

Inverclyde Council  
**Audited Annual Accounts**  
2016 - 2017





# Contents

	Page		Page
<b>Explanatory &amp; Assurance Statements</b>			
Management Commentary	1-8	Note 25 Events after the Balance Sheet Date	60
Statement of Responsibilities for the Annual Accounts	9	Note 26 Cash Flow Statement: Operating Activities	61
Annual Governance Statement	10-14	Note 27 Cash Flow Statement: Investing Activities	62
Remuneration Report	15-21	Note 28 Cash Flow Statement: Financing Activities	62
<b>Principal Financial Statements of Single Entity</b>		<b>Additional Financial Statements</b>	
Expenditure and Funding Analysis	22-23	Council Tax Income Account	63-64
Comprehensive Income & Expenditure Statement	24	Non-domestic Rate Income Account	65
Balance Sheet	25	Common Good Fund	66-67
Movement in Reserves Statement	26	Trust Funds	68
Cash Flow Statement	27		
<b>Notes to the Principal Financial Statements</b>		<b>Principal Financial Statements of Group</b>	
Note 1 Adjustments between Accounting Basis and Funding Basis	28-29	Comprehensive Group Income and Expenditure Statement	69
Note 2 Usable Reserves	29-30	Group Balance Sheet	70
Note 3 Financing and Investment Income and Expenditure	31	Group Movement in Reserves Statement	71
Note 4 Taxation and Non-specific Grant Income	31-32		
Note 5 Expenditure and Income Analysed by Nature	32	<b>Notes to the Group's Principal Financial Statements</b>	
Note 6 External Audit Fee	33	Note 29 Combining Entities	72-73
Note 7 Property, Plant and Equipment	33-37	Note 30 Material Items of Group Income and Expenditure	74
Note 8 Assets Held for Sale	37-38	Note 31 Group Assets and Liabilities of Associates and Joint Ventures	74
Note 9 Capital Expenditure and Capital Financing	38		
Note 10 Heritage Assets	39	<b>Accounting Policies, Judgements and Assumptions</b>	
Note 11 Debtors	40	Note 32 Accounting Policies	75-77
Note 12 Cash and Cash Equivalents	40	Note 33 Accounting Standards Issued not Adopted	78
Note 13 Creditors	41	Note 34 Critical Judgements in applying Accounting Policies	78
Note 14 Provisions	41-42	Note 35 Assumptions about the Future etc	79
Note 15 Schools Public Private Partnership	42-43	Note 36 Prior Year Restatement of Property, Plant & Equipment	80-81
Note 16 Defined Benefit Pension Schemes	44-48		
Note 17 Post-employment Benefits: Teachers	49	<b>Audit Certificate</b>	
Note 18 Unusable Reserves	49-51	Independent Auditor's Report	82-83
Note 19 Leases	51-52		
Note 20 Financial Instruments	52-56	<b>Glossary</b>	
Note 21 Nature and Extent of Risks from Financial Instruments	56-58	Glossary	84-87
Note 22 Related Parties	58-59		
Note 23 Agency Services	59		
Note 24 Contingent Assets and Liabilities	60		

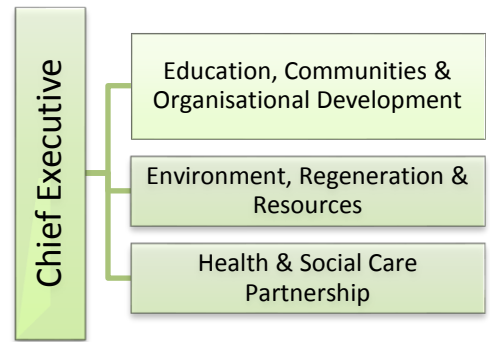
## 1. Introduction

This publication contains the financial statements of both Inverclyde Council and its group for the year ended 31 March 2017, and its main purpose is to demonstrate the stewardship of public funds entrusted to the Council. This foreword outlines the objectives and strategy of the Council and its financial performance for the year 2016-2017. It also provides an indication of issues and risks which may impact upon the finances of the Council in the future.

### Principal Activities

Inverclyde Council was established in 1996 as part of local government reorganisation in Scotland under the Local Government (Scotland) Act 1994. The Council has responsibility for providing local authority services for the residents of Inverclyde which is located in West Scotland along the River Clyde. It is one of the smallest local authorities in Scotland, covering 61 square miles and serving a population of 79,160 (1.5% of the total population of Scotland). The Council employs 4,067 employees and provides a wide range of vital services to the public such as education, social services, leisure and recreation, libraries and museums, regeneration, planning and building standards, roads and transport, street cleaning and refuse collection. The Council transferred its housing stock to River Clyde Homes, a not-for-profit social housing provider, in 2007. Inverclyde Council and NHS Greater Glasgow and Clyde created an Integrated Joint Board for the delivery of Health and Social Care Services during 2015-2016 and budgets were delegated to the IJB on 1 April 2016.

Inverclyde Council has twenty two councillors elected every five years to represent the interest of the local community. Following the Local Government Elections in May 2017, the Council has a minority Labour administration with Councillor Stephen McCabe as its Leader. During 2016-2017 the management of Inverclyde Council was led by the Chief Executive, John Mundell until 19 September 2016 and Aubrey Fawcett from 19 September. The operational structure is divided into three directorates as shown on the right. The Council has established two Arms' Length Organisations – Inverclyde Leisure and Riverside Inverclyde – to deliver certain services more effectively on the Council's behalf. Section 5 has more details of these and the other entities in the Inverclyde Council group and section 6 has links to their websites.



## 2. Objectives and Strategy of the Council

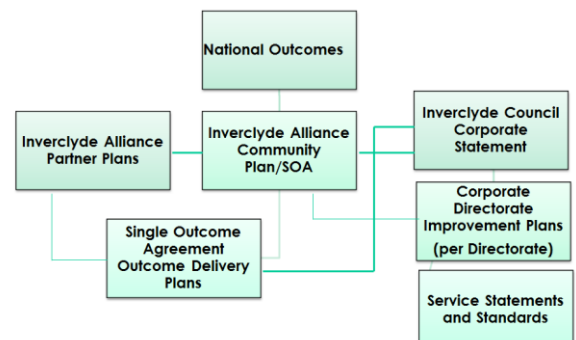
### Getting it Right for Every Child, Citizen and Community

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

### Delivering the Strategy

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

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



Services demonstrate how their own activities link to the Council's vision and priorities through their Corporate Directorate Improvement Plans (CDIPs). Consultation on the future vision and activities of the Council is undertaken through the Council's Citizens' Panel and through specific consultations.

## Public Performance Reporting

Inverclyde Council publishes a wide range of comprehensive and diverse performance indicators to allow the public to make an informed assessment of how the Council is performing. Full details of the Council's performance can be found by following the link to the Council's performance pages on its website <http://www.inverclyde.gov.uk/council-and-government/performance>. The CDIPs also contain details about financial and non-financial performance indicators. The most recent indicators, including snapshots of these, can be found at <http://www.inverclyde.gov.uk/council-and-government/performance/statutory-performance-indicators>.

The most recent available data for the Council's performance relates to 2015-2016. Figures for the 2016-2017 Local Government Benchmarking Framework are being finalised and are not yet available. Some of the 2015-2016 performance highlights are:

- Between 2014/15 and 2015/16, we saw an improvement in three of the four attainment measures for senior pupils while the fourth measure maintained its performance; we are also above the national average for two senior phase measures.
- In 2015/16, our cost of collecting Council Tax was £4.46 per dwelling less than five years ago. Additionally, we saw an increase in our Council Tax collection rate to 95.12% in 2015/16 which is the highest ever achieved by the Council.
- In 2015/16, the number of days lost due to sickness absence for Inverclyde teachers reduced, with that year's figure our lowest to date. The number of days we lost due to sickness for all other Council employees also fell.
- Self-directed support spend was relatively steady between 2012/13 and 2014/15; it then quadrupled between 2014/15 and 2015/16.
- Our costs per library and museum visit both decreased between 2014/15 and 2015/16 which resulted in an improved ranking for both measures
- Satisfaction with the local refuse collection service rose by 2% to 93% which is 10% above the national average.
- In 2015/16, there was a reduction in the percentage of all classes of Inverclyde's roads which require maintenance treatment. (See also: <http://www.inverclyde.gov.uk/news/2016/dec/most-improved-performance-for-council-roads-team-again>.)
- For the fifth consecutive year, we saw an improvement in both the proportion of Inverclyde Council's operational buildings that are suitable for their current use and the proportion of the internal floor area of our operational buildings that are in satisfactory condition. Performance for both measures is also above the national average.
- The cost per planning application in Inverclyde decreased from £8,900 to £8,276.

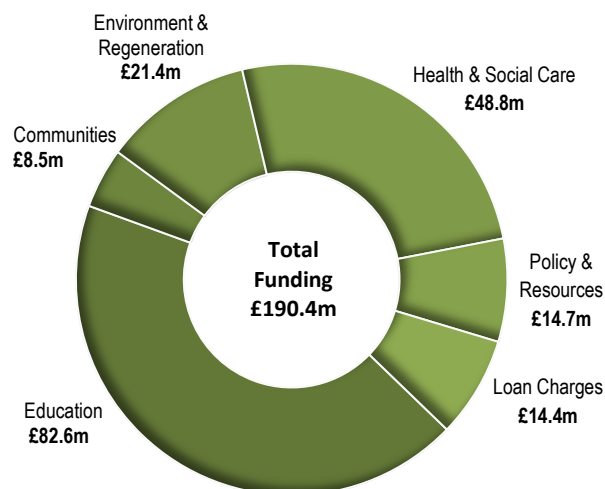
## The Annual Budget and Setting Council Tax

The Council approved a two year budget covering the financial years 2016/17 and 2017/18 on 10 March 2016. The budget was based on the Council Tax for band D remaining at £1,198 for the tenth successive year.

Spend of £190.4 million was planned in 2016/17 after taking account of Government Grants, inflation, borrowing costs and approved savings.

The Council also approved a £71 million two-year capital investment programme covering 2016-2018 of which over £57 million would be funded by the Council with the balance met from government grants. The major areas of planned investment were the ongoing programme of construction and refurbishment of schools, key improvements to the roads and lighting infrastructure plus significant capital work on other Council assets.

Revenue Budget 2016-2017



Funding from Scottish Government (Non-domestic Rates and Government Grants) £163.6m (86%) and Council Tax (including Council Tax Reduction costs) £26.8m (14%)

## Best Value Assurance Report

Early in 2017 the Council was the first to be audited under the new revised Best Value audit approach. The Audit looked at the Council's long term planning, consultation, reporting and financial management. The report was positive and showed considerable progress on many areas since the previous Best Value report in 2005. Audit Scotland reported their findings to the Accounts Commission in May 2017 and the Commission accepted the report and recommendations. The Council fully accepted the findings and recommendations and will progress any actions over the coming months.

## 3. Financial Performance in 2016-2017

### General Revenue Budget

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules provide otherwise. The General Fund is funded by Government Grant and Council Tax revenues and the Movement in Reserves Statement on page 26 shows a surplus of £1.4 million. The Council set a balanced budget in 2016/17. During the year, the Council generated underspends of £2.3 million across all Service areas due to advancement of savings, increased turnover and general service underspends. An increase in Council Tax income as a result of increases in the Council Tax Base and a reduction in demand for support from the Council Tax Reduction Scheme generated £1 million and additional Scottish Government Grant allocations of £0.2 million were received in March 2017. This has been partially offset by a reduction in earmarked reserves carried forward from previous years, largely due to the transfer of the former HSCP reserves to the Integrated Joint Board, which has resulted in the surplus in the year of £1.4 million.

Combining the surplus with the accumulated funds brought forward from 2015-2016 of £49.1 million, produces a working balance of £50.5 million to be carried forward to 2017-2018. Of the balance, £44.7 million has been earmarked for particular purposes as detailed in Note 2 on Pages 29-30. This leaves a balance of £5.8 million of unallocated reserves (3.04% of the Council's budgeted net annual running costs). This is £2.0 million more than the recommended level of £3.8 million (2% of annual turnover based on the 2016-2017 budget), and the Council will consider uses for the excess as part of the 2018-2020 revenue budget.

### Capital Budget

The Council continues to make significant capital investment in schools, roads, leisure, community and town centre estate with £29.0 million being spent in 2016-2017. The largest individual element of the capital expenditure for the year was the £8.7 million spent on building and refurbishing educational properties as part of the Council's School Estates Strategy. Funding of capital expenditure included £1.1 million from receipts, and £8.6 million from Government grants with the balance of £19.3 million being met through internal funding and borrowing. Further information about the spending on capital projects is shown in Note 9 on page 38.

Major projects progressed during the year included:

- £3.6 million on the Vehicle and Maintenance Facility
- £5.4 million on the Roads Asset Management Plan
- £2.9 million on the refurbishment of Kilmacolm Primary School
- £3.9 million on the replacement of St Patrick's Primary School

The Council is able to regulate its own capital spending limits within a Prudential Framework recommended by CIPFA and endorsed by the Scottish Government. The Council's performance confirms its overall capital spending of £29.0 million was managed within the "Prudential Framework" limits approved by the Council. There was net advancement of £2.6 million (9.2%) against the approved capital programme. This is an increase on 2015-2016 where there was net advancement of £0.9 million (3.0%) against the approved capital programme.

### Key Financial Ratios

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

# Management Commentary

Financial Indicator	Commentary	2016-2017	2015-2016
<b>Reserves</b>			
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	Reflects the level of funding available to manage Financial risk/unplanned expenditure. The Council's Policy is 2% of annual turnover which is considered appropriate in the context of the Council's financial and ongoing risk profile. More Information is provided in the <i>General Revenue Budget</i> section above.	3.04%	4.50%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.	£3.0m decrease	£3.8m increase
<b>Council Tax</b>			
In-year collection rate	Reflects the Council's effectiveness in collecting Council Tax debt and financial management. The Council continues to achieve high collection Levels despite the current economic climate and its effect on the local economy. Collection in 2016-2017 was the Council's highest level to date.	95.32%	95.12%
<b>Council Tax</b>			
Ratio of Council Tax Income to Overall Level of Funding	Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within Local Authority control. Inverclyde Council froze its 2016-2017 Council Tax bills at 2007-2008 levels.	14.09%	12.89%
<b>Financial Management</b>			
Actual Outturn compared to Budgeted Expenditure	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. This indicator is based on the format of budget monitoring as reported throughout the year. More details are provided in the <i>General Revenue Budget</i> section above.	99.31%	93.53%
<b>Debt/Long-term Borrowing</b>			
Capital Financing Requirement (CFR) for the current year	External debt levels are less than the CFR. This demonstrates that borrowing is for capital investment purposes only. More information is provided within the <i>Long-term and Short-term Borrowing and Lease Finance</i> section below.	£308.8m	£302.2m
External Debt Levels for the current year		£273.7m	£281.0m
Ratio of financing costs to net revenue stream	These two ratios compliment the assurances of borrowing only being for capital purposes with an indication of the Council's ability to service the borrowing costs. The Council's cost of borrowing remains consistently below the Scottish average; is affordable; and fits with the Council's medium to long-term financial strategy.	13.54%	12.21%
Impact of Capital Investment on Council Tax		£10.55	£3.25

## Assets and Liabilities

The Balance Sheet on page 25 summarises the Council's assets and liabilities as at 31 March 2017 and explanatory notes are provided. Net Assets have decreased by £51.9 million to £69.0 million. Within this headline figure, there have been significant changes in both asset values and liabilities. Property, plant & equipment has increased by £9.7 million while cash and cash equivalents have decreased by £10.0 million; on the liabilities side the pensions liability has reduced by £56.1 million and borrowing and lease finance has reduced by £7.6 million. The major changes in the Council's Balance Sheet between March 2016 and March 2017 are explained in more detail in the following paragraphs.

## Non-current and Current Assets

Property, Plant & Equipment have increased in value by £9.7 million to £278.2 million. This increase in asset values is a result of the Council's investment in key capital projects. Short term investments have reduced by £0.9 million whilst cash equivalents have decreased by £10.0 million. This has arisen as a result of funding requirements for 2016-2017, without additional borrowing. Long and short-term Debtors increased by £0.6 million and long and short-term creditors increased by £2.7 million.

## Pensions Position

The Council's pension position has worsened over the year and the net liability has increased by £56.1 million. The worsening is largely due to a significantly lower discount rate and slightly higher inflation used by the appointed actuaries to calculate the current value of future payments to pensioners according to accounting standards. The net discount rate has decreased resulting in an increase of future liabilities. The details are shown in Note 16.

The change in the valuation of the net liability does not impact upon the General Fund balance. Scottish Government regulations require the General Fund balance to be charged with the amount payable by the Council to the pension fund or to pensioners in the year, not the amount calculated according to accounting standards.

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

The Council's net borrowing (including finance leases) reduced by £7.6 million during the year. Short-term borrowing and lease financing decreased by £5.3 million, whilst long-term borrowing and lease financing reduced by £2.3 million. This reflects the funding of the capital programme this year and the repayment of borrowing and lease finance.

The borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. The Council's borrowing comes from market loans and from borrowing from the Public Works Loan Board. Further details are provided at Note 20. The Council regulates its capital spending limits within a prudential framework recommended by CIPFA and endorsed by the Scottish Government. Each year, the Council calculates its capital financing requirement (CFR) for the forthcoming year. The CFR is a prudent assessment of the external borrowings for capital investment purposes that are affordable and sustainable over the longer-term. The Council's external borrowings have only been for capital investment purposes. The Council's gross external debt was £273.7 million at 31 March 2017 compared to the CFR limit of £308.8 million. The Council's average loans rate was 3.66% for 2016-2017, a decrease of 0.18% from 2015-2016. The Council made no additional long-term borrowings during the year.

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

### Financial Outlook

The Council's Financial Strategy for June 2017 highlights that the pressure on public finances is scheduled to continue until at least 2021/22. This plus the fact that Local Government is currently not one of the areas "protected" in Scottish Government Grant settlements means likely continuing real term reductions to the Council's funding.

For the next two year budget the estimated mid-range funding gap is £21.5 million with optimistic and pessimistic scenarios of £9.1 million and £32.8 million respectively.

At the same time, the Council faces ongoing service and cost pressures arising from a range of issues, most significantly demographic and socio-economic factors which continue to play a major role in driving spending pressures for the Council, particularly in relation to social care services. Inverclyde Council had a smooth transition from the CHCP to the Integrated Joint Board as part of the Scottish Government's policy to integrate health and social care and this will assist in addressing the undoubted challenges ahead.



## Management of Risk

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

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

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

The Annual Governance Statement, shown on pages 10-14, details the arrangements the Council has put in place for the proper governance of the Council's affairs and for the management of risk. This Statement explains the system of internal control in place and sets out improvements actions to the governance framework identified from the Council's ongoing review of these arrangements.

## Plans for the Future

2017 will be a hugely important year for the Scottish Public Sector with the implications arising from the outcome of the EU Referendum and how the new Scottish Parliament decides to use its new fiscal powers in the context of the pressure on public finances. The combination of anticipated cost pressures, coupled with reduced Government Grant, presents major challenges and financial risks to the Council over the medium term. Cost reductions of the level outlined above will require a fundamental review of priorities, income levels and how services are delivered to the public.

The Single Outcome Agreement and Inverclyde Alliance Community Engagement Strategy provide a helpful focus in terms of the policy priorities for the Council whilst recognising the financial pressures existing and forecast. The Council and Community Planning Partnership are developing approaches to implement the requirements set out in the Community Empowerment Act including approaches to locality planning (in line with the Health and Social Care Partnership), community participation and engagement. Communities will have a key role to play in shaping local public services.

Inverclyde Council is one of the member local authorities of the £1.1 billion Glasgow and Clyde Valley City Deal, the largest in the UK and the first of its kind in Scotland. This is one of the most significant funding arrangements to take place in Scotland and will fund major infrastructure projects and greatly add to the value of the wider local economy over the next 20 years. The headline projects within the Inverclyde area are the developments to the Greenock Ocean Terminal and the Greenock Inchgreen dockland plus the Inverkip transport interchange.

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

## 5. Supplementary Information

Local Authorities are required to prepare Group Accounts in addition to their own Council's accounts where they have a material interest in other organisations. The Group Accounts consolidate the results of the Council with its share of the Integrated Joint Board, joint venture, the Common Good and Trust Funds subsidiaries and five associates – Inverclyde Leisure, Riverside Inverclyde, Strathclyde Partnership for Transport, Strathclyde Concessionary Travel Scheme Joint Board and Renfrewshire Valuation Joint Board. The effect of the inclusion of these bodies in the Group Balance Sheet is to increase both net assets and total reserves by £14.445 million representing the Council's share of the net assets in these entities.

## Inverclyde Council Group

The Common Good Fund, administered by the Council, returned a deficit of £0.020 million on the usable reserves available for spending. The total usable reserves of the Common Good Fund now stand at a deficit of £0.006 million, this is below the

recommended minimum level of £0.1 million for this fund. Action has been taken in the 2017-2018 budget to address this and return reserves to an acceptable level. The financial statements and notes of the Common Good Fund are detailed on pages 66-67.

Inverclyde Leisure (IL) provides leisure facilities within the Inverclyde Council area to the general public and manages sports and leisure facilities, community centres, swimming pools and parks and pitches owned by the Council.

Riverside Inverclyde (ri) is the urban regeneration company responsible for a series of regeneration projects predominately on a 4.5 mile stretch of waterfront at Greenock and Port Glasgow and in the town centres of Gourock, Greenock and Port Glasgow. The joint working between ri and the Council continues to maximise the efficiency and collective impact of the two organisations in the face of increasingly scarce resources.

Strathclyde Partnership for Transport (SPT) and Strathclyde Concessionary Travel Scheme (SCTS) are public transport related Joint Boards and look after the public transport policy for the twelve local authorities in the area of the former Strathclyde Region. During the year, SPT provided funding to the Council for cycle routes and quality bus corridor improvements in Inverclyde. SCTS looked after the operation of the concessionary fares scheme for public transport.

The Integrated Joint Board has responsibility for the strategic commissioning (either planning or direct service delivery, or both) of the full range of health and social care services; population health and wellbeing, statutory health and social work/ social care services for children, adults, older people and people in the community justice system. Financial year 2016-17 is the first year, the IJB took formal delegated responsibility from the NHS Greater Glasgow and Clyde Health Board and Inverclyde Council for the delivery and/or planning of local health and social care services.

The main focus for Renfrewshire Valuation Joint Board was to maintain electoral, council tax and non-domestic rate registers.

Further details about the associates in the Inverclyde Council group and their financial results can be found on pages 69 to 74.

### Carbon Emissions and Energy Consumption

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

Energy use from its buildings is the Council's largest carbon emitter, making up almost half of its total emissions. Between the baseline and financial year 2015-2016, the year that there is most recent data available, the Council has reduced carbon emissions from buildings by more than 16%. This equates to 2,029 tonnes of carbon. Furthermore, emissions from street lighting have reduced by more than 23%, fleet transport by more than 7% and business travel by almost 27%. The Council continues to develop projects with which to reduce carbon emissions from its operations.

### Equality and Diversity

Inverclyde Council is firmly committed to, the principle of equality of opportunity. The Council recognises its responsibility as a community leader, service provider and employer to encourage the fair treatment of all individuals and to tackle social exclusion. The Council is also committed to eradicate all forms of discrimination, direct or indirect and aims to eliminate discriminatory practices and promote measures to combat its effects.

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

### Consultation and Communication with Workforce

Inverclyde Council has in place employee governance arrangements to ensure its employees are well informed, involved in decisions, appropriately trained, treated fairly and consistently and provided with a safe environment. The Council carries out periodic employee surveys, the last one being undertaken in 2015, and seeks the views of the workforce through regular consultations with staff and trade unions. Inverclyde Council is an accredited Living Wage Employer and was voted the best government services employer in the UK in the Bloomberg Best Employer Awards 2016.

## Events after the Balance Sheet Date

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

## 6. Where to Find More Information

### In This Publication

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

### On Our Website

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

### On Group Entities' Websites

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

## 7. Conclusion and Acknowledgements

The continuation of prudent financial management and medium term financial planning have allowed the Council to manage its financial affairs within budget and the financial objectives prescribed, whilst at the same time progressing major strategic initiatives such as the School Estate Strategy, the Road Assets Management Plan, wider regeneration via City Deal and the successful implementation of the Integrated Joint Board. This reflects well on both the efforts and professionalism of the employees and the effectiveness of our financial management procedures.

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



**Cllr Stephen McCabe**  
Leader of the Council



**Aubrey Fawcett**  
Chief Executive



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

## 1. The Council's Responsibilities

The Council is required to:

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

I confirm that these Annual Accounts were approved for signature by Inverclyde Council at its meeting on 28 September 2017.

Signed on behalf of Inverclyde Council

**Cllr Stephen McCabe**

Leader of the Council

**Date:** 28 September 2017

## 2. The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

I certify that the financial statements give a true and fair view of the financial position of the local authority and its group at the reporting date and the transactions of the local authority and its group for the year ended 31 March 2017.

**Alan Puckrin C.P.F.A**

Chief Financial Officer

**Date:** 28 September 2017

## 1. Scope of Responsibility

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

In discharging these responsibilities, Elected Members and the Corporate Management Team are responsible for putting in place proper arrangements for the governance of the Council's affairs, and for facilitating the effective exercise of its functions, including the arrangements for the management of risk. The Council has established two Arms-Length External Organisations – Inverclyde Leisure and Riverside Inverclyde – to deliver services more effectively on the Council's behalf, and which report regularly to Elected Members. From 1 April 2016, the Inverclyde Integration Joint Board was established for the formal integration of health and care services between Inverclyde Council and the NHS Greater Glasgow and Clyde.

The Council has adopted a Local Code of Corporate Governance ("the Local Code") consistent with the six principles of CIPFA and the Society of Local Authority Chief Executives (SOLACE) framework, "*Delivering Good Governance in Local Government: Framework (2016)*". A copy of the Local Code can be obtained from the Corporate Policy Unit, Municipal Buildings, Greenock, PA15 1LY.

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

## 2. The Purpose of the Governance Framework

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

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

This governance framework has been in place at Inverclyde Council for the year ended 31 March 2017 and up to the date of the approval of the Statement of Accounts.

## 3. The Governance Framework

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

- The overarching strategic vision and objectives of the Council are detailed in the Council's Corporate Statement which sets out the key outcomes the Council is committed to delivering with its partners, as set out in the Community Plan and Single Outcome Agreement.
- Services are able to demonstrate how their own activities link to the Council's vision and priorities through their Corporate Directorate Improvement Plans. Performance management and monitoring of service delivery is reported principally through the Policy & Resources Committee and to other Committees as appropriate on a regular basis. The Corporate Management Team monitors performance information. The Council publishes information about its performance regularly as part of its public performance reporting requirements at <http://www.inverclyde.gov.uk/council-and-government/performance/>.
- The Inverclyde Alliance Community Engagement Strategy sets out the Alliance's approach for engaging with stakeholders. Consultation on the future vision and activities of the Council is undertaken through the Inverclyde Alliance, and through service specific consultations and the Council actively engages the Council's partners through existing community planning networks.

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

#### 4. Review of Effectiveness

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

The review of the Council's governance framework is supported by a process of self-assessment and assurance certification by Heads of Service. Heads of Service were provided with a "Self-assessment Checklist" to complete and return as evidence of review of six key areas of the Council's governance framework. As part of this process, Heads of Service were asked to identify their progress on implementing improvement actions identified as part of their 2016-2017 assessments and to identify actions they proposed to take during 2017-2018 to address service governance arrangements. The Corporate Directors then considered the completed evaluations and provided a Certificate of Assurance for their Directorate. In addition, the review of the effectiveness of governance arrangements and the systems of internal control within the group entities places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control.

There were no significant governance issues identified by the review but a number of issues worthy of noting were identified and are detailed in Section 7. We propose over the coming year to take steps to address these matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements which were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

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

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

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

The Internal Audit service undertakes an annual programme of work, approved by the Audit Committee, based on a strategic risk assessment. The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control. The Chief Internal Auditor has conducted a review of all Internal Audit reports issued in 2016-2017 and the Certificates of Assurance from Corporate Directors. In conclusion, although no systems of internal control can provide absolute

assurance, nor can Internal Audit give that assurance, on the basis of the audit work undertaken during the 2016-2017 financial year, the Chief Internal Auditor is able to conclude that a reasonable level of assurance can be given that the system of internal control is operating effectively within the Council.

## 6. Compliance with Best Practice

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

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

## 7. Governance Issues and Planned Actions

The Council continues to recognise the need to exercise strong management arrangements to manage the financial pressures common to all Local Authorities. Regular reviews of the Council’s arrangements are undertaken by Internal Audit and overall the Council’s arrangements are satisfactory. The table below sets out improvement actions to the governance framework identified from the Council’s ongoing review and monitoring of the effectiveness of its governance arrangements. These represent corporate initiatives that will be undertaken or further progressed during 2017-2018.

	Where are we now?	Where do we want to be?	How will we know we are getting there?	Who is responsible?
1	Work is ongoing to update the Procurement Manual to reflect changes in operational procedures and recent changes in procurement legislation.	Procurement Manual fully reflects operational procedures and procurement legislation.	Procurement Manual will be approved by Procurement Board and the CMT.	Corporate Procurement Manager  September 2017
2	A new on-line corporate induction process is currently being piloted.	New corporate induction process is implemented for new employees.	New on-line corporate induction process is currently being piloted which will then be finalised and rolled out across Directorates and Services.	Head of Organisational Development  September 2017
3	Corporate guidance on electronic information filing and archiving requires to be developed as part of the Council’s Business Classification Scheme.	Up to date corporate guidance on document management for hard copy and electronic records is implemented across the Council in line with the Business Classification Scheme.	The business classification scheme is being developed by the Information Governance Steering Group. This will inform the Council’s approach to the filing and archiving of electronic records.	Information Governance Steering Group  March 2018

	Where are we now?	Where do we want to be?	How will we know we are getting there?	Who is responsible?
4	Although Services are aware of employees with other remunerative employment, this is not formally recorded in a consistent manner across all Services.	Services maintain an up-to-date log of other remunerative employment relating to employees.	Services will develop a log of other remunerative employment for employees in accordance with the requirements set out in the Code of Conduct for Employees.	Corporate Directors supported by Head of Organisational Development, HR and Corporate Communications  30 September 2017
5	Although Services are aware of the requirements in relation to gifts and hospitality, not all Services formally record all gifts and hospitality whether accepted or declined.	Services maintain an up-to-date register of gifts and hospitality for employees within the Service regardless of whether accepted or declined.	Services will develop a register to record all gifts and hospitality which are accepted or declined. A quarterly report will then be submitted to the Head of Legal and Property Services for inclusion in the central register.	Heads of Service supported by the Head of Legal and Property Services  Facilitated through an ECMT by 30 September 2017
6	The People and Organisational Development Strategy for 2017-2020 has been approved and includes mandatory training as a key requirement for employees. This requires to be implemented across Directorates and Services.	Appropriate mandatory training for employees is undertaken in line with personal development plans on a consistent basis across all Directorates and Services.	Directorates and Services will implement appropriate mandatory training. This will be monitored through personal development plans as part of the performance appraisal process and the WIAR report.	Corporate Directors supported by Head of Organisational Development, HR and Corporate Communications  31 March 2018
7	A new training and development programme for Elected Members requires to be developed for 2017-2018 which should include personal development plans.	Training and Development Programme for Elected Members is in place and includes personal development plans.	As part of the Training and Development Programme for Elected Members, personal development plans will be in place for Elected Members.	Head of Legal and Property Services.  30 September 2017
8	The People and Organisational Development Strategy for 2017-2020 has been approved and includes succession planning as a key requirement for Services. This requires to be implemented across Directorates and Services.	Succession Planning Programme for the Council is implemented.	Succession Planning Programme will be developed and implemented across the Council.	Corporate Directors supported by Head of Organisational Development, HR and Corporate Communications  31 March 2018



## 8. Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2016-2017 provides reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

**Cllr Stephen McCabe**  
Leader of the Council

28<sup>th</sup> September 2017

**Aubrey Fawcett**  
Chief Executive

28<sup>th</sup> September 2017

## 1. Introduction

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

All information disclosed in the tables in this Remuneration Report, with the exception of the Tiered Contribution Pay Rates table on Page 17, will be audited by Audit Scotland. The other sections of the Remuneration report will be reviewed by Audit Scotland to ensure that they consistent with the financial statements.

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

The annual salary of the Leader of the Council and the upper limit for the annual salary of the Provost are set out by the Scottish Government in terms of the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007, as amended by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2008. The salary for the Leader of the Council is £28,157 per annum (2015-2016 £28,172) and for the Provost is £21,118 per annum (2015-2016 £20,966).

In terms of the same Regulations, the Scottish Government permits Inverclyde Council to nominate up to nine Senior Councillors (in addition to the Leader of the Council and the Provost) whose salaries in aggregate must not exceed a specified amount, currently £171,048 per annum (2015-2016 £169,353) and whose salaries individually must be on a specified scale, currently £16,893 to £21,118 (2015-2016 £16,726 to £20,909). 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' Salary and Expense scheme was agreed at a meeting of the full Council on 24 May 2006. On 17 May 2012 the Council approved that Inverclyde would have nine senior Councillors, (four Strategic Committee Convenors, three Regulatory Board Chairs, one Depute Leader and one Leader of the Opposition); each paid a salary of £19,004 per annum (2015-2016 £18,817). Councillors received a 1% pay award in 2016-2017.

## 3. Remuneration Policy for Senior Officers

The salary of Senior Officers is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets out the salary for the Chief Executives of Scottish Local Authorities. The salaries of the Corporate Directors and Heads of Service are based on a fixed percentage of the Chief Executive's salary as agreed at a special committee meeting of the full Council on 20 June 2006. Corporate Directors receive 89%; three Heads of Service receive 72.5%; and other Heads of Service receive 64.5% of the Chief Executive's salary. Inverclyde Council does not pay bonuses or performance related pay. In line with all Local Government employee groups, Senior Officers received a 1% pay award in 2016-2017.

## 4. Remuneration of Senior Officers

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

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

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

The term *remuneration* means gross salary, fees and bonuses, allowances and taxable expenses, and compensation for loss of employment. The table below outlines the remuneration details for Senior Officers, including prior year figures. The table shows the relevant amounts, before tax and other deductions, for each of the persons named for the year to 31 March 2017. The table below contains remuneration details for those persons who were Senior Officers in 2016-2017.

Senior Officers	Year ended 31 March 2017			2015-2016	
	Gross salary	Other Fees and Allowances (4)	Taxable Expenses	Total Remuneration	Total Remuneration
	£	£	£	£	£
Fawcett A: Corporate Director Environment, Regeneration & Resources until 19 September 2016 and Chief Executive from 20th September 2016. (2)	112,130	300		112,430	106,135
Mundell, J: Chief Executive until 19 September 2016	56,496	6,900		63,396	121,996
Bain, W: Corporate Director Education, Communities & Organisational Development	106,702	300	51	107,053	37,627
Cassidy, P: Corporate Director Education, Communities & Organisational Development until 21 June 2015	0	0		0	62,877
Allan, R S: Corporate Director Environment, Regeneration & Resources (1)	25,433	300		25,733	0
Malone, G: Head of Legal & Property Services	86,921	6,550		93,471	89,176
Moore, B: Corporate Director, Health and Social Care Partnership (3)	106,702	300		107,002	106,153
Puckrin, A: Chief Financial Officer	86,921	400		87,321	86,496
<b>Totals</b>	<b>581,305</b>	<b>15,050</b>	<b>51</b>	<b>596,406</b>	<b>610,460</b>

- (1) Mr Allan joined on 04 January 2017. The full-time equivalent for the Corporate Director of Environment, Regeneration & Resources post was £106,702.
- (2) Mr Fawcett's remuneration was 35% funded by Riverside Inverclyde until 19 September 2016.
- (3) Mr Moore is the Chief Officer of Inverclyde HSCP. 50% of his salary is funded by NHS Greater Glasgow & Clyde.
- (4) Election payments shown in the column "Other Fees & Allowances" are reimbursed by the Scottish Government.

## 5. Remuneration of Senior Councillors

Under the Regulations, remuneration disclosures are to be made for the Leader of the Council, the Provost and any Councillor designated a Senior Councillor. The table below shows the relevant amounts, before tax and other deductions, for each of the persons named for the year to 31 March 2017.

# Remuneration Report

Leader of the Council, Provost and Senior Councillors	Year ended 31 March 2017			2015-2016
	Gross salary	Taxable expenses	Total Remuneration	Total Remuneration
	£	£	£	£
Ahlfeld, R: Chair, Licensing Board	19,004	0	19,004	18,869
Clocherty, J: Depute Leader of the Council	19,004	0	19,004	18,869
Dorrian, G: Chair, General Purposes	19,004	361	19,365	19,122
Loughran, T: Convenor, Education & Communities	19,004	301	19,305	19,089
McCabe, S: Leader of the Council	28,157	198	28,355	28,172
McCormick, M: Convenor, Environment & Regeneration	19,004	0	19,004	18,869
McEleny, C: Leader of the Opposition	19,004	0	19,004	18,869
McIlwee, J: Convenor, Health & Social Care	19,004	0	19,004	18,869
Moran, R: Provost	21,118	0	21,118	20,966
Rebecchi, L: Convenor, Audit	19,004	0	19,004	18,869
Wilson, D: Chair, Planning	19,004	281	19,285	19,189
<b>Totals</b>	<b>220,311</b>	<b>1,141</b>	<b>221,452</b>	<b>219,752</b>

1. No payments were made in connection with loss of employment or office, nor were any other payments received which are not in the above table.
2. No Senior Councillor received any remuneration from a subsidiary of the Council as a representative of the Council.

## 6. Pension Entitlement

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

For officers, the pension is based on a career average from 1 April 2015. For service before this date, the annual pension is calculated by dividing their pay by 80 (60 for service after 31 March 2009) and multiplying this by their total membership. The normal retirement age (NRA) for service post 1 April 2015 is the same as for the state pension; the NRA for service pre 1 April 2015 is 65. Pensions payable are increased annually in line with changes in the Pensions (Increase) Act 1971 and Section 59 of the Social Security Pension Act 1975. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

A LGPS member's contribution depends upon his or her full-time equivalent pay. The tables for the allocation of rates for 2016-2017 and 2015-2016 are shown below.

### Tiered Contribution Pay Rates

Full Time Equivalent (FTE) Pensionable Pay (2016/2017)	Rate (%)
On earnings up to and including £20,500	5.50%
On earnings above £20,500 and up to £25,000	7.25%
On earnings above £25,000 and up to £34,400	8.50%
On earnings above £34,400 and up to £45,800	9.50%
On earnings above £45,800	12.00%

# Remuneration Report

## Full Time Equivalent (FTE) Pensionable Pay (2015/2016)

	Rate (%)
On earnings up to and including £20,500	5.50%
On earnings above £20,500 and up to £25,000	7.25%
On earnings above £25,000 and up to £34,400	8.50%
On earnings above £34,400 and up to £45,800	9.50%
On earnings above £45,800	12.00%

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

The pension entitlements for Senior Officers and Senior Councillors for the year to 31 March 2017 are shown in the tables below, together with the contribution made by the Council to each person's pension during the year. The tables contain information for those persons who were Senior Officers or Senior Councillors in 2016-2017.

Senior Officers	Accrued Pension Benefits		Change in Accrued Benefits		Pension Contributions made by Inverclyde		Length of Service at 31 March 2017
	as at 31 March 2017		since 31 March 2016		2016-2017	2015-2016	
	Pension £	Lump Sum £	Pension £	Lump Sum £	£	£	
Fawcett, A: Corporate Director Environment, Regeneration & Resources until 19 September 2016 and Chief Executive from 20th September 2016	46,139	91,401	4,615	5,049	21,641	20,445	29/270
Mundell, J: Chief Executive until 19 September 2016	67,350	155,576	1,279	306	10,904	22,972	42/95
Bain, W: Corporate Director Education, Communities & Organisational Development	60,524	0	16,166	0	20,593	7,262	33/56
Cassidy, P: Corporate Director Education, Communities & Organisational Development until 21 June 2015	0	0	0	0	0	4,581	
Allan, R S: Corporate Director Environment, Regeneration & Resources from 4 January 2017	43,112	91,089	4,271	5,479	4,909	0	34/235
Malone, G: Head of Legal & Property Services	40,184	83,819	2,067	602	16,776	16,655	33/262
Moore, B: Corporate Director, Health and Social Care Partnership	55,737	122,055	2,651	1,017	20,593	20,445	37/360
Puckrin, A: Chief Financial Officer	38,028	77,354	(1,881)	(8,264)	16,776	16,655	31/268
<b>Totals</b>	<b>351,074</b>	<b>621,294</b>	<b>29,168</b>	<b>4,189</b>	<b>112,192</b>	<b>109,015</b>	

# Remuneration Report

Leader of the Council, Provost and Senior Councillors	Accrued Pension Benefits		Change in Accrued Benefits		Pension Contributions made by Inverclyde Council	
	as at 31 March 2017		since 31 March 2016		2016-2017	2015-2016
	Pension £	Lump Sum £	Pension £	Lump Sum £	£	£
Ahlfeld, R: Chair, Licensing Board	2,618	0	438	0	3,668	3,642
Clocherty, J: Depute Leader of the Council	3,309	1,464	451	33	3,668	3,642
Dorrian, G: Chair, General Purposes	3,160	1,378	462	39	3,668	3,642
Loughran, T: Convenor, Education & Communities	3,190	1,395	460	38	3,668	3,642
McCabe, S: Leader of the Council	3,595	2,180	621	21	5,434	5,395
McCormick, M: Convenor, Environment & Regeneration	3,247	900	431	13	3,668	3,642
McIlwee, J: Convenor, Health & Social Care	1,575	0	416	0	3,668	3,642
Moran, R: Provost	3,524	1,538	512	43	4,076	4,046
Rebecchi, L: Convenor, Audit	0	0	(2,643)	(1,307)	0	3,642
Wilson, D: Chair, Planning	3,309	1,464	450	32	3,668	3,642
<b>Totals</b>	<b>27,527</b>	<b>10,319</b>	<b>1,598</b>	<b>(1,088)</b>	<b>35,186</b>	<b>38,577</b>

Notes:

- Councillor McEleny is not a member of the Strathclyde Pension Fund.
- Strathclyde Pension Fund Office has reviewed each individual's calculations this year. This has led to the adjustments in accrued benefits shown above.
- Councillor Rebecchi left the Strathclyde Pension Fund in December 2015.

## 7. Councillors' Remuneration

The Council paid the salaries, allowances and expenses to Councillors (including the Senior Councillors above) detailed in the table below for 2016-2017. The annual return of Councillors' salaries and expenses is available for any member of the public to view at all Council libraries and public offices during normal working hours and is also available on the Council's website at <http://www.inverclyde.gov.uk/council-and-government/councillors/elected-members-expenses/>

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

All Councillors (Information from public record)	2016-2017	2015-2016
	£	£
Salaries	372,776	370,512
Travel costs - reimbursed	8,819	7,808
Travel costs - paid directly by the Council	1,760	8,035
Subsistence expenses - accommodation	0	414
Subsistence expenses - meals	106	98
Training and conferences - reimbursed	0	0
Training and conferences - paid directly by the Council	3,342	1,443
Telephone and ICT expenses - reimbursed	1,120	1,498
Telephone and ICT expenses - paid directly by the Council	3,145	2,900
Other allowances and expenses	0	8
<b>Totals</b>	<b>391,068</b>	<b>392,716</b>

# Remuneration Report

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

The following table details the number of employees whose remuneration, excluding pension contributions, was in excess of £50,000 during 2016-2017 in bands of £5,000; the details of the number of those employees who left the employment of the Council during 2016-2017; and the details of the number of those employees who were part or fully funded by other bodies.

Officers over £50,000 Remuneration Bands	Number of Employees		Left during	Part funded or fully funded by
	2016-2017	2015-2016	2016-2017	other organisations
£50,000 - £54,999	59	64	3	6
£55,000 - £59,999	16	17	2	1
£60,000 - £64,999	4	4	0	0
£65,000 - £69,999	2	1	0	0
£70,000 - £74,999	2	4	1	0
£75,000 - £79,999	6	5	0	1
£80,000 - £84,999	2	2	1	1
£85,000 - £89,999	1	2	0	0
£90,000 - £94,999	1	0	0	0
£95,000 - £99,999	0	0	0	0
£100,000 - £104,999	0	0	0	0
£105,000 - £109,999	2	2	0	0
£110,000 - £114,999	1	0	0	0
£115,000 - £119,999	0	0	0	0
£120,000 - £124,999	0	1	1	0
<b>Totals</b>	<b>96</b>	<b>102</b>	<b>8</b>	<b>9</b>

## 9. Exit Packages of Employees

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

Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band		(e) Total cost of exit packages in each band	
	2016-17	2015-16	2016-17	2015-16	[(b) + (c)]		£'s	£'s
					2016-17	2015-16	2016-17	2015-16
£0 - £20,000	0	0	1	3	1	3	7,602	24,501
£20,001 - £40,000	0	0	0	3	0	3	0	99,269
£40,001 - £60,000	0	0	0	5	0	5	0	256,114
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	2	0	2	0	198,334
£100,001 - £150,000	0	0	0	4	0	4	0	468,420
£150,001 - £200,000	0	0	0	2	0	2	0	351,792
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>19</b>	<b>1</b>	<b>19</b>	<b>7,602</b>	<b>1,398,430</b>

## Notes:

1. The above exit package values include redundancy, pension strain, and compensatory lump sums for all retirees, the cost of which is reported under Note 16 Defined Benefit Pension Schemes.
2. For employees with pensions provided by the Scottish Public Pensions Agency (the pension provider for teachers), the values include the notional capitalised cost of compensatory added years. The notional cost has not been assessed by the pensions provider and the values have instead been calculated by the local authority using a calculator developed and provided by the pensions provider on the understanding that it is fit for purpose.
3. For employees with pensions provided by the Strathclyde Pension Fund (the pensions provider for all employees other than teachers), the values also include the notional capitalised cost of added years. These costs are based on an assessment by the pensions provider itself of the present value of all future payments to the retiree until death.

## Termination Benefits of Employees

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

The Council terminated the contracts of a number of employees in 2016-2017. The above table includes no liabilities relating to these releases (2015-2016 £0.992 million).

**Cllr Stephen McCabe**  
Leader of the Council

**Aubrey Fawcett**  
Chief Executive



# Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

## Expenditure and Funding Analysis 2016-2017

	Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000
Education	79,246	(2,218)	77,028
Communities	10,249	1,831	12,080
Environment & Regeneration	21,719	8,425	30,144
Health & Social Care	51,058	1,487	52,545
Policy & Resources	9,852	2,570	12,422
Internal Recharges	0	0	0
<b>Net Cost of Services</b>	<b>172,124</b>	<b>12,095</b>	<b>184,219</b>
(Gain)/Loss on disposal of non-current assets	0	(351)	(351)
Financing and Investment (Income) and Expenditure (Note 3)	19,242	(1,661)	17,581
Taxation and Non-specific Grant Income (Note 4)	(192,640)	(8,585)	(201,225)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(1,274)</b>	<b>1,498</b>	<b>224</b>
<b>Opening General Fund balance at 1 April 2016</b>	<b>49,055</b>		
Transfer (to)/from other statutory reserves	164		
(Surplus)/Deficit on General Fund in the year	1,274		
<b>Closing General Fund balance at 31 March 2017</b>	<b>50,493</b>		

## Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

2016-2017	Adjustments for Capital purposes	Net change to Pension adjustments	Other differences	Total Adjustments
	£000	£000	£000	£000
Education	3,689	849	(6,756)	(2,218)
Communities	1,621	219	(9)	1,831
Environment & Regeneration	7,757	733	(65)	8,425
Health & Social Care	198	1,302	(13)	1,487
Policy & Resources	3,732	(1,258)	96	2,570
<b>Net Cost of Services</b>	<b>16,997</b>	<b>1,845</b>	<b>(6,747)</b>	<b>12,095</b>
Other operating expenditure	(351)			(351)
Financing and Investment (Income) and Expenditure	(3,908)	2,376	(129)	(1,661)
Taxation and Non-specific Grant Income	(8,585)			(8,585)
<b>Difference between General Fund (Surplus)/Deficit and Comprehensive Income &amp; Expenditure Statement (Surplus)/Deficit on the Provision of Service</b>	<b>4,153</b>	<b>4,221</b>	<b>(6,876)</b>	<b>1,498</b>

# Expenditure and Funding Analysis

## Comparative Figures for 2015-2016

	Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	Restated	Restated	Restated
	£000	£000	£000
Education	76,348	9,487	85,835
Communities	8,988	1,800	10,788
Environment & Regeneration	20,350	9,133	29,483
Health & Social Care	47,537	6,776	54,313
Policy & Resources	13,632	(95)	13,537
Internal Recharges	0	0	0
<b>Net Cost of Services</b>	<b>166,855</b>	<b>27,101</b>	<b>193,956</b>
(Gain)/Loss on disposal of non-current assets		(245)	(245)
Financing and Investment (Income) and Expenditure (Note 3)	27,756	(9,341)	18,415
Taxation and Non-specific Grant Income (Note 4)	(198,980)	(16,139)	(215,119)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(4,369)</b>	<b>1,376</b>	<b>(2,993)</b>
<b>Opening General Fund balance at 1 April 2015</b>	<b>44,991</b>		
Transfer (to)/from other statutory reserves	(305)		
(Surplus)/Deficit on General Fund in the year	4,369		
<b>Closing General Fund balance at 31 March 2016</b>	<b>49,055</b>		

## Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

2015-2016	Adjustments for Capital purposes	Net change to Pension adjustments	Other differences	Total Adjustments
	Restated			
	£000	£000	£000	£000
Education	11,911	1,531	(3,955)	9,487
Communities	820	388	592	1,800
Environment & Regeneration	6,042	1,126	1,964	9,132
Health & Social Care	1,445	2,437	2,895	6,777
Policy & Resources	24	(2,718)	2,599	(95)
<b>Net Cost of Services</b>	<b>20,242</b>	<b>2,764</b>	<b>4,095</b>	<b>27,101</b>
Other operating expenditure	(245)			(245)
Financing and Investment (Income) and Expenditure	(11,127)	2,415	(629)	(9,341)
Taxation and Non-specific Grant Income	(16,139)			(16,139)
<b>Difference between General Fund (Surplus)/Deficit and Comprehensive Income &amp; Expenditure Statement (Surplus)/Deficit on the Provision of Service</b>	<b>(7,269)</b>	<b>5,179</b>	<b>3,466</b>	<b>1,376</b>

# Comprehensive Income & Expenditure Statement

The Comprehensive Income and Expenditure statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting costs. The taxation position is shown in the *Expenditure and Funding analysis* and the *Movement in Reserves Statement*.

2015-2016 Restated				2016-2017		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
93,469	(7,634)	85,835	Education	82,172	(5,144)	77,028
15,291	(4,503)	10,788	Communities	14,532	(2,452)	12,080
54,038	(24,555)	29,483	Environment & Regeneration	52,133	(21,989)	30,144
73,577	(19,264)	54,313	Health & Social Care	118,423	(65,878)	52,545
53,118	(39,581)	13,537	Policy & Resources	50,059	(37,637)	12,422
(11,733)	11,733	0	Internal Recharges	(12,125)	12,125	0
<b>277,760</b>	<b>(83,804)</b>	<b>193,956</b>	<b>Cost of Services</b>	<b>305,194</b>	<b>(120,975)</b>	<b>184,219</b>
			Other Operating Expenditure and (Income) -			
	(245)		(Gain)/Loss on disposal of non-current assets			(351)
	18,415		Financing and Investment (Income) and Expenditure (Note 3)			17,581
	(215,119)		Taxation and Non-specific Grant Income (Note 4)			(201,225)
	<b>(2,993)</b>		<b>(Surplus) or Deficit on the Provision of Services</b>			<b>224</b>
	(41,887)		(Surplus) or deficit on the revaluation of non current assets			1,531
	0		Impairment losses on non-current assets charged to the Revaluation Reserve			0
	(55,967)		Remeasurement of the net defined benefit pensions liability (Note 16)			50,158
	<b>(97,854)</b>		<b>Other Comprehensive (Income) and Expenditure</b>			<b>51,689</b>
	<b>(100,847)</b>		<b>Total Comprehensive (Income) and Expenditure</b>			<b>51,913</b>

# Balance Sheet

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

31 March 2016		Note	31 March 2017
Restated			£000
£000			£000
468,584	Property, Plant & Equipment	7	478,241
18,059	Heritage Assets	10	18,059
121	Intangible Assets		146
2,659	Long-term Debtors	11	2,637
<b>489,423</b>	<b>Non-current Assets</b>		<b>499,083</b>
26,557	Short-term Investments	20	25,625
500	Assets Held for Sale	8	500
339	Inventories		423
9,670	Short-term Debtors	11	10,285
23,949	Cash and Cash Equivalents	12	13,936
<b>61,015</b>	<b>Current Assets</b>		<b>50,769</b>
(7,974)	Short-term Borrowing	20	(2,825)
(26,705)	Short-term Creditors	13	(29,453)
(1,538)	Short-term Provisions	14	(1,629)
(1,908)	Short-term Finance Leases	15	(1,736)
<b>(38,125)</b>	<b>Current Liabilities</b>		<b>(35,643)</b>
(497)	Long-term Provisions	14	(497)
(208,212)	Long-term Borrowing	20	(207,764)
	Other Long-term Liabilities:		
(65,819)	Finance Leases	15	(63,952)
(116,830)	Pensions	16	(172,954)
<b>(391,358)</b>	<b>Long-term Liabilities</b>		<b>(445,167)</b>
<b>120,955</b>	<b>Net Assets</b>		<b>69,042</b>
58,769	Usable Reserves	2	60,043
62,186	Unusable Reserves	18	8,999
<b>120,955</b>	<b>Total Reserves</b>		<b>69,042</b>

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

**Issued on:** 28<sup>th</sup> September 2017

These financial statements replace the unaudited financial statements issued on 29<sup>th</sup> June 2017.

# Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net Increase/(Decrease) line shows the statutory General Fund Balance movements in the year following those adjustments.

## Year ended 31 March 2017

	Usable Reserves						Unusable Reserves	Total Reserves of the Council
	General Fund Balance	Capital Grants Unapplied Account	Capital Fund	Repairs & Renewal Fund	Insurance Fund	Total Usable Reserves		
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2016 Carried Forward</b>	<b>49,055</b>	<b>396</b>	<b>2,318</b>	<b>3,185</b>	<b>3,815</b>	<b>58,769</b>	<b>62,186</b>	<b>120,955</b>
<b>Movement in Reserves during 2016-2017</b>								
Total Comprehensive Expenditure & Income	(224)	0	0	0	0	(224)	(51,689)	(51,913)
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 1)	1,498	0	0	0	0	1,498	(1,498)	0
<b>Net Increase or (Decrease) before Transfers to Other Statutory Reserves</b>	<b>1,274</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,274</b>	<b>(53,187)</b>	<b>(51,913)</b>
Transfers (to) and from Other Statutory Reserves	164	(396)	(58)	(23)	313	0	0	0
<b>Increase or (Decrease) in the Year</b>	<b>1,438</b>	<b>(396)</b>	<b>(58)</b>	<b>(23)</b>	<b>313</b>	<b>1,274</b>	<b>(53,187)</b>	<b>(51,913)</b>
<b>Balance at 31 March 2017 Carried Forward</b>	<b>50,493</b>	<b>0</b>	<b>2,260</b>	<b>3,162</b>	<b>4,128</b>	<b>60,043</b>	<b>8,999</b>	<b>69,042</b>

## Comparative Figures for Year ended 31 March 2016 (Restated)

	Usable Reserves						Unusable Reserves	Total Reserves of the Council
	General Fund Balance	Capital Grants Unapplied Account	Capital Fund	Repairs & Renewal Fund	Insurance Fund	Total Usable Reserves		
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2015</b>	<b>44,991</b>	<b>0</b>	<b>2,590</b>	<b>2,959</b>	<b>3,860</b>	<b>54,400</b>	<b>(34,292)</b>	<b>20,108</b>
<b>Movement in Reserves during 2015-2016</b>								
Total Comprehensive Expenditure & Income	2,993	0	0	0	0	2,993	97,854	100,847
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 1)	1,376	0	0	0	0	1,376	(1,376)	0
<b>Net Increase or (Decrease) before Transfers to Other Statutory Reserves</b>	<b>4,369</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,369</b>	<b>96,478</b>	<b>100,847</b>
Transfers (to) and from Other Statutory Reserves	(305)	396	(272)	226	(45)	0	0	0
<b>Increase or (Decrease) in the Year</b>	<b>4,064</b>	<b>396</b>	<b>(272)</b>	<b>226</b>	<b>(45)</b>	<b>4,369</b>	<b>96,478</b>	<b>100,847</b>
<b>Balance at 31 March 2016 Carried Forward</b>	<b>49,055</b>	<b>396</b>	<b>2,318</b>	<b>3,185</b>	<b>3,815</b>	<b>58,769</b>	<b>62,186</b>	<b>120,955</b>

# Cash Flow Statement

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

2015-2016 Restated £000		2016-2017 £000
2,993	Net surplus or (deficit) on the provision of services	(224)
36,209	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements (Note 26)	24,774
(2,510)	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities (Note 26)	(7,966)
<b>36,692</b>	<b>Net cash inflow from Operating Activities (Note 26)</b>	<b>16,584</b>
(37,035)	Investing Activities (Note 27)	(19,030)
(3,275)	Financing Activities (Note 28)	(7,567)
<b>(3,618)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(10,013)</b>
27,567	Cash and cash equivalents at the beginning of the reporting period	23,949
<b>23,949</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 12)</b>	<b>13,936</b>

# Notes to the Principal Financial Statements

## Note 1 Adjustments between Accounting Basis and Funding Basis under Regulations

Income and expenditure is recognised by the Council in the Comprehensive Income & Expenditure Statement (CIES) in accordance with proper accounting practice. Certain adjustments are then made by law in the Movement in Reserves Statement (MiRS). The adjusted figures are those that are available to meet future capital and revenue expenditure. The table below details these adjustments. Figures for 2015-2016 are provided in an additional table for the purposes of comparison.

2016-2017	Usable Reserves		Corresponding Adjustments to Unusable Reserves					
	Adjustments to Comprehensive Income & Expenditure £000	Adjustment to Capital Fund (Usable Reserve) £000	Revaluation Reserve £000	Pensions Reserve £000	Capital Adjustment Account £000	Financial Instruments Adjustment Account £000	Employee Statutory Adjustment Account £000	Net Movement in Unusable Reserves £000
Charges for depreciation and impairment of non-current assets	16,912				(16,912)			(16,912)
Amortisation of intangible assets	85				(85)			(85)
Capital grants and contributions applied	(8,585)				8,585			8,585
Capital expenditure charged in-year to the General Fund balance.	0				0			0
Net gain or (loss) on non-current asset disposals	(351)				351			351
Statutory provision for the principal repayment of loan charges.	(12,626)				12,626			12,626
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	(129)					129		129
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 16).	17,588			(17,588)				(17,588)
Employers' pension contributions payable in the year.	(11,622)			11,622				11,622
Amount by which employees' remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements.	226						(226)	(226)
<b>Total Adjustments</b>	<b>1,498</b>	<b>0</b>	<b>0</b>	<b>(5,966)</b>	<b>4,565</b>	<b>129</b>	<b>(226)</b>	<b>(1,498)</b>

## Comparative Information 2015-2016 (Restated)

2015-2016	Usable Reserves		Corresponding Adjustments to Unusable Reserves					
	Adjustments to Comprehensive Income & Expenditure £000	Adjustment to Capital Fund (Usable Reserve) £000	Revaluation Reserve £000	Pensions Reserve £000	Capital Adjustment Account £000	Financial Instruments Adjustment Account £000	Employee Statutory Adjustment Account £000	Net Movement in Unusable Reserves £000
Charges for depreciation and impairment of non-current assets	24,865				(24,865)			(24,865)
Amortisation of intangible assets	141				(141)			(141)
Capital grants and contributions applied	(16,139)				16,139			16,139
Capital expenditure charged in-year to the General Fund balance.	(4,385)				4,385			4,385
Net gain or (loss) on non-current asset disposals	(245)				245			245
Statutory provision for the principal repayment of loan charges.	(11,127)				11,127			11,127
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	(629)					629		629
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 16).	20,381			(20,381)				(20,381)
Employers' pension contributions payable in the year.	(11,191)			11,191				11,191
Amount by which employees' remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(295)						295	295
<b>Total Adjustments</b>	<b>1,376</b>	<b>0</b>	<b>0</b>	<b>(9,190)</b>	<b>6,890</b>	<b>629</b>	<b>295</b>	<b>(1,376)</b>

### Note 2 Usable Reserves

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

The Council has several usable reserve funds. 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.



# Notes to the Principal Financial Statements

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:

	Balance at 1 April 2015	Transfers Out 2015-2016	Transfers In 2015-2016	Balance at 31 March 2016	Transfers Out 2016-2017	Transfers In 2016-2017	Balance at 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
<b>Earmarked Reserves:</b>							
Modernisation Fund	308		15	323	(41)	15	297
School Estate Management Plan	2,942		2,759	5,701	(2,190)		3,511
Contribution to Riverside Inverclyde	1,858	(168)	250	1,940	(938)	1,175	2,177
Miscellaneous Policy & Resources Committee Reserves	923		66	989	(379)	481	1,091
Miscellaneous Environment & Regeneration Committee Reserves	1,861	(550)	1,259	2,570	(718)	764	2,616
Renewal of Clune Park Area	1,835		75	1,910	(316)	90	1,684
Asset Management Plan	1,578	(234)		1,344	(1,464)	1,260	1,140
Support for Owners	713		208	921	(149)		772
Roads Asset Management Plan	2,165	(2,165)		0			0
Early Retiral/Voluntary Severance Reserve	3,562	(991)		2,571		2,577	5,148
Capital Funded from Current Revenue	5,486		2,603	8,089	(3,406)	3,626	8,309
Miscellaneous Education & Communities Reserves	999		296	1,295	(599)	709	1,405
Vehicle Replacement Programme	255	(47)		208	(1,127)	1,148	229
Equal Pay	4,668	(107)		4,561	(982)		3,579
Youth Employment	151	(81)		70			70
Repopulating/Promoting Inverclyde	606	(221)		385	(248)		137
Beacon Arts Centre	1,950	(1,821)		129	(270)	400	259
Temporary Use of Reserves - Revenue Budget	3,298	(1,298)		2,000	(2,470)	5,100	4,630
Anti Poverty Fund	808		20	828		555	1,383
Loans Charges Reserve	1,200		952	2,152		3,952	6,104
Roads Defects & Drainage Works	291		177	468	(266)		202
Integrated Joint Board Reserves	2,546	(1,422)	704	1,828	(1,828)	0	0
<b>Total Earmarked Reserves</b>	<b>40,003</b>	<b>(9,105)</b>	<b>9,384</b>	<b>40,282</b>	<b>(17,391)</b>	<b>21,852</b>	<b>44,743</b>
Non-earmarked balance	4,988		3,785	8,773	(3,023)		5,750
<b>Total General Fund Balance</b>	<b>44,991</b>	<b>(9,105)</b>	<b>13,169</b>	<b>49,055</b>	<b>(20,414)</b>	<b>21,852</b>	<b>50,493</b>
Capital Grants Unapplied Account	0		396	396	(396)		0
Capital Fund	2,590	(272)		2,318	(58)		2,260
Repairs & Renewal Fund	2,959		226	3,185	(23)		3,162
Insurance Fund	3,860	(45)		3,815		313	4,128
<b>Total Usable Reserves</b>	<b>54,400</b>	<b>(9,422)</b>	<b>13,791</b>	<b>58,769</b>	<b>(20,891)</b>	<b>22,165</b>	<b>60,043</b>

## Note 3 Financing and Investment Income and Expenditure

	2016-2017	2015-2016
	£000	£000
Interest payable and similar charges:		
- Schools' Public Private Partnership finance lease	4,827	4,885
- Other finance leases	0	0
- Other interest payments and similar charges	9,157	9,038
Net interest on the defined benefit pension liability	4,121	5,297
Interest receivable and similar income	(524)	(805)
<b>Total</b>	<b>17,581</b>	<b>18,415</b>

## Note 4 Taxation and Non-specific Grant Income

	2016-2017	2015-2016
	£000	£000
Income from Council Tax	(28,388)	(27,730)
Distribution from Non-Domestic Rates pool	(23,331)	(24,443)
General Revenue Grant	(140,922)	(146,410)
Recognised Capital Grants and contributions	(8,584)	(16,536)
<b>Total</b>	<b>(201,225)</b>	<b>(215,119)</b>

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

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

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

The Council credited the following grants, contributions and donations to the CIES in 2016-2017.

	2016-2017	2015-2016
	£000	£000
<b>Credited to Taxation and Non-specific Grant Income</b>		
General Revenue Grant	(140,922)	(146,410)
Distribution from Non-Domestic Rates pool	(23,331)	(24,443)
General Capital Grant (excludes amounts directly credited to Services)	(6,725)	(10,516)
Capital Grants	(1,859)	(6,020)
<b>Credited to Services</b>		
Housing Benefit	(34,136)	(35,480)
Housing Benefit Administration	(510)	(602)
Other Housing	(1,999)	(2,049)
Community Service Grant	(41)	(128)
Social Work	(2,223)	(1,967)
Education	(3,034)	(2,106)
Employability	(661)	(561)
Other	(250)	(198)
<b>Total</b>	<b>(215,691)</b>	<b>(230,480)</b>

## Note 5 Expenditure and Income Analysed by Nature

Where items are not disclosed on the face of the Comprehensive Income & Expenditure Statement (CIES), *The Code* requires a disclosure of the nature and amount of material items. An analysis of material items of income and expenditure by nature is shown below:

	2016/2017	2015/2016
	£000	£000
<b>Expenditure</b>		
Employee Benefits Expenses	114,939	114,328
Depreciation, Amortisation, Impairment	16,996	25,006
Payment to IJB	48,815	0
Other Service Expenses	136,572	150,161
Interest Payments	17,581	18,718
(Gain) or Loss on the Disposal of Assets	(351)	(245)
<b>Total Expenditure</b>	<b>334,552</b>	<b>307,968</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(41,434)	(52,447)
Payment from IJB	(48,815)	0
Income from Council Tax and Non-Domestic Rates	(28,388)	(27,730)
Government Grants and Contributions	(215,691)	(230,784)
<b>Total Income</b>	<b>(334,328)</b>	<b>(310,961)</b>
<b>(Surplus)/Deficit on the Provision of Service</b>	<b>224</b>	<b>(2,993)</b>

## Note 6 External Audit Fees

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

	2016-2017	2015-2016
	£000	£000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year.	242	262
	242	262

## Note 7 Property, Plant & Equipment

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

### Recognition

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

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

- Infrastructure, community assets & assets under construction – depreciated historic cost.
- Surplus assets – current value as estimated at highest and best use from an open market perspective (fair value).
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value).

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end. The Council revalues its land and buildings in a single exercise at five-yearly intervals. An independent valuation of all Council owned land and buildings was undertaken during 2015-2016 by GVA James Barr, a professional firm of chartered surveyors, and was completed on 31 March 2016.

## Impairment

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

## Disposals

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

## Depreciation

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

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

The periods of depreciation and categories of assets are:

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

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

## Movement on Balances

The movements on balances for Property, Plant & Equipment (PPE) are shown in the following table. Figures for 2015-2016 are provided in an additional table below for the purposes of comparison.

## Movements in 2016-2017

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets not for Sale £000	Asset Under Construction £000	Schools PPP Assets £000	Total PPE £000
<b>Cost or Valuation</b>								
At 1 April 2016	312,387	38,124	69,058	3,222	3,259	1,434	90,859	<b>518,343</b>
Additions in year	20,081	1,513	6,447	422	6	384	15	<b>28,868</b>
Disposals in year	(540)	(2,011)				(198)		<b>(2,749)</b>
Revaluation adjustments to Revaluation Reserve	(1,531)	0	0	0	0		0	<b>(1,531)</b>
Revaluation adjustments to CIES	(2,186)	0	0	0	0			<b>(2,186)</b>
Reclassifications to/from Held for Sale	0							<b>0</b>
Other reclassifications*	1,424	0	0	(1,424)	0		0	<b>0</b>
<b>At 31 March 2017</b>	<b>329,635</b>	<b>37,626</b>	<b>75,505</b>	<b>2,220</b>	<b>3,265</b>	<b>1,620</b>	<b>90,874</b>	<b>540,745</b>
<b>Depreciation and Impairment</b>								
At 1 April 2016	2,929	31,871	14,658	1	(3)		303	<b>49,759</b>
Depreciation charge for the year	9,028	2,212	2,456	648	0		2,146	<b>16,490</b>
Impairment losses to Revaluation Reserve								<b>0</b>
Impairment losses to CIES								<b>0</b>
Depreciation on disposals	(3)	(1,982)						<b>(1,985)</b>
On Revaluations to Revaluation Reserve	(559)		0		0		0	<b>(559)</b>
On Revaluations to CIES	(1,204)	0						<b>(1,204)</b>
Reclassifications to/from Held for Sale	0							<b>0</b>
Other reclassifications*	0	0	0	0	3		0	<b>3</b>
<b>At 31 March 2017</b>	<b>10,191</b>	<b>32,101</b>	<b>17,114</b>	<b>649</b>	<b>0</b>	<b>0</b>	<b>2,449</b>	<b>62,504</b>
<b>Balance Sheet amount at 31 March 2017</b>	<b>319,444</b>	<b>5,525</b>	<b>58,391</b>	<b>1,571</b>	<b>3,265</b>	<b>1,620</b>	<b>88,425</b>	<b>478,241</b>
<b>Balance Sheet amount at 31 March 2016</b>	<b>309,458</b>	<b>6,253</b>	<b>54,400</b>	<b>3,221</b>	<b>3,262</b>	<b>1,434</b>	<b>90,556</b>	<b>468,584</b>
<b>Nature of asset holding</b>								
Owned	300,329	5,525	58,391	1,571	3,265	1,620		<b>370,701</b>
Managed properties	19,115							<b>19,115</b>
PPP							88,425	<b>88,425</b>

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

## Comparative Movements in 2015-2016 (Restated)

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets not for Sale £000	Asset Under Construction £000	Schools PPP Assets £000	Total PPE £000
<b>Cost or Valuation</b>								
At 1 April 2015	479,902	36,316	56,884	5,466	4,142	455	88,046	<b>671,211</b>
Additions in year	14,984	3,105	10,982	369	6	979	33	<b>30,458</b>
Disposals in year	(305)	(769)						<b>(1,074)</b>
Revaluation adjustments to Revaluation Reserve	6,696	0	2,440	124	(12)		6,987	<b>16,235</b>
Revaluation adjustments to CIES	(14,085)	(436)	84	(108)	(15)			<b>(14,560)</b>
Reclassifications to/from Held for Sale	(718)							<b>(718)</b>
Other reclassifications*	(174,087)	(92)	(1,332)	(2,629)	(862)		(4,207)	<b>(183,209)</b>
<b>At 31 March 2016</b>	<b>312,387</b>	<b>38,124</b>	<b>69,058</b>	<b>3,222</b>	<b>3,259</b>	<b>1,434</b>	<b>90,859</b>	<b>518,343</b>
<b>Depreciation and Impairment</b>								
At 1 April 2015	192,876	30,660	13,984	2,630	891		8,293	<b>249,334</b>
Depreciation charge for the year	8,799	2,093	2,032		16		1,779	<b>14,719</b>
Impairment losses to Revaluation Reserve								<b>0</b>
Impairment losses to CIES								<b>0</b>
Depreciation on disposals	(33)	(768)						<b>(801)</b>
On Revaluations to Revaluation Reserve	(20,198)		(26)		(48)		(5,562)	<b>(25,834)</b>
On Revaluations to CIES	(4,393)	(22)						<b>(4,415)</b>
Reclassifications to/from Held for Sale	(35)							<b>(35)</b>
Other reclassifications*	(174,087)	(92)	(1,332)	(2,629)	(862)		(4,207)	<b>(183,209)</b>
<b>At 31 March 2016</b>	<b>2,929</b>	<b>31,871</b>	<b>14,658</b>	<b>1</b>	<b>(3)</b>	<b>0</b>	<b>303</b>	<b>49,759</b>
<b>Balance Sheet amount at 31 March 2016</b>	<b>309,458</b>	<b>6,253</b>	<b>54,400</b>	<b>3,221</b>	<b>3,262</b>	<b>1,434</b>	<b>90,556</b>	<b>468,584</b>
<b>Balance Sheet amount at 31 March 2015</b>	<b>287,026</b>	<b>5,656</b>	<b>42,900</b>	<b>2,836</b>	<b>3,251</b>	<b>455</b>	<b>79,753</b>	<b>421,877</b>
<b>Nature of asset holding</b>								
Ow ned	294,923	6,253	54,400	3,221	3,262	1,434		<b>363,493</b>
Managed Properties	16,999							<b>16,999</b>
PPP							90,556	<b>90,556</b>

## Commitments under Capital Contracts

At 31 March 2017, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant & Equipment and for contributions to capital works budgeted to cost £10.556 million. Similar contracts at 31 March 2016 were £16.989 million. The major capital commitments include:

	£000
Moorfoot PS Refurbishment	4.835
Bluebird Family Centre Refurbishment	1.113
William St Office Refurbishment	1.008
New Community Facility, Broomhill	0.947
Neil St Children's Home Replacement	0.922

## Revaluation Programme

The following statement shows the progress of the Council's programme for the revaluation of Property, Plant & Equipment that ensures all its PPE assets required to be measured at fair value are revalued at least every five years.

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets not for Sale £000	Asset Under Construction £000	Schools PPP Assets £000	Total PPE £000
Carried at historical cost	4,766	5,525	54,030	119	16	1,620	0	66,076
Valued at fair value as at:								
31 March 2017	19,673		0	0	0		0	19,673
31 March 2016	284,340		4,163	1,437	3,249		90,556	383,745
31 March 2015	1,349							1,349
31 March 2014								0
31 March 2013	18,342		198	15				18,555
<b>Total Cost or Valuation</b>	<b>328,470</b>	<b>5,525</b>	<b>58,391</b>	<b>1,571</b>	<b>3,265</b>	<b>1,620</b>	<b>90,556</b>	<b>489,398</b>

## Note 8 Assets Held for Sale

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

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

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



# Notes to the Principal Financial Statements

At 31 March 2017, the Council had one asset held for sale valued at £0.500 million (31 March 2016 £0.500 million).

	31 March 2017	31 March 2016
	£000	£000
<b>Opening Balance at 1 April</b>	500	0
Assets newly classified as "held for sale": Property, plant & equipment	0	682
Revaluation adjustments to Revaluation Reserve	0	(182)
<b>Closing Balance at 31 March</b>	<b>500</b>	<b>500</b>

## Note 9 Capital Expenditure and Capital Financing

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

	2016-2017	2015-2016
	£000	£000
<b>Opening Capital Financing Requirement</b>	302,161	303,781
Capital Investment:		
~ Capital Expenditure	28,975	30,549
~ Leased equipment and Schools PPP assets	0	0
<b>Total Capital Investment for the year</b>	<b>28,975</b>	<b>30,549</b>
Sources of Finance:		
~ Capital receipts from the sale of assets	(1,116)	(518)
~ Government grants and other contributions	(8,585)	(16,139)
~ Capital from current revenue	0	(4,385)
~ Loans Fund principal repayment (including finance leases & PPP)	(12,626)	(11,127)
<b>Total Capital Financing for the year</b>	<b>(22,327)</b>	<b>(32,169)</b>
<b>Closing Capital Financing Requirement</b>	<b>308,809</b>	<b>302,161</b>

	2016-2017	2015-2016
	£000	£000
<b>Explanation of movements in the year:</b>		
~ Increase/(Reduction) in underlying need to borrow	8,687	464
~ Increase/(Reduction) in finance leases obligations	0	0
~ Increase/(Reduction) in PPP finance lease creditor	(2,039)	(2,084)
<b>Increase/(Reduction) in Capital Financing Requirement</b>	<b>6,648</b>	<b>(1,620)</b>

## Note 10 Heritage Assets

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

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

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

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

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

	2016-2017 Total Assets £000	2015-2016 Total Assets £000
Valuation or Cost		
1 April	18,059	18,059
Revaluations	0	0
<b>31 March</b>	<b>18,059</b>	<b>18,059</b>

## Note 11 Debtors

	31 March 2017				31 March 2016			
	Short-term		Long-term		Short-term		Long-term	
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Scottish Government (including NHS bodies)</b>		<b>2,274</b>		<b>0</b>		<b>1,670</b>		<b>0</b>
<b>Central Government bodies</b>		<b>1,332</b>		<b>0</b>		<b>2,028</b>		<b>0</b>
<b>Other Local Authorities</b>		<b>94</b>		<b>0</b>		<b>88</b>		<b>0</b>
Council Tax receivable from tax payers	16,298		0		16,360		0	
Provision for bad and doubtful debt	(13,963)		0		(14,123)		0	
<b>Council Tax (net of impairment)</b>		<b>2,335</b>		<b>0</b>		<b>2,237</b>		<b>0</b>
Trade debtors	8,846		0		8,260		0	
Provision for bad and doubtful debt	(4,647)		0		(4,673)		0	
<b>Trade Debtors (net of impairment)</b>		<b>4,199</b>		<b>0</b>		<b>3,587</b>		<b>0</b>
Other entities and individuals	51		2,637		60		2,659	
Provision for bad and doubtful debt	0		0		0		0	
<b>Other entities and individuals (net of impairment)</b>		<b>51</b>		<b>2,637</b>		<b>60</b>		<b>2,659</b>
<b>Totals for Short-term and Long-term Debtors</b>		<b>10,285</b>		<b>2,637</b>		<b>9,670</b>		<b>2,659</b>

In March 2013, the Council made a long-term loan of £1.969 million to Inverclyde Property Renovations LLP, a partnership established to develop the offices at Wallace Place, Greenock and Princes Street, Port Glasgow under the Business Premises Renovation Allowance (BPRA) Scheme. In March 2016, the Council made a £0.6 million loan to Inverclyde Leisure. This is shown within 'other entities and individuals (net of impairment)'.

## Note 12 Cash and Cash Equivalents

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

	31 March 2017	31 March 2016
	£000	£000
Cash held by the Council	6	6
Bank current accounts	8,917	10,334
Deposits up to three months with UK Banks, Buildings Societies and Local Authorities	5,013	13,609
<b>Total Cash and Cash Equivalents</b>	<b>13,936</b>	<b>23,949</b>

## Note 13 Creditors

### Short Term Creditors

	31 March 2017 £000	31 March 2016 £000
Scottish Government (including NHS bodies)	(5,655)	(1,585)
Central Government bodies	(3,387)	(2,524)
Other Local Authorities	(2,050)	(1,063)
Trade creditors	(17,872)	(21,078)
Public Corporations	(489)	(455)
<b>Total Short-term Creditors</b>	<b>(29,453)</b>	<b>(26,705)</b>

## Note 14 Provisions

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

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

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

### Short-term Provisions - Movement on Balances 2016-2017

	Balance at 1 April 2016 £000	Additional Provisions made in 2016-2017 £000	Amounts used in 2016-2017 £000	Unused amounts written back in 2016-2017 £000	Balance at 31 March 2017 £000
Compensation Payments (note 1)	(507)	(372)	0	0	(879)
Municipal Mutual Insurance Claims (note 2)	(393)	0	27	0	(366)
Gourock Waterfront Redevelopment (note 3)	(50)	0	0	0	(50)
Clune Park Provision (note 4)	(200)	0	200	0	0
Greenock Academy Site Contamination Provision (note 5)	(388)	0	54	0	(334)
<b>Total Short-term Provisions</b>	<b>(1,538)</b>	<b>(372)</b>	<b>281</b>	<b>0</b>	<b>(1,629)</b>

## Long-term Provisions - Movement on Balances 2016-2017

	Balance at 1 April 2016	Additional Provisions made in 2016-2017	Amounts used in 2016-2017	Unused amounts written back in 2016-2017	Balance at 31 March 2017
	£000	£000	£000	£000	£000
Former St Stephen's High School Demolition Provision (note 6)	(497)	0	0	0	(497)
<b>Total Long-term Provisions</b>	<b>(497)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(497)</b>

### Notes

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

### Note 15 Schools Public Private Partnership

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

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

### Property, Plant & Equipment

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in value over the year are detailed in the analysis of the movement in Note 7 Property, Plant & Equipment.

### Remaining Payments under the Agreement

The Council makes payments each year, which are increased by inflation and reduced if the contractor fails to meet availability and performance standards. Payments remaining to be made under the PPP contract at 31 March 2017 (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
			Estimated Inflation	Subsequent RPI Changes	
	£000	£000	£000	£000	£000
Not later than one year	2,852	1,736	3,937	891	9,416
Later than 1 year and not later than 5 years	14,875	6,711	14,675	4,220	40,481
Later than 5 years and not later than 10 years	19,091	11,964	15,683	8,034	54,772
Later than 10 years and not later than 15 years	23,257	14,271	11,729	10,429	59,686
Later than 15 years and not later than 20 years	27,232	17,952	6,968	13,008	65,160
Payable within twenty one to twenty five years	16,672	13,054	1,248	8,792	39,766
<b>Total</b>	<b>103,979</b>	<b>65,688</b>	<b>54,240</b>	<b>45,374</b>	<b>269,281</b>

## Fair Value of Liability

The treasury advisor to Inverclyde Council has assessed the fair value of the lease liability as £96.9 million. The impact of a 1% increase in the discount factor is assessed at £0.97 million and would reduce the fair value to £87.2 million. More information on the assessment of fair values is available in Note 20 Financial Instruments.

## Liabilities from PPP Arrangements

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

	2016-2017	2015-2016
	£000	£000
<b>Balance outstanding at the start of the year</b>	67,727	69,811
Payments during the year	(2,039)	(2,084)
Capital expenditure incurred in the year	0	0
<b>Balance outstanding at year-end</b>	<b>65,688</b>	<b>67,727</b>
Included in Balance Sheet		
~ Current	1,736	1,908
~ Non-current	63,952	65,819
	<b>65,688</b>	<b>67,727</b>

## Note 16 Defined Benefit Pension Schemes

### Post Employment Benefits

The Council participates in two separate schemes; the Scottish Teachers' pension Scheme which is administered by the Scottish Government (Note 17) and the post-employment scheme for employees other than teachers is the local Government pension Scheme (LGPS), administered by Strathclyde Pension Fund in respect of all local authorities and admitted bodies in the former Strathclyde area. This is a multi-employer scheme in which it is possible for an employer to identify its share of the assets and liabilities on a consistent and reasonable basis. Employer's liabilities can be evaluated directly by the Actuary at any time on membership data. Individual employer assets have been apportioned to each employer since 2002. Prior to that date, each employer was considered to have the same funding as the whole Fund.

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

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

### Participation in Pension Schemes

#### Benefits

- It is a defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level to balance the pensions liability with investment assets.
- A new Career Average Related Earnings (CARE) pension scheme has been introduced from 1 April 2015. The pension accrual rate guarantees a pension that is built up at a rate of 1/49<sup>th</sup> of the pensionable pay in the financial year. The amount built up in the year is transferred to the member's Pension Account and at the end of each financial year the total in the member's Pension Account is adjusted in line with the cost of living to ensure it retains its purchasing power.
- For pension contributions from 2009 to 2015, the pension is based on 1/60<sup>th</sup> of final pensionable salary and years of service, and prior to 2009, the accrual rate guarantees a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable pay and years of pensionable service.
- There is no automatic entitlement to a lump sum. Members of the Pension Scheme may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004. The scheme's retirement age is the normal age for the state pension. Pensions are increased annually in line with changes to the Pensions (Increase) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

#### Governance

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

## Principal Risks

- The principal risks to the Scheme are the longevity assumptions, statutory changes to the Scheme, changes to inflation, bond yields and the performance of the investments held by the Scheme. The long-term funding strategy and the employer's contribution rates are reviewed triennially and take into account these factors to mitigate the risks. The taxpayer is protected from temporary swings in some of these factors (inflation, bond yields and investment performance) by the adjustments by law to the amount charged to the General Fund as detailed in Note 1.

## Discretionary Post-employment Benefits

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

## Transactions Relating to Post-employment Benefits

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

The following transactions have been included in the accounting statements in 2016-2017 and the prior year 2015-2016.

	31 March 2017	31 March 2016
	£000	£000
<b>Comprehensive Income &amp; Expenditure Statement (CIES)</b>		
<i>Cost of Services:</i>		
<i>Service Cost comprising:</i>		
~ Current service cost	13,202	14,904
~ Past service costs (including curtailments)	265	180
~ Unfunded benefits	0	0
<i>Financing and Investment Income and Expenditure:</i>		
~ Net interest expense	4,121	5,297
<b>Total Post-employment Benefit charged to (Surplus) or Deficit on the Provision of Services</b>	<b>17,588</b>	<b>20,381</b>
<i>Other Post-employment Benefits Charged to the CIES:</i>		
<i>Re-measurement of the net defined benefit liability comprising:</i>		
~ Expected return on pension fund assets	(87,674)	2,628
~ Actuarial (gains) or losses arising on changes in demographic assumptions	0	0
~ Actuarial (gains) or losses arising on changes in financial assumptions	136,486	(51,568)
~ Actuarial (gains) or losses arising on changes in experience assumptions	1,346	(7,027)
<b>Total Post-employment Benefit Charged to the CIES</b>	<b>50,158</b>	<b>(55,967)</b>
<b>Movement in Reserves Statement (MiRS)</b>		
~ Reversal of net charges made to the (Surplus) or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(38,536)	67,158
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>		
<b>Employers' contributions payable to Strathclyde Pension Fund</b>	<b>11,622</b>	<b>11,191</b>



## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	31 March 2017 £000	31 March 2016 £000
Present value of the defined benefit obligation*	(718,564)	(563,326)
Fair value of pension fund assets	545,610	446,496
<b>Net Liability arising from Defined Benefit Obligation</b>	<b>(172,954)</b>	<b>(116,830)</b>
*Unfunded liabilities included in the figure for present value of liabilities		
~ unfunded liabilities for Pension Fund	(24,263)	(21,203)
~ teachers' unfunded pensions	(15,196)	(13,287)
~ unfunded liabilities prior to 1996 local government reorganisation	(7,249)	(7,163)

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

	2016-2017 £000	2015-2016 £000
<b>Opening balance at 1 April</b>	(563,326)	(603,325)
Current service cost	(13,202)	(14,904)
Interest cost	(19,677)	(19,295)
Contributions by Pension Fund participants	(2,872)	(2,782)
Re-measurement gains and (losses)		
~ Actuarial gains/(losses) from changes in demographic assumptions	0	0
~ Actuarial gains/(losses) from changes in financial assumptions	(136,486)	51,568
~ Actuarial gains/(losses) from changes in experience assumptions	(1,346)	7,027
Past service costs (including curtailments)	(265)	(180)
Settlements	0	0
Benefits paid	18,610	18,565
<b>Closing balance at 31 March</b>	<b>(718,564)</b>	<b>(563,326)</b>

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

	2016-2017	2015-2016
	£000	£000
<b>Opening fair value of pension fund assets</b>	446,496	439,718
Interest income	15,556	13,998
Re-measurement gains and (losses):	0	
~ expected rate of return on pension fund assets	87,674	(2,628)
The effect of changes in foreign exchange rates	0	0
Contributions from employers	11,622	11,191
Contributions from employees into the scheme	2,872	2,782
Benefits paid	(18,610)	(18,565)
<b>Closing fair value of pension fund assets</b>	<b>545,610</b>	<b>446,496</b>

## Analysis of Pension Fund's Assets

Inverclyde Council's share of the Pension Fund's assets at 31 March 2017 comprised:

	31 March 2017			31 March 2016		
	Quoted Prices	Prices not	Totals	Quoted Prices	Prices not	Totals
	in Active	Quoted in		in Active	Quoted in	
	Markets	Active Markets	Markets	Active Markets		
£000	£000	£000	£000	£000	£000	
Cash and cash equivalents	19,644	907	20,551	14,909	476	15,385
Equity instruments	200,217	104	200,321	162,445	351	162,796
Debt instruments	0	5	5	0	1	1
Real Estate	0	65,810	65,810	0	47,966	47,966
Derivatives	46	73	119	108	0	108
Private Equity	0	44,985	44,985	0	43,431	43,431
Investment Funds	6,336	207,483	213,819	4,035	172,774	176,809
Asset-backed Securities	0	0	0	0	0	0
Structured Debt	0	0	0	0	0	0
<b>Total assets</b>	<b>226,243</b>	<b>319,367</b>	<b>545,610</b>	<b>181,497</b>	<b>264,999</b>	<b>446,496</b>

## Basis for Estimating Assets and Liabilities

The Council's share of the net obligations of the Strathclyde Pension Fund is an estimated figure based on actuarial assumptions. Liabilities are included in the Balance Sheet on an actuarial basis using the "projected credit unit method" i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, salary levels and inflation. Liabilities are discounted to their value at current prices, using a discount rate (currently 2.6%) based on an average of high quality corporate bonds. Assets are included in the Balance Sheet at their fair value, principally the bid price for quoted securities, estimated fair value for unquoted securities and market price for property.

The Fund's obligation has been assessed by Hymans Robertson, an independent firm of actuaries, and the estimates are based on the latest full valuation of the Fund at 31 March 2017. The significant assumptions used by the actuary are shown in the table below. Note 35 includes a sensitivity analysis for the pension obligation based on possible changes of these assumptions occurring at the reporting date.

	2016-2017	2015-2016
Long-term expected rate of return on assets in the Fund:		
~ Equity investments	2.6%	3.5%
~ Bonds	2.6%	3.5%
~ Property	2.6%	3.5%
~ Cash	2.6%	3.5%
Mortality Assumptions:		
Longevity at 65 for current pensioners (years):		
~ Men	22.1	22.1
~ Women	23.6	23.6
Longevity at 65 for future pensioners (years):		
~ Men	24.8	24.8
~ Women	26.2	26.2
Rate of inflation	2.4%	2.2%
Rate of increase in salaries	4.4%	4.2%
Rate of increase in pensions	2.4%	2.2%
Rate for discounting Fund liabilities	2.6%	3.5%
Take-up option to convert annual pension into retirement lump sum	50.0%	50.0%

## Asset and Liability Matching (ALM) Strategy

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

## Impact on the Council's Cash Flow

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

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

The total contributions expected to be made by the Council to Strathclyde Pension Fund in the year to 31 March 2018 is £9.100 million.

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

## Note 17 Post-employment Benefits Teachers

The Teachers' Pension Scheme is administered directly by the Scottish Government and is technically a "defined benefit" scheme. However the scheme is unfunded and the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. In this Statement of Accounts, it is therefore accounted for on the same basis as a "defined contribution" scheme. As a proportion of the total contributions into the teachers' pension scheme, the Council's own contributions equated to approximately 1.22% during the year ended 31 March 2016. The actual contributions for the year ended 31 March 2017 will not be published until November 2017, however the Council assumes that the percentage contribution will be similar to 31 March 2016.

In 2016-2017, Inverclyde Council paid £5.023 million in respect of teachers' retirement benefits, representing 18.4% of pensionable pay. The figures for 2015-2016 were £4.737 million and 16.2%. There were no contributions remaining payable at the year-end.

## Note 18 Unusable Reserves

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

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

### Summary of Year-end Balances

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

	31 March 2017	31 March 2016 Restated
	£000	£000
Revaluation Reserve	148,700	150,422
Capital Adjustment Account	39,437	34,681
Financial Instruments Adjustment Account	(2,626)	(2,755)
Pensions Reserve	(172,954)	(116,830)
Employee Statutory Adjustment Account	(3,558)	(3,332)
<b>Balance at 31 March</b>	<b>8,999</b>	<b>62,186</b>

### Movement on Balances – Revaluation Reserve

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

	2016-2017	2015-2016
	£000	Restated £000
<b>Balance at 1 April</b>	150,422	108,764
Revaluation of non-current assets not posted to the Surplus or (Deficit) on the Provision of Services	(1,531)	41,887
Difference between fair value depreciation and historical cost depreciation written off to Capital Adjustment Account	(191)	(229)
Impairments Charged to Revaluation Reserve Account	0	0
Accumulated gains or (losses) transferred to the Capital Adjustment Account	0	0
<b>Balance at 31 March</b>	<b>148,700</b>	<b>150,422</b>

### Movement on Balances – Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. Note 1 provides a summary of transactions posted to the Account during the year.

	2016-2017	2015-2016
	£000	Restated £000
<b>Balance at 1 April</b>	34,681	27,563
Items relating to capital expenditure charged to CIES:		
~ Charges for depreciation and impairment of non-current assets	(16,997)	(25,006)
~ Disposals of non-current assets	(765)	(273)
Transfers from Revaluation Reserve	191	229
Capital financing applied in the year:		
~ Use of the Capital Receipts Reserve to finance new capital expenditure	1,116	517
~ Capital grants and contributions credited to the CIES that have been applied to capital financing	8,585	16,139
~ Loans Fund principal repayments	12,626	11,127
~ Capital financed from current revenue	0	4,385
<b>Balance at 31 March</b>	<b>39,437</b>	<b>34,681</b>

### Movement on Balances – Financial Instruments Adjustment Account

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

	2016-2017	2015-2016
	£000	£000
<b>Balance at 1 April</b>	(2,755)	(3,385)
Amount by which finance costs charged to the CIES Statement are different from finance costs chargeable in the year in accordance with statutory requirements	129	630
<b>Balance at 31 March</b>	<b>(2,626)</b>	<b>(2,755)</b>

## Movement on Balances – Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Pensions Reserve shows a significant shortfall in the benefits earned by past and current employees and the Council's share of Strathclyde Pension Fund resources available to meet them. The triennial review by the Pension Fund in 2014 set employer's contribution rates for Inverclyde Council at 19.3% for the period 1 April 2015 to 31 March 2018.

	2016-2017	2015-2016
	£000	£000
<b>Balance at 1 April</b>	(116,830)	(163,607)
Actuarial gains or (losses) on pension assets and liabilities	(50,158)	55,967
Reversal of items relating to net charges for retirement benefits charged to Surplus or (Deficit) on the Provision of Services in the CIES	(17,588)	(20,381)
Employers' pension contributions paid to Strathclyde Pension Fund	11,622	11,191
<b>Balance at 31 March</b>	<b>(172,954)</b>	<b>(116,830)</b>

## Movement on Balances – Employee Statutory Adjustment Account

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

	2016-2017	2015-2016
	£000	£000
<b>Balance at 1 April</b>	(3,332)	(3,627)
Settlement or cancellation of accrual made at the end of the preceding year	3,332	3,627
Amounts accrued at the end of the current year	(3,558)	(3,332)
<b>Balance at 31 March</b>	<b>(3,558)</b>	<b>(3,332)</b>

## Note 19 Leases

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

### The Council as Lessee

#### Finance Leases

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

#### Operating Leases

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

### The Council as Lessor

#### Operating Leases

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

## Operating Leases, Inverclyde Council as Lessee

The Council leases various properties as tenant on a variety of lease terms that are accounted for as operating leases. The rentals in 2016-2017 were £0.157 million (2015-2016 £0.167 million) and this expenditure has been included in the CIES. The rental commitments in future years under non-cancellable leases are shown in the table below.

	Future Rental Payable	
	31 March 2017	31 March 2016
	£000	£000
Not later than one year	115	138
Later than one year and not later than five years	344	300
Later than five years	106	19
	<b>565</b>	<b>457</b>

## Operating Leases, Inverclyde Council as Lessor

The Council has granted commercial leases for properties to various tenants on a variety of lease terms. These arrangements are accounted for as operating leases. The rental income receivable in 2016-2017 was £0.712 million (2015-2016 £0.688 million) and is included in the CIES. The rents receivable under non-cancellable leases in future years are shown in the table below.

	Future Rental Receivable	
	31 March 2017	31 March 2016
	£000	£000
Not later than one year	609	562
Later than one year and not later than five years	1,718	1,484
Later than five years	1,609	1,049
	<b>3,936</b>	<b>3,095</b>

## Note 20 Financial Instruments

### Fair Value Measurement

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

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

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

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

### Financial Assets

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

Loans and Receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. For the

# Notes to the Principal Financial Statements

Council's short-term deposits and most of its other lending, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest, and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

## Financial Liabilities

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

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

## Categories of Financial Instruments

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

	Long-term		Short-term	
	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
<b>Investments</b>				
Loans and receivables	0	0	25,625	26,557
<b>Cash and Cash Equivalents</b>				
Cash and Cash Equivalents	0	0	13,936	23,949
<b>Debtors</b>				
Loans and receivables (note 1)	2,637	2,659	5,509	4,203
<b>Borrowings</b>				
Financial liabilities at amortised cost	(207,764)	(208,212)	(2,825)	(7,974)
<b>Other Long Term Liabilities</b>				
PPP and finance lease liabilities	(63,952)	(65,819)	(1,736)	(1,908)
<b>Creditors</b>				
Financial liabilities at amortised cost (note 2)	0	0	(23,853)	(23,322)

## Notes

1. Per Balance Sheet, Short-term Loans and Receivables net of £4.776m (2015-2016 £5.467m) not regarded as Financial Instruments.
2. Per Balance Sheet, Short-term Financial Liabilities net of £5.600m (2015-2016 £3.383m) not regarded as Financial Instruments.

## Reclassifications between Categories

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

## Collateral



# Notes to the Principal Financial Statements

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

## Income, Expense, Gains and Losses

There was interest expenditure of £8.795 million (2015-2016 £9.018 million) and interest income of £0.318 million (2015-2016 £0.443 million) that were recognised in the CIES for the year.

## Financial Guarantees

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

## Fair Values of Financial Assets and Financial Liabilities

All financial assets (represented by lending and long-term debtors) and financial liabilities (represented by borrowing and long-term creditors) are carried in the Balance Sheet at amortised cost. In such cases, the Regulations require a set of additional disclosures about the fair value of these assets and liabilities. Fair value is broadly the amount for which an asset could be exchanged or a liability settled. Further information about how the Council has assessed fair value (and the fair value hierarchy) is provided below.

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

Financial Assets	31 March 2017		31 March 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and receivables - deposits with banks	25,625	25,635	26,557	26,570
Loans and receivables - cash and cash equivalents	13,936	13,938	23,949	23,949
Long-term debtors	2,637	2,637	2,659	2,659
Short-term debtors (at cost)	5,509	5,509	4,203	4,203
<b>TOTAL</b>	<b>47,707</b>	<b>47,719</b>	<b>57,368</b>	<b>57,381</b>

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

Financial Liabilities	31 March 2017		31 March 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Borrowing - PWLB & Non-PWLB Debt	210,589	313,994	216,186	279,493
School PPP Lease	65,688	96,940	67,727	96,414
Long-term creditors	0	0	0	0
Short-term creditors (at cost)	23,853	23,853	23,322	23,322
<b>TOTAL</b>	<b>300,130</b>	<b>434,787</b>	<b>307,235</b>	<b>399,229</b>

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

## Fair Value Hierarchy for Financial Assets and Financial Liabilities

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

	31 March 2017	31 March 2016
	Level 2	Level 2
	(Other Significant Observable Inputs)	(Other Significant Observable Inputs)
	£000	£000
<i>Recurring fair value measurements using:</i>		
<b>Financial Assets</b>		
Loans & receivables	25,635	26,570
<b>Total</b>	<b>25,635</b>	<b>26,570</b>
<b>Financial Liabilities</b>		
Financial Liabilities held at amortised cost:		
- PWLB & Non-PWLB Borrowings	313,994	279,493
- PPP Finance Lease Liabilities	96,940	96,414
<b>TOTAL</b>	<b>410,934</b>	<b>375,907</b>

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

- The valuation date is 31 March 2017
- No early repayment or impairment is recognised
- The discount factor used in the NPV calculations is the comparable new borrowing or deposit rate of the same financial instruments from a comparable lender with a published market rate at the valuation date, using bid process where applicable. A consistent approach has been applied to assets and liabilities.
- For all Public Works Loan Board (PWLB debt), the new borrowing rate at 31 March has been used as the discount rate.
- The fair values include accrued interest up to and including the valuation date.
- Where an instrument will mature within the next twelve months, carrying amounts are assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- The fair value of the schools PPP liability has been assessed taking the carrying obligation at 31 March 2017 and applying an annuity repayment profile using the PWLB new borrowing rate for a comparable period (23 years) at 31 March 2017.

In the above tables, the Council has used discount rates for PWLB and Non-PWLB Borrowing based on rates chargeable for new borrowing. If, however, the Council was to use interest rates that would be charged for early repayment of the loans then the fair value would increase from £313.994 million to £382.784 million (including penalty costs). The Council has no

contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

## Note 21 Nature and Extent of Risks Arising from Financial Instruments

### The Management of Treasury Risk by the Council

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

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

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

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

### Management of Credit Risk

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

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with the Council's internal ratings procedures.

The Council's maximum exposure to credit risk in relation to its deposits in banks and building societies of £39.608 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 2017 that this is likely to crystallise.

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

The Council has a potential maximum credit risk exposure of £4.647 million (2015-2016 £4.673 million) from debtors excluding council tax. This estimate is based on past experience and current market conditions.

The Council does not generally allow credit for customers, such that £10.156 million of the £12.794 million debtors regarded as Financial Instruments is past its due date for payment. The past due amount can be analysed by age as shown in the following table. The Council has made provision for the loss of income based on previous experience.

	31 March 2017 £000	31 March 2016 £000
Less than three months	9,570	8,230
Three to six months	44	112
Six months to one year	133	133
More than one year	409	401
	<b>10,156</b>	<b>8,876</b>

## Management of Liquidity Risk

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

	31 March 2017 £000	31 March 2016 £000
Less than one year	26,678	31,296
Between one and two years	10,455	441
Between two and five years	30,230	30,649
Between five and ten years	15,151	25,187
Between ten and thirty years	8,878	8,878
Between thirty and fifty years	66,400	58,500
Over fifty years	76,000	83,900
	<b>233,792</b>	<b>238,851</b>

## Management of Market Risk

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

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

To illustrate the impact of changes in interest rates upon the Council, the following table shows the financial effect if rates had been 1% higher at 31 March 2017, with all other variables held constant.

	31 March 2017 £000	31 March 2016 £000
<b>Impact on taxpayer</b>		
Increase on interest payable on variable rate borrowings	625	315
Increase in interest receivable on variable rate lending	(346)	(523)
<b>Net effect on Comprehensive Income &amp; Expenditure Statement</b>	<b>279</b>	<b>(208)</b>
<b>Other presentational changes</b>		
A decrease in the "fair value" of fixed rate borrowing (disclosure confined to the Notes to the Accounts)	(31,489)	(35,252)
	<b>(31,489)</b>	<b>(35,252)</b>

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

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

## Note 22 Related Parties

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

### The Scottish Government

The Scottish Government has significant influence over the general operations of the Council, being responsible for providing the statutory framework within which the Council operates. The Scottish Government also provides the majority of the Council's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (such as Council Tax bills and Housing Benefits). Grants received from the Scottish Government are disclosed in Note 4 Taxation and Non-Specific Grant Income on pages 31-32.

### Elected Members

Elected Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016-17 is shown in the Remuneration Report on page 16. There are no other significant related party transactions with members of the Council. Elected Members are required to declare an interest if he or she believes that there may be a perception that their decision making may be influenced in any way by a personal interest. Should this arise, the relevant Member does not take part in any discussion or decision relating to that interest. The Register of Interests of each Member is available on the Councils' website <http://www.inverclyde.gov.uk/council-and-government/councillors/>.

### Senior Officers

Senior Officers, as listed within the Remuneration Report on page 16, are required to declare an interest if he or she believes that there may be a perception that their decision making may be influenced in any way by a personal interest. Interests identified are disclosed in the table below.

### Entities Controlled or Significantly Influenced by the Council

# Notes to the Principal Financial Statements

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

	2016-2017				2015-2016			
	Income from Related Parties	Expenditure to Related Parties	Amounts Due to Related Parties	Amounts Owed by Related Parties	Income from Related Parties	Expenditure to Related Parties	Amounts Due to Related Parties	Amounts Owed by Related Parties
	£000	£000	£000	£000	£000	£000	£000	£000
Inverclyde Leisure Limited*1	(170)	1,732	(1)	427	(522)	1,832	(61)	1,187
Riverside Inverclyde Limited*1	0	1,877	(174)	2	(5)	4,849	(351)	0
Inverclyde Renovations Limited	0	0	0	0	0	0	0	0
Greenock Arts Guild Ltd (the Beacon Arts Centre)	0	495	(31)	2	0	2,298	0	0
Inverclyde Community Development Trust	(43)	2,055	(39)	1	(35)	2,941	0	0
River Clyde Homes	(110)	1,578	(22)	8	(228)	2,601	(43)	42

## Notes:

\*1 Further details of these entities are disclosed in the Group Accounts Note 29 Combining Entities.

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

## Inverclyde Integration Joint Board

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

## Strathclyde Pension Fund

The Council is an admitted body to the local government pension scheme and has made payments as shown in Note 16 Defined Benefits Pension schemes on pages 44-48.

## Joint Boards

The Council is a member of the Joint Boards for Valuation, Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme. The Council's contributions are disclosed in the Group Accounts Note 29 Combining Entities on pages 72-73.

## Note 23 Agency Services

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

The Council bills and collects non-domestic rates on behalf of the Scottish Government. During 2016-2017 the Council collected £21.7 million and contributed £0.4 million to the non-domestic rates pool (2015-2016 £20.6 million and £0.23 million). The Council also bills and collects domestic water and sewerage charges on behalf of Scottish Water with its own Council Tax. During 2016-2017 the Council collected and paid over £11.79 million (2015-2016 £11.53 million) and received £0.302 million (2015-2016 £0.302 million) for providing this service.

The Council provides a range of community based services funded from resource transfer, delayed discharge and other Health Board contributions totalling £12.32 million in 2016-17 (£12.46 million in 2015-16).

## Note 24 Contingent Assets and Liabilities

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

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

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

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

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

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

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

The proposed removal of the limitation period for childhood abuse claims could result in a liability to the Council. The extent of any claims and resultant liability is unknown at this stage.

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

The Council is unaware of any other material contingent asset or liability at 31 March 2017.

## Note 25 Events after the Balance Sheet Date

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. An adjustment is made to the financial statements where there is evidence that the event relates to the reporting period; otherwise the financial statements are not adjusted, and where the amount is material, a disclosure is made in the notes. The Chief Financial Officer issued the unaudited Statement of Accounts on 29 June 2017. There have been no material events after the balance sheet date which necessitate revision of figures in the financial statements or notes thereto including contingent assets or liabilities.

## Note 26 Cash Flow Statement – Operating Activities

	2016-2017	2015-2016
	£000	Restated £000
<b>Net surplus or (deficit) on the Provision of Services</b>	<b>(224)</b>	<b>2,993</b>
<b>Adjustments to net surplus or (deficit) on the provision of services for non-cash movements</b>		
Depreciation, amortisation & impairment	16,997	25,006
Net (gain) or loss on non-current assets	(351)	(245)
Retirement benefits	5,966	9,190
(Increase) or decrease in inventories	(84)	(55)
(Increase) or decrease in debtors	(593)	414
Increase or (decrease) in creditors and provisions	2,839	1,899
Other non-cash movements	0	0
	<b>24,774</b>	<b>36,209</b>
<b>Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities</b>		
Non-cash capital movements	582	(535)
Non-cash borrowing movements	(52)	(540)
Non-cash investing movements	(8,496)	(1,435)
	<b>(7,966)</b>	<b>(2,510)</b>
<b>Net cash flow from Operating Activities</b>	<b>16,584</b>	<b>36,692</b>

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

	2016-2017	2015-2016
	£000	£000
Interest received	448	482
Interest paid	(8,815)	(9,001)
Interest element of finance lease and PPP payments	(4,827)	(4,885)
<b>Net cash flow from Servicing of Finance</b>	<b>(13,194)</b>	<b>(13,404)</b>



## Note 27 Cash Flow Statement – Investing Activities

	2016-2017	2015-2016
	£000	£000
Purchase of property, plant and equipment and intangible assets	(29,574)	(30,013)
Purchase of short-term and long-term investments	(40,071)	(54,040)
Other payments for investing activities	0	0
Proceeds from sale of property, plant and equipment and intangible assets	1,115	518
Proceeds from short-term and long-term investments	49,500	46,500
Other receipts from investing activities	0	0
<b>Net cash flows from investing activities</b>	<b>(19,030)</b>	<b>(37,035)</b>

## Note 28 Cash Flow Statement – Financing Activities

	2016-2017	2015-2016
	£000	£000
Cash receipts of short-term and long-term borrowing	1	1
Cash payments for the reduction of the outstanding liabilities relating to finance leases for schools PPP contracts	(2,039)	(2,084)
Repayment of short-term and long-term borrowing	(5,529)	(1,192)
<b>Net cash flows from financing activities</b>	<b>(7,567)</b>	<b>(3,275)</b>

# Council Tax Income Account

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

	2016-2017	2015-2016
	£000	£000
Gross Council Tax levied and contributions in lieu	40,229	40,139
Adjustment: Council Tax Reduction Scheme	(6,226)	(6,457)
Less:		
Other discounts and reductions	(5,305)	(5,551)
Write offs	(12)	(11)
Provision for bad and doubtful debts	(527)	(534)
<b>Net Council Tax income</b>	<b>28,159</b>	<b>27,586</b>
Add/(Less) Prior years' Council Tax adjustments	229	144
<b>Net Council Tax income transferred to General Fund</b>	<b>28,388</b>	<b>27,730</b>

## Calculation of the Council Tax Base

	No. Of Dwellings	No. Of Exemptions	*Disabled Transfer to Lower Band	*Disabled Transfer from Higher Band	Discounts 25%	Discounts 10% -50%	Total Effective No. Of Dwellings	Council Tax Reduction Scheme	Proportion of Band D	Band D Equivalents
<b>Band A*</b>				39	11	0	36	10	5/9	14
<b>Band A</b>	19,047	1,057	39	22	8,944	537	15,469	5,129	6/9	6,893
<b>Band B</b>	5,878	219	22	17	2,674	95	4,938	1,245	7/9	2,872
<b>Band C</b>	3,510	81	17	15	1,249	45	3,092	488	8/9	2,315
<b>Band D</b>	3,343	69	15	29	1,043	38	3,008	212	9/9	2,796
<b>Band E</b>	3,497	61	29	19	861	47	3,187	91	11/9	3,784
<b>Band F</b>	1,922	18	19	8	335	31	1,794	36	13/9	2,539
<b>Band G</b>	1,426	16	8	0	213	18	1,340	7	15/9	2,222
<b>Band H</b>	212	3	0	0	23	3	202	0	18/9	404

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

Contributions in Lieu - Band D equivalents

**Total**

Provision for Bad Debt at 1.86%

**Council Tax Base**

2

**23,841**

(443)

**23,398**

## Calculation of the Council Tax

Dwellings fall within a valuation band between A to H based on the value as determined by the Assessor. The Council Tax charge is calculated using the Council Tax base i.e. band D equivalents. This amount is then decreased or increased dependent on the band as is illustrated below. The band D charge for 2016-2017 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 100% where the property is empty and 30% may be imposed on long term empty properties. Total exemptions are available if all the occupants are students, all occupants are under 18 years of age or if all of the occupants are severely mentally impaired.

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

# Non-Domestic Rates Income Account

This account is an agent's statement that reflects the statutory obligation for billing Authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net Non-Domestic Rate income plus the contribution to the Council from the national Non-Domestic Rate pool is transferred to the Comprehensive Income & Expenditure Statement of the Council. The Business Rates Incentivisation Scheme (BRIS) was introduced from April 2012 and allows Councils that exceed their annual business rates target to retain 50% of any additional income. In accordance with guidance, the table below discloses this element of the Non-Domestic Rate income as "income retained by the Council". The local target set for the Council in 2016-2017 was 1.0%. Indicators suggest the Council is not due any additional income for the year.

The amount deemed to be collected locally was £23.331m (£24.443m 2015-2016). The sum actually collected locally and contributed to the pool was £21.345m (£20.582m 2015-2016).

	2016-2017	2015-2016
	£000	£000
Gross rates levied	30,389	29,304
Relief and other remissions	(7,552)	(7,953)
Payment of interest	0	0
Provision for bad and doubtful debts	(1,129)	(792)
<b>Net non-domestic rate income</b>	<b>21,708</b>	<b>20,559</b>
Adjustments for years prior to introduction of national non-domestic rate pool	0	0
Non-domestic rates income retained by authority	0	0
Contribution from/(to) national non-domestic rate pool	(363)	23
<b>Net non-domestic rate income transferred to General Fund</b>	<b>21,345</b>	<b>20,582</b>

	2016	2015
	£000	£000
<b>Rateable values at 1 April</b>		
Commercial	31,139	31,155
Industrial / freight transport	8,944	8,828
Others	19,947	20,256
	<b>60,030</b>	<b>60,239</b>

## The nature and amount of each rate fixed

The rates for each subject is determined by the rateable value placed upon it by the Assessor multiplied by the rate per £ sterling announced each year by the Scottish Government. For 2016-2017 the charge was 48.4p in the £ sterling for properties with a rateable value under £35,000. For properties with a rateable value over £35,000 the charge was 51.0p in the £ sterling.

# Common Good Fund

The Common Good, administered by the Council, must be applied for the benefit of the people of Inverclyde. The figures below summarise the income and expenditure for the year as well as providing a snapshot of the assets and liabilities as at 31 March 2017. Each year, applications for funding support are considered by the Council's Policy & Resources Committee. The Common Good Fund is not included within the Principal financial statements of the Council or its Group.

## Summary Income and Expenditure Account for the Year Ended 31 March 2017

2015-2016		Usable Reserves:		Unusable Reserves:	2016-2017
		Revenue	Revaluation		
£000		£000	£000	£000	£000
255	Gross Expenditure	209	0		209
(116)	Gross Income	(127)	0		(127)
<b>139</b>	<b>Cost of Service</b>	<b>82</b>	<b>0</b>		<b>82</b>
0	Interest Payable and Similar Charges	0	0		0
(1)	Interest and Investment Income	0	0		0
<b>(1)</b>	<b>Financing and Investment Income and Expenditure</b>	<b>0</b>	<b>0</b>		<b>0</b>
<b>138</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>82</b>	<b>0</b>		<b>82</b>
	<b>Other Income and Expenditure</b>				
(187)	Unrealised gains on revaluation of land and buildings	0	0		0
<b>(49)</b>		<b>82</b>	<b>0</b>		<b>82</b>
	<b>Transfers between Reserves</b>				
0	Transfer from Revaluation Reserve	(62)	62		0
<b>(49)</b>	<b>(Increase) or Decrease in the Year</b>	<b>20</b>	<b>62</b>		<b>82</b>
(1,496)	Balance on Reserves brought forward	(14)	(1,531)		(1,545)
<b>(1,545)</b>	<b>Balance on Reserves carried forward</b>	<b>6</b>	<b>(1,469)</b>		<b>(1,463)</b>

## Balance Sheet at 31 March 2017

31 March 2016		Notes	31 March 2017
£000			£000
	<b>Non-current Assets</b>		
1,531	Property, Plant & Equipment	1	1,468
	<b>Current Assets</b>		
2	Short-term investments		2
3	Short-term debtors		6
9	Deposits up to 3 months with Inverclyde Council		0
	<b>Current Liabilities</b>		
0	Overdraft up to 3 months with Inverclyde Council		(13)
<b>1,545</b>	<b>Net Assets</b>		<b>1,463</b>
14	Usable Reserves: Revenue Reserve		(6)
1,531	Unusable Reserves: Revaluation Reserve		1,469
<b>1,545</b>	<b>Total Reserves</b>		<b>1,463</b>

## Notes to the Common Good

### 1. Property, Plant & Equipment

	2016-2017 Other Land & Buildings £000	2015-2016 Other Land & Buildings £000
<b>Cost or Valuation</b>		
At 1 April	1,569	2,002
Revaluation Adjustments to Revaluation Reserve	0	28
Other reclassifications*	0	(461)
<b>At 31 March</b>	<b>1,569</b>	<b>1,569</b>
<b>Depreciation and Impairment</b>		
At 1 April	38	605
Depreciation charge for the year	62	53
Depreciation on revaluation to the revaluation reserve	0	(159)
Other reclassifications*	0	(461)
<b>At 31 March</b>	<b>100</b>	<b>38</b>
<b>Balance Sheet amount at 31 March</b>	<b>1,469</b>	<b>1,531</b>

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

The values above relate to various buildings and land, mostly commercial properties in Port Glasgow. The majority of land and buildings of the Common Good require, under accounting regulations, to be disclosed on the Balance Sheet of the Council and accordingly are not included in the Common Good's Balance Sheet. The Council is the managing agent and is responsible for all costs and any income of these managed assets. A full revaluation of all Common Good land and buildings took place at 31 March 2016.

### 2. Operating Leases

The Common Good has granted commercial leases for properties to various tenants on a variety of lease terms. These arrangements are accounted for as operating leases. The rental income receivable in 2016-2017 was £0.125 million (2015-2016 £0.110 million) and is included in the Summary Income & Expenditure Account. The rents receivable under non-cancellable leases in future years are shown in the table below. (These figures do not include rents that are contingent upon events taking place after the lease was entered into, such as adjustments following rent reviews).

	Future Rental Income Receivable	
	31 March 2017	31 March 2016
	£000	£000
Not later than one year	99	99
Later than one year and not later than five years	198	220
Later than five years	308	308
	<b>605</b>	<b>627</b>

The Council has 5 trust funds, 2 of which are registered Scottish charities. The funds do not represent assets of the Council and as such have not been included in the Council's Balance Sheet. The Income & Expenditure reserves of the trusts for 2016-2017 are as follows:

	2016-2017				2015-2016
	Income £000	Expenditure £000	Revaluations £000	Reserves £000	Reserves £000
<b>1. The Birkmyre Trust</b> To ensure the availability of recreational facilities within the Birkmyre Park, Kilmacoll.	18	63	0	1,225	1,270
<b>2. The Watt Institution Trust</b> For the maintenance, preservation, repair, improvement and furnishing of the Watt Library and McLean Museum and Art Gallery.	0	0	0	117	117
<b>3. McLeod Trust Port Glasgow High School</b> To provide scholarships for pupils of Port Glasgow High School from disadvantaged backgrounds or with no history of further education.	8	4	0	72	68
<b>4. Lady Alice Shaw-Stewart Memorial Trust (SC019228)</b> For financial and other assistance to women offenders recommended to the trustees by the Inverclyde Criminal Justice Women's Service	0	1	0	45	45
<b>5. Peter Stanton Memorial Trust (SC021862)</b> For the promotion of recreational or other leisure activities for disabled persons in Inverclyde.	0	1	0	10	11
<b>Total Trust Funds</b>	<b>26</b>	<b>69</b>	<b>0</b>	<b>1,469</b>	<b>1,511</b>

# Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure statement shows the accounting cost in the year of providing the Council's services and its share of the results of its subsidiaries, associates and joint ventures in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting costs. The taxation position is shown in the *Group Movement in Reserves Statement*.

2015-2016 Restated*				2016-2017		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
93,471	(7,634)	85,837	Education	82,173	(5,144)	77,029
17,964	(4,433)	13,531	Communities	13,930	(2,452)	11,478
52,444	(25,469)	26,975	Environment & Regeneration	52,130	(21,992)	30,138
74,170	(19,739)	54,431	Health & Social Care	118,423	(65,878)	52,545
54,189	(41,008)	13,181	Policy & Resources	50,059	(37,431)	12,628
333	(129)	204	Common Good	278	(154)	124
(13,626)	13,626	0	Internal Recharges	(12,125)	12,125	0
<b>278,945</b>	<b>(84,786)</b>	<b>194,159</b>	<b>Cost of Services</b>	<b>304,868</b>	<b>(120,926)</b>	<b>183,942</b>
			Other Operating Expenditure and (Income) -			
		(245)	(Gain)/Loss on disposal of non-current assets			(351)
		18,415	Financing and Investment (Income) and Expenditure (Note 3)			17,581
		(215,119)	Taxation and Non-specific Grant Income (Note 4)			(201,225)
		<b>(2,790)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>			<b>(53)</b>
		(1,588)	Share of the (surplus) or deficit on the provision of services by associates and joint ventures (Note 30)			(2,779)
		<b>(4,378)</b>	<b>Group (Surplus) or Deficit</b>			<b>(2,832)</b>
		(41,887)	(Surplus) or deficit on the revaluation of non current assets			1,531
		0	Impairment losses on non-current assets charged to the Revaluation Reserve			0
		(55,967)	Remeasurement of the net defined benefit pensions liability (Note 16)			50,158
		(1,980)	Share of other Comprehensive (Income) and Expenditure of associates and joint ventures (Note 30)			1,080
		<b>(99,834)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>52,769</b>
		<b>(104,212)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>49,937</b>

\* The 2015-2016 Group figures have been restated to consolidate the Common Good and Trusts.



# Group Balance Sheet

The Balance Sheet is a snapshot of the value at the 31 March 2017 of the assets and liabilities recognised by the Council and of its share of the net assets or liabilities of its associates and joint ventures. 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 and joint ventures is matched by its share of the reserves of the subsidiaries, associates and joint ventures (i.e. its group reserves).

31 March 2016 Restated £000		Note	31 March 2017 £000
471,400	Property, Plant & Equipment		480,957
18,059	Heritage Assets		18,059
121	Intangible Assets		146
10,738	Investments in Associates	31	12,876
2,659	Long-term Debtors		2,637
<b>502,977</b>	<b>Non-current Assets</b>		<b>514,675</b>
26,625	Short-term Investments		25,699
500	Assets Held for Sale		500
339	Inventories		423
9,673	Short-term Debtors		10,291
23,949	Cash and Cash Equivalents		13,936
<b>61,086</b>	<b>Current Assets</b>		<b>50,849</b>
(7,805)	Short-term Borrowing		(2,689)
(26,705)	Short-term Creditors		(29,453)
(1,538)	Short-term Provisions		(1,629)
(1,908)	Short-term Finance Leases		(1,736)
<b>(37,956)</b>	<b>Current Liabilities</b>		<b>(35,507)</b>
(497)	Long-term Provisions		(497)
(208,212)	Long-term Borrowing		(207,764)
(658)	Liabilities in Associates	31	(1,117)
	Other Long-term Liabilities:		
(65,819)	Finance Leases		(63,952)
(116,830)	Pensions		(172,954)
<b>(392,016)</b>	<b>Long-term Liabilities</b>		<b>(446,284)</b>
<b>134,091</b>	<b>Net Assets/(Liabilities)</b>		<b>83,733</b>
58,769	Usable Reserves of the Council		60,043
62,186	Unusable Reserves of the Council		8,999
	Usable Reserves, Share of Reserves of Subsidiaries, Associates and		
4,199	Joint Ventures		5,907
	Unusable Reserves, Share of Reserves of Subsidiaries, Associates and		
8,937	Joint Ventures		8,784
<b>134,091</b>	<b>Total Reserves</b>		<b>83,733</b>

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

Issued on: 28<sup>th</sup> September 2017

These financial statements replace the unaudited financial statements issued on 29<sup>th</sup> June 2017.

# Group Movement in Reserves Statement

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

## Year ended 31 March 2017

	Council Usable Reserves				Council Unusable Reserves	Share of Subsidiaries, Associates & Joint Ventures Usable Reserves	Share of Subsidiaries, Associates & Joint Ventures Unusable Reserves	Total Group Reserves
	General Fund Balance	Other Revenue Reserves	Capital Reserves	Total Usable Reserves				
	£000	£000	£000	£000				
<b>Balance at 31 March 2016</b>	<b>49,055</b>	<b>7,000</b>	<b>2,714</b>	<b>58,769</b>	<b>62,186</b>	<b>4,199</b>	<b>8,937</b>	<b>134,091</b>
<b>Movement in Reserves during 2016-2017</b>								
Surplus or (Deficit) on Provision of Services	(224)	0	0	(224)	0	2,635	(105)	2,306
Other Comprehensive (Expenditure) and Income	0	0	0	0	(51,689)	0	(975)	(52,664)
<b>Total Comprehensive (Expenditure) and Income</b>	<b>(224)</b>	<b>0</b>	<b>0</b>	<b>(224)</b>	<b>(51,689)</b>	<b>2,635</b>	<b>(1,080)</b>	<b>(50,358)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 1)	1,498	0	0	1,498	(1,498)	(927)	927	0
<b>Net Increase or (Decrease) before Transfers to/from Other Statutory Reserves</b>	<b>1,274</b>	<b>0</b>	<b>0</b>	<b>1,274</b>	<b>(53,187)</b>	<b>1,708</b>	<b>(153)</b>	<b>(50,358)</b>
Transfers (to) and from Other Statutory Reserves	164	290	(454)	0	0	0	0	0
<b>Increase or (Decrease) in the Year</b>	<b>1,438</b>	<b>290</b>	<b>(454)</b>	<b>1,274</b>	<b>(53,187)</b>	<b>1,708</b>	<b>(153)</b>	<b>(50,358)</b>
<b>Balance at 31 March 2017 Carried Forward</b>	<b>50,493</b>	<b>7,290</b>	<b>2,260</b>	<b>60,043</b>	<b>8,999</b>	<b>5,907</b>	<b>8,784</b>	<b>83,733</b>

## Comparative Figures for Year ended 31 March 2016 (Restated)

	Council Usable Reserves				Council Unusable Reserves	Share of Subsidiaries, Associates and Joint Ventures Usable Reserves	Share of Subsidiaries, Associates and Joint Ventures Unusable Reserves	Total Group Reserves
	General Fund Balance	Other Revenue Reserves	Capital Reserves	Total Usable Reserves				
	£000	£000	£000	£000				
<b>Balance at 31 March 2015</b>	<b>44,991</b>	<b>6,819</b>	<b>2,590</b>	<b>54,400</b>	<b>(34,292)</b>	<b>3,233</b>	<b>6,208</b>	<b>29,549</b>
<b>Movement in Reserves during 2015-2016</b>								
Surplus or (Deficit) on Provision of Services	2,993	0	0	2,993	0	1,446	(61)	4,378
Other Comprehensive (Expenditure) and Income	0	0	0	0	97,854	(106)	2,416	100,164
<b>Total Comprehensive (Expenditure) and Income</b>	<b>2,993</b>	<b>0</b>	<b>0</b>	<b>2,993</b>	<b>97,854</b>	<b>1,340</b>	<b>2,355</b>	<b>104,542</b>
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 1)	1,376	0	0	1,376	(1,376)	(583)	583	0
<b>Net Increase or (Decrease) before Transfers to/from Other Statutory Reserves</b>	<b>4,369</b>	<b>0</b>	<b>0</b>	<b>4,369</b>	<b>96,478</b>	<b>757</b>	<b>2,938</b>	<b>104,542</b>
Transfers (to) and from Other Statutory Reserves	(305)	181	124	0	0	209	(209)	0
<b>Increase or (Decrease) in the Year</b>	<b>4,064</b>	<b>181</b>	<b>124</b>	<b>4,369</b>	<b>96,478</b>	<b>966</b>	<b>2,729</b>	<b>104,542</b>
<b>Balance at 31 March 2016 Carried Forward</b>	<b>49,055</b>	<b>7,000</b>	<b>2,714</b>	<b>58,769</b>	<b>62,186</b>	<b>4,199</b>	<b>8,937</b>	<b>134,091</b>

## Note 29 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 2017. 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. The Group Accounts on pages 69 to 74 combine the results of the Council with its share of its associates.

### Associates

#### Strathclyde Partnership for Transport

This is the statutory body responsible for formulating the public transport policy for the 12 local authorities in the former Strathclyde Region area. In 2016-2017, Inverclyde Council contributed £1.478 million or 3.95% (2015-2016 £1.478 million) of the Partnership's estimated running costs and its share of the year-end net asset of £7.422 million (2015-2016 £7.081 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, 131 St Vincent Street, Glasgow G2 5JF.

#### Strathclyde Concessionary Travel Scheme Joint Board

This Travel Scheme comprises the 12 Councils within the former Strathclyde Region area and oversees the operation of the concessionary fares scheme for public transport within its area. The costs of the Scheme are met by a combination of funding from the 12 Councils and direct grant funding by the Scottish Government. Strathclyde Partnership for Transport administers the Scheme on behalf of the Board. In 2016-2017, Inverclyde Council contributed £0.171 million or 4.02% (2015-2016 £0.171 million) of the Board's estimated running costs and its share of the year-end net asset of £0.068 million (2015-2016 £0.067 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, 131 St Vincent Street, Glasgow G2 5JF.

#### Renfrewshire Valuation Joint Board

This Board was formed in 1996 at local government re-organisation by Act of Parliament and is responsible for the maintenance of the electoral, council tax and non-domestic rates registers for the three Councils of East Renfrewshire, Renfrewshire and Inverclyde. Its principal place of business is The Robertson Centre, 16 Glasgow Road, Paisley PA1 3QF. The Board's running costs are met by the three member Councils. Surpluses or deficits on the Board's operations are shared between the Councils. In 2016-2017, Inverclyde Council contributed £0.493 million or 23.30% (2015-2016 £0.532 million) of the Board's estimated running costs and its share of the year-end net liability of £1.117 million (2015-2016 £0.658 million net liability) is included in the Group Balance Sheet. The audited accounts of the Board can be obtained from the Treasurer to the Renfrewshire Valuation Joint Board, Renfrewshire House, Paisley PA1 1JB.

#### Inverclyde Leisure

This is a charitable company registered in Scotland that provides leisure facilities within Inverclyde Council's area to the general public and operates sports & leisure centres, community centres, swimming pools, parks and pitches owned by the Council. Inverclyde Leisure is paid a management fee by the Council for the provision of these services. The charity's net liability at 31 March 2017 was £0.056 million (2015-2016 £0.132 million net asset) and its net deficit for the year was £0.094 million (2015-2016 £0.188 million). The Council has no commitment to meet any losses of the company. The accounts of the company are published separately and can be obtained from the Chief Executive, Waterfront Leisure Complex, Customhouse Way, Greenock, PA15 1EW which is also the company's principal place of business.

The Council has no shares in or ownership of this company which is entirely independent of the Council under law and for taxation. In financial year 2016-2017 the Council had the right to appoint five of the eleven representatives on the company's board, and for the purposes of accounting this equated to an interest of 45.45%. From the 28<sup>th</sup> March 2017 the Council has the right to appoint four of the nine representatives. 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 2016-2017, Inverclyde Council contributed £1.732 million (as per related notes) or 25.95% of the charity's turnover and its share of the year-end net liabilities of £0.026 million (2015-2016 £0.060 million net assets) is included in the Group

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

## Riverside Inverclyde

This is an Urban Regeneration Company limited by guarantee with charitable status and two member organisations, Inverclyde Council and Scottish Enterprise. The charitable company has been established to improve and regenerate the Inverclyde area. The company's operations are funded by grants from the Scottish Government, Inverclyde Council and Scottish Enterprise. The Charity's net assets at 31 March 2017 were £9.558 million (2015-2016 £10.591 million) and its net loss for the year was £1.033 million (2015-2016 £2.200 million net profit). The Council has no commitment to meet any losses of the company. The audited accounts of the company are published separately and may be obtained from the Chief Executive, Suite G1, Clydeview, 22 Pottery Street, Greenock, PA15 2UZ which is also the company's principal place of business.

The company does not have shareholders and any surpluses are made available for reinvestment in other projects within the area. The company is entirely independent of the Council under law and for taxation. The Council has the right to appoint three of the nine representatives on the company's board, and for the purposes of accounting this equates to an interest of 33.33%. Under accounting standards the Council is required to include the results of Riverside Inverclyde as an associate because it has a 'significant influence' over the financial and operating policies of the charity. In 2016-2017, Inverclyde Council contributed £1.877 million (2015-2016 £4.849 million) or 43.5% of the charity's turnover, and its share of the year-end asset of £3.186 million (2015-2016 £3.530 million) is included in the Group Balance Sheet. The Council has guaranteed to accept liability for any unfunded pension costs relating to the company's membership of the Local Government Pension Scheme (LGPS) in the event of the company ceasing to exist or withdrawing from the pension scheme.

## Joint Ventures

### Inverclyde Integrated Joint Board (IJB)

This is a statutory body established to integrate health and social care services between Inverclyde Council and NHS Greater Glasgow and Clyde. The IJB comprises eight voting members with four (50%) made up of Inverclyde Council Elected Members. The contribution provided by Inverclyde Council to the IJB in 2016/17 was £52.4m (2015-16: £0.002 million), and its share of the year-end asset of £1.98 million (2015-16: 0) is included in the Group Balance Sheet.

## Subsidiaries

### Common Good and Trust Funds

The Council is the sole trustee of the Common Good Funds and Charitable Trust Funds and summary financial results for these organisations appear on pages 66 to 68.

## Non-Material Interest in Other Entities

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

- Scotland Excel is a joint committee established through Section 57 of the Local Government (Scotland) Act 1973. The main purpose of the committee includes co-ordination of collaborative buying initiatives, representation of interests in public sector contracts, and the development and operation of a centre of procurement expertise for Local Government in Scotland.
- Clyde Muirshiel Park Authority is a joint committee of three councils – Renfrewshire, Inverclyde and North Ayrshire. The Authority is responsible for the management and maintenance of the Clyde Muirshiel Park that extends from Greenock in the north down the Clyde coast to Inverkip, Largs and West Kilbride and inland to Lochwinnoch. Inverclyde Council contributed £0.171 million to the committee's estimated running costs in 2016-2017 (£0.200 million in 2015-2016).
- Greenock Arts Guild Ltd runs the main arts venue for the Inverclyde Area, the Beacon Arts Centre in Greenock. During 2016-2017 the Council provided revenue and capital grants to the Beacon Arts Centre totalling £0.495 million (£2.298 million in 2015-2016).

## Note 30 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 and joint ventures, the following tables provide an analysis of the Council's share of the material amounts of income and expenditure disclosed on the face of the CIES. This note should be read in conjunction with the disclosures for the Council in Note 5 *Material Items of Income and Expenditure*.

	2016-2017	2015-2016
	£000	£000
<b>Share of the (surplus) or deficit on the provision of services by Associates and Joint Ventures</b>		
Strathclyde Partnership for Transport	(853)	(415)
Strathclyde Concessionary Travel Scheme Joint Board	(1)	(1)
Renfrewshire Valuation Joint Board	0	65
Inverclyde Leisure	(262)	79
Riverside Inverclyde	317	(810)
Inverclyde Integrated Joint Board	(1,980)	
	(2,779)	(1,082)
<b>Share of Other Comprehensive (Income) and Expenditure of Associates and Joint Ventures</b>		
Strathclyde Partnership for Transport	492	(502)
Strathclyde Concessionary Travel Scheme Joint Board	0	0
Renfrewshire Valuation Joint Board	459	(340)
Inverclyde Leisure	102	(1,090)
Riverside Inverclyde	27	76
Inverclyde Integrated Joint Board		
	1,080	(1,856)

## Note 31 Group Assets and Liabilities of Associates and Joint Ventures

	2016-2017	2015-2016
	£000	£000
<b>Net Assets of Associates and Joint Ventures</b>		
Strathclyde Partnership for Transport	7,422	7,081
Strathclyde Concessionary Travel Scheme Joint Board	68	67
Riverside Inverclyde	3,186	3,530
Inverclyde Leisure	220	60
Inverclyde Integrated Joint Board	1,980	
	12,876	10,738
<b>Net Liabilities of Associates and Joint Ventures</b>		
Renfrewshire Valuation Joint Board	(1,117)	(658)
Inverclyde Leisure	0	0
	(1,117)	(658)

## Note 32 General Accounting Policies

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

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016-2017 and the Service Reporting Code of Practice (SeRCOP) 2016-2017, supported by International Financial Reporting Standards (IFRS). These are issued jointly by CIPFA and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a "true and fair view" of the financial performance of the Council and its Group. The Annual Accounts have been prepared on a "going concern" basis. The accounting convention adopted in the Annual Accounts is principally historic cost, modified by the revaluation of certain categories of non-current and financial assets.

### A Accruals of Expenditure and Income

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

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

### B Charges to Revenue for Non-Current Assets

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

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

### C Employee Benefits

#### Benefits Payable During Employment

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

### D Exceptional Items and Prior Period Adjustments

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

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

## E Intangible Assets

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

## F Inventories

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

## G VAT

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

## Group Accounting Policies

### A Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom 2016-2017 (The Code) requires Local Authorities to consider their interests in all types of entity. This includes other Local Authorities or similar bodies defined in section 106 of the Local Government (Scotland) Act 1973. Authorities are required to prepare a full set of group accounts in addition to their own Council's accounts where they have a material interest in such entities. The Accounting Policies in the preceding sections of this note apply to the Council and its Group members; where Group Accounting Policies differ these are highlighted below.

### B Combining Entities and Group Boundary

The Group Accounts consolidate the results of the Council with five associates:

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

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

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

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

The Integrated Joint Board results have been included as a "Joint Venture" and accounted for using the gross equity method of accounting.

The Council's interest in each Subsidiary has been accounted for using the acquisition method of accounting.

All entities have the same reporting date as the Council. Further details for each entity are provided in Note 29 Combining Entities.

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

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

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

## D Employee Benefits: Post-employment Benefits

In common with Inverclyde Council, all combining entities participate in the Strathclyde Pension Fund. This is explained in Note 16 Defined Benefit Pension Schemes. The associates have accounting policies for pensions accounting that are consistent with those of the Council.

## E Property, Plant and Equipment

### Measurement

The basis of valuation across the combining entities is in accordance with IFRS. PP&E assets are shown at current value with the following exception:

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

## F Restrictions on Transfer of Funds

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



## Note 33 Accounting Standards Issued not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2017-2018 Code:

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration

The Council does not anticipate that these amendments will have a material impact on the information provided in the Financial Statements. The Code requires implementation from 1 April 2017 and there is therefore no impact on the 2016-2017 financial statements.

## Note 34 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 32, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- The Council has entered into commercial lease agreements both as landlord and tenant for land and buildings on a variety of lease terms. These arrangements are accounted for as operating leases. The Council has considered the tests under IAS17 and concluded that there is no transfer of the risks and rewards of ownership.
- The Council has entered into an arrangement to manage various land and buildings, including the Greenock Municipal Buildings, that belong to the Common Good. This management arrangement is accounted for as a finance lease. The Council has considered the tests under IFRIC4 and concluded that the arrangement has the substance of a lease under which the Council has assumed the risks and rewards of ownership. The assets covered by the management arrangement are carried as Property, Plant & Equipment in the Balance Sheet of the Council.
- The Council has entered into a Public Private Partnership (PPP) for the provision of educational buildings, their maintenance and related facilities. The Council has considered the tests under IFRIC12 and concluded this is a service concession.
- Two Joint Boards (SPT and Concessionary Travel) are included within the Group Accounts under the wider definition of an “associate” although the Council holds less than 20% of voting rights that is normally presumed to confer significant influence. This is in view of the funding arrangements between the constituent local authorities and the Joint Boards.
- The Council has considered its exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required and the amount of the obligation can be measured reliably. Where it has not been possible to measure the obligation, or it is not probable in the Council’s opinion that a transfer of economic benefits will be required, material contingent liabilities have been disclosed in Note 24. This includes the potential cost of claims by other groups of employees for equal pay compensation and the potential costs of unassessed remedial work on contaminated land.
- In the opinion of the Council Valuer, the current value of property, plant and equipment is not materially different from fair value at 31 March 2017.
- The accounts have been prepared on a going concern basis as it is expected that future local government finance settlements, aligned with the Council’s robust process, which drives through efficiency savings, will provide sufficient resources to finance future liabilities.

## Note 35 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or other factors that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2017 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Results differ from Assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Strathclyde Pension Fund has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied.	The sensitivities regarding the principal assumptions used by the consulting actuaries to measure the scheme liabilities are set out below: <ul style="list-style-type: none"> <li>• A 0.5% decrease in the real discount rate would result in a 10% increase (£74.1 million) in the employer's obligation.</li> <li>• A one year increase in member life expectancy would result in a 3 to 5% increase in the employer's obligation.</li> <li>• A 0.5% increase in the salary increase rate would result in a 3% increase (£24.5 million) in the employer's obligation.</li> <li>• A 0.5% increase in the pension increase rate would result in a 7% increase (£47.4 million) in the employer's obligation.</li> </ul>
Trade Debtors - Collection levels of arrears	At 31 March 2017, the Council had a balance of trade debtors of £8.85 million. A review of significant balances suggested that an allowance for doubtful debts of 52.5% (£4.65 million) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require an additional £4.65 million to be set aside as an allowance.
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of asset falls. It is estimated that the annual depreciation charge for buildings would increase by £1.1 million for every year that useful lives had to be reduced.

## Note 36 Error on Valuation of Property, Plant & Equipment for Financial Year 2015-2016 – Restatement of 2015-16

The Council identified that the revaluation for a primary school for the financial year 2015-16 had not been processed through the ledger or the fixed asset register. This meant that the Education cost of service was understated in the financial statements by £1.20 million. The Council has since reviewed its fixed asset process and has made appropriate changes and introduced additional internal controls to ensure such events are unlikely to recur. This has also meant that the surplus on the revaluation of non-current assets was overstated by £1.26 million; the unusable reserves were overstated by £2.46 million and the net book value of other land and buildings was overstated by £2.46 million.

In order to correct this error, the Council has restated the prior year information for 2015-16 for the £1.20 million through the Education line in the Comprehensive Income and Expenditure Statement and £1.26 million through the (surplus) or deficit on revaluation of non-current assets. The following are the relevant extracted lines from the Comprehensive Income and Expenditure Statement. The Comprehensive Income and Expenditure Statement with appropriate restatement for 2015-16 can be found on page 24 of these financial statements.

### Effects on Comprehensive Income and Expenditure Statement 2015-2016

	Originally Stated 2015/16 Net Expenditure £000	Restated 2015/16 net Expenditure £000	Amount of Restatement £000
Education	84,630	85,835	1,205
<b>Net Cost of Services</b>	<b>192,751</b>	<b>193,956</b>	<b>1,205</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(4,198)</b>	<b>(2,993)</b>	<b>1,205</b>
(Surplus) or deficit on the revaluation of non-current assets	(43,146)	(41,887)	1,259
<b>Other Comprehensive (Income) and Expenditure</b>	<b>(99,113)</b>	<b>(97,854)</b>	<b>1,259</b>
<b>Total Comprehensive (Income) and Expenditure</b>	<b>(103,310)</b>	<b>(100,847)</b>	<b>2,463</b>

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom requires that an authority present a balance sheet at the beginning of the preceding period when an authority makes a retrospective restatement. However in this case the prior period error did not impact on the opening Balance Sheet for 2015-2016. The error took place at year end (2015-2016) and therefore impacted on the reported Property, Plant and Equipment net book value, was overstated by £2.46 million and the unusable reserves which were also overstated by £2.46 million. The following table demonstrates the effects on the line items in the Balance Sheet for the financial year 2015-2016. The restated prior period Balance Sheet is provided with the current year information on page 25 of the financial statements.

### Effect on line items in the Balance Sheet as at 31 March 2016

	Originally Stated 2015-2016 £000	Restated 2015/16 £000	Amount of Restatement £000
Property, Plant & Equipment	471,047	468,584	2,463
<b>Non-Current Assets</b>	<b>491,886</b>	<b>489,423</b>	<b>2,463</b>
<b>Net Assets</b>	<b>123,418</b>	<b>120,955</b>	<b>2,463</b>
Unusable Reserves	64,649	62,186	2,463
<b>Total Reserves</b>	<b>123,418</b>	<b>120,955</b>	<b>2,463</b>

## Effect on the Movement in Reserves Statement – Unusable Reserves as at 31 March 2016

The following restatement was also required to the unusable reserves within the movement in reserves statement:

	Originally Stated 2015-2016 £000	Restated 2015/16 £000	Amount of Restatement £000
Balance at 31 March 2015	(34,292)	(34,292)	0
Total Comprehensive Expenditure & Income	99,113	97,854	1,259
<b>Increase or (Decrease) in the Year</b>	<b>98,942</b>	<b>96,478</b>	<b>2,464</b>
Balance at 31 March 2016 Carried Forward	64,650	62,186	2,464

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

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 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### Report on the audit of the financial statements

#### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Inverclyde Council and its group for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Expenditure and Funding Analysis, Comprehensive Income and Expenditure Statements, Balance Sheets, Movement in Reserves Statements, Cash-Flow Statements, Council Tax Income Account, Non-domestic Rates Income Account, Common Good Fund and notes to the financial statements, including a summary of significant accounting policies. 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 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of the affairs of the council and its group as at 31 March 2017 and of the surplus on the provision of services of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Responsibilities of the Chief Financial Officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Annual Accounts, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Other information in the annual accounts

The Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## Report on other requirements

### Opinions on other prescribed matters

I am required by the Accounts Commission to express an opinion on the following matters.

In my opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Brian Howarth ACMA CGMA (Assistant Director)  
Audit Scotland  
4<sup>th</sup> Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow, G2 1BT

29th September 2017

## 1. Accounting Period

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

## 2. Accruals

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

## 3. Actuarial Gains and Losses (Pensions)

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

## 4. Asset

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

## 5. Associates

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

## 6. Audit of Accounts

An independent examination of the Council's financial affairs.

## 7. Balance Sheet

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

## 8. Capital Adjustment Account

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

## 9. Capital Expenditure

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

## 10. Capital Financing

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, capital receipts and grants, and revenue funding.

## 11. Capital Grants Unapplied Account

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

## 12. Capital Programme

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

## 13. Capital Receipt

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

## 14. CIES

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

## 15. CIPFA

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

## 16. The Code

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

## 17. Community Assets

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

## 18. Consistency

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

## 19. Contingent Liability

A contingent liability is either

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

## 20. Corporate and Democratic Core

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

## 21. Creditor

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

## 22. Current Service Cost (Pensions)

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

## 23. Debtor

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

## 24. Defined Benefit Pension Scheme

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

## 25. Depreciation

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

## 26. Discretionary Benefits (Pensions)

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

## 27. Employee Statutory Adjustment Account

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

## 28. Entity

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

## 29. Equity

The Council's value of total assets less liabilities.

## 30. Events after the Balance Sheet Date

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

## 31. Exceptional Items

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

## 32. Extinguishment

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

## 33. Fair Value

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

## 34. Financial Instruments Adjustment Account

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

## 35. Finance Lease

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

## 36. General Revenue Grant

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

## 37. Going Concern

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

## 38. Government Grants

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

## 39. Gross Expenditure

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

## 40. Gross Income

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



## 41. Heritage Asset

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

## 42. IFRS

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

## 43. Impairment

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

## 44. Infrastructure Assets

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

## 45. Insurance Fund

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

## 46. Intangible Assets

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

## 47. Interest Cost (Pensions)

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

## 48. Inventories

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

## 49. Liability

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

## 50. MiRS

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

## 51. National Non Domestic Rates Pool

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

## 52. Net Carrying Value

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

## 53. Non-current Assets

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

## 54. Non-Distributable Costs

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

## 55. Operating Lease

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

## 56. Past Service Cost (Pensions)

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

## 57. Pension Reserve

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

## 58. Pension Scheme Liabilities

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

## 59. Post Employment Benefits

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

## 60. Prior Year Adjustment

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

## 61. Provision

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

## 62. Public Works Loan Board (PWLB)

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

## 63. Rateable Value

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

## 64. Related Parties

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

## 65. Remuneration

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

## 66. Repairs and Renewals Fund

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

## 67. Reserves

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

## 68. Residual Value

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

## 69. Revaluation Reserve

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

## 70. Revenue Expenditure

The day-to-day expenses of providing services.

## 71. Short-term Borrowing

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

## 72. Significant Interest

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

## 73. Soft Loans

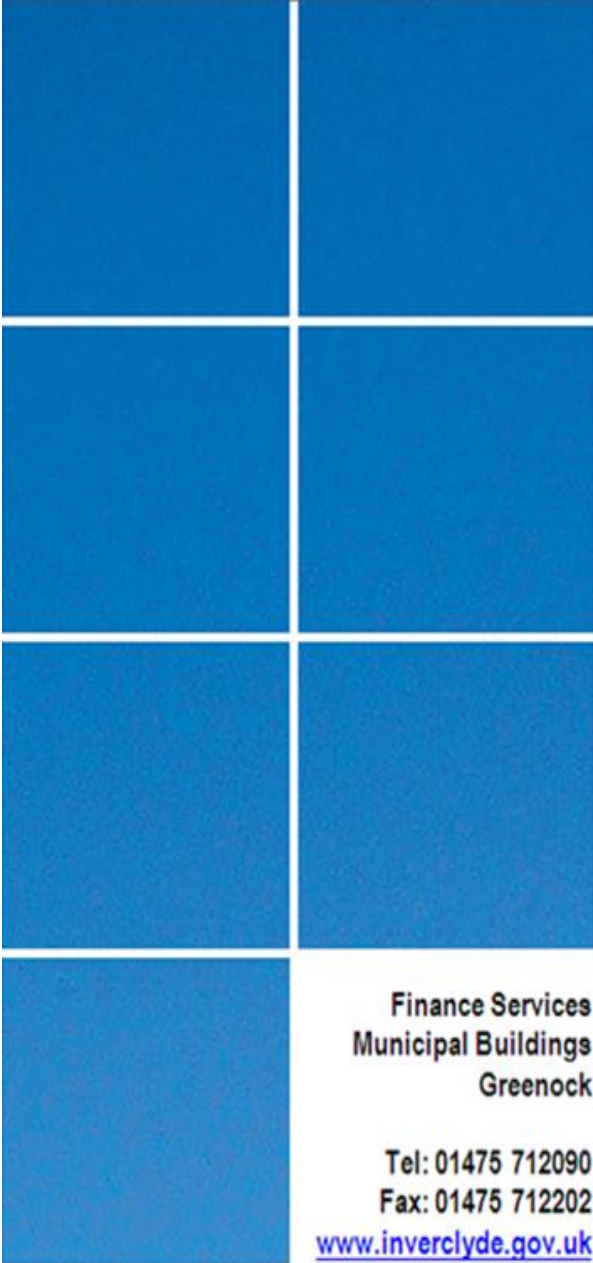
Loans made at significantly below market rates are deemed "soft loans" because there may be some element of subsidy between what the loan would have cost at market rates and the amount of interest actually charged. Examples include small start-up loans to small businesses.

## 74. Trust Funds

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

## 75. Useful Economic Life

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



Finance Services  
Municipal Buildings  
Greenock

Tel: 01475 712090  
Fax: 01475 712202  
[www.inverclyde.gov.uk](http://www.inverclyde.gov.uk)

Inverclyde  
council