services.

### 55. Significant Interest

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

### 56. 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.

### 57. Temporary Borrowing

Money borrowed for a period of less than a year.

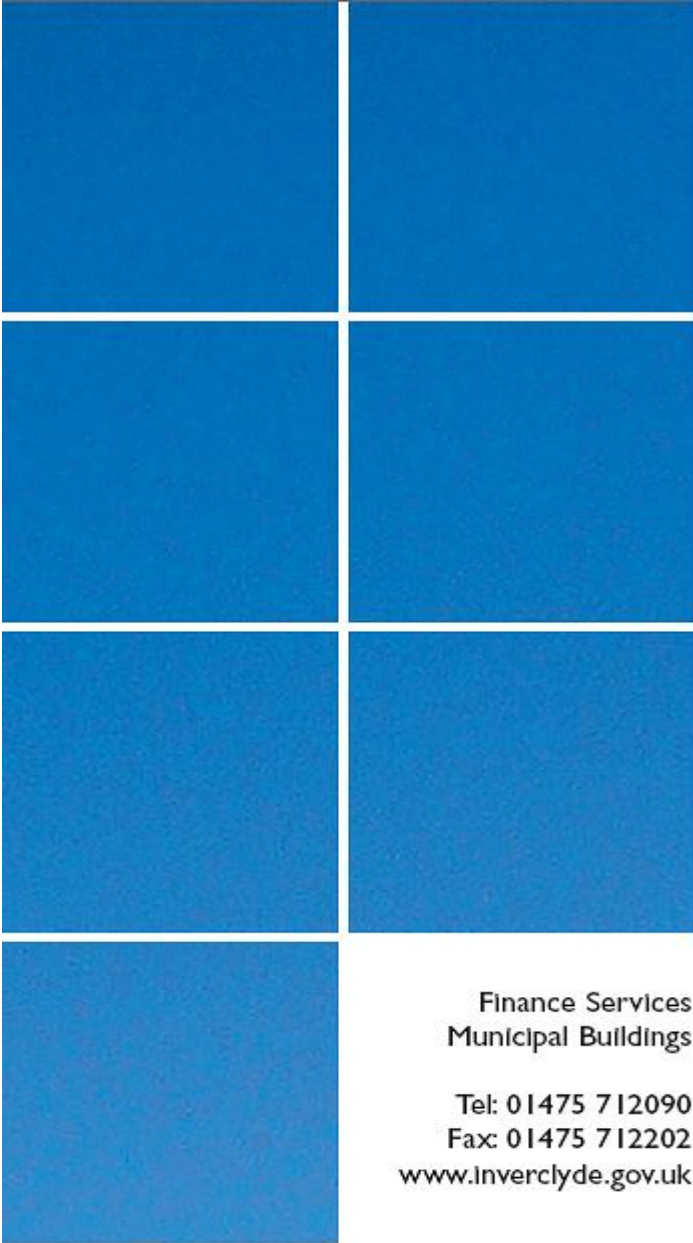
### 58. Trust Funds

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

### 59. Useful Economic Life

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





Finance Services  
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