

Inverclyde Council

Audited Annual Accounts

2011-2012



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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 2012, which have been compiled in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 ("The Code"). This foreword outlines key messages regarding the financial performance of the Council over the 2011-2012 financial year and also provides an outlook for future issues and risks which may impact upon the finances of the Council.

2. The Principal Statements

A summary of the main statements is provided 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.

3. Changes in Accounting Policy

There is one significant change in accounting policy from 2010-2011, relating to heritage assets. The Council has fully adopted the requirements of FRS30 Heritage Assets, with the result that certain assets have been reclassified and revalued. This change in accounting has been applied retrospectively in accordance with The Code. The adoption of FRS30 has had no effect on the net asset position. Note 45 provides further information.

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

The following paragraphs pick up on key aspects of finances as recommended in *The Code*. Audit Scotland's Financial Returns Working Group has recommended the inclusion of certain financial ratios covering reserves, Council Tax and debt and these are included in the appropriate sections below.

Revenue

The Comprehensive Income and Expenditure Statement on page 20 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 18 shows a surplus of £11.5 million for the year. When this is combined with the General Fund Balance of £29.2 million brought forward from 2010-2011 it results in a cumulative balance of £40.7 million to be carried forward to 2012-2013. £34.6 million of this balance is earmarked for particular purposes as detailed in Note 23 on Pages 54 to 55. This leaves £6.1 million as an unallocated balance which is approximately 3.0 % of the Council's cost of service. This is £1.9 million more than the recommended level of £4.2 million, and is considered appropriate in the context of the Council's financial position and ongoing risk profile.

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

Principal Sources of Finance

The principal sources of finance utilised by the Council in 2011-2012 were as follows:

General Revenue Grant	£155.0 million	Provided by the Scottish Government
Other Government Grants	£8.5 million	Provided by Central and Scottish Government
Non-Domestic Rates redistribution	£19.1 million	Provided by the Scottish Government
Council Tax	£33.0 million	Raised from local taxpayers
Other income	£46.8 million	Sales, fees, charges and other contributions for services

Inverclyde Council in common with all Scottish local authorities has frozen Council Tax bills at 2008-2009 levels. The Council continues to improve Council Tax collection rates year-on-year despite the current financial climate and its effect on the local economy. The collection rate for 2011-2012 was 94.23%, the highest rate achieved by the Council since the introduction of Council Tax in 1992/93.

Balance Sheet

The Balance Sheet on page 21 summarises the Council's assets and liabilities as at 31 March 2012 and explanatory notes are provided. Total net assets have reduced by £73.2 million to £58.6 million, the reduction mostly caused by the significant increase of £46.3 million in the Council's share of the net liability of Strathclyde Pension Fund. The major changes in the Council's Balance Sheet between March 2011 and March 2012 are explained in more detail in the following paragraphs.

Non-current and Current Assets

Non-current assets (including the new category of heritage assets) have increased in value by £26.1 million to £387.0 million. An increase in asset values resulting from capital investment including the completion of the two secondary schools and other capital investment was substantially offset by depreciation charges for the year and impairments due to demolitions. Short-term investments have reduced by £3.0 million while cash and cash equivalents have reduced by £5.7 million, an overall reduction of £8.7 million. This has arisen as a consequence of not undertaking additional borrowing in the year as part of the Council's approved treasury management and investment activities. Short-term creditors and provisions have reduced by £5.4 million.

Pensions Position

The Council's share of the Pension Fund deficit stands at £96.2 million at 31 March 2012. The disclosure requirements for pension benefits under IAS19 are detailed in Note 40 on pages 75 to 79. The appointed actuaries have confirmed a deterioration of £46.3 million in their assessment of the Council's share of the actuarial deficit position of the local government pension fund. This change is principally due to lower than expected investment returns and less favourable financial assumptions with regard to pension liabilities. For example, the real discount rate has reduced significantly with the effect that a higher value is placed on the value of liabilities.

The major part of the change during the year is disclosed as a post-employment actuarial loss on pension liabilities (£44.6 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 reduced by £4.2 million during the year. Short-term borrowing decreased by £4.0 million whilst long-term borrowing reduced by £0.2 million. The Council did not undertake any borrowing or debt financing during the year and paid down debt. Long-term leases increased by £54.5 million all related to the PPP funding arrangements for the two secondary schools opened during the year.

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 44. 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 and have remained consistently and significantly lower than the CFR. The Council's net external debt was £215.0 million at 31 March 2012 compared to the CFR limit of £271.8 million. The Council's costs of borrowing remain consistently one of the lowest of all Scottish local authorities; are affordable; and fit in with the Council's medium to long-term financial strategy. The Council's loans fund rate was 4.2% for 2011-2012 and financing costs are 10.8% as a proportion of the Council's net revenue stream.

Provisions, Contingencies and Write-offs

The Council has provided £2.9 million for eventualities which may have a material effect on the financial position of the Council (see Note 22). The reasons for the provisions made are outlined in the Note. While the Council has made provision as outlined above 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 £34.6 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 £0.298 million for Council Tax and £0.079 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 £13.1 million and made a provision at the year-end of £17.0 million for non-collection of debt, a reduction of £6.4 million.

5. Budget Performance of the General Fund

The General Fund returned a net surplus of £11.5 million for the year compared to a budgeted surplus of £1.5 million. The improved out-turn of £10.0 million is largely due to £1.3 million savings in loan charges, £1.0 million extra Workstream Savings, £5.7 million in new/increased Earmarked Reserves, £0.9 million in contingencies not required. Other smaller savings have occurred in Payments to Social Care Providers, Education, Property Costs, Waste Collection/Disposal Costs, Strike Savings and higher than anticipated Building Services income.

6. 2012-2013 General Fund Budget and the Impact of the Current Economic Climate

During the course of the year, the Council faces a number of significant financial pressures resulting from a cut in the Council's grant funding, general inflationary increases and continuing demographic changes. The latest projections for public sector expenditure from the Treasury, as well as various academic institutions and think tanks, show that resources will continue to decline in real terms for the next five years at the same time as demand for services continues to increase annually, largely driven by demographic change.

Management of Treasury Risk

2011-2012 saw a continuation of the poor economic climate which started with the banking crisis in 2008-2009, and increased pressure on public finances. The risk of further UK banking failures appears to have passed, but there are ongoing concerns with regards to the wider European banking system and sovereign debt within the Eurozone. The Council continues to mitigate the risks associated with the security of cash deposits through considering restructuring debt where opportunities arise, and reviewing and strengthening in consultation with our treasury advisers the criteria for placing deposits with financial institutions on the Council's approved counterparty list.

Key Financial Risks

The local government grant settlement announced in December 2011 outlined a reduction in the Council's revenue grant of £1.2 million in 2012-2013, with further reductions of £1.1 million and £1.1 million in 2013-2014 and 2014-2015 respectively, a total of £3.4 million. Without the grant floor mechanism mitigating the above the Council's future financial position would be worse.

It is however recognised that with the significant deterioration which has occurred in the Eurozone over the last 12 months - and that has yet to be resolved with sustainable solution - there will be an inevitable consequential impact on the UK economy. As such, there exists a significant risk that the UK economy will fail to meet the growth targets assumed in the UK Government's budget which may ultimately lead to the Council's government grant figures for the period post 2015 being further reduced by the Scottish Government.

Additionally, it is anticipated that significant cost pressures will persist beyond 2012-2013 resulting from local demographics, the service requirements of the local population and the potential impact of Welfare Benefit reforms. The combination of these cost pressures, coupled with reduced government grant income and inflationary pressures, presents significant challenges and financial risks for the Council over the medium term.

Inverclyde Council has continued to be proactive in its preparation for the anticipated reductions in grant and increased demand pressures, and a number of decisions have been taken by the Council throughout 2011-2012 and in previous years which will continue to deliver sustainable savings in future years. However considerable challenges will continue in the medium term and the Council continues to work towards addressing these.

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 significant 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 Financial and Property Assets

The current economic climate has resulted in more volatile asset values where the valuation is linked to current market prices. The Council has no financial assets held for sale or investment properties and is therefore less exposed to temporary fluctuations in market values. The basis of valuation of the Council's financial and property assets is explained in the Accounting Policies section. The next full valuation of the Council's property portfolio is scheduled for March 2013.

7. Significant Trading Operation

The Council operated a single "significant trading operation" (STO), the Building Services STO, in 2011-2012. The Building Services STO ended the financial year with a deficit of £0.4 million. This means that the STO had failed to achieve its statutory three year break even position. The main reason for the in year deficit was the loss of a major external contract. The result of this loss has been that the STO has had to downsize the workforce by way of a voluntary severance trawl, the one-off costs resulting from this have led to the failure to achieve the STO's statutory target. A 3 year business plan is currently being prepared to address the current situation and will be presented to a future meeting of the relevant Committee.

Further information about the STO's operations and its turnover, expenditure and surplus is shown in Note 29 on Pages 64-65.

8. 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 £28.5 million was managed within the "Prudential Framework" limits approved by the Council. 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 £11.9 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 £1.3 million from revenue, £0.2 million from receipts, £8.5 million from government grants with the balance of £18.5 million being met through borrowing. Further information about the spending on capital projects is shown in Note 34 on page 69.

Major projects progressed during the year included:

- £6.1 million on the Leisure Strategy.
- £4.2 million on the construction of the Joint Campus/ASN School.
- £2.9 million on refurbishment of Overton and Highlanders Academy Primary Schools.
- £2.4 million on the refurbishment of Earnhill Primary School.
- £2.2 million on the Office and Depot Rationalisation Programme.

9. 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 has previously provided the Council with replacement buildings for two primary schools. During the financial year 2011-2012, two secondary schools, Clydeview Academy and Notre Dame High School were opened. Further information is shown in Note 36.

10. Common Good & Trust Funds

The Council administers the Common Good Fund. In addition the Council controls several sundry trusts, some of which are registered as charities. The 2011/2012 Code prescribes that where a trust fund is a registered charity, it should follow the financial reporting requirements of the Office of the Scottish Charity Regulator (OSCR). In order to comply with both the Code and OSCR requirements, the Council has opted to independently verify the financial statements of the registered charitable trusts.

The Common Good Fund incurred a deficit of £0.195 million due to the planned contribution to the 2011 Tall Ships event. The total usable reserves of the Common Good now stand at £0.220 million which is available for use in future years.

The reserves of the nine registered charitable trusts decreased marginally by £0.002 million and were £0.077 million at the year-end. The usable reserves of the other four trust funds also increased marginally by £0.001 million, and the aggregate net asset value was £0.389 million at the year-end. Copies of the annual accounts of the registered charitable trusts are available on request from Finance Services, Municipal Buildings, Clyde Square, Greenock PA15 1LY.

11. Group Accounts

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 100 to 123 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 £196.878 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.

The following statements make up the "Group Accounts" for the Local Authority:

- i. The Group Movement in Reserves Statement shows the movement in the year of the different reserves the Council holds, along with the movement in the Council's share of the reserves of its associates.
- ii. The Group Comprehensive Income and Expenditure Statement combines the Income and Expenditure figures for the Council with the Council's share of the operating results of each associate.
- iii. The Group Balance Sheet brings together all the assets and liabilities of the group, and combines the Council's assets and liabilities with its share of each associate's net assets or liabilities.
- iv. The Group Cash Flow Statement shows the change in the year of cash and cash equivalents of the Council and its associates.
- v. The Notes to the Group Accounts give further information on the Council's group accounts.

12. Service Changes and Future Developments

There have been no changes to the statutory functions undertaken by the Council. The Council continues to review the potential for the sharing of services with other public sector bodies.

The major programme of public service reform currently being undertaken by the Scottish Government in health and social care and in the Police and Fire services will result in a combination of restructured local services and in newly formed national bodies. The ambition is to integrate health and social care services and a consultation on proposed prescriptive legislation to replace the current 'enabling' legislation is under way. For all of these services there will be changes to governance, administration and to financial management arrangements and this will inevitably impact upon local authorities.

The Scotland Act 2012 will allow MSPs to vary income tax rates in Scotland and provides new prudential powers to borrow for capital investment, to build public infrastructure such as schools and hospitals. It will also devolve stamp duty, land tax and landfill tax. The bill officially became law in 2012 but the Scottish Government will not be able to use the new powers until 2016.

The Scottish Government intends to hold a referendum of the Scottish electorate on the issue of independence from the United Kingdom in the autumn of 2014. The Referendum Bill is a proposed parliamentary bill to set out the arrangements for this referendum which is likely to be put forward in 2013.

13. Events after the Balance Sheet Date

The annual accounts were signed by the Chief Financial Officer on 28 June 2012. Events taking place after this date have not been reflected in the financial statements. Material events between the balance sheet date and the date of signing have been considered and where necessary reflected in the financial statements.

The group accounts consolidate the Council's share of the assets and liabilities of Strathclyde Fire and Rescue and the Strathclyde Police Authority. The Police and Fire Reform (Scotland) Bill received Royal Assent on 7 August 2012 confirming the merger of the all 8 existing police and fire boards to create a new single Police Service of Scotland and Fire Service for Scotland from 1 April 2013. These bodies will, therefore, no longer form part of the Council's group for financial reporting periods after 31 March 2013. There is no immediate impact which materially affects these financial statements from this announcement, however, this material change in the future organisation of some of the Council's significant subsidiaries is regarded as a non-adjusting post balance sheet event within the accounts at Note 6.

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
28 June 2012

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 2012.

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 2012, 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 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 report 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 project management framework within the Council;
- Embed the corporate approach to partnership working and the associated risk assessment processes;
- Review the Scheme of Delegation following the recent Committee and Management Restructures;
- Review the Governance arrangements for the main Corporate Change programmes.

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:-

- The ongoing management and monitoring of the transfer of community facilities to Inverclyde Leisure. The need for appropriate performance management systems as well as embedding operational risk management processes was identified in order to ensure a robust system of internal control is in place.
- The improvement of corporate arrangements for information governance and management within the Council.

11) During 2011/12 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 the Financial Strategy which allows management to consider the risks to the overall financial position arising from matters contained within the Financial Strategy.
- Maintaining risk management as a key aspect of the Directorate Planning Process.
- Maintaining a risk register for the Property Asset Management Strategy.
- Developing an awareness campaign to promote our Anti-Fraud and Irregularity Policy.
- 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; and

- Embedding Risk Management in the overall Strategic Planning and Performance Management Framework.

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.

Alan Puckrin
Section 95 Officer

John Mundell
Chief Executive

28 June 2012

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 remuneration of senior councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007(3). The regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Provost, senior councillors or councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. The total remuneration that may be paid to the Leader and the Provost is set out in the regulations. When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authorities Remuneration Committee (SLARC). In accordance with the regulations Inverclyde Council may have up to 9 senior councillors. The regulations set out the maximum that the Council may pay as remuneration of senior councillors. The Council is able to exercise local flexibility in the determination of the precise number of senior councillors and their salary grade within these maximum limits. In 2011-12 Inverclyde had 8 senior councillors. The regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme. The Inverclyde Council Members' Salaries and Expenses Scheme which encompasses the salaries, allowances and expenses of all elected members including the Leader, Provost and senior councillors was agreed at a meeting of the full Council on 24 May 2007.

The remuneration of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. SJNC circular CO/144 sets the amount of salary for the Chief Executive of Inverclyde Council for the period 2008 to 2012. The salaries of the Corporate Directors and Heads of Service are based on a fixed percentage of the Chief Executive's approved salary in three pay bands. Corporate Directors receive 89% of the amount of the Chief Executive's approved salary, Heads of Service (1) 72.5% and Heads of Service (2) 64.5%. These arrangements were agreed through approval of the Proposed Corporate Management Structure Report at a special committee meeting of the full Council on 20 June 2006. Inverclyde Council does not pay bonuses or performance related pay. Chief Officers receive business mileage and subsistence allowances in accordance with amounts either agreed nationally by SJNC or as approved locally by the Council. Chief Officers are eligible to join the Local Government Pension Scheme (LGPS). The scheme is described in the Pension Benefits section.

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 2012			2010-2011
	Gross salary	Taxable expenses	Total Remuneration	Total Remuneration
	£	£	£	£
Ahlfeld, R: Chair, General Purposes (until 14 April 2011), and Convenor, Regeneration (from 14 April 2011)	18,264	0	18,264	18,264
Blair, A: Convenor, Audit	18,264	0	18,264	18,363
Clocherty, J: Convenor, Regeneration (until 14 April 2011) and Depute Leader of the Council (from 14 April 2011)	18,264	0	18,264	18,264
Loughran, T: Convenor, Education (from 14 April 2011) (Full year equivalent £18,264)	16,819	201	17,020	-
Nelson, I: Leader of the Opposition	18,264	0	18,264	2,878
McCabe, S: Leader of the Council (from 18 August 2011) (Full year equivalent £27,057)	17,718	186	17,904	25,909
McCormick, M: Provost	20,294	0	20,294	20,294
McIlwee, J: Convenor, Health & Social Care	18,264	0	18,264	18,264
McKenzie, I: Leader of the Council (until 18 August 2011) and Convenor, Education (until 14 April 2011) (Full year equivalent £27,057)	11,423	138	11,561	19,086
Moran, R: Convenor, Safe, Sustainable Communities	18,264	40	18,304	18,264
Wilson, D: Chair, Planning	18,264	381	18,645	18,494
White, G: Chair, General Purposes (from 14 April 2011) (Full year equivalent £18,264)	16,819	298	17,117	-
Totals	210,921	1,244	212,165	178,080

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 highlights only those Members who served as Senior Councillors in 2011/12 and as a result the 2010/11 have been re-presented.

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.

	2011-2012	2010-2011
	£	£
Salaries	358,788	354,856
Allowances	0	0
Expenses	26,264	20,942
Totals	385,052	375,798

Note: The annual return of councillors' salaries and expenses for 2011-2012 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. 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 minor difference.

c) Remuneration of Senior Employees

	Year ended 31 March 2012			2010-2011
	Gross salary	Election Payments	Total Remuneration	Total Remuneration
	£	£	£	£
Mundell, J: Chief Executive	111,849	8,468	120,317	114,629
Fawcett, A: Corporate Director Regeneration & Environment	102,034	490	102,524	102,184
Henderson, A: Corporate Director Education & Communities	102,034	490	102,524	102,184
Murphy, R: Corporate Director Community Care & Health Partnership	102,034	490	102,524	102,034
Wallace P: Corporate Director Organisational Improvement & Performance (until 04 August 2011) (Full year equivalent £102,034)	42,661	0	42,661	102,334
Paterson, E: Head Legal and Democratic Services (Monitoring Officer)	83,118	8,466	91,584	85,818
Puckrin, A: Chief Financial Officer (Section 95 Officer)	83,118	0	83,118	83,118
Totals	626,848	18,404	645,252	692,301

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 election payments were funded entirely by the Scottish Government. 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	
	2011-2012	2010-2011
£50,000 - £54,999	45	44
£55,000 - £59,999	9	13
£60,000 - £64,999	3	7
£65,000 - £69,999	3	5
£70,000 - £74,999	10	8
£75,000 - £79,999	0	0
£80,000 - £84,999	1	1
£85,000 - £89,999	0	1
£90,000 - £94,999	1	0
£95,000 - £99,999	0	1
£100,000 - £104,999	3	4
£105,000 - £109,999	0	1
£110,000 - £114,999	0	1
£115,000 - £119,999	0	0
£120,000 - £124,999	1	0
Totals	76	86

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 2012		Difference from 31 March 2011	
	31 March 2012	31 March 2011	Pension	Lump Sum	Pension	Lump Sum
	£	£	£	£	£	£
Ahlfeld, R: Chair, General Purposes (until 14 April 2011) and Convenor, Regeneration (from 14 April 2011)	3,500	3,303	796	0	309	0
Blair, A: Convenor, Audit	0	0	0	0	0	0
Clocherty, J: Convenor, Regeneration (until 14 April 2011) and Deputy Leader of the Council (from 14 April 2011)	3,500	3,303	1,422	1,378	346	31
Loughran, T: Convenor, Education (from 14 April 2011)	3,472	2,936	1,294	1,254	334	52
Nelson I: Leader of the Opposition	3,500	2,994	809	0	321	0
McCabe, S: Leader of the Council (from 18 August 2011)	1,066	4,800	1,683	1,956	453	417
McCormick, M: Provost	3,889	3,670	1,396	907	390	22
McIlwee, J: Convenor, Health & Social Care	0	0	0	0	0	0
McKenzie, I: Leader of the Council (until 18 August 2011) & Convenor, Education (until 14 April 2011)	3,983	3,395	1,065	303	330	4
Moran, R: Convenor, Safe, Sustainable Communities	3,500	3,303	1,423	1,378	347	31
Wilson, D: Chair, Planning	3,500	3,303	1,423	1,378	347	31
White, G: Chair, General Purposes (from 14 April 2011)	3,472	2,936	1,294	1,254	334	52
Totals	33,382	33,943	12,605	9,808	3,511	640

The table highlights only those Members who served as Senior Councillors in 2011/12 and as a result the 2010/11 have been re-presented.

b) Pension Benefits of Senior Employees

	In-year pension contributions		Accrued pension benefits				Length of Service at 31 March 2012
	For year to	For year to	As at 31 March 2012		Difference from 31 March 2011		
	31 March 2012	31 March 2011	Pension	Lump Sum	Pension	Lump Sum	
	£	£	£	£	£	£	
Mundell, J: Chief Executive	21,435	20,225	54,228	145,905	2,005	391	37/287
Fawcett, A: Corporate Director Regeneration & Environment	19,554	18,433	32,742	82,948	1,730	77	24/269
Henderson, A: Corporate Director Education & Communities	19,554	18,351	52,742	142,948	1,988	805	40/168
Murphy, R: Corporate Director Community Care & Health Partnership	19,554	18,433	44,287	117,596	1,736	110	33/298
Wallace P: Corporate Director Organisational Improvement & Performance	7,543	18,433	19,670	47,047	655	170	14/234
Paterson, E: Head of Legal & Democratic Services (Monitoring Officer)	15,929	15,016	28,874	74,188	1,407	70	26/316
Puckrin, A: Chief Financial Officer (Section 95 Officer)	15,929	15,016	28,735	73,771	1,407	70	26/267
Totals	119,498	123,907	261,278	684,403	10,928	1,693	

Notes

1. 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.
2. 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.
3. A Scheme member's contribution depends on his or her full-time equivalent pay. From 1 April 2009, a five tier contribution system was introduced with contribution from members being based on how much pay falls into each tier. The tiers and rates for 2011-2012 remain at the 2010-2011 rates. The tiers and rates are as follows - up to and including £18,000 5.5%; above £18,000 and up to £22,000 7.25%; above £22,000 and up to £30,000 8.5%; above £30,000 and up to £40,000 9.5%; and above £40,000 12%.
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.

Alan Puckrin
Section 95 Officer

John Mundell
Chief Executive

28 June 2012

Movement in Reserves Statement for the Year ended 31 March 2012

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 2012

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

Comparative Figures for Year ended 31 March 2011

	General Fund Balance	Capital Receipts Reserve	Usable Reserves Capital Grants Unapplied Account	Capital Fund	Repairs & Renewal Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010	22,274	0	0	1,751	703	4,794	29,522	32,171	61,693
Movement in Reserves during 2010-2011									
Surplus or (Deficit) on Provision of Services	36,663	0	0	0	0	0	36,663	0	36,663
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	33,454	33,454
Total Comprehensive Expenditure and Income	36,663	0	0	0	0	0	36,663	33,454	70,117
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7)	(32,438)	0	0	2,692	0	0	(29,746)	29,746	0
Net Increase or (Decrease) before Transfers to Other Statutory Reserves	4,225	0	0	2,692	0	0	6,917	63,200	70,117
Transfers (to) and from Other Statutory Reserves (note 8)	2,699	0	0	(2,721)	(32)	54	0	0	0
Increase or (Decrease) in the Year	6,924	0	0	(29)	(32)	54	6,917	63,200	70,117
Balance at 31 March 2011 Carried Forward	29,198	0	0	1,722	671	4,848	36,439	95,371	131,810

Comprehensive Income & Expenditure Statement for the Year ended 31 March 2012

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*.

2010-2011				2011-2012		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
9,851	(8,277)	1,574	Central Services to the Public	9,937	(8,321)	1,616
14,708	(1,366)	13,342	Cultural & Related Services	15,300	(1,543)	13,757
89,962	(3,732)	86,230	Education Services	97,916	(3,310)	94,606
12,640	(1,684)	10,956	Environmental Services	13,438	(1,927)	11,511
6,397	0	6,397	Fire & Rescue Services	6,222	0	6,222
39,191	(36,892)	2,299	Housing Services	40,584	(39,766)	818
14,727	(4,872)	9,855	Planning and Development Services	12,491	(4,254)	8,237
8,156	(360)	7,796	Police Services	7,861	(300)	7,561
8,694	(1,940)	6,754	Roads & Transportation	9,224	(3,052)	6,172
70,940	(13,408)	57,532	Social Work	64,681	(14,464)	50,217
2,561	0	2,561	Corporate and Democratic Core	2,832	0	2,832
(38,295)	(76)	(38,371)	Non-Distributable Costs	6,339	(70)	6,269
239,532	(72,607)	166,925	Cost of Services	286,825	(77,007)	209,818
	732		Other Operating Expenditure (Note 9)			(15)
	9,391		Financing and Investment Income and Expenditure (Note 10)			10,427
	(213,711)		Taxation and Non-specific Grant Income (Note 11)			(215,667)
	(36,663)		(Surplus) or Deficit on the Provision of Services			4,563
	(6)		(Surplus) or deficit on the revaluation of non current assets			18,287
	1,403		Impairment losses on non-current assets charged to the Revaluation Reserve			5,754
	(34,851)		Actuarial (gains) or losses on pension assets and liabilities			44,638
	0		Other unrealised (gains) or losses			0
	(33,454)		Other Comprehensive Income and Expenditure			68,679
	(70,117)		Total Comprehensive Income and Expenditure			73,242

Balance Sheet as at 31 March 2012

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".

1 April 2010 £000	31 March 2011 £000		Note	31 March 2012 £000	1 April 2010 £000	31 March 2011 £000		Note	31 March 2012 £000
352,068	341,916	Property, Plant and Equipment	12	368,528					
18,073	18,079	Heritage Assets	14	17,914					
889	618	Intangible Assets	13	345	61,693	131,810	Net Assets		58,568
209	283	Long-term Debtors	18	233					
371,239	360,896	Long-term Assets		387,020					
8,002	43,325	Short-term Investments	15	40,356	29,522	36,439	Usable Reserves	23	47,538
0	0	Assets Held for Sale	20	0	32,171	95,371	Unusable Reserves	24	11,030
548	335	Inventories	16	503	61,693	131,810	Total Reserves		58,568
12,551	9,721	Short-term Debtors	18	10,501					
35,721	25,570	Cash and Cash Equivalents	19	19,625					
56,822	78,951	Current Assets		70,985					
0	(1,244)	Cash and Cash Equivalents	19	(1,031)					
(7,619)	(6,736)	Short-term Borrowing	15	(2,764)					
(28,756)	(29,067)	Short-term Creditors	21	(25,349)					
(4,028)	(4,552)	Provisions	22	(2,900)					
(684)	(1,493)	Short-term Finance Leases	35 & 36	(1,837)					
(41,087)	(43,092)	Current Liabilities		(33,881)					
(179,852)	(195,796)	Long-term Borrowing	15	(195,559)					
(20,753)	(19,262)	Other Long-term Liabilities (Finance Leases)	35 & 36	(73,767)					
(124,676)	(49,887)	Other Long-term Liabilities (Pensions)	40	(96,230)					
(325,281)	(264,945)	Long-term Liabilities		(365,556)					

The unaudited accounts were issued on 28 June 2012 and the audited accounts were authorised for issue on 27 September 2012.

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Alan Puckrin C.P.F.A
Chief Financial Officer
Issued on 28 June 2012

Cash Flow Statement for the Year ended 31 March 2012

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.

2010-2011		2011-2012	
£000		£000	
36,663	Net surplus or (deficit) on the provision of services	(4,563)	
(10,222)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	29,865	
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and		
0	financing activities	0	
26,441	Net cash inflow from Operating Activities (Note 25)	25,302	
(52,215)	Investing Activities (Note 26)	(25,326)	
14,379	Financing Activities (Note 27)	(5,708)	
(11,395)	Net increase or (decrease) in cash and cash equivalents	(5,732)	
35,721	Cash and cash equivalents at the beginning of the reporting period	24,326	
24,326	Cash and cash equivalents at the end of the reporting period (Note 19)	18,594	

Notes to the Principal Financial Statements

Note 1 Accounting Policies

The Annual Accounts summarise the Council's transactions for the 2011-2012 financial year and its position at the year-end of 31 March 2012. 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 2011-2012 and the Service Reporting Code of Practice 2010-2011, 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 2011-2012.
- 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.
- The Council has made provision, based on past experience for the loss of local taxation income arising from bad and doubtful debts and for successful valuation appeals. Council tax debt over five years overdue is fully provided for with 50% of uncollected debt at the end of year one provided for in years one to five and 90% of unrecovered Housing Benefit overpayments are provided for.

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 defined in the CIPFA Service Reporting Code of Practice 2010-2011 and 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 Carbon Reduction Commitment Allowances

The Government has introduced a scheme to reduce carbon emissions. The Authority's electricity consumption is below the threshold and accordingly the Authority does not require to purchase allowances under Phase 1 of the Carbon Reduction Commitment (CRC). The Authority is registered as an "information declarer" with the Scottish Environmental Protection Agency (SEPA), and is not required to provide an Evidence Pack, Annual Reports and Footprint Reports.

D Cash and Cash Equivalents

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

E Charges to Revenue for Non-Current Assets

Services, 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, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to Loans Fund principal charges. Depreciation, impairment losses and amortisations are therefore 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.

F Common Good and Trusts

The financial statements of the Common Good and Trusts are shown separately. The accounts of the Common Good have been prepared in accordance with the December 2007 guidance from the Local Authority (Scotland) Accounts Advisory Committee Accounting for the Common Good Fund: a guide for practitioners. The accounts of the trusts, excluding those that are registered Scottish charities, have been prepared under the accounting policies of the Council. The accounts of the charities have been prepared under the historic cost convention and in accordance with the Charities Accounts (Scotland) Regulations 2006 and the principles of Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005) commonly referred to as the SORP. The financial statements for each charity as filed with the Office of the Scottish Charity Regulator are available on request.

G 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 2012 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 and 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, statutory provisions require the General Fund balance to be 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 4.8%. 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 duration of around 20 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.

In relation to retirement benefits, Scottish Government regulations require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional charges and credits for retirement benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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.

H Events after the Reporting Period

Events after the reporting period are those 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. Two types of events can be identified:

- Adjusting events: Those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events.
- Non-adjusting events: Those that are indicative of conditions that arose after the reporting period and the Statements are not adjusted to reflect such events. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

I 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.

Where there has been a change in accounting policy, that change will be applied retrospectively i.e. prior period figures will be restated unless the Code specifies transitional provisions that shall be followed. Where there has been a change in accounting estimates, that change will be applied prospectively, i.e. prior period figures will not be restated. Where a material misstatement or omission has been discovered relating to a prior period, that misstatement will be restated unless it is impracticable to do so.

J Financial Assets

Financial assets are classified into two types:

- Loans and receivables: Assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets: Assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. 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.

Included within long-term debtors are various loans the Council has granted at below market rates to a variety of borrowers including voluntary organisations and clubs, industries and small businesses. The accounting regulations require that the "subsidy" element of the lending (the difference between what the loan would have cost at market rates and the interest actually charged) is formally recorded in the accounts. Accordingly, the interest notionally forgone is recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, and to increase the amortised cost of the loan in the Balance Sheet.

Scottish Government regulations permit the exclusion of this notional interest from the General Fund balance for loans entered into prior to April 2007. This is achieved by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. The Council applies de-minimus principles to low value advances (debts under £6,000) or where there has not been a significant discounting of interest rates (a variation of 1%) in the calculation of notional income.

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.

Available-for-sale Assets

The Council has no available-for-sale assets. The investments of the Council comprise solely of short-term lending of surplus funds to a limited number of high-quality banks and building societies. All deposits are held in sterling. The carrying amount is the outstanding principal receivable. The investments of the Common Good and Trusts Funds are shown in the Balance Sheet at "fair value" based on quoted market prices at 31 March 2012 or the nearest available date. The income from dividends is included in the Comprehensive Income and Expenditure Account when it becomes receivable.

K Financial Liabilities

Borrowing

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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 extinguishment 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.

Loans Fund

The Council operates a Consolidated Loans Fund and all loans raised are paid into the Fund. Advances are made to services to finance capital expenditure during the year. Repayments to the Loans Fund are calculated using the annuity method. Repayment periods are in line with Statutory Guidance on asset useful lives for which debt has been incurred and generally range from up to 60 years for infrastructure and buildings, and 2-10 years for major items of equipment and vehicles. Capital receipts from asset sales are applied in line with the Council's overall financial planning model.

Interest is allocated by the Loans Fund on the basis of the debt outstanding at the start of the financial year with a proportionate adjustment in respect of borrowing or repayments during the financial year. Financing costs are apportioned between principal and interest. Interest is charged to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement while principal is charged to the Movement in Reserves Statement.

L 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.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for revenue grants and contributions) or Taxation and Non-specific Income (for capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is held in the Capital Grants Unapplied Account. Where it has been applied, it is held in the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

M Heritage Assets

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

As a general policy, heritage assets are recognised on the balance sheet where the 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.

Artworks and Exhibits

The holding values for the collections of the museum and art gallery are based on the assessment by the Council's insurers of the replacement value for the combined collections. The assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to change depreciation.

There is very little turnover in the collections. The museum occasionally makes available on loan objects to national and international exhibitions and accepts objects on loan. Additions by donation are included at current valuation as assessed by the museum's curator; purchases are at cost. It is the policy of the Authority not to accept any donations with attached conditions. Items in the collection with attached conditions relate to a small number of significant donations received some considerable time ago and all conditions have been met. Disposals are rare and require the prior approval of the Council and are subject to restrictions. Further information is available in the Museum's acquisitions and disposals policy document.

Civic Regalia and Other Civic Effects

The civic regalia and other civic effects (furniture and ornaments) in the Chambers are reported in the balance sheet at a replacement cost insurance valuation by external valuers. The vehicle registration license number VS0 (used for the official vehicle of the Provost) is reported at an internally assessed market value. Depreciation is not charged on these assets in view of their indeterminate lives. The Council does not acquire or dispose of the regalia.

Public Space Memorials and Monuments

In addition to the above, there are heritage assets that are not recognised in the balance sheet. There are a number of public space statues, monuments, memorials, fountains and outdoor artworks at various locations throughout Inverclyde. The older monuments were commissioned and erected in the late Victorian and Edwardian eras; war memorials were constructed in the 1920s; and more recent additions are the statutes and art works in Greenock, Gourock and Port Glasgow town centres. These are recognised on the balance sheet where there has been recent capital spend to improve or refurbish the assets. Assets that have not had recent enhancing capital spend are not recognised on the balance sheet as information on historical cost is not available. The Authority considers that there is a lack of available comparable market values to establish a "fair value"; that obtaining valuations would involve disproportionate cost; and that reliable cost or valuation information cannot be obtained for these items. This is because of the diverse nature of assets held and the lack of comparable market values. It is unlikely that the Authority would procure such assets but is more likely to refurbish or enhance existing structures. In this respect, the cost of the work will be capitalised at cost.

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

N Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (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.

O Inventories

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

P Investment Property

Investment properties are those that are used solely to earn rentals or for capital appreciation or both. The definition is not met if the property (land and buildings, or part of a building or both) is used in any way in the delivery of services or for administrative purposes or is held for sale in the normal course of operations. The Council has no investment property because rental income from property and surplus property disposals are an outcome of the regeneration policy of the Council.

Q 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.

R 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

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 rents office printers under a Scottish Government national framework agreement. In view of the rental conditions and the considerable number of low value assets involved, each lease has been accounted for as a finance lease.

The 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

Leases that do not meet the definition of finance leases are accounted for as operating leases. The Council rents various offices and buildings as tenant on a variety of lease terms that are accounted for as 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

Finance Leases

The Council has no finance leases.

Operating Leases

The Council as landlord has granted commercial leases of premises and sites to various tenants on a variety of lease terms. The arrangements are accounted for as operating leases. Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet.

S 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.

T 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, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. 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-minimis 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 – EUV).

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 but as a minimum every five years. 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 2007-2008 by DM Hall, a professional firm of chartered surveyors and completed on 1 October 2007. A limited number of properties were revalued by James Barr Chartered Surveyors on 31 March 2010 and in 2011-2012. The District Valuer revalued seven properties on 31 March 2012.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

The Council Valuer, who is RICS qualified, in conjunction with officers of the Council, reports at the end of the financial year on any material events that affect the value of assets. Where indications exist that an asset may be impaired and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains.
- Where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

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.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal i.e. netted-off against the carrying value of the asset at the time of disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. 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 50 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 cost is 25% or more of the total cost of the asset. Valuations were performed by the District Valuer in 2011-2012.

U Provisions, Contingent Assets and Liabilities and Guarantees

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.

Guarantees

In accordance with accounting regulations, financial guarantees are recognised at fair value assessed as the probability of the guarantee being called and the likely amount payable under the guarantee. Guarantees entered into prior to 1 April 2006 are reflected in the Statement of Accounts to the extent that a provision may be required. There were no financial guarantees in 2011-2012.

V Public Private Partnership Schemes

Public Private Partnership (PPP) contracts are agreements to receive services, where the responsibility for making available the assets needed to provide the services passes to the PPP operator. As the Council is deemed to control the services that are provided under its schools PPP scheme and as ownership of the schools will pass to the Council at the end of the contract for no additional charge, the accounting regulations (IFRIC12 Service Concession Arrangements) require that the Council recognises the two primary schools opened in February 2010 and the two secondary schools opened in May 2011 under the contract as part of Property, Plant and Equipment on its Balance Sheet.

The original recognition of the schools PPP assets at fair value (based on the cost of construction) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The schools PPP assets are revalued and depreciated in the same way as other non-current assets owned by the Council.

W 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.

X VAT

In general, income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to H.M. Revenue & Customs and all VAT paid is recoverable from it. The Council is not entitled to fully recover VAT paid on a very limited number of items of expenditure e.g. vehicle leases and for these items the cost of VAT paid is included within service expenditure to the extent that it is irrecoverable from H.M. Revenue and Customs.

Note 2 Accounting Standards Issued not Adopted

For 2011-2012, the only accounting policy change that requires to be reported relates to amendments to IFRS7 Financial Instruments: Disclosures (transfers of financial assets, issued October 2010). The change of accounting policy is effective from 1 April 2012.

The amendments are intended to assist the users of financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effects of those risks on the authority’s financial position. However, CIPFA/LASAAC is of the view that the transfers described by the standard do not occur frequently in local authorities. Relevant circumstances would arise where an authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership.

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. The Council controls the services provided under the scheme and ownership of the schools will pass to the Council at the end of the contract for no additional charge. The assets used to provide services at the schools are recognised on the Council's Balance Sheet.
- The Council has no investment property. All property, plant and equipment are used in the delivery of services, for administrative purposes or as part of the Council's strategy for economic regeneration.
- 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 43. 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 2012 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 £0.9 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"> • A 0.5% decrease in the real discount rate would result in a 9% increase (£40.4 million) in the employer's obligation. • A one year increase in member life expectancy would result in a 3% increase (£12.5 million) in the employer's obligation. • A 0.5% increase in the salary increase rate would result in a 3% increase (£12.4 million) in the employer's obligation. • A 0.5% increase in the pension increase rate would result in a 6% increase (£27.6 million) in the employer's obligation.
Collection levels of arrears	At 31 March 2012, the Council had a balance of trade debtors of £7.7 million. A review of significant balances suggested that an allowance for doubtful debts of 48% (£3.7 million) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require an additional £3.7 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
Actuarial (gains) or losses on pensions assets and liabilities.	Post-employment actuarial loss arising from lower than expected financial returns and less favourable financial assumptions with regard to pension liabilities	£44.6 million disclosed.

Note 6 Events after the Balance Sheet Date

The Chief Financial Officer issued the unaudited Statement of Accounts on 28 June 2012. There have been no material events since the date of the Balance Sheet which necessitates revision to the figures in the financial statements or notes thereto including contingent assets or liabilities.

Since 31 March 2012 the valuation of investments in the Pensions Fund has been affected by fluctuations in world financial markets. These fluctuations do not allow a reasonably static valuation to be determined due to the dynamic nature of the current markets. The long term impact of these fluctuations will be monitored on an ongoing basis.

The group accounts consolidate the Council's share of the assets and liabilities of Strathclyde Fire and Rescue and the Strathclyde Police Authority. The Police and Fire Reform (Scotland) Bill received Royal Assent on 7 August 2012 confirming the merger of the all 8 existing police and fire boards to create a new single Police Service of Scotland and Fire Service for Scotland from 1 April 2013. There is no immediate impact from this announcement which materially affects these financial statements, however, this material change in the future organisation of some of the Council's significant subsidiaries is regarded as a non-adjusting post balance sheet event.

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 2010-2011 are provided in an additional table below for the purposes of comparison.

	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	0	(3,621)		(30,233)			(33,854)
Amortisation of intangible assets.	588	0			(588)			(588)
Capital grants and contributions applied.	(8,467)	0			8,467			8,467
Capital expenditure charged in-year to the General Fund balance.	(1,288)	0			1,288			1,288
Net gain or (loss) on non-current asset disposals.	(15)	0			15			15
Statutory provision for the principal repayment of loan charges.	(9,807)	0			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)	0				129		129
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 40).	13,528	0		(13,528)				(13,528)
Employers' pension contributions payable in the year.	(11,823)	0		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)	0					779	779
Total Adjustments	15,662	0	(3,621)	(1,705)	(11,244)	129	779	(15,662)

	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	22,049	0	(6,994)		(15,055)			(22,049)
Amortisation of intangible assets	620	0			(620)			(620)
Capital grants and contributions applied	(4,643)	0			4,643			4,643
Capital expenditure charged in-year to the General Fund balance.	(1,824)	0			1,824			1,824
Net gain or (loss) on non-current asset disposals	732	2,692			(3,424)			(3,424)
Statutory provision for the principal repayment of loan charges.	(8,801)	0			8,801			8,801
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.	(99)	0				99		99
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 40).	(29,514)	0		29,514				29,514
Employers' pension contributions payable in the year.	(10,424)	0		10,424				10,424
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.	(534)	0					534	534
Total Adjustments	(32,438)	2,692	(6,994)	39,938	(3,831)	99	534	29,746

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 2011-2012. Figures for 2010-2011 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.	(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.						
Total Adjustments	415	0	0	11	(45)	(381)

Comparative Information 2010-2011

	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.	2,731			(2,731)		
Contribution to Capital Reserve from General Fund.	(10)			10		
Use of Repair and Renewals Reserve to finance expenditure on repairs.	36				(36)	
Contribution to Repair & Renewal Reserve from General Fund.	(4)				4	
Use of Insurance Fund to meet claims and other costs of insurance.						
Contribution to Insurance Fund from General Fund.	(54)					54
Total Adjustments	2,699	0	0	(2,721)	(32)	54

Note 9 Other Operating Expenditure

	2011-2012	2010-2011
	£000	£000
(Gains) or losses on disposal of non-current assets	(15)	732
Total	(15)	732

Note 10 Financing and Investment Income and Expenditure

	2011-2012	2010-2011
	£000	£000
(Surplus) or deficit on trading undertakings not reported elsewhere	(682)	385
Interest payable and similar charges	14,055	10,216
Pensions interest cost and expected return on pensions assets	(1,400)	(157)
Interest receivable and similar income	(1,546)	(1,053)
Other investment income	0	0
Total	10,427	9,391

Note 11 Taxation and Non-specific Grant Income

	2011-2012	2010-2011
	£000	£000
Income from Council Tax and Community Charge	(33,021)	(32,634)
Distribution from Non-domestic rates pool	(19,142)	(32,325)
General Revenue Grant	(155,037)	(144,109)
Recognised capital grants and contributions	(8,467)	(4,643)
Total	(215,667)	(213,711)

Please note that the individual figures for *Distribution from Non-domestic Rates Pool* and *General Revenue Grant* above do not permit a direct comparison to be made between years and require to be considered in aggregate. The Scottish Government changed its basis of distribution for the non-domestic rates pool in 2011-2012 and this impacted upon the amount distributed for General Revenue Grant. The amount distributed from the non-domestic rate pool is now aligned to the amount collected by the Council (and has reduced year-on-year). The General Revenue Grant takes into consideration this reduction (and has increased year-on-year).

Note 12 Property, Plant & Equipment

Movement on Balances

The movements on balances for Property, Plant and Equipment (PPE) are shown in the following table. Figures for 2010-2011 are provided in an additional table below for the purposes of comparison.

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)	(855)	0	0	0	0	0	(1,140)
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
At 31 March 2012	389,296	33,143	36,730	14,845	4,916	5,592	76,692	561,214
Depreciation and Impairment								
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)	(855)	0	0	0	0	0	(939)
Reclassification to Held for Sale	0	0	0	0	0	0	0	0
Other reclassifications	0	0	0	0	0	0	0	0
At 31 March 2012	153,463	25,586	8,978	1,517	807	0	2,335	192,686
Balance Sheet amount at 31 March 2012	235,833	7,557	27,752	13,328	4,109	5,592	74,357	368,528
Balance Sheet amount at 31 March 2011	275,000	7,777	26,365	7,894	4,115	1,168	19,597	341,916
Nature of asset holding								
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

Comparative Movements in 2010-2011

	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 2010	414,564	28,936	32,435	6,636	4,597	1,963	21,370	510,501
Additions in year	6,995	5,166	1,686	2,185	9	1,113	0	17,154
Disposals in year	(17,228)	(2,298)	(412)	0	0	0	0	(19,938)
Revaluation adjustments to Revaluation Reserve	0	0	0	0	0	0	0	0
Revaluation adjustments to CIES	(1,120)	0	0	0	0	0	0	(1,120)
Reclassifications to/from Held for Sale	0	0	0	0	0	0	0	0
Other reclassifications	1,908	0	0	0	0	(1,908)	0	0
At 31 March 2011	405,119	31,804	33,709	8,821	4,606	1,168	21,370	506,597
Depreciation and Impairment								
At 1 April 2010	126,251	23,725	6,174	595	475	0	1,213	158,433
Depreciation charge for the year	14,421	2,586	1,080	250	7	0	560	18,904
Impairment losses to Revaluation Reserve	1,399	0	0	0	4	0	0	1,403
Impairment losses to CIES	1,842	5	90	82	5	0	0	2,024
On disposals	(13,794)	(2,289)	0	0	0	0	0	(16,083)
Reclassification to Held for Sale	0	0	0	0	0	0	0	0
Other reclassifications	0	0	0	0	0	0	0	0
At 31 March 2011	130,119	24,027	7,344	927	491	0	1,773	164,681
Balance Sheet amount at 31 March 2011	275,000	7,777	26,365	7,894	4,115	1,168	19,597	341,916
Balance Sheet amount at 31 March 2010	288,313	5,211	26,261	6,041	4,122	1,963	20,157	352,068
Nature of asset holding								
Owned	262,666	7,671	26,365	7,894	4,115	1,168	0	309,879
Finance lease	12,334	106	0	0	0	0	0	12,440
PPP	0	0	0	0	0	0	19,597	19,597

Depreciation

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

Commitments under Capital Contracts

At 31 March 2012, 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 £58.934 million. Similar contracts at 31 March 2011 were £16.276 million. The major capital commitments include:

	£000
Port Glasgow Joint Campus/ ASN School/ New Build	38,246
Gourock High School Refurbishment	13,080
Overton/Highlanders Primary School Refurbishment	1,646

Effect of Changes in Estimates

The Council made no material changes to its accounting estimates for Property, Plant & Equipment during the year.

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 "Property, Plant & Equipment".

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets not for Sale	Asset Under Construction	Schools PPP Assets	Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	2,832	7,557	26,958	13,328	0	5,592	432	56,699
Valued at fair value as at								
31 March 2012	52,443	0	0	0	0	0	54,890	107,333
31 March 2011	1,382	0	0	0	0	0	0	1,382
31 March 2010	9,987	0	215	0	4,094	0	19,035	33,331
31 March 2009	10,128	0	0	0	0	0	0	10,128
31 March 2008	159,061	0	579	0	15	0	0	159,655
Total Cost or Valuation	235,833	7,557	27,752	13,328	4,109	5,592	74,357	368,528

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 consistent with the number and type of licences held.

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

	2011-2012	2010-2011
	Purchased Software Licences	Purchased Software Licences
	£000	£000
Balance at start of year:		
~ Gross carrying amounts	4,075	3,726
~ Accumulated amortisation	(3,457)	(2,837)
Net carrying amount at 1 April	618	889
Additions:		
~ Purchases	315	349
~ Disposals	0	0
Amortisation for the period	(588)	(620)
Net carrying amount at 31 March	345	618
Comprising:		
~ Gross carrying amounts	4,390	4,075
~ Accumulated amortisation	(4,045)	(3,457)
	345	618

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

	2011-2012	2010-2011	2009-2010
	Total Assets	Total Assets	Total Assets
	£000	£000	£000
Valuation or Cost			
1 April	18,079	18,073	0
Additions	0	0	0
Disposals	0	0	0
Revaluations	(165)	6	12,213
Other reclassifications	0	0	5,860
Impairment Losses recognised in the			
Revaluation Reserve	0	0	0
Impairment Losses recognised in			
Surplus or Deficit on Provision of Services	0	0	0
31 March	17,914	18,079	18,073

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.
- There has been no refurbishment work on memorials and monuments.

Note 2: The valuation disclosed in the balance sheet is based on the assessment by the Council's insurers (Chartis) 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. Details of recent valuations of the most significant assets to support the insurance values in the above table are as follows:

- Fine Art Collection: 2009 (William Hardie Fine Art)
- Antiquarian Book Collection: 2010 (Christie's)

Note 3: There have been no additions or disposals during the year.

Further Information

The collections of the museum and art gallery form the major part of the heritage assets held by the Authority. The combined collections at this facility number over 40,000 individual items. The five major collection groups are fine art, world cultures, Egyptology, social history and natural history. The Libraries and Museums Service maintains catalogues of collections, including archives on an electronic database.

Objects are on display to the public for a limited period of time to conserve and protect them from deterioration. When not on display, the items are held in storage. Access is permitted with prior agreement to scholars and others for research purposes. Expenditure which in the Council's view is required to preserve or prevent further deterioration of individual items is recognised in the Comprehensive Income and Expenditure Account. The Council aims to maintain the condition of these assets in a steady state or repair, subject to budgetary and operational constraints.

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 2012 £000	31 March 2011 £000	31 March 2010 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000
Investments						
Loans and receivables	0	0	0	40,356	43,325	8,002
Debtors						
Loans and receivables	233	283	209	10,994	10,142	14,597
Borrowings						
Financial liabilities at amortised cost	(195,559)	(195,796)	(179,852)	(2,764)	(6,736)	(7,619)
Other Long Term Liabilities						
PPP and finance lease liabilities	(73,767)	(19,262)	(20,753)	(1,837)	(1,493)	(684)
Creditors						
Financial liabilities at amortised cost	0	0	0	(25,349)	(29,067)	(28,756)

Reclassifications between Categories

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

Financial Guarantees

Local Authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of the debt if the debtor fails to make payments when due in accordance with the terms of the contract. There were no financial guarantees at 31 March 2012.

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.

Soft Loans

Included within long-term debtors are various loans the Council has granted at below market rates to a variety of borrowers including voluntary organisations and clubs, industries and small businesses. The accounting regulations require that the “subsidy” element of the lending (the difference between what the loan would have cost at market rates and the interest actually charged) is formally recorded in the accounts. Accordingly, the interest notionally foregone is recognised in the Financing and Investment

Income and Expenditure line in the Comprehensive Income and Expenditure Statement, and to increase the amortised cost of the loan in the Balance Sheet. The Council applies de-minimus principles to low value advances (debts under £6,000) or where there has not been a significant discounting of interest rates (a variation of 1%) in the calculation of notional income.

Income, Expense, Gains and Losses

The income and expense, and gains and losses for Financial Instruments recognised in the Comprehensive Income and Expenditure Statement are made up as follows:

	2011-2012		2010-2011	
	Financial Assets (Loans & Receivables) £000	Financial Liabilities (Liabilities measured at amortised cost) £000	Financial Assets (Loans & Receivables) £000	Financial Liabilities (Liabilities measured at amortised cost) £000
Interest Payable and Similar Charges in Surplus or Deficit on the Provision of Services				
Interest expenditure	0	8,709	0	8,413
Interest and Investment Income in Surplus or Deficit on the Provision of Services				
Interest income	(1,155)	0	(746)	0
Surplus or Deficit arising from Revaluation of Financial Assets in Other Comprehensive Income and Expenditure				
Gains or losses on revaluation	0	0	0	0
Net Gain or Loss for the Year	(1,155)	8,709	(746)	8,413

The notional gains and losses on “soft” loans are not considered material and accordingly are not recognised in the Comprehensive Income and Expenditure Statement.

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 2012.
- 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 2012 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 2012		31 March 2011		31 March 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000	£000	£000
Loans and receivables	53,513	53,801	55,409	55,569	59,949	60,011
Long-term debtors	233	233	283	283	209	209

The fair value of the financial liability 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 2012		31 March 2011		31 March 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000	£000	£000
Financial liabilities	198,323	208,404	202,531	217,380	215,426	242,359
Long-term creditors	0	0	0	0	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

	2011-2012			2010-2011		
	Consumable	Work-in-	Total	Consumable	Work-in-	Total
	Stock	progress		Stock	progress	
	£000	£000	£000	£000	£000	£000
Balance outstanding at the start of the year	309	26	335	298	250	548
Purchases	2,188	91	2,279	2,238	0	2,238
Recognised as an expense	(2,086)	(26)	(2,112)	(2,227)	(224)	(2,451)
Written off	1	0	1	0	0	0
Balance outstanding at the year-end	412	91	503	309	26	335

Note 17 Construction Contracts

At 31 March 2012 and 31 March 2011, the Council had no construction contracts.

Note 18 Debtors

	31 March 2012		31 March 2011		31 March 2010	
	Current	Long-term	Current	Long-term	Current	Long-term
	£000	£000	£000	£000	£000	£000
Scottish Government (including NHS bodies)	305	0	1,293	0	2,531	0
Central Government bodies	3,933	0	1,825	0	2,128	0
Other local authorities	103	0	91	0	0	0
Council Tax and Community Charge receivable from taxpayers	15,463	0	21,787	0	21,551	0
Impairment	(13,296)	0	(19,631)	0	(19,035)	0
Council Tax and Community Charge (net of impairment)	2,167	0	2,156	0	2,516	0
Trade debtors	7,854	0	8,110	0	8,247	0
Impairment	(3,864)	0	(3,757)	0	(5,195)	0
Trade Debtors (net of impairment)	3,990	0	4,353	0	3,052	0
Other entities and individuals	3	233	3	283	2,324	209
Impairment	0	0	0	0	0	0
Other entities and individuals (net of impairment)	3	233	3	283	2,324	209
Totals for Current and Long-term Debtors	10,501	233	9,721	283	12,551	209

Note 19 Cash and Cash Equivalents

	31 March 2012	31 March 2011	31 March 2010
	£000	£000	£000
Cash held by the Council	26	26	26
Bank current accounts	5,411	12,216	25,653
Deposits up to three months with UK banks, buildings societies and local authorities.	13,157	12,084	10,042
Total Cash and Cash Equivalents	18,594	24,326	35,721

Note 20 Assets Held for Sale (Current)

At 31 March 2012 and 31 March 2011, the Council had no assets held for sale.

Note 21 Creditors

	31 March 2012	31 March 2011	31 March 2010
	Current	Current	Current
	£000	£000	£000
Scottish Government (including NHS bodies)	(442)	(2,653)	(3,405)
Central Government bodies	(3,630)	(2,217)	(2,140)
Other Local Authorities	(1,789)	(1,639)	(2,948)
Trade creditors	(19,488)	(22,558)	(20,149)
Other entities and individuals	0	0	(114)
Total Current Creditors	(25,349)	(29,067)	(28,756)

Note 22 Provisions

Movement on Balances 2011-2012

	Balance at 1 April 2011	Additional Provisions made in 2011-2012	Amounts used in 2011-2012	Unused amounts written back in 2011-2012	Balance at 31 March 2012
	£000	£000	£000	£000	£000
Current Provisions					
Compensation Payments (note 1)	(4,268)	0	0	2,137	(2,131)
Insurance Claims (note 2)	(36)	(70)	7	0	(99)
Municipal Mutual Insurance Claims (note 3)	0	(468)	0	0	(468)
Teachers' Accrued Leave (note 4)	(146)	0	46	0	(100)
Inter Authority Dispute (note 5)	(52)	0	0	0	(52)
Gourock Waterfront Redevelopment (note 6)	(50)	0	0	0	(50)
Total Current Provisions	(4,552)	(538)	53	2,137	(2,900)

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 Gourock waterfront redevelopment.

Note 23 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 2012 £000	31 March 2011 £000	31 March 2010 £000
Modernisation Fund	501	577	1,015
Strategic Housing Reserve	1,164	1,164	1,280
School Estate Strategy	1,609	1,964	3,994
Single Status and Single Status Appeals Back Pay	0	412	715
Contribution to Riverside Inverclyde	1,953	682	1,222
Miscellaneous Social Work Reserves	282	123	461
Miscellaneous Policy and Resources Committee Reserves	912	701	661
Miscellaneous Safe, Sustainable Communities Committee Reserves	0	191	560
Miscellaneous Regeneration Committee Reserves	835	189	258
Community Investment Fund / Lunderston Bay Toilets	0	0	203
Renewal of Clune Park Area	682	94	90
Telecare / Demonstrators Grant	114	133	144
Financial Inclusion	19	42	73
Elections	116	266	270
Private Sector Housing Grant	0	0	270
Asset Management Plan	1,651	1,007	0
Support For Owners	1,510	678	749
Fairer Scotland Fund	0	0	454
Landfill Penalty Scheme	0	2,280	1,353
Early Retiral / Voluntary Severance Reserve	5,668	7,294	225

	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000
Capital Funded from Current Revenue	4,235	550	0
Arts Guild	0	0	297
Area Renewal Fund	235	249	280
Play Areas	0	409	443
Miscellaneous Education Reserves	93	126	69
Future Jobs Fund	0	0	285
Vehicle Replacement Programme	0	0	850
Support for Community Facilities	946	600	750
Aids & Adaptations	0	300	400
Flooding Strategy	109	323	500
Education Equipment Fund	179	197	203
Miscellaneous Approvals – Feb 2012	1,100	2,920	0
Equal Pay	3,614	1,478	0
Youth Employment	1,050	0	0
Food Waste Programme	213	0	0
Change Fund – Older People	451	0	0
Deferred Income	697	0	0
Independent Living	450	0	0
Roads/Footways & Street Lighting Investment 2012/14	3,600	0	0
Business Support Initiative	600	0	0
Total Earmarked Reserves	34,588	24,949	18,074
Non-earmarked balance	6,124	4,249	4,200
Total General Fund Balance	40,712	29,198	22,274

Note 24 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 2012	31 March 2011	31 March 2010
	£000	£000	£000
Revaluation Reserve	69,250	96,912	103,900
Capital Adjustment Account	45,722	56,966	62,200
Financial Instruments Adjustment Account	(3,774)	(3,903)	(4,002)
Pensions Reserve	(96,230)	(49,887)	(124,676)
Employee Statutory Adjustment Account	(3,938)	(4,717)	(5,251)
Total Unusable Reserves	11,030	95,371	32,171

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.

	2011-2012	2010-2011
	£000	£000
Balance at 1 April	96,912	103,900
Revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(18,287)	6
Difference between fair value depreciation and historical cost depreciation written off to Capital Adjustment Account	(3,550)	(4,899)
Impairments Charged to Revaluation Reserve Account	(5,754)	(1,403)
Accumulated gains or (losses) transferred to the Capital Adjustment Account	(71)	(692)
Balance at 31 March	69,250	96,912

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.

	2011-2012	2010-2011
	£000	£000
Balance at 1 April	56,966	62,200
Items relating to capital expenditure charged to Comprehensive Income and Expenditure Statement		
~ Charges for depreciation and impairment of non-current assets	(30,892)	(17,770)
~ Leased assets – opening balance adjustment depreciation	0	0
~ Disposals of non-current assets	(202)	(3,853)
Transfers from Revaluation Reserve	71	692
Capital financing applied in the year:		
~ Use of the Capital Receipts Reserve to finance new capital expenditure	217	429
~ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	8,467	4,643
~ Loans Fund principal repayments	9,807	8,801
~ Leased assets – opening balance adjustment to principal repayment	0	0
~ Capital from current revenue	1,288	1,824
Balance at 31 March	45,722	56,966

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.

	2011-2012	2010-2011
	£000	£000
Balance at 1 April	(3,903)	(4,002)
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	99
Balance at 31 March	(3,774)	(3,903)

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 next be reviewed following the next formal valuation as at 31 March 2012 which is expected later in 2012.

	2011-2012	2010-2011
	£000	£000
Balance at 1 April	(49,887)	(124,676)
Actuarial gains or (losses) on pension assets and liabilities	(44,638)	34,851
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	(13,528)	29,514
Employers' pension contributions paid to Strathclyde Pension Fund	11,823	10,424
Balance at 31 March	(96,230)	(49,887)

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.

	2011-2012	2010-2011
	£000	£000
Balance at 1 April	(4,717)	(5,251)
Settlement or cancellation of accrual made at the end of the preceding year	4,717	5,251
Amounts accrued at the end of the current year	(3,938)	(4,717)
Balance at 31 March	(3,938)	(4,717)

Note 25 Cash Flow Statement – Operating Activities

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

	2011-2012	2010-2011
	£000	£000
Interest received	1,051	417
Interest paid	(8,719)	(8,290)
Interest element of finance lease and PPP payments	(4,810)	(1,307)
Net cash flows from interest and dividends	(12,478)	(9,180)

Note 26 Cash Flow Statement – Investing Activities

	2011-2012	2010-2011
	£000	£000
Purchase of property, plant and equipment and intangible assets	(28,512)	(17,321)
Purchase of short-term and long-term investments	(40,356)	(35,323)
Other payments for investing activities	0	0
Proceeds from sale of property, plant and equipment and intangible assets	217	429
Proceeds from short-term and long-term investments	43,325	0
Other receipts from investing activities	0	0
Net cash flows from investing activities	(25,326)	(52,215)

Note 27 Cash Flow Statement – Financing Activities

	2011-2012	2010-2011
	£000	£000
Cash receipts of short-term and long-term borrowing	13	20,152
Cash payments for the reduction of the outstanding liabilities relating to finance leases for office printers and schools PPP contracts	(1,499)	(682)
Repayment of short-term and long-term borrowing	(4,222)	(5,091)
Net cash flows from financing activities	(5,708)	14,379

Note 28 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 31st March 2012 was divided into four directorates. 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 directorates as reported to management for the outturn for the financial year is as follows:

Directorate Income and Expenditure (2011-2012)

	Directorates				Total
	Community Health and Care Partnership £000	Education and Communities £000	Organisational Improvement and Resources £000	Regeneration and Environment £000	£000
Fees, charges and other service income	(13,591)	(3,231)	(13,306)	(8,081)	(38,209)
Government grants	(2,497)	(4,039)	(42,672)	(1,174)	(50,382)
Total Income	(16,088)	(7,270)	(55,978)	(9,255)	(88,591)
Employee expenses	25,474	55,285	10,644	12,254	103,657
Other service expenses	36,385	31,167	74,523	15,393	157,468
Support service recharges	0	0	0	0	0
Total Operating Expenses	61,859	86,452	85,167	27,647	261,125
Net Expenditure	45,771	79,182	29,189	18,392	172,534

Directorate Income and Expenditure (2010-2011 Comparative Figures)

	Directorates				Total
	Community Health and Care Partnership	Education and Communities	Organisational Improvement and Resources	Regeneration and Environment	
	£000	£000	£000	£000	£000
Fees, charges and other service income	(12,232)	(3,208)	(1,241)	(974)	(17,655)
Government grants	(2,451)	(3,059)	(41,867)	(2,779)	(50,156)
Total Income	(14,683)	(6,267)	(43,108)	(3,753)	(67,811)
Employee expenses	27,346	58,307	3,344	11,239	100,236
Other service expenses	39,145	29,053	69,962	13,453	151,613
Support service recharges	0	0	0	0	0
Total Operating Expenses	66,491	87,360	73,306	24,692	251,849
Net Expenditure	51,808	81,093	30,198	20,939	184,038

Reconciliation of Directorate Income and Expenditure to "Cost of Services" in Comprehensive Income and Expenditure Statement

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

	2011-2012	2010-2011
	£000	£000
Net expenditure in the Directorate Analysis tables above.	172,534	184,038
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.	37,284	(17,113)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0	0
Cost of Services in the Comprehensive Income and Expenditure Statement	209,818	166,925

Reconciliation to Subjective Analysis

This table shows how the figures in the analysis of Directorate 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.

	Directorate 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
2011-2012								
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)
Total Income	(88,591)	0	0	0	0	(88,591)	(215,667)	(304,258)
Employee expenses	103,657	0	3,053	0	5,600	112,310	0	112,310
Other service expenses	157,468	0	0	0	4,748	162,216	0	162,216
Support services recharges	0	0	0	0	(10,348)	(10,348)	0	(10,348)
Depreciation, amortisation and impairment	0	0	34,231	0	0	34,231	0	34,231
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)
Total Expenditure	261,125	0	37,284	0	0	298,409	10,412	308,821
Surplus or Deficit on the Provision of Services	172,534	0	37,284	0	0	209,818	(205,255)	4,563

2010-2011 Comparative Figures	Directorate 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	(17,655)	0	0	0	0	(17,655)	0	(17,655)
Interest and investment income	0	0	0	0	0	0	0	0
Income from Council Tax	0	0	0	0	0	0	(32,634)	(32,634)
Government grants and contributions	(50,156)	0	0	0	0	(50,156)	(181,077)	(231,233)
Total Income	(67,811)	0	0	0	0	(67,811)	(213,711)	(281,522)
Employee expenses	100,236	0	(39,782)	0	5,444	65,898	0	65,898
Other service expenses	151,613	0	0	0	4,942	156,555	0	156,555
Support services recharges	0	0	0	0	(10,386)	(10,386)	0	(10,386)
Depreciation, amortisation and impairment	0	0	22,669	0	0	22,669	0	22,669
Interest payments	0	0	0	0	0	0	9,391	9,391
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	732	732
Total Expenditure	251,849	0	(17,113)	0	0	234,736	10,123	244,859
Surplus or Deficit on the Provision of Services	184,038	0	(17,113)	0	0	166,925	(203,588)	(36,663)

Note 29 Significant Trading Operations

The Council has a single "Significant Trading Operation" (STO) – Building Services. Under the Local Government in Scotland Act 2003, the STO must account for its activities under proper accounting practices and break-even over a rolling three-year period. The following statements provide details of its financial performance and of its activities and objectives.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The Building Services STO is included with the Council's other non-STO of Catering, Cleaning and Vehicle Management in the "Financing and Investment Income and Expenditure" line.

The Council's former STOs of Roads and Vehicle Management were deemed not to constitute significant trading operations in the previous financial year and as such are not included in the statements below.

Summary Revenue and Appropriation Account

	2011-2012		
	Turnover	Expenditure	(Surplus) or Deficit
	£000	£000	£000
Building Services	(2,125)	2,562	437

Statutory Performance, Three-year Period 2009-2010 to 2011-2012

	Annual (Surplus) or Deficit			Cumulative (Surplus) or Deficit over Three Years
	2009-2010	2010-2011	2011-2012	
	£000	£000	£000	£000
Building Services	(119)	(88)	437	230

Activities and Objectives

The main activity of the Building Services STO is to provide a comprehensive building maintenance service for the Council's properties. Work is issued on a schedule of rates through the building maintenance contract with the Council. Previously Building Services undertook significant capital and maintenance works for an external organisation, however, the STO was unsuccessful in attempts to win further contracts with other organisations. The loss of this contract has had a significant impact and as a result the STO has had to downsize. Consequently there has been a reduction in the workforce from 38 to 29, further reducing to 27 by the summer of 2012. This has been managed by way of a voluntary severance trawl, the costs of which are included in the 2011/12 outturn, which has resulted in the STO failing to achieve its statutory breakeven requirement over the prescribed 3 year period.

Note 30 Agency Services

The Council bills and collects non-domestic rates on behalf of the Scottish Government. During 2011-2012 the Council collected £18.39 million and received £0.75 million contribution from the non-domestic rates pool (2010-2011 £17.45 million and £14.87 million). The Council also bills and collects domestic water and sewerage charges on behalf of Scottish Water with its own Council Tax. During 2011-2012 the Council collected and paid over £10.55 million (2010-2011 £10.55 million) and received £0.23 million (2010-2011 £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 £11.47 million in 2011-2012 (2010-2011 £9.43 million).

Note 31 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.

	2011-2012	2010-2011
	£000	£000
Fees payable to Grant Thornton (2010-2011 Audit Scotland) with regard to external audit services carried out by the appointed auditor for the year.	270	289
	270	289

Note 32 Grant Income

The Council credited the following Grants, Contributions and Donations to the Comprehensive Income and Expenditure Statement in 2011-2012.

	2011-2012	2010-2011
	£000	£000
Credited to Taxation and Non-specific Grant Income		
General Revenue Grant	(155,037)	(144,109)
Redistribution from Non-Domestic Rates Pool	(19,142)	(32,325)
Scottish Government General Capital Grant (excludes amounts directly credited to Services)	(7,241)	(4,133)
Capital Grants	(1,225)	(1,798)
Credited to Services		
Housing Benefit	(34,359)	(33,010)
Council Tax Subsidy	(7,268)	(7,291)
Housing Benefit and Council Tax Administration	(1,045)	(1,164)
Scheme of Assistance	(348)	(288)
Police Grant	(300)	(360)
Community Service Grant	(280)	(219)
Social Work	(2,497)	(2,446)
Education	(1,306)	(2,011)
Employability	(427)	(730)
Future Jobs Fund	(375)	(1,892)
Support For Owners	(863)	(650)
Other Miscellaneous Grants and Contributions	(372)	(393)
Total	(232,085)	(232,819)

All Capital Grants have been applied in the year in which they were received.

Note 33 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.

Central and Scottish Government

The Council received £174.179 million (2010-2011 £176.434 million) of revenue government grants and £7.889 million (2010-2011 £4.493 million) of capital grants from the Scottish Government; £42.672 million (2010-2011 £41.464 million) from the Department of Works and Pensions; and other grants of £7.345 million (2010-2011 £7.645 million) as shown in Note 32 Grant Income.

Strathclyde Pension Fund

The Council is an admitted body to the local government pension scheme and has made payments as shown in Note 40 Defined Benefit Pension Schemes.

Joint Boards

The Council is a member of the Joint Boards for Police, Fire & Rescue and Valuation, and is one of the constituent Councils of Strathclyde Partnership for Transport. The Council's contributions are disclosed in the Group Accounts Note 47 Combining Entities and Note 48 Non-material Interest in Other Entities. The balance at 31 March 2012 due to or by each public sector organisation to Inverclyde Council is disclosed in the Group Accounts Note 56 Amounts Owing and Owed between the Council and its Associates.

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 47 Combining Entities.

During the year ended 31 March 2012, the Council paid a management charge to Inverclyde Leisure Limited totalling £2.162 million (2010-2011 £1.977 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 2012 was £0.133 million (2010-2011 £0.120 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 £0.072 million; £0.035 million is included within long-term debtors and £0.037 million within short-term debtors.

During the year, the Council made contributions of £1.319 million (2010-2011 £2.637 million) to Riverside Inverclyde Limited in support of regeneration projects. The Council also made a contribution of £0.362 million (2010-2011 £0.123 million) to Sail Inverclyde Limited towards the cost of organising the Tall Ships 2011 event in Greenock.

The balance at 31 March 2012 due to or by each related company to Inverclyde Council is disclosed in Group Accounts Note 56 Amounts Owing and Owed between the Council and its Associates.

Voluntary Sector

The following voluntary organisations received over £0.05 million in grant funding from Inverclyde Council during 2011-2012. The Council has no shareholdings or investments in any of these organisations.

	2011-2012	2010-2011
	£000	£000
Inverclyde Voluntary Council of Social Service	115	99
Greenock Arts Guild	2,302	55

Elected Members

The total of Councillors' remuneration paid in 2011-2012 is shown in the Remuneration Report. Members represent the Council on the various public sector Joint Boards and companies shown in the above paragraphs. Details of these organisations are disclosed in the Group Accounts Note 47 Combining Entities and Note 48 Non-material Interest in Entities. The Code of Conduct for Councillors requires them to complete a declaration of interests which is updated annually and held on a central register. Members are required to declare an interest if he or she believes that there may be a perception that their decision making may be influenced in any way by a personal interest. Should this situation arise, the relevant Member does not take part in any discussion or decision in relation to that interest. Further information about Members' interests may be obtained from the Monitoring Officer of the Council. The Register of Interests of each Member is also available on the Council's website at www.inverclyde.gov.uk.

Senior Officers

Senior Officers 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 situation arise, the senior officer does not take part in any discussion or decision in relation to that interest.

Note 34 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 (CFR), a measure of capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2011-2012 £000	2010-2011 £000
Opening Capital Financing Requirement	206,734	204,930
Capital Investment		
~ Capital Expenditure	28,512	17,500
~ Leased equipment and Schools PPP assets	56,348	1
Total capital investment for the year	84,860	17,501
Sources of Finance:		
~ Capital receipts from the sale of assets	(217)	(429)
~ Government grants and other contributions	(8,467)	(4,643)
~ Capital from current revenue	(1,288)	(1,824)
~ Loans Fund principal repayment (including finance leases & PPP)	(9,807)	(8,801)
Total capital financing for the year	(19,779)	(15,697)
Closing Capital Financing Requirement	271,815	206,734
Explanation of movements in the year:		
~ Increase/(Reduction) in underlying need to borrow	10,232	2,485
~ Increase/(Reduction) in finance leases obligations	22	(106)
~ Increase/(Reduction) in PPP finance lease creditor	54,827	(575)
Increase in Capital Financing Requirement	65,081	1,804

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 2012	31 March 2011	31 March 2010
	£000	£000	£000
Other Land and Buildings	11,790	12,334	0
Vehicles, Plant and Equipment	134	106	204
Total	11,924	12,440	204

The "other land and buildings" figure of £11.790 million disclosed above mostly comprises Greenock Municipal Buildings (£2.865 million), Port Glasgow Town Hall (£2.073 million), Port Glasgow Baths (£1.875 million), Gourock Outdoor Pool (£0.965 million), Lady Octavia Sport Centre (£1.795 million), and miscellaneous recreational facilities and parks (£0.965 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 2012	31 March 2011	1 April 2010
	£000	£000	£000
Finance lease liabilities (excluding finance cost)			
~ Current	40	52	107
~ Non-current	73	39	91
	113	91	198
Finance costs payable in future years	19	17	45
Total rentals payable in future years	132	108	243

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

	Future Rental Payments		Finance Lease Element	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£000	£000	£000	£000
Not later than one year	49	63	40	52
Later than one year and not later than five years	83	45	73	39
Later than five years	0	0	0	0
	132	108	113	91

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 2011-2012 were £0.389 million (2010-2011 £0.377 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 2012	31 March 2011
	£000	£000
Not later than one year	358	373
Later than one year and not later than five years	289	592
Later than five years	24	23
	671	988

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 rental income receivable in 2011-2012 was £0.791 million (2010-2011 £0.829 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 2012	31 March 2011
	£000	£000
Not later than one year	474	532
Later than one year and not later than five years	1,318	1,368
Later than five years	1,065	1,116
	2,857	3,016

Note 36 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. The two primary schools were opened during 2009-2010 and the two secondary schools were completed under the agreement in May 2011.

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 2012 (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	2,666	1,797	4,817	9,280
Payable within two to five years	9,867	7,874	19,181	36,922
Payable within six to ten years	17,533	8,749	23,372	49,654
Payable within eleven to fifteen years	18,885	11,964	23,332	54,181
Payable within sixteen to twenty years	23,011	14,269	21,762	59,042
Payable within twenty one to twenty five years	26,936	17,951	19,567	64,454
Payable within twenty six to thirty years	16,489	12,884	9,796	39,169
Total	115,387	75,488	121,827	312,702

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:

	2011-2012	2010-2011
	£000	£000
Balance outstanding at the start of the year	20,664	21,239
Payments during the year	(1,440)	(575)
Capital expenditure incurred in the year	56,267	0
Balance outstanding at year-end	75,491	20,664
Included in Balance Sheet		
~ Current	1,797	1,441
~ Non-current	73,694	19,223

Note 37 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:

(a)	(b)		(c)		(d)		(e)	
Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [(b) + (c)]		Total cost of exit packages in each band	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
£0 - £20,000	0	0	7	18	7	18	£93,806	£219,663
£20,001 - £40,000	0	0	11	9	11	9	£321,476	£297,760
£40,001 - £60,000	0	0	15	24	15	24	£747,904	£1,136,564
£60,001 - £80,000	0	0	10	12	10	12	£706,222	£824,631
£80,001 - £100,000	0	0	7	9	7	9	£630,056	£787,805
£100,001 - Above	0	0	12	14	12	14	£1,478,610	£2,310,181

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 40 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

Note 38 Impairment Losses

The disclosures on impairment losses by class of asset are shown in Note 12 Property, Plant and Equipment and Note 13 Intangible Assets in the reconciliation of movements during the year.

The major items of impairment losses (squaring to Impairment Losses on Notes 12 and 13) reported within these figures are as follows:

	2011/12
	£000
Schools:	
~ Overton/Highlanders	2,950
~ St Andrews Primary School	2,394
~ Gourock High School	1,038
~ Inverkip Primary School	371
~ Other	960
Greenock Municipal Buildings	1,847
Gourock Pool	1,070
Gourock Central Development	331
Central Library	262
Pottery Street Depot	256
	<hr/>
	11,479
Other Properties	1,661
	<hr/>
Total	13,140

Note 39 Termination Benefits

The Council terminated the contracts of a number of employees in 2011-2012, incurring liabilities of £1.593 million (2010-2011 £2.147 million). There were 62 employees who took early release as part of the Council's approved budget savings measures.

Note 40 Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its employees, Inverclyde Council makes contributions towards post-employment (retirement) benefits. Although these benefits will not be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in two post-employment schemes, one exclusive to teachers and the other open to all of its other employees. The pension scheme for teachers is explained in Note 41 Post-employment Benefits: Teachers, together with the mandatory disclosures.

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 2011-2012 and in the prior year 2010-2011.

	31 March 2012	31 March 2011
	£000	£000
Comprehensive Income and Expenditure Statement (CIES)		
Included within “Cost of Services” in CIES:		
~ Current service cost	8,989	9,993
~ Past service cost	3,828	(39,817)
~ Curtailments and unfunded benefits	2,111	467
Included within “Financing & Investment Income & Expenditure” in CIES:		
~ Interest cost	21,700	22,197
~ Expected return on scheme assets	(23,100)	(22,354)
Total Post-employment Benefit charged to Surplus or Deficit on the Provision of Services	13,528	(29,514)
Other Post-employment Benefits Charged to the CIES:		
~ Actuarial (gains) and losses	44,638	(34,851)
Total Post-employment Benefit Charged to the CIES	58,166	(64,365)
Movement in Reserves Statement (MiRS)		
~ Reversal of net charges made to the surplus or deficit for the Provision of Services for retirement benefits in accordance with the Code	(46,343)	74,789
Actual amount charged against the General Fund balance for pensions in the year:		
Employers’ contributions payable to Strathclyde Pension Fund	11,823	10,424

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement is a loss of £97.915 million (2010-2011 loss of £53.277 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:

	2011-2012	2010-2011
	£000	£000
Opening balance at 1 April	384,541	435,509
Current service cost	8,989	9,993
Interest cost	21,700	22,197
Contributions by Pension Fund participants	2,899	2,750
Actuarial (gains)and losses	16,376	(32,698)
Benefits paid	(14,412)	(13,860)
Past service costs	3,828	(39,817)
Settlements and curtailments	2,111	467
Closing balance at 31 March	426,032	384,541

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

	2011-2012	2010-2011
	£000	£000
Opening balance at 1 April	334,654	310,833
Expected rate of return	23,100	22,354
Actuarial gains and (losses)	(28,262)	2,153
Employers' contributions	11,823	10,424
Contributions by Pension Fund participants	2,899	2,750
Benefits paid	(14,412)	(13,860)
Settlements and Curtailments	0	0
Closing balance at 31 March	329,802	334,654

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 £96.230 million (2010-2011 deficit of £49.887 million).

Fund History

	31 March 2008	31 March 2009	31 March 2010	31 March 2011	31 March 2012
	£000	£000	£000	£000	£000
Present value of liabilities*	(283,573)	(264,458)	(435,509)	(384,541)	(426,032)
Fair value of assets	277,997	224,886	310,833	334,654	329,802
Surplus or (Deficit) in the Fund	(5,576)	(39,572)	(124,676)	(49,887)	(96,230)
*Unfunded liabilities included in the figure for the					
Present value of liabilities					
~ Unfunded liabilities for Pension Fund	Not available	(10,068)	(16,047)	(15,834)	(17,006)
~ Teachers' unfunded pensions	Not available	(3,392)	(7,700)	(8,149)	(12,092)
~ Unfunded liabilities prior to 1996 Local Government Reorganisation	Not available	(7,531)	(8,813)	(8,729)	(8,011)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of £96.230 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net asset of £58.568 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 2013 is £8.359 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 2009. The principal assumptions used by the actuary have been:

	2011-2012	2010-2011
Long-term expected rate of return on assets in the Fund:		
Equity investments	6.3%	7.5%
Bonds	3.9%	4.9%
Property	4.4%	5.5%
Cash	3.5%	4.6%

	2011-2012	2010-2011
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
~ Men	21.0 years	20.6 years
~ Women	23.4 years	23.9 years
Longevity at 65 for future pensioners:		
~ Men	23.3 years	22.6 years
~ Women	25.3 years	26.0 years
Rate of inflation	2.5%	2.8%
Rate of increase in salaries	4.8%	5.1%
Rate of increase in pensions	2.5%	2.8%
Expected return on assets	5.8%	6.9%
Rate for discounting Fund assets	4.8%	5.5%
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 2012	31 March 2011
	%	%
Equity investments	77	77
Bonds	11	13
Property	7	6
Cash	5	4
	100	100

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pension Reserve in 2011-2012 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012. Figures for the four previous years are provided for comparison in accordance with the requirements of The Code.

	31 March 2008	31 March 2009	31 March 2010	31 March 2011	31 March 2012
	%	%	%	%	%
Experience gains and (losses) on assets	(10.50)	(32.70)	22.60	0.64	(8.57)
Experience gains and (losses) on liabilities	0.10	6.60	(0.50)	(0.92)	2.87

Note 41 Post-employment Benefits Teachers

Teachers employed by Inverclyde Council are members of the Scottish Teachers Pension Scheme, administered directly by the Scottish Government. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However the Scheme is unfunded and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011-2012, Inverclyde Council paid £4.462 million in respect of teachers' retirement benefits, representing 14.9% of pensionable pay. The figures for 2010-2011 were £4.668 million and 14.9%. There were no contributions remaining payable at the year-end.

Note 42 Post-employment Benefits Police and Fire-fighters Pension Schemes

Local government legislation provides that 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 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 43 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 Employee's action is successful will result in a liability to the Council.

The Council is unaware of any other material contingent asset or liability at 31 March 2012 and has made no further provisions.

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 in the following ways:

- By 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;
- By the adoption of written principles for overall risk management and rigorous observance of the written policies and procedures which cover specific areas such as interest rate risk, credit risk and investment of surplus cash;
- By the management of risk by a central specialist Treasury Management team, which is responsible for all treasury matters and reports to the Chief Financial Officer;
- By continuing professional development and encouraging of attainment of professional treasury qualifications by employees involved in treasury management in compliance with TMP10 Training and Qualifications;
- By the approval annually in advance of Prudential Indicators for the forthcoming three years, that includes formal limits upon the Council's overall borrowing via the Authorised and Operational Boundaries; maximum and minimum exposures to both fixed and variable rates; and restrictions upon the maturity structure of the Council's debt;
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Scottish Government's Regulations.

Reporting to Elected Members

Members of the Policy and Resources Committee and the full Council receive regular reports on treasury matters. Before the start of the financial year, Members receive an Annual Treasury Management Strategy Report and an Annual Investment Strategy Report that outlines the approach to managing risk of financial instruments for the forthcoming year. During the year, actual performance is monitored in a mid-year report and any significant variations from the strategy are reported to Members. After the year-end Elected Members receive an Annual Treasury Report on the year's out-turn performance with the out-turn Prudential Indicators.

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. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose rating is independently assessed as sufficiently secure by the Council's treasury advisers; and to restrict lending to a prudent maximum amount for each institution. All investments and deposits at 31 March 2012 were placed with banks or building societies and held in sterling.

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 £59.918 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 2012 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 homologated by the Policy and Resources Committee. The Council expects full repayment on the due date of deposits placed with its counterparties.

The following analysis summarises the Council's potential maximum exposure to credit risk from Council customers, based on past experience and current market conditions.

	31 March 2012			31 March 2011
	Amount	Historical experience of non-payment adjusted for market conditions	Estimated maximum exposure to default and uncollectability	Estimated maximum exposure to default and uncollectability
	£000	%	£000	£000
Customers (trade debtors excluding Council Tax)	11,227	34.42	3,864	3,757
			3,864	3,757

The Council does not generally allow credit for customers, such that £10.994 million of the £11.227 million 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 2012	31 March 2011
	£000	£000
Less than three months	10,767	11,134
Three to six months	44	0
Six months to one year	74	59
More than one year	109	129
	10,994	11,322

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 2012	31 March 2011
	£000	£000
Less than one year	28,113	35,801
Between one and two years	4,301	229
Between two and five years	12,513	11,285
Between five and ten years	26,125	31,619
Between ten and twenty years	1,428	1,464
Between twenty and thirty years	601	601
Between thirty and forty years	7,000	7,000
Between forty and fifty years	40,000	40,000
Over fifty years	102,400	102,400
	222,481	230,399

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 fund invested. For example, a rise in interest rates would mean an increase in the interest charged on borrowing at variable rates and an increased cost to the taxpayer. An increase in interest rates would also mean an increase in the income received on lending at variable rates and a reduction in cost for the taxpayer.

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 2012, with all other variables held constant.

	31 March 2012	31 March 2011
	£000	£000
Impact on taxpayer		
Increase on interest payable on variable rate borrowings	520	630
Increase in interest receivable on variable rate lending	(599)	(689)
Net effect on Comprehensive Income and Expenditure Statement	(79)	(59)
Other presentational changes		
A decrease in the "fair value" of fixed rate borrowing (disclosure confined to the Notes to the Accounts)	(19,981)	(25,088)
	(19,981)	(25,088)

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

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

Note 45 Heritage Assets: Change in Accounting Policy Required by The Code

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in our summary of significant accounting policies, the Authority now requires heritage assets to be carried in the balance sheet at *fair value*.

The effects of the restatement are as follows:

- At 1 April 2010, the carrying amount of the heritage assets is presented at its valuation at £18.073 million. The heritage assets mostly relating to the museum collection that were previously recognised in property, plant and equipment have been reclassified and written down by £5.860 million. There has been an increase in the revaluation reserve of £12.213 million.
- The fully restated 1 April 2010 Balance Sheet is provided on page 21. The adjustments that have been made to that Balance Sheet over the version published in the 2010-2011 Audited Accounts are as follows:

Effect on Opening Balance Sheet 1 April 2010

	Opening Balance as at 1 April 2010	Restatement	Revaluation	Restatement required to Opening Balance as at 1 April 2010
	£000	£000	£000	£000
Property Plant and Equipment	357,928	(5,860)	0	352,068
Heritage Assets	0	5,860	12,213	18,073
Non-current Assets	359,026	0	12,213	371,239
Total Net Assets	49,480	0	12,213	61,693
Unusable Reserves	19,958	0	12,213	32,171
Net Worth/Total Reserves	49,480	0	12,213	61,693

Comprehensive Income and Expenditure Statement

There has been no restatement of any of the lines of the Comprehensive Income and Expenditure Statement.

Movement in Reserves Statement – Unusable Reserves 2010-2011

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below.

	As Previously Stated 31 March 2011	As Restated 31 March 2011	Restatement
	£000	£000	£000
Balance as at the end of the previous reporting period - 31 March 2010	49,480	61,693	12,213
Surplus or Deficit on the Provision of Services	36,663	36,663	0
Other Comprehensive Income and Expenditure	33,448	33,454	6
Adjustments between the accounting basis and the funding basis under regulations	0	0	0
Increase/(decrease) in the year	70,111	70,117	6
Balance at the end of the current reporting period - 31 March 2011	119,591	131,810	12,219

The resulting restated Balance Sheet for 31 March 2011 is provided on page 21. The adjustments that have been made to that balance sheet over the version published in the 2010-2011 Audited Accounts are as follows:

Effect on Balance Sheet at 31 March 2011

	As Previously Stated 31 March 2011 £000	As Restated 31 March 2011 £000	Restatement £000
Property Plant and Equipment	341,925	341,916	(9)
Heritage Assets	5,851	18,079	12,228
Non-current Assets	348,677	360,896	12,219
Total Net Assets	119,591	131,810	12,219
Unusable Reserves	83,152	95,371	12,219
Net Worth	119,591	131,810	12,219

The effect of the change in accounting policy in 2010-2011 has been that heritage assets are recognised at £18.079 million on the balance sheet resulting in an increase to the Revaluation Reserve of £12.219 million and property, plant and equipment being restated by the amount of heritage assets previously recognised at cost of insurance value in community assets (a sub-classification of property, plant and equipment).

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.

	2011-2012	2010-2011
	£000	£000
Gross Council Tax levied	40,333	40,160
Council Tax benefits (net of Government Grant)	0	0
Other discounts and reductions	(6,295)	(6,152)
Write offs	(17)	(17)
Provision for bad and doubtful debts	(916)	(904)
Net Council Tax income	33,105	33,087
Prior years' Council Tax adjustments:		
Billing amendments	105	(246)
Write offs	(281)	(263)
Net Council Tax income for the year	32,929	32,578
Council Tax benefits adjustments	74	27
Arrears of Community Charge recovered during the year	18	29
Net Council Tax income transferred to General Fund	33,021	32,634

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
Band A*				42	13		39	5/9	22
Band A	20,527	1,841	42	28	9,498	575	16,010	6/9	10,673
Band B	5,635	216	28	19	2,535	116	4,718	7/9	3,670
Band C	3,301	87	19	18	1,197	52	2,888	8/9	2,567
Band D	3,206	70	18	31	988	62	2,871	9/9	2,871
Band E	3,390	53	31	15	775	85	3,085	11/9	3,771
Band F	1,805	25	15	15	314	36	1,684	13/9	2,432
Band G	1,383	21	15	3	196	27	1,288	15/9	2,147
Band H	210	5	3	0	16	8	194	18/9	388

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

Contributions in Lieu - Band D equivalents

2

Total

28,543

Provision for Bad Debt at 3.45%

(985)

Council Tax Base

27,558

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 2011-2012 was £1,198.

£ Per Year

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

The Council Tax bill is reduced by 25% where a dwelling has only one occupant, by 50% where the property is empty and 10% for second homes. 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

Non-domestic rates is a tax levied by local authorities on the occupiers of commercial property in their area, as distinct from a charge for their use of services. The local authority collects rates on behalf of the Scottish Government. Any difference between the rates the local authority collects and the amount the local authority is guaranteed to receive by the Scottish Government is redistributed via a national pooling arrangement as part of Government Grant support. Please note that the figures below for the "contribution from the national non-domestic rate pool" are not comparable between years. There has been a change in the distribution basis in the current financial year and the redistribution is now aligned to the amount collected by the Council. In previous years the redistribution was made in proportion to the resident population of each local authority. Further information is provided in Note 11.

	2011-2012	2010-2011
	£000	£000
Gross rates levied	25,837	24,462
Relief and other remissions	(6,732)	(6,232)
Payment of interest	0	0
Provision for bad and doubtful debts	(714)	(782)
Net non-domestic rate income	18,391	17,448
Adjustments for years prior to introduction of national non-domestic rate pool	0	0
Contribution from national non-domestic rate pool	751	14,877
Net non-domestic rate income transferred to General Fund	19,142	32,325

	2011	2010
	£000	£000
Rateable values at 1 April		
Commercial	31,430	27,868
Industrial / freight transport	8,896	9,094
Others	19,638	19,868
	59,964	56,830

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 2011-2012 the charge was 42.6p in the £ sterling for properties with a rateable value under £35,000. Properties with a rateable value over £35,000, the charge was 43.3p

Common Good Fund

The Council administers the Inverclyde Common Good Fund. The Common Good must be applied for the benefit of the people of Inverclyde. The figures below summarise the aggregate income and expenditure for the year as well as providing a snapshot of the assets and liabilities as at 31 March 2012. Each year, applications for funding support are considered by the Council's Policy & Resources Committee.

Movement in Reserves Statement for the Year ended 31 March 2012

2010-2011				2011-2012		
Usable Reserves: Revenue Reserves	Unusable Reserves: Revaluation Reserve	Total Reserves		Usable Reserves: Revenue Reserves	Unusable Reserves: Revaluation Reserve	Total Reserves
£000	£000	£000		£000	£000	£000
423	1,503	1,926		359	1,547	1,906
(120)	0	(120)		(195)	0	(195)
0	100	100		0	0	0
(120)	100	(20)		(195)	0	(195)
56	(56)	0		56	(56)	0
(64)	44	(20)		(139)	(56)	(195)
359	1,547	1,906		220	1,491	1,711

Balance at 1 April

Movement in Reserves during the Year

Surplus or (Deficit) on Provision of Services

Other Comprehensive Expenditure and Income

Total Comprehensive Expenditure and Income

Transfers between Reserves

Increase or (Decrease) in the Year

Balance at 31 March carried forward

Comprehensive Income and Expenditure Statement for the Year ended 31 March 2012

2010-2011		2011-2012
£000		£000
236	Gross Expenditure	360
(114)	Gross Income	(163)
122	Cost of Services	197
0	Interest payable and similar charges	0
(2)	Interest and investment income	(2)
(2)	Financing and Investment Income and Expenditure	(2)
120	(Surplus) or Deficit on Provision of Services	195
(100)	(Surplus) or deficit on the revaluation of non-current assets	0
(100)	Other Comprehensive Income and Expenditure	0
20	Total Comprehensive Income and Expenditure	195

Balance Sheet at 31 March 2012

31 March 2011		Notes	31 March 2012
£000			£000
1,547	Property, Plant and Equipment	1	1,491
0	Long-term Debtor	2	0
1,547	Long-term Assets		1,491
2	Short-term investments		2
31	Short-term debtors		21
326	Cash and cash equivalents	3	197
359	Current Assets		220
0	Short-term creditors		0
0	Current Liabilities		0
1,906	Net Assets		1,711
359	Usable Reserves: Revenue Reserves		220
1,547	Unusable Reserves: Revaluation Reserve		1,491
1,906	Total Reserves		1,711

1. Property, Plant & Equipment

	2011-2012 Other Land & Buildings £000	2010-2011 Other Land & Buildings £000
Cost or Valuation		
At 1 April	2,002	1,902
Addition in year	0	0
Disposals in year	0	0
Revaluation adjustments to CIES	0	100
At 31 March	2,002	2,002
Depreciation and Impairment		
At 1 April	455	399
Depreciation charge for the year	0	0
Impairment losses to Revaluation Reserve	56	56
Impairment losses to CIES	0	0
On disposals	0	0
At 31 March	511	455
Balance Sheet amount at 31 March	1,491	1,547

The revaluation adjustment in 2010-2011 in the above table refers to the transfer of various advertising hoardings and the site of the former Inverclyde Service Station at Bogston, Greenock from the Council and revalued to the net book value of the assets as previously shown in the Council's Balance Sheet.

A report to the Policy and Resources Committee meeting of 29 March 2011 identified various land and buildings held within the Balance Sheet of the Council that are Common Good. The single largest asset is the Municipal Buildings, Greenock. A full list of Common Good assets is available to view on the Council's website.

As part of the management arrangements agreed at the above Policy and Resources Committee meeting, where land and buildings are confirmed as belonging to the Common Good, and where the Council is incurring costs or receiving income relating to these assets as the managing agent, then the Common Good pays a nominal annual £1 fee to the Council (if asked) in return for the management of the asset. The Council remains responsible for all costs and any income relating to the asset and is entitled to the use of the asset. All assets except for the advertising hoardings and the Bogston site are covered by these arrangements.

The land and buildings concerned require to be disclosed on the Balance Sheet of the Council and accordingly are not included in the Common Good's Balance Sheet.

2. Long-term Debtor

The Common Good has a gross investment in the lease type arrangements, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the land and buildings when the service agreement comes to an end. The value of the lease debtor and the gross investment is not significant because the service arrangements and peppercorn rentals are expected to remain in place for the foreseeable future.

3. Cash and Cash Equivalents

	31 March 2012 £000	31 March 2011 £000
Deposits up to three months with Inverclyde Council	197	326
Total Cash and Cash Equivalents	197	326

4. 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 2011-2012 was £0.151 million (2010-2011 £0.111 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 2012 £000	31 March 2011 £000
Not later than one year	108	123
Later than one year and not later than five years	353	384
Later than five years	449	503
	910	1,010

Registered Scottish Charity Trust Funds

This section of the Annual Accounts shows a summary of the transactions relating to the trust funds of the Council that are registered Scottish charities. The accounts of these trusts have been prepared under the historic cost convention and in accordance with *The Charities Accounts (Scotland) Regulations 2006* and the principles of *Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005)*. These are different regulations and a somewhat different set of principles than those that apply to the Council in the preparation of its accounts. The detailed accounts as submitted to the Scottish Charity Regulator (OSCR) are available separately.

There were 9 charitable trust funds at the start of the financial year. The councillors are the sole trustees of eight of these trusts. The single largest trust fund is the Lady Alice Shaw Memorial Fund, with year-end reserves of £48,103. This trust fund was established in 1947 by the transfer of monies to the Corporation of Greenock by the trustees of the Female Branch of the Greenock Discharged Prisoners Aid Society. Interest on the capital is to be used "for the assistance of female cases recommended to the Corporation by the Probation Officer for the time being in the Burgh of Greenock". The Trust with public representation is the Peter Stanton Memorial Trust. Its objectives are the promotion of recreational or other leisure activities for disabled persons in Inverclyde. The trustees comprise of three Councillors and four members of the public. The trust had reserves of £18,425 at the year-end.

Statement of Financial Activities for the Year ended 31 March 2012

2010-2011				2011-2012		
Revenue Reserves	Capital Reserves	Total Funds		Revenue Reserves	Capital Reserves	Total Funds
£000	£000	£000		£000	£000	£000
			Incoming Resources			
			Incoming resources from generated funds			
0	0	0	~ Investment Income	0	0	0
0	0	0	Total Incoming Resources	0	0	0
			Resources Expended			
			Charitable Activities			
1	0	1	~ Grants and Awards	0	0	0
0	0	0	~ Operational Costs	0	0	0
3	0	3	~ Governance Costs	0	2	2
4	0	4	Total Resources Expended	0	2	2
(2)	2	0	Transfers between Reserves	0	0	0
2	2	4	Net Movement in Funds	0	2	2
59	24	83	Total Funds brought forward	57	22	79
57	22	79	Total Funds carried forward	57	20	77

Balance Sheet as at 31 March 2012

31 March 2011		Notes	31 March 2012
£000			£000
0	Short-term investments		0
79	Cash and bank	1	77
79	Current Assets		77
0	Short-term creditors		0
0	Current Liabilities		0
79	Net Assets		77
57	Revenue Reserves		57
22	Capital Reserves		20
79	Total Reserves		77

Notes to the Trust Funds that are Scottish Registered Charities

1. Short-term deposits

	31 March 2012 £000	31 March 2011 £000
On call deposit with Inverclyde Council	77	79
Total Short-term Investments	77	79

Other Trust Funds

This section of the Annual Accounts shows the summary of the transactions relating to the trust funds of the Council that are not registered Scottish charities. There are four trusts:

- The Watt Complex Cy-Pres Scheme. The assets and liabilities of three trusts (Greenock Library, Watt Hall and Museum and Greenock Art Gallery and James McLean's Trust) were transferred to the Council under a Cy-Pres Scheme. The councillors are the trustees.
- Education Trust Fund. This trust was established by the Council to provide endowments for talented children and young people mostly in the areas of arts, creativity, music and sports. The Director of Regeneration and Environment, the Director of Education and Communities and the Chief Financial Officer are the trustees.
- Port Glasgow High Trust Fund. This was established by a private donor to provide scholarships for pupils of Port Glasgow High School from disadvantaged backgrounds or from families with no history of higher education. The trustees are the Head and Depute Head Teachers and the Finance Officer of the School plus a chaplain of the school.
- Birkmyre Trust. This was founded by the late Adam Birkmyre and consists of the Birkmyre Park to ensure the availability of recreational facilities within Kilmacolm. The councillors are the trustees.

Movement in Reserves Statement for the Year ended 31 March 2012

2010-2011					2011-2012			
Usable Reserves: Revenue	Usable Reserves: Capital	Unusable Reserves: Revaluation Reserve	Total Reserves		Usable Reserves: Revenue	Usable Reserves: Capital	Unusable Reserves: Revaluation Reserve	Total Reserves
£000	£000	£000	£000		£000	£000	£000	£000
319	56	25	400		315	56	17	388
(16)	0	0	(16)	Balance at 1 April	(4)	0	0	(4)
4	0	0	4	Movement in Reserves during the Year	5	0	0	5
(12)	0	0	(12)	Surplus or (Deficit) on Provision of Services	1	0	0	1
8	0	(8)	0	Other Comprehensive Expenditure and Income	8	0	(8)	0
(4)	0	(8)	(12)	Total Comprehensive Expenditure and Income	9	0	(8)	1
315	56	17	388	Transfers between Reserves	324	56	9	389
				Increase or (Decrease) in the Year				
				Balance at 31 March carried forward				

Comprehensive Income and Expenditure Statement for the Year ended 31 March 2012

2010-2011 £000		2011-2012 £000
38	Gross Expenditure	29
(20)	Gross Income	(23)
18	Cost of Services	6
0	Interest payable and similar charges	0
(2)	Interest and investment income	(2)
(2)	Financing and Investment Income and Expenditure	(2)
16	(Surplus) or Deficit on Provision of Services	4
(4)	(Surplus) or deficit on the revaluation of available for sale financial assets	(5)
(4)	Other Comprehensive Income and Expenditure	(5)
12	Total Comprehensive Income and Expenditure	(1)

Balance Sheet at 31 March 2012

31 March 2011 £000		Notes	31 March 2012 £000
148	Property, Plant and Equipment		148
148	Long-term Assets		148
61	Short-term investments	1	66
0	Short-term debtors (net of impairment)		0
311	Cash and cash equivalents	2	317
372	Current Assets		383
0	Short-term creditors		0
0	Current Liabilities		0
(132)	Long-term Borrowing		(142)
(132)	Long Term Liabilities		(142)
388	Net Assets		389
371	Usable Reserves		380
17	Unusable Reserves		9
388	Total Reserves		389

Notes to the Other Trust Funds

1. Short-term Investments

The short-term investments disclosed are the available-for-sale financial assets of the Port Glasgow High Trust Fund. The trust fund is administered by the School. The funds are invested in gilts and shares using an external firm of investment managers. The trust bears all market risks and rewards. The investments are shown at their market value at 31 March 2012. The income and expenses and gains and losses for the reporting period are as follows:

	2011-2012	2010-2011
	£000	£000
Fee expenses	0	0
Total expense in Surplus or Deficit on the Provision of Services	0	0
Interest income	(2)	(2)
Total income in Surplus or Deficit on the Provision of Services	(2)	(2)
(Gains) or losses on revaluation	(5)	(4)
Other Comprehensive Income and Expenditure	(5)	(4)
Net (gain) or loss for the year	(7)	(6)

2. Cash and Cash Equivalents

	31 March 2012	31 March 2011
	£000	£000
Deposit up to three months with Inverclyde Council	317	311
Total Cash and Cash Equivalents	317	311

Group Movement in Reserves Statement for the Year ended 31 March 2012

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 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	£000	£000	£000	£000
Balance at 31 March 2011	29,198	5,878	1,722	36,798	96,918	7,000	(190,196)	(49,480)
Movement in Reserves during 2011-2012								
Surplus or Deficit on Provision of Services	(4,563)	(195)	0	(4,758)	0	(13,715)	15	(18,458)
Other Comprehensive Expenditure and Income	0	0	0	0	(68,679)	221	(203)	(68,661)
Total Comprehensive Expenditure and Income	(4,563)	(195)	0	(4,758)	(68,679)	(13,494)	(188)	(87,119)
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7)	15,662	0	0	15,662	(15,662)	14,450	(14,450)	0
Net Increase or Decrease before Transfers to Other Statutory Reserves	11,099	(195)	0	10,904	(84,341)	956	(14,638)	(87,119)
Transfers to and from Other Statutory Reserves (Note 8)	415	(370)	11	56	(56)	0		0
Increase or (Decrease) in the Year	11,514	(565)	11	10,960	(84,397)	956	(14,638)	(87,119)
Balance at 31 March 2012 Carried Forward	40,712	5,313	1,733	47,758	12,521	7,956	(204,834)	(136,599)

Comparative Figures for Year ended 31 March 2011

	Usable Reserves				Unusable Reserves	Total Reserves of the Council	Council's Share of Reserves of Associates	Total Group Reserves
	General Fund Balance	Other Revenue Reserves	Capital Reserves	Total Usable Reserves				
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010	22,274	5,920	1,751	29,945	33,674	63,619	(214,981)	(151,362)
Movement in Reserves during 2010-2011								
Surplus or Deficit on Provision of Services	36,663	(120)	0	36,543	0	36,543	15,913	52,456
Other Comprehensive Expenditure and Income	0	0	0	0	33,554	33,554	15,872	49,426
Total Comprehensive Expenditure and Income	36,663	(120)	0	36,543	33,554	70,097	31,785	101,882
Adjustment between Group Accounts and authority accounts	0	0	0	0	0	0	0	0
Net Increase or Decrease before Transfers	36,663	(120)	0	36,543	33,554	70,097	31,785	101,882
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7)	(32,438)	0	2,692	(29,746)	29,746	0	0	0
Net Increase or (Decrease) before Transfers to Other Statutory Reserves	4,225	(120)	2,692	6,797	63,300	70,097	31,785	101,882
Transfers to and from Other Statutory Reserves (Note 8)	2,699	78	(2,721)	56	(56)	0	0	0
Increase or (Decrease) in the Year	6,924	(42)	(29)	6,853	63,244	70,097	31,785	101,882
Balance at 31 March 2011 Carried Forward	29,198	5,878	1,722	36,798	96,918	133,716	(183,196)	(49,480)

Group Comprehensive Income and Expenditure Statement for the Year ended 31 March 2012

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 Movement in Reserves Statement.

2010-2011				2011-2012		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
9,851	(8,277)	1,574	Central Services to the Public	9,937	(8,321)	1,616
14,708	(1,366)	13,342	Cultural & Related Services	15,300	(1,543)	13,757
89,962	(3,732)	86,230	Education Services	97,916	(3,310)	94,606
12,640	(1,684)	10,956	Environmental Services	13,438	(1,927)	11,511
6,397	0	6,397	Fire & Rescue Services	6,222	0	6,222
39,191	(36,892)	2,299	Housing Services	40,584	(39,766)	818
14,727	(4,872)	9,855	Planning and Development Services	12,491	(4,254)	8,237
8,156	(360)	7,796	Police Services	7,861	(300)	7,561
8,694	(1,940)	6,754	Roads & Transportation	9,224	(3,052)	6,172
70,940	(13,408)	57,532	Social Work	64,681	(14,464)	50,217
2,561	0	2,561	Corporate and Democratic Core	2,832	0	2,832
(38,295)	(76)	(38,371)	Non-Distributable Costs	6,339	(70)	6,269
236	(116)	120	Operating Results of Common Good	360	(165)	195
239,768	(72,723)	167,045	Cost of Services	287,185	(77,172)	210,013
		732	Other Operating Expenditure (Note 9)			(15)
		9,391	Financing and Investment Income and Expenditure (Note 10)			10,427
		(213,711)	Taxation and Non-specific Grant Income (Note 11)			(215,667)
		(36,543)	(Surplus) or Deficit on the Provision of Services			4,758
		(15,913)	Share of the surplus or deficit on the provision of services by associates (Note 49)			13,700
		(52,456)	Group Surplus or Deficit			18,458
		(106)	(Surplus) or deficit on the revaluation of non-current assets			18,287
		1,403	Impairment losses on non-current assets charged to the Revaluation Reserve			5,754
		(34,851)	Actuarial (gains) or losses on pension assets and liabilities			44,638
		(15,872)	Share of other Comprehensive Income and Expenditure of associates (Note 49)			(18)
		(49,426)	Other Comprehensive Income and Expenditure			68,661
		(101,882)	Total Comprehensive Income and Expenditure			87,119

Group Balance Sheet as at 31 March 2012

The Balance Sheet is a snapshot of the value at the 31 March 2012 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).

2010	2011		2012	2010	2011		2012
£000	£000	Note	£000	£000	£000	Note	£000
353,571	343,463	Property, Plant and Equipment	50	370,019			
18,073	18,079	Heritage Assets	14	17,914			
889	618	Intangible Assets	13	345	(151,362)	(49,480)	Net Assets
9,549	10,245	Investments in Associates	51	9,964			(136,599)
209	283	Long-term Debtors	52	233	29,945	36,798	Usable Reserves of the Council
							23
382,291	372,688	Non-Current Assets		398,475	33,674	96,918	Unusable Reserves of the Council
							24 & 55
8,004	43,327	Short-term Investments	53	40,358	0	7,000	Usable Reserves, Share of Reserves of
0	0	Assets Held for Sale	20	0			Associates
548	335	Inventories	16	503	(214,981)	(190,196)	Unusable Reserves, Share of Reserves of
12,572	9,752	Short-term Debtors	52	10,522			Associates
35,721	25,570	Cash and Cash Equivalents	19	19,625	(151,362)	(49,480)	Total Reserves
							(136,599)
56,845	78,984	Current Assets		71,008			
0	(1,244)	Cash and Cash Equivalents	19	(1,031)			
(7,219)	(6,410)	Short-term Borrowing	53	(2,567)			
(28,756)	(29,067)	Short-term Creditors	21	(25,349)			
(4,028)	(4,552)	Provisions	22	(2,900)			
(684)	(1,493)	Short-term Finance Leases	35 & 36	(1,837)			
(40,687)	(42,766)	Current Liabilities		(33,684)			
(179,852)	(195,796)	Long-term Borrowing	53	(195,559)			
(224,530)	(193,441)	Liabilities in Associates	51	(206,842)			
		Other Long-term Liabilities					
(20,753)	(19,262)	(Finance Leases)	35 & 36	(73,767)			
(124,676)	(49,887)	Other Long-term Liabilities (Pensions)	40	(96,230)			
0	0	Capital Grants Receipts in Advance		0			
(549,811)	(458,386)	Long-term Liabilities		(572,398)			

The unaudited accounts were issued on 28 June 2012 and the audited accounts were authorised for issue on 27 September 2012.

Alan Puckrin C.P.F.A.
Chief Financial Officer
Issued on 28 June 2012

Group Cash Flow Statement for the Year ended 31 March 2012

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The Council's share of the cash flows of its associates is disregarded for the purpose of this statement as the Group Reserves are all unusable and cannot be used to fund services.

2010-2011 £000		2011-2012 £000	
36,663	Net surplus or (deficit) on the provision of services	(4,563)	
(10,222)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	29,865	
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and		
0	financing activities	0	
26,441	Net cash inflow from Operating Activities (Note 25)	25,302	
(52,215)	Investing Activities (Note 26)	(25,326)	
14,379	Financing Activities (Note 27)	(5,708)	
(11,395)	Net increase or (decrease) in cash and cash equivalents	(5,732)	
35,721	Cash and cash equivalents at the beginning of the reporting period	24,326	
24,326	Cash and cash equivalents at the end of the reporting period (Note 19)	18,594	

A Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom 2011-2012 (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 47 Group Combining Entities.

C Basis of Preparation of Group Statements and Going Concern

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

For 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 £196.823 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. Statutory arrangements with the Scottish Government for the funding of the Police Joint Board deficit and with the constituent local authorities for the deficit of the Fire and Rescue Joint Board means that the financial position of these Boards 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 Consideration for Acquisition of Associates’ Net Assets or Liabilities

The Council has acquired its share of the net assets of its associates for a nil consideration. There is no deferred or contingent purchase consideration. A fair value for its share of the net assets or liabilities of the five Joint Boards at the point of acquisition and the post-acquisition results are unable to be accurately determined in view of the length of time since the transfer of these responsibilities at local government re-organisation in 1996 and the change in accounting for pensions under FRS17 in 2003-2004. It is not possible to provide the fair value of the investment in the other associates of the Council as there are no published price quotations for these bodies.

No goodwill has been included in the Balance Sheet in view of the length of time since acquisition, that no consideration was involved and that a fair value at the date of acquisition cannot now be properly assessed.

E Group Boundary: Non-material Interests in Entities

The Council has a “significant interest” in several Joint Committees, charitable companies and a number of trust funds that have not been included in the Group Accounts. The Council’s share of their net assets or liabilities is not material to the fair understanding of the financial position and transactions of the Council. In the interest of transparency, details of the business nature of each organisation are shown in Note 48 Non-material Interests in Other Entities.

F Employee Benefits: Post-employment Benefits

In common with Inverclyde Council, all combining entities participate in the Strathclyde Pension Scheme. This is explained in Note 40 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. The Police and Fire and Rescue Joint Boards have used the same assumptions as those used by Inverclyde Council in their separate calculations to arrive at their net pension liability i.e. price increases, salary increases, pensions increases and discount rates.

G Inventories

Stock is valued at weighted average cost and the lower of cost or net realisable value as follows. The difference in valuation methods does not have a material effect on the results of the Group given the levels of stockholdings in these organisations.

- Weighted average cost: Strathclyde Police’s stock of uniforms.
- Net cost or realisable value: Strathclyde Fire and Rescue’s, SPT’s and Inverclyde Leisure’s stock and Strathclyde Police’s stock of vehicle parts, communications equipment and other materials.

H 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 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 Limited 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.

Depreciation

The periods and categories of assets for the Group are:

Intangible assets	
Software licenses	1 to 6 years
Subsidised bus contracts (SPT only)	5 years
Property, plant & equipment	
Buildings	5 to 60 years
Infrastructure	2 to 40 years
Plant & machinery	1 to 25 years
Vehicles, computers, furniture & fittings	10 to 40 years
Rolling stock (SPT only)	1 to 25 years
3rd party rolling stock (SPT only)	20 years
3rd party assets (SPT only)	Fully depreciated in year of acquisition
Surplus assets not held for sale	5 to 60 years
Investment assets (SPT only)	No depreciation

I 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.

J Value Added Tax

VAT paid by Inverclyde Leisure Limited is accounted for within the deficit for the year to the extent that it is irrecoverable from H.M. Revenue and Customs.

Note 47 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 2012. 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 2011-2012 the Council contributed £7.62 million or 3.6% (2010-2011 £7.796 million) of the Board's estimated running costs and its share of the year-end net liability of £157.158 million (2010-2011 £147.042 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 2011-2012 Inverclyde Council contributed £6.259 million or 5.07% (2010-2011 £6.439 million) to the Board's estimated running costs and its share of the year-end net liability of £49.333 million (2010-2011 restated £46.165 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 2011-2012, Inverclyde Council contributed £1.478 million or 3.95% (2010-2011 £1.521 million) of the Partnership's estimated running costs and its share of the year-end net asset of £6.070 million (2010-2011 £6.426 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 2011-2012, Inverclyde Council contributed £0.140 million or 4.02% (2010-2011 £0.102 million) of the Board's estimated running costs and its share of the year-end net asset of £0.065 million (2010-2011 £0.097 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 2011-2012, Inverclyde Council contributed £0.567 million or 24.0% (2010-2011 £0.590 million) of the Board's estimated running costs and its share of the year-end net liability of £0.351 million (2010-2011 £0.148 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 centres, leisure 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 assets at 31 March 2012 were £0.083 million (2010-2011 £0.191 million liability) and its net surplus for the year was £0.173 million (2010-2011 £0.629 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 2011-2012, Inverclyde Council contributed £1.977 million or 36.65% of the charity's turnover and its share of the year-end net assets of £0.038 million (2010-2011 £0.087 million net liability) is included in the Group Balance Sheet.

The following additional disclosures are required under accounting regulations for Inverclyde Leisure because they are a Related Party to the Council. The figures in the accounts of Inverclyde Leisure, prepared under the Charities SORP, have been restated from UK GAAP to IFRS.

	Inverclyde Leisure 2011-2012	Inverclyde Council's 45.45% share of Inverclyde Leisure 2011-2012
	£000	£000
Turnover	5,395	2,452
Surplus or (deficit) for the year	173	79
Non-current assets	107	49
Current assets	1,041	473
Liabilities due within one year	(463)	(211)
Liabilities due after one year excluding pension liability	0	0
Pension liability	(602)	(273)
Net Assets or (Liabilities)	83	38

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 2012 were £18.955 million (2010-2011 £18.612 million) and its net deficit for the year was £0.063 million (2010-2011 £0.030 million). 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, Clydevue, 22 Pottery Street, Greenock, PA15 2UZ which is also the company's principal place of business.

The company does not have shareholders and any surpluses are made available for reinvestment in other projects within the area. The company is entirely independent of the Council under law and for taxation. The Council has three of the fourteen representatives on the company's board, and for the purposes of accounting this equates to an interest of 20.00%. 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 2011-2012, Inverclyde Council contributed £1.319 million (2010-2011 £2.637 million) or 23.96% of the charity's turnover, and its share of the year-end asset of £3.791 million (2010-2011 restated £3.722 million) is included in the Group Balance Sheet.

The following additional disclosures are required under accounting regulations for Riverside Inverclyde because they are a Related Party to the Council. The figures in the accounts of Riverside Inverclyde, prepared under the Charities SORP, have been restated from UK GAAP to IFRS.

	Riverside Inverclyde 2011-2012	Inverclyde Council's 20.00% share of Riverside Inverclyde 2011-2012
	£000	£000
Total incoming resources	5,505	1,101
Total resources expended	(5,532)	(1,106)
Funds brought forward	18,612	3,722
Funds carried forward	18,954	3,791
Non-current assets	18,854	3,771
Current assets	4,456	891
Liabilities due within one year	(4,276)	(855)
Liabilities due after one year excluding pension liability	(25)	(5)
Pension liability	(54)	(11)
Net Assets or (Liabilities)	18,955	3,791

Note 48 Non-material Interests in Other Entities

The Council has a "significant interest" in several Joint Committees, charitable companies and a number of trust funds. Details of these are shown in the following paragraphs. The Council's share of their net assets or liabilities is not material to the fair understanding of the financial position and transactions of the Council. Accordingly, the Group Accounts do not include these organisations. In the interest of transparency, the following disclosures are made concerning the business nature of each organisation.

Glasgow and Clyde Valley Structure Plan Joint Committee covers the 8 councils within its area. Under the Town and Country Planning (Scotland) Act 1997, each member council not only has responsibilities for local planning matters in its area but also the strategic issues that cover the wider area of the Glasgow and Clyde Valley. Accordingly, the Committee prepares, monitors and reviews the Structure Plan on behalf of member councils and liaises with central government, Scottish Enterprise and other bodies. Inverclyde Council contributed £0.081 million (12.5%) to the committee's estimated running costs in 2011-2012 (£0.085 million in 2010-2011).

Clyde Muirshiel Park Authority is a Joint Committee of three councils – Inverclyde, Renfrewshire and North Ayrshire. The Authority is responsible for the management and maintenance of the Clyde Muirshiel Park that extends from Greenock in the north down the Clyde coast to Inverkip, Largs and West Kilbride and inland to Lochwinnoch. Inverclyde Council contributed £0.261 million (24.7%) to the Committee's estimated running costs in 2011-2012 (£0.272 million in 2010-2011).

Scotland Excel is a not-for-profit procurement organisation that was established on 1 April 2008 to replace the Authorities Buying Consortium and similar bodies across Scotland. The organisation aims to improve the effectiveness and efficiencies of public sector procurement in the 28 Local Authorities and related organisations across Scotland. During the year, the Council made a contribution of £0.064 million representing 1.93% of the organisation's estimated running costs for the year to 31 March 2012 (£0.065 million in 2010-2011).

Sail Inverclyde Limited is a company limited by guarantee and has charitable status. The company has a board of eight trustees, four of whom are Inverclyde Council Members with the remainder representing Riverside Inverclyde and Clydeport Limited. Sail Inverclyde Limited has been established to manage maritime events and its objectives are to advance the education and physical and mental development of young people from Inverclyde and elsewhere by providing or assisting in the provision of facilities for training in sailing and seamanship. Inverclyde Council contributed £0.362 million (20.78%) of the Company's estimated running costs in 2011-2012 (£0.123 million in 2010-2011). The accounts of the Company have not yet been audited.

	Sail Inverclyde Ltd 2011-2012	Inverclyde Council's 50.0% share of Sail Inverclyde 2011-2012
	£000	£000
Total incoming resources	1,742	871
Total resources expended	(1,919)	(959)
Net movement in funds after pension scheme	(176)	(88)
Funds brought forward	18	9
Funds carried forward	(159)	(79)
Fixed assets	0	0
Current assets	46	23
Current liabilities	(46)	(23)
Net Assets or (Liabilities)	0	0

SEEMIS is a not-for-profit body whose principal activity is the provision of education related information technology solutions to its member Councils. Inverclyde has an interest of 2.03% in the entity which equates to £0.012 million of members remuneration (£0.009 million in 2010-2011).

Trust funds are disclosed in the separate financial statements on pages 95 to 99. There are nine charitable trusts and four other funds, the majority of which have relatively small balances and few transactions during the year. The assets of the funds comprise of property, quoted investments and short-term deposits with the Council. The assets of the charities are not the property of the Council and are subject to charitable trust regulations. The larger funds are used for such diverse purposes as recreational facilities at Birkmyre Park; the upkeep of the library, museum and art gallery in Greenock; scholarships at Port Glasgow High School; rehabilitation of offenders; and the social welfare of disabled persons. The charitable and other trust funds applied £0.009 million during the year (2010-2011 £0.016 million).

The Council also has an interest in several small-scale Joint Committees with neighbouring Councils in the West of Scotland – the West of Scotland European Forum £0.002 million (£0.003 million in 2010-11), the West of Scotland Archaeological Service £0.008 million (£0.010 million in 2010-2011) and the Continuing Education Gateway £0.016 million (£0.016 million in 2010-2011).

Note 49 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*.

	2011-2012 £000	2010-2011 £000
Share of the surplus or deficit on the provision of services by associates		
Strathclyde Police Joint Board	10,771	(10,637)
Strathclyde Fire and Rescue Joint Board	3,404	(4,371)
Strathclyde Partnership for Transport	(424)	(496)
Strathclyde Concessionary Travel Scheme Joint Board	32	72
Renfrewshire Valuation Joint Board	(17)	(201)
Inverclyde Leisure Limited	(79)	(286)
Riverside Inverclyde Limited	13	6
	13,700	(15,913)
Share of Other Comprehensive Income and Expenditure of Associates		
Strathclyde Police Joint Board	(655)	(9,067)
Strathclyde Fire and Rescue Joint Board	(236)	(5,840)
Strathclyde Partnership for Transport	780	441
Strathclyde Concessionary Travel Scheme Joint Board	0	0
Renfrewshire Valuation Joint Board	220	(312)
Inverclyde Leisure Limited	(46)	(374)
Riverside Inverclyde Limited	(81)	(720)
	(18)	(15,872)

Note 50 Group Property, Plant and Equipment

This note should be read in conjunction with the disclosures in the Accounts of the Council under Note 12 Property, Plant & Equipment (PPE). The undernoted balances for PPE are composed mostly of the assets of the Council to which the PPE of the Common Good has been added. The depreciation methods used and the useful lives or depreciation rates used are disclosed separately in Note 46 Group Accounting Policies under "Property, Plant & Equipment".

Movement on Balances

The movements on balances for Property, Plant and Equipment are shown in the following table. The figures include the PPE of the Common Good. Figures for 2010-2011 are provided in an additional table below for the purposes of comparison.

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	407,121	31,804	33,709	8,821	4,606	1,168	21,370	508,599
Addition in year	12,213	2,194	3,021	6,114	310	4,424	56,267	84,543
Disposals in year	(285)	(855)	0	0	0	0	0	(1,140)
Revaluation adjustments to Revaluation Reserve	(18,586)	0	0	0	0	0	479	(18,107)
Revaluation adjustments to CIES	(9,165)	0	0	(90)	0	0	(1,424)	(10,679)
Reclassifications to/from Held for Sale	0	0	0	0	0	0	0	0
Other reclassifications	0	0	0	0	0	0	0	0
At 31 March 2012	391,298	33,143	36,730	14,845	4,916	5,592	76,692	563,216
Depreciation and Impairment								
At 1 April 2011	130,574	24,027	7,344	927	491	0	1,773	165,136
Depreciation charge for the year	11,324	2,397	1,158	356	7	0	562	15,804
Impairment losses to Revaluation Reserve	5,810	0	0	0	0	0	0	5,810
Impairment losses to CIES	6,350	17	476	234	309	0	0	7,386
On disposals	(84)	(855)	0	0	0	0	0	(939)
Reclassification to Held for Sale	0	0	0	0	0	0	0	0
Other reclassifications	0	0	0	0	0	0	0	0
At 31 March 2012	153,974	25,586	8,978	1,517	807	0	2,335	193,197
Balance Sheet amount at 31 March 2012	237,324	7,557	27,752	13,328	4,109	5,592	74,357	370,019
Balance Sheet amount at 31 March 2011	276,547	7,777	26,365	7,894	4,115	1,168	19,597	343,463
Nature of asset holding								
Owned	224,043	7,424	27,752	13,328	4,109	5,592	0	282,248
Finance lease	13,281	133	0	0	0	0	0	13,414
PPP	0	0	0	0	0	0	74,357	74,357

Comparative Movements in 2010-2011

	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 2010	416,466	28,936	32,435	6,636	4,597	1,963	21,370	512,403
Addition in year	6,995	5,166	1,686	2,185	9	1,113	0	17,154
Disposals in year	(17,228)	(2,298)	(412)	0	0	0	0	(19,938)
Revaluation adjustments to Revaluation Reserve	0	0	0	0	0	0	0	0
Revaluation adjustments to CIES	(1,020)	0	0	0	0	0	0	(1,020)
Reclassifications to/from Held for Sale	0	0	0	0	0	0	0	0
Other reclassifications	1,908	0	0	0	0	(1,908)	0	0
At 31 March 2011	407,121	31,804	33,709	8,821	4,606	1,168	21,370	508,599
Depreciation and Impairment								
At 1 April 2010	126,650	23,725	6,174	595	475	0	1,213	158,832
Depreciation charge for the year	14,421	2,586	1,080	250	7	0	560	18,904
Impairment losses to Revaluation Reserve	1,455	0	0	0	4	0	0	1,459
Impairment losses to CIES	1,842	5	90	82	5	0	0	2,024
On disposals	(13,794)	(2,289)	0	0	0	0	0	(16,083)
Reclassification to Held for Sale	0	0	0	0	0	0	0	0
Other reclassifications	0	0	0	0	0	0	0	0
At 31 March 2011	130,574	24,027	7,344	927	491	0	1,773	165,136
Balance Sheet amount at 31 March 2011	276,547	7,777	26,365	7,894	4,115	1,168	19,597	343,463
Balance Sheet amount at 31 March 2010	289,816	5,211	26,261	6,041	4,122	1,963	20,157	353,571
Nature of asset holding								
Owned	264,213	7,671	26,365	7,894	4,115	1,168	0	311,426
Finance lease	12,334	106	0	0	0	0	0	12,440
PPP	0	0	0	0	0	0	19,597	19,597

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 46 *Group Accounting Policies* under "Property, Plant & Equipment".

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets not for Sale	Asset Under Construction	Schools PPP Assets	Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	2,832	7,557	26,958	13,328	0	5,592	432	56,699
Valued at fair value as at								
31 March 2012	53,934	0	0	0	0	0	54,890	108,824
31 March 2011	1,382	0	0	0	0	0	0	1,382
31 March 2010	9,987	0	215	0	4,094	0	19,035	33,331
31 March 2009	10,128	0	0	0	0	0	0	10,128
31 March 2008	159,061	0	579	0	15	0	0	159,655
Total Cost or Valuation	237,324	7,557	27,752	13,328	4,109	5,592	74,357	370,019

Note 51 Summarised Financial Information of Associates

The aggregate amounts of the assets, liabilities, revenues and surpluses and deficits for the year of the Council's associates are shown in the following table. The liability shown below for the Council's share of the net assets or (liabilities) of its associates £(196,878), is the net of two figures disclosed in the Group Balance Sheet under the headings of *Investment in Associates*, £9,964 and *Liabilities of Associates*, £(206,842).

	31 March 2012		31 March 2011		31 March 2010	
	Aggregate of Associates' results	Inverclyde Council's share	Aggregate of Associates' results	Inverclyde Council's share	Aggregate of Associates' results	Inverclyde Council's share
	£000	£000	£000	£000	£000	£000
Non-current assets	549,298	26,729	535,023	25,938	555,153	26,195
Current assets	210,521	9,481	203,200	9,548	213,976	9,960
Liabilities due within one year	(104,856)	(5,191)	(127,427)	(6,327)	(120,461)	(6,140)
Liabilities due after one year excluding pension liability	(179,660)	(7,993)	(156,163)	(7,062)	(177,877)	(8,077)
Pension liability	(5,641,150)	(219,904)	(5,266,937)	(205,293)	(6,040,423)	(236,919)
Net Assets or (Liabilities) of Associates	(5,165,847)	(196,878)	(4,812,304)	(183,196)	(5,569,632)	(214,981)

	2011-2012		2010-2011	
	Aggregate of Associates' results	Inverclyde Council's share	Aggregate of Associates' results	Inverclyde Council's share
	£000	£000	£000	£000
Gross income (Turnover)	(785,299)	(34,992)	(1,678,530)	(70,593)
Surplus or (deficit) for the year	(355,585)	(13,700)	393,923	15,913

Note 52 Group Debtors

The undernoted balances are composed mostly of the debtors of the Council to which the debtors of the Common Good have been added. Balances between the Common Good and the Council have been eliminated.

	31 March 2012		31 March 2011		31 March 2010	
	Current	Long-term	Current	Long-term	Current	Long-term
	£000	£000	£000	£000	£000	£000
Scottish Government (including NHS bodies)	305	0	1,293	0	2,531	0
Central Government bodies	3,933	0	1,852	0	2,128	0
Other local authorities	103	0	91	0	0	0
Council Tax and Community Charge receivable from taxpayers	15,463	0	21,787	0	21,551	0
Impairment	(13,296)	0	(19,631)	0	(19,035)	0
Council Tax and Community Charge (net of impairment)	2,167	0	2,156	0	2,516	0
Trade debtors	7,875	0	8,141	0	8,268	0
Impairment	(3,864)	0	(3,784)	0	(5,195)	0
Trade Debtors (net of impairment)	4,011	0	4,357	0	3,073	0
Other entities and individuals	3	233	3	283	2,324	209
Totals for Current and Long-term Debtors	10,522	233	9,752	283	12,572	209

Note 53 Group Financial Instruments

Categories of Financial Instrument

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

	Long-term			Current		
	31 March 2012	31 March 2011	31 March 2010	31 March 2012	31 March 2011	31 March 2010
	£000	£000	£000	£000	£000	£000
Investments						
Loans and receivables						
Single Entity	0	0	0	40,356	43,325	8,002
Common Good	0	0	0	2	2	2
Total	0	0	0	40,358	43,327	8,004
Borrowings						
Financial liabilities at amortised cost						
Single Entity	(195,559)	(195,796)	(179,852)	(2,764)	(6,736)	(7,619)
Common Good	0	0	0	197	326	400
Total	(195,559)	(195,796)	(179,852)	(2,567)	(6,410)	(7,219)

Note 54 Group Usable Reserves

Summary of Year-end Balances

The only movement in usable reserves from that stated in the Council's Movement in Reserves Statement is within Other Revenue Reserves which is explained below:

	31 March 2012	31 March 2011	1 April 2010
	£000	£000	£000
Repairs and Renewal Fund	626	671	703
Insurance Fund	4,467	4,848	4,794
Common Good	220	359	423
Total Other Revenue Reserves	5,313	5,878	5,920

Movement on Balances

The Movement in Reserves Statements of the Council and the Common Good in earlier sections of the Annual Accounts provide an analysis of the movement of the balances for 2011-2012 and 2010-2011.

Note 55 Group Unusable Reserves

This note should be read in conjunction with the disclosures in the Accounts of the Council under Note 24 Unusable Reserves. The undernoted year-end balances for the Group are composed entirely of the reserves of the Council, with the exception of the Revaluation Reserve that consolidates the revaluation reserves of the Common Good with those of the Council. The movement on the Revaluation Reserve is explained further below.

Summary of Year-end Balances

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

	31 March 2012	31 March 2011	1 April 2010
	£000	£000	£000
Revaluation Reserve	70,741	98,459	105,403
Capital Adjustment Account	45,722	56,966	62,200
Financial Instruments Adjustment Account	(3,774)	(3,903)	(4,002)
Pensions Reserve	(96,230)	(49,887)	(124,676)
Employee Statutory Adjustment Account	(3,938)	(4,717)	(5,251)
Total Unusable Reserves of the Council	12,521	96,918	33,674

Movement on Balances – Revaluation Reserve

The Revaluation Reserve contains the unrealised gains made by the Council and the Common Good 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. The Revaluation Reserve of the Common Good is included in the figures in the table below.

	2011-2012	2010-2011
	£000	£000
Balance at 1 April	98,459	105,403
Revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(18,287)	6
Difference between fair value depreciation and historical cost depreciation written off to Capital Adjustment Account	(3,550)	(4,899)
Transfer to Common Good Usable Reserves	(56)	44
Impairments charged to Revaluation Reserve Account	(5,754)	(1,403)
Accumulated gains or (losses) written transferred to the Capital Adjustment Account	(71)	(692)
Balance at 31 March	70,741	98,459

Note 56 Amounts Owning and Owed between the Council and its Associates

An analysis of the amounts owing and owed between the Council and its associates analysed into amounts relating to loans and amounts relating to other balances is shown in the table below.

	31 March 2012	31 March 2011	31 March 2010
	£000	£000	£000
Amounts Owning to the Council			
Loans	72	90	113
Other balances	24	167	405
Total	96	257	518
 Amounts Owed by the Council			
Loans	0	0	0
Other balances	382	1,418	360
Total	382	1,418	360

Note 57 Council's Share of Contingent Assets and Liabilities of Associates

The following table shows the contingent liabilities (or assets) disclosed to the Council by its Associates as at 31 March 2012, the nature of the contingent liability (or assets) and the Council's estimated share where it has been possible for the Associate to quantify the amount of the potential obligation. The contingent liabilities (or assets) are classified between those that are incurred jointly with other Councils and investor entities and those for which the Council is severally liable. The contingent liabilities of the Council itself are disclosed in Note 43 *Contingent Assets and Liabilities*.

Nature of Contingent Asset or Liability	Associate	Share of Estimated Amount if Quantifiable
	£000	£000
Incurred jointly with Other Investors		
Strathclyde Fire & Rescue Joint Board - insurance claims	549	28
Severally Liable		

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 2012 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the Council Tax Income Accounts, and the 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 2011/12 (the 2011/12 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, 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 statement of 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 financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2011/12 Code of the state of the affairs of the group and of the body as at 31 March 2012 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 2011/12 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Statement on the System of Internal Financial Control does not comply with the 2011/12; or
- there has been a failure to achieve a prescribed financial objective.

Emphasis of matter

It has not been necessary to qualify our opinion in respect of the following matter. The Council has a statutory duty under section 10 of the Local Government in Scotland Act 2003 to conduct each of their significant trading operations so that income is not less than expenditure over each three year period.

The Council failed to comply with this statutory requirement for the three year period ending 31 March 2012 in respect of its Building Maintenance Service.

Grant Thornton UK LLP
1-4 Atholl Crescent
Edinburgh
EH3 8LQ

Glossary of Terms

While much of the terminology used in this report is intended to be self-explanatory, it may be useful to provide an additional definition and interpretation of the terms used.

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. CIPFA

The Chartered Institute of Public Finance and Accountancy.

13. 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.

14. Consistency

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

15. 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

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

21. 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.

22. 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.

23. 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.

24. Equity

The Council's value of total assets less liabilities.

25. 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.

26. 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.

27. 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.

28. 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.

29. Finance Lease

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

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. General Revenue Grant

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

56. Significant Interest

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

57. 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.

58. Temporary Borrowing

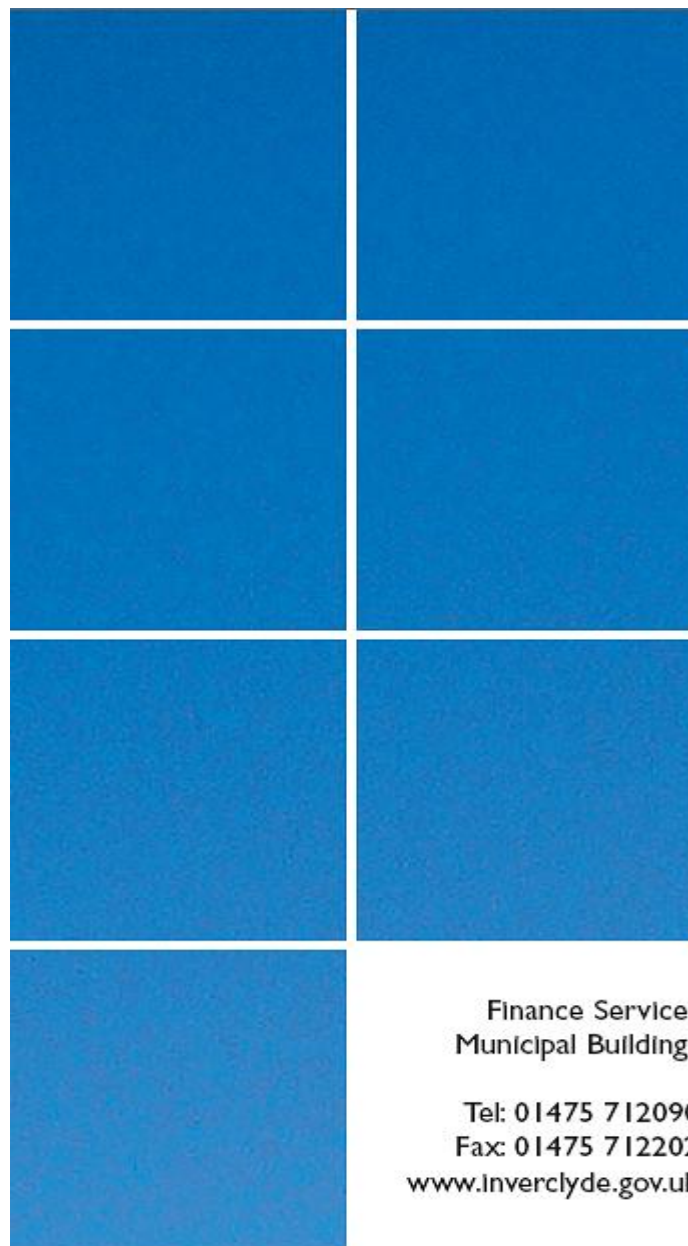
Money borrowed for a period of less than a year.

59. Trust Funds

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

60. Useful Economic Life

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



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