
Report To:	The Inverclyde Council	Date:	16 November 2023
Report By:	Chief Executive	Report No:	FIN/75/23/AP/LA
Contact Officer:	Alan Puckrin	Contact No:	712090
Subject:	2022/23 Annual Audit Report and Best Value Thematic Report to Elected Members and the Controller of Audit		

1.0 PURPOSE AND SUMMARY

- 1.1 For Decision For Information/Noting
- 1.2 The purpose of this report is for the Council's External Auditors, KPMG, to present the Annual Audit Report and Best Value Thematic Report to Elected Members and the Controller of Audit for the Financial Year ended 31 March 2023 to the Council for consideration. Michael Wilkie, a KPMG Director will attend the meeting to present both reports and to answer questions.
- 1.3 The Annual Audit Report (AAR) is contained in Appendix 1 with the Best Value Thematic Report in Appendix 2. The Corporate Management Team (CMT) have considered both reports and accept the actions identified associated with the Annual Accounts and Wider Scope/Best Value reports. An action plan completed by the CMT is contained within both appendices.
- 1.4 The Annual Accounts for 2022/23 are attached in Appendix 3 and the Letter of Representation is attached in Appendix 4 for consideration and approval by the Council.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Council consider the contents of the Annual Audit Report and Best Value Thematic Report to Elected Members and the Controller of Audit for the Financial Year 2022/23 and seek clarification of any matters from the Council's External Auditors.
- 2.2 It is recommended that the Council thereafter approve the Action Plan contained within the Annual Audit Report.
- 2.3 It is recommended that the Council consider the Letter of Representation in Appendix 4 and approve the signing of the letter by the Chief Financial Officer.
- 2.4 It is recommended that the Council consider the Annual Accounts for Inverclyde Council for the Financial Year 2022/23 and after seeking further information as required give approval for the signing of the accounts by the Council Leader, Chief Executive and Chief Financial Officer.

Louise Long
Chief Executive

3.0 BACKGROUND AND CONTEXT

- 3.1 It is a statutory requirement for the Council to consider the Annual Audit Report from its External Auditors for the financial year ended 31 March. The continued recovery period following the Covid pandemic has resulted in extended timescales in the completion of many annual audits and therefore, whilst the statutory timescale for consideration of the matters in this report was 30 September, consideration of these matters at today's meeting is in line with several other Councils. This report contains several formal requirements and subject to the approval of the Council, the Annual Accounts require to be signed by the External Auditors, Council Leader, Chief Executive and the Chief Financial Officer.
- 3.2 The preparation and audit of the accounts by 30 June each year always presents challenges especially given the size of the accounting team and the increasingly complex requirements. The Unaudited Accounts were approved by the Audit Committee on 29 June with the audit of the accounts and wider scope audit progressing thereafter. This is the first year of the 5 year KPMG appointment and the Council team and External Auditors have worked well together to progress the audit of the accounts, the wider scope audit and the new Best Value Thematic review, all of which are attached as appendices to this report.
- 3.3 The Annual Audit Report (AAR) provides opinions on a range of significant matters associated with the accounts and the wider dimensions of public sector audit. Michael Wilkie, a KPMG Director will be present at the Council meeting to present the AAR and the Best Value Thematic Report and respond to any matters raised by Elected Members.
- 3.4 The Corporate Management Team (CMT) have considered both reports and accept the actions associated with the Annual Accounts and Wider Scope/Best Value reports. An action plan completed by the CMT is contained within both appendices. Progress against the AAR action plan will be reported to each cycle of the Audit Committee.
- 3.5 In line with best practice, members of the Audit Committee had a private meeting with KPMG in advance of the Council meeting to discuss matters including the Annual Accounts, AAR, and Best Value Thematic Report.

4.0 PROPOSALS

- 4.1 Elected Members are asked to consider the contents of the Annual Audit Report, Best Value Thematic Report and Annual Accounts and after seeking clarification on any matters from the Council's External Auditors, approve the Action Plan, Annual Accounts and the signing of the Letter of Representation by the Chief Financial Officer.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

SUBJECT	YES	NO
Financial		x
Legal/Risk	x	
Human Resources		x
Strategic (Partnership Plan/Council Plan)	x	
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing		x
Environmental & Sustainability		x
Data Protection		x

5.2 Finance

There are no direct financial implications arising from this report.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

5.3 Legal/Risk

The approval of the Annual Accounts for 2022/23 fulfils a key annual statutory requirement of the Council.

The annual audit process and associated reporting to the Council assist in identifying risks and areas where improvement is required. This is welcomed by the CMT and progress in delivering the AAR Action Plan will be reported on a regular basis to both the CMT and thereafter, the Audit Committee.

5.4 Human Resources

There are no HR implications.

5.5 Strategic

The Wider Scope and Best Value aspects of the report will assist in the Council improving its approach to strategic planning.

6.0 CONSULTATION

6.1 The External Auditors have discussed the contents of the reports with the CMT and at a private meeting of the Audit Committee.

7.0 BACKGROUND PAPERS

7.1 None



Inverclyde Council

DRAFT

**Annual Audit Report to the Council and the Auditor General
for Scotland**

16 November 2023

Key contacts

Your key contacts in connection with this report are:

Michael Wilkie

Director

Tel: 07795370106

Michael.Wilkie@kpmg.co.uk

Christopher Paisley

Senior Manager

Tel: 07468367450

Christopher.Paisley@kpmg.co.uk

Henry Lau

Assistant Manager

Tel: 07776647043

Henry.Lau@kpmg.co.uk

Contents	Page
Introduction	3
Audit conclusions	5
Materiality	6
Our audit findings	7
Significant risks and other areas of focus	9
Key accounting estimates	15
Group Involvement	17
Other significant matters	18
Wider Scope and Best Value	19
Appendices	34

Introduction

Purpose of this report

The Accounts Commission has appointed KPMG LLP as auditor of Inverclyde Council (the Council) under part VII of the Local Government (Scotland) Act 1973 (“the Act”). The period of appointment is 2022-23 to 2026-27, inclusive.

Our annual audit report is designed to summarise our opinions and conclusions on significant issues arising from our audit. It is addressed to both those charged with governance at the Council and the Controller of Audit. The scope and nature of our audit are set out in our audit strategy document which was presented to the Audit Committee on 29 June 2023.

Audit Scotland’s Code of Audit Practice (“the Code”) sets out the wider dimensions of public sector audit which involves not only the audit of the financial statements but also consideration of wider scope areas. The reports incorporates both aspects of the Code.

Accountable officer responsibilities

The Code sets out Inverclyde Council’s responsibilities in respect of:

- corporate governance;
- financial statements and related reports;
- standards of conduct for prevention and detection of fraud and error
- financial position; and
- Best Value.

Auditor responsibilities

This report reflects our overall responsibility to carry out an audit in accordance with our statutory responsibilities under the Act and in accordance with International Standards on Auditing (UK) issued by the Financial Reporting Council and the Code.

How we have delivered audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define ‘audit quality’ as being the outcome when audits are:

- **Executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality controls** and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics** and **integrity**.

External auditors do not act as a substitute for the Council’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Introduction

Limitations on work performed

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's Code of Audit Practice ("the auditing Code").

This report is for the benefit of Inverclyde Council and is made available to Audit Scotland and the Controller of Audit (together "the Beneficiaries"). This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, even though we may have been aware that others might read this report. We have prepared this report for the benefit of the Beneficiaries alone.

Nothing in this report constitutes an opinion on a valuation or legal advice. We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scoping and purpose section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Beneficiaries) for any purpose or in any context. Any party other than the Beneficiaries that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Beneficiary's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Beneficiaries.

Status of our audit

Our audit is substantially complete, however matters communicated in this report may change pending signature of our audit report. We will provide an oral update on the status at the Council meeting but would like to highlight the following work is still outstanding as at the date of our report:

- Resolution of queries relating to sample testing of journal entries and other adjustments;
- Testing of the Group Cash Flow Statement;
- Finalisation of Going Concern procedures;
- Wider Scope: Completion of procedure to gain assurance over the arrangements for data quality and integrity underpinning Statutory Performance Indicator reporting;
- Final file review, final review of the annual report and financial statements including consolidation; and
- Receipt of management representation letters and review of subsequent events prior to sign off.

Audit Conclusions

Audit opinion

Following approval of the annual accounts by the Council on 16 November 2023 and, subject to the resolution of outstanding matters listed on Page 4, we plan to issue an unqualified opinion on the truth and fairness of the state of the Council's affairs as at 31 March 2023, and of the surplus for the year then ended. There are no matters identified on which we are required to report by exception.

Financial reporting framework, legislation and other reporting requirements

The Council is required to prepare its annual accounts in accordance with International Financial Reporting Standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 ("the CIPFA Code"), and in accordance with the Local Authority Accounts (Scotland) Regulations 2014. Our audit confirmed that the annual accounts have been prepared in accordance with the CIPFA Code and relevant legislation.

Statutory reports

We have not identified any circumstances to notify the Controller of Audit that indicate a statutory report may be required.

Other communications

We did not encounter any significant difficulties during the audit. There were no other significant matters arising from the audit that were discussed, or subject to correspondence with management that have not been included within this report. There are no other matters arising from the audit, that, in our professional judgement, are significant to the oversight of the financial reporting process.

Materiality - Group and Council

Total group expenditure
£432.4m

Total Council expenditure
£422.4m



Group materiality
£7.5m
1.74% of total expenditure

Council materiality
£7.4m
1.75% of expenditure



£250k (Group and Council)

Group: £5.625m
Council: £5.55m

Group: £7.5m
Council: £7.4m

Misstatements reported to the Audit Committee

Procedure designed to detect individual errors at this level

Materiality for the financial statements as a whole

Our materiality levels

We determined materiality for the consolidated financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of gross expenditure which we consider to be appropriate as it reflects the scale of the Group/Council’s services and we consider this most clearly reflects the interests of users of the Group/Council’s accounts. To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of performance materiality of £5.625m (Council: £5.55m). We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons.

Group materiality vs other metrics

2022/23

Total assets **1.1%**

Total liabilities **2.5%**

The above percentages reflect our Group materiality level as a proportion of other key account balances (Total Assets and Total Liabilities) for 2022/23

Our audit findings

Significant audit risks	Risk Change since planning	Findings (Pages 9-14)
1 Retirement benefit obligations	No change	We have identified that there was not a Management Review Control (MRC) to address the significant audit risk. No issues or misstatements have been identified as a result of our work.
2 Valuation of Land & Buildings	No change	We have identified that there was not a Management Review Control (MRC) to address the significant audit risk. One non-material audit difference has been identified, which has been adjusted by management.
3 Fraud risk from expenditure recognition (cut-off of expenditure)	Refined to risk around cut-off of expenditure at year end	We did not identify any issues in relation to fraud risk from expenditure recognition.
4 Management override of controls	No change	We have not identified any instances of management override of controls.
Key accounting estimates	Judgement	Findings (Pages 15-16)
Retirement benefit obligations (LGPS)	Neutral	Overall we considered the assumptions underpinning the valuation of the LGPS obligation to be neutral / balanced.
Valuation of Land & Buildings	Optimistic	We have reviewed the data, assumptions and methodology involved in managements' valuation of land and buildings. We have assessed that certain assumptions included in the valuation were optimistic, while not having a material effect on the overall valuation.

Wider Scope and Best Value (Pages 19-33)

Under the Code of Audit Practice we are required to consider the areas defined in the Code of Audit Practice as wider-scope audit. We are required to provide clear judgements and conclusions on the effectiveness and appropriateness of the arrangements in place based on the work that we have done. Where significant risks are identified we will make recommendations for improvement. To consider how effectively the Council demonstrates Best Value in its delivery of services we consider the audit findings across the four audit dimensions. The Best Value section includes our conclusions relating to the audit dimension of Value for Money which contribute to the delivery of Best Value.

Our audit findings

Uncorrected Audit Misstatements

Page 47

No uncorrected Audit Misstatements to report.

Corrected Audit Misstatements

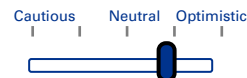
Pages 47-48

There were four corrected audit misstatements greater than our trivial threshold, resulting in an overall charge to the CIES of £4.9m. More details can be found on pages 47 and 48.

Number of Control Recommendations

Pages 37-46

Priority one control recommendations	0
Other control recommendations	7
Wider Scope and Best Value recommendations	6
Prior year control recommendations remediated	2



Audit risks and our audit approach

1 Retirement benefit obligations

Significant audit risk

Risk: An inappropriate amount is estimated and recorded for the defined benefit obligation

The valuation of the Local Government Pension Scheme (Strathclyde Pension Fund) relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions should be derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in the valuation of the Council's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.

Additionally this year, the updated triennial valuation as at 31 March 2022 has been reflected in the accounts. This meant that we needed to perform additional procedures around new data inputs to the valuation such as updated membership data.

Our response

We performed the following procedures designed to specifically address the significant risk associated with the valuation:

Control design:

- We evaluated the design and implementation of controls in place for management to review the LGPS valuation and the appropriateness of assumptions used.

Assessing the actuarial expert's credentials:

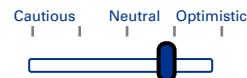
- We evaluated the competency and objectivity of the Scheme actuaries, Hymans Robertson, to confirm their qualifications and the basis for their calculations.

Input assessment:

- We reviewed the input from the Council into the calculation of the LGPS valuation; and
- We agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation.

Assessing methodology and benchmarking assumptions:

- We challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate, salary increases and mortality/life expectancy against externally derived data where appropriate; and



Audit risks and our audit approach

1 Retirement benefit obligations (continued)

Significant audit risk

Risk: An inappropriate amount is estimated and recorded for the defined benefit obligation (continued)

Assessing methodology and benchmarking assumptions:

- We confirmed that the accounting treatment and entries applied by the Authority are in line with the requirements of the Code.

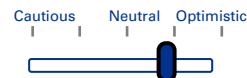
Assessing transparency:

- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation, in addition to disclosures regarding the sensitivity of the Authority's defined benefit obligation to these assumptions.

Our findings

Our work is now complete in respect of this significant risk. We have not identified any audit adjustments or new control deficiencies. Our actuarial specialists have evaluated the assumptions applied in measuring the net pension liability and have found these to be balanced, while remaining within actuaries' acceptable range. More detail is available on Page 15.

Auditing Standards requires where we have identified a significant audit risk, for management to have a review control in place (MRC) to respond to the risk. The threshold set for an effective Management Review Control is a high one, with various criteria that must be met including creating an independent expectation around amounts estimated. While we acknowledge that putting such a control in place would be impractical for a Council of your size, under Audit Standards we communicate to you that we have not identified such a MRC that is designed and implemented in such a way to provide the level of precision, response, investigation, and follow up needed by the Auditing Standards.



Audit risks and our audit approach

2 Valuation of land and buildings

Significant audit risk

Risk: The carrying amount of revalued Land & Buildings differs materially from the fair value

The value of the Council's Other Land and Buildings at 31 March 2022 was £362.0m, in addition to Schools PPP assets of £93.8m. The Code requires that where land and buildings are subject to revaluation, their year end carrying value should reflect the fair value at that date. Any asset valuation carries with it risks of estimation uncertainty. The size of the land and buildings balance relative to our expected materiality means that the risk of a material difference between carrying value and fair value is increased.

For 2022/23, the Council commissioned a full revaluation of 20% of its land and buildings (by value), excluding infrastructure assets, in addition to indexation being applied to the remaining assets not formally revalued.

Our response

We performed the following procedures designed to specifically address the significant risk associated with the valuation:

Control design:

- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used.

Assessing the valuer's credentials:

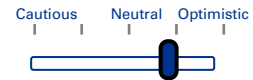
- We critically assessed the independence, objectivity and expertise of Avison Young, the valuers used in developing the valuation of the Council's properties at 31 March 2023; and
- We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the Code.

Input assessment:

- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information, such as floor plans, and to previous valuations, challenging management where variances were identified.

Assessing methodology and benchmarking assumptions:

- We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous valuation. We challenged key assumptions within the valuation, including the use of relevant indices and assumptions around physical and functional obsolescence;
- We performed inquiries of the valuers in order to verify the methodology that was used in preparing the valuation and whether it was consistent with the requirements of the RICS Red Book and the Code; and



Audit risks and our audit approach

2 Valuation of land and buildings (continued)

Significant audit risk

Risk: The carrying amount of revalued Land & Buildings differs materially from the fair value (continued)

Our response (continued)

- We agreed the calculations performed of the movements in value of land and buildings and verified that these had been accurately accounted for in line with the requirements of the Code.

Assessing transparency:

- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Our findings

We have reviewed the data, assumptions and methodology involved in management's valuation of land and buildings and confirmed these were appropriate and consistent with the requirements of the Code. As outlined on Page 15, we identified a small number of areas in which the assumptions underpinning the valuation were found to be optimistic, while within our acceptable tolerance and not resulting in any material misstatements.

With respect to the execution of the accounting for the valuation in the financial statements, we identified a misstatement, which has been corrected by management, relating to the calculation of the revaluation reserve movement following the valuation. The adjustment results in a credit to the revaluation reserve and a debit (charge) to the CIES of £4.8m, with no overall impact on the general fund balance. More details around this and all other audit differences are contained in Appendix Three.

Auditing Standards requires where we have identified a significant audit risk, for management to have a review control in place (MRC) to respond to the risk. The threshold set for an effective Management Review Control is a high one, with various criteria that must be met including creating an independent expectation around amounts estimated. While we acknowledge that putting such a control in place would be impractical for a Council of your size, under Audit Standards we communicate to you that we have not identified such a MRC that is designed and implemented in such a way to provide the level of precision, response, investigation, and follow up needed by the Auditing Standards.

Lastly, we also identified a presentational issue relating to the split between the opening cost and accumulated depreciation in Note 7 Property, Plant and Equipment. There is no impact on overall net book value at year end. Management is unable to adjust for this matter as it does not have the historic information necessary to apportion this difference between the different assets within the fixed asset register.

Audit risks and our audit approach

3 Fraud risk from expenditure recognition – cut off of expenditure

Significant audit risk

Risk: Liabilities and related expenses for purchases of goods or services are recorded in the incorrect period

Under ISA 240 there is a presumed risk that income may be misstated due to improper recognition of income. This requirement is modified by Practice Note 10, issued by the FRC, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

In our audit plan reported to you in June 2023, we outlined that we intended to rebut the presumed risk of fraudulent **revenue** recognition, as we considered that there are limited incentives and opportunities to manipulate the way income is recognised in a material way.

We continue to rebut this presumed risk. We also reported that we had not at the planning stage of our audit rebutted the risk around expenditure recognition, and noted that this was most likely to occur through recognition of expenditure in the incorrect period (cut off risk). Following completion of all of our planning and risk assessment activities, we concluded that **there is a significant risk around fraudulent expenditure recognition, specifically relating to the cut-off of expenditure.** This arises from a combination of incentives, including the incentive to deliver the overall budget outturn for the year, as well as incentives within services locally to use but not exceed allocated budgets by year-end.

Our response

We performed the following procedures designed to specifically address the significant risk:

- We evaluated the design and implementation of the controls in place for manual expenditure accruals;
- We inspected a sample of invoices of expenditure, in the period around 31 March 2023, to determine whether expenditure was recognised in the correct accounting period; and
- We performed a search for unrecorded liabilities by selecting a sample of expenditure items paid from the Council's bank accounts in the period following year-end, and confirming that those relating to 2022/23 expenditure was accrued appropriately at year-end.

Our findings

We have not identified any fraudulent expenditure recognition during our testing. We have not identified any material misstatements from our completed procedures.

Auditing Standards requires where we have identified a significant audit risk, for management to have a review control in place (MRC) to respond to the risk. We have not identified such a MRC that is designed and implemented in such a way to provide the level of precision, response, investigation, and follow up needed by the Auditing Standards. However the Council has a number of year end processes including a journal approval process which authorises the year end accruals as they are entered into the General Ledger; and budgetary controls that assist in identifying unusual or unexpected variances from budget. Management consider these arrangement sufficient to address the risk they face.

Audit risks and our audit approach

4 Management override of controls

Significant audit risk

The risk

Professional standards require us to communicate the fraud risk from management override of controls as significant.

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We have not identified any specific additional risks of management override relating to this audit.

Our response

- Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we evaluated the design and implementation and, where appropriate, tested the operating effectiveness of the controls in place for the approval of manual journals posted to the general ledger to ensure that they are appropriate;
- We analysed all journals through the year and focused our testing on those with a higher risk, such as journals with unusual expenditure code combinations;
- We assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates;
- We reviewed the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual; and
- We assessed the controls in place for the identification of related party relationships and tested the completeness of the related parties identified. We verified that these have been appropriately disclosed within the financial statements.

Our findings

- We identified 47 journal entries and other adjustments meeting our high-risk criteria – our examination did not identify any inappropriate entries.
- We evaluated accounting estimates and did not identify any indicators of management bias. See page 15 for further discussion.
- We did not identify any significant unusual transactions.
- We did not identify any issues from our related parties testing.

Key accounting estimates – Overview

Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions. Cautious means a smaller asset or bigger liability; optimistic is the reverse.

Asset/ liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Assets					
Valuation of other land & buildings		386	+24		<p>Assumptions in respect of the indexation applied to those assets not subject to full revaluation were found to be optimistic in two respects: the overall movement calculation did not take into account the fact that the indexation movement should also be ‘depreciated’ to reflect that the properties are one year older than the previous year-end; and non-specialised properties subject to indexation (primarily retail and office space) had a -5% indexation applied, whereas available market indices suggest that this could be as high as a 20% reduction. However the effect of these matters did not result in any material audit differences. Other assumptions were considered to be balanced. Our view of the disclosures of the judgements is neutral, best practice disclosure of Valuation estimates would include sensitivity analysis.</p>

Key accounting estimates – Overview

Our view of management judgement (continued)

Asset/ liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Liabilities					
LGPS Defined Benefit Obligation		15	+40		<p>KPMG actuaries have reviewed the actuarial valuation for the Strathclyde Pension Fund, considered the disclosure implications and compared the actuarial valuation to our internal benchmarks. Overall we consider the assumptions adopted to be balanced.</p>

Other estimates

We have also reviewed the following non-significant estimates as part of our audit work

- Depreciation

Group involvement – significant component audits

Involvement in group components

The Group financial statements are made up of the following components:

- Inverclyde Council (Parent) (**significant**);
- Inverclyde Integrated Joint Board (**significant**);
- Inverclyde Trust and Common Good funds (non-significant);
- Inchgreen Marine Park Ltd (non-significant);
- Strathclyde Partnership for Transport (non-significant);
- Strathclyde Concessionary Travel Scheme Joint Board (non-significant);
- Renfrewshire Valuation Joint Board (non-significant);
- Riverside Inverclyde (non-significant); and
- Inverclyde Leisure (non-significant).

As communicated in our audit plan we determined that the parent Council and the Inverclyde Integrated Joint Board were significant components. We have performed risk assessment procedures over the remaining components in order to confirm that there were not material balances within the other entities that could cause a material error and did not identify any exceptions.

We did not identify any errors as a result of the procedures set out above.

Other matters

Annual report

The Local Authority Accounts (Scotland) Regulations 2014 require the inclusion of a management commentary within the annual accounts, similar to the Companies Act requirements for listed entity financial statements. The requirements are outlined in the Local Government finance circular 5/2015.

We are required to read the management commentary and express an opinion as to whether it is consistent with the information provided in the annual accounts. We also review the contents of the management commentary against the guidance contained in the local government finance circular 5/2015.

- We have not identified any inconsistencies between the contents of the Management Commentary and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the Management Commentary. As a Council you confirm that you consider that the annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for stakeholders to assess the Council's performance, business model and strategy.
- We consider the governance framework and annual governance statement to be appropriate for the Council and that it is in accordance with guidance and reflects our understanding of the Council.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Audit Fees

The fee for the audit was £298,629. We have not completed any non-audit work at the Council during the year.

Wider Scope and Best Value

Appointed auditors are required to consider the areas defined in the Code of Audit Practice (2021) as wider-scope audit.

Auditors should consider these additional requirements when:

- identifying significant audit risks at the planning stage;
- reporting the work done to form conclusions on those risks; and
- making recommendations for improvement and, where appropriate, setting out conclusions on the audited body's performance.

The new Code of Audit Practice has refreshed the areas used to define the wider audit scope. The previous 2016 edition set out four areas (described as audit dimensions), i.e. financial management, financial sustainability, governance and transparency, and value for money.

The new Code no longer uses the term audit dimensions, but it retains the areas of financial management and financial sustainability (though redefines each area) and replaces the other two as follows:

- governance and transparency dimension has been replaced with vision, leadership and governance area
- value for money dimension has been replaced with use of resources to improve outcomes.

Commentary on arrangements

We have prepared our commentary on the Council's Wider Scope arrangements within this report.

- Financial Management – Page 20;
- Financial Sustainability – Page 23;
- Vision, Leadership and Governance – Page 25; and
- Use of Resources to Improve Outcomes – Page 28.

We have also reported on Statutory Performance Indicators on Page 30 and Climate Change on Page 31, as required by Audit Scotland.

Lastly, in addition to our separate Thematic report on Best Value, we have also summarised our findings in relation to Best Value on Pages 32 and 33.

Summary of findings

We have identified a small number of matters for the Council's attention in relation to our Wider Scope work and have made two recommendations in Appendix Two of this report.

We have identified a number of matters for the Council's attention in relation to our Best Value work, and have made a total of four recommendations in Appendix Two of this report.

Wider Scope arrangements

Financial Management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Budget setting

The Council formally approved the 2022-2023 budget on 24 February 2022. Spend of £220.4 million was planned in 2022-2023 after taking account of Government Grants, inflation, borrowing costs and approved savings.

The Council's financial performance shows a deficit on the provision of services of £26.642million (of which amount chargeable to general reserve amounts to £12.17 million) as opposed to the budgeted deficit/surplus of nil. The annual accounts provide a reconciliation between the planned and actual deficit.

The Council approved a £64.1 million three-year capital investment programme covering 2022-2025, of which £36.9 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, construction of a new Learning Disability facility plus significant capital work on other Council assets.

The Council continues to make significant capital investment with £26.5 million being spent in 2022-23. Funding of capital expenditure included £0.04 million from capital receipts, £16.9 million of government grants with the balance of £10.5 million being met through internal funding and borrowing.

The net worth of the Council has increased by £62.521m from £298.640m as at 31 March 2022 to £361.161m as at 31 March 2023. The main contributors to this are increase in PPE and decrease in pension liability amounting to £29 million and £40.1 million respectively. PPE increased due to the council's investment in key capital projects and the effect of asset revaluation while the decrease in pension liability has resulted from the actuarial valuation.

In March, 2023 the Council agreed its 2023/24 budget. Savings of £7.6m were approved during the budget process, an increase on Council Tax of 5.3% with a further £3.0m approved Use of Reserves to balance the 2023/24 Revenue Budget.

Budget Monitoring

We observed that senior management and members receive regular and accurate financial information on the council's performance against budgets. The body has appropriate budget setting and monitoring arrangements.

Wider Scope arrangements

Financial Management (continued)

Internal Audit

The Council's Chief Internal Auditor has responsibility for independently reviewing and reporting 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.

A follow up process is in place which ensures that all actions arising from internal audit reviews are captured within a follow up database and are subject to follow up and validation by the Internal Audit on a regular basis, with reporting on progress to the Audit Committee. Regular updates are provided to the audit committee in the form of internal audit progress reports.

Internal controls

As part of our audit, we identify and assess the key internal controls relevant to our audit. Our objective is to plan and seek assurance, where relevant, that the body has controls around recording and processing transactions to provide a sound basis for the preparation of the financial statements.

Overall financial systems of internal control operated effectively, with the exception of those matters on which we have raised recommendations in Appendix Two, none of which represent significant deficiencies in internal control.

Fraud prevention mechanisms

The council is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption. Furthermore, it is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

There are established procedures for preventing and detecting any breaches of these standards including any instances of corruption enacted through the anti fraud and corruption policy. We noted that the policy was last reviewed and updated in 2017. We recommend periodic review and update of this policy, at least every three years.

(Recommendation One)

The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. We note that the council recognised the need for and participates in the initiative. We understand that a progress report is planned to be presented to the audit committee in relation to the results of the latest matching exercise.

Wider Scope arrangements

Financial Management (continued)

Financial regulations

We noted that the standing financial regulations are comprehensive and have been approved dated 17th February 2022. A copy of these are available on the website for public access.

Going Concern

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 budget process, which drives through efficiency savings, will provide sufficient resources to finance future liabilities.

Conclusions

- The 2023-24 budget was set in March 2023 and financial balance has been achieved in the short term.
- Overall financial systems of internal control are operating effectively,
- The Council's latest accounts are prepared on a going concern basis.
- Financial regulations are current and up to date.
- There are established procedures for preventing and detecting, however a periodic review of the anti fraud and corruption policy is recommended.

Wider Scope arrangements

Financial Sustainability

Financial sustainability looks forward to the medium and longer term, to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Medium term financial plan

The council's latest financial strategy update covers the period 2023/24 to 2032/33. It is updated on a six-monthly basis. The plan with the latest update was presented to the Council and approved dated 8 June 2023.

Revenue Forecasts

We note that the Financial Strategy covers the period 2023-33 in terms of identifying potential issues, **but the revenue forecasts are limited to the period which can be reasonably forecast (ie. 3 years from 2023/24 to 2025/26)**. The primary financial challenge, identified in the strategy, facing the Council over the coming period, given the continued pressure on public sector budgets, will be to stay within the approved revenue budget and deliver a capital programme that continues to maintain the required level of investment in key infrastructure whilst contributing to the Net Carbon Zero targets and support the needs of the local community.

In preparing the Medium Term Financial Plan the following approach has been adopted:

- The base budget for prior year has been used as the basis for the Medium Term Financial Plan
- An analysis of anticipated pressures has been undertaken to inform future years projections
- A review of funding assumptions has been undertaken to determine the anticipated level of funding available for service delivery

The plan takes into account the cost pressures and identifies inflation (including pay inflation) as the main driver for future projections.

The Strategy takes into account key financial issues that are known or anticipated events and activities that have to be addressed within overall financial resources in the short-term (within 2 years), medium-term (within 4 years) or longer (over 4 years). Based on the above, scenario planning and sensitivity analysis has been undertaken to identify potential optimistic, pessimistic and mid-range outcomes of the plan. The funding gap identified as a result of this analysis ranges from £13.2 million to £22.6 million over the three year period to 2025/26.

Wider Scope arrangements

Financial Sustainability (continued)

Capital Projections

The Council agreed a 3 year Capital Programme covering 2023/26 in March 2023. A 5% overprovision was built in to allow for increased resources. This assumed Government capital support amounting to £20.9 million which is based on provisional settlement for 2023/24 and estimated amounts for 2025 and 2026.

Reserves Strategy

The Council has agreed a Reserve Strategy which requires a minimum unallocated General Fund Reserve of approximately 2% of turnover. The Reserve Strategy was reviewed and approved by the Policy & Resources Committee in March 2023. Earmarked Reserves and the level of unallocated reserves are reviewed annually as part of the budget process.

Savings Plans

The strategy includes an action plan for addressing short, medium and long-term issues. The council plans to bridge funding gaps mostly through savings and the use of reserves. Savings plans from 2023/24 onwards have been developed and options have been presented to members. 2023/24 budget included approval of target savings over the coming three years amounting to £7.6 million. The targets are monitored as part of budget monitoring reports.

Conclusions

- The Council's MTFP is in place and appropriately takes into account scenario planning.
- The Council has a reserves strategy in place
- Savings plans to bridge the identified funding gaps are implemented and monitored.

Wider Scope arrangements

Vision, Leadership and Governance

Vision, leadership and governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

The governance framework is the system by which the Council leads, directs and controls its functions and relates to the community and other stakeholders. It includes the systems, processes, cultures and values through which the Council strives to adhere to the principles of good governance of openness, inclusivity, integrity and accountability.

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)”.

The Council has adopted a code of conduct for its employees. Elected Members observe and comply with terms of the Councillors’ Code of Conduct. Comprehensive arrangements are in place to ensure Members and officers are supported by appropriate learning and development.

Strategy

The overarching strategic vision of the Council is detailed in the Council’s Plan which sets out the key outcomes the Council is committed to delivering with its partners. This was reviewed, updated and presented for the Council’s approval in April 2023. The approved plan is available for public’s access on the Council’s website.

Involvement of Stakeholders

Development of the Council’s plan was supported through multi-faceted, 8 week public consultation which concluded in January 2023. Alongside this consultation, the Inverclyde Strategic Needs Assessment was updated which informed the development of the plan. Reports enumerating the consultation and strategic needs assessment are published on the Council’s website for public access.

Setting and reporting of operational performance

The Council's Performance Management Framework sets out the process for target setting. The Performance Management Framework can be found on the Council Plan webpage. Priorities under the strategic plan are aimed to be delivered through committee delivery and improvement plans and service delivery and improvements plans.

Committee plans have been developed and approved for three year period form 2023 to 2026 and include the performance targets for 2023/24. Service plans are currently in the process of development.

Wider Scope arrangements

Vision, Leadership and Governance (continued)

Setting and reporting of operational performance (continued)

Performance management and monitoring of service delivery is reported principally through the Policy & Resources Committee and to other Committees on a regular basis. The Council publishes information about its performance regularly as part of its public performance reporting requirements

Governance statement

As part of our audit process we continually assess the governance arrangements within the council and review the Annual Governance Statement in the annual report and accounts. Governance statement is review and approved by the relevant committees of the Council ahead of being published as part of the annual accounts. We concluded that arrangements are appropriate and operated effectively during 2022/23.

Standing Orders, Schemes of Delegation and Financial Regulations

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.

We noted that scheme of delegation related to local developments was last reviewed and updated in 2016. We further note that review of integration scheme continues to be delayed. **(Prior Year Recommendation)**

Risk Management

The Council's approach to risk management is set out in the risk management strategy and is embedded within the Council's Strategic Planning and Performance Management Framework. Reporting on risk management is undertaken and reported annually to the Audit Committee.

We noted that risk management strategy has been reviewed and the updated draft is included in the agenda of the meeting of the audit committee scheduled for 24 October 2023 for consideration and approval.

Wider Scope arrangements

Vision, Leadership and Governance (continued)

Scrutiny, challenge and transparency

The status of progress of audit (external and internal) recommendations and action points are regularly reported and considered by the audit committee.

Council minutes and related documents are available on the website for public scrutiny.

The Council maintains a website where users can find further information about the Council's performance and the financial accounts, including other associated documents relating to strategies, policies and plans.

Conclusions

- Governance arrangements are appropriate and operated effectively.
- The Council's Scheme of delegation in respect of local developments was last reviewed and updated in 2016.

Wider Scope arrangements

Use of resources to improve outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

The Council's Performance Management Framework sets out the process for target setting. The Performance Management Framework has been refreshed in 2022/23 and can be found on the Council Plan webpage.

Performance management and monitoring of service delivery is reported principally through the Policy & Resources Committee and to other Committees on a regular basis. The Council publishes information about its performance regularly as part of its public performance reporting requirements.

The Council's annual performance report for 2021/22 is available for public access on the Council's website. As part of the review of minutes we noted the 2021/22 report being presented to the Policy and Resource Committee in November 2022 for consideration and understand that the 2022/23 report is also scheduled to be presented to the Policy and Resources Committee on 21 November 2023.

In relation to the reported performance report for 2021/22 we noted an overall negative trend in performance in relation to priority 5 "To safeguard, support and meet the needs of our most vulnerable families and residents". We noted that performance has deteriorated over time in 7 out of 12 measures coupled with the inability to meet the latest performance target in 4 out of 9 measures for which a target had been set. Further performance in relation to 4 of the measures for the latest period was not available as at the reporting date.

The Local Government Benchmarking Framework (LGBF) brings together a wide range of information about how all Scottish councils perform in delivering services to local communities. The LGBF assists Councils in benchmarking their performance in key areas and creates opportunities to identify and share good practice.

We noted that the link to LGBF dashboard is provided on the Council's website, which allows visualization of the council's performance by service areas and indicators. Additionally the council reports the same in summary in the form of a fact file which is available for public access.

As per the latest published data, the council's performance showed a deterioration when compared to the prior year and base year, in relation to 42% and 44% of the indicators on an overall basis, respectively.

In relation to the council's relative position over time, the percentage of indicators in top 2 quartile improved from 57% to 60% on an overall basis, however decreased from 50% to 38% with respect to the economic development category.

Wider Scope arrangements

Use of resources to improve outcomes (continued)

In addition, each directorate periodically reports on performance in the delivery of their CDIP to their relevant committee. Inverclyde Council publishes performance information on the delivery of the Education and Communities, Corporate Services and the Environment, Regeneration and Resources.

Performance is reported to:

- the Education and Communities Committee
- the Environment and Regeneration Committee
- the Policy and Resources Committee

From April 2023, the Council moved to a new planning model, known as Committee Delivery and Improvement Plans, with a Committee Plan developed for each three Committees listed above which lay out the targets for 2023/24. Service delivery plans along with the targets for the future year are in the process of development.

Conclusion

- Performance management arrangements provide a sound base for improvement of outcomes.

Wider Scope arrangements

The Publication of Information (Standards of Performance) Direction 2021 - Statutory Performance Indicators

The Accounts Commission issued a new Statutory Performance Information (SPIs) Direction in December 2021 which applies for the three years from 2022/23

The Direction requires the Council to report its:

- performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI 1). The Commission expects this reporting to allow comparison both over time and with other similar bodies (drawing on Local Government Benchmarking Framework and/or other benchmarking activities).
- own assessment and audit, scrutiny, and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2). **Note that our work around the arrangements for ensuring data integrity and accuracy in respect of the reported performance is currently ongoing.**

The council has a dedicated public performance reporting webpage which further includes a dedicated sub-section in relation to Statutory Performance Indicators which provides:

- a Snapshots of council performance over time. This is informed by the annual performance report (published in a different section of the website).
- an overview of Inverclyde Council's latest performance as compared to peers in a form of fact file relating to LGBF. Additionally, link to LGBF dashboard is provided on the Council's website, which allows visualization of the council's performance by service areas and indicators over time.

Further details in relation to the performance outcomes are presented on the previous page.

Additionally the performance section of the website includes a sub-section relating to best value which provides documents/ links to relevant sections of the website in relation to internal and external assessments with respect to best value.

We note that the Council has made arrangements related to self evaluation of services however a program aimed specifically towards overall evaluation and reporting in relation to best value themes, on a council level, is not currently in place. (**Recommendation Two**)

Conclusions

- The Council has made arrangements to comply with the SPI Directions.
- Further work is required with respect to overall self evaluation in relation to Best Value Themes.

Wider Scope arrangements

Climate Change

The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

For 2022/23 audits, auditors are required to provide answers to specified questions which are intended to gather basic information on the arrangements for responding to climate change in each body.

The Net Zero Strategy 2021-2045 was approved in October 2021 and sets out Inverclyde Council's route map to achieving net zero greenhouse gas emissions by 2045.

The net zero strategy has two main targets i.e. delivery of carbon footprint reductions of 73% from 2021-2030/31 (on a 2012/13 baseline) through specific identified actions supporting this strategy and improvement to Net Zero by 2045.

The Strategy is planned to be implemented through a series of Action Plans. The 2022-2027 Action Plan was approved in November 2022 and provides the objectives and associated actions that will target carbon reductions over the five years of the initial plan subject to the limit of available funding. The following key components have been identified as part of the action plan:

- Governance: Embed sustainability into policies, systems and processes across Council Service areas;
- Significant Carbon Emitters: The scale of the proposed actions relates to the significance of the carbon emission to the Council's carbon footprint in the areas of Energy Use in Buildings, Transport, Streetlighting and Water, and Waste;
- Awareness and Behaviour Change: Raising awareness of how individual actions contribute to carbon footprint and climate change; and
- Offsetting: Action intended to compensate for the emission of greenhouse gases into the atmosphere.

Guidance has been published on the Council's website in relation to energy and water conservation and reducing carbon emissions.

An update on progress was presented to the Environment and Regeneration Committee in June and August 2023 and is published on the Council's website for public access.

The financial statements include narrative in relation to the climate change initiatives by the council. Areas of financial statements expected to be materially impacted include expenditure and property, plant and equipment, including vehicles.

Conclusion

- Appropriate arrangements have been put in place by the Council in relation to climate change.

Best Value arrangements

Best Value

Local government bodies have a duty under the Local Government in Scotland Act 2003 to make arrangements which secure Best Value. Best Value is continuous improvement in the performance of the body's functions.

Under the new Code of Audit Practice, the audit of Best Value in councils is fully integrated within the annual audit work performed by appointed auditors and their teams. Auditors are required to evaluate and report on the performance of councils in meeting their Best Value duties.

There are the following four aspects to auditors' work:

- Follow-up and risk-based work (covered through our recommendations in Appendix Two)
- Service improvement and reporting (covered in this section)
- Thematic reviews (covered in this section and in our separate report)
- Contributing to Controller of Audit reports. (This council is not in-scope for current year)

Thematic reviews

Auditors are required to report on Best Value or related themes prescribed by the Accounts Commission. The thematic work for 2022/23 requires auditors to carry out an overview of the effectiveness of council leadership in developing new local strategic priorities following the elections in May 2022. In carrying out the overview, auditors should answer the following questions:

- How clear is the new council vision and its priorities?
- How effectively have the views of citizens and communities been reflected in priorities and decisions taken by the council?
- How effectively do the council priorities reflect the need to reduce inequalities and climate change?
- How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the council's priorities?
- Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?

An audit programme and supporting materials are provided to auditors on the Best Value Support site. Auditors are required to report their conclusions in a separate management report on this work using a template provided on the Best Value Support site. Auditors should report a summary of the findings and conclusions from this work in each council's 2022/23 Annual Audit Report.

Best Value arrangements

Best Value (continued)

Thematic reviews (continued)

As required by guidance we have issued a separate management report. A summary of our findings are as follows:

- The council has established a clear vision supported by revised priorities.
- The council has made arrangement to effectively engage with citizens and communities when developing the priorities.
- The council's priorities have a focus on the need to reduce inequalities and combat climate change.
- Council has developed plans to align with the new council plan however more work is needed to achieve this objective.
- The leadership of the Council has been effective in setting clear priorities and further needs to demonstrate sustainable plans for delivering them.

Overall the council continues to make progress in relation to securing best value. We note the following recommendations:

- We understand that the plans for six localities were last developed in 2020 and require refresh in light of the approval of the new partnership plan and the council plan. **(Recommendation Three)**
- We did not see any evidence of involvement of any particular equality group with respect to development of the plan **(Recommendation Four)**
- Some service workforce plans within Environment and Regeneration require to be refreshed in order to develop proposals which address wider issues relating to succession planning due to an ageing profile of some staff groups, staff retention challenges and single person dependencies **(Recommendation Five)**
- The council has a corporate assets management strategy spanning over a period of three years from 2019 to 2022. This is yet to be updated. **(Recommendation Six)**

Conclusions








- The council has established overall effective arrangements to secure best value, with scope for further improvements.
- We have noted four recommendations – see Appendix Two for more details.



Appendices

Contents	Page
Required communications with the Audit and Risk Committee	35
Recommendations raised and followed up	37
Audit differences	47
Confirmation of independence	49
KPMG's Audit Quality Framework	51
Changes to auditing standards	53

Mandatory communications

Type		Statement
Our draft management representation letter		We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2023.
Adjusted audit differences		Appendix Three identifies four adjusted audit differences in excess of £250,000. These result in an overall charge to the CIES of £4.9m.
Unadjusted audit differences		No unadjusted audit differences identified. See appendix Three..
Related parties		There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit and Risk Committee		There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies		We communicate to management in this report all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts		No actual or suspected fraud involving group management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements was identified during the audit.

Mandatory communications

Type	Statement
Significant difficulties	<input checked="" type="radio"/> OK No significant difficulties were encountered during the audit.
Modifications to auditor's report	<input checked="" type="radio"/> OK None.
Disagreements with management or scope limitations	<input checked="" type="radio"/> OK The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	<input checked="" type="radio"/> OK No material inconsistencies were identified relating to other information in the Management Commentary. The Commentary is fair, balanced and comprehensive, and complies with the requirements of the Code.
Breaches of independence	<input checked="" type="radio"/> OK No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
Accounting practices	<input checked="" type="radio"/> OK Over the course of our audit, we have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	<input checked="" type="radio"/> OK The significant matters arising from the audit were discussed, or subject to correspondence, with management.

Recommendations followed up and raised

We have followed up the recommendations raised in the prior year by Audit Scotland. Below is a table of the actions and implementation. We have disclosed below the recommendations that are still ongoing with the current management response.

Priority rating for recommendations		
<p>1 Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p>2 Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

Recommendations (followed up)

Total number of recommendations	Number of recommendations implemented or superseded with new recommendations	Number outstanding (repeated below):
5	2	3

#	Risk	Issue, Impact and Recommendation	Update October 2023
1	N/A	<p>Heritage Assets Valuation review</p> <p>The Council's heritage assets are valued at £18.0 million but have not been formally revalued since 2012. In addition, disclosures around the valuation frequency of Heritage Assets and Council policy on valuations was inaccurate and not reflective of actual practice.</p> <p>Risk: Heritage asset valuations are significantly out of date.</p> <p>Recommendation: The council should prioritise the revaluation of heritage assets in 2022/23.</p>	<p>During 2022/23, the Council has obtained an external valuation of the majority of heritage assets it holds (by value), resulting in a revaluation gain being recognised. There are plans for the remaining items within the collection to be valued during 2023/24.</p> <p>Recommendation implemented.</p>

Recommendations followed up

#	Risk	Issue, Impact and Recommendation	Update October 2023
2	N/A	<p>Directorate change management groups</p> <p>The council should embed the recent introduction of directorate change management groups to prioritise, manage and monitor service improvement activity. Appointment of a lead change officer and the production of a detailed Business Plan for shared services.</p>	<p>The Council's Delivering Differently Programme is reported to the Environment & Regeneration Committee. The Council also has a Change Management Programme with performance reporting. The Shared Services Committee meets twice yearly and a decision was made to disband Roads, Transport and Waste Shared Services.</p> <p>Recommendation implemented.</p>
3	N/A	<p>City Deal projects</p> <p>The council has experienced delays in its City Deal projects. Councillors and officers should continue to focus significant efforts on developing these projects with private sector partners</p>	<p>The Outline Business Case for the Inverkip project at Inverkip has been submitted. A report was considered by the Policy and Resources Committee seeking funding to meet additional construction costs</p> <p>The Inchgreen project is due for delivery in 2023/24 and Ocean Terminal projects has been delivered.</p> <p>Recommendation In Progress.</p>
4	N/A	<p>Communication and Engagement Groups</p> <p>Following feedback and learning in 2021/22, it has been agreed that the six Communication and Engagement Groups will continue in the locality areas and be further developed. The Integrated Joint Board will establish two formal Health and Social Care Locality Planning Groups - one for East Inverclyde and one for West Inverclyde.</p>	<p>Inverclyde HSCP are continuing to develop an Inverclyde East and West Locality Planning Group. Arrangements for having these in place are well progressed, with the first meeting of the groups scheduled to take place in early November 2023.</p> <p>The Alliance has previously set out ambitions to further develop Locality Planning in Inverclyde. In the interim our current arrangements with Communication and Engagement Groups continue and they had an important role in the consultation on the new Partnership Plan.</p> <p>Recommendation In Progress.</p>

Recommendations followed up

#	Risk	Issue, Impact and Recommendation	Update October 2023
5	N/A	<p>Local Development Plan</p> <p>The draft Local Development Plan (LDP) was submitted for consultation in August 2021 with responses to be considered before submission to Scottish Ministers.</p> <p>However, management have now revised the completion date to 30 April 2026. The council reports that this has been exacerbated by the delay in the outcome decision by the Scottish Ministers on the West of Quarry Drive application, until after the local government elections.</p> <p>This resulted in insufficient time to modify and continue preparation of the proposed plan, within the designated period, under the Planning (Scotland) Act 2006. Work will start afresh on a draft LDP based on the new guidance under the 2019 Planning (Scotland) Act.</p>	<p>In agreement with the Scottish Government, a new LDP will be adopted by March 2026.</p> <p>Recommendation In Progress.</p>

Recommendations raised (Financial Statements)

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
1	2	<p>Duplicate suppliers identified through capital additions walkthrough</p> <p>Our walkthrough of capital additions identified that the invoice selected for walkthrough was paid twice, due to there being duplicate suppliers set up in the ledger with distinct supplier codes. As a result the system did not identify and flag that the invoice was a duplicate.</p> <p>Risk</p> <p>There is a risk of further duplicate payments occurring if duplicate payments are able to be made against the same supplier.</p> <p>Recommendation:</p> <p>We recommend that management conducts a review of all supplier codes to ensure no more duplicates exist.</p>	<p>All new supplier requests are checked by the Creditors Supervisor against existing suppliers to minimise duplication of Suppliers. In addition, regular reviews are conducted to identify duplicate suppliers.</p> <p>There can however be legitimate reasons for a supplier having more than one code.</p> <p>All relevant staff will be reminded of the need to ensure duplicate suppliers exist only when unavoidable and of the need for checks to be carried out to identify duplicate payments.</p> <p>Finance Manager (Corporate Services and Strategic Finance)</p> <p>December 2023</p>
2	2	<p>Central Corporate Risk Register</p> <p>The Council does not have a central Corporate Risk Register in place; instead, all services and directorates have their own register and these are managed locally.</p> <p>Risk</p> <p>Risks requiring escalation may not receive appropriate consideration at Council or appropriate Committee due to the absence of a Council-wide Corporate Risk Register that collects together all risks over a certain score.</p> <p>Recommendation</p> <p>We recommend that the Council introduces a Corporate Risk Register which features any risks above a centrally-agreed threshold score, in order that the Council and its Committees are able to assure themselves regarding the sufficiency of response to risks arising.</p>	<p>Whilst the thematic committees now receive risk registers which highlight risks relating to each committee's remit and strategic objectives, the refreshed Corporate Risk Register will be presented to Audit Committee then Policy & Resources Committee in January/February 2024 and will be prepared in line with the Strategy which is anticipated to be approved in November 2023. The Corporate Risk Register will then be reported to both Committees on an ongoing basis moving forward.</p> <p>Chief Executive/Head of Legal, Democratic, Digital & Customer Services</p> <p>March 2024</p>

Recommendations raised (Financial Statements)

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
3	2	<p>Segregation of duties in journal entries processing</p> <p>Our walkthrough of processes and controls relating to journal entries posted in the ledger identified that there is no enforcement of segregation of duties in the processing of journals between the person creating/raising the journal and the person reviewing/approving the journal.</p> <p>Risk</p> <p>While many journals are reviewed by a secondary person, the fact that this step is not enforced increases the likelihood of inappropriate or erroneous journal entries being posted.</p> <p>Recommendation</p> <p>We would recommend that management considers enforcing through the ledger system the segregation of duties in the processing of journal entries. Where this is considered impractical, management should establish a periodic retrospective review of a report of all journals posted during the period, and these should be signed off by a senior member of Finance as appearing regular and in line with the normal course of business.</p>	<p>Procedure will be amended to ensure all journal entries are authorised ensuring segregation of duties.</p> <p>Finance Manager (Environment & Technical)</p> <p>December 2023.</p>
4	3	<p>Timeliness of preparation and review of bank reconciliations</p> <p>Our testing of bank account reconciliation controls during the year identified that while all reconciliations were up to date by the year end, some reconciliations were not prepared or reviewed in a timely way ie. within one month of the relevant month-end.</p> <p>Risk</p> <p>There is a risk that errors relating to cash postings in the ledger are not identified in as timely a manner as possible.</p> <p>Recommendation</p> <p>Management should ensure that all bank reconciliations are prepared and reviewed within one month of the relevant month-end.</p>	<p>All relevant staff will be reminded of the requirement to prepare and review bank reconciliations within one month of the period end.</p> <p>Finance Manager (Corporate Services and Strategic Finance)</p> <p>December 2023</p>

Recommendations raised (Financial Statements)

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
5	③	<p>Formal process for Head of Service impairment reviews</p> <p>Our walkthrough of the annual impairment review process identified that Finance writes to all Heads of Service, asking them to report any indications of impairment. A positive response, even to confirm there are no issues to raise, is not required resulting in some returns not being provided.</p> <p>Risk</p> <p>There is an increased risk that impairment indicators will not be identified and reported, where Heads of Service are not formally required to confirm (the absence of) any indicators arising.</p> <p>Recommendation</p> <p>We recommend the impairment review process is amended to include the requirement for Heads of Service to provide a positive return confirming whether any impairment indicators have arisen during the year.</p>	<p>Instruction in year end pack will be amended and Officers will ensure returns are received, including nil returns, from all Heads of Service in future.</p> <p>Finance Manager (Environment & Technical)</p> <p>June 2024</p>
6	②	<p>Continuing to improve integrity of Fixed Asset Register</p> <p>We are aware that there have been historic issues with the Fixed Asset Register (FAR), resulting in management resuming the use of an Excel spreadsheet to record the FAR. We note that improvements have been made to this but we also identified some further areas for improvement. In particular we noted some items without an associated remaining useful life, resulting in an understatement in the depreciation charge which has been corrected by management.</p> <p>Risk</p> <p>There is an increased risk of misstatements in reported fixed assets balances.</p> <p>Recommendation</p> <p>We recommend that a further data integrity and cleansing exercise is undertaken in 2023/24 to ensure the integrity of entries across all fields in the FAR.</p>	<p>Data integrity review of FAR will be added to the Year End timetable and carried out on an annual basis.</p> <p>Finance Manager (Environment & Technical)</p> <p>June 2024</p>

Recommendations raised (Financial Statements)

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
7	2	<p>Infrastructure Assets</p> <p>In August 2022, Audit Scotland issued updated guidance in regards to the accounting of Infrastructure assets. It stated that infrastructure Assets are held at depreciated cost, and what has been happening is that additional spend on roads has simply been added to the existing Cost less Depreciation, and the various Councils have not been able to provide / demonstrate that where assets are “replacing” (i.e. a new road surface) that the NBV of the initial road surface was removed / disposed of.</p> <p>As part of the guidance, councils which did not meet this requirement could utilise two statutory overrides.</p> <p>Statutory Override 1: For accounting periods commencing from 1 April 2021 until 31 March 2024 a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.</p> <p>Statutory Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is required to be a nil amount, and no subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.</p> <p>Inverclyde Council had to use both statutory overrides to ensure compliance with the updated guidance. KPMG considers the use of the overrides to constitute a control weakness.</p> <p>Recommendation</p> <p>We recommend that should Management wish to meet this requirement they will need to carry out a retrospective review of the methodology used to account for the infrastructure assets and update the methodology accordingly to ensure compliance with the guidance.</p> <p>This weakness did not impact upon our planned audit approach.</p>	<p>It is intended to continue to use both statutory overrides for the 2023/24 annual accounts.</p> <p>Officers will continue to review methodology to ensure compliance however this is considered a national issue. Officers will therefore keep abreast of national developments.</p> <p>Finance Manager (Environment & Technical)</p> <p>June 2024</p>

Recommendations raised (Wider scope and Best Value)

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
1	2	<p>Fraud, Bribery and Corruption procedures and other policies out of date</p> <p>The council is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption. Furthermore, it is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.</p> <p>There are established procedures for preventing and detecting any breaches of these standards including any instances of corruption enacted through the anti fraud and corruption policy. We noted that the policy was last reviewed and updated in 2017.</p> <p>We identified through our planning and risk assessment activities that there are a number of other policies currently beyond their due date for review and updating, including:</p> <ul style="list-style-type: none"> ▪ Code of Practice on Teacher Competence; ▪ Employee Code of Conduct; ▪ Health and Safety Policy; ▪ Records Management Policy; ▪ Recruitment Selection Policy; ▪ Dignity and Respect at Work Policy; and ▪ Whistleblowing Policy. <p>Recommendation</p> <p>We recommend that all out-of-date policies are prioritised for updating and review / approval by Council or appropriate Committee as soon as is practicable.</p>	<p>The Corporate Quality Improvement Group has approved a corporate template for all policies and CMT are currently confirming all policies and their next review dates with an update due to go to Policy & Resources Committee in February 2024.</p> <p>A timetable for updating all policies will be approved as part of that report, with a suitable prioritisation.</p> <p>Head of Legal, Democratic, Digital & Customer Services</p> <p>March 2024 (for completion of timetable for updating of policies)</p> <p>All policies on new review timescales- March 2025</p>

Recommendations raised (Wider scope and Best Value)

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
2	2	<p>Reporting on Best Value achievement and delivery</p> <p>The performance section of the Council's website includes a sub-section relating to best value which provides documents/ links to relevant sections of the website in relation to internal and external assessments with respect to best value.</p> <p>We note that the Council has made arrangements related to self-evaluation of services, however a program aimed specifically towards overall evaluation and reporting in relation to best value themes, on a council level, is not currently in place.</p> <p>Recommendation</p> <p>We recommend implementation of a process to report on overall best value achievement and delivery.</p>	<p>An approach to reporting and evaluation of best value at a council level will be devised and incorporated into the Inverclyde Council Performance Management Framework by March 2024, with implementation of the approach in 2024-25.</p> <p>Head of OD, Policy and Communications</p> <p>March 2024</p>
3	2	<p>Locality plans</p> <p>We understand that the plans for six localities were last developed in 2020 and require refresh in light of the approval of the new partnership plan and the council plan.</p> <p>There is a risk that locality plans do not align with the new strategic framework.</p> <p>Recommendation</p> <p>We recommend that locality plans are updated in line with the new partnership and council plan</p>	<p>The review of Inverclyde's locality planning model which will include refreshing locality plans will follow the conclusion of the Community Council review.</p> <p>Corporate Director (Education, Communities & Organisational Development)</p> <p>June 2024</p>
4	2	<p>Equality group involvement in plan</p> <p>We did not see any evidence of involvement of any particular equality group with respect to development of the plan.</p> <p>There is a risk that relevant equality input is not incorporated in the plan.</p> <p>Recommendation</p> <p>We recommend that a specific equality group within the council is identified and involved in the strategy setting process.</p>	<p>Equality groups will be involved in the development of the next Council Plan from 2027 and in the mid term review of the Partnership Plan in 2028.</p> <p>Head of OD, Policy and Communications</p> <p>From 2026/27</p>

Recommendations raised (Wider scope and Best Value)

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
5	③	<p>Workforce planning</p> <p>Some service workforce plans within Environment and Regeneration are required to be refreshed in order to develop proposals which address wider issues relating to succession planning, due to an ageing profile of some staff groups, staff retention challenges and single person dependencies.</p> <p>There is a risk of ineffective work force planning.</p> <p>Recommendation</p> <p>We recommend that workforce plans are refreshed on a timely basis.</p>	<p>Refreshed workforce plans within Environment and Regeneration will be produced by June 2024.</p> <p>Director - Environment and Regeneration</p> <p>June 2024</p>
6	③	<p>Asset Management Strategy</p> <p>The council has a corporate asset management strategy spanning over a period of three years from 2019 to 2022. This is yet to be updated.</p> <p>There is a risk of obsolete and out of date policy resulting in ineffective asset management.</p> <p>Recommendation</p> <p>We recommend timely review and update of both strategies.</p>	<p>The Corporate Asset Management Strategy is scheduled to be updated and adopted by April 2024</p> <p>The ICT Strategy is due to be updated and adopted by September 2024.</p> <p>Head of Physical Assets/ Head of Legal, Democratic, Digital & Customer Services</p> <p>September 2024</p>

Audit Differences

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit and Risk Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements.

Unadjusted audit differences (£'000s)

No unadjusted audit differences identified.

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit and Risk Committee with a summary of adjusted audit differences (including disclosures) in excess of £250,000 identified during the course of our audit. The adjustments below have been included in the financial statements.

Adjusted audit differences (£'000s)

No	Detail	CIES Dr/(Cr)	Balance Sheet Dr/(Cr)	Comments
1	Dr Depreciation Expense Cr Property, Plant and Equipment	441	(441)	We noted during our work on fixed assets that there were some data integrity issues around the depreciation charge, resulting in an understatement of accumulated depreciation. This has been amended by management.
2	Dr (Surplus) or deficit on the revaluation of non-current assets Cr Revaluation Reserve	4,817	(4,817)	We noted during our testing of the year-end revaluation that there was a charge for impairment to the revaluation reserve relating to the new Ocean Terminal building which did not have an associated revaluation reserve balance. This has been amended by management.
3	Dr Revaluation Reserve Cr Heritage Assets		2,186 (2,186)	We noted during our work on Heritage Assets that included in the balance was a 'contingency' of £2.1m which had been included for some years following internal advice in order to reflect the expected increased value of the collection over time. As the majority (by value) of the Heritage Assets were formally revalued during 2022/23, we consider that retaining this contingency within the valuation is inappropriate. This has been amended by management.

Audit Differences

Adjusted audit differences (£'000s)

No	Detail	CIES Dr/(Cr)	Balance Sheet Dr/(Cr)	Comments
4	Dr Debtors Cr Income from Services	(310)	310	Identified by management during the course of the audit. Relates to Inchgreen Marine Park dividend accrual identified after draft statement of accounts prepared.
	Total	4,948	(4,948)	

We also identified a small number of disclosure adjustments, all of which were corrected by management.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit Committee members

Assessment of our objectivity and independence as auditor of the Inverclyde Council.

Professional ethical standards require us to provide to you with a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard.

As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

We have not provided any non-audit services in year.

Confirmation of Independence (continued)

We have considered the fees charged to the Council for professional services provided during the reporting period. Total fees charged can be analysed as follows:

Entity	2022/23	2021/22
Auditor Remuneration **	£233,700	£168,780
Pooled Costs	£0	£17,590
PABV Contribution	£55,820	£69,960
Audit Support Costs	£8,860	£9,010
Sectoral Cap Adjustment	£240	-
TOTAL AUDIT FEES (Incl VAT)	£298,620	£265,340
Fees for non-audit services	-	-

(** the average of tender values which may differ from what KPMG receives)

Source: Audit Scotland

Application of the FRC Ethical Standard 2019

We communicated to you previously the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

- To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.
- Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

Commitment to continuous improvement

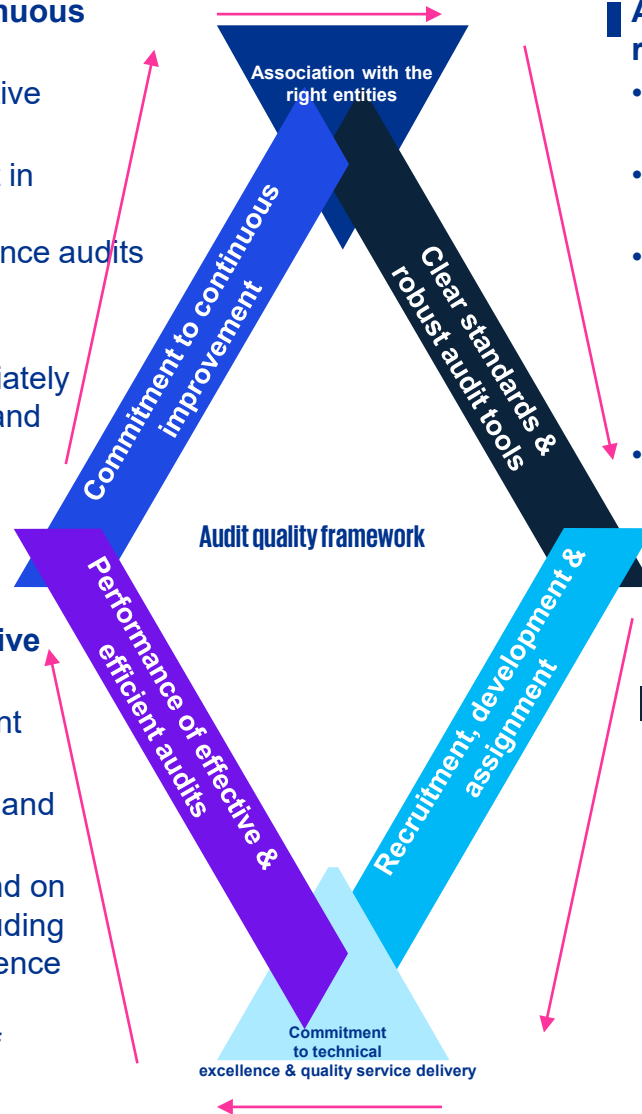
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



Association with the right entities

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members

ISA (UK) 315 Revised: Overview

Summary

ISA (UK) 315 Identifying and assessing the risks of material misstatement incorporates significant changes from the previous version of the ISA.

These have been introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA is effective for periods commencing on or after **15 December 2021**.

The revised standard expands on concepts in the existing standards but also introduces new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

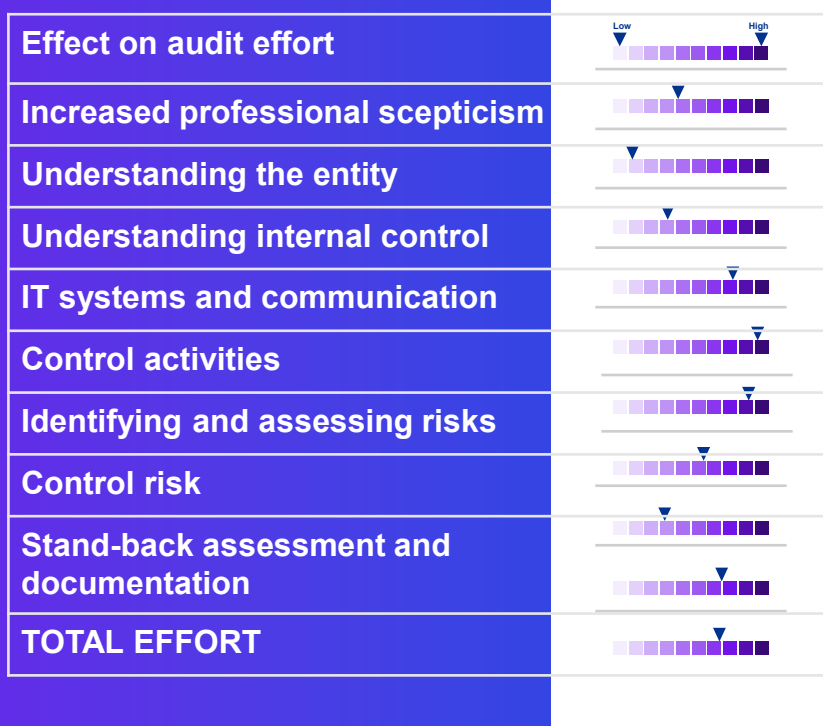
Why have these revisions been made?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes are aimed at (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard's scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

What did this mean for our audit?

To meet the requirements of the new standard, auditors have been required to spend an increased amount of time across the risk assessment process, including more detailed consideration of the IT environment. These changes have resulted in significantly increased audit effort levels which in turn, has affected auditor remuneration. This additional effort is a combination of time necessary to perform the enhanced risk assessment procedures in our audits.






ISA (UK) 240 Revised: Summary of key changes

Summary and background

- ISA (UK) 240 The auditor's responsibilities relating to fraud in an audit of financial statements includes revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. The revised ISA (UK) is effective for periods commencing on or after **15 December 2021**. Unlike ISA (UK) 315 which mirrors updates in the international ISA, the updated UK fraud standard is not based on international changes by the IAASB.
- The impact of the revisions to ISA (UK) 240 is less extensive compared to ISA (UK) 315, but nevertheless resulted in changes to our audit approach. The table to the right summarises the main changes and our final assessment of their impact.

What did this mean for our audit?

- The changes introduced new requirements which increased audit effort and therefore the audit fee. The additional work is largely the result of investing more time identifying and assessing the risk of fraud during risk assessment and involving specialists to aid with both risk identification and the auditor's response to risk.

Area	Effect on audit effort	Summary of changes and impact
Risk assessment procedures and related activities		<ol style="list-style-type: none"> Increased focus on applying professional scepticism – the key areas affected are: <ul style="list-style-type: none"> the need for auditors not to bias their approach towards obtaining evidence that is corroborative in nature or excluding contradictory evidence, remaining alert for indications of inauthenticity in documents and records, and investigating inconsistent or implausible responses to inquiries performed. Our inquiries with individuals at the entity were expanded to include, amongst others, those who deal with allegations of fraud We determined whether to involve technical specialists (including forensics) to aid in identifying and responding to risks of material misstatement due to fraud.
Internal discussions and challenge		<p>We complied with enhanced requirements for internal discussions among the audit team to identify and assess the risk of fraud in the audit, including a requirement to determine the need for additional meetings to consider the findings from earlier stages of the audit and their impact on our assessment of the risk of fraud.</p>
Communications with management / TCWG		<p>We have complied with new requirements for communicating matters related to fraud with management and those charged with governance, in addition to the reporting in our audit reports.</p>



kpmg.com/socialmedia

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

© 2023 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential



Inverclyde Council

DRAFT

**Best Value Thematic Report 2022/23:
Leadership in the development of the council's strategic
priorities**

16 November 2023

Key contacts

Your key contacts in connection with this report are:

Michael Wilkie

Director

Tel: 07795 370106

Michael.Wilkie@kpmg.co.uk

Christopher Paisley

Senior Manager

Tel: 07468 367450

Christopher.Paisley@kpmg.co.uk

Taimoor Alam

Assistant Manager

Tel: 07731 348596

Taimoor.Alam@kpmg.co.uk

Contents	Page
Key messages	3
Scope of the audit	5
Council vision and priorities	7
Citizen and community engagement	10
Reducing inequalities and tackling climate change	13
Alignment of delivery plans	16
Leadership	19
Appendix	22

Key messages

- The overall strategic framework within which the Council operates is outlined in the Strategic Planning and Performance Management Framework. This new Framework was implemented in 2023 and includes the Inverclyde Alliance Partnership Plan 2023/33 (the partnership plan), the Council Plan 2023/28, Committee Delivery and Improvement Plans 2023-26 and the Financial Strategy.
- The 2023/28 Council Plan sets out the vision for the Council as a whole and the ways in which it hopes to improve the lives of, and deliver better outcomes for, the people of Inverclyde. This was approved by Council in April 2023 and is published on the website for public access along with the other plans included in the new Framework.
- The Council Plan aligns to and supports the 10 year Alliance Partnership Plan (2023/33), ensuring that partners work together to create conditions that promote success for all and addresses inequalities. The Partnership Plan is available for public access in the same section as the strategic plan.
- The council has also approved an overall Performance Management Framework (PMF) which sets out the arrangements by which it plans, delivers, reviews and improves on what it aims to achieve, both as a Council and in partnership through the delivery of the Inverclyde Alliance Partnership Plan 2023/33, the Inverclyde Council Plan 2023/28 and the Committee Delivery and Improvement Plans 2023-26. The Framework is intended to act as a basis for performance measurement and reporting.
- The council runs a four-year Equality Outcomes Framework and issues progress reports against this every two years. This is specifically aimed towards achievement of the Equality objectives.
- At a service level, the Council adopted the Public Service Improvement Framework (PSIF) in 2008, which is a framework developed and managed by the Improvement Service to drive quality and excellence in the public sector. A three-year cyclical programme of PSIF assessments is in place in the Council.
- Committee plans have been developed and approved for the three year period from 2023 to 2026 and include the performance targets for 2023/24. Service plans are currently in the process of development which will include performance targets on a more operational level.
- Performance reporting under the new Framework will be carried out from 2023/24. The 2022/23 annual performance reporting is yet to be carried out and will be under the previous Performance Management Framework.
- In developing this partnership plan a wide range of factors were taken into account. A key part of this was the public consultation. 2,800 people provided feedback on the key priorities for Inverclyde and how they might be achieved.
- We understand that the plans for localities were last developed in 2020 and require refreshing in light of the approval of the new Partnership plan and the Council plan.

Key messages (continued)

- Consideration of tackling inequalities has been built into the Partnership plan and the Council plan and related outcomes are identified. There was no obvious evidence of involvement of any particular equality group with respect to development of the plan.
- Consideration of climate change has been built into the Partnership plan and the Council plan and related outcomes are identified. The Net Zero Strategy 2021-2045 was approved in October 2021 and sets out Inverclyde Council's route map to achieving net zero greenhouse gas emissions by 2045. The Strategy is planned to be implemented through a series of Action Plans. The 2022-2027 Action Plan was approved in November 2022.
- The financial budget for 2023/24 was approved in March 2023. The council's latest financial strategy update covers the period 2023/24 to 2032/33. It is updated on a six-monthly basis. The plan with the latest update was presented to the Council and approved on 8 June 2023 and included updates to the strategic objectives as included in the latest approved Council plan.
- The Workforce Planning process needs improvement. The council has identified, as part of review of its governance arrangements, that some service workforce plans within Environment and Regeneration require to be refreshed in order to develop proposals which address wider issues relating to succession planning due to an ageing profile of some staff groups, staff retention challenges and single person dependencies. The Council needs to update delivery and service policies and plans in line with the revised strategic framework.
- Elected Members are supported by a comprehensive induction and training plan. The Council has a Members Budget Working Group, which brings together representatives of each political party and independents to seek to achieve consensus in the balancing the Council's budget, reflecting the priorities for the area. Additionally, there is a Strategic Leadership Forum in place with representation from each party / grouping with a high-level understanding of financial issues.
- There are a number of committees constituted to support the effective and collaborative working. A list of all committees is published on the website along with their remit for public access and understanding.

Scope of the audit

When discussing the Local government in Scotland Overview 2022, William Moyes, Chair of the Accounts Commission said: *“Councils are operating in a complex and increasingly volatile, unprecedented and unpredictable environment. Strong leadership from councils is needed now more than ever, with new and returning councillors being able and willing to make difficult decisions about where and how to spend highly pressurised resources.”*

This report concludes on the effectiveness of the council’s leadership of the development of the council’s strategic priorities, following the recent local government elections.

The Accounts Commission’s Strategy (2021-26) sets out its priorities to focus on inequalities, funding, communities and recovery. The Code of Audit practice sets out the Best Value work required to report on these priorities.

Code of Audit Practice 2020 Best Value reporting requirements

Best Value reporting – extract from the Code

87. The Accounts Commission’s approach to Best Value involves reporting on individual local government bodies and thematically across the local government sector through performance reports:

- As part of their integrated wider-scope annual audit work appointed auditors use a risk-based approach to assess and report whether the audited body has made proper arrangements for securing Best Value and is complying with its community planning duties, including reporting progress against previous Best Value findings and recommendations.
- The Accounts Commission also requires the Controller of Audit to report to the Accounts Commission on each council or Integration Joint Board (IJB) at least once over the five-year audit appointment on the body’s performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate.
- The Accounts Commission reports nationally on thematic aspects of local government bodies’ approaches to, and performance in, meeting their Best Value and community planning duties. Local government appointed auditors report locally on any such Best Value thematic work prescribed by the Accounts Commission.

This report covers the thematic aspect of the Best Value audit requirements. The Commission has directed auditors to report on the effectiveness of the leadership of the development of the council’s strategic priorities.

Scope of the audit



In carrying out the work auditors have considered the following questions:

- How clear is the new Council vision and its priorities?
- How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the Council?
- How effectively do the Council priorities reflect the need to reduce inequalities and climate change?
- How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the Council's priorities?
- Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?

An improvement action plan is included at Appendix 1 of this report. This sets out audit recommendations in key areas, and the council's planned response including responsible officers and dates for implementation.

The coverage of the work is in line with the expectations for Council arrangements for the seven Best Value themes in the Local Government in Scotland Act 2003, Best Value Statutory Guidance 2020.

Council vision and priorities

The council has established a clear vision supported by revised priorities

A council focused on achieving Best Value in how it operates will be able to demonstrate that elected members and officers have a clear vision and priorities for their area.

The Local government in Scotland Overview 2022 says that Scotland's councils have had a pivotal role in supporting and working with communities as they respond to the impacts of Covid-19. Following the council elections in May 2021, the councils are expected to have reviewed their priorities.

The overall strategic framework within which the Council operates is outlined in the Strategic Planning and Performance Management Framework. A new Framework was implemented in 2023 and includes the Inverclyde Alliance Partnership Plan 2023/33 (the partnership plan), the Council Plan 2023/28, Committee Delivery and Improvement Plans 2023/26 and the Financial Strategy.

The Partnership Plan is a 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 Alliance priorities. The Council Plan sets out the ways in which Inverclyde Council hopes to improve the lives of the residents of Inverclyde through the delivery of a range of high-level outcomes. The Council Plan reflects the outcomes from the Partnership Plan and sets out, at a high level, what the Council will do to deliver the partnership priorities.

The 2023-28 Council Plan sets out the vision for the Council as a whole and the ways in which it hopes to improve the lives of, and deliver better outcomes for, the people of Inverclyde. This was approved by the Council in April 2023 and is published on the website for public access along with the other plans included in the new Framework.

Key Challenges identified in the plan, aligned with the partnership alliance plan, are as follows:

- An increasing concentration of older people within Inverclyde's communities;
- An anticipated population reduction over the next 5 years;
- Emergency hospital admission and alcohol related hospital admission statistics being higher than Scottish average levels;
- Annual earnings at a lower level than the Scottish average;
- Significant deprivation issues; and
- Life expectancy for males and females sitting below Scottish average levels.

The plan identifies three key themes / priority areas across which work is aimed to be performed (People, Place and Performance).

Council vision and priorities (continued)

The plan further identifies the outcomes that are planned to be achieved under each of the priority areas. Exhibit one provides the details of the outcomes to be achieved.

Exhibit One

Priority Area	Outcomes
People	<ul style="list-style-type: none"> Our young people have the best start in life through high quality support and education. Gaps in outcomes linked to poverty are reduced. People are supported to improve their health and wellbeing. More people will be in employment, with fair pay and conditions. Our most vulnerable families and residents are safeguarded and supported.
Place	<ul style="list-style-type: none"> Communities are thriving, growing and sustainable. Our strategic housing function is robust. Our economy and skills base are developed. We have a sufficient supply of business premises. Our natural environment is protected.
Performance	<ul style="list-style-type: none"> High quality and innovative services are provided, giving value for money. Our employees are supported and developed.

The Council Plan aligns to and supports the 10 year Alliance Partnership Plan (2023/33), ensuring that partners work together. The Partnership Plan is available for public access in the same section as the strategic plan. The Inverclyde Alliance Board is a partnership involving Community Councils, NHS Greater Glasgow and Clyde, Greenock Chamber of Commerce, Greenock and District Trades Council, Inverclyde Council, Job Centre Plus, Scottish Enterprise, Skills Development Scotland, Scottish Fire and Rescue, Strathclyde Partnership for Transport, Police Scotland, Voluntary Sector representation facilitated by CVS Inverclyde and West College Scotland. The Inverclyde Alliance Board is chaired by the Leader of Inverclyde Council

Committee Delivery and Improvement Plans contain strategic service delivery actions for the Council’s Policy and Resources, Education and Communities and Environment and Regeneration Committees, aligned to the delivery of the overarching Council Plan. In addition, the HSCP has its own Strategic Plan 2019-24 which supports the Inverclyde Integrated Joint Board.

The council has also approved a Performance Management Framework (PMF) which sets out the arrangements by which it plans, delivers, reviews and improves on what it aims to achieve, both as a Council and in partnership through the delivery of the Inverclyde Alliance Partnership Plan 2023-33, the Inverclyde Council Plan 2023-28 and the Committee Delivery and Improvement Plans 2023-26. The Framework is intended to act as a basis for performance measurement and reporting.

Council vision and priorities (continued)

Priorities under the strategic plan are aimed to be delivered through committee delivery and improvement plans and service delivery and improvements plans. Committee plans have been developed and approved for the three-year period from 2023 to 2026 and include the performance targets for 2023/24. Service plans are currently in the process of development which will include performance targets on a more operational level.

Performance reporting under the new Framework will be carried out from next year. The 2022/23 annual performance reporting is yet to be carried out and will be under the previous Performance Management Framework.

Latest available performance reporting relates to 2021/22 and has been carried out in pursuance of the previous council plan. We noted that the annual performance report for 2021/22 is available for public access on the Council's website. As part of review of the minutes we noted the 2021/22 report being presented to the Policy and Resource Committee in November 2022 for consideration.

In relation to the reported performance report for 2021/22, it reports an overall negative trend in performance in relation to priority 5 "To safeguard, support and meet the needs of our most vulnerable families and residents". It further reports that performance has deteriorated over time in 7 out of 12 measures, coupled with the inability to meet the latest performance target in 4 out of 9 measures for which target had been set. Further performance in relation to 4 of the measures for the latest period was not available as at the reporting date.

The Local Government Benchmarking Framework (LGBF) brings together a wide range of information about how all Scottish councils perform in delivering services to local communities. The LGBF assists Councils in benchmarking their performance in key areas and creates opportunities to identify and share good practice.

The link to the LGBF dashboard is provided on the Council's website, which allows visualization of the council's performance by service areas and indicators. Additionally, the councils reports the same in summary in the form of a fact file which is available for public access.

As per the latest published data, the council's performance deteriorated as compared to the prior year for 42% of indicators and against the base year for 44% of the indicators, on an overall basis.

In relation to the relative position over time, the council is amongst the top performers with respect to highest percentage of indicators in the top 2 quartiles with the percentages improving from 36% to 64% for Environmental Services category, 43% to 71% for Corporate Services category and 57% to 60% on an overall basis. However this percentage decreased from 50% to 38% with respect to the Economic Development category.

In addition, each directorate periodically reports on performance in the delivery of their CDIP to their relevant committee. Inverclyde Council publishes performance information on the delivery of the Education and Communities, Corporate Services and Environment and Regeneration Services.

Citizen and community engagement

The council has effectively engaged with citizens and communities when developing the priorities

Recovery from the pandemic will require councils to work alongside their local communities. There must be a focus on getting the services people need in place as pressures and stresses escalate and impact the day to day lives of individuals and communities.

Councils, with their community planning partners, have a responsibility to ensure that people and communities are able to be fully involved in the decisions that affect their everyday lives.

Early and meaningful engagement and effective collaboration with communities to identify and understand local needs, and in decisions that affect the planning and delivery of services should be a core part of determining a council's vision and priorities.

New Inverclyde Alliance Partnership plan has been implemented for 2023-33. This is the Local Outcomes Improvement Plan, as required by the Community Empowerment (Scotland) Act 2015.

The partnership plan recognises that Community Planning is all about how local public services work together with communities, third sector organisations and businesses to plan and deliver services that will improve long term outcomes and tackle inequalities.

In developing this partnership plan a wide range of factors were taken into account. A key part of this was the public consultation. 2,800 people provided feedback on the key priorities for Inverclyde and how they might be achieved. A separate report on the consultation is available on the website. The consultation methodology employed the following channels:

- Open Public Consultation;
- Listening events;
- Citizens Portals; and
- Employee Surveys.

The partnership plan identifies high level outcomes in the form of themes, the first theme being “empowered people” which identifies the following outcomes:

- Communities can have their voices heard and influence the places and services that affect them.
- Gaps in outcomes linked to poverty are reduced.

The partnership plan further lays out Locality Planning. Locality Planning aims to empower communities by strengthening their voices in decisions about public services. Locality Planning is guided by legislation - the Community Empowerment (Scotland) Act 2015 placed a requirement on Community Planning Partnerships to produce Locality Plans for smaller areas of Inverclyde and work with communities to agree what the key priorities are that should be addressed in those Plans.

Citizen and community engagement (continued)

The following six localities have been created to boast community involvement:

- Kilmacolm and Quarriers Village;
- Port Glasgow;
- Greenock East and Central;
- Greenock West and Gourrock;
- Greenock South and South West; and
- Inverkip and Wemyss Bay.

The localities are supported by Community Learning and Development resources to grow, continue to develop strong community involvement across Inverclyde, and develop and deliver locality plans for each area.

The plans for localities were last developed in 2020 and require refresh in light of the approval of the new partnership plan and the council plan. **Recommendation 1**

The Council plan reflects the outcomes from the Partnership Plan above and sets out, at a high level, what the Council will do to deliver the partnership priorities.

The identified themes emanating from the results of public consultation, as included in the partnership plan, translate into the themes and outcomes laid down in the Council plan.

The Council has put in place a Citizens' Panel. The purpose of Inverclyde Council's Citizens' Panel is to regularly consult with local people on a wide range of issues. Panel members are aged 18 years and over. The Panel is sent two surveys each year to complete. The questionnaires ask members for their views on a variety of issues. The Citizens' Panel enables the Council to regularly consult with local people and to use their feedback to improve and develop services. The results of this engagement is presented to the Policy and Resource committee and published on the Council's website.

The latest available survey results published on the website related to Autumn 2022 and provides evidence of the citizens' feedback in relation to the following:

- Covid-19 recovery – Inverclyde Council events and initiatives;
- Inverclyde Council Plan 2023/28 and Inverclyde Alliance Partnership Plan 2023/33; and
- Digital inclusion.

The results of the survey were presented to the Policy and Resource Committee dated 31 January 2023.

In addition to formal consultations and citizen's panel, the Council provides variety of additional media to get in touch.

Citizen and community engagement (continued)

The most recent budget consultation approach was approved by the Policy and Resources Committee at its meeting on 20 September 2022 and was carried out in October 2022 utilising an online survey promoted through a range of mechanisms. The results of the survey were included in the budget approval agenda paper presented for approval to the Council.

Inverclyde Council mobile app allows residents and visitors to request services and report a variety of issues to the Council. These issues are logged in a central system and allows tracking the issue's progress via the app through to resolution.

Reducing inequalities and tackling climate change

The council’s priorities have a focus on the need to reduce inequalities and climate change

Council priorities are expected to reflect the Best Value expectations that all activity should contribute to tackling poverty, reducing inequality and promoting fairness, respect and dignity for all citizens, alongside a focus on sustainable development, including climate change.

The Local government in Scotland Overview 2022 report says that the impact of the pandemic and service disruption have been felt most strongly by those already experiencing inequality. Councils have worked hard and adapted to maintain service delivery but those most in need of support are still being affected. Councils must evaluate these impacts so that recovery and renewal supports those most affected and addresses inequalities.

Consideration of tackling inequalities has been built into the partnership plan and the council plan and related outcomes are identified.

The following outcomes, related to equality, are identified in the partnership plan:

Theme	Outcome
THEME 1: EMPOWERED PEOPLE	Gaps in outcomes linked to poverty are reduced.
THEME 2: WORKING PEOPLE	<p>More people will be in sustained employment, with fair pay and conditions.</p> <p>Poverty related gaps are addressed, so young people can have the skills for learning, life and work.</p>
THEME 4: A SUPPORTIVE PLACE	Vulnerable adults and children are protected and supported, ensuring they can live safely and independently.

The following outcomes related to equality are identified in the council plan:

Theme	Outcome
THEME 1: EMPOWERED PEOPLE	<p>Gaps in outcomes linked to poverty are reduced.</p> <p>More people will be in sustained employment, with fair pay and conditions.</p> <p>Our most vulnerable families and residents are safeguarded and supported.</p>

Reducing inequalities and tackling climate change (continued)

The subject of inequalities was specifically discussed as part of the listening event held to inform the new strategic framework including the Partnership Plan and the Council Plan. This included inquiry in relation to continuing relevance of tackling inequality and the key issues which are required to be tackled to reduce inequalities.

A detailed consultation exercise was followed in relation to the development of the Plan as reported in the previous section. A dedicated young persons' event was carried out to ensure related input is captured. However, there is no obvious evidence of involvement of any particular equality group with respect to development of the plan.

Recommendation 2.

The council runs a four-year Equality Outcomes Framework. Through the delivery of these Outcomes, the Council wants to make sure that the children, citizens and community of Inverclyde:

- are protected from discrimination, harassment and victimisation;
- have equality of opportunity in everything that they do; and
- have good relationships and are respectful and responsible to those who share Protected Characteristics and those who do not.

In relation to above the council has identified a range of protected characteristics including age, disability, race, religion, sex etc.

Following outcomes had been identified as part of the Framework for 2021-25:

- Increase the participation of seldom-heard/under-represented voices in local decision-making processes.
- Improve support for older people in the community.
- Take action to prevent violence against women and girls in Inverclyde.
- Increase the diversity of the Council workforce.
- Improve the economic prospects of people who are furthest from the Labour Market including young people, older people and disabled people.

The Council issues progress reports every two years against the outcomes included in the Plan. These are published for the public access on the Council's website.

Inverclyde Alliance Board approved the Year 4 Local Child Poverty Action Plan on 20 June 2022. This report provides a strategic overview of the priorities, and actions that have been delivered to mitigate poverty in the area. The plan also includes the interventions services will take forward throughout 2022-25 to deliver improvements for children living in poverty in Inverclyde.

The council uses Equality Impact Assessments and Fairer Scotland assessments to inform its decisions. A separate section is available on the Council's website which includes details of all such assessments.

Reducing inequalities and tackling climate change (continued)

Around two-thirds of councils have formally declared a climate emergency, and COSLA's Blueprint for Local Government states that climate change is a 'greater threat than COVID'. The Scottish Government has recently published guidance on public sector leadership on the global climate emergency to help public bodies in leading climate action. Addressing the climate emergency and setting actions to achieve net zero will need to be a key element of councils' recovery and renewal from the pandemic.

Consideration of climate change has been built into the Partnership Plan and the Council Plan and related outcomes are identified.

The Net Zero Strategy 2021-2045 was approved in October 2021 and sets out Inverclyde Council's route map to achieving net zero greenhouse gas emissions by 2045.

The net zero strategy has two main targets i.e. delivery of carbon footprint reductions of 73% from 2021-2030/31 (on a 2012/13 baseline) through specific identified actions supporting this strategy and improvement to Net Zero by 2045.

The Strategy is planned to be implemented through a series of Action Plans. The 2022-2027 Action Plan was approved in November 2022 and provides the objectives and associated actions that will target carbon reductions over the five years of the initial plan subject to the limit of available funding. Following key components have been identified as part of the action plan:

- Governance: Embed sustainability into policies, systems and processes across Council Service areas;
- Significant Carbon Emitters: The scale of the proposed actions relates to the significance of the carbon emission to the Council's carbon footprint in the areas of Energy Use in Buildings, Transport, Streetlighting and Water, and Waste;
- Awareness and Behaviour Change: Raising awareness of how individual actions contribute to carbon footprint and climate change; and
- Offsetting: Action intended to compensate for the emission of greenhouse gases into the atmosphere.

Guidance has been published on the Council's website in relation to energy and water conservation and reducing carbon emissions.

An update on progress was presented to the Environment and Regeneration Committee in June and August 2023 and is published on the Council's website for public access.

All proposed agenda items include sections for consideration of equality and environment outcomes of the proposed item.

Alignment of delivery plans

The Council has developed plans to align with the new council plan however more work is needed to achieve this objective

Making the best use of public resources is at the heart of delivering Best Value. With clear plans and strategies in place, and with sound governance and strong leadership, a council will be well placed to ensure that all of its resources are deployed to achieve its strategic priorities, meet the needs of its communities and deliver continuous improvement.

The Inverclyde Alliance brings together the Community Planning partners for Inverclyde. The Partnership Plan sets out the shared commitment by Inverclyde Alliance partners to work together towards their collective aims, with a particular focus on tackling inequalities and the added value of partnership working. A new Partnership Plan was approved in early 2023 and covers the period 2023/2033.

The Council's purpose, priorities and values are set out in the Council Plan 2023/28. It also shows how Inverclyde Council contributes to the strategic priorities for the area, as set out in the Inverclyde Alliance Partnership Plan 2023/33.

In March 2023, the Council approved a new model for Directorate and service planning to support the new Council Plan. The new model sets out more explicitly the linkages between actions, strategic priorities and local outcomes as well as reflecting the new approach to Best Value.

The Delivery and Improvement Plans cover the period 2023/26 and capture:

- Actions derived from the Council Plan strategic priorities, cascaded to individual Directorates / services;
- Corporate self-evaluation improvement actions;
- Priorities relating to areas of strategic service delivery;
- Improvement actions from External Audit Reports;
- Improvement actions arising from Service Review; and
- Key Performance Indicators linked to the delivery of the actions.

Although a three-year rolling plan, the delivery and improvement actions are aimed to be refreshed on annual basis with performance reports considered by the CMT prior to every second Committee meeting, continuing with the reporting schedule established by the former CDIPs.

The new planning model also includes the introduction of Service Delivery and Improvement Plans for each Head of Service. This is to ensure that there is a consistent corporate approach to service performance and improvement in place. These plans are aimed towards setting out linkages to Council priorities with a focus on:

- Actions / activities for the Service for the year that are more operational in nature.
- Service self-evaluation improvement actions (PSIF).
- Lower level KPIs monitored by the Service that are not reported to Committee.
- LGBF indicators with benchmarking data for the service.

Alignment of delivery plans (continued)

Service plans are yet to be developed.

Progress in the delivery of the Service Delivery and Improvement Plans will be monitored by Directorate Management Teams on a quarterly basis.

The themes identified in the council plan serves as an overarching framework in relation to development of community and service delivery plan and have been mentioned therein accordingly. Innovation in delivery of service is identified as an integral theme as part of the council plan as follows:

Theme 3 Performance: Outcome 3.1 High quality and innovative services are provided, giving value for money.

The financial budget for 2023/24 was approved in March 2023. The budget proposal presented for approval included a section which noted that all savings proposals for savings, the Capital Programme and use of Reserves were assessed against the Councils stated priorities in order to minimise any negative impacts and optimise impact in areas of investment/growth. The budget included proposals to support a couple of identified strategic objectives e.g. net zero action plan and anti-poverty initiatives.

The Council's latest Financial Strategy update covers the period 2023/24 to 2032/33. It is updated on a six-monthly basis. The plan with the latest update was presented to the Council and approved dated 8 June 2023 and included updated of the strategic objectives as included in the latest approved Council Plan.

The Financial Strategy covers the period 2023/33 in terms of identifying potential issues, but the revenue forecasts are limited to the period which can be reasonably forecast. The primary financial challenge, identified in the strategy, facing the Council over the coming period, given the continued pressure on public sector budgets, will be to stay within the approved revenue budget and deliver a capital programme that continues to maintain the required level of investment in key infrastructure whilst contributing to the Net Carbon Zero targets and support the needs of the local community.

In preparing the Medium Term Financial Plan the following approach has been adopted:-

- The base budget for prior year has been used as the basis for the Medium Term Financial Plan
- An analysis of anticipated pressures has been undertaken to inform future years projections
- A review of funding assumptions has been undertaken to determine the anticipated level of funding available for service delivery

The plan takes into account the cost pressures and identifies inflation (including pay inflation) as the main driver for future projections.

The Strategy takes into account key financial issues that are known or anticipated events and activities that have to be addressed within overall financial resources in the short-term (within 2 years), medium-term (within 4 years) or longer (over 4 years).

Alignment of delivery plans (continued)

The Council agreed a 3 year Capital Programme covering 2023-26 in March 2023. A 5% overprovision was built in to allow for future variations.

The Council has undertaken extensive consultation, as noted in para 31 above, in relation to the development of priorities for inclusion in the partnership plan and the Council plan which in turn inform the development of annual budgets and longer-term financial plans.

The Council has identified, as part of review of its governance arrangements, that some service workforce plans within Environment and Regeneration require to be refreshed in order to develop proposals which address wider issues relating to succession planning due to an ageing profile of some staff groups, staff retention challenges and single person dependencies. **Recommendation 3**

The Council currently has a workforce improvement plan in place. Latest update provided against the plan relates to October 2023.

Following slippage was reported as part of the update:

- Service Plan actions are clearly mapped to the delivery of Council priorities.
- Heads of Service and Service Managers to raise awareness of the new Council Plan at team meetings and increase emphasis on roles and responsibilities during performance appraisals.
- New Service Plan to include a focus on the development of ICT skills.

The following actions are due by August 2024, however it has been reported that work has commenced against the same:

- Conduct a review of the Competency Framework, for Chief Officers initially.
- Phase two: cascade to remaining employees.
- Promote manager participation in the Leadership Course.

The Council has Digital and ICT strategies approved in May 2021 spanning for a period of 3 years. This will need to be updated/ refreshed to reflect the updated Council plan approved in 2023.

The Council has a corporate assets management strategy spanning over a period of three years from 2019 to 2022. This is yet to be updated. **Recommendation 4**

There is slippage in relation to capital projects from previous years relating to City Deal projects. The Council has made progress i.e. one project has been completed while the remaining two projects continue to be in process.

As part of the BVAR 2017 it was noted that the Council should embed the recent introduction of directorate change management groups to prioritise, manage and monitor service improvement activity. Appointment of a lead change officer and the production of a detailed Business Plan for shared services. As per the latest update from the council the delivering differently programme is reported to the Environment & Regeneration Committee. The Council also has a Change Management Programme with performance reporting. The Shared Services Committee meets twice yearly and a decision was made to disband Roads, Transport and Waste Shared Services.

Leadership

The leadership been effective in setting clear priorities but now needs to demonstrate sustainable plans for delivering them

Effective leadership from councillors, chief executives and senior officers, is key to councils achieving their objectives and providing clear strategic direction. The complex local government environment means collaborative leadership, working with partners, communities and citizens to improve outcomes is more important than ever.

Leaders need to be skilled in effective strategic thinking, decision-making and collaborative working and able to learn lessons from new ways of working. Councillors and officers must be clear on their roles in setting the vision and planning for its delivery.

Leaders should demonstrate behaviours and working relationships that foster a culture of cooperation, and a commitment to continuous improvement and innovation. Good conduct and behaviours when working together are crucial. Working relationships between members and between members and officers should be constructive and productive. Councillors should show a commitment to agreed council priorities and work together to achieve them.

There are a number of committees constituted to support the effective and collaborative working. List of all committees is published on the website along with their remit for public access and understanding.

The proposals presented to the Council include a section for documenting alignment with the strategic objectives.

Minutes of the meetings and related documents are available on the website to ensure transparency.

The Council has a Members Budget Working Group, which brings together representatives of each political party and independents to seek to achieve consensus in the balancing the Council's budget, reflecting the priorities for the area.

There is a Strategic Leadership Forum in place with representation from each party / grouping with a high-level understanding of financial issues.

As part of the development of the new Council Plan and Committee Plans, a number of workshops were held for Elected Members to contribute to the setting of priorities.

Strategic priorities were considered when allocating resources as noted earlier in this report.

In relation to setting and monitoring performance targets, the Council has a Performance Management Framework in place aligned to the overarching Partnership Plan and the Council Plan as part of the strategic planning and Performance Management Framework. A new Framework has been implemented in 2023.

Performance management and monitoring of service delivery is reported principally through the Policy & Resources Committee and to other Committees on a regular basis. The Council publishes information about its performance regularly as part of its public performance reporting requirements.

Leadership (continued)

The Council notes the following underlying principles in relation to self-evaluation:

- Improvement activity must be aligned to the delivery of the Council Plan 2023/28 and the achievement of the Council Vision;
- Continuous improvement is everyone's responsibility;
- There should be a clear understanding of the purpose and benefits of self-evaluation at all levels;
- Self-evaluation frameworks must be flexible, adaptable and proportionate; and
- There should be transparency at each stage of the process.

At a service level, the Council adopted the Public Service Improvement Framework (PSIF) in 2008, which is a framework developed and managed by the Improvement Service to drive quality and excellence in the public sector. A three-year cyclical programme of PSIF assessments is in place in the Council, involving a team from each service carrying out a review of evidence, performance information and customer and stakeholder feedback to assess how well the service is performing and identify areas for improvement.

Inverclyde Council publishes performance information on the delivery of the Education, Communities and Organisational Development Corporate Directorate Improvement Plan 2019/23 and the Environment, Regeneration and Resources Corporate Directorate Improvement Plan 2019/23.

Performance is reported to:

- the Education and Communities Committee;
- the Environment and Regeneration Committee; and
- the Policy and Resources Committee.

From April 2023, the Council moved to a new planning model, known as Committee Delivery and Improvement Plans, with a Committee Plan developed for each three Committees listed above.

As part of self-evaluation, status of progress of audit (external and internal) recommendations and action points are regularly reported and considered by the Audit Committee.

As part of review of minutes we did not identify any indications of lack of mutual respect, trust, honesty, openness and appropriate behaviour.

The management of Inverclyde Council is led by the Chief Executive. The operational structure is divided into three directorates providing services to the public:

- Health and Social Care Partnership (HSCP).
- Education, Communities & Organisational Development.
- Environment and Regeneration.

Leadership (continued)

The Interim Director of Inverclyde HSCP was replaced by a permanent holder of the position in August 2022 and the Chief Social Worker position was filled in February 2023. In addition, the Interim Director of Environment and Regeneration was appointed permanently to that post in January 2023 and the Interim Director, Finance & Corporate Governance during the year returned to his position of Chief Financial Officer in April 2023.

Currently the position of Head of Organisational Development, Policy and Communications is filled on an interim basis.

The Council's Corporate Management Team complete a register of interests. The purpose of the register is to identify potential conflicts of interest when officers are making decisions. This register is available for public access.

Inverclyde Council has 22 Councillors. The political make-up of the Council is as follows:

- 9 Labour;
- 8 SNP;
- 3 Independent; and
- 2 Conservative.

Elected Members are supported by a comprehensive induction and training plan, which includes regular dedicated briefings out with of Committee meetings to support Members in their scrutiny role on areas of particular strategic importance. Between April 2022 to March 2023, 47 Elected Member briefings have been delivered on a range of topics such as the Financial Strategy, LGBF, Net Zero and Community Councils. This is aimed towards providing a robust knowledge base which supports informed decision making.

Appendix

Contents	Page
Improvement action plan	23

Improvement Action plan

#	Issue, Impact and Recommendation	Management response
1	<p>Locality Plans</p> <p>We understand that the plans for six localities were last developed in 2020 and require refresh in light of the approval of the new Partnership Plan and the Council Plan.</p> <p>There is a risk that locality plans do not align with the new Strategic Framework.</p> <p>We recommend that locality plans are updated in line with the new Partnership and Council Plan.</p>	<p>The review of Inverclyde's locality planning model which will include refreshing locality plans will follow the conclusion of the Community Council review.</p> <p>Corporate Director (Education, Communities & Organisational Development)</p> <p>June 2024</p>
2	<p>Equality Groups – Strategy Development</p> <p>We did not see any evidence of involvement of any particular equality group with respect to development of the Plan.</p> <p>There is a risk that relevant input is not incorporated in the Plan.</p> <p>We recommend that a specific equality group in the Council's jurisdiction is identified and involved in the strategy setting process.</p>	<p>Equality groups will be involved in the development of the next Council Plan from 2027 and in the mid term review of the Partnership Plan in 2028.</p> <p>Head of OD, Policy and Communications</p> <p>From 2026/27</p>
3	<p>Workforce Plans</p> <p>Some service workforce plans within Environment and Regeneration are required to be refreshed in order to develop proposals which address wider issues relating to succession planning, due to an ageing profile of some staff groups, staff retention challenges and single person dependencies.</p> <p>There is a risk of ineffective work force planning.</p> <p>We recommend that workforce plans are refreshed on a timely basis.</p>	<p>Refreshed workforce plans within Environment and Regeneration will be produced by June 2024.</p> <p>Director - Environment and Regeneration</p> <p>June 2024</p>
4	<p>Strategy update</p> <p>The council has a corporate Assets Management Strategy spanning over a period of three years from 2019 to 2022. This is yet to be updated. Further, the ICT strategy needs to be updated to align to the latest council plan.</p> <p>There is a risk of obsolete and out of date policy resulting in ineffective asset management.</p> <p>We recommend timely review and update of all policy and procedures documents.</p>	<p>The Corporate Asset Management Strategy is scheduled to be updated and adopted by April 2024</p> <p>The ICT Strategy is due to be updated and adopted by September 2024</p> <p>Head of Physical Assets/ Head of Legal, Democratic, Digital & Customer Services</p> <p>September 2024</p>



kpmg.com/socialmedia

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

© 2023 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential



Inverclyde Council
Audited Annual Accounts
2022-2023

Contents

	Page		Page
Explanatory & Assurance Statements			
Management Commentary	1-13	Note 27 Cash Flow Statement - Investing Activities	70
Statement of Responsibilities for the Annual Accounts	14	Note 28 Cash Flow Statement - Financing Activities	71
Annual Governance Statement	15-21	Note 29 Reconciliation of Liabilities arising from	
Remuneration Report	22-28	Financing Activities	71
Expenditure & Funding Analysis			
Note 1 Expenditure and Funding Analysis	29-32		
Principal Financial Statements of Single Entity			
Comprehensive Income & Expenditure Statement	33		
Balance Sheet	34		
Movement in Reserves Statement	35		
Cash Flow Statement	36		
Notes to the Principal Financial Statements			
Note 2 Adjustments between Accounting Basis and Funding Basis under Regulations	37-38		
Note 3 Usable Reserves	38-40		
Note 4 Financing and Investment (Income) and Expenditure	40		
Note 5 Taxation and Non-specific Grant Income	40-41		
Note 6 External Audit Fees	41		
Note 7 Property, Plant and Equipment	41-45		
Note 8 Assets Held for Sale	45		
Note 9 Capital Expenditure and Capital Financing	46		
Note 10 Heritage Assets	47		
Note 11 Debtors	48		
Note 12 Cash and Cash Equivalents	48		
Note 13 Creditors	49		
Note 14 Provisions	49		
Note 15 Schools Public Private Partnership	50-51		
Note 16 Defined Benefit Pension Schemes	51-56		
Note 17 Post-employment Benefits: Teachers	57		
Note 18 Unusable Reserves	57-59		
Note 19 Leases	59-60		
Note 20 Financial Instruments	60-64		
Note 21 Nature and Extent of Risks Arising from Financial Instruments	64-66		
Note 22 Related Parties	67-68		
Note 23 Agency Services	68		
Note 24 Contingent Assets and Liabilities	68-69		
Note 25 Events after the Balance Sheet Date	69		
Note 26 Cash Flow Statement - Operating Activities	70		
Additional Financial Statements			
		Council Tax Income Account	72-73
		Non-Domestic Rates Income Account	74
		Common Good Fund	75-76
		Trust Funds	77
Principal Financial Statements of the Group			
		Group Comprehensive Income & Expenditure Statement	78
		Group Balance Sheet	79
		Group Movement in Reserves Statement	80
		Group Cash Flow Statement	81
Notes to the Group's Principal Financial Statements			
		Note 30 Combining Entities	82-83
		Note 31 Material Items of Group Income and Expenditure	84
		Note 32 Group Assets and Liabilities of Associates and Joint Ventures	84
Accounting Policies, Judgements and Assumptions			
		Note 33 General Accounting Policies	85-86
		Note 34 Group Accounting Policies	86-87
		Note 35 Accounting Standards Issued not Adopted	88
		Note 36 Critical Judgements in applying Accounting Policies	88
		Note 37 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty	89-90
Audit Certificate			
		Independent Auditor's Report	91-94
Glossary of Terms			
		Glossary of Terms	95-98

1. Introduction

This Management Commentary outlines the objectives and strategy of the Council and its financial performance for the year 2022-2023 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.

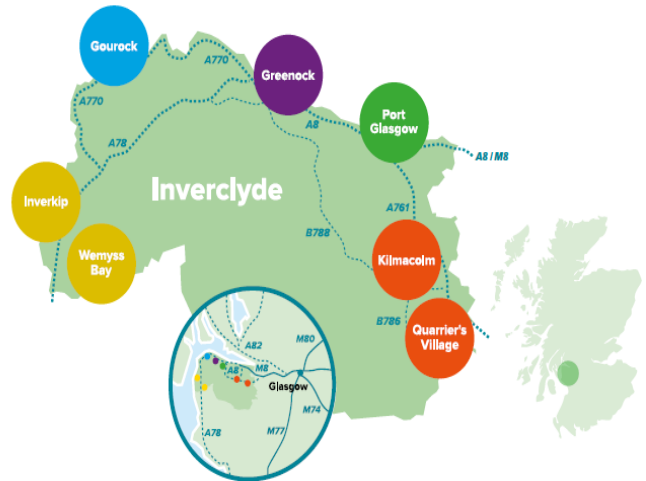
Principal Activities

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

4,483 employees
 Permanent Staff: 3,246
 Temporary Staff: 1,237
 Modern Apprentices: 68



ECONOMY

76.5% of adults in employment (2023)
 23.8% of children living in poverty after housing costs

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

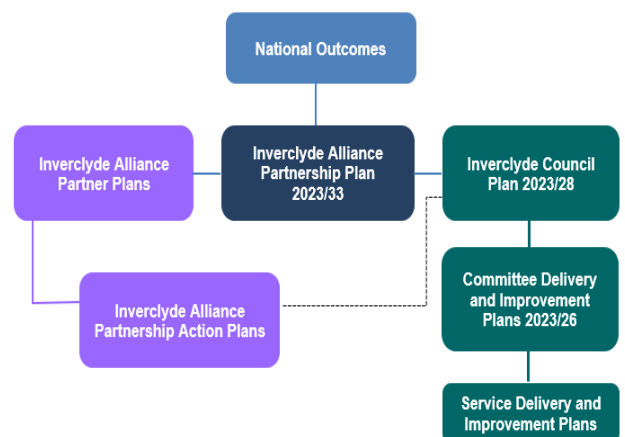
- 77,060 (1.4% of total Scottish population)
- 16.1% aged under 16
 - 15.6% aged 16 to 29 years (**Scotland = 17.3%**)
 - 39.5% aged 30 to 59 year
 - 28.8% aged 60 and over (**Scotland = 25.8%**)

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. A new Framework was implemented in 2023 and includes the Inverclyde Alliance Partnership Plan 2023/33, the Council Plan 2023/28, Committee Delivery and Improvement Plans 2023/26 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 provide the overarching framework for the local community planning partnership



Management Commentary

document, the Inverclyde Alliance Partnership Plan 2023/33. The Partnership Plan is a 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 Alliance priorities. The Council Plan sets out the ways in which Inverclyde Council hopes to improve the lives of the residents of Inverclyde through the delivery of a range of high level outcomes. The Council Plan reflects the outcomes from the Partnership Plan and sets out, at a high level, what the Council will do to deliver the partnership priorities.

Committee Delivery and Improvement Plans contain strategic service delivery actions for the Council's Policy and Resources, Education and Communities and Environment and Regeneration Committees, aligned to the delivery of the overarching Council Plan. In addition, the HSCP has its own 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 Inverclyde Alliance Partnership Plan 2023/33 builds on the achievements of the previous Outcomes Improvement Plan 2017/23 to deliver the Vision: **Success For All – Getting It Right for Every Child, Citizen and Community**. The Plan focuses on the themes of Empowered People, Working People, Healthy People and Places, A Supportive Place, and a Thriving Place. More information on the Partnership Plan can be found on the Council's website at: <http://www.inverclyde.gov.uk/council-and-government/community-planning-partnership/inverclyde-outcome-improvement-plan>.

Positives v Challenges 2022-2023

Positives

The percentage of young people participating in education, training or employment in Inverclyde rose by 0.5% in 2022 to 93.8%. This is 1.4% higher than the Scottish average and places Inverclyde in the top performing quartile of all Scottish Councils, with a ranking of 8 out of 32 Councils.

The workforce refresh programme is tackling the dual issue of an ageing workforce and youth unemployment. For those vacancies specifically created under the Programme, employment has been provided to 100% Inverclyde residents, 20% of whom were unemployed.

The Council was successful in its £20million bid to the UK Government's Levelling Up Fund. The funding will be used to create new civic spaces, a new town centre retail offer and improve links between the town centre and the waterfront to transform Greenock town centre.

As part of the 2022/23 Council budget, additional support of £3.5m was allocated to help low-income households cope with the increasing cost-of-living. A one-off payment of £350 was made to approximately 10,000 households in Inverclyde.

Challenges

Covid-19 has created an economic and employment crisis in Scotland. Research shows that there has been an unequal impact on the labour market, this and the current economic climate will add to the challenges that lie ahead.

Inverclyde's population decline in recent years has been the result of negative natural change due to deaths outnumbering births and this is forecast to continue.

As an area already suffering from poor health outcomes, it is likely that Covid-19 will bring additional new challenges in this area.

Financial pressures – whilst the UK & Scottish Governments have allocated tens of £millions within Inverclyde to limit the economic and social impacts of Covid the underlying financial pressures remain with an estimated funding gap of £12.6 million by 2024/26 reported in the Financial Strategy.

Deprivation was a significant issue for the area prior to the pandemic. 51 (44.7%) of Inverclyde's 114 data zones are in the 20% most deprived in Scotland, the second highest local share in Scotland. In addition, the most deprived data zone in Scotland is Greenock town centre. The pandemic will have exacerbated many of the underlying causes of deprivation.

Net Zero

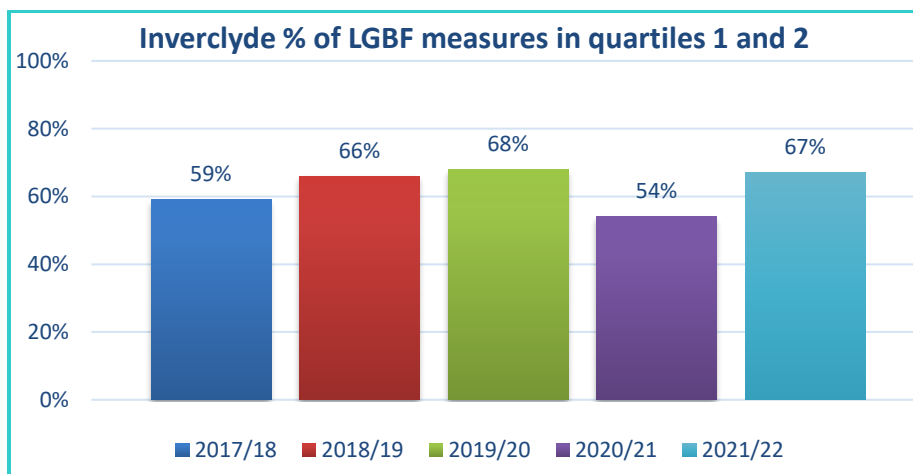
The [Net Zero Strategy 2021-2045](#) was approved in October 2021 and sets out Inverclyde Council's route map to achieving net zero greenhouse gas emissions by 2045. The Strategy will be implemented through a series of Action Plans, the 2022-2027 Action Plan was approved in November 2022 and provides the objectives and associated actions that will target carbon reductions over the five years of the initial plan subject to the limit of available funding. £3.3m to address the progression of the 2022/27 Net Zero Action Plan was agreed in the March 2023 budget and approved 2023/26 Capital Programme. An update on progress was presented to the Environment and Regeneration Committee on 28 June 2023.

Public Performance Reporting

The Council reports on its performance in the delivery of its Corporate Plan organisational priorities in its Annual Performance Report. In addition, each directorate periodically reports on performance in the delivery of their CDIP to their relevant committee. You can view the wide range of performance data published by the Council, including the latest Annual performance Report 2021/22 on the Council's performance webpage which can be viewed here: <http://www.inverclyde.gov.uk/council-and-government/performance>

The Local Government Benchmarking Framework (LGBF) brings together a wide range of information about how all Scottish councils perform in delivering services to local communities. The LGBF assists Councils in benchmarking their performance in key areas and creates opportunities to identify and share good practice. In 2021/22 the Council ranked in the top two quartiles for 67% of indicators, 13% were in the third quartile and a fifth, 20% were positioned in the fourth quartile.

The graph below provides an overview of Inverclyde Council's performance in the top two quartiles over the past five years. It should be noted that the indicator set has not remained static over the five years shown, with new indicators being added to the framework each year. In addition, data was not available for a number of indicators in 2020/21 due to Covid-19



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/explore-the-data> and on the Council website:

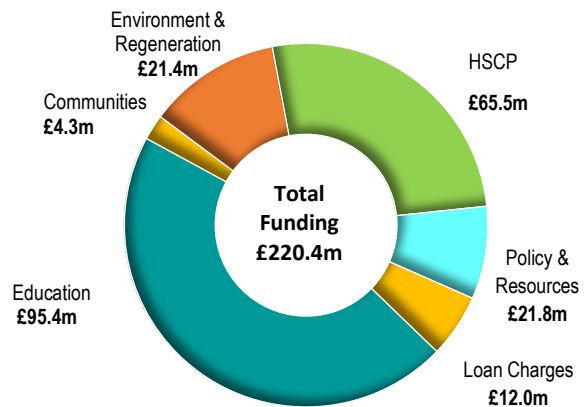
	2020-2021	2021-2022	% Change
Children's services			
Cost per Secondary school pupil	£7,820	£8,339	6.6%
Cost per Primary school pupil	£6,304	£6,864	8.9%
Cost per Pre-school pupil	£11,440	£11,811	3.2%
Corporate Services			
Cost per dwelling of Council Tax collection	£9.19	£8.95	-2.6%
Teacher sickness absence (working days)	3.45 days	4.4 days	27.5%
Employee (non-teacher) sickness absence (working days)	7.96 days	8.8 days	10.6%
% invoices paid within 30 days	95.46%	94.2%	-1.3%
Social Work			
Costs of providing care to support older people living at home	£35.19	£18.50	-47.4%
% of people aged 65 or over with long term care needs receiving personal care at home	66.07%	67.3%	1.3%
Residential costs per week per resident for people aged 65 or over	£526	£548	4%
Culture & Leisure			
Costs per attendance at sport facilities	£9.99	£2.76	-72.4%
Costs of parks & open spaces per 1,000 population	£24,918	£27,487	10.3%
Environmental			
Net cost of waste collection per premise	£50.49	£54.70	8.3%
Net cost of waste disposal per premise	£107	£101.27	-5.4%
Cost of trading standards and environmental health per 1,000 population	£24,758	£26,706	7.9%
% of total household waste arising that is recycled	37.1%	48.5%	11.4%
Economic Development			
% of unemployed people assisted into work from council operated/funded employability programmes	12.9%	35.3%	22.4%
Cost of Planning & Building Standards per planning application	£8,297	£6,635	-20.0%
% of procurement spend spent on local enterprises	25.04%	21.4%	-3.6%
Proportion of people earning less than the living wage.	23.8%	20.3%	-3.5%

The Annual Budget and Setting Council Tax

The Council's approach to the 2022/23 budget was agreed by the Council and included a public consultation as to how the Council could save money. The cross party Members Budget Working Group (MBWG) once again proved pivotal in arriving at a consensus on the use of surplus reserves and consideration of the savings identified as part of the budget setting process. During the budget setting process, the Council agreed to savings totalling £2.583 million in 2022/23 with these savings increasing to £2.667 million by 2023/24. As at 31 March 2023 all the 2022/23 savings have been implemented.

The Council formally approved the 2022-2023 budget on 24 February 2022. The budget was based on an increase on the Council Tax for band D of 1.95%.

Spend of £220.4 million was planned in 2022-2023 after taking account of Government Grants, inflation, borrowing costs and approved savings. The Council also approved a £64.1 million three-year capital investment programme covering 2022-2025 of which £36.9 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, construction of a new Learning Disability facility plus significant capital work on other Council assets.



3. Financial Performance in 2022-2023

Funding from Scottish Government (Non-Domestic Rates and Government Grants) £185.285m (84.1%) and Council Tax (including Council Tax Reduction costs) £32.945m (14.9%), Contribution from Reserves £2.142m (1%)

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 £30.901million. 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 decreased by £11.681m, against a planned use of reserves during budget setting of £2.142million for 2022/23. The table 3.1 reflects the final outturn position as reported to Committee compared to the Comprehensive Income and Expenditure Statement. Table 3.2 shows a summary of the main changes that contributed to the final position as reported in the Comprehensive Income and Expenditure Statement.

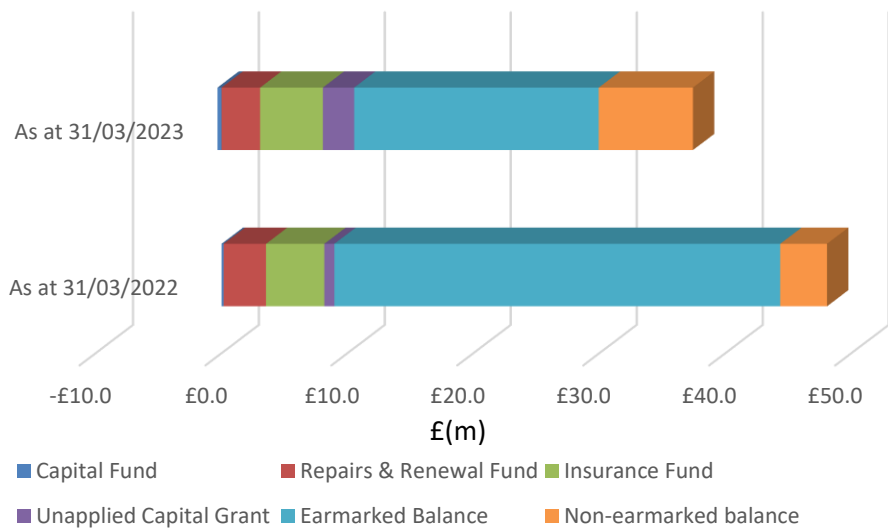
Management Commentary

3.1 Outturn 2022-2023 Per Committee Reporting	Approved Budget 2022-2023 £000	Revised Budget 2022-2023 £000	Outturn 2022-2023 £000	Variance 2022-2023 £000
Policy & Resources	21,692	20,068	19,699	(369)
Environment Regeneration and Resources	21,424	23,301	22,284	(1,017)
Education & Communities	99,748	98,981	98,250	(731)
Health & Social Care Partnership	65,522	65,767	63,360	(2,407)
Loans Charges	11,977	16,883	16,883	0
Identified Savings	39	39	(9)	(48)
Approved Saving to be Allocated	(30)	(30)	(10)	20
Earmarked Reserves		2,444	2,444	0
Total Service Expenditure	220,372	227,453	222,901	(4,552)
General Revenue Grant	(185,285)	(190,422)	(190,663)	(241)
Council Tax Income (Excluding PY Income)	(32,945)	(32,945)	(33,790)	(845)
Contribution from General Reserves	(2,142)	(4,086)	(1,944)	2,142
IJB -Contribution to Reserves	0	0	2,407	2,407
Revenue Budget Outturn Position	0	0	(1,089)	(1,089)
Adjustments Not included in Revenue Outturn:				
Movement in Earmarked Reserves				19,294
Adjustment for Depreciation				29,735
Adjustment for IAS19				(17,782)
Adjustment for Holiday Pay Accrual				743
(Surplus)/Deficit on the Provision of Services per Comprehensive Income & Expenditure Statement				30,901

3.2 Movement - Initial Budget to Actual Outturn	£'000
Initial Planned Surplus	0
Planned use of Reserves not required	2,142
Internal Resources Interest Income	(1,746)
Utilities and Pay Costs not funded	1,688
Additional Turnover Savings Achieved	(1,875)
Other Over and Underspends	(1,298)
Accounting Adjustments	12,696
Use of Earmarked Reserves	19,294
Deficit for the year	30,901

As a result of the overall deficit of £30.901m, the General Fund balance reduced from £39.109 million to £27.428 million. The graph below shows how the usable reserves of the Council are made up, including the £2 million earmarked to support future budget strategy. The Council has a policy of holding a minimum of £4m uncommitted balances (2% of the Council's budgeted net annual running costs). The use of reserves is reviewed as part of the budget setting each year, taking into account risks and challenges for the year ahead.

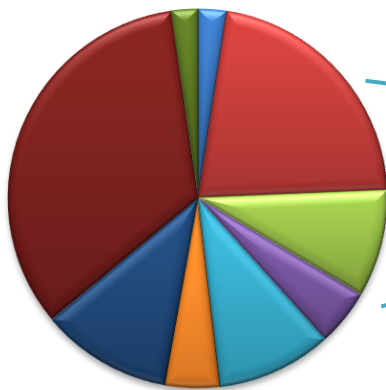
Reserves Balance



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 2022-23. The largest element of the capital expenditure for the year was the £8 million spent on the City Deal Projects. Funding of capital expenditure included £0.07 million from capital receipts, £22.2 million of government grants with the balance of £3.6 million being met through internal funding and borrowing. Further information about spend on capital projects is shown in Note 9 on page 46.

Capital Expenditure (£25.8m)



- ICT (£0.6m)
- Environmental Services (£2.3m)
- Property Assets (£2.6m)
- School Estate (£2.9m)
- Health and Social Care (£0.6m)
- Roads (5.7m)
- Regeneration (£1.2m)
- Communities (£1.2m)
- City Deal (£8.7m)

Funding



- Borrowing (£3.17m)
- CFR (£0.42m)
- Other Capital Grants, Receipts and Contributions (£13.59m)
- General Capital Grant from Government (£8.66m)

Management Commentary

Balance Sheet

The Balance Sheet on page 34 summarises the Council's assets and liabilities as at 31 March 2023 and explanatory notes are provided. The net worth of the Council has increased by £60.878m from £298.640m as at 31 March 2022 to £359.518m as at 31 March 2023. 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:

	31/03/2022 £'000	31/03/2023 £'000	Movement £'000	Explanation for Movement
Non-Current Assets				
Property, Plant & Equipment	551,368	580,525	29,157	Council investment in key capital projects and effect of asset revaluation. Increase in actuarial valuation of pension fund, fund value £177.957m capped at £14.626m.
Pension Asset	0	14,626	14,626	
Current Assets				
Short-term Investments	14,600	10,224	(4,376)	} Funding requirements for 2022-2023.
Cash and Cash Equivalents	18,192	16,126	(2,066)	
Long & Short-term Debtors	28,612	19,469	(9,143)	Decrease in short-term debtors at the end of the year.
Current Liabilities				
Short-term Creditors	(54,918)	(57,185)	(2,267)	Increase in Short-term creditors at the end of the year.
Long-term Liabilities				
Short & Long term borrowing	(191,422)	(186,736)	4,686	Increase in actuarial valuation of pension fund, fund value £177.957m capped at £14.626m.
Finance leases	(55,412)	(53,068)	2,344	
Pension Liability	(25,428)	0	25,428	

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	2022-2023	2021-2022
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.	3.49%	1.83%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.	£4.0m	£0.0m
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 challenges. The 2022/23 Scottish in-year collection rate was 96.2%	95.9%	95.5%

Management Commentary

Financial Indicator	Commentary	2022-2023	2021-2022
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.	98.5%	99%
Debt/Long-term Borrowing			
Ratio of financing costs to net revenue stream	Provides assurances of borrowing only being for capital purposes with an indication of the Council's ability to service the borrowing costs. The Council's Loans Fund interest rate remains consistently below the Scottish average; is affordable; and fits with the Council's medium to long-term finance strategy.	9.65%	10.16%

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

Financial Outlook

The Council's Financial Strategy for June 2023 highlights that the pressure on public finances is scheduled to continue for the foreseeable future. The Scottish Government Resource Spending Review from May 2022 confirmed that core Local Government funding over 2023/27 is likely to be flat cash and it is estimated that this will mean real terms cuts in funding of over 7%. For Inverclyde with its on-going depopulation the funding cut could be even greater. This allied to the significant levels of inflation and the cost pressures currently experienced in relation to pay and rising utility costs, the need for investment in existing assets plus policy areas such as net zero means the Council faces very difficult financial decisions in the short/medium term.

For the next three years budget (2024-2027) the estimated mid-range funding gap, before any increase in Council Tax, is £18.1 million with optimistic and pessimistic scenarios of £13.2 million and £22.6 million respectively. 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, 2023 the Council agreed its 2023/24 budget. Savings of £7.6m were approved during the budget process, an increase on Council Tax of 5.3% with a further £3.0m approved Use of Reserves to balance the 2023/24 Revenue Budget. The funding gap identified in the June 2023 Finance Strategy is based on reducing the use of reserves by £1m each year until 2026.

Treasury Management

The Council's 4 year Treasury Management Strategy and Investment Strategy covering the period 2022-23 to 2025-26 was approved along with the Capital Strategy at the meeting of Inverclyde Council in February 2023. The Strategy identified the need to borrow £37.5 million over the period to replace existing loans due to be repaid and to fund the planned Capital Programme.

The borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. The Council's borrowing comes from market loans and from borrowing from the Public Works Loan Board. Further details are provided at Note 20. The Council regulates its capital spending limits within a prudential framework recommended by CIPFA and endorsed by the Scottish Government. Each year, the Council calculates its capital financing requirement (CFR) for the forthcoming year. The CFR is a prudent assessment of the external borrowings for capital investment purposes that are affordable and sustainable over the longer-term. The Council's external borrowings have only been for capital investment purposes. The Council's gross external debt was £239.4 million at 31 March 2023 compared to the CFR limit of £283.8 million. The Council's average loans rate was 3.85% for 2022-23, an increase of 0.42% from 2021-22. The Council repaid £22.1 million of maturing debt during the year and undertook £17.5 million of borrowing.

Management of Risk

Risk	Mitigating Actions
Sustainability of current funding levels: The recent Resource Spending Review by the Scottish Government reports flat cash settlements for Local Government in the period 2022/26. Given current pressures and inflation levels this will require forward planning and clear decision making by the Council.	The Finance Strategy (2023-33) provides the range of scenarios for the delivery of Council services in the medium to longer term. The strategy estimates the 2023/27 funding gap prior to considering further savings/adjustments. The Finance Strategy 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.	The "Delivering Differently" program is in place to identify potential change in service delivery to deliver savings and/or reduce cost pressures. This is reviewed by the Corporate Management Team during the year and by the Policy & Resources Committee annually
Demographic Changes: the most significant challenge facing Inverclyde is depopulation and associated demographic change.	Recognised as a priority in the Inverclyde Alliance Partnership Plan 2023/33 and the Council's Plan 2023/28. 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 15-21, 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

The Inverclyde Alliance Partnership Plan and the Council's Plan set the strategic direction 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 strengthen their approach 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 and supporting the recovery of Inverclyde.

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. The Council has now entered into a Joint Venture for the Greenock Inchgreen Dockland and work has commenced on the infrastructure with completion expected later in 2023/24. The Greenock Ocean Terminal progressed through 2022/23 with the building essentially complete and expected to be fully operational by summer 2023.



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

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

5. Supplementary Information

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. Progress in relation to the Council's Equality Outcomes 2021/25, which have been developed following public consultation can be found on the Council's website at <https://www.inverclyde.gov.uk/council-and-government/equality-and-diversity>.

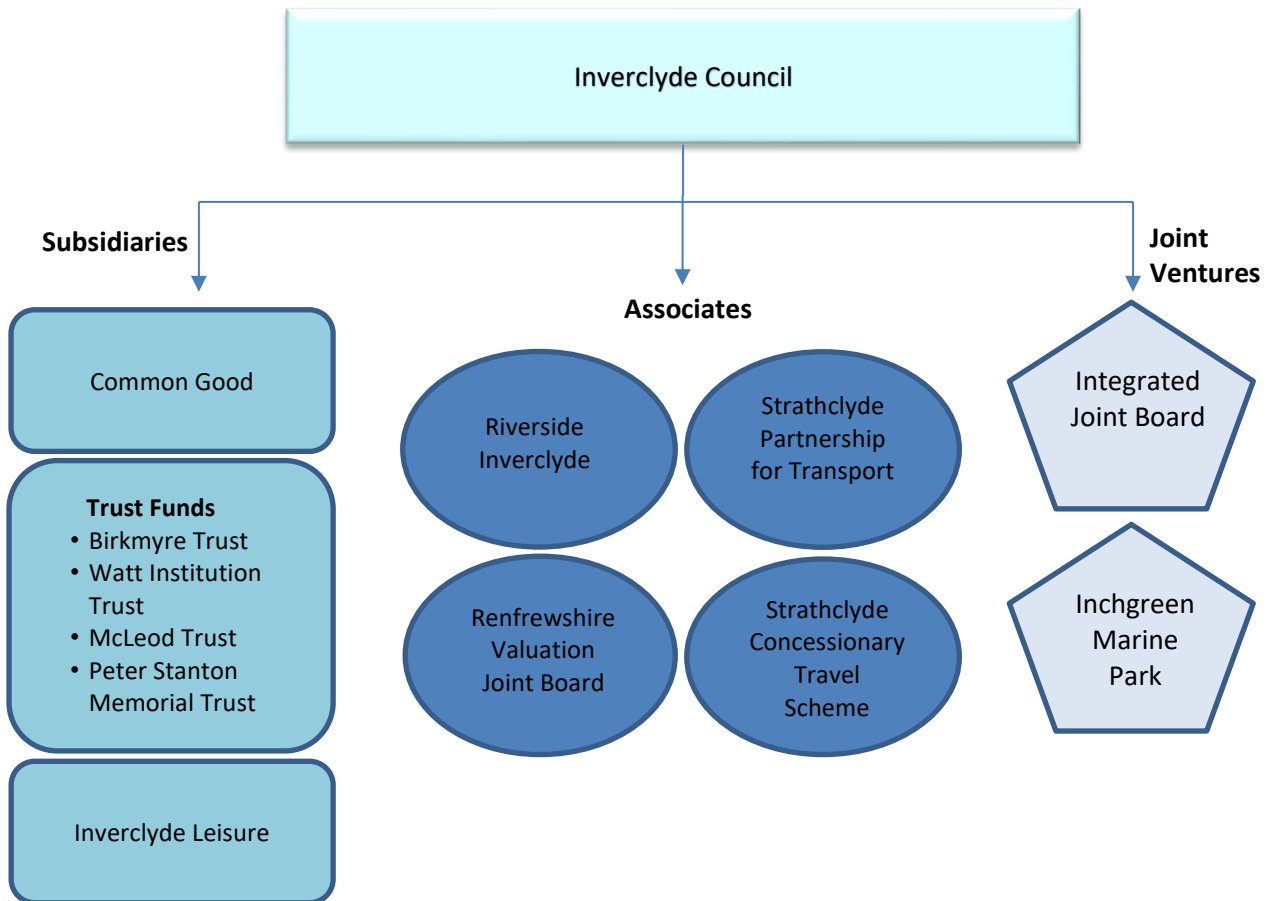
Consultation and Communication with Workforce

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, and seeks the views of the workforce through regular consultations with staff and trade unions. It was recognised that in responding to the pandemic the ask of our workforce has never been greater and in order to fully understand the impact on employee health an Employee Health and Wellbeing Survey was carried out in July 2020. The aim of the survey was to understand how staff were feeling, and what could be improved to enable them to work effectively, stay safe and maintain their wellbeing. In response to the survey results, a sustainable Health & Wellbeing Strategy was developed. The Strategy builds on the existing work around wellbeing and resilience for the workforce nationally and locally. The 3 Pillars of the strategy are: Mental Health & Emotional Wellbeing; Physical Wellbeing and Financial Wellbeing and the Strategy was rolled out in 2021/22.

Inverclyde Council Group

The Code of Practice on local Authority Accounting in the United Kingdom 2022/23 (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 £42.993 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 78 to 84.



Events after the Balance Sheet Date

Events from the Balance Sheet Date until the Date of Signing the Accounts have been taken into consideration.

Following the recent publicity surrounding Reinforced Autoclaved Aerated Concrete (RAAC) investigations have been carried out on the Council's estate and potential issues with RAAC have been identified in 2 buildings. The full extent, remedial action required and potential costs have not been fully assessed at this stage.

The Local Government Pension Scheme (LGPS) triennial review has indicated that, while figures have not yet been formally approved, there will be a significant one off reduction in Employers contributions followed by a smaller ongoing reduction. The estimated impact will be quantified in coming months and factored into the 2024/26 Budget.

There are no other 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 Levelling Up Fund plus working with the Integrated Joint Board. This reflects well on both the efforts and professionalism of the employees and the effectiveness of our approach to financial management.

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



Louise Long
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 Coronavirus (Scotland) Act 2020), 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 16 November 2023.

Signed on behalf of Inverclyde Council

Cllr Stephen McCabe

Leader of the Council

Date: 16 November 2023

2. The Chief Financial Officer's Responsibilities

The Chief Financial Officer 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:

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

The Chief Financial Officer has also:

- (30) 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 2023.

Alan Puckrin C.P.F.A

Chief Financial Officer

Date: 16 November 2023

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 2023 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 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 2022/2023 and will be replaced by Committee Delivery and Improvement Plans from 2023-24 onwards. 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 Partnership Plan 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 continues to recognise the need to exercise strong financial management arrangements to manage the financial pressures common to all local authorities and has robust financial control and financial planning processes in place. A self-assessment exercise has been undertaken by officers to assess the level of ongoing compliance with the CIPFA Financial Management Code and reported to Policy and Resources Committee in January 2023.
- The Council's approach to risk management is set out in the risk management strategy and is embedded within the Council's Strategic Planning and Performance Management Framework. 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.
- Comprehensive arrangements are in place to ensure Members and officers are supported by appropriate learning and development.
- In line with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption, the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

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 2022-2023 assessments and to identify actions they proposed to take during 2023-2024 to address service governance arrangements. The Corporate and Service 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.

Significant Events

The significant incident in late March 2020 and the Council's management as a Category 1 responder during the COVID-19 pandemic has continued to test how well the risk management, governance and internal controls framework operated. The longevity of the Covid-19 pandemic and its extension from 2020/21 into 2021/22 meant that the effect on the Council's businesses, residents and workforce remained an area of concern in 2022/23.

The Council's response to the pandemic and the mobilisation of its staff continued to show the benefits of an agile and proactive workforce using amended governance arrangements, new ways of decision-making, leadership and implementation including virtual meetings and secure remote access to systems to allow remote/home working for a significant number of employees within the Council.

The Covid-19 pandemic and its aftermath is likely to have a lasting impact on income levels, resulting from fundamental changes in social movements, behaviours and preferences.

The Inverclyde IJB was established by parliamentary order on 27 June 2015 following approval of the Inverclyde Integration Scheme by the Scottish Ministers. The Integration Scheme was reviewed during 2019-20 and an updated version of the Scheme was prepared but the Covid-19 pandemic led to this being delayed and the existing scheme rolled on into 2020-21 and continued into 2021-22. The Scottish Government have confirmed that IJBs will be required to review their current integration schemes rather than complete a new scheme. The integration scheme is currently being reviewed by the 6 Greater Glasgow and Clyde IJB's and the aim to seek approval from the Inverclyde IJB by May 2023. The timeline for the completion of this task has slipped due to the scale of the work required for its completion and the requirement for consultation with the Health Board and each Local Authority and a revised timescale requires to be set.

During 2022-23, the Equalities and Human Rights Commission advised the Inverclyde IJB that it considers it to have failed to comply with its Public Sector Equality Duties under the Equality Act 2010 and associated regulations. A number of immediate actions have been taken to remedy the points raised by the EHRC and an Improvement Plan has been developed with clear timescales and responsibilities.

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 2021-2022. 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 2022-2023 and the Certificates of Assurance from Corporate and Interim 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 2022-2023 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 the 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 2023-2024.

	Where are we now?	Where do we want to be?	How will we know we are getting there?	Who is responsible?
1	Business Classification Scheme framework has been developed and is being implemented within all Education establishments. A solution using the M365 platform is being deployed.	Business Classification Scheme is fully implemented within all Education establishments.	An update was provided to the April 2023 meeting of the Audit Committee as this is an outstanding audit action. A solution using the M365 platform has been identified which will be fully implemented by 30 June 2023.	Corporate Director, Education, Communities and Organisational Development 30 June 2023
2	Some service workforce plans within Environment and Regeneration require to be refreshed in order to develop proposals which address wider issues relating to succession planning due to an ageing profile of some staff groups, staff retention challenges and single person dependencies.	Workforce plans are in place which determine future workforce needs and implement solutions to ensure that organisational needs are aligned with the Council's people strategy.	E&R Committee Delivery and Improvement Plan for 2023-24 includes a specific action to improve workforce and succession planning and the skills gaps arising from an ageing workforce.	Director, Environment and Regeneration 31 March 2024
3	All service risk registers were reviewed and updated during 2022-23. The new process for managing risk registers through Pentana is under development and will align with the new strategic planning and performance management framework being implemented from 1 April 2023. This will require training for risk owners on the new process to update risks on Pentana and generate relevant reports.	Risk management strategy and underlying operational guidance aligns to the Council's strategic planning and performance management framework.	The risk management strategy and guidance will be reviewed and updated to reflect the Council's revised approach to strategic planning and performance management. The risk management strategy and operational guidance will also be updated to reflect the revised approach. A corporate group will be established to oversee the risk management strategy and process.	Chief Internal Auditor 30 September 2023

Annual Governance Statement

	Where are we now?	Where do we want to be?	How will we know we are getting there?	Who is responsible?
4	A review and refresh of the governance of external organisations process requires to be undertaken to ensure required monitoring processes are undertaken and confirmed through annual reporting to Committee.	The Council maintains strong governance of external organisations.	The governance of external organisations process will be reviewed and refreshed to ensure required monitoring processes are undertaken and confirmed through annual reporting on key partnerships to Committee.	Chief Financial Officer 30 November 2023

In addition, the status of action plans from 2021-2022 Annual Governance Statement (AGS) is set out in the undernoted table:

	Agreed Action	Status at 31/3/23	Further Action	Who is responsible?
1	Workforce planning arrangements require to be refreshed in a number of services in order to develop proposals which address wider issues relating to succession planning due to an ageing profile of some staff groups, staff retention challenges and single person dependencies.	A refresh of workforce plans is outstanding for some services within Environment and Regeneration.	Links to 2022-23 action plan number 2	Director, Environment and Regeneration 31 March 2024
2	Discussions are ongoing with key suppliers in some services to determine business continuity arrangements for cyber security risks.	Business continuity arrangements with key suppliers fully consider cyber security risks. Complete	N/A	N/A
3	Current service review guidance documentation is being reviewed to ensure this remains fit for purpose in order to improve the Council's efficiency and effectiveness and assist in addressing financial sustainability.	Service review guidance documentation was reviewed and updated during 2022-2023 to reflect best practice guidance for services undertaking service reviews. Complete	N/A	N/A
4	Processes for document retention and disposal of records are currently being reviewed by the Council's Information Governance Steering Group to ensure the use of EDRMS is maximised within Services.	Included in Digital Modernisation update to P&R on 21 March 2023. Complete	N/A	N/A

	Agreed Action	Status at 31/3/23	Further Action	Who is responsible?
5	<p>Some service risk registers were not reviewed on a regular basis during 2021-22 due to other work priorities as a result of Covid.</p> <p>A new process is being developed to incorporate service risk registers within the Pentana system. This will include an automated reminder for risk owners to carry out a review of service risk registers to ensure risk assessments are maintained up to date and there is regular reporting to directorate and corporate management teams on the status of key risks.</p>	<p>Service risk registers were reviewed during 2022-2023.</p> <p>The risk management strategy and guidance will be reviewed and updated to reflect the Council's revised approach to strategic planning and performance management.</p> <p>The risk management strategy and operational guidance will also be updated to reflect the revised approach.</p>	Links to 2022-23 action plan number 3	<p>Chief Internal Auditor</p> <p>30 September 2023</p>
6	BCS framework has been developed and is being implemented within all Education establishments as part of the move over to the corporate network. The pilot exercise was undertaken however the rollout to remaining schools was halted as a result of responding to COVID-19.	<p>An update was provided to the April 2023 meeting of the Audit Committee as this is an outstanding audit action.</p> <p>A solution using the M365 platform has been deployed. Education are finalising the structure and user permissions for the business classification scheme which will then be implemented by ICT.</p> <p>Secure email accounts have now been created for relevant Education Services staff and ICT are carrying out some final data cleansing prior to going live.</p>	(see action point 1 on 2022-2023)	<p>Corporate Director, Education, Communities and Organisational Development</p> <p>30 June 2023</p>
7	An assessment has been undertaken by officers of compliance with the CIPFA Financial Management Code which confirms that the Council is compliant with the main aspects of the Code. This needs to be formally adopted by the Council.	<p>The Council has formally adopted the CIPFA Financial Management Code. Included in Finance Update report to Policy and Resources Committee on 31 January 2023.</p> <p>Complete</p>	N/A	N/A

8. Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2022-2023 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

16 November 2023

Louise Long

Chief Executive

16 November 2023

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 KPMG. The other sections of the Remuneration report will be reviewed by KPMG 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 2022-2023 Councillors received a 8% pay increase. The salary for the Leader of the Council is £33,503 per annum (2021-2022 £31,035) and for the Provost is £25,128 per annum (2021-2022 £23,284).

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 £203,553 per annum (2021-2022 £180,026) and whose salaries individually must be on a specified scale, currently £20,107 to £25,128 (2021-2022 £18,618 to £23,275). 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 19 May 2022 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 largest non-administration group); each paid a salary of £22,092 per annum (2021-2022 £20,955).

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 5% pay award in 2022-23.

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, Directors, Chief Financial Officer and the Monitoring Officer.

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 2023. The table below contains remuneration details for those persons who were Senior Officers in 2022-2023.

Remuneration Report

Senior Officers	Year ended 31 March 2023				2021-2022
	Gross Salary	Other Fees and Allowances	Taxable Expenses	Total Remuneration	Total Remuneration
	£	£	£	£	£
Fawcett A: Chief Executive (Retired 19/09/21)	0	0	0	0	59,446
Binks R: Corporate Director Education, Communities & Organisational Development	122,320	0	0	122,320	116,712
Rocks, K: Director of Inverclyde Health and Social Care Partnership (1)	77,325	0	0	77,325	0
Hinds, J: Head of Children's Services and Chief Social Work Officer (2)	9,757	0	0	9,757	0
Long, L: Chief Executive	133,273	0	0	133,273	123,849
Puckrin, A: Chief Financial Officer	111,282	0	0	111,282	106,165
Jamieson, S: Director Environment & Regeneration	111,282	0	0	111,282	103,520
Strachan, I: Head of Legal Services	95,114	0	0	95,114	15,681
Stevenson, A: Head of Health & Social Care Partnership (3)	109,627	0	0	109,627	60,188
Totals	769,980	0	0	769,980	585,561

(1) K Rocks was appointed Director of Inverclyde HSCP on 16/08/2022.

(2) J Hinds was appointed Head of Children's Services and Chief Social Worker on 20/02/2023.

(3) A Stevenson's interim role as Director of Inverclyde HSCP came to an end on 16/08/2022, however was still interim Chief Social Worker until 28/04/2023.

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 2023.

Remuneration Report

Leader of the Council, Provost and Senior Councillors	Year ended 31 March 2023			2021-2022
	Gross Salary	Taxable Expenses	Total Remuneration	Total Remuneration
	£	£	£	£
Ahlfeld, R: Chair, Licensing Board (until 5th May 2022)	2,107	0	2,107	20,955
Brennan, M: Provost (until 5th May 2022)	2,342	0	2,342	23,284
Clocherty, J: Depute Leader of the Council and Convener, Education & Communities	21,950	0	21,950	20,955
Dorrian, G: Chair, General Purposes (until 5th May 2022)	2,107	164	2,271	21,180
McCabe, S: Leader of the Council	32,159	448	32,607	31,267
McCormick, M: Convener, Environment & Regeneration	21,950	0	21,950	20,955
Moran, R: Convener, Health & Social Care	21,950	0	21,950	20,955
Rebecchi, L: Convener, Audit (until 5th May 2022)	2,107	0	2,107	20,955
Robertson, E: Leader of the largest non-administration group	22,092	0	22,092	20,955
Wilson, D: Chair, Planning (until 5th May 2022)	19,819	323	20,142	21,236
Brooks, G: Chair of Inverclyde Licensing Board (from 5th May 2022)	21,724	29	21,753	0
Jackson, C: Convenor of Health & Social Care (from 5th May 2022)	21,724	0	21,724	0
McGuire, N: Depute Leader of the Council (from 5th May 2022)	21,724	0	21,724	0
McKenzie, A: Provost (from 5th May 2022)	23,949	0	23,949	0
McVey, T: Chair of Planning Board (from 5th May 2022)	21,724	0	21,724	0
Nelson, I: Convenor of Audit (from 5th May 2022)	21,724	385	22,109	0
Totals	281,152	1,349	282,501	222,697

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

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.

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 2022-2023 and 2021-2022 are shown below.

Tiered Contribution Pay Rates

Full Time Equivalent (FTE) Pensionable Pay (2022-2023)	Rate (%)
On earnings up to and including £25,300	5.50%
On earnings above £25,301 and up to £31,000	7.25%
On earnings above £31,001 and up to £42,500	8.50%
On earnings above £42,501 and up to £56,600	9.50%
On earnings above £56,601	12.00%

Remuneration Report

Full Time Equivalent (FTE) Pensionable Pay (2021-2022)

	Rate (%)
On earnings up to and including £22,300	5.50%
On earnings above £22,301 and up to £27,300	7.25%
On earnings above £27,301 and up to £37,400	8.50%
On earnings above £37,401 and up to £49,900	9.50%
On earnings above £49,901	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 2023 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 2022-2023.

Senior Officers	Accrued Pension Benefits		Change in Accrued Benefits		Pension Contributions made by Inverclyde Council		Length of Service at 31 March 2023 (years / days)
	as at 31 March 2023		since 31 March 2022		2022-2023	2021-2022	
	Pension £000	Lump Sum £000	Pension £000	Lump Sum £000	£000	£000	
Fawcett A: Chief Executive (Retired 19/09/21)	0	0	0	0	0	11	
Binks R: Corporate Director Education, Communities & Organisational Development	17	0	3	0	24	23	7/247
Long, L: Chief Executive	25	0	3	0	26	24	18/48
Rocks, K: Director of Inverclyde Health and Social Care Partnership (Appointed 16/08/2022)	2	0	2	0	15	0	0/227
Hinds, J: Head of Children's Services and Chief Social Work Officer (Appointed 20/02/2023)	0	0	0	0	2	0	0/39
Puckrin, A: Chief Financial Officer	63	104	5	9	21	20	37/268
Jamieson, S: Director Environment & Regeneration	37	28	5	4	21	20	22/139
Strachan, I: Head of Legal Services	2	0	0	0	18	3	1/63
Stevenson, A: Corporate Director, Health & Social Care Partnership	50	63	0	0	21	20	25/304
Totals	196	195	18	13	148	121	

Remuneration Report

Leader of the Council, Provost and Senior Councillors	Accrued Pension Benefits		Change in Accrued Benefits		Pension Contributions made by Inverclyde Council	
	as at 31 March 2023		since 31 March 2022		2022-2023	2021-2022
	Pension £000	Lump Sum £000	Pension £000	Lump Sum £000	£000	£000
Ahlfeld, R: Chair, Licensing Board (until 5th May 2022)	8	0	3	0	0	4
Brennan, M: Provost (until 5th May 2022)	6	0	0	0	0	3
Clocherty, J: Depute Leader of the Council and Convener, Education & Communities	8	2	2	1	4	4
Dorrian, G: Chair, General Purposes (until 5th May 2022)	8	2	2	0	0	4
McCabe, S: Leader of the Council	6	0	1	0	6	6
McCormick, M: Convener, Environment & Regeneration	7	1	2	0	4	4
Moran, R: Convener, Health & Social Care	8	2	2	1	4	4
Wilson, D: Chair, Planning (until 5th May 2022)	0	0	(8)	(2)	0	0
Robertson, E: Leader of the largest non-administration group	2	0	1	0	4	4
Brooks, G: Chair of Inverclyde Licensing Board (from 5th May 2022)	2	0	2	0	4	0
Jackson, C: Convener of Health & Social Care (from 5th May 2022)	2	0	2	0	4	0
McGuire, N: Depute Leader of the Council (from 5th May 2022)	2	0	2	0	4	0
McKenzie, A: Provost (from 5th May 2022)	3	0	3	0	5	0
McVey, T: Chair of Planning Board (from 5th May 2022)	3	0	3	0	4	0
Nelson, I: Convener of Audit (from 5th May 2022)	6	0	6	0	4	0
Totals	71	7	23	0	47	33

6. Councillors' Remuneration

The Council paid the salaries, allowances and expenses to Councillors (including the Senior Councillors above) detailed in the table below for 2022-2023. 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>	2022-2023	2021-2022
	£	£
Salaries	472,522	445,474
Travel costs - reimbursed	2,389	809
Travel costs - paid directly by the Council	6,389	195
Subsistence expenses - reimbursed	789	87
Subsistence expenses - paid directly by the Council	0	0
Training and conferences - paid directly by the Council	4,233	225
Telephone and ICT expenses - reimbursed	722	1,359
Telephone and ICT expenses - paid directly by the Council	1,696	2,314
Other allowances and expenses	0	1,621
Totals	488,740	452,084

Remuneration Report

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 2022-2023 in bands of £5,000; the details of the number of those employees who left the employment of the Council during 2022-2023; and the details of the number of those employees who were part or fully funded by other bodies.

Officers over £50,000 Remuneration Bands	Number of Employees		Left during	Part funded or fully funded by
	2021-2022	2022-2023	2022-2023	other organisations
£50,000 - £54,999	99	100	2	9
£55,000 - £59,999	38	37	2	4
£60,000 - £64,999	35	52	0	4
£65,000 - £69,999	12	10	0	0
£70,000 - £74,999	2	4	0	0
£75,000 - £79,999	3	4	0	1
£80,000 - £84,999	1	2	0	0
£85,000 - £89,999	7	2	0	0
£90,000 - £94,999	1	4	0	0
£95,000 - £99,999	1	1	0	0
£100,000 - £104,999	2	0	0	0
£105,000 - £109,999	1	1	0	1
£110,000 - £114,999	0	2	0	0
£115,000 - £119,999	1	0	0	0
£120,000 - £124,999	1	1	0	0
£125,000 - £129,999	0	0	0	0
£130,000 - £134,999	0	1	0	0
Totals	204	221	4	19

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.

Exit package cost band (including special payments)	(a)		(b)		(c)		(d)		(e)
	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band		
	2022-2023	2021-2022	2022-2023	2021-2022	2022-2023	2021-2022	£'s	£'s	
£0 - £20,000	0	0	13	32	13	32	152,609	248,599	
£20,001 - £40,000	0	0	16	22	16	22	491,390	573,369	
£40,001 - £60,000	0	0	6	1	6	1	301,201	48,713	
£60,001 - £80,000	0	0	0	0	0	0	0	0	
£80,001 - £100,000	0	0	2	0	2	0	151,940	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	37	55	37	55	1,097,140	870,681	

Remuneration Report

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 2022-2023. The above table includes £1.125 million liabilities relating to these releases (2021-2022 £0.871 million).

Cllr Stephen McCabe
Leader of the Council

16 November 2023

Louise Long
Chief Executive

16 November 2023

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 11 (9.40 FTE) staff members who were trade union officials during 2022-2023 (2021-2022: 8 staff).

Percentage of time spent on facility time

Percentage of time	Number of Employees 2022-2023	Number of Employees 2021-2022
0%	0	0
1% - 50%	8	5
51% - 99%	0	1
100%	3	2

The total cost of facility time amounted to 0.08% (2021-2022: 0.07%) of the total pay bill, including gross amounts spent on wages, pension contributions and national insurance contributions. 3.91% of the total paid facility time hours was spent on trade union activities (2021-2022: 1.52%).

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 2022-2023

	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	100,520	14,446	(124)	114,842
Communities	6,228	3,182	(13)	9,397
Environment & Regeneration	24,657	14,372	(90)	38,939
Health & Social Care	66,819	7,382	(59)	74,142
Policy & Resources	21,712	2,708	0	24,420
Net Cost of Services	219,936	42,090	(286)	261,740
(Gain)/Loss on disposal of non-current assets	0	181	0	181
Financing and Investment (Income) and Expenditure (Note 4)	16,674	(4,503)	286	12,457
Taxation and Non-specific Grant Income (Note 5)	(224,809)	(18,668)	0	(243,477)
(Surplus) or Deficit on the Provision of Services	11,801	19,100	0	30,901
Opening General Fund balance at 1 April 2022	39,109			
Transfer (to)/from Other Statutory Reserves	120			
Surplus/(Deficit) on General Fund in the year	(11,801)			
Closing General Fund balance at 31 March 2023	27,428			

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

2022-2023	Adjustments for Capital purposes	Net change to Pension adjustments	Other differences	Total adjustments
	£000	£000	£000	£000
Education	13,684	6,637	(5,875)	14,446
Communities	2,690	350	142	3,182
Environment & Regeneration	11,896	3,317	(841)	14,372
Health & Social Care	271	6,782	329	7,382
Policy & Resources	944	(216)	1,980	2,708
Net Cost of Services	29,485	16,870	(4,265)	42,090
Other operating expenditure	181			181
Financing and Investment (Income) and Expenditure	(5,316)	912	(99)	(4,503)
Taxation and Non-specific Grant Income	(18,668)			(18,668)
Difference between General Fund (Surplus)/Deficit and Comprehensive Income & Expenditure Statement (Surplus)/Deficit on the Provision of Service	5,682	17,782	(4,364)	19,100

Expenditure and Funding Analysis

Comparative Figures for 2021-2022

	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	93,513	16,268	(156)	109,625
Communities	5,510	3,998	(17)	9,491
Environment & Regeneration	31,079	6,046	(117)	37,008
Health & Social Care	59,631	7,577	(74)	67,134
Policy & Resources	16,427	1,653	(2)	18,078
Net Cost of Services	206,160	35,542	(366)	241,336
(Gain)/Loss on disposal of non-current assets	0	(67)	0	(67)
Financing and Investment (Income) and Expenditure (Note 4)	15,884	(1,622)	366	14,628
Taxation and Non-specific Grant Income (Note 5)	(218,185)	(11,974)	0	(230,159)
(Surplus) or Deficit on the Provision of Services	3,859	21,879	0	25,738
Opening General Fund balance at 1 April 2021	42,812			
Transfer (to)/from other statutory reserves	156			
Surplus/(Deficit) on General Fund in the year	(3,859)			
Closing General Fund balance at 31 March 2022	39,109			

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

2021-2022	Adjustments for Capital purposes	Net change to Pension adjustments	Other differences	Total adjustments
	£000	£000	£000	£000
Education	15,056	6,721	(5,509)	16,268
Communities	3,533	354	111	3,998
Environment & Regeneration	3,711	3,233	(897)	6,047
Health & Social Care	385	7,054	138	7,577
Policy & Resources	780	790	82	1,652
Net Cost of Services	23,465	18,152	(6,075)	35,542
Other operating expenditure	(67)	0	0	(67)
Financing and Investment (Income) and Expenditure	(3,683)	2,160	(99)	(1,622)
Taxation and Non-specific Grant Income	(11,974)	0	0	(11,974)
Difference between General Fund (Surplus)/Deficit and Comprehensive Income & Expenditure Statement (Surplus)/Deficit on the Provision of Service	7,741	20,312	(6,174)	21,879

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:

	2022-2023	2021-2022
	£000	£000
Expenditure		
Employee Benefits Expenses	170,661	162,047
Depreciation, Amortisation, Impairment	29,734	24,900
Payment to IJB	66,817	59,629
Other Service Expenses	142,540	139,266
Interest Payments	12,457	14,628
(Gain) or Loss on the Disposal of Assets	181	(67)
Total Expenditure	422,390	400,403
Income		
Fees, Charges and Other Service Income	(18,617)	(25,158)
Payment from IJB	(66,817)	(59,629)
Income from Council Tax	(34,146)	(33,050)
Government Grants and Contributions	(271,909)	(256,828)
Total Income	(391,489)	(374,665)
(Surplus)/Deficit on the Provision of Service	30,901	25,738

Segmental Income

Income received on a segmental basis is analysed below:

	2022-2023	2021-2022
	Income from	Income from
	Services	Services
	£000	£000
Services		
Education	(25,133)	(25,359)
Communities	(464)	(1,269)
Environment & Regeneration	(24,736)	(19,066)
Health & Social Care	(91,463)	(85,191)
Policy & Resources	(25,412)	(26,846)
Total Income Analysed on a Segmental Basis	(167,208)	(157,731)

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*.

2021-2022				2022-2023		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
127,872	(18,246)	109,626	Education	132,262	(17,420)	114,842
10,760	(1,269)	9,491	Communities	9,861	(464)	9,397
50,586	(13,578)	37,008	Environment & Regeneration	57,395	(18,456)	38,939
152,325	(85,191)	67,134	Health & Social Care	165,605	(91,463)	74,142
44,299	(26,222)	18,077	Policy & Resources	49,183	(24,763)	24,420
385,842	(144,506)	241,336	Cost of Services	414,306	(152,566)	261,740
			Other Operating Expenditure and (Income) -			
		(67)	(Gain)/Loss on disposal of non-current assets			181
		14,628	Financing and Investment (Income) and Expenditure (Note 4)			12,457
		(230,159)	Taxation and Non-specific Grant Income (Note 5)			(243,477)
		25,738	(Surplus) or Deficit on the Provision of Services			30,901
		(19,122)	(Surplus) or deficit on the revaluation of non current assets			(35,862)
		1,990	Impairment losses on non-current assets charged to the Revaluation Reserve			1,919
		(93,855)	Remeasurement of the net defined benefit pensions liability (Note 16)			(57,836)
		(110,987)	Other Comprehensive (Income) and Expenditure			(91,779)
		(85,249)	Total Comprehensive (Income) and Expenditure			(60,878)

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 2022		Note	31 March 2023
£000			£000
551,368	Property, Plant & Equipment	7	580,525
18,060	Heritage Assets	10	19,522
33	Intangible Assets		16
311	Long-term Debtors	11	243
0	Long-term Pension Asset	16	14,626
569,772	Non-current Assets		614,932
14,600	Short-term Investments	20	10,224
0	Assets Held for Sale	8	50
394	Inventories		383
28,301	Short-term Debtors	11	19,226
18,192	Cash and Cash Equivalents	12	16,126
61,487	Current Assets		46,009
(9,590)	Short-term Borrowing	20	(14,449)
(54,918)	Short-term Creditors	13	(57,185)
(271)	Short-term Provisions	14	(489)
(2,003)	Short-term Finance Leases	15	(2,208)
(66,782)	Current Liabilities		(74,331)
(181,832)	Long-term Borrowing	20	(172,287)
(3,165)	Government Grants Deferred		(1,737)
	Other Long-term Liabilities:		
(55,412)	Finance Leases	15	(53,068)
(25,428)	Pensions	16	0
(265,837)	Long-term Liabilities		(227,092)
298,640	Net Assets		359,518
48,067	Usable Reserves	3	37,481
250,573	Unusable Reserves	18	322,037
298,640	Total Reserves		359,518

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

Issued on: 16 November 2023

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 2023

	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 2022 Carried Forward	39,109	800	156	3,369	4,633	48,067	250,573	298,640
Movement in Reserves during 2022-2023								
Total Comprehensive Income & Expenditure	(30,901)	0	0	0	0	(30,901)	91,779	60,878
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 2)	19,100	1,690	0	0	0	20,790	(20,790)	0
Net Increase or (Decrease) before								
Transfers to Other Statutory Reserves	(11,801)	1,690	0	0	0	(10,111)	70,989	60,878
Transfers (to) and from Other Statutory Reserves	120	0	(471)	(307)	183	(475)	475	0
Increase or (Decrease) in the Year	(11,681)	1,690	(471)	(307)	183	(10,586)	71,464	60,878
Balance at 31 March 2023 Carried Forward	27,428	2,490	(315)	3,062	4,816	37,481	322,037	359,518

Comparative Figures for Year ended 31 March 2022

	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 2021 Carried Forward	42,812	1,409	546	3,227	4,203	52,197	161,194	213,391
Movement in Reserves during 2021-2022								
Total Comprehensive Income & Expenditure	(25,738)	0	0	0	0	(25,738)	110,987	85,249
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 2)	21,879	(609)	0	0	0	21,270	(21,270)	0
Net Increase or (Decrease) before								
Transfers to Other Statutory Reserves	(3,859)	(609)	0	0	0	(4,468)	89,717	85,249
Transfers (to) and from Other Statutory Reserves	156	0	(390)	142	430	338	(338)	0
Increase or (Decrease) in the Year	(3,703)	(609)	(390)	142	430	(4,130)	89,379	85,249
Balance at 31 March 2022 Carried Forward	39,109	800	156	3,369	4,633	48,067	250,573	298,640

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.

2021-2022		2022-2023
£000		£000
(25,738)	Net surplus or (deficit) on the provision of services	(30,901)
52,126	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements (Note 26)	57,909
	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and	
(159)	financing activities (Note 26)	11,686
26,229	Net cash inflow from Operating Activities (Note 26)	38,694
(10,958)	Investing Activities (Note 27)	(34,006)
(11,594)	Financing Activities (Note 28)	(6,754)
3,677	Net increase or (decrease) in cash and cash equivalents	(2,066)
14,515	Cash and cash equivalents at the beginning of the reporting period	18,192
18,192	Cash and cash equivalents at the end of the reporting period (Note 12)	16,126

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 2021-2022 are provided in an additional table for the purposes of comparison.

2022-2023	Usable Reserves		Corresponding Adjustments to Unusable Reserves					
	Adjustments to Comprehensive Income & Expenditure £000	Adjustment to Capital Grants and Receipts Unapplied Account (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	29,718				(29,718)			(29,718)
Amortisation of intangible assets	16				(16)			(16)
Capital grants and contributions applied	(18,669)	1,690			16,979			16,979
Capital expenditure charged in-year to the General Fund balance.	(249)				249			249
Net gain or (loss) on non-current asset disposals	181				(181)			(181)
Statutory provision for the principal repayment of loan charges	(10,323)				10,323			10,323
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(99)					99		99
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 16)	34,394			(34,394)				(34,394)
Employers' pension contributions payable in the year	(16,612)			16,612				16,612
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	743						(743)	(743)
Total Adjustments	19,100	1,690	0	(17,782)	(2,364)	99	(743)	(20,790)

Notes to the Principal Financial Statements

Comparative Information 2021-2022

2021-2022	Usable Reserves		Corresponding Adjustments to Unusable Reserves					
	Adjustments to Comprehensive Income & Expenditure £000	Adjustment to Capital Grants and Receipts Unapplied Account (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	28,940				(28,940)			(28,940)
Amortisation of intangible assets	33				(33)			(33)
Capital grants and contributions applied	(11,974)	(609)			12,583			12,583
Capital expenditure charged in-year to the General Fund balance.	(5,508)				5,508			5,508
Net gain or (loss) on non-current asset disposals	(67)				67			67
Statutory provision for the principal repayment of loan charges	(9,856)				9,856			9,856
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(99)					99		99
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 16)	35,406			(35,406)				(35,406)
Employers' pension contributions payable in the year	(15,094)			15,094				15,094
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	98						(98)	(98)
Total Adjustments	21,879	(609)	0	(20,312)	(959)	99	(98)	(21,270)

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 2021	Transfers Out 2021-2022	Transfers In 2021-2022	Balance at 31 March 2022	Transfers Out 2022-2023	Transfers In 2022-2023	Balance at 31 March 2023
	£000	£000	£000	£000	£000	£000	£000
Earmarked Reserves:							
Community Fund	92	(52)	0	40	(26)	0	14
Beacon Arts Centre	87	0	0	87	(27)	0	60
Early Years Funding	2,522	(2,235)	1,705	1,992	(1,550)	193	635
School Estate Management Plan	217	(15,174)	15,223	266	(16,033)	15,767	0
New Scots Funding - Education	0	0	0	0	0	287	287
IL Smoothing Reserve	0	0	0	0	0	400	400
Miscellaneous Education & Communities Reserves	1,358	(598)	120	880	(880)	378	378
ECOD - COVID Reserves	5,257	(5,099)	2,465	2,623	(2,879)	355	99
Renewal of Clune Park Area	2,344	(107)	90	2,327	(115)	90	2,302
Youth Employment	353	(173)	0	180	(180)	0	0
Repopulating/Promoting Inverclyde	265	(8)	0	257	(162)	0	95
Employability/Business Support	649	(516)	1,035	1,168	(1,168)	0	0
Contribution to Riverside Inverclyde	69	(69)	0	0	0	0	0
City Deal	871	0	345	1,216	0	534	1,750
Climate Change	300	(69)	0	231	(42)	26	215
Job Recovery Plan	3,210	(133)	0	3,077	(650)	0	2,427
Jobs Refresh	2,201	(2,161)	0	40	(40)	0	0
Vehicle Replacement Programme	259	(1,274)	1,015	0	0	0	0
Asset Management Plan	142	(142)	0	0	0	0	0
Miscellaneous Environment & Regeneration Committee Reserves	900	(269)	0	631	(540)	854	945
ERR - COVID Reserves	1,078	(697)	975	1,356	(805)	749	1,300
Early Retiral/Voluntary Severance Reserve	1,492	(49)	30	1,473	(1,178)	0	295
Equal Pay	200	0	0	200	(100)	0	100
Digital Strategy	194	(34)	0	160	(62)	0	98
Anti Poverty Fund	996	(571)	763	1,188	(643)	657	1,202
Loans Charges Reserve	766	(1,500)	1,071	337		1,308	1,645
Budget Funding Reserves	5,050	(1,050)	2,000	6,000	(4,000)	0	2,000
Smoothing Reserve - Service Concession	0	0	0	0	0	602	602
Miscellaneous Policy & Resources Committee Reserves	987	(140)	700	1,547	(943)	280	884
Revenue Contribution to Capital Programme	5,339	(5,339)	2,776	2,776	(1,867)	497	1,406
COVID Contingency	1,409	(1,409)	0	0	0	0	0
P&R - COVID Reserves	480	(322)	2,180	2,338	(2,201)	0	137
Support with Energy Bill Costs	0	0	3,000	3,000	(3,000)	0	0
Fund March 2023 Budget Decisions	0	0	0	0	0	452	452
Total Earmarked Reserves	39,087	(39,190)	35,493	35,390	(39,091)	23,429	19,728

Notes to the Principal Financial Statements

	Balance at 1 April 2021 £000	Transfers Out 2021-2022 £000	Transfers In 2021-2022 £000	Balance at 31 March 2022 £000	Transfers Out 2022-2023 £000	Transfers In 2022-2023 £000	Balance at 31 March 2023 £000
Total Earmarked Reserves	39,087	(39,190)	35,493	35,390	(39,091)	23,429	19,728
Non-earmarked balance	3,725	(6)	0	3,719		3,981	7,700
Total General Fund Balance	42,812	(39,196)	35,493	39,109	(39,091)	27,410	27,428
Capital Fund	546	(390)	0	156	(471)	0	(315)
Repairs & Renewal Fund	3,227	0	142	3,369	(307)	0	3,062
Insurance Fund	4,203	0	430	4,633	0	183	4,816
Capital Receipts Unapplied Account	1,409	(609)	0	800	0	1,690	2,490
Total Usable Reserves	52,197	(40,195)	36,065	48,067	(39,869)	29,283	37,481

Note 4 Financing and Investment (Income) and Expenditure

	2022-2023 £000	2021-2022 £000
Interest payable and similar charges:		
- Schools' Public Private Partnership finance lease	4,814	4,696
- Other interest payments and similar charges	9,506	7,976
Net interest on the defined benefit pension liability	912	2,160
Interest receivable and similar income	(2,775)	(204)
Total	12,457	14,628

Note 5 Taxation and Non-specific Grant Income

	2022-2023 £000	2021-2022 £000
Income from Council Tax	(34,146)	(33,050)
Distribution from Non-Domestic Rates pool	(15,906)	(12,019)
General Revenue Grant	(174,757)	(173,116)
Recognised Capital Grants and contributions	(18,668)	(11,974)
Total	(243,477)	(230,159)

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 2022-2023:

	2022-2023	2021-2022
	£000	£000
Credited to Taxation and Non-specific Grant Income		
General Revenue Grant	(179,255)	(173,115)
Distribution from Non-Domestic Rates pool	(15,906)	(12,019)
General Capital Grant (excludes amounts directly credited to Services)	(8,938)	(6,818)
Capital Grants	(9,481)	(5,015)
Credited to Services		
Housing Benefit	(22,001)	(23,111)
Housing Benefit Administration	(379)	(360)
Other Housing	(3,079)	(928)
Community Service Grant	(555)	(1,139)
Social Work	(5,022)	(3,546)
Regeneration	(2,869)	(505)
Resource Transfer	(12,248)	(11,999)
Roads	(118)	(85)
Education	(15,515)	(16,158)
Employability	0	18
Covid	(256)	(808)
Other	(537)	(1,241)
Total	(276,159)	(256,829)

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.

	2022-2023	2021-2022
	£000	£000
Fees payable for external audit services carried out by the appointed auditor for the year.	299	265
	299	265

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.

Notes to the Principal Financial Statements

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 has moved to an Indexation method of revaluation, rather than the five year interval which previously took place. This means that the value of the assets will be updated more frequently than every five years. The indexation valuation percentages are independently undertaken by Avison Young, a professional firm of chartered surveyors, and was completed on 31 March 2022.

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.

Notes to the Principal Financial Statements

- 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.

Movement on Balances

The movements on balances for Property, Plant & Equipment (PPE) are shown in the following table. Figures for 2021-2022 are provided in an additional table below for the purposes of comparison.

Movements in 2022-2023

	Other Land & Buildings £000	Vehicles, Plant & Equipment £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 2022	393,768	26,825	805	4,144	11,425	96,642	533,609
Additions in year	8,363	1,752	445	333	9,999	1	20,893
Disposals in year	0	(1,517)	0	0	0	0	(1,517)
Revaluation adjustments to Revaluation Reserve	11,413	0	(27)	77	0	1,367	12,830
Revaluation adjustments to CIES	0	0	(91)	0	(4,814)	0	(4,905)
Reclassifications to/from Held for Sale	0	0	0	(50)	0	0	(50)
Other reclassifications	6,700	0	0	0	(6,700)	0	0
At 31 March 2023	420,244	27,060	1,132	4,504	9,910	98,010	560,860
Depreciation and Impairment							
At 1 April 2022	31,774	18,117	507	687	1	2,806	53,892
Depreciation charge for the year	16,819	2,481	3	11	2	2,960	22,276
Impairment losses to Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses to CIES	0	0	0	0	0	0	0
Depreciation on disposals	0	(1,394)	0	0	0	0	(1,394)
On Revaluations to Revaluation Reserve	(13,861)	0	0	0	0	(3,765)	(17,626)
On Revaluations to CIES	(717)	0	0	0	0	0	(717)
Reclassifications to/from Held for Sale	0	0	0	0	0	0	0
Other reclassifications	0	0	0	0	0	0	0
At 31 March 2023	34,015	19,204	510	698	3	2,001	56,431
Balance Sheet amount at 31 March 2023	386,229	7,856	622	3,806	9,907	96,009	504,429
Balance Sheet amount at 31 March 2022	361,995	8,708	298	3,457	11,424	93,835	479,717
Nature of asset holding							
Owned	369,040	7,856	366	3,669	9,907	0	390,838
Managed properties	17,189	0	256	137	0	0	17,582
PPP	0	0	0	0	0	96,009	96,009

Notes to the Principal Financial Statements

The Net Book Value of the Infrastructure Assets, as at 31 March 2023 was £76.096m (2021-2022 £71.651m). The total NBV of PPE including the Infrastructure Assets is therefore £580.525m (2021-2022 £551.368m).

Comparative Movements in 2021-2022

	Other Land & Buildings £000	Vehicles, Plant & Equipment £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 2021	373,184	26,643	699	4,060	10,620	96,340	511,546
Additions in year	8,627	1,509	106	286	6,267	20	16,815
Disposals in year	0	(1,327)	0	(202)		0	(1,529)
Revaluation adjustments to Revaluation Reserve	4,545			0	2,068	281	6,894
Revaluation adjustments to CIES							0
Reclassifications to/from Held for Sale							0
Other reclassifications	7,413				(7,530)		(117)
At 31 March 2022	393,769	26,825	805	4,144	11,425	96,641	533,609
Depreciation and Impairment							
At 1 April 2021	23,016	17,156	507	681	0	0	41,360
Depreciation charge for the year	18,576	2,288	0	6	1	2,949	23,820
Impairment losses to Revaluation Reserve	0	0	0	0			0
Impairment losses to CIES	0		0				0
Depreciation on disposals	0	(1,327)	0	0		0	(1,327)
On Revaluations to Revaluation Reserve	(9,818)	0	0	0		(143)	(9,961)
On Revaluations to CIES							0
Reclassifications to/from Held for Sale							0
Other reclassifications					0		0
At 31 March 2022	31,774	18,117	507	687	1	2,806	53,892
Balance Sheet amount at 31 March 2022	361,995	8,708	298	3,457	11,424	93,835	479,717
Balance Sheet amount at 31 March 2021	350,168	9,487	192	3,379	10,620	96,340	470,186
Nature of asset holding							
Ow ned	345,313	8,708	295	3,327	11,424		369,067
Managed Properties	16,682		3	130			16,815
PPP						93,835	93,835

Commitments under Capital Contracts

At 31 March 2023, 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 £8.874 million. Similar contracts at 31 March 2022 were £4.859 million.

Notes to the Principal Financial Statements

The major capital commitments include:

	£000
Inchgreen Marine Park	4,718
Cremator Replacement	1,355

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 2023, the Council had one asset held for sale (£0.050m), (31 March 2022, no assets were held for sale).

	31 March 2023	31 March 2022
	£000	£000
Opening Balance at 1 April	0	375
Disposals	0	(375)
Assets newly classified as "held for sale": Property, Plant & Equipment	50	0
Revaluation adjustments to Revaluation Reserve	0	0
Closing Balance at 31 March	50	0

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.

	2022-2023	2021-2022
	£000	£000
Opening Capital Financing Requirement	285,180	291,832
Capital Investment:		
~ Capital Expenditure	26,565	21,581
~ Leased equipment and Schools PPP assets	1	21
Total Capital Investment for the year	26,566	21,602
Sources of Finance:		
~ Capital receipts from the sale of assets	(416)	(307)
~ Government grants and other contributions	(16,979)	(12,583)
~ Capital from current revenue	(249)	(5,508)
~ Loans Fund principal repayment (including finance leases & PPP)	(10,323)	(9,856)
Total Capital Financing for the year	(27,967)	(28,254)
Closing Capital Financing Requirement	283,779	285,180

	2022-2023	2021-2022
	£000	£000
Explanation of movements in the year:		
~ Increase/(Reduction) in underlying need to borrow	738	(5,071)
~ Increase/(Reduction) in finance leases obligations	0	0
~ Increase/(Reduction) in PPP finance lease creditor	(2,139)	(1,581)
Increase/(Reduction) in Capital Financing Requirement	(1,401)	(6,652)

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 a valuation of the fair value of the Council's Heritage Assets carried out by an external valuer in the year, this has resulted in the Revaluation adjustments shown in the table below. 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/collections/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

	2022-2023	2021-2022
	Total Assets	Total Assets
	£000	£000
Valuation or Cost		
1 April	18,060	18,060
Revaluations	1,453	0
Additions	9	0
31 March	19,522	18,060

Notes to the Principal Financial Statements

Note 11 Debtors

	31 March 2023				31 March 2022			
	Short-term		Long-term		Short-term		Long-term	
	£000	£000	£000	£000	£000	£000	£000	£000
Scottish Government (including NHS bodies)		12,850		0		20,724		0
Central Government bodies		1,182		0		1,860		0
Other Local Authorities		2,033		0		2,721		0
Council Tax receivable from taxpayers	18,326		0		17,855		0	
Impairment allowance for doubtful debts	(17,076)		0		(16,509)		0	
Council Tax (net of impairment)		1,250		0		1,346		0
Trade debtors	7,770		0		7,241		0	
Impairment allowance for doubtful debts	(5,912)		0		(5,644)		0	
Trade Debtors (net of impairment)		1,858		0		1,597		0
Other entities and individuals	53		243		53		311	
Impairment allowance for doubtful debts	0		0		0		0	
Other entities and individuals (net of impairment)		53		243		53		311
Totals for Short-term and Long-term Debtors		19,226		243		28,301		311

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, this loan was written off in 2021/22. 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 2023	31 March 2022
	£000	£000
Cash held by the Council	6	5
Bank current accounts	3,941	18,187
Deposits up to three months with UK Banks, Building Societies and Local Authorities	12,179	0
Total Cash and Cash Equivalents	16,126	18,192

Note 13 Creditors

Short Term Creditors

	31 March 2023 £000	31 March 2022 £000
Scottish Government (including NHS bodies)	(24,513)	(29,813)
Central Government bodies	(4,114)	(3,919)
Other Local Authorities	(473)	(420)
Trade Creditors	(27,050)	(19,740)
Public Corporations	(508)	(499)
Other Entities & Individuals	(527)	(527)
Total Short-term Creditors	(57,185)	(54,918)

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 2022-2023

	Balance at 1 April 2022 £000	Additional Provisions made in 2022-2023 £000	Amounts used in 2022-2023 £000	Unused amounts written back in 2022-2023 £000	Balance at 31 March 2023 £000
Municipal Mutual Insurance Claims (note 1)	(271)	(182)	64		(389)
Social Care Provision (note 2)	0	(100)			(100)
Total Short-term Provisions	(271)	(282)	64	0	(489)

Notes

- For any potential shortfall in the current Scheme of Arrangement to meet any new claims.
- For the anticipated costs in relation to an award of expenses granted against the Council in relation to a court case concerning an adult social care matter.

Notes to the Principal Financial Statements

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 2023 (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 Estimated Inflation	Contingent Rentals	Total
	£000	£000	£000	£000	£000
Not later than 1 year	3,768	2,208	3,305	1,482	10,763
Later than 1 year and not later than 5 years	16,154	10,054	11,738	7,014	44,960
Later than 5 years and not later than 10 years	23,304	15,298	10,965	11,147	60,714
Later than 10 years and not later than 15 years	28,080	18,716	6,022	13,578	66,396
Later than 15 years and not later than 20 years	11,144	9,000	570	5,677	26,391
Payable within 21 to 25 years	0	0	0	0	0
Total	82,450	55,276	32,600	38,898	209,224

Fair Value of Liability

The treasury advisor to Inverclyde Council has assessed the fair value of the lease liability as £63.1 million. The impact of a 1% increase in the discount factor is assessed at £4.5 million and would reduce the fair value to £58.6 million. More information on the assessment of fair values is available in Note 20 Financial Instruments.

Liabilities from PPP Arrangements

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

Notes to the Principal Financial Statements

	2022-2023	2021-2022
	£000	£000
Balance outstanding at the start of the year	57,415	58,996
Payments during the year	(2,139)	(1,581)
Capital expenditure incurred in the year	0	0
Balance outstanding at year-end	55,276	57,415
Included in Balance Sheet		
~ Current	2,208	2,003
~ Non-current	53,068	55,412
	55,276	57,415

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 pension 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.

Notes to the Principal Financial Statements

- 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 2022-2023 and the prior year 2021-2022.

Notes to the Principal Financial Statements

	31 March 2023	31 March 2022
	£000	£000
Comprehensive Income & Expenditure Statement (CIES)		
<i>Cost of Services:</i>		
<i>Service Cost comprising:</i>		
~ Current service cost	32,812	32,727
~ Past service costs (including curtailments)	670	519
~ Unfunded benefits		0
<i>Financing and Investment Income and Expenditure:</i>		
~ Net interest expense	912	2,160
Total Post-employment Benefit charged to (Surplus) or Deficit on the Provision of Services	34,394	35,406
<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	31,507	(38,991)
~ Actuarial (gains) or losses arising on changes in demographic assumptions	(6,025)	(4,767)
~ Actuarial (gains) or losses arising on changes in financial assumptions	(285,320)	(51,293)
~ Non recognition of income due to ceiling cap (1)	163,331	0
~ Actuarial (gains) or losses arising on changes in experience assumptions	38,670	1,196
Total Post-employment Benefit Charged to the CIES	(57,837)	(93,855)
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	74,449	108,949
Actual amount charged against the General Fund balance for pensions in the year:		
Employers' contributions payable to Strathclyde Pension Fund	16,612	15,094

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 2023	31 March 2022
	£000	£000
Present value of the defined benefit obligation*	(548,363)	(763,271)
Fair value of pension fund assets	726,320	737,842
Non recognition of income due to ceiling cap (1)	(163,331)	0
Net Liability arising from Defined Benefit Obligation	14,626	(25,429)
<i>*Unfunded liabilities included in the figure for present value of liabilities</i>		
~ unfunded liabilities for Pension Fund	(18,268)	(22,353)
~ teachers' unfunded pensions	(10,941)	(13,272)
~ unfunded liabilities prior to 1996 local government reorganisation	(3,735)	(4,421)

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:

	2022-2023	2021-2022
	£000	£000
Opening balance at 1 April	(763,271)	(785,114)
Current service cost	(32,812)	(32,727)
Interest cost	(20,835)	(15,873)
Contributions by Pension Fund participants	(4,327)	(3,896)
Re-measurement gains and (losses)		
~ Actuarial gains/(losses) from changes in demographic assumptions	6,025	4,767
~ Actuarial gains/(losses) from changes in financial assumptions	285,320	51,293
~ Non recognition of income due to ceiling cap (1)	(163,331)	0
~ Actuarial gains/(losses) from changes in experience assumptions	(38,670)	(1,196)
Past service costs (including curtailments)	(670)	(519)
Settlements	0	0
Benefits paid	20,877	19,994
Closing balance at 31 March	(711,694)	(763,271)

(1) The actuarial valuation of the pension fund indicated a pension surplus of £178m, however the full surplus is not recognised in the balance sheet, a ceiling calculation performed by Hymans Robertson indicated a ceiling value of £14.626m and this is the surplus value as shown in the balance sheet.

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

	2022-2023	2021-2022
	£000	£000
Opening fair value of pension fund assets	737,842	686,142
Interest income	19,923	13,713
Re-measurement gains and (losses):		
~ other experience	0	0
~ expected rate of return on pension fund assets	(31,507)	38,991
The effect of changes in foreign exchange rates	0	0
Contributions from employers	16,612	15,094
Contributions from employees into the scheme	4,327	3,896
Benefits paid	(20,877)	(19,994)
Closing fair value of pension fund assets	726,320	737,842

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 2023 comprised:

	31 March 2023			31 March 2022		
	Quoted Prices in Active Markets	Prices not Quoted in Active Markets	Totals	Quoted Prices in Active Markets	Prices not Quoted in Active Markets	Totals
	£000	£000	£000	£000	£000	£000
Cash and cash equivalents	10,045	3,714	13,759	18,526	249	18,775
Equity instruments	141,833	1,302	143,135	162,227	351	162,578
Debt instruments	0		0	0	0	0
Real Estate	0	59,885	59,885	0	62,225	62,225
Derivatives	0	(1)	(1)	0	0	0
Private Equity	0	178,521	178,521	0	144,443	144,443
Investment Funds	3,129	327,892	331,021	4,093	345,728	349,821
Asset-backed Securities	0		0	0	0	0
Structured Debt	0		0	0	0	0
Total assets	155,007	571,313	726,320	184,846	552,996	737,842

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 4.75%) 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 2020, projected forward to 31 March 2023. The significant assumptions used by the actuary are shown in the table below. The CPI assumption has been updated to make allowance for inflation experience since September 2022 being higher than assumed. This adjustment has resulted in the CPI assumption being 0.1% p.a. higher at all durations, compared to the assumption that would have been derived using the methodology adopted at 31 March 2022. Note 37 includes a sensitivity analysis for the pension obligation based on possible changes of these assumptions occurring at the reporting date.

	2022-2023	2021-2022
Rate of increase in salaries	3.65%	3.90%
Rate of increase in pensions	2.95%	3.20%
Rate for discounting Fund liabilities	4.8%	2.7%
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	19.3	19.6
~ Women	22.2	22.4
Longevity at 65 for future pensioners (years):		
~ Men	20.5	21.0
~ Women	24.2	24.5

* The life expectancy figures quoted assume members aged 65 (current) and 45 (future) as at the latest formal Fund valuation date.

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 2021 to 31 March 2024.

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 2024 is £14.010 million.

The assumed weighted average duration of the defined benefit obligations is 18 years.

Notes to the Principal Financial Statements

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 0.9% during the year ended 31 March 2022. The actual contributions for the year ended 31 March 2023 will not be published until October 2023, however the Council assumes that the percentage contribution will be similar to 31 March 2022.

In 2022-2023, Inverclyde Council paid £9.005 million in respect of teachers' retirement benefits, representing 23.0% of pensionable pay. The figures for 2021-2022 were £8.544 million and 23.0%.

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 2023 £000	31 March 2022 £000
Revaluation Reserve	243,248	209,472
Capital Adjustment Account	73,086	74,808
Financial Instruments Adjustment Account	(3,836)	(3,936)
Pensions Reserve	14,626	(25,428)
Employee Statutory Adjustment Account	(5,087)	(4,343)
Balance at 31 March	322,037	250,573

Notes to the Principal Financial Statements

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.

	2022-2023	2021-2022
	£000	£000
Balance at 1 April	209,472	192,509
Revaluation of non-current assets not posted to the Surplus or (Deficit) on the Provision of Services	21,314	7,097
Difference between fair value depreciation and historical cost depreciation written off to Capital Adjustment Account	(167)	(169)
Impairments Charged to Revaluation Reserve Account	(6,733)	7,915
Depreciation on revaluations to Revaluation Reserve	19,362	2,120
Write back Depreciation on Disposal		0
Balance at 31 March	243,248	209,472

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.

	2022-2023	2021-2022
	£000	£000
Balance at 1 April	74,808	75,936
Items relating to capital expenditure charged to CIES:		
~ Charges for depreciation and impairment of non-current assets	(29,734)	(28,973)
~ Disposals of non-current assets	(122)	(578)
Transfers from Revaluation Reserve	167	169
Capital financing applied in the year:		
~ Use of the Capital Receipts Reserve to finance new capital expenditure	416	307
~ Capital grants and contributions credited to the CIES that have been applied to capital financing	16,979	12,583
~ Loans Fund principal repayments	10,323	9,856
~ Capital financed from current revenue	249	5,508
Balance at 31 March	73,086	74,808

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

	2022-2023	2021-2022
	£000	£000
Balance at 1 April	(3,936)	(4,035)
Amount by which finance costs charged to the CIES Statement are different from finance costs chargeable in the year in accordance with statutory requirements	100	99
Balance at 31 March	(3,836)	(3,936)

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 2020 set employer's contribution rates for Inverclyde Council at 19.3% for the period 1 April 2021 to 31 March 2024.

	2022-2023	2021-2022
	£000	£000
Balance at 1 April	(25,428)	(98,971)
Actuarial gains or (losses) on pension assets and liabilities	57,836	93,855
Reversal of items relating to net charges for retirement benefits charged to Surplus or (Deficit) on the Provision of Services in the CIES	(34,394)	(35,406)
Employers' pension contributions paid to Strathclyde Pension Fund	16,612	15,094
Balance at 31 March	14,626	(25,428)

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.

	2022-2023	2021-2022
	£000	£000
Balance at 1 April	(4,343)	(4,245)
Settlement or cancellation of accrual made at the end of the preceding year	4,343	4,245
Amounts accrued at the end of the current year	(5,087)	(4,343)
Balance at 31 March	(5,087)	(4,343)

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 2022-2023 were £0.073 million (2021-2022: £0.043 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 2023	31 March 2022
	£000	£000
Not later than one year	68	40
Later than one year and not later than five years	139	148
Later than five years	325	336
	<u>532</u>	<u>524</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 2022-2023 was £0.798 million (2021-2022 £0.790 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 2023	31 March 2022
	£000	£000
Not later than one year	809	745
Later than one year and not later than five years	1,384	1,203
Later than five years	1,993	1,659
	<u>4,186</u>	<u>3,607</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.

Notes to the Principal Financial Statements

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 2023	31 March 2022	31 March 2023	31 March 2022
	£000	£000	£000	£000
Investments				
Loans and receivables	0	0	10,224	14,600
Cash and Cash Equivalents				
Cash and Cash Equivalents	0	0	16,126	18,192
Debtors				
Loans and receivables (note 1)	243	311	15,412	23,767
Borrowings				
Financial Liabilities at amortised cost	(172,287)	(181,832)	(14,449)	(9,590)
Other Long Term Liabilities				
PPP and finance lease liabilities	(53,068)	(55,412)	(2,208)	(2,003)
Creditors				
Financial Liabilities at amortised cost (note 2)	0	0	(28,126)	(21,754)

Notes

1. Of the items on the Balance Sheet, Short-term Loans and Receivables net of £3.814 million (2021-2022 £4.534m) are not regarded as Financial Instruments.
2. Of the items on the Balance Sheet, Short-term Financial Liabilities net of £29.059 million (2021-2022 £33.164m) 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 £7.365 million (2021-2022 £7.729 million) and interest income of £0.829 million (2021-2022 £0.100 million) that were recognised in the CIES for the year.

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 exchanged or a liability settled. Further information about how the Council has assessed fair value (and the fair value hierarchy) is provided below.

Notes to the Principal Financial Statements

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

Financial Assets	31 March 2023		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and receivables - deposits with banks	10,224	10,224	14,600	14,600
Loans and receivables - cash and cash equivalents	16,126	16,126	18,192	18,192
Long-term debtors	243	243	311	311
Short-term debtors (at cost)	15,412	15,412	23,767	23,767
TOTAL	42,005	42,005	56,870	56,870

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 2023		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Borrowing - PWLB & Non-PWLB Debt	186,736	182,145	191,422	273,726
School PPP Lease	55,276	63,115	57,415	77,054
Short-term creditors (at cost)	28,126	28,126	21,754	21,754
TOTAL	270,138	273,386	270,591	372,534

The fair value is different from the carrying amount because the Council's borrowing figure includes loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. A 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 2023	31 March 2022
	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	10,224	14,600
Total	10,224	14,600
Financial Liabilities		
Financial Liabilities held at amortised cost		
- PWLB & Non-PWLB Borrowings	182,145	273,726
- PPP Finance Lease Liabilities	63,115	77,054
TOTAL	245,260	350,780

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 2023
- 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 2023 and applying an annuity repayment profile using the PWLB new borrowing rate for a comparable period (17 years) at 31 March 2023.

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 £182.145 million to £215.254 million (including penalty costs). The Council has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

Note 21 Nature and Extent of Risks Arising from Financial Instruments

The Management of Treasury Risk by the Council

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

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

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

Notes to the Principal Financial Statements

- 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 £26.782 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 2023 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 £5.912 million (2021-2022 £5.715 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 £21.324 million of the £21.566 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 2023 £000	31 March 2022 £000
Less than three months	20,118	28,170
Three to six months	122	141
Six months to one year	137	322
More than one year	947	849
	21,324	29,482

Management of Liquidity Risk

The Council has a responsive system of safeguards for the management of cash flow that seeks to ensure that cash is available as needed. The Council has ready access to borrowings from market loans and the UK Treasury's Public Works Loan Board. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has secure safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The Council's policy is to ensure that no more than 25% of loans are due to mature within any financial year through a combination of prudent planning of new loans and, where

Notes to the Principal Financial Statements

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 2023 £000	31 March 2022 £000
Less than one year	44,793	33,357
Later than 1 year and not later than 2 years	2,328	9,754
Later than 2 years and not later than 5 years	9,050	7,704
Later than 5 years and not later than 10 years	40,369	25,511
Later than 10 years and not later than 30 years	35,839	49,467
Later than 30 years and not later than 50 years	97,759	68,798
Over fifty years	40,000	76,000
	270,138	270,591

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 2023, with all other variables held constant.

	31 March 2023 £000	31 March 2022 £000
Impact on taxpayer		
Increase on interest payable on variable rate borrowings	644	594
Increase in interest receivable on variable rate lending	(268)	(350)
Net effect on Comprehensive Income & Expenditure Statement	376	244
Other presentational changes		
A decrease in the "fair value" of fixed rate borrowing (disclosure confined to the Notes to the Accounts)	(14,868)	(29,162)
	(14,868)	(29,162)

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 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.

Notes to the Principal Financial Statements

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 2022-2023 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 23, 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.

Entities Controlled or Significantly Influenced by the Council

The Council has entered into a number of transactions under subsidiaries, 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.

	2022-2023				2021-2022			
	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)	2,187	(57)	715	(11)	2,176	(179)	1,047
Riverside Inverclyde Limited*1	(53)	0	0	21	(49)	0	(1)	55
Greenock Arts Guild Ltd (the Beacon Arts Centre)	0	242	(28)	0	0	185	0	2
Inverclyde Community Development Trust	0	1,160	(313)	0	0	1,779	(265)	0
River Clyde Homes	(30)	351	(28)	0	(26)	632	(74)	1

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 82-83.

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 2022-2023 the Council collected £18.9 million and received £1.4 million to the Non-Domestic Rates pool (2021-2022 £15.1 million and £0.6 million). The Council also bills and collects domestic water and sewerage charges on behalf of Scottish Water with the Council Tax. During 2022-2023 the Council collected and paid over £13.218 million (2021-2022 £12.669 million) and received £0.294 million (2021-2022 £0.282 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.

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.

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

A recent circular from the Scottish Public Pensions Agency (Local Government Pension Scheme 2020/04) refers to a ruling that same-sex survivors were originally entitled to survivor benefits, taking into account the member's service from 6 April 1978. Following the Goodwin Tribunal, regulatory amendments will now need to be made with effect from the same date to extend that entitlement to male survivors of female members. While this could have a financial impact on future years' costs, any impact cannot be quantified. Given the uncertainty, no provision has been made in the Accounts.

The Council is unaware of any other material contingent asset or liability at 31 March 2023.

Note 25 Events after the Balance Sheet Date

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. An adjustment is made to the financial statements where there is evidence that the event relates to the reporting period; otherwise the financial statements are not adjusted, and where the amount is material, a disclosure is made in the notes. The Chief Financial Officer issued the unaudited Statement of Accounts on 29 June 2023. 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.

Notes to the Principal Financial Statements

Note 26 Cash Flow Statement – Operating Activities

	2022-2023	2021-2022
	£000	£000
Net surplus or (deficit) on the Provision of Services	(30,901)	(25,738)
Adjustments to net surplus or (deficit) on the provision of services for non-cash movements		
Depreciation, amortisation & impairment	29,734	28,973
Net (gain) or loss on non-current assets	181	(67)
Movement in pension liability	17,782	20,312
(Increase) or decrease in inventories	11	(23)
(Increase) or decrease in debtors	9,143	(9,741)
Increase or (decrease) in creditors and provisions	1,058	12,672
	57,909	52,126
Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities		
Non-cash borrowing movements	(71)	(115)
Non-cash investing movements	11,757	(44)
	11,686	(159)
Net cash flow from Operating Activities	38,694	26,229

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

	2022-2023	2021-2022
	£000	£000
Interest received	472	111
Interest paid	(7,464)	(8,358)
Interest element of finance lease and PPP payments	(4,814)	(4,696)
Net cash flow from Servicing of Finance	(11,806)	(12,943)

Note 27 Cash Flow Statement – Investing Activities

	2022-2023	2021-2022
	£000	£000
Purchase of property, plant and equipment and intangible assets	(26,566)	(21,603)
Purchase of short-term and long-term investments	(27,000)	(15,000)
Other payments for investing activities	0	0
Proceeds from sale of property, plant and equipment and intangible assets	(59)	645
Proceeds from short-term and long-term investments	19,619	25,000
Other receipts from investing activities	0	0
Net cash flows from investing activities	(34,006)	(10,958)

Note 28 Cash Flow Statement – Financing Activities

	2022-2023	2021-2022
	£000	£000
Cash receipts of short-term and long-term borrowing	17,501	23
Cash payments for the reduction of the outstanding liabilities relating to finance leases for schools PPP contracts	(2,139)	(1,581)
Repayment of short-term and long-term borrowing	(22,116)	(10,036)
Net cash flows from financing activities	(6,754)	(11,594)

Note 29 Reconciliation of Liabilities arising from Financing Activities

	2021-2022	Financing	Non-cash changes		2022-2023
	31 March	cash flows	Acquisition	Other non-	31 March
				cash changes	
	£000	£000	£000	£000	£000
Long-term borrowings	181,832	(9,536)	1	(10)	172,287
Short-term borrowings	9,590	4,919	(1)	(59)	14,449
PPP liability	57,415	(2,139)	0	0	55,276
Total liabilities from financing activities	248,837	(6,756)	0	(69)	242,012

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.

	2022-2023	2021-2022
	£000	£000
Gross Council Tax levied and contributions in lieu	48,488	47,192
Adjustment: Council Tax Reduction Scheme	(6,841)	(6,661)
Less:		
Other discounts and reductions	(6,820)	(6,455)
Write offs	(4)	(6)
Impairment Allowance for doubtful debts	(1,053)	(1,027)
Net Council Tax income	33,770	33,043
Add/(Less) Prior years' Council Tax adjustments	376	7
Net Council Tax income transferred to General Fund	34,146	33,050

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*				29	10	0	27	10	200/360	9
Band A	19,031	1,498	29	23	8,926	486	15,053	4,572	240/360	6,987
Band B	6,269	276	23	11	2,990	88	5,190	1,335	280/360	2,998
Band C	3,752	101	11	13	1,466	44	3,265	600	320/360	2,369
Band D	3,461	97	13	26	1,190	29	3,065	198	360/360	2,867
Band E	3,683	74	26	13	941	38	3,342	100	473/360	4,260
Band F	1,924	26	13	8	374	15	1,792	38	585/360	2,850
Band G	1,438	12	8	0	246	12	1,351	9	705/360	2,628
Band H	218	3	0	0	23	0	209	1	882/360	510

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

Contributions in Lieu - Band D equivalents	2
Total	25,480
Impairment Allowance for doubtful debt at 3%	(759)
Council Tax Base	24,721

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 2022-2023 was £1,357.81.

	£ Per Year
Band A	905.21
Band B	1,056.08
Band C	1,206.94
Band D	1,357.81
Band E	1,784.01
Band F	2,206.44
Band G	2,659.05
Band H	3,326.64

The Council Tax bill is reduced by 25% where a dwelling has only one occupant, by 100% where the property is empty, 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 2022-2023 was suspended, the Council is not due any additional income for the year.

The amount deemed to be collected locally was £15.906m (£12.019m 2021-2022). The sum actually collected locally and contributed to the pool was £20.254m (£15.767m 2021-2022).

	2022-2023	2021-2022
	£000	£000
Gross rates levied	27,842	27,603
Relief and other remissions	(7,376)	(11,180)
Payment of interest	0	0
Provision for bad and doubtful debts	(1,599)	(1,264)
Net non-domestic rate income	18,867	15,159
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	1,387	608
Net non-domestic rate income transferred to General Fund	20,254	15,767

	2022	2021
	£000	£000
Rateable values at 1 April		
Commercial	27,494	27,160
Industrial / freight transport	6,925	6,857
Others	20,436	19,972
	54,855	53,989

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 2022-2023 the charge was 49.8p in the £ for properties with a rateable value under £51,000. An intermediate rate of 51.1p in the pound for properties with a rateable value of between £51,001 and £95,000. For properties with a rateable value over £95,001 the charge was 52.4p 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 2023. 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 2023

2021-2022 £000		Usable Reserves: Revenue £000	Unusable Reserves: Revaluation Reserve £000	2022-2023 Total £000
144	Gross Expenditure	29	0	29
(118)	Gross Income	(124)	0	(124)
26	Cost of Service	(95)	0	(95)
0	Interest Payable and Similar Charges	0	0	0
0	Interest and Investment Income	(3)	0	(3)
0	Financing and Investment Income and Expenditure	(3)	0	(3)
26	(Surplus) or Deficit on Provision of Services	(98)	0	(98)
	Other Income and Expenditure			
0	Unrealised gains on revaluation of land and buildings	0	111	111
26		(98)	111	13
	Transfers between Reserves			
0	Transfer from Revaluation Reserve	80	(80)	0
26	(Increase) or Decrease in the Year	(18)	31	13
(1,456)	Balance on Reserves brought forward	(106)	(1,324)	(1,430)
(1,430)	Balance on Reserves carried forward	(124)	(1,293)	(1,417)

Balance Sheet at 31 March 2023

31 March 2022 £000		Notes	31 March 2023 £000
	Non-current Assets		
1,324	Property, Plant & Equipment	1	1,293
	Current Assets		
2	Short-term investments		2
3	Short-term debtors		6
101	Deposits up to 3 months with Inverclyde Council		116
	Current Liabilities		
0	Overdraft up to 3 months with Inverclyde Council		0
1,430	Net Assets		1,417
106	Usable Reserves: Revenue Reserve		124
1,324	Unusable Reserves: Revaluation Reserve		1,293
1,430	Total Reserves		1,417

Notes to the Common Good

1. Property, Plant & Equipment

	2022-2023 Other Land & Buildings £000	2021-2022 Other Land & Buildings £000
Cost or Valuation		
At 1 April	1,748	1,702
Disposals in year	0	0
Revaluation Adjustments to Revaluation Reserve	(112)	46
Other reclassifications*	(211)	0
At 31 March	1,425	1,748
Depreciation and Impairment		
At 1 April	424	347
Depreciation charge for the year	0	77
Depreciation on revaluation to the revaluation reserve	(81)	0
Other reclassifications*	(211)	0
At 31 March	132	424
Balance Sheet amount at 31 March	1,293	1,324

*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 revaluation of Common Good land and buildings took place at 31 March 2023.

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 2022-2023 was £0.120 million (2021-2022 £0.111 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 2023	31 March 2022
	£000	£000
Not later than one year	108	117
Later than one year and not later than five years	226	238
Later than five years	289	312
	623	667

Trust Funds

The Council administers 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 78-84. The reserves of the trusts for 2022-2023 are as follows:

	2022 - 2023				2021-2022
	Income	Expenditure	Revaluations	Reserves	Reserves
	£000	£000	£000	£000	£000
1. The Birkmyre Trust	27	79	77	1,374	1,349
To ensure the availability of recreational facilities within the Birkmyre Park, Kilmacolm.					
2. The Watt Institution Trust	1	1	0	57	57
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	8	0	51	57
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	2	0	26	28
For the promotion of recreational or other leisure activities for disabled persons in Inverclyde.					
Total Trust Funds	30	90	77	1,508	1,491

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*.

2021-2022			2022-2023			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
127,872	(18,246)	109,626	Education	132,262	(17,420)	114,842
8,405	(211)	8,194	Communities	7,617	262	7,879
50,586	(13,578)	37,008	Environment & Regeneration	57,395	(18,456)	38,939
152,325	(85,191)	67,134	Health & Social Care	165,605	(91,463)	74,142
44,299	(26,222)	18,077	Policy & Resources	49,183	(24,763)	24,420
6,944	(4,720)	2,224	Subsidiaries	7,643	(5,486)	2,157
390,431	(148,168)	242,263	Cost of Services	419,705	(157,326)	262,379
			Other Operating Expenditure and (Income) -			
		(67)	(Gain)/Loss on disposal of non-current assets			181
		14,628	Financing and Investment (Income) and Expenditure (Note 4)			12,457
		(230,159)	Taxation and Non-specific Grant Income (Note 5)			(243,477)
		26,665	(Surplus) or Deficit on the Provision of Services			31,540
		(8,162)	Share of the (surplus) or deficit on the provision of services by associates and joint ventures (Note 31)			2,334
		18,503	Group (Surplus) or Deficit			33,874
		(19,122)	(Surplus) or deficit on the revaluation of non current assets			(35,862)
		1,990	Impairment losses on non-current assets charged to the Revaluation Reserve			1,919
		(93,855)	Remeasurement of the net defined benefit pensions liability (Note 16)			(57,836)
		(666)	Share of other Comprehensive (Income) and Expenditure of associates and joint ventures (Note 31)			(709)
		(111,653)	Other Comprehensive (Income) & Expenditure			(92,488)
		(93,150)	Total Comprehensive (Income) & Expenditure			(58,614)

Group Balance Sheet

The Balance Sheet is a snapshot of the value at the 31 March 2023 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 2022		31 March 2023
£000	Note	£000
554,815	Property, Plant & Equipment	583,810
18,060	Heritage Assets	19,522
33	Intangible Assets	16
35,563	Investments in Associates	33,618
3	Long-term Debtors	0
0	Long-term Pension Asset	20,501
608,474	Non-current Assets	657,467
14,660	Short-term Investments	10,284
0	Assets Held for Sale	50
407	Inventories	396
28,427	Short-term Debtors	19,488
19,180	Cash and Cash Equivalents	17,094
62,674	Current Assets	47,312
(9,347)	Short-term Borrowing	(14,196)
(55,999)	Short-term Creditors	(58,267)
(271)	Short-term Provisions	(489)
(1,505)	Short-term Finance Leases	(2,208)
(67,122)	Current Liabilities	(75,160)
0	Long-term Provisions	0
(181,832)	Long-term Borrowing	(172,303)
0	Liabilities in Associates	0
(3,165)	Government Grants Deferred	(1,737)
	Other Long-term Liabilities:	
(55,910)	Finance Leases	(53,068)
(26,556)	Pensions	0
(267,463)	Long-term Liabilities	(227,108)
336,563	Net Assets/(Liabilities)	402,511
48,067	Usable Reserves of the Council	37,481
250,573	Unusable Reserves of the Council	322,037
22,427	Usable Reserves, Share of Reserves of Subsidiaries, Associates and Joint Ventures	20,047
15,496	Unusable Reserves, Share of Reserves of Subsidiaries, Associates and Joint Ventures	22,946
336,563	Total Reserves	402,511

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

Issued on: 16 November 2023

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 2023

	Council Usable Reserves				Council Unusable Reserves £000	Share of Subsidiaries, Associates & Joint Ventures Usable Reserves £000	Share of Subsidiaries, Associates & Joint Ventures Unusable Reserves £000	Total Group Reserves £000
	General Fund Balance £000	Other Revenue Reserves £000	Capital Reserves £000	Total Usable Reserves £000				
Balance at 31 March 2022	39,109	8,002	956	48,067	250,573	22,427	15,496	336,563
Restatement due to change in % share in 2022-2023	39,109	8,002	956	48,067	250,573	22,234	15,372	336,246
Movement in Reserves during 2022-2023								
Surplus or (Deficit) on Provision of Services	(30,901)			(30,901)	91,779	(1,713)	(574)	58,591
Other Comprehensive (Expenditure) and Income						(47)	7,729	7,682
Total Comprehensive (Expenditure) and Income	(30,901)	0	0	(30,901)	91,779	(1,760)	7,155	66,273
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 2)	19,100		1,690	20,790	(20,790)	41	(46)	(5)
Net Increase or (Decrease) before Transfers to/from Other Statutory Reserves	(11,801)	0	1,690	(10,111)	70,989	(1,719)	7,109	66,268
Transfers (to) and from Other Statutory Reserves	120	(124)	(471)	(475)	475	(469)	466	(3)
Increase or (Decrease) in the Year	(11,681)	(124)	1,219	(10,586)	71,464	(2,188)	7,575	66,265
Balance at 31 March 2023 Carried Forward	27,428	7,878	2,175	37,481	322,037	20,046	22,947	402,511

Comparative Figures for Year ended 31 March 2022

	Council Usable Reserves				Council Unusable Reserves £000	Share of Subsidiaries, Associates & Joint Ventures Usable Reserves £000	Share of Subsidiaries, Associates & Joint Ventures Unusable Reserves £000	Total Group Reserves £000
	General Fund Balance £000	Other Revenue Reserves £000	Capital Reserves £000	Total Usable Reserves £000				
Balance at 31 March 2021	43,977	7,430	1,955	53,362	160,029	15,511	11,157	240,059
Restatement due to change in % share in 2021-2022	42,812	7,430	1,955	52,197	161,194	15,469	11,079	239,939
Movement in Reserves during 2021-2022								
Surplus or (Deficit) on Provision of Services	(25,738)			(25,738)	110,987	6,921	1,182	93,352
Other Comprehensive (Expenditure) and Income					0	73	3,199	3,272
Total Comprehensive (Expenditure) and Income	(25,738)	0	0	(25,738)	110,987	6,994	4,381	96,624
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 2)	21,879		(609)	21,270	(21,270)	138	(138)	0
Net Increase or (Decrease) before Transfers to/from Other Statutory Reserves	(3,859)	0	(609)	(4,468)	89,717	7,132	4,243	96,624
Transfers (to) and from Other Statutory Reserves	156	572	(390)	338	(338)	(174)	174	0
Increase or (Decrease) in the Year	(3,703)	572	(999)	(4,130)	89,379	6,958	4,417	96,624
Balance at 31 March 2022 Carried Forward	39,109	8,002	956	48,067	250,573	22,427	15,496	336,563

Group Cash Flow Statement

2021-2022		2022-2023
£000		£000
	Net surplus or (deficit) on the Provision of Services	
(26,665)	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	(31,540)
53,630	Adjustments for items included in the net surplus or (deficit) on the provision of services	58,676
(159)	that are investing and financing activities	11,686
26,806	Net cash inflow from Operating Activities	38,822
(11,011)	Investing Activities	(34,108)
(11,640)	Financing Activities	(6,800)
4,155	Net increase or (decrease) in cash and cash equivalents	(2,086)
15,025	Cash and cash equivalents at the beginning of the reporting period	19,180
19,180	Cash and cash equivalents at the end of the reporting period	17,094

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 2023. 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 78 to 84 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 2022-2023, Inverclyde Council contributed £1.225 million or 3.44% (2021-2022 £1.243 million) of the Partnership's estimated running costs and its share of the year-end net asset of £16.316 million (2021-2022 £16.786 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 2022-2023, Inverclyde Council contributed £0.156 million or 3.85% (2021-2022 £0.158 million) of the Board's estimated running costs and its share of the year-end net asset of £0.194 million (2021-2022 £0.178 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 2022-2023, Inverclyde Council contributed £0.619 million or 21.83% (2021-2022 £0.639 million) of the Board's estimated running costs and its share of the year-end net asset of £1.339 million (2021-2022 £0.123 million net asset) 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.

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 2023 were £11.454 million (2021-2022 £12.531 million) and its net gain for the year was £1.077 million (2021-2022 £0.533 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, Clydeview, 22 Pottery Street, Greenock, PA15 2UZ which is also the company's principal place of business.

The company does not have shareholders and any surpluses are made available for reinvestment in other projects within the area. The company is entirely independent of the Council under law and for taxation. The Council has the right to appoint three of the nine representatives on the company's board, and for the purposes of accounting this equates to an interest of 33.33%. Under accounting standards the Council is required to include the results of Riverside Inverclyde as an associate because it has a 'significant influence' over the financial and operating policies of the charity. In 2022-2023, Inverclyde Council contributed £0.000

Notes to the Group's Principal Financial Statements

million (2021-2022 £0.000 million) or 0.00% of the charity's turnover, and its share of the year-end asset of £3.818 million (2021-2022 £4.313 million) is included in the Group Balance Sheet.

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 2022-2023 was £66.817m (2021-2022: £52.629 million), and its share of the year-end asset of £12.131 million (2021-2022: £14.163 million) is included in the Group Balance Sheet.

Inchgreen Marine Park Ltd

The Council has recently entered into a Joint Venture with Clydeport Operations with regards to the development of the Inchgreen site, this Joint Venture will form part of the Group Accounts from 2023/24 onwards.

Subsidiaries

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 2023 was £6.444 million (2021-2022 £0.561 million net liability) and its net asset for the year was £0.683 million (2021-2022 £0.866 million).

The Council has no commitment to meet any losses of the company, and has no shares in or ownership of this company which is entirely independent of the Council under law and for taxation. In financial year 2022-2023 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%. However, a review of the relationship between the council and the Trust in 2020-2021, identified that the Trust met the definition of a structured entity. This describes an entity that has been designed so that the relevant activities are directed by means of contractual arrangements. In recognition of this, Inverclyde Leisure has been included in the Group Financial Statements as a 100% subsidiary.

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 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.

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 76 to 78.

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.
- Greenock Arts Guild Ltd runs the main arts venue for the Inverclyde area, the Beacon Arts Centre in Greenock. During 2022-2023 the Council provided revenue and capital grants to the Beacon Arts Centre totalling £0.242 million (£0.185 million in 2021-2022).

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*.

	2022-2023	2021-2022
	£000	£000
Share of the (surplus) or deficit on the provision of services by Associates and Joint Ventures		
Strathclyde Partnership for Transport	486	(1,431)
Strathclyde Concessionary Travel Scheme Joint Board	(16)	(44)
Renfrewshire Valuation Joint Board	32	95
Inverclyde Leisure	0	0
Riverside Inverclyde	(200)	(85)
Inverclyde Integrated Joint Board	2,032	(6,697)
	<u>2,334</u>	<u>(8,162)</u>
Share of Other Comprehensive (Income) and Expenditure of Associates and Joint Ventures		
Strathclyde Partnership for Transport	4	0
Strathclyde Concessionary Travel Scheme Joint Board	0	0
Renfrewshire Valuation Joint Board	(1,272)	(573)
Inverclyde Leisure	0	0
Riverside Inverclyde	559	(93)
Inverclyde Integrated Joint Board	0	0
	<u>(709)</u>	<u>(666)</u>

Note 32 Group Assets and Liabilities of Associates and Joint Ventures

	2022-2023	2021-2022
	£000	£000
Net Assets of Associates and Joint Ventures		
Strathclyde Partnership for Transport	16,136	16,786
Strathclyde Concessionary Travel Scheme Joint Board	194	178
Riverside Inverclyde	3,818	4,313
Renfrewshire Valuation Joint Board	1,339	123
Inverclyde Integrated Joint Board	12,131	14,163
	<u>33,618</u>	<u>35,563</u>
Net Liabilities of Associates and Joint Ventures		
Renfrewshire Valuation Joint Board	0	0
	<u>0</u>	<u>0</u>

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 2022-2023 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 2022-2023 (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 four associates:

- Strathclyde Partnership for Transport (SPT)
- Strathclyde Concessionary Travel Scheme Joint Board
- Renfrewshire Valuation Joint Board
- 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. Riverside Inverclyde is also included within the Group Accounts as an "associate" as the Council does not have a "controlling interest" in terms of the voting rights.

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

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 30 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 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.

D 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.

E 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 2022-2023 Code:

- Amendments to IFRS 1, First Time Adoption – relating to foreign operations of acquired subsidiaries;
- Amendments to IFRS 16, Leases – removing a misleading example not referenced in the Code;
- Amendments to IAS 37, Onerous Contracts – clarifying the intention of the standard;
- Amendments to IAS 16, Property, Plant and Equipment – proceeds before intended use; and
- Amendments to IAS 41 Agriculture – only expected to apply to local authorities in limited circumstances.

The Code requires implementation from 1 April 2023 and there is therefore no impact on the 2022-2023 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 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 2023 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 0.1% decrease in the real discount rate would result in a 2% increase (£9.483 million) in the employer's obligation. • A one year increase in member life expectancy would result in a 4% increase in the employer's obligation. • A 0.1% increase in the salary increase rate would result in a 0% increase (£1.037 million) in the employer's obligation. • A 0.1% increase in the pension increase rate would result in a 2% increase (£8.582 million) in the employer's obligation.
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 £0.70 million for every year that useful lives are reduced.
Revaluation of Non-Current Assets	The revaluation of the Council's properties as at 31 March 2023 have been carried out by Avison Young. The properties valued typically fall in to one of three categories: <ul style="list-style-type: none"> • Specialised assets valued under a Depreciated Replacement Cost valuation methodology. This approach assumes that the asset would have been replaced with a new asset with the same operational value and potential as the existing asset. Estimation uncertainty within the revaluation of assets in this category is primarily driven by the following key assumptions: Selection of individual Building Cost Information Services (BCIS) values for each individual building component from within a published 	It is impracticable to disclose the extent of the possible effects of an assumption or another source of estimation uncertainty at the end of the reporting period. Outcomes within the next financial year that differ from the assumptions adopted at 31 March 2023 around the valuation of Land or Buildings could result in a material adjustment to the carrying amount of the assets recorded in Note 7.

Accounting Policies, Judgements and Assumptions

Item	Uncertainties	Effect if Results differ from Assumptions
	<p>range, reflecting the condition and specifications of the actual component; the application of obsolescence adjustments to the valuation of individual buildings to reflect the building's age and condition; and application of functional obsolescence adjustments to reflect the extent to which a replacement asset would be configured in a more efficient manner and over a reduced gross internal area.</p> <ul style="list-style-type: none"> • Non-specialised assets valued at either the open market value at the highest and best use (fair value) or the current use (existing use value). This involves applying a number of assumptions; including in particular an expected rental income into the future (which for those currently vacant contains greater estimation uncertainty) and an appropriate rental yield for that type of property, with reference to applicable market indices. <p>For those assets not selected for formal revaluation in 2022/23, an indexation adjustment is applied to each asset type in line with applicable industry indices. The selection of these indexation factors from within the range suggested by industry metrics contains inherently an element of estimation uncertainty.</p>	

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

Reporting on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Inverclyde Council and its Group for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Group and Council Comprehensive Income and Expenditure Statements, Group and Council Balance Sheets, Group and Council Movement in Reserves Statement, Group and Council Cash Flow Statements, the Council Tax Income Account, the Non-domestic Rates Income Account, the Common Good Fund, the Trust Funds, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Council and its Group as at 31 March 2023 and of the income and expenditure of the Council and its Group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the Council and its Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the Council. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the Council and its Group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the Council and its Group. However, we report on the Council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risk of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Chief Financial Officer and Inverclyde Council for the financial statements

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

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the ability of the Council and its Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the Council and its Group.

The Council is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the Council and its Group;
- inquiring of the Chief Financial Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the Council and its Group;
- inquiring of the Chief Financial Officer concerning the policies and procedures of the Council and its Group regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

We have audited the parts of the Remuneration Report described as audited, namely the Senior Officers' Remuneration, Remuneration of Senior Councillors, the Senior Officers' and Senior Councillors' Pension Entitlement tables, the Councillors' Remuneration, the Remuneration of Officers receiving more than £50,000, and the Exit Packages of Employees disclosures. In our opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

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

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

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Michael Wilkie, (for and on behalf of KPMG LLP),
319 St Vincent Street
Glasgow
G2 5AS

16 November 2023

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.

Finance Services
Inverclyde Council
Municipal Buildings
Clyde Square, Greenock
PA15 1LX

Tel: 01475 712090
www.inverclyde.gov.uk

Chief Financial Officer: Alan Puckrin CPFA

Enquiries to: A Puckrin

Telephone: 01475 712090

E-mail:

Our Ref: AP/LA

Your Ref:

Date: 16 November 2023

Louise Long
Chief Executive
Chief Executive Services

Municipal Buildings
Clyde Square
Greenock
PA15 1LY

KPMG LLP
319 St Vincent
Street Glasgow
G2 5AS

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of Inverclyde Council ("the Council"), for the year ended 31st March 2023 for the purpose of expressing an opinion:

- i. as to whether these financial statements, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 give a true and fair view of the state of the Council and Group's affairs as at 31st March 2023 and of the Council and Group's income and expenditure for the financial year then ended;
- ii. whether the Council and Group financial statements have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23; and
- iii. whether the financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

These financial statements comprise the following: Group and Council Comprehensive Income and Expenditure Statements, Group and Council Balance Sheets, Group and Council Movement in Reserves Statement, Group and Council Cash Flow Statements, the Council Tax Income Account, the Non-domestic Rates Income Account, the Common Good Fund, the Trust Funds, and notes to the financial statements, including significant accounting policies.

I confirm that, the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

I confirm that, to the best of my knowledge and belief, having made such inquiries as I considered necessary for the purpose of appropriately informing myself:

Financial statements

1. I have fulfilled my responsibilities, as set out in the terms of the audit engagement letter dated 18 March 2022, for the preparation of financial statements that:

- i. give a true and fair view of the state of the Council and Group's own affairs as at the end of its financial year and of the Council and Group's own income and expenditure for that financial year;
- ii. have been properly prepared in accordance with UK adopted international accounting standards, as interpreted, and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- iii. have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

The financial statements have been prepared on a going concern basis.

2. The methods, the data and the significant assumptions used by me in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Information provided

5. I have provided you with:
 - access to all information of which I am aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from me for the purpose of the audit; and
 - unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. I confirm the following:

I have disclosed to you the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

8. I have disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that I am aware of and that affects the Council and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, I acknowledge my responsibility for such internal control as I determine necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

9. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
10. I have disclosed to you and have appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
11. I have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which I am aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as I understand them and as defined in IAS 24.

12. On the basis of the process established by the Council and having made appropriate enquiries, I am satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with my knowledge of the business and in accordance with the requirements of IAS19 *Employee Benefits*.

I further confirm that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

13. I confirm that:
 - The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Council's ability to continue as a going concern as required to provide a true and fair view and to comply with IAS 1 *Presentation of Financial Statements*.
 - No material events or conditions exist that may cast significant doubt on the ability of the Council to continue as a going concern.

This letter was tabled and agreed at the meeting of the Council on 16 November 2023.

Yours faithfully,

Alan Puckrin
Chief Financial Officer