

Inverclyde Council
Unaudited Annual Accounts
2019 - 2020



	Page		Page
Explanatory & Assurance Statements			
Management Commentary	1-15	Note 27 Cash Flow Statement - Investing Activities	70
Statement of Responsibilities for the Annual Accounts	16	Note 28 Cash Flow Statement - Financing Activities	70
Annual Governance Statement	17-21	Note 29 Reconciliation of Liabilities arising from	
Remuneration Report	22-28	Financing Activities	70
Expenditure & Funding Analysis			
Note 1 Expenditure and Funding Analysis	29-32		
Principal Financial Statements of Single Entity			
Comprehensive Income & Expenditure Statement	33	Additional Financial Statements	
Balance Sheet	34	Council Tax Income Account	71-72
Movement in Reserves Statement	35	Non-Domestic Rates Income Account	73
Cash Flow Statement	36	Common Good Fund	74-75
		Trust Funds	76
Notes to the Principal Financial Statements			
Note 2 Adjustments between Accounting Basis and Funding Basis under Regulations	37-38	Principal Financial Statements of the Group	
Note 3 Usable Reserves	38-39	Group Comprehensive Income & Expenditure Statement	77
Note 4 Financing and Investment (Income) and Expenditure	40	Group Balance Sheet	78
Note 5 Taxation and Non-specific Grant Income	40-41	Group Movement in Reserves Statement	79
Note 6 External Audit Fees	41		
Note 7 Property, Plant and Equipment	41-45	Notes to the Group's Principal Financial Statements	
Note 8 Assets Held for Sale	45	Note 30 Combining Entities	80-81
Note 9 Capital Expenditure and Capital Financing	46	Note 31 Material Items of Group Income and Expenditure	82
Note 10 Heritage Assets	47	Note 32 Group Assets and Liabilities of Associates and Joint Ventures	82
Note 11 Debtors	48		
Note 12 Cash and Cash Equivalents	48	Accounting Policies, Judgements and Assumptions	
Note 13 Creditors	49	Note 33 General Accounting Policies	83-84
Note 14 Provisions	49-50	Note 34 Group Accounting Policies	84-85
Note 15 Schools Public Private Partnership	50-51	Note 35 Accounting Standards Issued not Adopted	86
Note 16 Defined Benefit Pension Schemes	51-56	Note 36 Critical Judgements in applying Accounting Policies	86
Note 17 Post-employment Benefits: Teachers	57	Note 37 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty	87
Note 18 Unusable Reserves	57-59		
Note 19 Leases	59-60	Audit Certificate	
Note 20 Financial Instruments	60-64	Independent Auditor's Report	88
Note 21 Nature and Extent of Risks Arising from Financial Instruments	64-67		
Note 22 Related Parties	67-68	Glossary of Terms	
Note 23 Agency Services	68	Glossary of Terms	89-92
Note 24 Contingent Assets and Liabilities	68-69		
Note 25 Events after the Balance Sheet Date	69		
Note 26 Cash Flow Statement - Operating Activities	69-70		

1. Introduction

This Management Commentary outlines the objectives and strategy of the Council and its financial performance for the year 2019-2020 and how it has supported the delivery of the Corporate Plan. It also outlines the budget strategy and issues and risks which may impact upon the finances of the Council and in delivering its objectives for Inverclyde in the future.

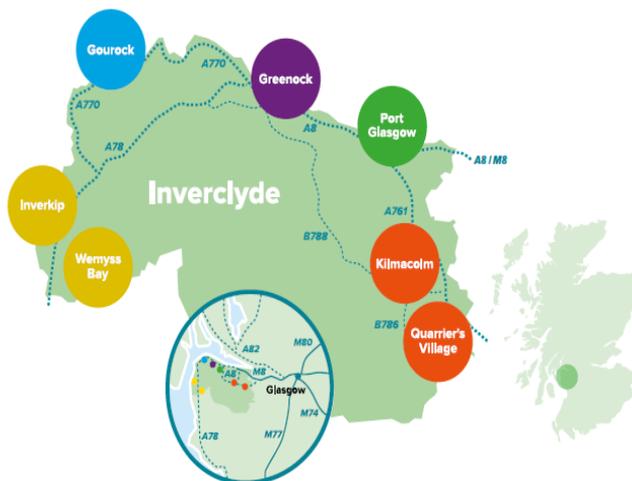
Principal Activities

THE COUNCIL

22 Councillors
7 Multi-Member Wards
Minority Labour Administration
Council Services managed over three Directorates
Two ALEOs – Inverclyde Leisure and Riverside
Inverclyde.

STAFF

4,119 employees
Permanent Staff: 3,285
Temporary Staff: 781
Modern Apprentices: 53



ECONOMY

68.3% of adults in employment
25.0% of children living in poverty

INFRASTRUCTURE

- 372.8 km of Roads
- 6 Secondary Schools
- 20 Primary Schools
- 23 Early Years Centres
- 3 Additional Support Needs Units
- 4 Leisure Centres
- 7 Libraries

AREA

158 sq. km (61 sq. miles)
One of the smallest Local Authorities in Scotland.

POPULATION

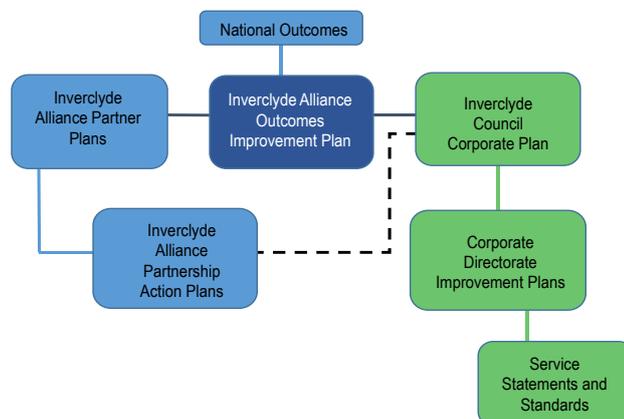
- 77,800** (1.4% of total Scottish population)
- 16.2% aged under 16
 - 15.9% aged 16 to 29 years (Scotland = 18.0%)
 - 40.2% aged 30 to 59 year
 - 27.7% aged 60 and over (Scotland = 24.7%)

2. Objectives and Strategy of the Council

Delivering the Strategy

The overall strategic framework within which the Council operates is outlined in the Strategic Planning and Performance Management Framework. The Framework includes the Local Outcome Improvement Plan, the Corporate Plan, Corporate Directorate Improvement Plans and the Financial Strategy. The main aspects of the Framework are illustrated in the diagram on the right.

National Outcomes are set by the Scottish Government and sit within a National Performance Framework. The 11 outcomes are an overarching guide for the local community planning partnership document, the Inverclyde Alliance Outcomes Improvement Plan (OIP). The OIP is a



Management Commentary

high level strategic partnership document setting out the vision and direction for the Inverclyde area, as agreed by all the Inverclyde Alliance partner organisations and communities.

The Partnership Action Plans set out the Partnership's actions which will contribute to the achievement of the OIP priorities. The Council approved a new Corporate Plan 2018/22 in June 2018. The Corporate Plan sets out the ways in which Inverclyde Council hopes to deliver better outcomes for the people of Inverclyde through the delivery of 10 organisational priorities. The plan reflects the outcomes from the OIP and sets out, at a high level, what the Council will do to deliver the partnership priorities.

Corporate Directorate Improvement Plans (CDIPs) set out the vision for each directorate. New CDIPs have been produced for the period 2019/22 and are mapped to the Corporate Plan organisational priorities. In addition the HSCP has recently developed the Strategic Plan 2019/24 which supports the Inverclyde Integrated Joint Board.

The focus of the Strategic Planning and Performance Management Framework is on addressing the main challenges facing Inverclyde. The OIP focuses on three key priority areas: Repopulation; Reducing Inequalities; and Environment, Culture and Heritage. The plan can be viewed on the Council's website at: <http://www.inverclyde.gov.uk/council-and-government/community-planning-partnership/inverclyde-outcome-improvement-plan>.

Positives v Challenges 2019-2020

Positives

As part of the Glasgow City region City Deal, plans are progressing to create the Greenock Ocean terminal for cruise ships. In addition plans are progressing to create a £9.4 million deep-water industrial hub at Inchgreen and a joint infrastructure and development project at Inverkip.

The final major projects in the programme of school estate continued with the £6 million refurbishment and extension of St Mary's Primary school and the £2 million refurbishment and extension of Gourock Primary school. This brings the council's investment in its schools to £270 million.

The area's principal heritage assets, the Watt Institution - comprising the McLean Museum and the Watt Library, re-opened on 22 November 2019 after an extensive renovation programme. The Council invested £1.8million towards the refurbishment work alongside a grant of £0.287million from Historic Environment Scotland.

Data published by the Scottish Government in February 2020 showed that Inverclyde ranked in 8th position relative to all 32 Councils in Scotland for the highest number of school leavers in 2018/19 (95.8%) moving into a positive destination, including securing a job, training or a place in further education.

Challenges

The drivers of population decline are complex and often linked. The Repopulation Strategy and Action Plan has completed its first year, supported by a £0.5 million contribution from the Council. The latest mid-year estimate (2019) shows that Inverclyde had positive net migration of +80, which means that Inverclyde has had positive net migration in 2 out of the last 3 years.

Climate change is one of the greatest challenges facing the world today. Recognising this, the Council published its new Climate Change Plan in 2018/19. As part of the Council's ongoing commitment to addressing climate change £0.5 million has been allocated from the 2020/21 budget to reduce the Council's carbon footprint.

Financial pressures mean that our previous approaches to service delivery are no longer sustainable, which is why with West Dunbartonshire Council, the Council took the innovative step in 2018 to appoint a new joint Head of Roads and Transportation to work across both areas. As at 1 April 2020 Shared services was extended to include a number of environmental services including Waste and Grounds Maintenance.

In the Scottish Index of Multiple Deprivation (SIMD) - the most deprived data zone was in Greenock. In addition 51 (44.7%) of Inverclyde's data zones were in the 20% most deprived in Scotland. This is the second highest local share in Scotland. As part of the 2020/21 budget £1 million funding has been allocated to mitigate poverty and tackle multiple deprivation and inequality.

COVID – 19

The Council responded to the Covid-19 pandemic based on its existing established corporate and incident response structure with decision making by officers firmly established through existing meeting structures. The Council's Resilience Management Team, which incorporates the Inverclyde Health & Social Care Partnership proposed the tactical arrangements with the strategic response managed via the Corporate Management Team (CMT). The Council suspended all Council, Committee and Sub Committee meetings from 24th March with all powers transferred to Policy & Resources Executive Sub Committee which meets on a fortnightly basis. In the early stages, emergency decisions were implemented by the CMT, these decisions have all been subsequently reported to and agreed by the P&R Exec Sub Committee. All ongoing recommendations are approved by the P&R Exec Sub Committee. In addition the HSCP activated its Local Management Resilience team (LMRT), on which the Council has a number of representatives ensuring that the Council & HSCP are entirely joined up on decision making.

Provision of Service

Action was taken to ensure that essential services continued to be delivered, where possible and the core business of the Council was maintained while at the same time giving key regards to the ongoing safety of both the workforce and the public.

Within HSCP a number of day services were suspended whilst extra capacity was created in Care Homes to free up beds within Inverclyde Royal Hospital. Increased payments to some providers were put in place to assist with the sustainability of these key partners. Temporary accommodation was sourced to allow for reduced capacity in the Inverclyde Centre and the early release of some prisoners took place.

All schools were closed to pupils in line with national guidance with hub schools introduced to provide child care for key workers and vulnerable children. Planning is now underway for the return of pupils in August at reduced capacity in line with Government guidance.

Many of the public facing services were closed or reduced in line with national guidance to protect the safety of both employees and the public, as well as reduced staffing availability. The Customer Service Centre building has been closed to the public as have libraries, public conveniences and some car parks. Aspects of waste collection ceased, however these were reintroduced by the end of June.

Roads and Property repairs are being carried out on an emergency basis with all other works, including capital projects, suspended. Ground Maintenance also ceased but again this resumed on a prioritised basis from mid-May. Leisure facilities, including Inverclyde Leisure properties and the Beacon Theatre, although run by external organisations are closely linked to the Council, have remained closed to the public.

Increased support for the vulnerable

In addition to ensuring that essential services continue to be delivered to the most vulnerable within Inverclyde a number of additional measures have been put in place.

The Council and partners have established a Humanitarian Assistance Centre which runs a helpline and is in contact with approx. 2,800 residents who fall into the "Shielding" category. Support is available to assist with health vulnerabilities and also provision of food support where required.

Scottish Welfare Fund applications increased significantly, in addition the Council increased awards by 20%. Extra funding from the Scottish Government has been provided to meet this increased cost.

Support for vulnerable families was supported by a fortnightly payment of £25/child for each child entitled to a Free School Meal/ Clothing Grant until the end of August with meals available to other families at community hubs.

New Government initiatives, Grants etc.

The Council is administering a Business Grants scheme to provide grant payments to all SBBS businesses, including charities, and certain Retail, Leisure and Hospitality Businesses within the Council area. Businesses are entitled to grants of £10k or £25k for certain Retail, Hospitality and Leisure businesses. This is funded from £10.6m awarded from Scottish Government.

In addition businesses in the Retail, Hospitality and Leisure sector have been given a one year Non Domestic Rates holiday with all other properties receiving a 1.6% NDR reduction. The Scottish Government has removed £6.8m of the Council's NDR target and replaced that with Revenue Grant.

The Council and Partners have also been the conduit for other Scottish Government Grant /Support schemes such as support to the newly self-employed and community group grants.

Workforce

On commencement of lockdown all staff other than those delivering essential services were sent home. Initially the Council was only partially set up for home working however ICT Services rapidly increased the home working capacity and now a significant number of staff are operating from home.

Those required to attend work to deliver essential services, whether they be office based or front line care workers, staff in Hub Schools, refuse collection workers etc., are providing services while maintaining social distancing and with appropriate Personal Protective Equipment and hygiene regimes. There has had to be redeployment of staff to facilitate revised working practices or to deal with increased workload in some cases.

Casual/Sessional workers continue to be paid where appropriate based on averages of previous earnings.

The Council saw a marked increase in absence during the crisis, traditionally the absence rate is 4.3% however with staff either reporting sick, self-isolating, absent with caring responsibilities or unable to work from home the absence rate increased to 19.3% but has reduced steadily to 14.7% at mid-June.

Supply Chains

The supply of in demand materials and equipment such as ICT was impacted due to global demand however crucially the Council managed to maintain a robust supply of Personal Protective Equipment.

Due to the need for the Council's service delivery to be maintained post Covid-19 the Council has continued to pay some key suppliers such as School Transport providers, Social Care providers, Early Years providers, as well as Inverclyde Leisure and The Beacon, at varying proportions of their contracted rates despite in some cases a reduced or no service being provided.

Reserves, financial performance and financial position

The Council has relatively high reserve balances with a significant proportion of these earmarked. As at 31st March 2020 The Council's reserves totalled £46.671m with £41.366m Earmarked and £5.305m of free reserves.

The Council continues to monitor and report via COSLA on the additional costs of Covid-19, this is an ongoing process in which costs continue to be identified and estimates change however the current estimate is that after allowing for additional funding the net cost is estimated to be in excess of £5m.

The Council has an established Finance Strategy which is due to be presented to Members in June 2020, this will consider the impacts of Covid-19 but the global, UK and Scottish economic position makes any firm assumptions of what the future holds very difficult to ascertain. As a start, a report will be submitted to August's Policy & Resources Committee on the funding of the projected additional Covid-19 costs which will commence the 2021/23 budget process. When taking into account the additional one off costs as well as potential future additional costs as work practices may change, it is anticipated that the 2021/23 budget will once again be challenging.

Management Commentary

Capital Programme

Construction work effectively ceased as a result of lockdown. While this has had a limited effect on the Council's capital programme in 2019/20 construction work is not due to recommence until the summer and as a result there will be a significant impact on 2020/21 spend levels. Delays in completion of projects are anticipated due to the period where no work can take place, when work does recommence restricted work practices are likely to cause issues both in terms of further delays and also additional costs. New contracts are expected to see increases in costs and completion times.

Cash Flow Management

Reduction in NDR income received, albeit offset by Revenue Grant, as well as potential reductions in Council Tax collection, rent deferrals and slower recovery of other income will have an impact on the Council's cashflow, this will be considered in the Finance Strategy for June 2020.

Major Risks

The main risks in the short term are the net costs in 2020/21 and how these are to be funded and any impact on the Council's cashflow. Thereafter the question will be how quickly the Council's finances recover and this will be dependent on the level of Government Grant, the ability of the local community to meet NDR and Council tax liabilities and any ongoing increased costs arising from national rules around social distancing, etc.

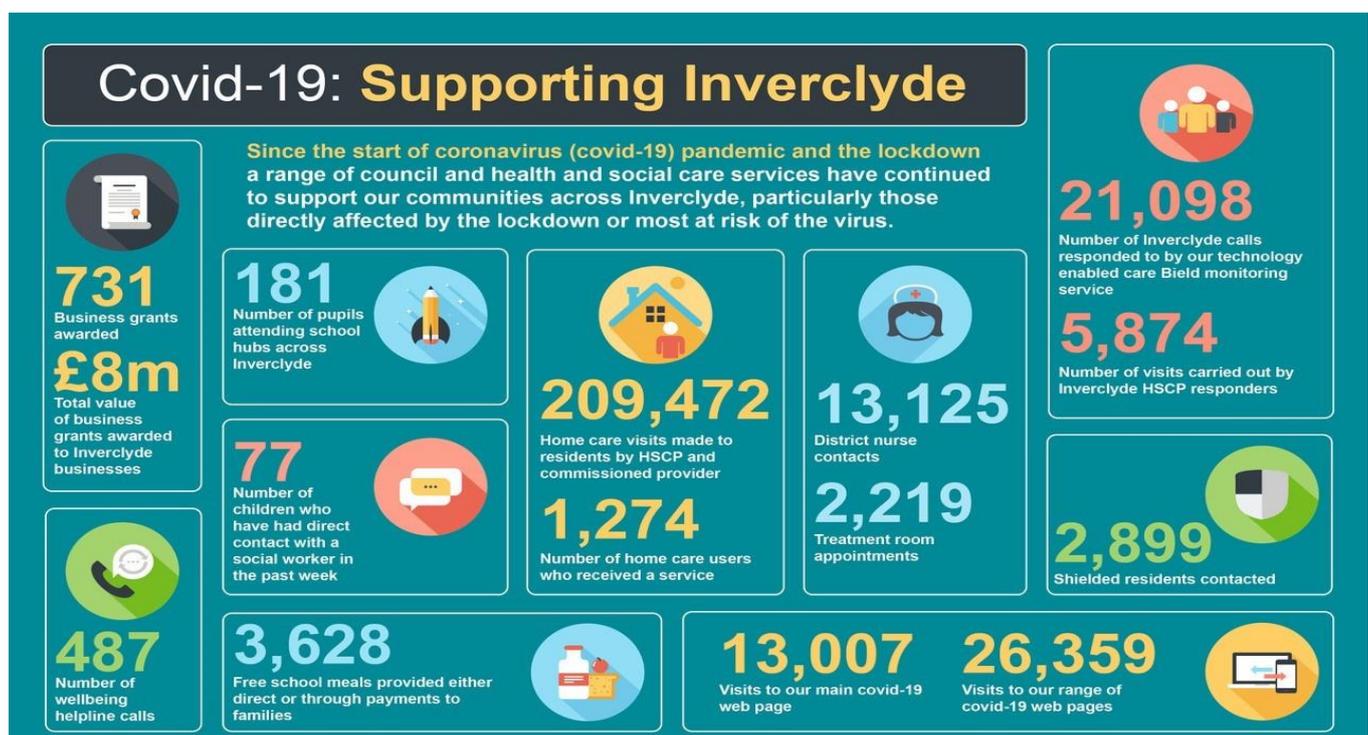
In addition, the impact on the wider economy and on key suppliers is not yet fully known. Future increases in costs from suppliers may be a factor, as indeed may their ability to continue to provide services. The Council has already seen the failure of a supplier on a significant capital project and it is for this reason that the Council expects to be supporting some key suppliers over the medium term.

Plans for Recovery

The Policy & Resources Sub Committee have approved a recovery framework which will operate at an Alliance and Council level including the HSCP. Detailed plans are being prepared with close attention being paid to emerging medical and Government advice.

A review of the Council's approach will be undertaken in the autumn and reported to the relevant Committee.

As at 1 June 2020 the Council had provided the following support to those affected by lockdown:



Management Commentary

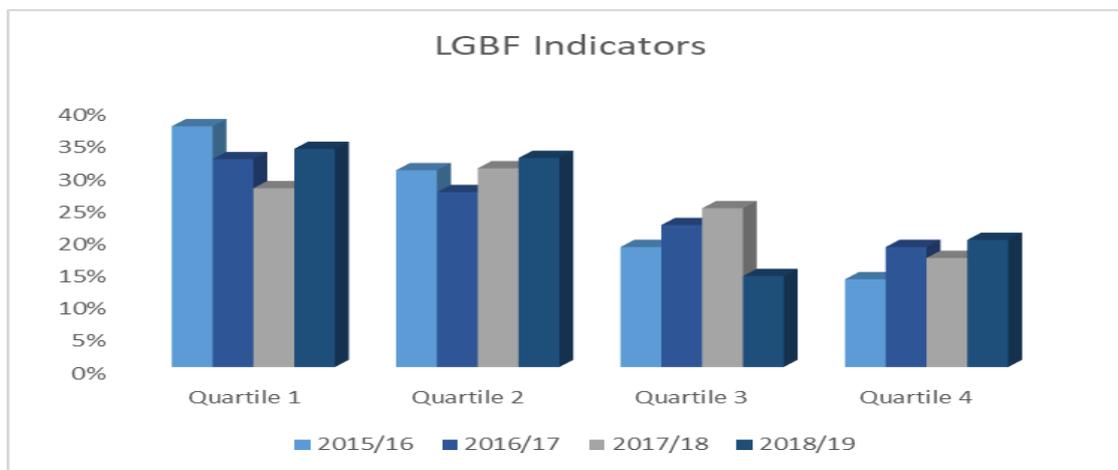
Public Performance Reporting

Inverclyde Council reports activities and achievements against the 2018-2022 Corporate Plan on an annual basis. The most recent available data for the Council's performance relates to 2018-2019. In addition, each directorate periodically reports on performance to their relevant committee. You can view the range of performance data published by the Council, including the Corporate Plan Annual Report on the Council's performance webpage which can be accessed at: <http://www.inverclyde.gov.uk/council-and-government/performance>

To ensure the Council meets the requirements of the new Statutory Performance Indicators (SPI) direction, a review of the SPI framework was carried out and a new framework was approved in 2018-2019. The refreshed SPI framework consists of a smaller more focused indicator set that is aligned with the Corporate Plan 2018-2022 organisational priorities. A summary of performance achieved is shown below for those indicators where a Red Amber Green status was available. Full details of the SPI's can be found at <http://www.inverclyde.gov.uk/council-and-government/performance/statutory-performance-indicators>

	Green - target met or exceeded	Amber - target not achieved but performance is within set tolerance level	Red - performance is below set tolerance level
2018-2019	23 (64%)	9 (25%)	4 (11%)

Inverclyde Council continues to participate in the Local Government Benchmarking Framework (LGBF). The LGBF helps councils understand their relative performance and creates opportunities to identify and share good practice. The graph below provides an overview of performance over time. In 2018-19, the Council ranked in the top two quartiles for 66.2% of the indicators (2017-18: 58.5%), while 14.1% were in the third quartile (2017-18: 24.6%) and just under a fifth (19.7%) were positioned in the fourth quartile (2017-18: 16.9%).



The following table contains information on how the Council has performed across areas within the Council. More data can be explored at the LGBF website: <https://www.improvementservice.org.uk/benchmarking> and on the Council website:

	2017-2018	2018-2019	% Change
Children's services			
Cost per Secondary school pupil	£7,043	£7,236	2.74%
Cost per Primary school pupil	£5,100	£5,333	4.57%
Cost per Pre-school pupil	£7,044	£7,155	1.58%
School Attendance	92.50%	92.23%	-0.29%
Teacher sickness absence (working days)	5.18	4.92	-5.02%

Management Commentary

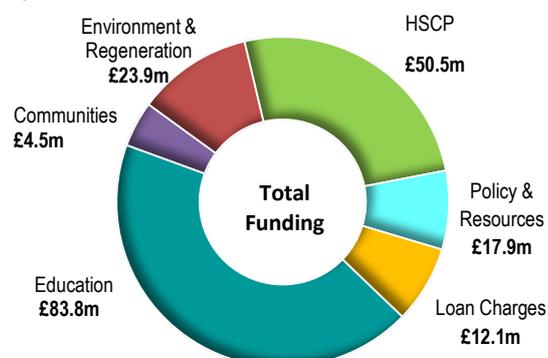
	2017-2018	2018-2019	% Change
Corporate Services			
Cost per dwelling of Council Tax collection	£12.97	£9.99	-22.98%
Employee sickness absence (working days)	10.58	10.36	-2.08%
% invoices paid within 30 days	97.13%	95.86%	-1.31%
Social Work			
Costs of providing care to support older people living at home	£27.89	£28.34	1.61%
% of people aged 65 or over with long term care needs receiving personal care at home	67.78%	65.16%	-3.87%
Residential costs per week per resident for people aged 65 or over	£380	£366	-3.68%
Culture & Leisure			
Costs per attendance at sport facilities	£2.52	£1.53	-39.29%
Costs of parks & open spaces per 1,000 population	£23,909	£26,347	10.20%
Environmental			
Net cost of waste collection per premise	40.79	36.08	-11.55%
Net cost of waste disposal per premise	92.26	99.28	7.61%
Cost of trading standards and environmental health per 1,000 population	£23,533	£24,914	5.87%
% of total household waste arising that is recycled	57%	56%	-1.75%
Economic Development			
% of unemployed people assisted into work from council operated/funded employability programmes	21.00%	20.32%	-3.24%
Cost of Planning & Building Standards per planning application	£7,201	£8,818	22.46%
% of procurement spend spent on local enterprises	30.58%	31.36%	2.55%
Proportion of people earning less than the living wage.	23.80%	26.00%	9.24%

The Annual Budget and Setting Council Tax

The Council's approach to the 2019/20 budget was agreed by the Council and included a public consultation as to how the Council could save money and the operation of the cross party Members Budget Working Group (MBWG) to arrive at a consensus on the use of surplus reserves and consideration of the savings identified by the public consultation. On the 21 March, 2019 the Council agreed to savings totalling £4.574million in 2019/20 with these savings increasing to £5.521 million by 2020/21. Work has continued throughout 2019/20 to identify further savings in anticipation of future budget reductions. As at 31 March 2020 all the 2019/20 savings have been implemented.

The 2019-2020 budget was based on the Council Tax for band D increasing by 4.79%.

Spend of £192.7 million was planned in 2019-2020 after taking account of Government Grants, inflation, borrowing costs and approved savings. The Council also approved a £71.4 million three-year capital investment programme covering 2019-2023 of which £38 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.



Funding from Scottish Government (Non-Domestic Rates and Government Grants) £160.6m (83.4%) and Council Tax (including Council Tax Reduction costs) £31.3m (16.2%), planned use of Reserves £0.8m (0.4%).

Management Commentary

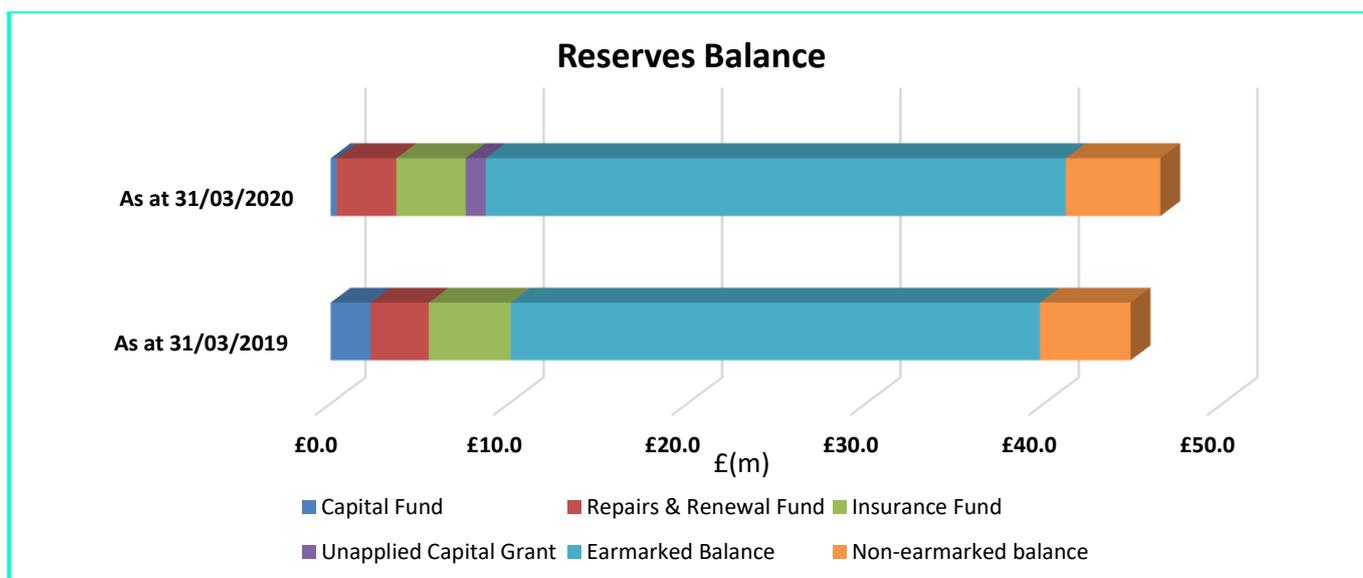
3. Financial Performance in 2019-2020

General Revenue Budget

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement (CIES) on page 33 which shows a deficit on the provision of services of £4,509k. This statement is prepared using International Financial Reporting Standards as interpreted by the Code of Practice on Local Authority Accounting (the Code). However, the CIES does not reflect the true cost of service provision or the amount required to be funded from government grant and taxation. Note 2 gives details of the accounting adjustments required to bring the accounts in line with resources specified by statute. The adjustments remove the effect of non-cash items such as depreciation, revaluation and replace these with the actual cost of debt repayment. Consequently, the general fund balance has increased by £3.227m, which was not planned during budget setting for 2019/20. Many of the underspends have been brought into the 2020/21 revenue Budget. The table below shows a summary of the main changes that contributed to the final position.

Movement - Initial Budget to Actual Outturn	£'000
Initial Planned Surplus	0
Release of one off inflation contingencies not required	(1,114)
Over Recovery of Internal Resources Interest	(181)
One Off Reduction in Schools NDR Costs	(280)
Additional Council Tax Income and Prior Years Council Tax Income	(578)
Release of Earmarked Reserve Not Required	(433)
Additional Turnover Savings Achieved	(526)
Further minor underspends across Service Directorates	(115)
Surplus for the year	(3,227)

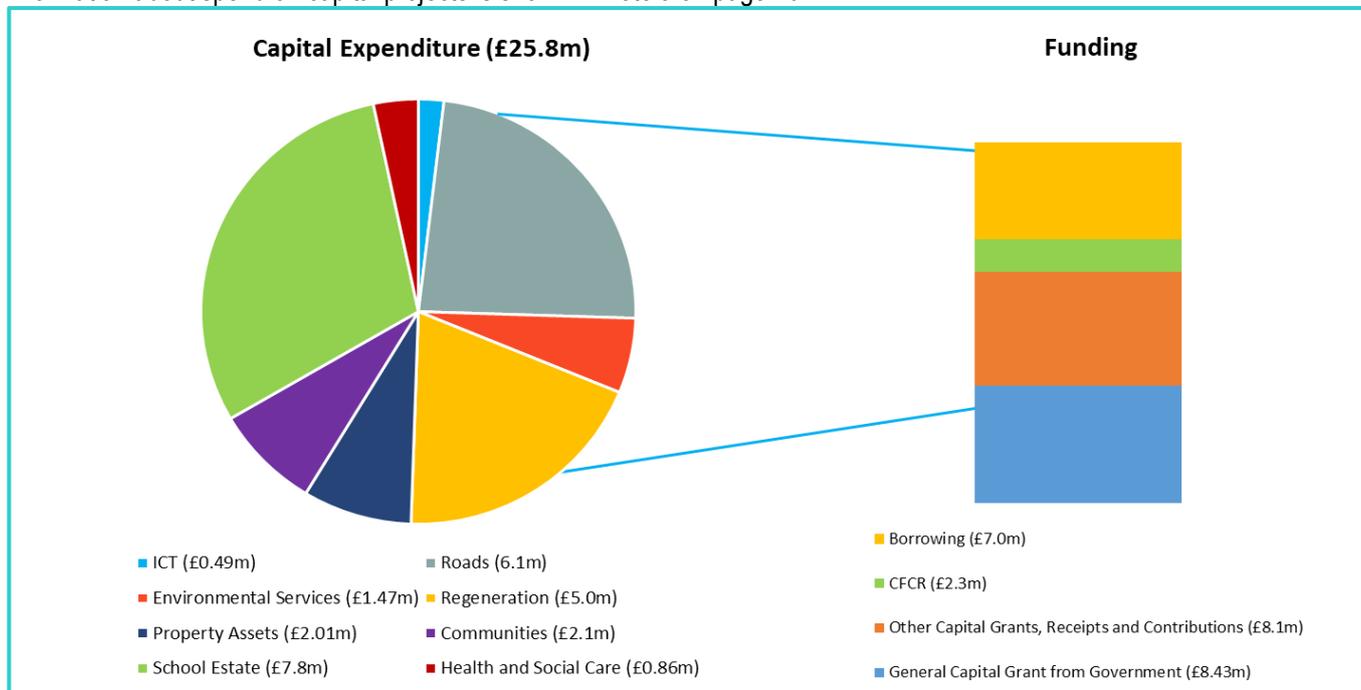
As a result of the overall surplus of £3.23m, the General Fund balance increased from £34.756 million to £37.983 million. The graph below shows how the usable reserves of the Council are made up, including the £3.0 million earmarked to support future budget strategy. This leaves a balance of £5.305 million of unallocated reserves (2.76% of the Council's budgeted net annual running costs). This is £1.5 million more than the recommended level of £3.8 million (2% of annual turnover based on the 2019-20 budget). The policy on balances is reviewed as part of the budget setting each year, taking into account risks and challenges for the year ahead.



Management Commentary

Capital Budget

The Council continues to make significant capital investment in schools, roads, leisure, community and town centre estates with £25.8 million being spent in 2019-20. The largest element of the capital expenditure for the year was the £7.75 million spent on building and refurbishing the school estate. Funding of capital expenditure included £0.27 million from capital receipts, £16.25 million of government grants with the balance of £9.3 million being met through internal funding and borrowing. Further information about spend on capital projects is shown in Note 9 on page 46.



Balance Sheet

The Balance Sheet on page 34 summarises the Council's assets and liabilities as at 31 March 2020 and explanatory notes are provided. The net worth of the Council has increased by £54.533m from £104.892m as at 31 March 2019 to £159.425m as at 31 March 2020. Within the headline figure, there have been significant changes in both asset values and liabilities and the major changes are shown in the table below:

	31/03/2019 £'000	31/03/2020 £'000	Movement £'000	Explanation for Movement
Non-Current Assets				
Property, Plant & Equipment	491,501	496,319	4,818	Council investment in key capital projects.
Current Assets				
Short-term Investments	5,036	0	(5,036)	Funding requirements for 2019-20
Cash and Cash Equivalents	12,809	29,268	16,459	
Long & Short-term Debtors	12,064	18,406	6,342	
Current Liabilities				
Short-term Creditors	(37,611)	(33,939)	3,672	Decrease in creditors at the end of the year.
Long-term Liabilities				
Short & Long term borrowing	(199,838)	(216,556)	(16,718)	The Council's borrowing (including finance leases increased in the year reflecting the funding of the capital programme this year offset by the repayment of borrowing and lease finance.
Finance leases	(62,433)	(60,693)	1,740	
Pension Liability	(134,812)	(91,816)	42,996	The improvement of the pension position is largely due to a decrease in the salary increase rate and pension increase rate used by the actuaries to calculate the current value of future payments to pensioners according to accounting standards. Details are shown in Note 16. The changes in the pension liability do not impact upon the General fund balance as shown in Note 2.

Management Commentary

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.

Financial Indicator	Commentary	2019-2020	2018-2019
Reserves			
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	Reflects the level of funding available to manage Financial risk/unplanned expenditure. The Council's Policy is 2% of annual turnover which is considered appropriate in the context of the Council's financial and ongoing risk profile. More Information is provided in the <i>General Revenue Budget</i> section above.	2.75%	2.68%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.	£0.2m increase	£1.5m increase
Council Tax			
In-year collection rate	Reflects the Council's effectiveness in collecting Council Tax debt and financial management. The Council continues to achieve high collection Levels despite the current economic climate and its effect on the local economy.	95.4%	95.70%
Financial Management			
Actual Outturn compared to Budgeted Expenditure	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. This indicator is based on the format of budget monitoring as reported throughout the year. More details are provided in the General Revenue Budget section above.	98.3%	99.2%
Debt/Long-term Borrowing			
Ratio of financing costs to net revenue stream	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 finance strategy.	12.63%	14.87%

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

Efficiency Savings

The Council delivered efficiency savings of £1.8 million in 2019-2020, bringing the total amount of efficiency savings to almost £23.3 million since 2008-2009. With a further planned saving of £1.5 million in 2020-2021 this brings total efficiency savings to over £24.8 million. The chart highlights the increasing level of efficiency savings being taken by the Council on an ongoing basis. Continued efficiency savings will be required going forward to successfully deliver the Financial plan in 2020-2021 and beyond.



Financial Outlook

The Council's Financial Strategy for June 2020 highlights that the pressure on public finances is scheduled to continue until at least 2023/24. This in addition to the fact that Local Government is currently not one of the areas "protected" in Scottish Government Grant settlements, means continuing real term reductions to the Council's funding are likely and uncertainty that Covid-19 will have on Local Authority funding in coming years.

For the next three years budget (2021-2024) the estimated mid-range funding gap is £18.3 million with optimistic and pessimistic scenarios of £5.5 million and £30.1 million respectively. Included within this is the fact that, the Council faces ongoing service and cost pressures arising from a range of issues, most significantly demographic and socio-economic factors which continue to play a major role in driving spending pressures for the Council, particularly in relation to social care services. The Council continues to operate a cross party Members Budget Working Group and this Group plus the Trade Unions/Corporate Management team meeting via the Joint Budget Group will be pivotal as the Council faces unprecedented financial pressures.

In March 2020 the council agreed its 2020/21 budget. Whilst many of the budget savings that were consulted on towards the end of 2019 were not taken, some savings were approved and some of this money is being reinvested to tackle poverty during 2020/21. An additional budget of £1million per annum has been allocated to be invested in communities to address poverty and deprivation. Inverclyde Council funding of £0.75 million has been supplemented by £0.25 million funding from the Integration Joint Board. (IJB).

Management of Risk

Risk	Mitigating Actions
Changes to fiscal arrangements: There is uncertainty over the state of public sector finances and the impact this will have on the level of funding the Council receives from the Scottish Government in the future.	The Finance Strategy (2020-30) provides the range of scenarios for the delivery of Council services in the medium to longer term. The strategy estimates the 2020/23 funding gap prior to considering further savings/adjustments. The Finance Strategy (2020-2030) provides clear direction, supported by a practical framework and explicitly defined parameters, on how the Council will structure and manage financial resources in the medium to long term to ensure they are deployed effectively to achieve corporate objectives.
Increasing demand on Services and the Council's Finances.	Transformation programme "Delivering Differently" is in place to identify potential change in service delivery to deliver savings and/or reduce cost pressures. A spend to save fund has been created to provide one off initial funding for projects that will deliver future savings.
Demographic Changes: the most significant challenge facing Inverclyde is depopulation and associated demographic change.	Recognised as a priority in the Inverclyde Outcomes Improvement Plan and the Council's Corporate Plan 2018/22. Work around repopulation is led by the Inverclyde Alliance Group and any actions for the group are fed into the Repopulation strategy and action plan approved by the Alliance Board in March 2019.

The Annual Governance Statement, shown on pages 17-21, 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 improvement actions to the governance framework, identified from the Council's ongoing review of these arrangements.

Plans for the Future

2020-21 will be a challenging year for the Council with the financial impact of the Covid-19 pandemic, the planned exit from the EU adding to the pressure on public finances. The combination of anticipated cost pressures, coupled with real terms reductions in Government Grant and the demographic challenges faced by the area present significant financial pressures 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.

Further, the Covid-19 pandemic will have a significant impact both in the short term as immediate cost pressures are addressed and in the medium term as a result of revised service delivery models, higher revenue costs and lost income.

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 is funding 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 Cruise Ship Berth, the Greenock Inchgreen dockland and the Inverkip transport interchange, work on the Cruise Ship Berth is nearing completion with work on the Greenock Ocean Terminal delayed and now expected to begin in 2021.



An artist's impression of the new visitor centre, art gallery and restaurant at Greenock Ocean Terminal

The Community Planning Partnership's OIP and the Council's Corporate Plan 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 continuing to develop approaches to fully 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 have a key role to play in shaping local public services.

Inverclyde Council commenced implementation of the 1140 hours early years provision in 2018-2019. Inverclyde Council have been awarded funding to have 1140 hours provided in all its early years facilities by 2020. There continues to be a major workstream around both developing the workforce and the necessary buildings.



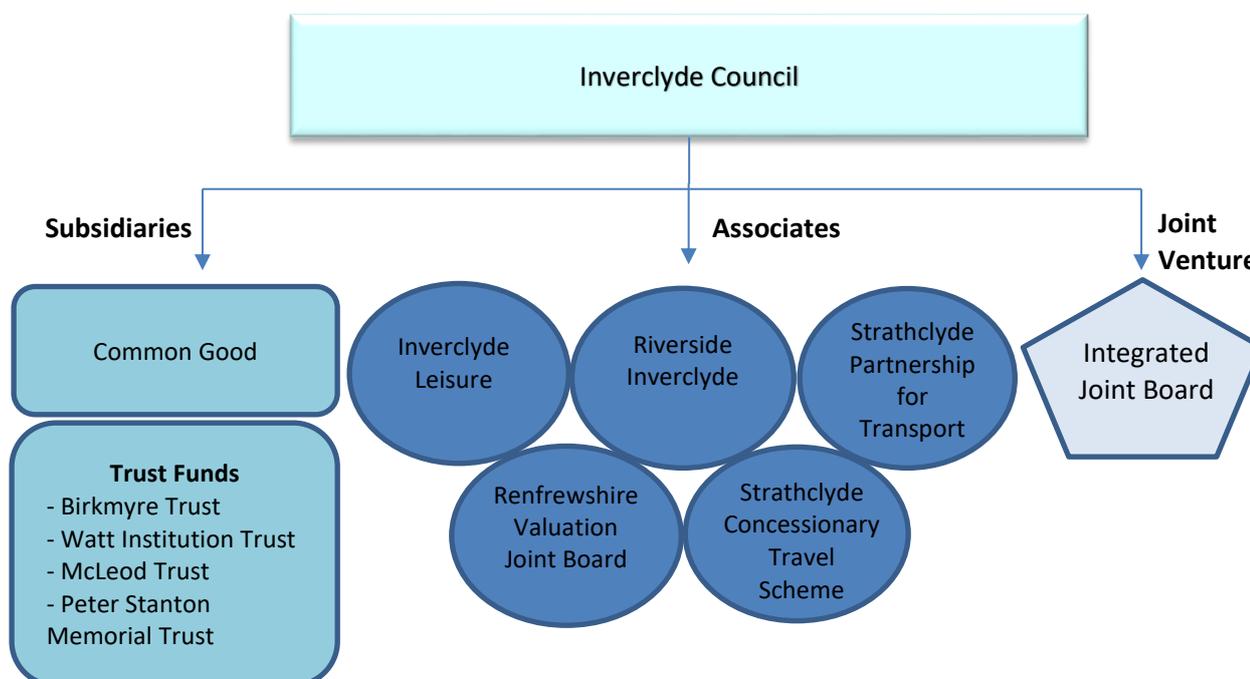
Glenpark Early Learning Centre

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. It must be recognised though that this Finance Strategy is prepared some 3 months into the Covid-19 lockdown.

5. Supplementary Information

Inverclyde Council Group

The Code of Practice on local Authority Accounting in the United Kingdom 2019/20 (the Code) requires the Council to prepare group accounts where the Council has material interests in subsidiaries, associates and/or joint ventures. The group Accounts consolidate the results of the entities shown in the diagram below. The impact of the inclusion of these bodies in the Group Balance sheet is to increase both net assets and total reserves by £25.210 million representing the Council's share of the net assets in these entities. Further details about the associates and joint arrangements in the Inverclyde Council group and their financial results can be found on pages 77 to 82.



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 2017/21, its Mainstreaming Report 2019, and its Education Mainstreaming Report 2017-2021 can be found on its website at <https://www.inverclyde.gov.uk/council-and-government/equality-and-diversity>.

Consultation and Communication with Workforce

Inverclyde Council has in place employee governance arrangements to ensure its employees are well informed, involved in decisions, appropriately trained, treated fairly and consistently and provided with a safe environment.

The Council carries out periodic employee surveys, the last one being undertaken in 2018, and seeks the views of the workforce through regular consultations with staff and trade unions. Inverclyde Council is an accredited Living Wage Employer and was voted the Best Government Services Employer in the UK in the Bloomberg Best Employer Awards 2016.

Events after the Balance Sheet Date

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

6. Where to Find More Information

In This Publication

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

On Our Website

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

On Group Entities' Websites

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

Statement of Responsibilities for the Annual Accounts

1. The Council's Responsibilities

The Council is required to:

- (i) Make arrangements for the proper administration of its financial affairs and to ensure that 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 30 June 2020.

Signed on behalf of Inverclyde Council

Cllr Stephen McCabe

Leader of the Council

Date: 30 June 2020

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 2020.

Alan Puckrin C.P.F.A

Chief Financial Officer

Date: 30 June 2020

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 seven 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 Plan. 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 2020 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 of the Council is detailed in the Council's Corporate Plan which sets out the key outcomes the Council is committed to delivering with its partners, as set out in the Inverclyde Local Outcomes Improvement Plan. Services are able to demonstrate how their own activities link to the Council's vision and outcomes through their Corporate Directorate Improvement Plans. These were reviewed and updated during 2019/2020. Performance management and monitoring of service delivery is reported principally through the Policy & Resources Committee and to other Committees 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 seven 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 2019-2020 assessments and to identify actions they proposed to take during 2020-2021 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.

Covid-19

The significant incident in late March 2020 and the Council's management as a Category 1 responder during the COVID-19 pandemic tested how well the risk management, governance and internal controls framework is operating. There were examples of innovations, new business processes and solutions, and new technology being embraced in order to deliver services to the community in its role as a Category 1 responder to carry out the following three essential functions: Caring for the Vulnerable; Liaising with Resilience Partners; and Supporting Economic Recovery. This was achieved using amended governance arrangements, new ways of decision-making, leadership and implementation including virtual meetings, conference calls, and systems remote access.

With significant disruption to how services are currently being delivered and are likely to continue in the short and medium term, the CMT are developing plans to capture the shift from business as usual activity and ensure the Council can continue to meet requirements and achieve the strategic priorities set out in the Corporate Plan. This planning activity will take into consideration learning from the first phase of responding to the pandemic and engaging with key stakeholders in planning future service provision.

The financial impact of implementing the required changes to services and service delivery models (e.g. to support social distancing requirements, support staff with the appropriate PPE and manage the new and changing levels of need and demand)

is significant and likely to be ongoing and evolving. A detailed decision log is being maintained and scrutinised by senior management and Elected Members, including approval requirements of any decisions with financial implications for the Council. It will be important for the Council, at the appropriate time, to carry out a post-incident review and highlight any lessons learned.

There were no other significant governance issues identified by the review but a number of issues worthy of noting were identified and are detailed in Section 7 together with progress made in implementing improvement actions identified during 2018-2019. 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 improvement 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 2017 (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 2019-2020 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 2019-2020 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 2017".

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 generally satisfactory. The table below sets out three improvement actions to the governance framework which were identified from the Council's ongoing review and monitoring of the effectiveness of its governance arrangements. These represent corporate initiatives that will be further progressed during 2020-2021.

	Where are we now?	Where do we want to be?	How will we know we are getting there?	Who is responsible?
1	The significant incident in late March 2020 and the Council's management as a Category 1 responder during the COVID-19 pandemic tested how well the risk management, governance and internal controls framework is operating.	The council maintains strong arrangements for response and recovery in relation to significant events.	A post-incident review will be carried out in relation to the COVID-19 pandemic highlighting any lessons learned which will inform future response and recovery arrangements.	Chief Executive October 2020
2	Team Leaders and above are not undertaking relevant training in line with agreed training matrix. The Workforce Information and Activity Report (WIAR) has provided some focus in this area however there is currently no reporting in place of levels of compliance within the Directorates at individual course/staff level. In addition, not all employees have had performance appraisals carried out. A number of appraisals planned in March were impacted by the COVID-19 Pandemic resulting in the meetings being cancelled.	Training matrix for team leaders and above is implemented across all services. Performance appraisals are carried out on a regular basis for employees.	A report will be prepared for CMT outlining the approach to performance appraisals for 2020/2021 which will include the approach to be taken for those appraisals which were not completed for 2019/2020. It is expected that performance appraisals for 2019/2020 will be completed by end of September 2020. In addition, the report will cover the approach to be taken in relation to mandatory training for Team Leaders and above that will form part of the performance appraisal process going forward.	Head of Organisational Development, Policy and Communications August 2020
3	BCS framework has been developed and is being implemented within all Education establishments. Schools are following the policy for the disposal of hard copy records, however work needs to be done on the disposal of electronic records.	BCS framework is implemented across all Education Establishments.	This will be incorporated into the move over to the corporate network.	Head of Education March 2021

In addition, the status of action plans from 2018-2019 Annual Governance Statement (AGS) is set out in the undernoted table:

	Agreed Action	Status at 31/3/20	Further Action	Who is responsible?
1	More detailed reporting on individual course uptake by senior managers will be provided to Heads of Service on a quarterly basis for review and action.	Partially implemented. The WIAR report has provided some focus in this area however there is currently no reporting in place of levels of compliance within the Directorates at individual course/staff level.	This has been highlighted as an issue during 2019-2020 and an action plan is in place to address this issue.	Link to AGS Action Point 2 for 2019/2020.
2	Services have identified relevant information assets which are being collated into a corporate information asset register. Arrangements are being put in place to allow file sharing for all services for ease of access to and update of the information.	Complete		

8. Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2019-2020 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

30 June 2020

Aubrey Fawcett
Chief Executive

30 June 2020

1. Introduction

The Local Authority Accounts (Scotland) Regulations 2014 (SSI No. 2014/200) require local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts.

All information disclosed in the tables in this Remuneration Report, with the exception of the Tiered Contribution Pay Rates table on Page 24, will be audited by Audit Scotland. The other sections of the Remuneration report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

2. Remuneration of 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 2017. In 2019-2020 Councillors received a 2.8% pay increase. The salary for the Leader of the Council is £29,119 per annum (2018-2019 £28,326) and for the Provost is £21,840 per annum (2018-2019 £21,245).

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 £172,608 per annum (2018-2019 £172,073) and whose salaries individually must be on a specified scale, currently £17,470 to £21,840 (2018-2019 £16,994 to £21,245). 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 25 May 2017 the Council approved that Inverclyde Council would have up to 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 £19,655 per annum (2018-2019 £19,120).

3. Remuneration of 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. Inverclyde Council does not pay bonuses or performance related pay. Senior Officers received a 3% award in 2019-20.

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 2020. The table below contains remuneration details for those persons who were Senior Officers in 2019-2020.

Remuneration Report

Senior Officers	Year ended 31 March 2020			2018-2019	
	Gross Salary	Other Fees and Allowances	Taxable Expenses	Total Remuneration	Total Remuneration
	£	£	£	£	£
Fawcett A: Chief Executive	124,667	5,670	0	130,337	118,312
Allan, R S: Corporate Director Environment, Regeneration & Resources	114,284	300	0	114,584	107,769
Binks R: Corporate Director Education, Communities & Organisational Development (2)	114,645	150	0	114,795	99,741
Long, L: Corporate Director, Health and Social Care Partnership (1)	114,308	1,835	78	116,221	109,475
Malone, G: Head of Legal & Property Services	93,699	5,400	0	99,099	87,790
Puckrin, A: Chief Financial Officer	93,699	400	0	94,099	87,790
Totals	655,302	13,755	78	669,135	610,877

(1) L Long is the Chief Officer of Inverclyde HSCP, 50% of her salary was funded by NHS Greater Glasgow & Clyde.

(2) Other Fees and Allowances include election payments which are reimbursed by the Cabinet Office.

4. 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 2020.

Leader of the Council, Provost and Senior Councillors	Year ended 31 March 2020			2018-2019	
	Gross Salary	Taxable Expenses	Total Remuneration	Total Remuneration	Total Remuneration
	£	£	£	£	£
Ahlfeld, R: Chair, Licensing Board	19,655	0	19,655	19,120	19,120
Brennan, M: Provost	21,840	0	21,840	21,403	21,403
Clocherty, J: Depute Leader of the Council and Convener, Education & Communities	19,655	0	19,655	19,120	19,120
Dorrian, G: Chair, General Purposes	19,655	202	19,857	19,588	19,588
McCabe, S: Leader of the Council	29,119	340	29,459	28,648	28,648
McCormick, M: Convener, Environment & Regeneration	19,655	0	19,655	19,120	19,120
McEleny, C: Leader of the Opposition	19,655	0	19,655	19,120	19,120
Moran, R: Convener, Health & Social Care	19,655	54	19,709	19,204	19,204
Rebecchi, L: Convener, Audit	19,655	0	19,655	19,120	19,120
Wilson, D: Chair, Planning	19,655	356	20,011	19,421	19,421
Totals	208,199	952	209,151	203,864	203,864

- 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.
- No Senior Councillor received any remuneration from a subsidiary of the Council as a representative of the Council.

5. 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.

Remuneration Report

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 2019-2020 and 2018-2019 are shown below.

Tiered Contribution Pay Rates

Full Time Equivalent (FTE) Pensionable Pay (2019-2020)	Rate (%)
On earnings up to and including £21,800	5.50%
On earnings above £21,800 and up to £26,700	7.25%
On earnings above £26,700 and up to £36,600	8.50%
On earnings above £36,600 and up to £48,800	9.50%
On earnings above £48,800	12.00%

Full Time Equivalent (FTE) Pensionable Pay (2018-2019)	Rate (%)
On earnings up to and including £21,300	5.50%
On earnings above £21,300 and up to £26,100	7.25%
On earnings above £26,100 and up to £35,700	8.50%
On earnings above £35,700 and up to £47,600	9.50%
On earnings above £47,600	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 2020 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 2019-2020.

Remuneration Report

Senior Officers	Accrued Pension Benefits		Change in Accrued Benefits		Pension Contributions made by Inverclyde		Length of Service at 31 March 2020 (years/days)
	as at 31 March 2020		since 31 March 2019		2019-2020	2018-2019	
	Pension £	Lump Sum £	Pension £	Lump Sum £	£	£	
Fawcett, A: Chief Executive	58,481	100,531	4,154	3,186	24,055	22,801	32/270
Allan, R S: Corporate Director Environment, Regeneration & Resources	59,815	112,554	4,001	3,567	21,998	20,799	37/235
Binks, R: Corporate Director Education, Communities & Organisational Development	9,061	0	2,428	0	22,068	19,250	4/247
Long, L: Corporate Director Health and Social Care Partnership	15,970	0	2,536	0	22,328	21,073	15/48
Malone, G: Head of Legal & Property Services	48,458	88,786	3,241	2,814	18,036	16,943	36/262
Puckrin, A: Chief Financial Officer	46,175	81,938	3,169	2,597	18,036	16,943	34/268
Totals	237,960	383,809	19,529	12,164	126,521	117,809	

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 2020		since 31 March 2019		2019-2020	2018-2019
	Pension £	Lump Sum £	Pension £	Lump Sum £	£	£
Ahlfeld, R: Chair, Licensing Board	4,024	0	441	0	3,793	3,690
Brennan, M: Provost	2,924	0	481	0	4,215	4,100
Clocherty, J: Depute Leader of the Council and Convener, Education & Communities	4,752	1,557	454	30	3,793	3,690
Dorrian, G: Chair, General Purposes	4,627	1,485	461	34	3,793	3,690
McCabe, S: Leader of the Council	5,564	0	73	0	5,620	5,467
McCormick, M: Convener, Environment & Regeneration	4,647	944	442	14	3,793	3,690
McEleny, C: Leader of the Opposition	959	0	454	0	3,793	3,690
Moran, R: Provost, Convener, Health & Social Care	4,961	1,621	448	27	3,793	3,690
Wilson, D: Chair, Planning	4,751	1,556	454	130	3,793	3,690
Totals	37,209	7,163	3,708	235	36,386	35,397

Notes:

1. Councillor Rebecchi is not a member of the Pension Scheme.

Remuneration Report

6. Councillors' Remuneration

The Council paid the salaries, allowances and expenses to Councillors (including the Senior Councillors above) detailed in the table below for 2019-2020. 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

<u>All Councillors (Information from public record)</u>	2019-2020	2018-2019
	£	£
Salaries	419,924	405,345
Travel costs - reimbursed	4,719	5,227
Travel costs - paid directly by the Council	2,407	1,390
Subsistence expenses - accommodation	90	187
Subsistence expenses - meals	43	38
Training and conferences - paid directly by the Council	3,870	5,505
Telephone and ICT expenses - reimbursed	1,236	1,382
Telephone and ICT expenses - paid directly by the Council	2,321	2,889
Other allowances and expenses	4,436	3,766
Totals	439,046	425,729

7. 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 2019-2020 in bands of £5,000; the details of the number of those employees who left the employment of the Council during 2019-2020; and the details of the number of those employees who were part or fully funded by other bodies.

<u>Officers over £50,000</u>	Number of Employees		Left during	Part funded or fully funded by
Remuneration Bands	2019-2020	2018-2019	2019-2020	other organisations
£50,000 - £54,999	93	54	1	0
£55,000 - £59,999	45	17	2	4
£60,000 - £64,999	30	4	2	2
£65,000 - £69,999	16	3	3	0
£70,000 - £74,999	3	3	2	1
£75,000 - £79,999	3	8	1	0
£80,000 - £84,999	4	1	0	0
£85,000 - £89,999	3	3	0	1
£90,000 - £94,999	2	1	0	1
£95,000 - £99,999	2	1	1	0
£100,000 - £104,999	0	0	0	0
£105,000 - £109,999	0	2	0	0
£110,000 - £114,999	2	0	0	0
£115,000 - £119,999	1	1	0	1
£120,000 - £124,999	0	0	0	0
£125,000 - £129,999	1	0	0	0
Totals	205	98	12	10

Remuneration Report

8. 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.

(a) 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 [(b) + (c)]		(e) Total cost of exit packages in each band	
	2019-2020	2018-2019	2019-2020	2018-2019	2019-2020	2018-2019	£'s 2019-2020	£'s 2018-2019
	£0 - £20,000	0	0	11	24	11	24	103,627
£20,001 - £40,000	0	0	3	7	3	7	79,767	161,647
£40,001 - £60,000	0	0	3	1	3	1	149,396	50,056
£60,001 - £80,000	0	0	1	2	1	2	71,377	146,007
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
Total	0	0	18	34	18	34	404,167	606,944

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 2019-2020. The above table includes £0.280 million liabilities relating to these releases (2018-2019 £0.567 million).

Cllr Stephen McCabe

Leader of the Council

Aubrey Fawcett

Chief Executive

Trade Union Facility Time

Inverclyde Council recognises six trade unions for the purpose of collective bargaining, Unison, GMB, Unite, EIS, UCATT and SSTA.

There were 17 staff members who were trade union officials during 2019-2020 (2018-2019: 19 staff).

Percentage of time spent on facility time

Percentage of time	Number of Employees 2019-2020	Number of Employees 2018-2019
0%	0	0
1% - 50%	15	17
51% - 99%	1	1
100%	1	1

The total cost of facility time amounted to 0.07% (2018-2019: 0.06%) of the total pay bill, including gross amounts spent on wages, pension contributions and national insurance contributions. 6.81% of the total paid facility time hours was spent on trade union activities (2018-2019: 8.03%).

Expenditure and Funding Analysis

Note 1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (Government Grants, Council Tax and Non-Domestic 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 & Expenditure Statement.

Expenditure and Funding Analysis 2019-2020

	Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Adjustment to Insurance Fund	Net Expenditure in the Comprehensive Income & Expenditure Statement
	£000	£000	£000	£000
Education	83,882	8,942	(161)	92,663
Communities	5,002	2,560	(18)	7,544
Environment & Regeneration	23,498	6,390	(126)	29,762
Health & Social Care	50,887	6,525	(66)	57,346
Policy & Resources	14,307	848	(3)	15,152
Net Cost of Services	177,576	25,265	(374)	202,467
(Gain)/Loss on disposal of non-current assets	0	206	0	206
Financing and Investment (Income) and Expenditure (Note 4)	18,639	(2,739)	374	16,274
Taxation and Non-specific Grant Income (Note 5)	(198,189)	(16,249)	0	(214,438)
(Surplus) or Deficit on the Provision of Services	(1,974)	6,483	0	4,509
Opening General Fund balance at 1 April 2019	34,756			
Transfer (to)/from Other Statutory Reserves	1,253			
Surplus/(Deficit) on General Fund in the year	1,974			
Closing General Fund balance at 31 March 2020	37,983			

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

2019-2020	Adjustments for Capital purposes	Net change to Pension adjustments	Other differences	Total adjustments
	£000	£000	£000	£000
Education	10,005	4,593	(5,656)	8,942
Communities	2,182	38	340	2,560
Environment & Regeneration	4,555	2,614	(779)	6,390
Health & Social Care	897	5,394	235	6,526
Policy & Resources	564	(158)	441	847
Net Cost of Services	18,203	12,481	(5,419)	25,265
Other operating expenditure	206	0	0	206
Financing and Investment (Income) and Expenditure	(6,028)	3,387	(98)	(2,739)
Taxation and Non-specific Grant Income	(16,249)	0	0	(16,249)
Difference between General Fund (Surplus)/Deficit and Comprehensive Income & Expenditure Statement (Surplus)/Deficit on the Provision of Service	(3,868)	15,868	(5,517)	6,483

Expenditure and Funding Analysis

Comparative Figures for 2018-2019

	Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis Restated	Adjustments to Insurance Fund	Net Expenditure in the Comprehensive Income & Expenditure Statement Restated
	£000	£000	£000	£000
Education	81,538	7,008	(133)	88,413
Communities	5,414	3,492	(15)	8,891
Environment & Regeneration	27,596	2,252	(95)	29,753
Health & Social Care	49,844	4,169	(57)	53,956
Policy & Resources	14,326	9,119	5	23,450
Net Cost of Services	178,718	26,040	(295)	204,463
(Gain)/Loss on disposal of non-current assets	0	192	0	192
Financing and Investment (Income) and Expenditure (Note 4)	20,609	(3,313)	295	17,591
Taxation and Non-specific Grant Income (Note 5)	(189,879)	(11,553)	0	(201,432)
(Surplus) or Deficit on the Provision of Services	9,448	11,366	0	20,814
Opening General Fund balance at 1 April 2018	43,286			
Transfer (to)/from other statutory reserves	918			
Surplus/(Deficit) on General Fund in the year	(9,448)			
Closing General Fund balance at 31 March 2019	34,756			

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

2018-2019	Adjustments for Capital purposes Restated	Net change to Pension adjustments	Other differences	Total adjustments
	£000	£000	£000	£000
Education	9,426	3,405	(5,822)	7,009
Communities	3,175	208	108	3,491
Environment & Regeneration	1,116	2,020	(884)	2,252
Health & Social Care	(83)	4,130	122	4,169
Policy & Resources	803	7,836	480	9,119
Net Cost of Services	14,437	17,599	(5,996)	26,040
Other operating expenditure	192			192
Financing and Investment (Income) and Expenditure	(7,505)	2,457	1,735	(3,313)
Taxation and Non-specific Grant Income	(11,553)			(11,553)
Difference between General Fund (Surplus)/Deficit and Comprehensive Income & Expenditure Statement (Surplus)/Deficit on the Provision of Service	(4,429)	20,056	(4,261)	11,366

Expenditure and Funding Analysis

Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment (income) and expenditure** – the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied in the year. The Taxation and Non-specific Grant Income line is credited with capital grants receivable in the year without conditions or for those which conditions were satisfied in the year.

Changes for Pension Adjustments

Net change for the removal of pension contributions and addition of IAS19 Employee Benefits pension related expenditure and income:

- **For services** – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with the current service costs and past service costs.
- **For financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income & Expenditure Statement.

Other Differences

Other Statutory Adjustments

Other statutory adjustments between amounts debited/credited to the Comprehensive Income & Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For financing and investment (income) and expenditure** – the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

Other Non-Statutory Adjustments

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the CIES:

- **For financing and investment (income) and expenditure** the other non-statutory adjustment column recognises adjustments to service segments, e.g. for interest income and expenditure and changes in the fair values of investment properties.

Expenditure and Funding Analysis

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:

	2019-2020	2018-2019
	£000	£000
Expenditure		
Employee Benefits Expenses	141,197	137,817
Depreciation, Amortisation, Impairment	20,530	19,327
Payment to IJB	50,722	49,653
Other Service Expenses	192,175	123,343
Interest Payments	16,274	17,591
(Gain) or Loss on the Disposal of Assets	206	192
Total Expenditure	421,104	347,923
Income		
Fees, Charges and Other Service Income	(109,299)	(36,456)
Payment from IJB	(50,722)	(49,653)
Income from Council Tax	(32,248)	(28,900)
Government Grants and Contributions	(224,326)	(212,100)
Total Income	(416,595)	(327,109)
(Surplus)/Deficit on the Provision of Service	4,509	20,814

Segmental Income

Income received on a segmental basis is analysed below:

	2019-2020	2018-2019
	Income from Services	Income from Services
	£000	£000
Services		
Education	(19,677)	(16,546)
Communities	(291)	(355)
Environment & Regeneration	(19,204)	(18,974)
Health & Social Care	(76,450)	(72,710)
Policy & Resources	(27,931)	(29,303)
Total Income Analysed on a Segmental Basis	(143,553)	(137,888)

Comprehensive Income & Expenditure Statement

The Comprehensive Income & 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*.

2018-2019				2019-2020		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
98,481	(10,068)	88,413	Education	105,889	(13,226)	92,663
9,238	(347)	8,891	Communities	7,827	(283)	7,544
42,963	(13,210)	29,753	Environment & Regeneration	43,160	(13,398)	29,762
126,666	(72,710)	53,956	Health & Social Care	133,796	(76,450)	57,346
51,942	(28,492)	23,450	Policy & Resources	42,349	(27,197)	15,152
329,290	(124,827)	204,463	Cost of Services	333,021	(130,554)	202,467
		192	Other Operating Expenditure and (Income) -			
			(Gain)/Loss on disposal of non-current assets			206
		17,591	Financing and Investment (Income) and			
			Expenditure (Note 4)			16,274
		(201,432)	Taxation and Non-specific Grant			
			Income (Note 5)			(214,438)
		20,814	(Surplus) or Deficit on the Provision of Services			4,509
		(3,140)	(Surplus) or deficit on the revaluation of non current			0
			assets			
		1,920	Impairment losses on non-current assets charged to the			
			Revaluation Reserve			44
		32,484	Remeasurement of the net defined benefit pensions			
			liability (Note 16)			(59,086)
		31,264	Other Comprehensive (Income) and Expenditure			(59,042)
		52,078	Total Comprehensive (Income) and Expenditure			(54,533)

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 2019

31 March 2020

£000		Note	£000
491,501	Property, Plant & Equipment	7	496,319
18,059	Heritage Assets	10	18,059
115	Intangible Assets		61
2,492	Long-term Debtors	11	1,717
512,167	Non-current Assets		516,156
5,036	Short-term Investments	20	0
250	Assets Held for Sale	8	375
313	Inventories		343
9,572	Short-term Debtors	11	16,689
12,809	Cash and Cash Equivalents	12	29,268
27,980	Current Assets		46,675
(17,276)	Short-term Borrowing	20	(17,055)
(37,611)	Short-term Creditors	13	(33,939)
(511)	Short-term Provisions	14	(402)
(1,711)	Short-term Finance Leases	15	(1,745)
(57,109)	Current Liabilities		(53,141)
(182,562)	Long-term Borrowing	20	(199,501)
0	Government Grants Deferred		0
	Other Long-term Liabilities:		
(60,772)	Finance Leases	15	(58,948)
(134,812)	Pensions	16	(91,816)
(378,146)	Long-term Liabilities		(350,265)
104,892	Net Assets		159,425
44,833	Usable Reserves	3	46,671
60,059	Unusable Reserves	18	112,754
104,892	Total Reserves		159,425

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

Issued on: 30 June 2020

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 2020

	Usable Reserves						Unusable Reserves	Total Reserves of the Council
	General Fund Balance	Capital Grants and Receipts Unapplied Account	Capital Fund	Repairs & Renewal Fund	Insurance Fund	Total Usable Reserves		
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2019 Carried Forward	34,756	0	2,235	3,256	4,586	44,833	60,059	104,892
Movement in Reserves during 2019-2020								
Total Comprehensive Income & Expenditure	(4,509)	0	0	0	0	(4,509)	59,042	54,533
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 2)	6,483	0	0	0	0	6,483	(6,483)	0
Net Increase or (Decrease) before								
Transfers to Other Statutory Reserves	1,974	0	0	0	0	1,974	52,559	54,533
Transfers (to) and from Other Statutory Reserves	1,253	1,118	(1,890)	82	(699)	(136)	136	0
Increase or (Decrease) in the Year	3,227	1,118	(1,890)	82	(699)	1,838	52,695	54,533
Balance at 31 March 2020 Carried Forward	37,983	1,118	345	3,338	3,887	46,671	112,754	159,425

Comparative Figures for Year ended 31 March 2019

	Usable Reserves						Unusable Reserves	Total Reserves of the Council
	General Fund Balance	Capital Grants and Receipts Unapplied Account	Capital Fund	Repairs & Renewal Fund	Insurance Fund	Total Usable Reserves		
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2018 Carried Forward	43,286	0	3,169	3,249	4,291	53,995	102,975	156,970
Movement in Reserves during 2018-2019								
Total Comprehensive Income & Expenditure	(20,814)	0	0	0	0	(20,814)	(31,264)	(52,078)
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 2)	11,366	0	0	0	0	11,366	(11,366)	0
Net Increase or (Decrease) before								
Transfers to Other Statutory Reserves	(9,448)	0	0	0	0	(9,448)	(42,630)	(52,078)
Transfers (to) and from Other Statutory Reserves	918	0	(934)	7	295	286	(286)	0
Increase or (Decrease) in the Year	(8,530)	0	(934)	7	295	(9,162)	(42,916)	(52,078)
Balance at 31 March 2019 Carried Forward	34,756	0	2,235	3,256	4,586	44,833	60,059	104,892

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.

2018-2019 £000		2019-2020 £000
(20,814)	Net surplus or (deficit) on the provision of services	(4,509)
43,053	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements (Note 26)	26,672
(2,188)	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities (Note 26)	4,924
20,051	Net cash inflow from Operating Activities (Note 26)	27,087
(9,892)	Investing Activities (Note 27)	(25,668)
(11,886)	Financing Activities (Note 28)	15,040
(1,727)	Net increase or (decrease) in cash and cash equivalents	16,459
14,536	Cash and cash equivalents at the beginning of the reporting period	12,809
12,809	Cash and cash equivalents at the end of the reporting period (Note 12)	29,268

Notes to the Principal Financial Statements

Note 2 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 2018-2019 are provided in an additional table for the purposes of comparison.

2019-2020	Usable Reserves		Corresponding Adjustments to Unusable Reserves					Net Movement in Unusable Reserves £000
	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	
Charges for depreciation and impairment of non-current assets	20,467				(20,467)			(20,467)
Amortisation of intangible assets	63				(63)			(63)
Capital grants and contributions applied	(16,249)				16,249			16,249
Capital expenditure charged in-year to the General Fund balance.	(2,327)				2,327			2,327
Net gain or (loss) on non-current asset disposals	206				(206)			(206)
Statutory provision for the principal repayment of loan charges	(12,166)				12,166			12,166
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(98)					98		98
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 16)	30,102			(30,102)				(30,102)
Employers' pension contributions payable in the year	(14,012)			14,012				14,012
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	497						(497)	(497)
Total Adjustments	6,483	0	0	(16,090)	10,006	98	(497)	(6,483)

Notes to the Principal Financial Statements

Comparative Information 2018-2019

2018-2019	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	19,251				(19,251)			(19,251)
Amortisation of intangible assets	76				(76)			(76)
Capital grants and contributions applied	(11,553)				11,553			11,553
Capital expenditure charged in-year to the General Fund balance.	(4,890)				4,890			4,890
Net gain or (loss) on non-current asset disposals	192				(192)			(192)
Statutory provision for the principal repayment of loan charges	(13,214)				13,214			13,214
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	1,735					(1,735)		(1,735)
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 16)	33,181			(33,181)				(33,181)
Employers' pension contributions payable in the year	(13,125)			13,125				13,125
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	(287)						287	287
Total Adjustments	11,366	0	0	(20,056)	10,138	(1,735)	287	(11,366)

Note 3 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 & Renewals 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 2018	Transfers Out 2018-2019	Transfers In 2018-2019	Balance at 31 March 2019	Transfers Out 2019-2020	Transfers In 2019-2020	Balance at 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
Earmarked Reserves:							
Digital Strategy	217	(20)	0	197	(59)	200	338
School Estate Management Plan	3,138	(1,206)	0	1,932	(1,264)	0	668
Contribution to Riverside Inverclyde	2,222	(1,254)	0	968	(842)	0	126
Miscellaneous Policy & Resources Committee Reserves	1,450	(654)	315	1,111	(37)	325	1,399
Miscellaneous Environment & Regeneration Committee Reserves	1,326	(611)	499	1,214	(378)	560	1,396
City Deal	331	(50)	400	681	0	345	1,026
Renewal of Clune Park Area	1,542	(107)	850	2,285	(81)	90	2,294
Asset Management Plan	707	(133)	0	574	(1,910)	1,504	168
Spend to Save	0	0	0	0	(23)	500	477
Major Events 2019-2021	345	(195)	0	150	(10)	0	140
Community Fund	350	(6)	0	344	(185)	0	159
Early Retiral/Voluntary Severance Reserve	4,240	(602)	0	3,638	(525)	0	3,113
Revenue Contribution to Capital Programme	4,702	(4,702)	1,365	1,365	(1,665)	6,358	6,058
Miscellaneous Education & Communities Reserves	1,076	(528)	513	1,061	(574)	571	1,058
Vehicle Replacement Programme	230	(37)	0	193	(1,086)	1,071	178
Equal Pay	1,739	(484)	0	1,255	(434)	0	821
Youth Employment	545	(82)	170	633	(178)	0	455
Repopulating/Promoting Inverclyde	618	(23)	0	595	(65)	0	530
Beacon Arts Centre	120	(65)	0	55	(88)	120	87
Temporary Use of Reserves - Revenue Budget	3,000	(340)	340	3,000	0	0	3,000
Anti Poverty Fund	1,500	(234)	36	1,302	(296)	138	1,144
Loans Charges Reserve	6,496	(1,410)	1,000	6,086	(1,936)	0	4,150
Roads Defects & Drainage Works	204	(204)	200	200	(200)	0	0
General Revenue Grant 2017-2018	523	(523)	0	0	0	0	0
Pay and Grading Costs 2019/20	0	0	830	830	(830)	0	0
Climate Change	0	0	0	0	0	500	500
2019/20 Early Years Funding	0	0	0	0	0	2,043	2,043
Employability / Business Support	0	0	0	0	0	600	600
Resilience Insurance Claims	0	0	0	0	0	750	750
Total Earmarked Reserves	36,621	(13,470)	6,518	29,669	(12,666)	15,675	32,678
Non-earmarked balance	6,665	(1,578)	0	5,087	0	218	5,305
Total General Fund Balance	43,286	(15,048)	6,518	34,756	(12,666)	15,893	37,983
Capital Fund	3,169	(934)	0	2,235	(1,890)	0	345
Repairs & Renewal Fund	3,249	0	7	3,256	0	82	3,338
Insurance Fund	4,291	0	295	4,586	(699)	0	3,887
Capital Receipts Unapplied Account	0	0	0	0	0	1,118	1,118
Total Usable Reserves	53,995	(15,982)	6,820	44,833	(15,255)	17,093	46,671

Notes to the Principal Financial Statements

Note 4 Financing and Investment (Income) and Expenditure

	2019-2020	2018-2019
	£000	£000
Interest payable and similar charges:		
- Schools' Public Private Partnership finance lease	4,779	4,726
- Other interest payments and similar charges	8,730	11,138
Net interest on the defined benefit pension liability	3,387	2,457
Interest receivable and similar income	(622)	(730)
Total	16,274	17,591

Note 5 Taxation and Non-specific Grant Income

	2019-2020	2018-2019
	£000	£000
Income from Council Tax	(32,248)	(28,900)
Distribution from Non-Domestic Rates pool	(19,834)	(18,363)
General Revenue Grant	(144,989)	(142,616)
Recognised Capital Grants and contributions	(17,367)	(11,553)
Total	(214,438)	(201,432)

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 (attributable revenue grants) or Taxation and Non-specific Grant Income (non-ring-fenced revenue grants and all capital grants). Where capital grants are credited to the CIES, they are reversed out of the General Fund balance in the Movement in Reserves Statement.

Notes to the Principal Financial Statements

The Council credited the following grants, contributions and donations to the CIES in 2019-2020:

	2019-2020	2018-2019
	£000	£000
Credited to Taxation and Non-specific Grant Income		
General Revenue Grant	(144,989)	(142,616)
Distribution from Non-Domestic Rates pool	(19,834)	(18,363)
General Capital Grant (excludes amounts directly credited to Services)	(9,548)	(7,872)
Capital Grants	(7,819)	(3,680)
Credited to Services		
Housing Benefit	(24,770)	(26,236)
Housing Benefit Administration	(355)	(389)
Other Housing	(2,067)	(1,696)
Community Service Grant	(115)	(121)
Social Work	(3,226)	(2,851)
Education	(11,120)	(7,930)
Employability	(397)	(243)
Other	(86)	(103)
Total	(224,326)	(212,100)

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.

	2019-2020	2018-2019
	£000	£000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year.	253	248
	253	248

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 & 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.

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, depreciated replacement cost or insurance replacement cost has been used as an estimate of current 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 current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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

Assets are assessed at each year-end as to whether there is any indication of 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.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is taken to the Other Operating Expenditure line in the 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 & 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. 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 & 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.

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.

Notes to the Principal Financial Statements

Movement on Balances

The movements on balances for Property, Plant & Equipment (PPE) are shown in the following table. Figures for 2018-2019 are provided in an additional table below for the purposes of comparison.

Movements in 2019-2020

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets not for Sale £000	Assets Under Construction £000	Schools PPP Assets £000	Total PPE £000
Cost or Valuation								
At 1 April 2019	373,391	21,596	86,056	461	3,379	1,790	90,631	577,304
Additions in year	13,247	2,417	5,252	81	103	4,656	42	25,798
Disposals in year	0	(910)						(910)
Revaluation adjustments to Revaluation Reserve	(3,606)							(3,606)
Revaluation adjustments to CIES								0
Reclassifications to/from Held for Sale								0
Other reclassifications	(375)					0		(375)
At 31 March 2020	382,657	23,103	91,308	542	3,482	6,446	90,673	598,211
Depreciation and Impairment								
At 1 April 2019	41,468	15,127	22,466	268	0	0	6,474	85,803
Depreciation charge for the year	10,973	1,610	2,867	12			2,148	17,610
Impairment losses to Revaluation Reserve	(307)							(307)
Impairment losses to CIES	0							0
Depreciation on disposals	(750)	(816)						(1,566)
On Revaluations to Revaluation Reserve	352							352
On Revaluations to CIES	0							0
Reclassifications to/from Held for Sale								0
Other reclassifications	0					0		0
At 31 March 2020	51,736	15,921	25,333	280	0	0	8,622	101,892
Balance Sheet amount at 31 March 2020	330,921	7,182	65,975	262	3,482	6,446	82,051	496,319
Balance Sheet amount at 31 March 2019	331,923	6,469	63,590	193	3,379	1,790	84,157	491,501
Nature of asset holding								
Owned	310,677	7,182	65,975	262	3,482	6,446		394,024
Managed properties	20,244							20,244
PPP							82,051	82,051

Notes to the Principal Financial Statements

Comparative Movements in 2018-2019

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets not for Sale £000	Assets Under Construction £000	Schools PPP Assets £000	Total PPE £000
Cost or Valuation								
At 1 April 2018	344,635	19,536	80,849	325	3,359	9,648	90,608	548,960
Additions in year	17,433	2,875	5,207	136	20	1,093	23	26,787
Disposals in year	(767)	(815)						(1,582)
Revaluation adjustments to Revaluation Reserve	3,139							3,139
Revaluation adjustments to CIES								0
Reclassifications to/from Held for Sale								0
Other reclassifications*	8,951					(8,951)		0
At 31 March 2019	373,391	21,596	86,056	461	3,379	1,790	90,631	577,304
Depreciation and Impairment								
At 1 April 2018	27,230	14,031	19,714	268	0	50	4,328	65,621
Depreciation charge for the year	10,712	1,907	2,752				2,146	17,517
Impairment losses to Revaluation Reserve	1,399							1,399
Impairment losses to CIES	1,860							1,860
Depreciation on disposals	(177)	(811)						(988)
On Revaluations to Revaluation Reserve	521							521
On Revaluations to CIES	(127)							(127)
Reclassifications to/from Held for Sale								0
Other reclassifications*	50					(50)		0
At 31 March 2019	41,468	15,127	22,466	268	0	0	6,474	85,803
Balance Sheet amount at 31 March 2019	331,923	6,469	63,590	193	3,379	1,790	84,157	491,501
Balance Sheet amount at 31 March 2018	317,218	5,505	61,135	57	3,359	9,598	86,280	483,152
Nature of asset holding								
Owned	314,924	6,469	63,590	193	3,379	1,790		390,345
Managed Properties	16,999							16,999
PPP							84,157	84,157

Commitments under Capital Contracts

At 31 March 2020, 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 £8.596 million. Similar contracts at 31 March 2019 were £11.630 million. The major capital commitments include:

	£000
Larkfield & Park Farm Early Years Centre	4,650
Hillend Children's Centre Refurbishment	1,252
Municipal Buildings Clyde Square Re-roofing	1,020

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.

At 31 March 2020, the Council had one asset held for sale valued at £0.375 million (31 March 2019 £0.250 million).

	31 March 2020	31 March 2019
	£000	£000
Opening Balance at 1 April	250	501
Disposals	(250)	0
Assets newly classified as "held for sale": Property, Plant & Equipment	375	0
Revaluation adjustments to Revaluation Reserve	0	(251)
Closing Balance at 31 March	375	250

Notes to the Principal Financial Statements

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.

	2019-2020	2018-2019
	£000	£000
Opening Capital Financing Requirement	307,442	310,422
Capital Investment:		
~ Capital Expenditure	25,805	26,859
~ Leased equipment and Schools PPP assets	0	0
Total Capital Investment for the year	25,805	26,859
Sources of Finance:		
~ Capital receipts from the sale of assets	(273)	(182)
~ Government grants and other contributions	(16,249)	(11,553)
~ Capital from current revenue	(2,327)	(4,890)
~ Loans Fund principal repayment (including finance leases & PPP)	(12,166)	(13,214)
Total Capital Financing for the year	(31,015)	(29,839)
Closing Capital Financing Requirement	302,232	307,442

	2019-2020	2018-2019
	£000	£000
Explanation of movements in the year:		
~ Increase/(Reduction) in underlying need to borrow	(3,420)	(1,504)
~ Increase/(Reduction) in finance leases obligations	0	0
~ Increase/(Reduction) in PPP finance lease creditor	(1,790)	(1,476)
Increase/(Reduction) in Capital Financing Requirement	(5,210)	(2,980)

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: <https://www.inverclyde.gov.uk/community-life-and-leisure/heritage-services/museum/museum-collections>

The carrying value 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 & 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

	2019-2020 Total Assets £000	2018-2019 Total Assets £000
Valuation or Cost		
1 April	18,059	18,059
Revaluations	0	0
31 March	18,059	18,059

Notes to the Principal Financial Statements

Note 11 Debtors

	31 March 2020				31 March 2019			
	Short-term		Long-term		Short-term		Long-term	
	£000	£000	£000	£000	£000	£000	£000	£000
Scottish Government (including NHS bodies)		5,696		0		4,049		0
Central Government bodies		1,433		0		544		0
Other Local Authorities		1,622		0		457		0
Council Tax receivable from tax payers	16,658		0		16,367		0	
Impairment allowance for doubtful debts	(15,443)		0		(15,393)		0	
Council Tax (net of impairment)		1,215		0		974		0
Trade debtors	11,883		0		8,322		0	
Impairment allowance for doubtful debts	(5,213)		0		(4,827)		0	
Trade Debtors (net of impairment)		6,670		0		3,495		0
Other entities and individuals	53		1,717		53		2,492	
Impairment allowance for doubtful debts	0		0		0		0	
Other entities and individuals (net of impairment)		53		1,717		53		2,492
Totals for Short-term and Long-term Debtors		16,689		1,717		9,572		2,492

In March 2013, the Council made a long-term loan of £1.969 million to Inverclyde Property Renovation 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 2020	31 March 2019
	£000	£000
Cash held by the Council	7	6
Bank current accounts	29,261	7,784
Deposits up to three months with UK Banks, Buildings Societies and Local Authorities	0	5,019
Total Cash and Cash Equivalents	29,268	12,809

Notes to the Principal Financial Statements

Note 13 Creditors

Short Term Creditors

	31 March 2020 £000	31 March 2019 £000
Scottish Government (including NHS bodies)	(8,732)	(8,376)
Central Government bodies	(3,436)	(2,770)
Other Local Authorities	(318)	(387)
Trade Creditors	(20,422)	(25,188)
Public Corporations	(504)	(533)
Other Entities & Individuals	(527)	(357)
Total Short-term Creditors	(33,939)	(37,611)

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 Comprehensive Income & Expenditure Statement when the Council has an 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 2019-2020

	Balance at 1 April 2019 £000	Additional Provisions made in 2019-2020 £000	Amounts used in 2019-2020 £000	Unused amounts written back in 2019-2020 £000	Balance at 31 March 2020 £000
Compensation Payments (note 1)	(32)		1		(31)
Municipal Mutual Insurance Claims (note 2)	(297)	0	(74)		(371)
St Stephen's High Demolition (note 3)	(182)		182		0
Total Short-term Provisions	(511)	0	109	0	(402)

Notes to the Principal Financial Statements

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 demolition of the former St Stephen's High School on termination of short-term lease. Previously disclosed as a long-term provision, the final works were completed in 2019-2020.

Note 15 Schools Public Private Partnership

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

The Public Private Partnership 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 & 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 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 2020 (assuming an adjusted inflation rate of 2.70% and excluding any estimation of availability and performance deductions) are as follows:

	Future Payments for services (including lifecycle maintenance)	Repayment of Liability	Finance Interest		Total
	£000	£000	Estimated Inflation	Contingent Rentals	£000
Not later than 1 year	3,709	1,745	3,630	1,115	10,199
Later than 1 year and not later than 5 years	15,507	8,159	13,415	5,591	42,672
Later than 5 years and not later than 10 years	20,931	13,625	13,487	9,628	57,671
Later than 10 years and not later than 15 years	25,875	16,001	9,113	11,864	62,853
Later than 15 years and not later than 20 years	27,995	21,163	3,551	14,353	67,062
Payable within 21 to 25 years	0	0	0	0	0
Total	94,017	60,693	43,196	42,551	240,457

Fair Value of Liability

The treasury advisor to Inverclyde Council has assessed the fair value of the lease liability as £85.7 million. The impact of a 1% increase in the discount factor is assessed at £7.5 million and would reduce the fair value to £78.2 million. More information on the assessment of fair values is available in Note 20 Financial Instruments.

Notes to the Principal Financial Statements

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:

	2019-2020	2018-2019
	£000	£000
Balance outstanding at the start of the year	62,483	63,959
Payments during the year	(1,790)	(1,476)
Capital expenditure incurred in the year	0	0
Balance outstanding at year-end	60,693	62,483
Included in Balance Sheet		
~ Current	1,745	1,711
~ Non-current	58,948	60,772
	60,693	62,483

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 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 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 Career Average Revalued Earnings (CARE) pension scheme has been introduced from 1 April 2015. The pension accrual rate guarantees a pension that is built up at a rate of 1/49th of the pensionable pay in the financial year. The amount built up in the year is transferred to the member's Pension Account and at the end of each financial year the total in the member's Pension Account is adjusted in line with the cost of living to ensure it retains its purchasing power.

- For pension contributions from 2009 to 2015, the pension is based on 1/60th of final pensionable salary and years of service, and prior to 2009, the accrual rate guarantees a pension based on 1/80th and a lump sum based on 3/80th of final pensionable pay and years of pensionable service.
- For contribution from 2009 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 2.

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 2019-2020 and the prior year 2018-2019.

Notes to the Principal Financial Statements

	31 March 2020	31 March 2019
	£000	£000
Comprehensive Income & Expenditure Statement (CIES)		
<i>Cost of Services:</i>		
<i>Service Cost comprising:</i>		
~ Current service cost	26,444	21,825
~ Past service costs (including curtailments)	271	8,899
~ Unfunded benefits	0	0
<i>Financing and Investment Income and Expenditure:</i>		
~ Net interest expense	3,387	2,457
Total Post-employment Benefit charged to (Surplus) or Deficit on the Provision of Services	30,102	33,181
<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	39,547	(18,198)
~ Actuarial (gains) or losses arising on changes in demographic assumptions	(23,915)	0
~ Actuarial (gains) or losses arising on changes in financial assumptions	(70,921)	49,527
~ Actuarial (gains) or losses arising on changes in experience assumptions	(3,797)	1,155
Total Post-employment Benefit Charged to the CIES	(59,086)	32,484
Movement in Reserves Statement (MiRS)		
~ Reversal of net charges made to the (Surplus) or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	73,098	(19,359)
Actual amount charged against the General Fund balance for pensions in the year:		
Employers' contributions payable to Strathclyde Pension Fund	14,012	13,125

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 2020	31 March 2019
	£000	£000
Present value of the defined benefit obligation*	(659,597)	(728,666)
Fair value of pension fund assets	567,781	593,854
Net Liability arising from Defined Benefit Obligation	(91,816)	(134,812)
*Unfunded liabilities included in the figure for present value of liabilities		
~ unfunded liabilities for Pension Fund	(21,741)	(25,098)
~ teachers' unfunded pensions	(13,459)	(15,632)
~ unfunded liabilities prior to 1996 local government reorganisation	(5,336)	(6,592)

Notes to the Principal Financial Statements

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

	2019-2020	2018-2019
	£000	£000
Opening balance at 1 April	(728,666)	(644,216)
Current service cost	(26,444)	(21,825)
Interest cost	(17,630)	(17,610)
Contributions by Pension Fund participants	(3,618)	(3,294)
Re-measurement gains and (losses)		
~ Actuarial gains/(losses) from changes in demographic assumptions	23,915	0
~ Actuarial gains/(losses) from changes in financial assumptions	70,921	(49,527)
~ Actuarial gains/(losses) from changes in experience assumptions	3,797	(1,155)
Past service costs (including curtailments)	(271)	(8,899)
Settlements	0	0
Benefits paid	18,399	17,860
Closing balance at 31 March	(659,597)	(728,666)

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

	2019-2020	2018-2019
	£000	£000
Opening fair value of pension fund assets	593,854	561,944
Interest income	14,243	15,153
Re-measurement gains and (losses):		
~ expected rate of return on pension fund assets	(39,547)	18,198
The effect of changes in foreign exchange rates	0	0
Contributions from employers	14,012	13,125
Contributions from employees into the scheme	3,618	3,294
Benefits paid	(18,399)	(17,860)
Closing fair value of pension fund assets	567,781	593,854

Notes to the Principal Financial Statements

Analysis of Pension Fund's Assets

Inverclyde Council's share of the Pension Fund's assets at 31 March 2020 comprised:

	31 March 2020			31 March 2019		
	Quoted Prices	Prices not	Totals	Quoted Prices	Prices not Quoted	Totals
	in Active	Quoted in Active		in Active	in Active Markets	
	Markets	Markets	Markets	Markets	Markets	
£000	£000	£000	£000	£000	£000	
Cash and cash equivalent	29,229	28,169	57,398	30,571	29,463	60,034
Equity instruments	130,975	343	131,318	136,990	360	137,350
Debt instruments	17,815	0	17,815	18,633	0	18,633
Real Estate	0	51,407	51,407	0	53,768	53,768
Derivatives	12	0	12	12	0	12
Private Equity	0	67,847	67,847	0	70,963	70,963
Investment Funds	186,372	55,612	241,984	194,929	58,165	253,094
Asset-backed Securities	0	0	0	0	0	0
Structured Debt	0	0	0	0	0	0
Total assets	364,403	203,378	567,781	381,135	212,719	593,854

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 2.3%) 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 38 includes a sensitivity analysis for the pension obligation based on possible changes of these assumptions occurring at the reporting date.

	2019-2020	2018-2019
Long-term expected rate of return on assets in the Fund:		
~ Equity Investments	2.7%	2.7%
~ Bonds	2.7%	2.7%
~ Property	2.7%	2.7%
~ Cash	2.7%	2.7%
Rate of inflation	2.0%	2.5%
Rate of increase in salaries	3.0%	3.7%
Rate of increase in pensions	1.9%	2.5%
Rate for discounting Fund liabilities	2.3%	2.4%
Take-up option to convert annual pension into retirement lump sum	50.0%	50.0%
Mortality Assumptions:		
Longevity at 65 for current pensioners (years):		
~ Men	20.7	21.4
~ Women	22.9	23.7
Longevity at 65 for future pensioners (years):		
~ Men	22.2	23.4
~ Women	24.6	25.8

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 2018 to 31 March 2021.

The Local Government Pension Scheme in Scotland moved from 1 April 2015 to a Career Average Revalued Earnings 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 2021 is £11.573 million.

The assumed weighted average duration of the defined benefit obligations is 18.2 years.

Note 17 Post-employment Benefits: Teachers

The Scottish 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 1.2% during the year ended 31 March 2019. The actual contributions for the year ended 31 March 2020 will not be published until October 2020, however the Council assumes that the percentage contribution will be similar to 31 March 2019.

In 2019-2020, Inverclyde Council paid £6.867 million in respect of teachers' retirement benefits, representing 20.5% of pensionable pay. The figures for 2018-2019 were £5.426 million and 17.2%. The Employer Contribution Rate increased from 17.2% to 23.0% from September 2019.

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 pages.

Summary of Year-end Balances

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

	31 March 2020 £000	31 March 2019 £000
Revaluation Reserve	147,276	147,529
Capital Adjustment Account	65,305	54,954
Financial Instruments Adjustment Account	(4,133)	(4,231)
Pensions Reserve	(91,816)	(134,812)
Employee Statutory Adjustment Account	(3,878)	(3,381)
Balance at 31 March	112,754	60,059

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 & equipment. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created.

	2019-2020	2018-2019
	£000	£000
Balance at 1 April	147,529	146,463
Revaluation of non-current assets not posted to the Surplus or (Deficit) on the Provision of Services	0	3,140
Difference between fair value depreciation and historical cost depreciation written off to Capital Adjustment Account	(192)	(154)
Impairments Charged to Revaluation Reserve Account	(44)	(1,920)
Write back Depreciation on Disposal	(17)	
Balance at 31 March	147,276	147,529

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 2 provides a summary of transactions posted to the Account during the year, apart from those involving the Revaluation Reserve.

	2019-2020	2018-2019
	£000	£000
Balance at 1 April	54,954	44,949
Items relating to capital expenditure charged to CIES:		
~ Charges for depreciation and impairment of non-current assets	(20,530)	(19,327)
~ Disposals of non-current assets	(326)	(661)
Transfers from Revaluation Reserve	192	154
Capital financing applied in the year:		
~ Use of the Capital Receipts Reserve to finance new capital expenditure	273	182
~ Capital grants and contributions credited to the CIES that have been applied to capital financing	16,249	11,553
~ Loans Fund principal repayments	12,166	13,214
~ Capital financed from current revenue	2,327	4,890
Balance at 31 March	65,305	54,954

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.

Notes to the Principal Financial Statements

	2019-2020	2018-2019
	£000	£000
Balance at 1 April	(4,231)	(2,496)
Amount by which finance costs charged to the CIES Statement are different from finance costs chargeable in the year in accordance with statutory requirements	98	(1,735)
Balance at 31 March	(4,133)	(4,231)

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 2017 set employer's contribution rates for Inverclyde Council at 19.3% for the period 1 April 2018 to 31 March 2021.

	2019-2020	2018-2019
	£000	£000
Balance at 1 April	(134,812)	(82,272)
Actuarial gains or (losses) on pension assets and liabilities	59,086	(32,484)
Reversal of items relating to net charges for retirement benefits charged to Surplus or (Deficit) on the Provision of Services in the CIES	(30,102)	(33,181)
Employers' pension contributions paid to Strathclyde Pension Fund	14,012	13,125
Balance at 31 March	(91,816)	(134,812)

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.

	2019-2020	2018-2019
	£000	£000
Balance at 1 April	(3,381)	(3,668)
Settlement or cancellation of accrual made at the end of the preceding year	3,381	3,668
Amounts accrued at the end of the current year	(3,878)	(3,381)
Balance at 31 March	(3,878)	(3,381)

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.

Notes to the Principal Financial Statements

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 2019-2020 were £0.146 million (2018-2019: £0.195 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 2020	31 March 2019
	£000	£000
Not later than one year	41	140
Later than one year and not later than five years	67	70
Later than five years	294	311
	<u>402</u>	<u>521</u>

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 2019-2020 was £0.784 million (2018-2019 £0.765 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 2020	31 March 2019
	£000	£000
Not later than one year	746	731
Later than one year and not later than five years	1,270	1,271
Later than five years	1,207	1,212
	<u>3,223</u>	<u>3,214</u>

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

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and (Investment) Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) in addition to any adjustment to the Financial Instrument Adjustment Account and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Expected Credit Loss Model

The authority recognises expected credit losses on all its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors), lease receivables and contract assets held by the authority. 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.

Notes to the Principal Financial Statements

Categories of Financial Instruments

The following categories of financial instruments were carried in the Balance Sheet; all financial instruments are classified as Amortised Cost:

Financial Assets	Non-Current		Current	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Investments				
Loans and receivables	0	0	0	5,036
Cash and Cash Equivalents				
Cash and Cash Equivalents	0	0	29,268	12,809
Debtors				
Loans and receivables (note 1)	1,717	2,492	13,552	6,684
Borrowings				
Financial Liabilities at amortised cost	(199,501)	(182,562)	(17,055)	(17,276)
Other Long Term Liabilities				
PPP and finance lease liabilities	(58,948)	(60,772)	(1,745)	(1,711)
Creditors				
Financial Liabilities at amortised cost (note 2)	0	0	(21,146)	(26,568)

Notes

- Of the items on the Balance Sheet, Short-term Loans and Receivables net of £3.137 million (2018-2019 £2.888m) are not regarded as Financial Instruments.
- Of the items on the Balance Sheet, Short-term Financial Liabilities net of £12.793 million (2018-2019 £11.043m) are not regarded as Financial Instruments.

Reclassifications

The adoption of IFRS 9 has had no impact on the classification of financial assets and they continue to be held as amortised costs as they were under IAS 39. There has been no movement in opening balances as a result of transition to IFRS 9.

Collateral

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

Income, Expense, Gains and Losses

There was interest expenditure of £8.125 million (2018-2019 £8.418 million) and interest income of £0.191 million (2018-2019 £0.237 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, where 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 Code requires 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

Notes to the Principal Financial Statements

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 2020		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and receivables - deposits with banks	0	0	5,036	5,036
Loans and receivables - cash and cash equivalents	29,267	29,267	12,809	12,809
Long-term debtors	1,717	1,717	2,492	2,492
Short-term debtors (at cost)	13,552	13,552	6,684	6,684
TOTAL	44,536	44,536	27,021	27,021

The fair value of loans and receivables – deposits with banks will be higher than the carrying amount where 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 2020		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Borrowing - PWLB & Non-PWLB Debt	216,556	306,003	199,838	298,806
School PPP Lease	60,693	85,731	62,483	91,577
Short-term creditors (at cost)	21,146	21,146	26,568	26,568
TOTAL	298,395	412,880	288,889	416,951

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.

Notes to the Principal Financial Statements

	31 March 2020	31 March 2019
	Level 2	Level 2
	(Other Significant Observable Inputs)	(Other Significant Observable Inputs)
	£000	£000
<i>Recurring fair value measurements using:</i>		
Financial Assets		
Loans & receivables	0	5,036
Total	0	5,036
Financial Liabilities		
Financial Liabilities held at amortised cost		
- PWLB & Non-PWLB Borrowings	306,003	298,806
- PPP Finance Lease Liabilities	85,731	91,577
TOTAL	391,734	390,383

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 2020
- 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 2020 and applying an annuity repayment profile using the PWLB new borrowing rate for a comparable period (20 years) at 31 March 2020.

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 £306.003 million to £474.255 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.

Notes to the Principal Financial Statements

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 four 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 Services. 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 £30.313 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 2020 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 (expected credit loss) of £5.213 million (2018-2019 £4.827 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 £18.765 million of the £20.482 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 2020 £000	31 March 2019 £000
Less than three months	17,866	10,746
Three to six months	133	136
Six months to one year	167	245
More than one year	599	384
	18,765	11,511

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

Notes to the Principal Financial Statements

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 2020 £000	31 March 2019 £000
Less than one year	39,954	45,564
Later than 1 year and not later than 2 years	11,671	6,806
Later than 2 years and not later than 5 years	21,715	31,058
Later than 5 years and not later than 10 years	24,964	14,468
Later than 10 years and not later than 30 years	55,220	48,088
Later than 30 years and not later than 50 years	69,180	67,185
Over fifty years	75,691	75,720
	298,395	288,889

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 45% 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 2020, with all other variables held constant.

	31 March 2020 £000	31 March 2019 £000
Impact on taxpayer		
Increase on interest payable on variable rate borrowings	594	594
Increase in interest receivable on variable rate lending	(303)	(196)
Net effect on Comprehensive Income & Expenditure Statement	291	398
Other presentational changes		
A decrease in the "fair value" of fixed rate borrowing (disclosure confined to the Notes to the Accounts)	(32,336)	(31,049)
	(32,336)	(31,049)

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 and consequently is not exposed to gains or losses arising from

Notes to the Principal Financial Statements

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 5 Taxation and Non-specific Grant Income on pages 40-41.

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 2019-2020 is shown on page 26 within the Remuneration Report. 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 22, are required to declare an interest if he or she believes that there may be a perception that their decision making may be influenced in any way by a personal interest. Interests identified are disclosed in the table below.

Entities Controlled or Significantly Influenced by the Council

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

	2019-2020				2018-2019			
	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	(11)	1,296	(40)	1,441	(11)	1,334	(128)	877
Riverside Inverclyde Limited*1	8	572	47	6	0	3,658	(407)	0
Inverclyde Renovation Limited	0	0	0	0	0	0	0	0
Greenock Arts Guild Ltd (the Beacon Arts Centre)	0	287	0	15	0	276	(9)	0
Inverclyde Community Development Trust	(1)	1,884	(222)	0	(5)	1,834	(395)	4
River Clyde Homes	(242)	899	(29)	0	(274)	975	(39)	3

Notes:

*1 Further details of these entities are disclosed in the Group Accounts Note 30 Combining Entities.
Grants from government are disclosed in Note 5 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 was 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 Benefit Pension Schemes on pages 51-56.

Joint Boards

The Council is a member of the Joint Boards for Valuation, Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme. The Council's contributions are disclosed in the Group Accounts Note 30 Combining Entities on pages 80-81.

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 2019-2020 the Council collected £19.2 million and received £0.953 million to the Non-Domestic Rates pool (2018-2019 £19.9 million and £0.1 million). The Council also bills and collects domestic water and sewerage charges on behalf of Scottish Water with the Council Tax. During 2019-2020 the Council collected and paid over £12.281 million (2018-2019 £12.119 million) and received £0.302 million (2018-2019 £0.302 million) for providing this service.

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.

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, if the Employees' action is successful will result in a liability to the Council.

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

The 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's admission to the Strathclyde Pension Fund. In the event of the organisation ceasing to exist the Council will assume any liability for non-funded costs.

There may be a future liability regarding the change in provision of Regeneration Services and specifically with regards to a Council commitment to underwrite certain projects which Riverside Inverclyde progressed on behalf of the Council.

Notes to the Principal Financial Statements

As a result of a European Commission audit payment of certain European grant claims is suspended at a national level until appropriate corrective action is taken. While the Council is confident that its claims are robust there remains a risk that claims will not be paid. The extent of that risk cannot be quantified at this time.

Due to difficulties with the grant claim process for which the Council is lead partner there is a risk that the Council faces a potential liability in the event that the project does not fully deliver on the agreed outcomes and may not recover the full grant amount.

A Legal ruling regarding transitional provisions in public sector pensions schemes being unlawfully age discriminatory may impact on the pension liability and service cost. The extent of any impact is not known at this stage.

The Council is unaware of any other material contingent asset or liability at 31 March 2020.

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 30 June 2020. 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

	2019-2020	2018-2019
	£000	£000
Net surplus or (deficit) on the Provision of Services	(4,509)	(20,814)
Adjustments to net surplus or (deficit) on the provision of services for non-cash movements		
Depreciation, amortisation & impairment	20,530	19,327
Net (gain) or loss on non-current assets	206	192
Movement in pension liability	16,090	20,056
(Increase) or decrease in inventories	(30)	(129)
(Increase) or decrease in debtors	(6,342)	2,075
Increase or (decrease) in creditors and provisions	(3,782)	1,532
	26,672	43,053
Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities		
Non-cash borrowing movements	(112)	306
Non-cash investing movements	5,036	(2,494)
	4,924	(2,188)
Net cash flow from Operating Activities	27,087	20,051

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

Notes to the Principal Financial Statements

	2019-2020	2018-2019
	£000	£000
Interest received	248	237
Interest paid	(8,258)	(8,457)
Interest element of finance lease and PPP payments	(4,779)	(4,726)
Net cash flow from Servicing of Finance	(12,789)	(12,946)

Note 27 Cash Flow Statement – Investing Activities

	2019-2020	2018-2019
	£000	£000
Purchase of property, plant and equipment and intangible assets	(25,805)	(26,860)
Purchase of short-term and long-term investments	(15,000)	(13,500)
Other payments for investing activities	0	0
Proceeds from sale of property, plant and equipment and intangible assets	137	468
Proceeds from short-term and long-term investments	15,000	30,000
Other receipts from investing activities	0	0
Net cash flows from investing activities	(25,668)	(9,892)

Note 28 Cash Flow Statement – Financing Activities

	2019-2020	2018-2019
	£000	£000
Cash receipts of short-term and long-term borrowing	35,020	8,000
Cash payments for the reduction of the outstanding liabilities relating to finance leases for schools PPP contracts	(1,790)	(1,476)
Repayment of short-term and long-term borrowing	(18,190)	(18,410)
Net cash flows from financing activities	15,040	(11,886)

Note 29 Reconciliation of Liabilities arising from Financing Activities

	2018-2019 1 April	Financing cash flows	Non-cash changes		2019-2020 31 March
	£000	£000	Acquisition	Other non-cash changes	£000
	£000	£000	£000	£000	£000
Long-term borrowings	182,562	16,948	0	(9)	199,501
Short-term borrowings	17,276	(118)	(8)	(95)	17,055
PPP liability	62,483	(1,790)	0	0	60,693
Total liabilities from financing activities	262,321	15,040	(8)	(104)	277,249

Council Tax Income Account

The Council Tax Income Account shows the gross income raised from Council Taxes levied and deductions made under statute. 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.

	2019-2020	2018-2019
	£000	£000
Gross Council Tax levied and contributions in lieu	45,251	43,094
Adjustment: Council Tax Reduction Scheme	(6,586)	(6,383)
Less:		
Other discounts and reductions	(5,909)	(5,764)
Write offs	(15)	(9)
Impairment Allowance for doubtful debts	(976)	(990)
Net Council Tax income	31,765	29,948
Add/(Less) Prior years' Council Tax adjustments	483	(1,048)
Net Council Tax income transferred to General Fund	32,248	28,900

Calculation of the Council Tax Base

	No. Of Dwellings	No. Of Exemptions	*Disabled Transfer to Lower Band	*Disabled Transfer from Higher Band	Discounts 25%	Discounts 10% -50%	Total Effective No. Of Dwellings	Council Tax Reduction Scheme	Proportion of Band D	Band D Equivalents
Band A*				34	10	0	32	9	200/360	13
Band A	18,905	1,247	34	24	8,904	514	15,166	4,934	240/360	6,821
Band B	5,968	248	24	15	2,747	102	4,973	1,266	280/360	2,883
Band C	3,546	100	15	14	1,274	48	3,103	525	320/360	2,292
Band D	3,384	107	14	26	1,110	42	2,991	198	360/360	2,793
Band E	3,597	66	26	17	897	52	3,272	97	473/360	4,172
Band F	1,921	31	17	7	350	33	1,776	37	585/360	2,826
Band G	1,438	14	7	0	219	16	1,354	12	705/360	2,628
Band H	218	5	0	0	24	2	206	0	882/360	505

* 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

Impairment Allowance for doubtful debt at 3%

Council Tax Base

2

24,935

(748)

24,187

Council Tax Income Account

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 2019-2020 was £1,293.05.

£ Per Year

Band A	862.03
Band B	1,005.71
Band C	1,149.38
Band D	1,293.05
Band E	1,698.92
Band F	2,101.21
Band G	2,532.22
Band H	3,167.97

The Council Tax bill is reduced by 25% where a dwelling has only one occupant, by 100% where the property is empty short term, whilst an increased charge of 100% was 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

The Non-Domestic Rates Income 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 2019-2020 was 0.8%. Indicators suggest the Council is not due any additional income for the year.

The amount deemed to be collected locally was £19.834m (£18.363m 2018-2019). The sum actually collected locally and contributed to the pool was £20.159m (£20.040m 2018-2019).

	2019-2020	2018-2019
	£000	£000
Gross rates levied	28,206	28,636
Relief and other remissions	(8,174)	(7,933)
Payment of interest	0	0
Provision for bad and doubtful debts	(826)	(771)
Net non-domestic rate income	19,206	19,932
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	953	108
Net non-domestic rate income transferred to General Fund	20,159	20,040

	2017	2018
	£000	£000
Rateable values at 1 April		
Commercial	27,978	29,193
Industrial / freight transport	6,819	6,868
Others	20,330	21,763
	55,127	57,824

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 £ announced each year by the Scottish Government. For 2019-2020 the charge was 49p in the £ for properties with a rateable value under £51,000. For properties with a rateable value over £51,000 the charge was 51.6p in the £.

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 2020. Each year, applications for funding support are considered by the Council's Policy & Resources Committee.

Summary Income and Expenditure Account for the Year Ended 31 March 2020

2018-2019		Usable Reserves:		Unusable Reserves:		2019-2020
		Revenue	Revaluation	Reserve	Total	
£000		£000	£000	£000	£000	£000
171	Gross Expenditure	184	0	0	184	
(128)	Gross Income	(112)	0	0	(112)	
43	Cost of Service	72	0	0	72	
0	Interest Payable and Similar Charges	0	0	0	0	
0	Interest and Investment Income	0	0	0	0	
0	Financing and Investment Income and Expenditure	0	0	0	0	
43	(Surplus) or Deficit on Provision of Services	72	0	0	72	
	Other Income and Expenditure					
(6)	Unrealised gains on revaluation of land and buildings	0	0	0	0	
37		72	0	0	72	
	Transfers between Reserves					
0	Transfer from Revaluation Reserve	(53)	53	0	0	
37	(Increase) or Decrease in the Year	19	53	72	72	
(1,413)	Balance on Reserves brought forward	(26)	(1,350)	(1,376)	(1,376)	
(1,376)	Balance on Reserves carried forward	(7)	(1,297)	(1,304)	(1,304)	

Balance Sheet at 31 March 2020

31 March 2019		Notes	31 March 2020
£000			£000
	Non-current Assets		
1,350	Property, Plant & Equipment	1	1,297
	Current Assets		
2	Short-term investments		2
11	Short-term debtors		6
13	Deposits up to 3 months with Inverclyde Council		0
	Current Liabilities		
0	Overdraft up to 3 months with Inverclyde Council		(1)
1,376	Net Assets		1,304
26	Usable Reserves: Revenue Reserve		7
1,350	Unusable Reserves: Revaluation Reserve		1,297
1,376	Total Reserves		1,304

Notes to the Common Good

1. Property, Plant & Equipment

	2019-2020 Other Land & Buildings £000	2018-2019 Other Land & Buildings £000
Cost or Valuation		
At 1 April	1,575	1,569
Revaluation Adjustments to Revaluation Reserve	10	0
Other reclassifications*	0	6
At 31 March	1,585	1,575
Depreciation and Impairment		
At 1 April	225	163
Depreciation charge for the year	63	62
Depreciation on revaluation to the revaluation reserve	0	0
Other reclassifications*	0	0
At 31 March	288	225
Balance Sheet amount at 31 March	1,297	1,350

*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 2017.

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 2019-2020 was £0.164 million (2018-2019 £0.119 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 2020	31 March 2019
	£000	£000
Not later than one year	100	88
Later than one year and not later than five years	257	238
Later than five years	417	472
	774	798

Trust Funds

The Council has 4 trust funds, 1 of which is a registered Scottish charity. The funds do not represent assets of the Council and as such have not been included in the Council's Balance Sheet but are consolidated as part of the Group Accounts on Pages 77-82. The reserves of the trusts for 2019-2020 are as follows:

	2019 - 2020				2018-2019
	Income £000	Expenditure £000	Revaluations £000	Reserves £000	Reserves £000
1. The Birkmyre Trust	23	41	4	1,498	1,512
To ensure the availability of recreational facilities within the Birkmyre Park, Kilmacolm.					
2. The Watt Institution Trust	17	0	0	57	40
For the maintenance, preservation, repair, improvement and furnishing of the Watt Library and McLean Museum and Art Gallery.					
3. McLeod Trust Port Glasgow High School	2	20	0	48	66
To provide scholarships for pupils of Port Glasgow High School from disadvantaged backgrounds or with no history of further education.					
4. Peter Stanton Memorial Trust (SC021862)	0	0	0	3	3
For the promotion of recreational or other leisure activities for disabled persons in Inverclyde.					
Total Trust Funds	42	61	4	1,606	1,621

Group Comprehensive Income & Expenditure Statement

The Group Comprehensive Income & 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*.

2018-2019				2019-2020		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
98,481	(10,068)	88,413	Education	105,889	(13,226)	92,663
9,238	(347)	8,891	Communities	7,827	(283)	7,544
42,963	(13,210)	29,753	Environment & Regeneration	43,160	(13,398)	29,762
126,666	(72,710)	53,956	Health & Social Care	133,796	(76,450)	57,346
51,942	(28,492)	23,450	Policy & Resources	42,349	(27,197)	15,152
259	(150)	109	Common Good	217	(126)	91
329,549	(124,977)	204,572	Cost of Services	333,238	(130,680)	202,558
		192	Other Operating Expenditure and (Income) - (Gain)/Loss on disposal of non-current assets			206
		17,591	Financing and Investment (Income) and Expenditure (Note 4)			16,274
		(201,432)	Taxation and Non-specific Grant Income (Note 5)			(214,438)
		20,923	(Surplus) or Deficit on the Provision of Services			4,600
		(1,159)	Share of the (surplus) or deficit on the provision of services by associates and joint ventures (Note 31)			(3,956)
		19,764	Group (Surplus) or Deficit			644
		(3,476)	(Surplus) or deficit on the revaluation of non current assets			0
		1,920	Impairment losses on non-current assets charged to the Revaluation Reserve			44
		32,484	Remeasurement of the net defined benefit pensions liability (Note 16)			(59,086)
		1,249	Share of other Comprehensive (Income) and Expenditure of associates and joint ventures (Note 31)			(758)
		32,177	Other Comprehensive (Income) & Expenditure			(59,800)
		51,941	Total Comprehensive (Income) & Expenditure			(59,156)

Group Balance Sheet

The Balance Sheet is a snapshot of the value at the 31 March 2020 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 2019

31 March 2020

£000		Note	£000
494,353	Property, Plant & Equipment		499,085
18,059	Heritage Assets		18,059
115	Intangible Assets		61
20,164	Investments in Associates	32	23,060
2,492	Long-term Debtors		1,717
535,183	Non-current Assets		541,982
5,105	Short-term Investments		50
250	Assets Held for Sale		375
313	Inventories		343
9,583	Short-term Debtors		16,696
12,809	Cash and Cash Equivalents		29,268
28,060	Current Assets		46,732
(17,189)	Short-term Borrowing		(16,971)
(37,631)	Short-term Creditors		(33,939)
(511)	Short-term Provisions		(402)
(1,711)	Short-term Finance Leases		(1,745)
(57,042)	Current Liabilities		(53,057)
0	Long-term Provisions		0
(182,562)	Long-term Borrowing		(199,501)
(1,205)	Liabilities in Associates	32	(757)
	Other Long-term Liabilities:		
(60,772)	Finance Leases		(58,948)
(134,812)	Pensions		(91,816)
(379,351)	Long-term Liabilities		(351,022)
126,850	Net Assets/(Liabilities)		184,635
44,833	Usable Reserves of the Council		46,671
60,059	Unusable Reserves of the Council		112,754
9,254	Usable Reserves, Share of Reserves of Subsidiaries, Associates and Joint Ventures		11,356
12,704	Unusable Reserves, Share of Reserves of Subsidiaries, Associates and Joint Ventures		13,854
126,850	Total Reserves		184,635

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

Issued on: 30 June 2020

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 2020

	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				
Balance at 31 March 2019	34,756	7,842	2,235	44,833	60,059	9,254	12,704	126,850
Restatement due to change in % share in 2019-20	34,756	7,842	2,235	44,833	60,059	8,804	11,785	125,481
Movement in Reserves during 2019-2020								
Surplus or (Deficit) on Provision of Services	(4,509)			(4,509)		2,740	1,124	(645)
Other Comprehensive (Expenditure) and Income					59,042	75	674	59,791
Total Comprehensive (Expenditure) and Income	(4,509)	0	0	(4,509)	59,042	2,815	1,798	59,146
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 2)	6,483			6,483	(6,483)	(263)	271	8
Net Increase or (Decrease) before Transfers to/from Other Statutory Reserves	1,974	0	0	1,974	52,559	2,552	2,069	59,154
Transfers (to) and from Other Statutory Reserves	1,253	501	(1,890)	(136)	136	0		0
Increase or (Decrease) in the Year	3,227	501	(1,890)	1,838	52,695	2,552	2,069	59,154
Balance at 31 March 2020 Carried Forward	37,983	8,343	345	46,671	112,754	11,356	13,854	184,635

Comparative Figures for Year ended 31 March 2019

	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				
Balance at 31 March 2018	43,286	7,540	3,169	53,995	102,975	9,253	12,570	178,793
Movement in Reserves during 2018-2019								
Surplus or (Deficit) on Provision of Services	(20,814)			(20,814)		1,050		(19,764)
Other Comprehensive (Expenditure) and Income				0	(31,264)	82	(995)	(32,177)
Total Comprehensive (Expenditure) and Income	(20,814)	0	0	(20,814)	(31,264)	1,132	(995)	(51,941)
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 2)	11,366			11,366	(11,366)	(1,129)	1,129	0
Net Increase or (Decrease) before Transfers to/from Other Statutory Reserves	(9,448)	0	0	(9,448)	(42,630)	3	134	(51,941)
Transfers (to) and from Other Statutory Reserves	918	302	(934)	286	(286)	(2)		(2)
Increase or (Decrease) in the Year	(8,530)	302	(934)	(9,162)	(42,916)	1	134	(51,943)
Balance at 31 March 2019 Carried Forward	34,756	7,842	2,235	44,833	60,059	9,254	12,704	126,850

Note 30 Combining Entities

Inverclyde Council is represented on the Board of a number of organisations. The extent of the Council's controlling interest has been reviewed in determining those entities that should be consolidated and incorporated within the Group Accounts. Those organisations which have a significant impact on the Council's operations are listed below. The accounting period for all of these bodies is the year to 31 March 2020. 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 77 to 79 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 2019-2020, Inverclyde Council contributed £1.255 million or 3.54% (2018-2019 £1.420 million) of the Partnership's estimated running costs and its share of the year-end net asset of £15.082 million (2018-2019 £13.098 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 the area. The costs of the Scheme are met by a combination of funding from the 12 Councils and direct grant funding from the Scottish Government. Strathclyde Partnership for Transport administers the Scheme on behalf of the Board. In 2019-2020, Inverclyde Council contributed £0.157 million or 3.90% (2018-2019 £0.164 million) of the Board's estimated running costs and its share of the year-end net asset of £0.022 million (2018-2019 £0.051 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 an 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 2019-2020, Inverclyde Council contributed £0.577 million or 23.09% (2018-2019 £0.513 million) of the Board's estimated running costs and its share of the year-end net liability of £0.327 million (2018-2019 £0.679 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 2020 was £0.430 million (2018-2019 £1.183 million net liability) and its net deficit for the year was £0.882 million (2018-2019 £0.728 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 2019-2020 the Council had the right to appoint four of the nine representatives on the company's board, and for the purposes of accounting this equated to an interest of 44.44%. 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 2019-2020, Inverclyde Council contributed £1.296 million (as per note 22 Related Parties) or 19.25% of the charity's turnover and its share of the year-end net liability of £0.430 million (2018-2019 £0.526 million net liability) 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 2020 were £11.174 million (2018-2019 £10.122 million) and its net gain for the year was £0.540 million (2018-2019 £0.594 million net gain). The Council has no commitment to meet any losses of the company. The audited accounts of the company are published separately and may be obtained from the Chief Executive, Suite G1, Clydevue, 22 Pottery Street, Greenock, PA15 2UZ which is also the company's principal place of business.

The company does not have shareholders and any surpluses are made available for reinvestment in other projects within the area. The company is entirely independent of the Council under law and for taxation. The Council has 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 2019-2020, Inverclyde Council contributed £0.572 million (2018-2019 £3.658 million) or 25.2% of the charity's turnover, and its share of the year-end asset of £3.725 million (2018-2019 £3.374 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 2019-2020 was £57.3m (2018-2019: £53.9 million), and its share of the year-end asset of £4.225 million (2018-2019: £3.641 million) is included in the Group Balance Sheet.

Subsidiaries

Common Good and Trust Funds

The Council is the sole trustee of the Common Good and Charitable Trust Funds and summary financial results for these organisations appear on pages 74 to 76.

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 is 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 £0.167 million to the committee's estimated running costs in 2019-2020 (£0.155 million in 2018-2019).
- Greenock Arts Guild Ltd runs the main arts venue for the Inverclyde area, the Beacon Arts Centre in Greenock. During 2019-2020 the Council provided revenue and capital grants to the Beacon Arts Centre totalling £0.287 million (£0.276 million in 2018-2019).

Notes to the Group's Principal Financial Statements

Note 31 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 1 *Expenditure and Funding Analysis*.

	2019-2020	2018-2019
	£000	£000
Share of the (surplus) or deficit on the provision of services by Associates and Joint Ventures		
Strathclyde Partnership for Transport	(3,349)	(485)
Strathclyde Concessionary Travel Scheme Joint Board	21	12
Renfrewshire Valuation Joint Board	21	130
Inverclyde Leisure	117	(1)
Riverside Inverclyde	(181)	(73)
Inverclyde Integrated Joint Board	(585)	(742)
	(3,956)	(1,159)
Share of Other Comprehensive (Income) and Expenditure of Associates and Joint Ventures		
Strathclyde Partnership for Transport	(8)	384
Strathclyde Concessionary Travel Scheme Joint Board	0	0
Renfrewshire Valuation Joint Board	(367)	206
Inverclyde Leisure	(213)	652
Riverside Inverclyde	(170)	7
Inverclyde Integrated Joint Board	0	0
	(758)	1,249

Note 32 Group Assets and Liabilities of Associates and Joint Ventures

	2019-2020	2018-2019
	£000	£000
Net Assets of Associates and Joint Ventures		
Strathclyde Partnership for Transport	15,082	13,098
Strathclyde Concessionary Travel Scheme Joint Board	28	51
Riverside Inverclyde	3,725	3,374
Inverclyde Integrated Joint Board	4,225	3,641
Inverclyde Leisure	0	0
	23,060	20,164
Net Liabilities of Associates and Joint Ventures		
Renfrewshire Valuation Joint Board	(327)	(679)
Inverclyde Leisure	(430)	(526)
	(757)	(1,205)

Note 33 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 2019-2020 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act. 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:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- 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.

The authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to the Statutory Repayment of Loans Fund Advances. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the Statutory Repayment of Loans Fund Advances, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement.

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 are made up of consumable stock. Consumable stock brought into account is included in the Balance Sheet at the lower of cost and net realisable value.

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.

Note 34 Group Accounting Policies

The Code of Practice on Local Authority Accounting in the United Kingdom 2019-2020 (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.

A 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.

Accounting Policies, Judgements and Assumptions

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 31 Combining Entities.

B 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.

C Group Cash Flow Statement

There is no impact of the incorporation of the associates within the group cash flow statement; no cash flow statement is noted within the Group Accounts. The cash flow of the group is equal to the cash flow of the Council, as shown on page 36.

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 & Equipment

Measurement

The basis of valuation across the combining entities is in accordance with IFRS’s. PPE assets are shown at current value with the following exception:

- The Valuation Joint Board and Concessionary Travel Scheme Joint Board have no non-current assets.
- 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.
- Inverclyde Leisure uses the historic cost convention for its recent leasehold improvements, but this is considered a suitable proxy for market value in existing use, on a replacement cost basis.

F Restrictions on Transfer of Funds

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

Note 35 Accounting Standards Issued not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2019-2020 Code:

- Annual improvements to IFRS Standards 2015-17 Cycle;
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- Amendments to IAS 19 Employee Benefits: Plan Amendments, Curtailment or Settlement.

The Code requires implementation from 1 April 2020 and there is therefore no impact on the 2019-2020 financial statements.

Note 36 Critical Judgements in Applying Accounting Policies

In applying the accounting policies 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 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 outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As a result at the valuation date (31 March 2020), the valuers considered that they could attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID-19 means that they were faced with an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards effective from 31 January 2020.
- 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 budget process, which drives through efficiency savings, will provide sufficient resources to finance future liabilities.

Accounting Policies, Judgements and Assumptions

Note 37 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2020 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Results differ from Assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Strathclyde Pension Fund has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied.	The sensitivities regarding the principal assumptions used by the consulting actuaries to measure the scheme liabilities are set out below: <ul style="list-style-type: none"> • A 0.5% decrease in the real discount rate would result in a 9% increase (£60.64 million) in the employer's obligation. • A one year increase in member life expectancy would result in a 3 to 5% increase in the employer's obligation. • A 0.5% increase in the salary increase rate would result in a 1% increase (£9.42 million) in the employer's obligation. • A 0.5% increase in the pension increase rate would result in a 8% increase (£50.367 million) in the employer's obligation.
Trade Debtors – Collection levels of arrears	At 31 March 2020, the Council had a trade debtor balance of £11.883 million. A review of significant balances suggested that an allowance for doubtful debts of 43.9% (£5.213 million) was appropriate. However, in the current economic climate it is not certain that such an allowance will be sufficient.	If collection rates were to deteriorate, a 100% provision for doubtful debts would require an additional £6.67 million to be set aside as an allowance.
Property, Plant & 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 whether 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 an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.734 million for every year that useful lives are reduced.

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

Audit Arrangements

Under arrangements by the Accounts Commission for Local Authorities in Scotland, the auditor with responsibility for the audit of the accounts of Inverclyde Council for the year ended 31st March 2020 is:

Brian Howarth, Audit Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

Statement

The audit of the Council's Accounts for 2019-2020 is yet to be undertaken i.e. the figures are "subject to audit". The certified Accounts will be presented to the Council for approval after audit.

Glossary of Terms

1. Accounting Period

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

2. Accruals

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

3. Actuarial Gains and Losses (Pensions)

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

4. Asset

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

5. Associates

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

6. Audit of Accounts

An independent examination of the Council's financial affairs.

7. Balance Sheet

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

8. Capital Adjustment Account

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

9. Capital Expenditure

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

10. Capital Financing

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

11. Capital 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 it 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 event, 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 corporate body, 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 for in an arm's length transaction, less where applicable, any grants receivable towards the purchase or use of the asset.

34. Finance Lease

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

35. 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.

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 may be defined as such when access to the future economic benefits it represents are controlled by the Council. This Council's intangible assets are comprised 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 the Council has procured and holds in expectation of future use. Examples are consumable stores and raw materials.

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 is 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 the audit fee and historic pension costs.

55. Operating Leases

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 outgoing due after the valuation date. The scheme's liabilities, measured using the "project 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 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 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 or allowances (as far as these sums are chargeable to UK income tax) and the monetary 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 deemed to have Significant Interest if it is actively involved and is influential in the direction of an entity through its participation in policy decisions.

73. Soft Loans

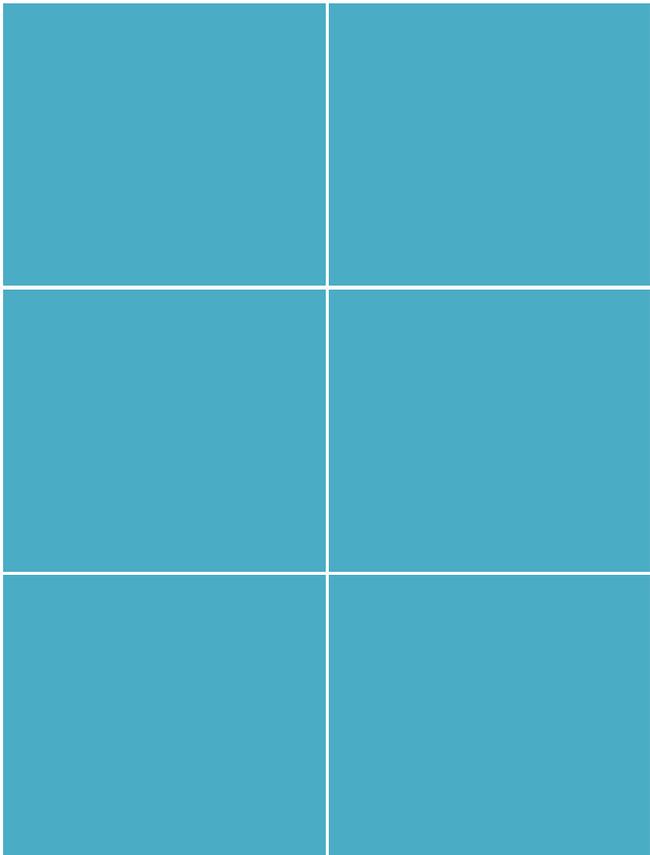
Loans made at significantly below market rates are deemed "soft loans" because there may be some element of subsidy between what the loan would have cost at market rates and the amount of interest actually charged. Examples include small start-up loans to small businesses.

74. Trust Funds

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

75. Useful Economic Life

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



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