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<b>Report To:</b>	<b>Audit Committee</b>	<b>Date:</b>	<b>8 July 2021</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/37/21/AP/MT</b>
<b>Contact Officer:</b>	<b>Matt Thomson</b>	<b>Contact No:</b>	<b>01475 712256</b>
<b>Subject:</b>	<b>Unaudited Annual Accounts for the Year Ended 31 March 2021</b>		

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## **1.0 PURPOSE**

- 1.1 The purpose of this report is to ask the Committee to review the unaudited Annual Accounts for the year ending 31 March 2021 and approve their submission to Audit Scotland.

## **2.0 SUMMARY**

- 2.1 The unaudited Annual Accounts for the year ended 31 March 2021 would normally be submitted to Audit Scotland by the statutory deadline of 30 June 2021, however the Coronavirus (Scotland) Act 2020 allows this date to be postponed due to the impact of Covid 19. The Financial Regulations require that the Audit Committee review the Accounts and approve their submission to Audit Scotland.
- 2.2 It should be noted that copies of the unaudited accounts which accompany this report do not include the Group Accounts. It is anticipated that the full set of Accounts, including the Group Accounts, will be finalised prior to the Committee and will be issued to members prior to the Committee.
- 2.3 In order to aid Members understanding of the key issues arising from the Annual Accounts, a presentation on the key issues will be delivered by the Finance Manager on the day of the Audit Committee.

## **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Audit Committee review the unaudited Annual Accounts for the year ended 31 March 2021 and approve their onward transmission to Audit Scotland.
- 3.2 It is recommended that the Committee note that the External Auditor's Annual Report to Members for the Financial Year ended 31<sup>st</sup> March 2021 will be reported to the Council before 31<sup>st</sup> October 2021.

**Alan Puckrin**  
**Chief Financial Officer**

## 4.0 BACKGROUND

- 4.1 The unaudited Annual Accounts for the year ended 31 March 2021 would normally be submitted to Audit Scotland by the statutory deadline of 30 June 2021, however the Coronavirus (Scotland) Act 2020 allows this date to be postponed due to the impact of Covid 19. The Financial Regulations require that the Audit committee review the Accounts and approve their submission to Audit Scotland.
- 4.2 The preparation of the Annual Accounts for the year ended 31 March 2021 has proved challenging and as a result a decision was made to take advantage of the Coronavirus (Scotland) Act 2020 resulting in a brief, 2 week, postponement in the presentation of the accounts to the Audit Committee.
- 4.3 It should be noted that copies of the unaudited accounts which accompany this report do not include the Group Accounts. It is anticipated that the full set of Accounts, including the Group Accounts, will be finalised prior to the Committee and will be issued to members prior to the Committee.

## 5.0 PROPOSALS

- 5.1 Prior to consideration of the accounts the Committee will receive a presentation from the Finance Manager highlighting the key issues and figures and officers will thereafter answer any questions members have in relation to the accounts.

## 6.0 IMPLICATIONS

### Finance

#### 6.1 Financial Implications

The financial implications of the unaudited annual Accounts will be explained fully in the presentation to Members on the day of the Audit Committee.

#### One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

#### Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (if Applicable)	Other Comments
N/A					

### Legal

- 6.2 There are no legal implications.

### Human Resources

- 6.3 There are no direct staffing implications in respect of this report and as such HR have not been consulted.

## Equalities

6.4 (a) Has an Equality Impact Assessment been carried out?

	YES (see attached appendix)
X	NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required

### (b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

	YES – A written statement showing how this report's recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed.
X	NO

### (c) Data Protection

Has a Data Protection Impact Assessment been carried out?

	YES – This report involves data processing which may result in a high risk to the rights and freedoms of individuals.
X	NO

## Repopulation

6.5 None.

## 7.0 BACKGROUND PAPERS

7.1 None.





Inverclyde Council  
Unaudited Annual Accounts  
2020-2021

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## 1. Introduction

This Management Commentary outlines the objectives and strategy of the Council and its financial performance for the year 2020-2021 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.

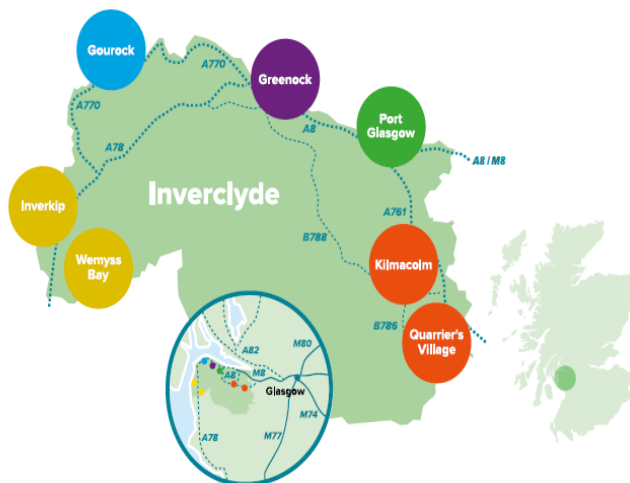
### Principal Activities

#### 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

4,381 employees  
 Permanent Staff: 3,350  
 Temporary Staff: 1,009  
 Modern Apprentices: 22



#### ECONOMY

67.9% of adults in employment (2020)  
 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

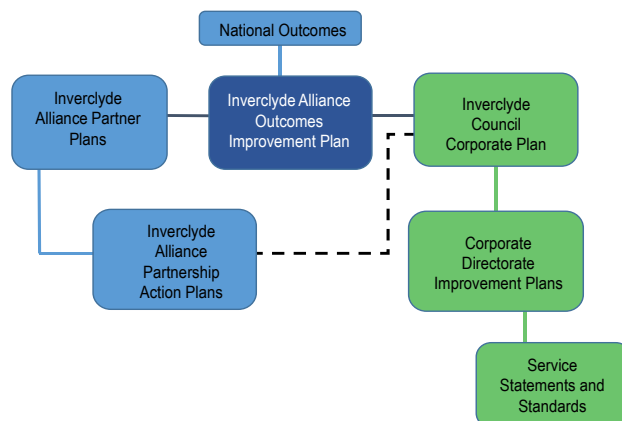
- 77,800** (1.4% of total Scottish population)
- 16.2% aged under 16
  - 15.9% aged 16 to 29 years (**Scotland = 18.0%**)
  - 40.2% aged 30 to 59 year
  - 27.7% aged 60 and over (**Scotland = 24.7%**)

## 2. Objectives and Strategy of the Council

### Delivering the Strategy

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

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



# Management Commentary

The OIP 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 OIP priorities. The Corporate Plan sets out the ways in which Inverclyde Council hopes to deliver better outcomes for the people of Inverclyde through the delivery of 10 organisational priorities. The plan reflects the outcomes from the OIP and sets out, at a high level, what the Council will do to deliver the partnership priorities.

Corporate Directorate Improvement Plans (CDIPs) set out the vision for each directorate. The CDIPs 2019/22 set out the improvement actions for each Directorate and are mapped to the Corporate Plan organisational priorities. 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 OIP originally focused on three key priority areas: Population; Inequalities; and Environment, Culture and Heritage, however after a mid-term review of the OIP in 2020, the Alliance Board agreed to make "local economic growth" a new priority from 2021. The responsibility for the delivery of this new priority will sit with the Population and Economic Partnership. The OIP can be viewed on the Council's website at: <http://www.inverclyde.gov.uk/council-and-government/community-planning-partnership/inverclyde-outcome-improvement-plan>.

## Positives v Challenges 2020-2021

### Positives

The percentage of young people participating in education, training or employment in Inverclyde rose by 1.1% in 2020 to 92.9%. This is 0.8% higher than the Scottish average and places Inverclyde in the second top performing quartile of all Scottish Councils.

A new and innovative approach to raise the profile of job vacancies, training and other employability initiatives to the broadest possible audiences was approved by the Council. In November 2020 The initiative, 'Inverclyde Works' aims to encourage more people into employment and training in order to support community recovery.

The Council has successfully secured £250,000 investment from The National Lottery Heritage Fund to help the recovery of the region's heritage sector. The funding will ensure that the good work being done prior the pandemic, continues - helping aid the area's economic recovery.

Data providing vital support to businesses has been a priority for the Council which has administered a number of funding streams for business grants on behalf of the Scottish Government. Business grant support payments made by the Council in 2020/21 exceeded £18 million, helping to protect jobs and prevent business closure.

### Challenges

Undoubtedly, the major challenge for the Council in the coming years will be in responding to, and mitigating against, the impact of Covid-19 in supporting our communities to recover and thrive going forward.

Covid-19 has created an economic and employment crisis in Scotland. Early research shows that there is likely to be an unequal impact on the labour market and that young people are bearing the brunt of early employment losses. Brexit will also add to the economic and labour market challenges that lie ahead.

In recent years the biggest driver of population decline locally was natural population change due to deaths outnumbering births, Covid-19 will have greatly exacerbated the challenges the Council faces in addressing population decline.

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 £11.4 million by 2022/23 reported in the Financial Strategy.

According to the Scottish Index of Multiple Deprivation 2020 -the most deprived data zone in Scotland can be found in Greenock town centre. In addition 51 (44.7%) of Inverclyde's data zones are in the 20% most deprived in Scotland, the second highest local share in Scotland. As part of the 2020/21 budget £1 million funding was allocated to mitigate poverty and inequality.



## COVID – 19

The Council's response to the Covid-19 pandemic has evolved in response to changes in national restrictions and Government guidance. Internal and external communications, all decision-making by officers and the response arrangements are firmly established through existing strategic and tactical meeting structures. The Corporate Management Team (CMT) is responsible for the strategic response and the tactical arrangements are discussed and proposed through the Council's Resilience Management Team (CRMT) (which also incorporates the Inverclyde Health & Social Care Partnership (H&SCP)).

Additionally, the HSCP has activated its Local Management Resilience Team (LMRT) in which the Council has a number of representatives and this ensures that the Council and the HSCP are entirely joined up in decision-making. The Council is also meeting weekly with multi-agency partners through the West Local Resilience Partnership (WLRP).

In the initial phase of the pandemic, the Council suspended all Council, Committee and Sub Committee meetings with all powers transferred to Policy & Resources Executive Sub Committee, however an accelerated uptake of technology across the Council allowed Committee meetings to resume on a fully remote basis and also facilitated a shift to homeworking and enabled a different model of schooling to be delivered. New developments in technology will continue to be integral to the flexible delivery of services going forward.

### Provision of Service

Service provision has, by necessity been subject to change and reactive to Government guidance and restrictions over the course of the pandemic. At the start of the first national lockdown, action was taken to ensure that essential services continued to be delivered, where possible and the core business of the Council was maintained while at the same time ensuring the ongoing safety of both the workforce and the public. Investment in technology has enabled many services to adapt and continue to support Inverclyde's communities, albeit in a 'virtual' capacity.

Within HSCP a number of day services were suspended whilst extra support was given to Care Homes and other providers via increased payments to assist with the sustainability of these key partners. Temporary accommodation was sourced to allow for reduced capacity in the Inverclyde Centre and the early release of some prisoners took place.

Many of the public facing services were initially closed, or reduced, in line with national guidance to protect the safety of both employees and the public, as well as reduced staffing availability. The Council kept the delivery of services under constant review and services were delivered albeit on a restricted basis for large parts of 2020/21.

The tightening of coronavirus restrictions once again at the end of 2020 meant that the planned reopening of some Council public buildings such as libraries and the museum in January 2021 was further delayed. Libraries and many leisure facilities finally re-opened to visitors in April 2021, for the first time in over a year,

Educational establishments in particular have faced huge challenges with a need to rapidly respond and adapt, including making provision for student learning to continue via remote home schooling making provision for blended learning, and also responding to local outbreaks of Covid-19 within the school community,

### Increased support for the vulnerable

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

At the start of the pandemic, the Council and partners established a Humanitarian Assistance Centre which runs a helpline and was in contact with around 2,800 residents who fell into the "Shielding" category. The new lockdown at the end of 2020 brought about a significant increase in call traffic to the three helplines manned by Public Protection staff.

The return to shielding together with people being asked to self-isolate also led to a resurgence of demand for emergency food parcels. Daily lists were also received from those requested to self-isolate by the NHS Test and Protect teams and all those on the list received a proactive call to establish whether any support was required to enable them to do so and also to reinforce the message of the importance of self-isolating if requested to do so.

## Increased support for the vulnerable

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

Support for vulnerable families has been provided in a variety of ways including financial payments paid directly to families in receipt of free school meals/clothing grant payments to help cover the cost of food and the provision of holiday childcare hubs. The Council also received funding to provide 1,200 secondary school students entitled to free school meals with laptops and Wi-Fi, to address the issue of digital exclusion in education.

## New Government initiatives, Grants etc.

The Council is administering a number of business grants on behalf of the Scottish Government. Teams within Finance and Regeneration Services have processes in place to release the support timeously whilst robust governance checks are in place to ensure that only valid payments are made.

Business grant support payments made by the Council in 2020/21 exceeded £18 million with an estimate that this will exceed £23 million once the current schemes are closed. This funding is over and above Non-Domestic Rates relief in 2020/21 and 2021/22 totalling in excess of £10million.

A number of significant schemes are now closed with final appeals/reviews taking place. The position of these is as follows:

Initial Business Support Fund - £11.25million to 1019 Businesses  
Strategic Framework Closure and Hardship - £3.082million to 437 Businesses  
Retail, Hospitality & Leisure Top Up Grants - £2.525million to 394 Businesses  
Taxi Drivers fund – £567,000 paid to 378 taxi and private hire drivers  
Restart Grants- £3.635million paid to 428 Businesses

The Council has now disbursed £1.025million in the Discretionary Fund including support for Taxi Operator Licence Holders.

## Workforce

On commencement of lockdown all staff other than those delivering essential services were sent home. Initially the Council was only partially set up for home working however ICT Services rapidly increased the home working capacity and now a significant proportion of the Council's workforce have successfully been working from home over the period.

Those required to attend work to deliver essential services, whether they be office based or front line care workers, staff in Schools, refuse collection workers etc., are providing services while maintaining social distancing and with appropriate Personal Protective Equipment and hygiene regimes.

Casual/Sessional workers were initially paid where appropriate based on averages of previous earnings.

Following an initial marked increase in absence during the crisis, with staff either reporting sick, self-isolating, absent with caring responsibilities or unable to work from home the absence rate peaked at 19.3% however by the end of March 2021, the absence rate has fallen to 6%, which is just above the usual average absence rate of 4.3%.

To fully understand the impact of the pandemic on employee health, an Employee Health and Wellbeing Survey was carried out in July 2020 and a Health & Wellbeing Strategy was developed in response to the survey findings. The Strategy, which has three pillars, Mental Health & Emotional Wellbeing; Physical Wellbeing and Financial Wellbeing, builds on the existing work around wellbeing and resilience for the workforce nationally and locally and links with the overall Covid-19 recovery plan.

## Supply Chains

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

## Supply Chains

Due to the need for the Council's service delivery to be maintained post Covid-19 the Council continued to pay some key suppliers such as School Transport providers, Social Care providers, Early Years providers, as well as Inverclyde Leisure and The Beacon, at varying proportions of their contracted rates despite in some cases a reduced or no service being provided. These arrangements have either ceased or are coming to an end and have been funded by Government Covid funds.

## Reserves, financial performance and financial position

The Council has relatively high reserve balances with a significant proportion of these earmarked. As at 31<sup>st</sup> March 2021 The Council's reserves totalled £54.014m with £49.124m Earmarked and £4.890m of free reserves.

The Council has received regular reports on the extra costs and funding for costs associated with Covid. The report to the May 2021 meeting of the Policy & Resources Committee estimated total costs excluding the HSCP in excess of £28million with the Council contributing around £3.0million and the rest coming from Scottish Government Grants. These figures exclude the Business Grants referred to above.

The Council has an established Finance Strategy which was presented to Members in June 2021, this considers the impacts of Covid-19 but the global, UK and Scottish economic position makes any firm assumptions of what the future holds very difficult to ascertain. When taking into account the additional one off costs as well as potential future additional costs as work practices may change, it is anticipated that the 2022/23 budget will once again be challenging.

## Capital Programme

Construction work effectively ceased as a result of lockdown. While this had a limited effect on the Council's capital programme in 2019/20 construction work did not recommence until later in 2020 and as a result there was expected to be a significant impact on 2020/21 spend levels. As a result a revised capital programme was approved which amended the budget position to reflect the expected delays. Capital projects did however progress and the acceleration of some projects, such as the delivery of vehicles earlier than anticipated, allowed the Council to perform better than the amended budget position. It is anticipated that we may continue to see increases in costs and completion times going forward due to delays in the supply chain.

## Major Risks

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

## Plans for Recovery

The Council's recovery framework to plan for service resumption and support employees back into the workplace was initially approved by the Policy and Resources Sub-Committee. The framework has had to be flexible to reflect changes in national guidance as the response to the pandemic has shifted and evolved since March 2020.

The Council has developed an Organisational Recovery Plan which has now been approved by the Full Council. The Plan covers all key aspects of the Council's operation e.g. People, Technology, Assets and Governance and has both short and medium term actions. Progress in delivering the Action Plan will be monitored by the Policy & Resources Committee.

In addition the Council has prepared a Partnership Recovery Plan which has been approved by the Alliance Board in June 2021. There is a wide ranging Action Plan backed by £4.0 million of Council funding.

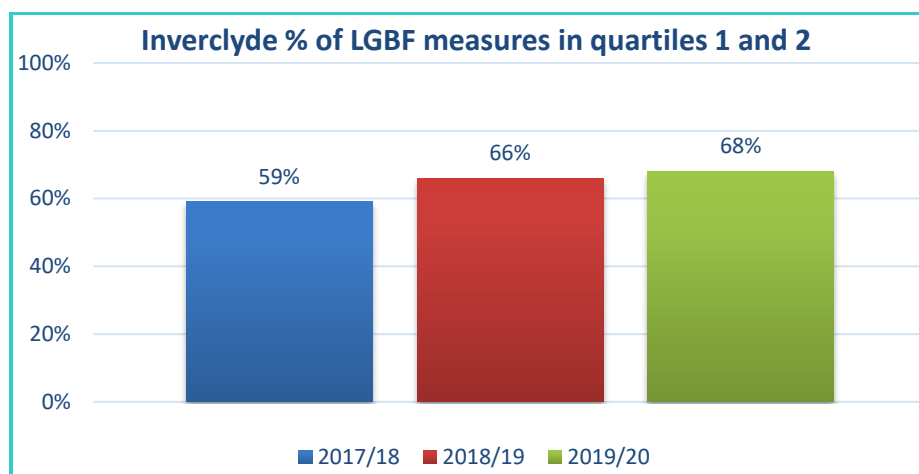
## Public Performance Reporting

Inverclyde Council reports activities and achievements against its Corporate Plan 2018/22 annually. In addition, each directorate periodically reports on performance in the delivery of their CDIP to their relevant committee.

- The Council also publishes an annual Statutory Performance Indicator (SPI) report. Data for 2020/21 is currently being gathered and will be available later in the year. For the reporting year 2019/20 a summary of performance achieved is shown below for those indicators where a Red Amber Green status was available. You can view the wide range of performance data published by the Council, including the latest Corporate Plan Annual Report and the SPI report on the Council's performance webpage which can be accessed at: <http://www.inverclyde.gov.uk/council-and-government/performance>

	Green - target met or exceeded	Amber - target not achieved but performance is within set tolerance level	Red - performance is below set tolerance level
<b>2019-2020</b>	13 (48%)	9 (33%)	5 (19%)

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 2019/20 the Council ranked in the top two quartiles for 68% of indicators, 11% were in the third quartile and just over a fifth, 21% 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 three years and shows an improving trend.



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:

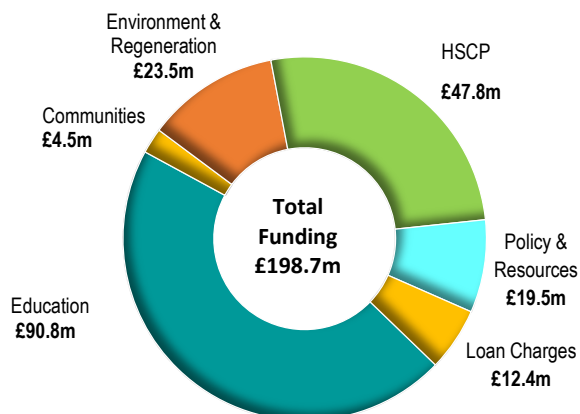
	2018-2019	2019-2020	% Change
<b>Children's services</b>			
Cost per Secondary school pupil	£7,413	£7,313	-1.4%
Cost per Primary school pupil	£5,464	£5,429	-0.6%
Cost per Pre-school pupil	£7,330	£7,692	5.0%
<b>Corporate Services</b>			
Cost per dwelling of Council Tax collection	£10.23	£10.09	-1.4%
Teacher sickness absence (working days)	4.92	4.95	-0.6%
Employee (non-teacher) sickness absence (working days)	10.36	10.48	1.2%
% invoices paid within 30 days	95.86%	96.13%	0.3%
<b>Social Work</b>			
Costs of providing care to support older people living at home	£29.04	£23.10	-20%
% of people aged 65 or over with long term care needs receiving personal care at home	65.16%	65.82%	1%
Residential costs per week per resident for people aged 65 or over	£375	£383	2%
<b>Culture &amp; Leisure</b>			
Costs per attendance at sport facilities	£1.57	£1.12	-29%
Costs of parks & open spaces per 1,000 population	£26,990	£26,093	-3%
<b>Environmental</b>			
Net cost of waste collection per premise	39.96	40.98	-10.9%
Net cost of waste disposal per premise	101.71	92.19	-9.4%
Cost of trading standards and environmental health per 1,000 population	£25,522	£23,445	-8.1%
% of total household waste arising that is recycled	56%	53.95%	-3.7%
<b>Economic Development</b>			
% of unemployed people assisted into work from council operated/funded employability programmes	20.32%	25.94%	27.6%
Cost of Planning & Building Standards per planning application	£9,033	£6,926	-23.3%
% of procurement spend spent on local enterprises	31.36%	27.49%	-12.3%
Proportion of people earning less than the living wage.	26.00%	30.9%	18.9%

## The Annual Budget and Setting Council Tax

The Council's approach to the 2020/21 budget was agreed by the Council and included a public consultation as to how the Council could save money and the operation of the cross party Members Budget Working Group (MBWG) to arrive at a consensus on the use of surplus reserves and consideration of the savings identified by the public consultation. On the 18 March, 2020 the Council agreed to savings totalling £2.105 million in 2020/21 with these savings increasing to £2.989 million by 2021/22. Work continued throughout 2020/21 to identify further savings in anticipation of future budget reductions. As at 31 March 2021 all the 2020/21 savings have been implemented.

The Council formally approved the 2020-2021 budget on 12 March 2020. The budget was based on the Council Tax for band D increasing by 3%.

Spend of £198.7 million was planned in 2020-2021 after taking account of Government Grants, inflation, borrowing costs and approved savings. The Council also approved a £60.1 million three-year capital investment programme covering 2020-2023 of which £37.5 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.



Funding from Scottish Government (Non-Domestic Rates and Government Grants) £166.1m (83.6%) and Council Tax (including Council Tax Reduction costs) £32.6m (16.4%).

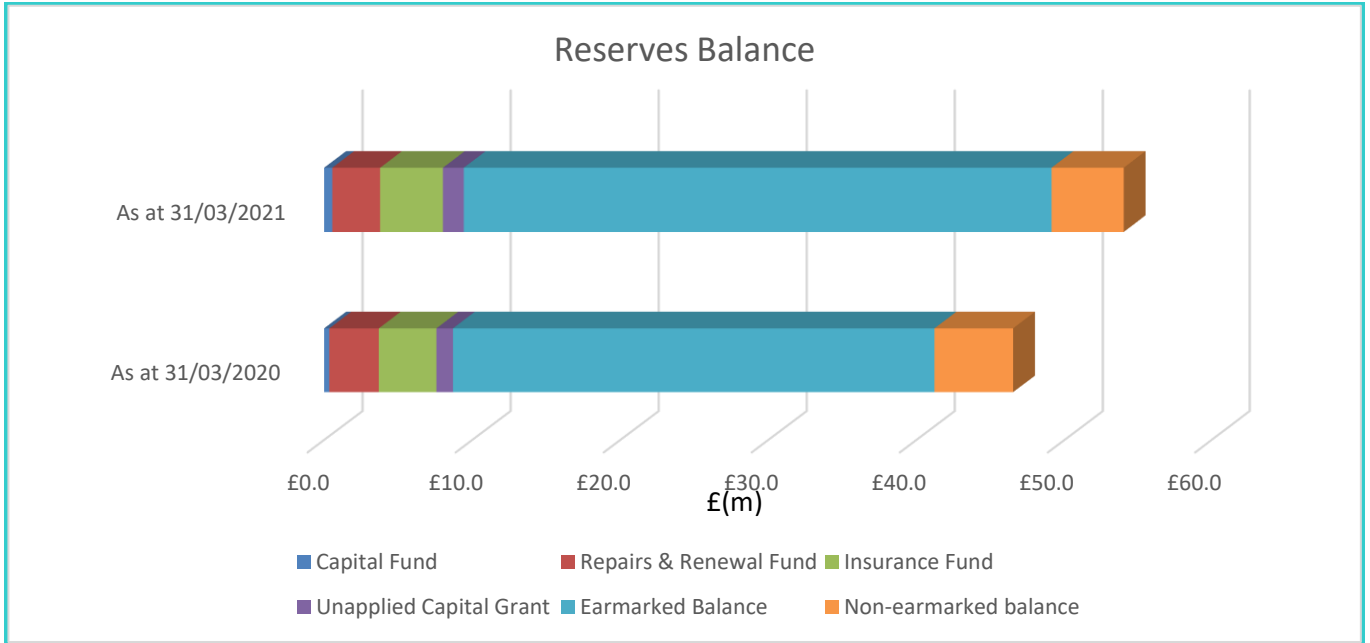
### 3. Financial Performance in 2020-2021

#### General Revenue Budget

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement (CIES) on page 34 which shows a surplus on the provision of services of £5.95million. This statement is prepared using International Financial Reporting Standards as interpreted by the Code of Practice on Local Authority Accounting (the Code). However, the CIES does not reflect the true cost of service provision or the amount required to be funded from government grant and taxation. Note 2 gives details of the accounting adjustments required to bring the accounts in line with resources specified by statute. The adjustments remove the effect of non-cash items such as depreciation, revaluation and replace these with the actual cost of debt repayment. Consequently, the general fund balance has increased by £6.612m, which was not planned during budget setting for 2020/21. The table below shows a summary of the main changes that contributed to the final position.

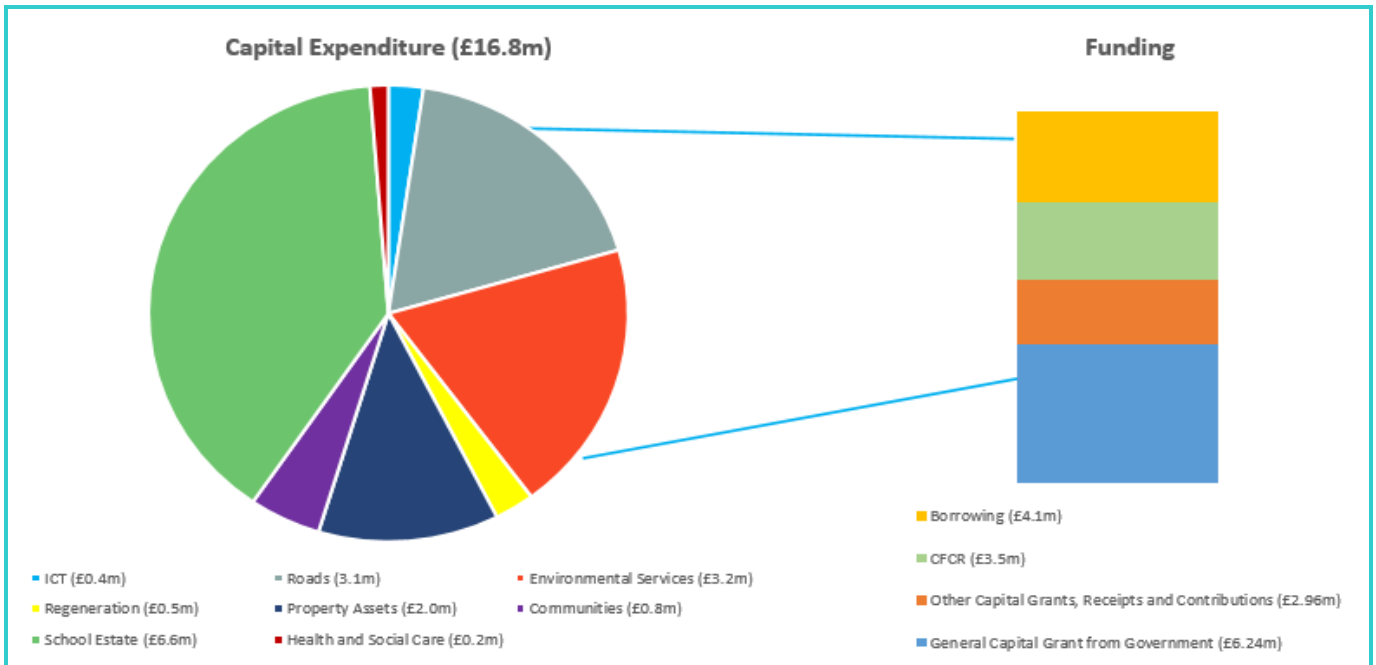
Movement - Initial Budget to Actual Outturn	£'000
Initial Planned Surplus	0
Release of one off inflation contingencies not required	(651)
Additional Council Tax Income and Prior Years Council Tax Income	(217)
Additional Turnover Savings Achieved	(1,084)
Further minor underspends across Service Directorates	(241)
Contribution to Earmarked Reserves	(4,419)
<b>Surplus for the year</b>	<b>(6,612)</b>

As a result of the overall surplus of £6.612m, the General Fund balance increased from £37.983 million to £44.595 million. The graph below shows how the usable reserves of the Council are made up, including the £5.05 million earmarked to support future budget strategy. This leaves a balance of £4.890 million of unallocated reserves (2.41% of the Council's budgeted net annual running costs). This is £0.89 million more than the recommended level of £4.0 million. The policy on balances is reviewed as part of the budget setting each year, taking into account risks and challenges for the year ahead.



## Capital Budget

The Council continues to make significant capital investment in schools, roads, leisure, community and town centre estates with £16.8 million being spent in 2020-21. The largest element of the capital expenditure for the year was the £6.58 million spent on building and refurbishing the school estate. Funding of capital expenditure included £0.17 million from capital receipts, £9.02 million of government grants with the balance of £7.61 million being met through internal funding and borrowing. Further information about spend on capital projects is shown in Note 9 on page 47.





# Management Commentary

## Balance Sheet

The Balance Sheet on page 35 summarises the Council's assets and liabilities as at 31 March 2021 and explanatory notes are provided. The net worth of the Council has increased by £65.970m from £163.167m as at 31 March 2020 to £229.137m as at 31 March 2021. 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:

	31/03/2020 £'000	31/03/2021 £'000	Movement £'000	Explanation for Movement
<b>Non-Current Assets</b>				
Property, Plant & Equipment	496,319	556,870	60,551	Council Investment in Key Capital Projects and effect of 5 yearly asset revaluation
<b>Current Assets</b>				
Short-term Investments	0	24,556	24,556	Funding Requirements for 2020/21
Cash and Cash Equivalents	29,268	14,238	(15,030)	
Long & Short-term Debtors	18,406	19,688	1,282	Increase in Short Term Debtors at the end of the year
<b>Current Liabilities</b>				
Short-term Creditors	(33,939)	(41,746)	(7,807)	Increase in Short Term Creditors at the end of the year, in particular with regard to Scottish Government Agency Covid Grants
<b>Long-term Liabilities</b>				
Short & Long term borrowing	(216,556)	(201,550)	15,006	
Finance leases	(58,948)	(57,375)	1,573	
Pension Liability	(88,074)	(98,972)	(10,898)	

## 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	2020-2021	2019-2020
<b>Reserves</b>			
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	Reflects the level of funding available to manage Financial risk/unplanned expenditure. The Council's Policy is 2% of annual turnover which is considered appropriate in the context of the Council's financial and ongoing risk profile. More Information is provided in the <i>General Revenue Budget</i> section above.	2.46%	2.75%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.	£0.4m decrease	£0.2m increase



# Management Commentary

Financial Indicator	Commentary	2020-2021	2019-2020
<b>Council Tax</b>			
In-year collection rate	Reflects the Council's effectiveness in collecting Council Tax debt and financial management. The Council continues to achieve high collection Levels despite the impact of Covid and a moratorium on debt recovery for over 4 months of 2020/21.	94.4%	95.4%
<b>Financial Management</b>			
Actual Outturn compared to Budgeted Expenditure	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. This indicator is based on the format of budget monitoring as reported throughout the year. More details are provided in the General Revenue Budget section above.	97.7%	98.3%
<b>Debt/Long-term Borrowing</b>			
Ratio of financing costs to net revenue stream	Assurances of borrowing only being for capital purposes with an indication of the Council's ability to service the borrowing costs. The Council's Loans Fund interest rate remains consistently below the Scottish average; is affordable; and fits with the Council's medium to long-term finance strategy.	12.39%	12.63%

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

### Financial Outlook

The Council's Financial Strategy for June 2021 highlights that the pressure on public finances is scheduled to continue for the foreseeable future. This in addition to the fact that Local Government is currently not one of the areas "protected" in Scottish Government Grant settlements, means continuing real term reductions to the Council's funding are likely and the uncertainty that Covid will have on Local Authority funding in coming years.

For the next three years budget (2021-2024) the estimated mid-range funding gap is £11.4 million with optimistic and pessimistic scenarios of £5.1 million and £21.6 million respectively. Included within this is the fact that, the Council faces ongoing service and cost pressures arising from a range of issues, most significantly demographic and socio-economic factors which continue to play a major role in driving spending pressures for the Council, particularly in relation to social care services. The Council continues to operate a cross party Members Budget Working Group and this Group plus the Trade Unions/Corporate Management team meeting via the Joint Budget Group will be pivotal as the Council faces unprecedented financial pressures.

In March 2021 the Council agreed its 2021/22 budget. Savings of £1.28m were approved during the budget process with a further £1.05m approved Use of Reserves to balance the 2021/22 Revenue Budget.

### Treasury Management

The Council's 4 year Treasury Management Strategy and Investment Strategy covering the period 2020-21 to 2023-24 was approved along with the Capital Strategy at the meeting of Inverclyde Council in March 2021. The Strategy identified the need to borrow £10 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

# Management Commentary

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 £257.8 million at 31 March 2021 compared to the CFR limit of £293.0 million. The Council's average loans rate was 3.42% for 2020-21, a reduction of 0.08% from 2019-20. The Council repaid £15 million of maturing debt during the year and undertook no borrowing.

## Management of Risk

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

The Annual Governance Statement, shown on pages 17-22, 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 Covid-19 pandemic presented an unprecedented challenges for everyone throughout 2020/21 and continues to do so. In 2021/22 the Council's focus will be on recovery and continuing to support our communities. The pandemic has changed almost every aspect of the landscape in which the Council delivers service and also in its own workplace. One of the most significant changes that has occurred has been the digital transformation that has taken place in the workplace and the way in which we keep in touch with our service users and communities. This digital transformation will be further rolled out in 2021/22.

The combination of anticipated cost pressures, coupled with real terms reductions in Government Grant and the additional pressures created by the pandemic in relation to Inverclyde's demographic, health, socio-economic and educational profile present significant financial pressures to the Council over the medium term. Cost reductions of the level outlined above will require a fundamental review of priorities, income levels and how services are delivered to the public.

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

The Inverclyde Alliance OIP and the Council's Corporate Plan set the strategic direction in terms of the policy priorities for the Council, whilst recognising the financial pressures existing and forecast. In addition to ongoing recovery planning, 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

## Management Commentary

and is funding major infrastructure projects and greatly add to the value of the wider local economy over the next 20 years. The headline projects within the Inverclyde area are the developments to the Greenock Ocean Terminal and Cruise Ship Berth, the Greenock Inchgreen dockland and the Inverkip transport interchange. Work across all three projects has been subject to unavoidable delay due to Covid-19, and in the case of the Greenock Ocean Terminal, additional difficulties have been encountered due to the contractor entering administration in 2020.



*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 2017/21 as well as the five new Equality Outcomes for 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>.

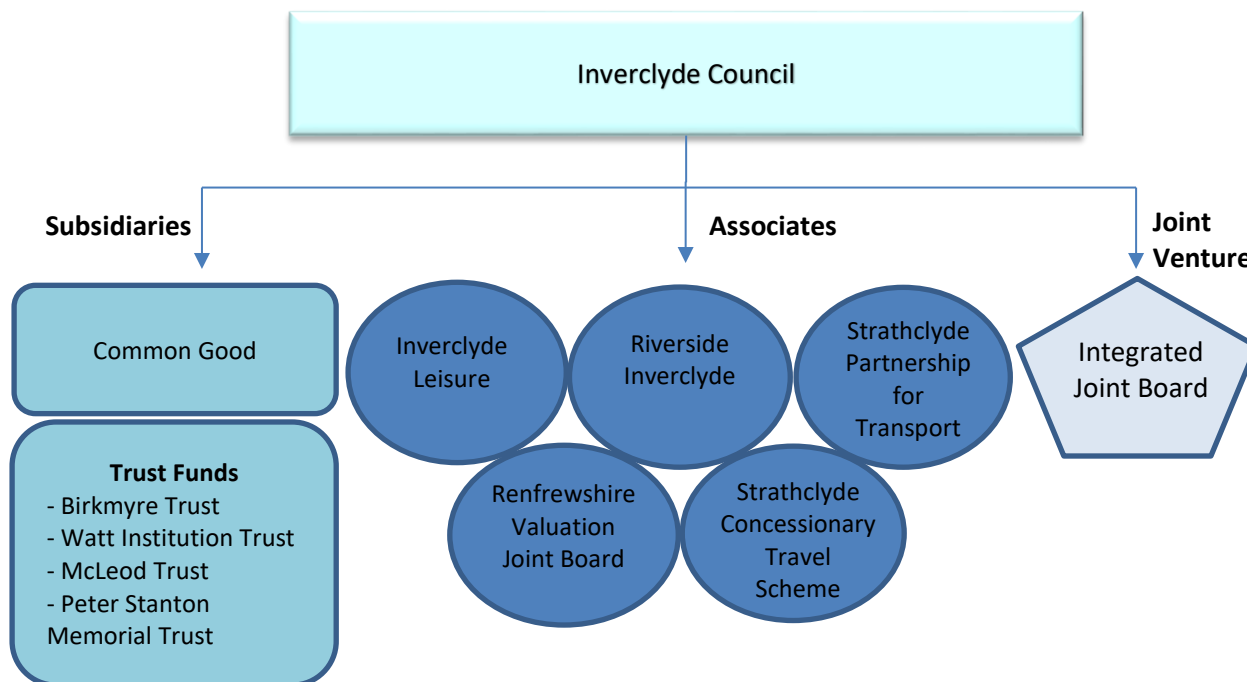
#### Consultation and Communication with Workforce

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 and links with our overall Covid-19 recovery plan. The 3 Pillars of the strategy are: Mental Health & Emotional Wellbeing; Physical Wellbeing and Financial Wellbeing and the Strategy will be rolled out in 2021/22.

## Inverclyde Council Group

The Code of Practice on local Authority Accounting in the United Kingdom 2020/21 (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 £xx.xxx 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 83.



## Events after the Balance Sheet Date

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

## 6. Where to Find More Information

### In This Publication

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

### On Our Website

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

### On Group Entities' Websites

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

## 7. Conclusion and Acknowledgements

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

2020/21 has been a year without precedent in the Council and the country as a whole due to Covid-19 and therefore more than ever we would like to take this opportunity to acknowledge the significant effort in producing the Annual Accounts and to record our thanks to our colleagues for their continued hard work and support. We greatly appreciate the significant efforts of all who were involved.



**Cllr Stephen McCabe**  
Leader of the Council



**Aubrey Fawcett**  
Chief Executive



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

# Statement of Responsibilities for the Annual Accounts

## 1. The Council's Responsibilities

The Council is required to:

- (i) Make arrangements for the proper administration of its financial affairs and to ensure that the proper officer of the authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Chief Financial Officer.
- (ii) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (iii) Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014 and 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 8 July 2021.

Signed on behalf of Inverclyde Council

**Cllr Stephen McCabe**

Leader of the Council

**Date:** 8 July 2021

## 2. The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

I certify that the financial statements give a true and fair view of the financial position of the local authority and its group at the reporting date and the transactions of the local authority and its group for the year ended 31 March 2021.

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

Chief Financial Officer

**Date:** 8 July 2021



## 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 2021 and up to the date of the approval of the Statement of Accounts.

## 3. The Governance Framework

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

- The overarching strategic vision of the Council is detailed in the Council's Corporate Plan which sets out the key outcomes the Council is committed to delivering with its partners, as set out in the Inverclyde Local Outcomes Improvement Plan. Services are able to demonstrate how their own activities link to the Council's vision and outcomes through their Corporate Directorate Improvement Plans. These were reviewed and updated during 2020/2021. Performance management and monitoring of service delivery is reported principally through the Policy & Resources Committee and to other Committees on a regular basis. The Corporate Management Team monitors performance information. The Council publishes information about its performance regularly as part of its public performance reporting requirements at <http://www.inverclyde.gov.uk/council-and-government/performance/>.
- The Inverclyde Alliance Community Engagement Strategy sets out the Alliance's approach for engaging with stakeholders. Consultation on the future vision and activities of the Council is undertaken through the Inverclyde Alliance, and through service specific consultations and the Council actively engages the Council's partners through existing community planning networks.

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

#### 4. Review of Effectiveness

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

The review of the Council's governance framework is supported by a process of self-assessment and assurance certification by Heads of Service. Heads of Service were provided with a "Self-assessment Checklist" to complete and return as evidence of review of seven key areas of the Council's governance framework. As part of this process, Heads of Service were asked to identify their progress on implementing improvement actions identified as part of their 2020-2021 assessments and to identify actions they proposed to take during 2021-2022 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.

#### Covid-19

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

Subsequently, throughout 2020-21, COVID-19 Update reports were regularly provided to Policy and Resources Committee meetings identifying the key issues for the Council, its residents and businesses, what the Council was doing to assist, how services were impacted and what the financial impact was anticipated to be.

With significant disruption to how services were delivered over the year which has the potential to continue in the short and medium term as the pandemic develops, the CMT has developed organisational and partnership recovery plans to capture the shift from business as usual activity and ensure the Council can continue to meet requirements and achieve the strategic priorities set out in the Corporate Plan. This planning activity took into consideration reflective learning from the first phase of responding to the pandemic and engaging with key stakeholders in planning future service provision.



The financial impact of implementing the required changes to services and service delivery models (e.g. to support social distancing requirements, support staff with the appropriate PPE and manage the new and changing levels of need and demand) was significant and likely to be ongoing and evolving as the pandemic continues into 2021/22. A detailed decision log is being maintained and scrutinised by senior management and Elected Members, including approval requirements of any decisions with financial implications for the Council.

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.

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 2019-2020. 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 2020-2021 and the Certificates of Assurance from Corporate and Service 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 2020-2021 financial year, the Chief Internal Auditor is able to conclude that a reasonable level of assurance can be given that the system of internal control is operating effectively within the Council.

## 6. Compliance with Best Practice

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

The Council complies with the requirements of the CIPFA Statement on "The Role of the Head of Internal Audit in Public Service Organisations 2010". The Council's Chief Internal Auditor has responsibility for the Council's Internal Audit function and is professionally qualified and suitably experienced to lead and direct the Council's Internal Audit staff. The Internal Audit service generally operates in accordance with the CIPFA "Public Sector Internal Audit Standards 2017".

## 7. Governance Issues and Planned Actions

The Council continues to recognise the need to exercise strong management arrangements to manage the financial pressures common to all Local Authorities. Regular reviews of the Council's arrangements are undertaken by Internal Audit and overall the Council's arrangements are generally satisfactory. The table below sets out three improvement actions to the governance framework which were identified from the Council's ongoing review and monitoring of the effectiveness of its governance arrangements. These represent corporate initiatives that will be further progressed during 2021-2022.

	Where are we now?	Where do we want to be?	How will we know we are getting there?	Who is responsible?
1	The significant incident which started in March 2020 and the Council's management as a Category 1 responder during the COVID-19 pandemic tested how well the risk management, governance and internal controls framework is operating. Revised governance arrangements were put in place and recovery plans have been approved which set out a number of governance actions which will be undertaken over the next 12 months.	The council maintains strong arrangements for response and recovery in relation to significant events.	Regular reporting to Policy and Resources Committee on governance actions identified through the Organisational Recovery Plan will be undertaken during 2021/22.	Chief Executive  March 2022
2	Mandatory training remains an issue for some service areas. The inclusion of mandatory training as part of the performance appraisal process has provided additional focus in this area.	Training matrix for senior managers is implemented across all Services.	The revised performance appraisal process includes the requirement for discussions around mandatory training.	Heads of Service, supported by Head of OD, Policy and Communications  March 2022
3	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.	Business Classification Scheme is fully implemented within all Education establishments.	A revised schedule will be discussed and implemented with ICT. An update will be provided to the August 2021 meeting of the Audit Committee as this is an outstanding audit action.	Corporate Director, Education, Communities and Organisational Development  Interim update to Audit Committee  August 2021

In addition, the status of action plans from 2019-2020 Annual Governance Statement (AGS) is set out in the undernoted table:

	Agreed Action	Status at 31/3/21	Further Action	Who is responsible?
1	A post-incident review will be carried out in relation to the COVID-19 pandemic highlighting any lessons learned which will inform future response and recovery arrangements.	The CMT have developed recovery plans to ensure the council can continue to meet requirements and achieve the strategic priorities set out in the Corporate Plan. This planning activity considered the reflective learning from the first phase of responding to the pandemic and ongoing engagement with key stakeholders in planning future service provision.	This is considered to be an ongoing issue as the pandemic remains and both the organisational and partnership recovery plans detail improvement actions linked to delivery of corporate priorities.	Link to AGS Action Point 1 for 2020/2021.
2	A report will be prepared for CMT outlining the approach to performance appraisals for 2020/2021 which will include the approach to be taken for those appraisals which were not completed for 2019/2020. It is expected that performance appraisals for 2019/2020 will be completed by end of September 2020. In addition, the report will cover the approach to be taken in relation to mandatory training for Team Leaders and above that will form part of the performance appraisal process going forward.	Complete Report was presented to CMT. Performance appraisals for 2019/2020 have been completed.	N/A	N/A
3	BCS framework has been developed and is being implemented within all Education establishments as part of the move over to the corporate network.	Ongoing - The pilot exercise was undertaken however the rollout to remaining schools was halted as a result of responding to COVID-19. A revised schedule will be discussed and implemented with ICT once which is dependent on Education and ICT having capacity to carry out individual audits of needs in each establishment. This requires full access to the buildings and due to COVID-19 social distancing restrictions this has been more difficult to carry out.	A revised schedule will be discussed and implemented with ICT. An update will be provided to the August meeting of the Audit Committee as this is an outstanding audit action.	Link to AGS Action Plan Point 3 for 2020-21

## 8. Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2020-2021 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

**Aubrey Fawcett**  
Chief Executive

## 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 25, will be audited by Audit Scotland. The other sections of the Remuneration report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

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

The annual salary of the Leader of the Council and the upper limit for the annual salary of the Provost are set out by the Scottish Government in terms of the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007, as amended by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2017. In 2020-2021 Councillors received a 2.2% pay increase. The salary for the Leader of the Council is £29,760 per annum (2019-2020 £29,119) and for the Provost is £22,320 per annum (2019-2020 £21,840).

In terms of the same Regulations, the Scottish Government permits Inverclyde Council to nominate up to nine Senior Councillors (in addition to the Leader of the Council and the Provost) whose salaries in aggregate must not exceed a specified amount, currently £172,638 per annum (2019-2020 £172,608) and whose salaries individually must be on a specified scale, currently £17,854 to £22,320 (2019-2020 £17,470 to £21,840). The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

The Inverclyde Council Members' Salary and Expense scheme was agreed at a meeting of the full Council on 24 May 2006. On 25 May 2017 the Council approved that Inverclyde Council would have up to nine senior Councillors, (four Strategic Committee Convenors, three Regulatory Board Chairs, one Depute Leader and one Leader of the Opposition); each paid a salary of £20,087 per annum (2019-2020 £19,655).

## 3. Remuneration of Senior Officers

The salary of Senior Officers is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets out the salary for the Chief Executives of Scottish Local Authorities. Inverclyde Council does not pay bonuses or performance related pay. Senior Officers received a 3% award in 2020-21.

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

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

The Council has interpreted the above criteria as including the Chief Executive, Corporate Directors, Chief Financial Officer and the 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 2021. The table below contains remuneration details for those persons who were Senior Officers in 2020-2021.

# Remuneration Report

Senior Officers	Year ended 31 March 2021				2019-2020
	Gross Salary	Other Fees and Allowances	Taxable Expenses	Total Remuneration	Total Remuneration
	£	£	£	£	£
<b>Fawcett A:</b> Chief Executive	127,044	0	0	127,044	130,337
<b>Allan, R S:</b> Corporate Director Environment, Regeneration & Resources (Retired 28/02/2021) (1)	105,495	0	0	105,495	114,584
<b>Binks R:</b> Corporate Director Education, Communities & Organisational Development	116,043	0	0	116,043	114,795
<b>Long, L:</b> Corporate Director, Health and Social Care Partnership (2)	116,081	1,685	0	117,766	116,221
<b>Malone, G:</b> Head of Legal & Property Services (Retired 28/02/2021) (3)	91,680	0	78	91,758	99,099
<b>Puckrin, A:</b> Interim Service Director Corporate Services & Organisational Recovery (4)	95,525	0	0	95,525	94,099
<b>Jamieson, S:</b> Interim Service Director Environment & Economic Recovery (5)	86,874	0	0	86,874	85,792
<b>Sinclair, A:</b> Interim Head of Legal Services (6)	60,833	0	0	60,833	43,492
<b>Totals</b>	<b>799,575</b>	<b>1,685</b>	<b>78</b>	<b>801,338</b>	<b>798,419</b>

- (1) RS Allan left on 28/02/2021. The full-time equivalent salary for the Corporate Director Environment, Regeneration & Resources was £116,030.
- (2) L Long is the Chief Officer of Inverclyde HSCP, 50% of her salary was funded by NHS Greater Glasgow & Clyde.
- (3) G Malone left on 28/02/2021. The full-time equivalent salary for the Head of Legal & Property Services was £94,834.
- (4) A Puckrin was the Chief Financial Officer until 28/02/2021 when he was appointed in a dual role as both Interim Service Director and Chief Financial Officer.
- (5) S Jamieson was Head of Regeneration & Planning until 28/02/2021 when he was appointed Interim Service Director, Environment & Economic Recovery, the full-time equivalent of this post being £100,894.
- (6) A Sinclair was appointed on 1/03/2021. The full-time equivalent of this post being £94,834.

#### 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 2021.

# Remuneration Report

Leader of the Council, Provost and Senior Councillors	Year ended 31 March 2021			2019-2020
	Gross Salary	Taxable Expenses	Total Remuneration	Total Remuneration
	£	£	£	£
<b>Ahlfeld, R:</b> Chair, Licensing Board	20,087	0	20,087	19,655
<b>Brennan, M:</b> Provost	22,320	0	22,320	21,840
<b>Clocherty, J:</b> Depute Leader of the Council and Convener, Education & Communities	20,521	0	20,521	19,655
<b>Dorrian, G:</b> Chair, General Purposes	21,084	202	21,286	19,857
<b>McCabe, S:</b> Leader of the Council	29,760	340	30,100	29,459
<b>McCormick, M:</b> Convener, Environment & Regeneration	20,087	0	20,087	19,655
<b>McEleny, C:</b> Leader of the Opposition (1)	18,608	0	18,608	19,655
<b>Moran, R:</b> Convener, Health & Social Care	20,087	54	20,141	19,709
<b>Rebecchi, L:</b> Convener, Audit	20,087	0	20,087	19,655
<b>Robertson, E:</b> Leader of the Opposition (2)	19,290	0	19,290	0
<b>Wilson, D:</b> Chair, Planning	20,087	356	20,443	20,011
<b>Totals</b>	<b>232,018</b>	<b>952</b>	<b>232,970</b>	<b>209,151</b>

- Councillor Chris McEleny received Leader of the Opposition allowance between 1 April and 19 August 2020 and basic Councillor allowance between 20 August and 31 March 2021.
- Councillor Elizabeth Robertson received basic Councillor allowance between 1 April and 19 August 2020 and Leader of the Opposition allowance between 20 August and 31 March 2021.
- No payments were made in connection with loss of employment or office, nor were any other payments received which are not in the above table.
- No Senior Councillor received any remuneration from a subsidiary of the Council as a representative of the Council.

## 5. Pension Entitlement

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

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 2020-2021 and 2019-2020 are shown below.

### Tiered Contribution Pay Rates

Full Time Equivalent (FTE) Pensionable Pay (2020-2021)	Rate (%)
On earnings up to and including £21,800	5.50%
On earnings above £21,800 and up to £26,700	7.25%
On earnings above £26,700 and up to £36,600	8.50%
On earnings above £36,600 and up to £48,800	9.50%
On earnings above £48,800	12.00%



# Remuneration Report

## Full Time Equivalent (FTE) Pensionable Pay (2019-2020)

	Rate (%)
On earnings up to and including £21,800	5.50%
On earnings above £21,800 and up to £26,700	7.25%
On earnings above £26,700 and up to £36,600	8.50%
On earnings above £36,600 and up to £48,800	9.50%
On earnings above £48,800	12.00%

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 2021 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 2020-2021.

Senior Officers	Accrued Pension Benefits		Change in Accrued Benefits		Pension Contributions made by Inverclyde		Length of Service at 31 March 2021 (years/days)
	as at 31 March 2021		since 31 March 2020		2020-2021	2019-2020	
	Pension £	Lump Sum £	Pension £	Lump Sum £	£	£	
<b>Fawcett, A:</b> Chief Executive	62,463	103,547	3,982	3,016	24,519	24,055	33/270
<b>Allan, R S:</b> Corporate Director Environment, Regeneration & Resources (Retired 28/02/2021)	63,448	115,931	3,633	3,377	20,420	21,998	38/204
<b>Binks, R:</b> Corporate Director Education, Communities & Organisational Development	11,452	0	2,391	0	22,396	22,068	5/247
<b>Long, L:</b> Corporate Director Health and Social Care Partnership	18,686	0	2,716	0	20,988	22,328	16/48
<b>Malone, G:</b> Head of Legal & Property Services (Retired 28/02/2021)	51,316	91,217	2,858	2,431	16,690	18,036	37/231
<b>Puckrin, A:</b> Interim Service Director Corporate Services & Organisational Recovery	53,448	93,827	7,273	11,889	18,485	18,036	35/268
<b>Jamieson S:</b> Interim Service Director Environment & Economic Recovery	28,403	23,624	5,062	4,129	16,811	16,558	20/139
<b>Sinclair A:</b> Interim Head of Legal Services	3,675	0	1,287	0	11,813	8,655	3/300
<b>Totals</b>	<b>292,891</b>	<b>428,146</b>	<b>29,202</b>	<b>24,842</b>	<b>152,122</b>	<b>151,734</b>	



# Remuneration Report

Leader of the Council, Provost and Senior Councillors	Accrued Pension Benefits as at 31 March 2021		Change in Accrued Benefits since 31 March 2020		Pension Contributions made by Inverclyde Council	
	Pension	Lump Sum	Pension	Lump Sum	2020-2021	2019-2020
	£	£	£	£	£	£
<b>Ahlfeld, R:</b> Chair, Licensing Board	4,482	0	458	0	3,868	3,793
<b>Brennan, M:</b> Provost	3,431	0	507	0	4,290	4,215
<b>Clocherty, J:</b> Depute Leader of the Council and Convener, Education & Communities	5,214	1,569	462	12	3,868	3,793
<b>Dorrian, G:</b> Chair, General Purposes	5,097	1,502	469	16	3,868	3,793
<b>McCabe, S:</b> Leader of the Council	6,314	0	750	0	5,695	5,620
<b>McCormick, M:</b> Convener, Environment & Regeneration	5,099	948	452	4	3,868	3,793
<b>McEleny, C:</b> Leader of the Opposition	1,381	0	422	0	3,591	3,793
<b>Moran, R:</b> Provost, Convener, Health & Social Care	5,418	1,629	457	9	3,868	3,793
<b>Wilson, D:</b> Chair, Planning	7,860	1,591	3,109	34	3,304	3,793
<b>Robertson, E:</b> Leader of the Opposition	1,456	0	411	0	3,723	3,364
<b>Totals</b>	<b>45,752</b>	<b>7,239</b>	<b>7,497</b>	<b>75</b>	<b>39,943</b>	<b>39,750</b>

Notes:

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

## 6. Councillors' Remuneration

The Council paid the salaries, allowances and expenses to Councillors (including the Senior Councillors above) detailed in the table below for 2020-2021. 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.

All Councillors (Information from public record)	2020-2021	2019-2020
	£	£
Salaries	426,791	419,924
Travel costs - reimbursed	680	4,719
Travel costs - paid directly by the Council	18	2,407
Subsistence expenses - accommodation	0	90
Subsistence expenses - meals	0	43
Training and conferences - paid directly by the Council	3,087	3,870
Telephone and ICT expenses - reimbursed	1,030	1,236
Telephone and ICT expenses - paid directly by the Council	2,920	2,321
Other allowances and expenses	60	4,436
<b>Totals</b>	<b>434,586</b>	<b>439,046</b>

## 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 2020-2021 in bands of £5,000; the details of the number of those employees who left the employment of the Council during 2020-2021; and the details of the number of those employees who were part or fully funded by other bodies.

# Remuneration Report

Officers over £50,000 Remuneration Bands	Number of Employees		Left during	Part funded or fully funded by
	2019-2020	2020-2021	2020-2021	other organisations
£50,000 - £54,999	93	98	1	9
£55,000 - £59,999	45	42	0	5
£60,000 - £64,999	30	30	0	4
£65,000 - £69,999	16	14	0	0
£70,000 - £74,999	3	0	0	0
£75,000 - £79,999	3	2	0	0
£80,000 - £84,999	4	10	0	0
£85,000 - £89,999	3	6	0	1
£90,000 - £94,999	2	2	1	0
£95,000 - £99,999	2	2	0	1
£100,000 - £104,999	0	0	1	0
£105,000 - £109,999	0	1	0	0
£110,000 - £114,999	2	0	0	0
£115,000 - £119,999	1	2	0	0
£120,000 - £124,999	0	0	0	0
£125,000 - £129,999	0	1	0	0
£130,000 - £134,999	1	0	0	0
£135,000 - £139,999	0	0	0	0
£140,000 - £144,999	0	0	0	0
£145,000 - £149,999	0	0	0	0
£150,000 - £159,999	0	0	0	0
<b>Totals</b>	<b>205</b>	<b>210</b>	<b>3</b>	<b>20</b>

## 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		
	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020	£'s	£'s	
£0 - £20,000	0	0	12	10	12	10	104,900	96,308	
£20,001 - £40,000	0	0	6	3	6	3	156,388	79,767	
£40,001 - £60,000	0	0	1	3	1	3	56,862	149,396	
£60,001 - £80,000	0	0	0	1	0	1	0	71,377	
£80,001 - £100,000	0	0	1	0	1	0	93,958	0	
£100,001 - £150,000	0	0	1	0	1	0	113,472	0	
£150,001 - £200,000	0	0	0	0	0	0	0	0	
<b>Total</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>17</b>	<b>21</b>	<b>17</b>	<b>525,580</b>	<b>396,848</b>	

## Notes:

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

## Termination Benefits of Employees

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

The Council terminated the contracts of a number of employees in 2020-2021. The above table includes £0.171 million liabilities relating to these releases (2019-2020 £0.280 million).

## Cllr Stephen McCabe

Leader of the Council

## Aubrey Fawcett

Chief Executive

## Trade Union Facility Time

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

There were 6 (5.90FTE) staff members who were trade union officials during 2020-2021 (2019-2020: 17 staff).

## Percentage of time spent on facility time

Percentage of time	Number of Employees 2020-2021	Number of Employees 2019-2020
0%	0	0
1% - 50%	4	15
51% - 99%	1	1
100%	1	1

The total cost of facility time amounted to 0.06% (2019-2020: 0.07%) of the total pay bill, including gross amounts spent on wages, pension contributions and national insurance contributions. 1.09% of the total paid facility time hours was spent on trade union activities (2019-2020: 6.81%).

# 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 2020-2021

	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	88,632	4,388	(127)	92,893
Communities	6,172	2,515	(14)	8,673
Environment & Regeneration	27,024	4,521	(110)	31,435
Health & Social Care	53,127	4,358	(60)	57,425
Policy & Resources	16,267	(552)	(2)	15,713
<b>Net Cost of Services</b>	<b>191,222</b>	<b>15,230</b>	<b>(313)</b>	<b>206,139</b>
(Gain)/Loss on disposal of non-current assets	0	(247)	0	(247)
Financing and Investment (Income) and Expenditure (Note 4)	20,186	(5,439)	313	15,060
Taxation and Non-specific Grant Income (Note 5)	(218,259)	(8,647)	0	(226,906)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(6,851)</b>	<b>897</b>	<b>0</b>	<b>(5,954)</b>
<b>Opening General Fund balance at 1 April 2020</b>	<b>37,983</b>			
Transfer (to)/from Other Statutory Reserves	(239)			
Surplus/(Deficit) on General Fund in the year	6,851			
<b>Closing General Fund balance at 31 March 2021</b>	<b>44,595</b>			

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

2020-2021	Adjustments for Capital purposes	Net change to Pension adjustments	Other differences	Total adjustments
	£000	£000	£000	£000
Education	6,618	3,394	(5,624)	4,388
Communities	2,231	189	95	2,515
Environment & Regeneration	3,481	1,759	(719)	4,521
Health & Social Care	398	3,788	172	4,358
Policy & Resources	626	(1,225)	47	(552)
<b>Net Cost of Services</b>	<b>13,354</b>	<b>7,905</b>	<b>(6,029)</b>	<b>15,230</b>
Other operating expenditure	(247)	0	0	(247)
Financing and Investment (Income) and Expenditure	(7,580)	2,239	(98)	(5,439)
Taxation and Non-specific Grant Income	(8,647)	0	0	(8,647)
<b>Difference between General Fund (Surplus)/Deficit and Comprehensive Income &amp; Expenditure Statement (Surplus)/Deficit on the Provision of Service</b>	<b>(3,120)</b>	<b>10,144</b>	<b>(6,127)</b>	<b>897</b>

# Expenditure and Funding Analysis

## Comparative Figures for 2019-2020

	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	83,882	8,942	(161)	92,663
Communities	5,002	2,560	(18)	7,544
Environment & Regeneration	23,498	6,390	(126)	29,762
Health & Social Care	50,887	6,525	(66)	57,346
Policy & Resources	14,307	(2,894)	(3)	11,410
<b>Net Cost of Services</b>	<b>177,576</b>	<b>21,523</b>	<b>(374)</b>	<b>198,725</b>
(Gain)/Loss on disposal of non-current assets	0	206	0	206
Financing and Investment (Income) and Expenditure (Note 4)	18,639	(2,739)	374	16,274
Taxation and Non-specific Grant Income (Note 5)	(197,071)	(17,367)	0	(214,438)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(856)</b>	<b>1,623</b>	<b>0</b>	<b>767</b>
<b>Opening General Fund balance at 1 April 2019</b>	<b>34,756</b>			
Transfer (to)/from other statutory reserves	2,371			
Surplus/(Deficit) on General Fund in the year	856			
<b>Closing General Fund balance at 31 March 2020</b>	<b>37,983</b>			

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

2019-2020	Adjustments for Capital purposes Restated	Net change to Pension adjustments	Other differences	Total adjustments
	£000	£000	£000	£000
Education	10,005	4,593	(5,656)	8,942
Communities	2,182	38	340	2,560
Environment & Regeneration	4,555	2,614	(779)	6,390
Health & Social Care	897	5,394	235	6,526
Policy & Resources	564	(3,900)	441	(2,895)
<b>Net Cost of Services</b>	<b>18,203</b>	<b>8,739</b>	<b>(5,419)</b>	<b>21,523</b>
Other operating expenditure	206	0	0	206
Financing and Investment (Income) and Expenditure	(6,028)	3,387	(98)	(2,739)
Taxation and Non-specific Grant Income	(17,367)	0	0	(17,367)
<b>Difference between General Fund (Surplus)/Deficit and Comprehensive Income &amp; Expenditure Statement (Surplus)/Deficit on the Provision of Service</b>	<b>(4,986)</b>	<b>12,126</b>	<b>(5,517)</b>	<b>1,623</b>

## 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:

	2020-2021	2019-2020
	£000	£000
<b>Expenditure</b>		
Employee Benefits Expenses	142,552	135,614
Depreciation, Amortisation, Impairment	16,887	20,530
Payment to IJB	52,973	50,722
Other Service Expenses	146,241	118,222
Interest Payments	15,060	16,274
(Gain) or Loss on the Disposal of Assets	(247)	206
<b>Total Expenditure</b>	<b>373,466</b>	<b>341,568</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(34,107)	(33,505)
Payment from IJB	(52,973)	(50,722)
Income from Council Tax	(32,491)	(32,248)
Government Grants and Contributions	(259,849)	(224,326)
<b>Total Income</b>	<b>(379,420)</b>	<b>(340,801)</b>
<b>(Surplus)/Deficit on the Provision of Service</b>	<b>(5,954)</b>	<b>767</b>

## Segmental Income

Income received on a segmental basis is analysed below:

	2020-2021	2019-2020
	Income from Services	Income from Services
	£000	£000
<b>Services</b>		
Education	(23,293)	(19,677)
Communities	(478)	(291)
Environment & Regeneration	(34,099)	(19,204)
Health & Social Care	(84,383)	(76,450)
Policy & Resources	(26,725)	(27,931)
<b>Total Income Analysed on a Segmental Basis</b>	<b>(168,978)</b>	<b>(143,553)</b>

# 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*.

2019-2020				2020-2021		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
105,889	(13,226)	92,663	Education	110,350	(17,457)	92,893
7,827	(283)	7,544	Communities	9,147	(474)	8,673
43,160	(13,398)	29,762	Environment & Regeneration	60,207	(28,772)	31,435
133,796	(76,450)	57,346	Health & Social Care	141,808	(84,383)	57,425
38,607	(27,197)	11,410	Policy & Resources	41,656	(25,943)	15,713
<b>329,279</b>	<b>(130,554)</b>	<b>198,725</b>	<b>Cost of Services</b>	<b>363,168</b>	<b>(157,029)</b>	<b>206,139</b>
		206	Other Operating Expenditure and (Income) - (Gain)/Loss on disposal of non-current assets			(247)
		16,274	Financing and Investment (Income) and Expenditure (Note 4)			15,060
	(214,438)		Taxation and Non-specific Grant Income (Note 5)			(226,906)
		<b>767</b>	<b>(Surplus) or Deficit on the Provision of Services</b>			<b>(5,954)</b>
		0	(Surplus) or deficit on the revaluation of non current assets			(66,665)
		44	Impairment losses on non-current assets charged to the Revaluation Reserve			5,896
	(59,086)		Remeasurement of the net defined benefit pensions liability (Note 16)			753
	<b>(59,042)</b>		<b>Other Comprehensive (Income) and Expenditure</b>			<b>(60,016)</b>
		<b>(58,275)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(65,970)</b>



# Balance Sheet

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

31 March 2020

31 March 2021

£000		Note	£000
496,319	Property, Plant & Equipment	7	556,870
18,059	Heritage Assets	10	18,060
61	Intangible Assets		66
1,717	Long-term Debtors	11	377
<b>516,156</b>	<b>Non-current Assets</b>		<b>575,373</b>
0	Short-term Investments	20	24,556
375	Assets Held for Sale	8	375
343	Inventories		371
16,689	Short-term Debtors	11	19,311
29,268	Cash and Cash Equivalents	12	14,238
<b>46,675</b>	<b>Current Assets</b>		<b>58,851</b>
(17,055)	Short-term Borrowing	20	(12,093)
(33,939)	Short-term Creditors	13	(41,746)
(402)	Short-term Provisions	14	(653)
(1,745)	Short-term Finance Leases	15	(1,621)
<b>(53,141)</b>	<b>Current Liabilities</b>		<b>(56,113)</b>
(199,501)	Long-term Borrowing	20	(189,457)
0	Government Grants Deferred		(3,170)
	Other Long-term Liabilities:		
(58,948)	Finance Leases	15	(57,375)
(88,074)	Pensions	16	(98,972)
<b>(346,523)</b>	<b>Long-term Liabilities</b>		<b>(348,974)</b>
<b>163,167</b>	<b>Net Assets</b>		<b>229,137</b>
46,671	Usable Reserves	3	54,014
116,496	Unusable Reserves	18	175,123
<b>163,167</b>	<b>Total Reserves</b>		<b>229,137</b>

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

Issued on: 8 July 2021

# 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 2021

	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
<b>Balance at 31 March 2020 Carried Forward</b>	<b>37,983</b>	<b>1,118</b>	<b>345</b>	<b>3,338</b>	<b>3,887</b>	<b>46,671</b>	<b>116,496</b>	<b>163,167</b>
<b>Movement in Reserves during 2020-2021</b>								
Total Comprehensive Income & Expenditure	5,954	0	0	0	0	5,954	60,016	65,970
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 2)	897	291	0	0	0	1,188	(1,188)	0
<b>Net Increase or (Decrease) before</b>								
<b>Transfers to Other Statutory Reserves</b>	<b>6,851</b>	<b>291</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,142</b>	<b>58,828</b>	<b>65,970</b>
Transfers (to) and from Other Statutory Reserves	(239)	0	201	(111)	350	201	(201)	0
<b>Increase or (Decrease) in the Year</b>	<b>6,612</b>	<b>291</b>	<b>201</b>	<b>(111)</b>	<b>350</b>	<b>7,343</b>	<b>58,627</b>	<b>65,970</b>
<b>Balance at 31 March 2021 Carried Forward</b>	<b>44,595</b>	<b>1,409</b>	<b>546</b>	<b>3,227</b>	<b>4,237</b>	<b>54,014</b>	<b>175,123</b>	<b>229,137</b>

## Comparative Figures for Year ended 31 March 2020

	Usable Reserves						Unusable Reserves	Total Reserves of the Council
	General Fund Balance	Capital Grants and Receipts Unapplied Account	Capital Fund	Repairs & Renewal Fund	Insurance Fund	Total Usable Reserves		
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2019 Carried Forward</b>	<b>34,756</b>	<b>0</b>	<b>2,235</b>	<b>3,256</b>	<b>4,586</b>	<b>44,833</b>	<b>60,059</b>	<b>104,892</b>
<b>Movement in Reserves during 2019-2020</b>								
Total Comprehensive Income & Expenditure	(767)	0	0	0	0	(767)	59,042	58,275
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 2)	1,623	1,118	0	0	0	2,741	(2,741)	0
<b>Net Increase or (Decrease) before</b>								
<b>Transfers to Other Statutory Reserves</b>	<b>856</b>	<b>1,118</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,974</b>	<b>56,301</b>	<b>58,275</b>
Transfers (to) and from Other Statutory Reserves	2,371	0	(1,890)	82	(699)	(136)	136	0
<b>Increase or (Decrease) in the Year</b>	<b>3,227</b>	<b>1,118</b>	<b>(1,890)</b>	<b>82</b>	<b>(699)</b>	<b>1,838</b>	<b>56,437</b>	<b>58,275</b>
<b>Balance at 31 March 2020 Carried Forward</b>	<b>37,983</b>	<b>1,118</b>	<b>345</b>	<b>3,338</b>	<b>3,887</b>	<b>46,671</b>	<b>116,496</b>	<b>163,167</b>

# Cash Flow Statement

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

2019-2020 £000		2020-2021 £000
(767)	Net surplus or (deficit) on the provision of services	5,954
22,930	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements (Note 26)	36,704
4,924	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities (Note 26)	(9,625)
<b>27,087</b>	<b>Net cash inflow from Operating Activities (Note 26)</b>	<b>33,033</b>
(25,668)	Investing Activities (Note 27)	(31,429)
15,040	Financing Activities (Note 28)	(16,634)
<b>16,459</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(15,030)</b>
12,809	Cash and cash equivalents at the beginning of the reporting period	29,268
<b>29,268</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 12)</b>	<b>14,238</b>

# 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 2019-2020 are provided in an additional table for the purposes of comparison.

2020-2021	Usable Reserves		Corresponding Adjustments to Unusable Reserves					Net Movement in Unusable Reserves £000
	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	
Charges for depreciation and impairment of non-current assets	16,839				(16,839)			(16,839)
Amortisation of intangible assets	49				(49)			(49)
Capital grants and contributions applied	(8,647)	291			8,356			8,356
Capital expenditure charged in-year to the General Fund balance.	(3,533)				3,533			3,533
Net gain or (loss) on non-current asset disposals	(247)				247			247
Statutory provision for the principal repayment of loan charges	(13,977)				13,977			13,977
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(98)					98		98
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 16)	24,481			(24,481)				(24,481)
Employers' pension contributions payable in the year	(14,337)			14,337				14,337
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	367						(367)	(367)
<b>Total Adjustments</b>	<b>897</b>	<b>291</b>	<b>0</b>	<b>(10,144)</b>	<b>9,225</b>	<b>98</b>	<b>(367)</b>	<b>(1,188)</b>

# Notes to the Principal Financial Statements

## Comparative Information 2019-2020

2019-2020	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	20,467				(20,467)			(20,467)
Amortisation of intangible assets	63				(63)			(63)
Capital grants and contributions applied	(17,367)	1,118			16,249			16,249
Capital expenditure charged in-year to the General Fund balance.	(2,327)				2,327			2,327
Net gain or (loss) on non-current asset disposals	206				(206)			(206)
Statutory provision for the principal repayment of loan charges	(12,166)				12,166			12,166
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(98)					98		98
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 16)	26,360			(26,360)				(26,360)
Employers' pension contributions payable in the year	(14,012)			14,012				14,012
Amount by which employees' remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	497						(497)	(497)
<b>Total Adjustments</b>	<b>1,623</b>	<b>1,118</b>	<b>0</b>	<b>(12,348)</b>	<b>10,006</b>	<b>98</b>	<b>(497)</b>	<b>(2,741)</b>

### 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 2019 £000	Transfers Out 2019-2020 £000	Transfers In 2019-2020 £000	Balance at 31 March 2020 £000	Transfers Out 2020-2021 £000	Transfers In 2020-2021 £000	Balance at 31 March 2021 £000
<b>Earmarked Reserves:</b>							
Digital Strategy	197	(59)	200	338	(144)	0	194
School Estate Management Plan	1,932	(1,264)	0	668	(15,179)	14,728	217
Contribution to Riverside Inverclyde	968	(842)	0	126	(57)	0	69
Miscellaneous Policy & Resources Committee Reserves	1,111	(37)	325	1,399	(1,530)	1,536	1,405
Miscellaneous Environment & Regeneration Committee Reserves	1,214	(378)	560	1,396	(1,145)	649	900
City Deal	681	0	345	1,026	(500)	345	871
Renewal of Clune Park Area	2,285	(81)	90	2,294	(40)	90	2,344
Asset Management Plan	574	(1,910)	1,504	168	(786)	760	142
Spend to Save	0	(23)	500	477	(477)	0	0
Major Events 2019-2021	150	(10)	0	140	(140)	0	0
Community Fund	344	(185)	0	159	(67)	0	92
Early Retiral/Voluntary Severance Reserve	3,638	(525)	0	3,113	(1,621)	0	1,492
ECOD - COVID Reserves	0	0	0	0	0	5,513	5,513
ERR - COVID Reserves	0	0	0	0	0	4,288	4,288
P&R - COVID Reserves	0	0	0	0	0	4,034	4,034
Revenue Contribution to Capital Programme	1,365	(1,665)	6,358	6,058	(719)	0	5,339
Miscellaneous Education & Communities Reserves	1,061	(574)	571	1,058	(745)	1,045	1,358
Vehicle Replacement Programme	193	(1,086)	1,071	178	(1,081)	1,162	259
Equal Pay	1,255	(434)	0	821	(621)	0	200
Youth Employment	633	(178)	0	455	(102)	0	353
Repopulating/Promoting Inverclyde	595	(65)	0	530	(265)	0	265
Beacon Arts Centre	55	(88)	120	87	0	0	87
Temporary Use of Reserves - Revenue Budget	3,000	0	0	3,000	(3,000)	0	0
Anti Poverty Fund	1,302	(296)	138	1,144	(274)	126	996
Loans Charges Reserve	6,086	(1,936)	0	4,150	(3,384)	0	766
Roads Defects & Drainage Works	200	(200)	0	0	0	0	0
Budget Funding Reserve 2021/22	0	0	0	0	0	5,050	5,050
Pay and Grading Costs 2019/20	830	(830)	0	0	0	0	0
Climate Change	0	0	500	500	(200)	0	300
2019/20 Early Years Funding	0	0	2,043	2,043	(1,302)	1,781	2,522
Employability / Business Support	0	0	600	600	(105)	154	649
Resilience Insurance Claims	0	0	750	750	(750)	0	0
<b>Total Earmarked Reserves</b>	<b>29,669</b>	<b>(12,666)</b>	<b>15,675</b>	<b>32,678</b>	<b>(34,234)</b>	<b>41,261</b>	<b>39,705</b>

# Notes to the Principal Financial Statements

	Balance at 1 April 2019 £000	Transfers Out 2019-2020 £000	Transfers In 2019-2020 £000	Balance at 31 March 2020 £000	Transfers Out 2020-2021 £000	Transfers In 2020-2021 £000	Balance at 31 March 2021 £000
<b>Total Earmarked Reserves</b>	<b>29,669</b>	<b>(12,666)</b>	<b>15,675</b>	<b>32,678</b>	<b>(34,234)</b>	<b>41,261</b>	<b>39,705</b>
Non-earmarked balance	5,087	0	218	5,305	(415)	0	4,890
<b>Total General Fund Balance</b>	<b>34,756</b>	<b>(12,666)</b>	<b>15,893</b>	<b>37,983</b>	<b>(34,649)</b>	<b>41,261</b>	<b>44,595</b>
Capital Fund	2,235	(1,890)	0	345	0	201	546
Repairs & Renewal Fund	3,256	0	82	3,338	(111)	0	3,227
Insurance Fund	4,586	(699)	0	3,887	0	350	4,237
Capital Receipts Unapplied Account	0	0	1,118	1,118	0	291	1,409
<b>Total Usable Reserves</b>	<b>44,833</b>	<b>(15,255)</b>	<b>17,093</b>	<b>46,671</b>	<b>(34,760)</b>	<b>42,103</b>	<b>54,014</b>

## Note 4 Financing and Investment (Income) and Expenditure

	2020-2021 £000	2019-2020 £000
Interest payable and similar charges:		
- Schools' Public Private Partnership finance lease	4,739	4,779
- Other interest payments and similar charges	8,226	8,730
Net interest on the defined benefit pension liability	2,239	3,387
Interest receivable and similar income	(144)	(622)
<b>Total</b>	<b>15,060</b>	<b>16,274</b>

## Note 5 Taxation and Non-specific Grant Income

	2020-2021 £000	2019-2020 £000
Income from Council Tax	(32,491)	(32,248)
Distribution from Non-Domestic Rates pool	(13,118)	(19,834)
General Revenue Grant	(171,485)	(144,989)
Recognised Capital Grants and contributions	(9,812)	(17,367)
<b>Total</b>	<b>(226,906)</b>	<b>(214,438)</b>

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. Where conditions are satisfied, the grant or contribution is credited to the relevant service line (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 2020-2021:

	2020-2021	2019-2020
	£000	£000
<b>Credited to Taxation and Non-specific Grant Income</b>		
General Revenue Grant	(175,039)	(144,989)
Distribution from Non-Domestic Rates pool	(9,564)	(19,834)
General Capital Grant (excludes amounts directly credited to Services)	(6,290)	(9,548)
Capital Grants	(2,999)	(7,819)
<b>Credited to Services</b>		
Housing Benefit	(23,964)	(24,770)
Housing Benefit Administration	(374)	(355)
Other Housing	(1,987)	(2,067)
Community Service Grant	(294)	(115)
Social Work	(3,695)	(3,226)
Education	(13,911)	(11,120)
Employability	(84)	(397)
Covid	(21,951)	0
Other	302	(86)
<b>Total</b>	<b>(259,850)</b>	<b>(224,326)</b>

## Note 6 External Audit Fees

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

	2020-2021	2019-2020
	£000	£000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year.	260	253
	<b>260</b>	<b>253</b>

## Note 7 Property, Plant & Equipment

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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



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

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end. The Council revalues its land and buildings in a single exercise at five-yearly intervals. An independent valuation of all Council owned land and buildings was undertaken during 2020-21 by Avison Young, a professional firm of chartered surveyors, and was completed on 31 March 2021.

## Impairment

Assets are assessed at each year-end as to whether there is any indication of impairment. The Council recognises the impairment of non-current assets in accordance with Financial Standard IAS36 (Impairment of Assets) whereby any material reduction in asset value as a result of changing market conditions or clear consumption of an asset is recognised in the CIES only to the extent that the loss exceeds the balance on the Revaluation Reserve relating to the specific asset.

## Disposals

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

## Depreciation

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

Depreciation is charged on a straight-line basis over the useful life of the assets. No depreciation is charged in the year of acquisition but a full year's depreciation is charged in the year of disposal.

The periods of depreciation and categories of assets are:

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

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

## Charges to Revenue for Non-current Assets

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

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

# Notes to the Principal Financial Statements

## Movement on Balances

The movements on balances for Property, Plant & Equipment (PPE) are shown in the following table. Figures for 2019-2020 are provided in an additional table below for the purposes of comparison.

## Movements in 2020-2021

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets not for Sale £000	Assets Under Construction £000	Schools PPP Assets £000	Total PPE £000
<b>Cost or Valuation</b>								
At 1 April 2020	386,263	23,103	91,308	542	3,482	6,446	90,673	<b>601,817</b>
Additions in year	6,286	4,154	2,990	69	300	2,939	4	<b>16,742</b>
Disposals in year	(112)	(554)			(85)			<b>(751)</b>
Revaluation adjustments to Revaluation Reserve	256		3,140		528		5,828	<b>9,752</b>
Revaluation adjustments to CIES								<b>0</b>
Reclassifications to/from Held for Sale								<b>0</b>
Other reclassifications	0					0		<b>0</b>
<b>At 31 March 2021</b>	<b>392,693</b>	<b>26,703</b>	<b>97,438</b>	<b>611</b>	<b>4,225</b>	<b>9,385</b>	<b>96,505</b>	<b>627,560</b>
<b>Depreciation and Impairment</b>								
At 1 April 2020	55,342	15,921	25,333	280	0	0	8,622	<b>105,498</b>
Depreciation charge for the year	11,317	1,356	2,988	22	2		2,149	<b>17,834</b>
Impairment losses to Revaluation Reserve	4,647	186		219	844			<b>5,896</b>
Impairment losses to CIES	1,111		1	20				<b>1,132</b>
Depreciation on disposals	(65)	(554)			(11)			<b>(630)</b>
On Revaluations to Revaluation Reserve	(46,016)	(43)		(33)	(155)		(10,664)	<b>(56,911)</b>
On Revaluations to CIES	(2,129)							<b>(2,129)</b>
Reclassifications to/from Held for Sale								<b>0</b>
Other reclassifications	0					0		<b>0</b>
<b>At 31 March 2021</b>	<b>24,207</b>	<b>16,866</b>	<b>28,322</b>	<b>508</b>	<b>680</b>	<b>0</b>	<b>107</b>	<b>70,690</b>
<b>Balance Sheet amount at 31 March 2021</b>	<b>368,486</b>	<b>9,837</b>	<b>69,116</b>	<b>103</b>	<b>3,545</b>	<b>9,385</b>	<b>96,398</b>	<b>556,870</b>
<b>Balance Sheet amount at 31 March 2020</b>	<b>330,921</b>	<b>7,182</b>	<b>65,975</b>	<b>262</b>	<b>3,482</b>	<b>6,446</b>	<b>82,051</b>	<b>496,319</b>
<b>Nature of asset holding</b>								
Owned	351,357	9,837	69,099	103	3,415	9,385		<b>443,196</b>
Managed properties	17,129		17		130			<b>17,276</b>
PPP							96,398	<b>96,398</b>

# Notes to the Principal Financial Statements

## Comparative Movements in 2019-2020

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets not for Sale £000	Assets Under Construction £000	Schools PPP Assets £000	Total PPE £000
<b>Cost or Valuation</b>								
At 1 April 2019	373,391	21,596	86,056	461	3,379	1,790	90,631	577,304
Additions in year	13,247	2,417	5,252	81	103	4,656	42	25,798
Disposals in year		(910)						(910)
Revaluation adjustments to Revaluation Reserve								0
Revaluation adjustments to CIES								0
Reclassifications to/from Held for Sale								0
Other reclassifications*	(375)					0		(375)
<b>At 31 March 2020</b>	<b>386,263</b>	<b>23,103</b>	<b>91,308</b>	<b>542</b>	<b>3,482</b>	<b>6,446</b>	<b>90,673</b>	<b>601,817</b>
<b>Depreciation and Impairment</b>								
At 1 April 2019	41,468	15,127	22,466	268	0	0	6,474	85,803
Depreciation charge for the year	10,973	1,610	2,867	12			2,148	17,610
Impairment losses to Revaluation Reserve	352							352
Impairment losses to CIES	3,606							3,606
Depreciation on disposals On Revaluations to Revaluation Reserve	(307)	(816)						(307)
On Revaluations to CIES	(750)							(750)
Reclassifications to/from Held for Sale								0
Other reclassifications*	0					0		0
<b>At 31 March 2020</b>	<b>55,342</b>	<b>15,921</b>	<b>25,333</b>	<b>280</b>	<b>0</b>	<b>0</b>	<b>8,622</b>	<b>105,498</b>
<b>Balance Sheet amount at 31 March 2020</b>	<b>330,921</b>	<b>7,182</b>	<b>65,975</b>	<b>262</b>	<b>3,482</b>	<b>6,446</b>	<b>82,051</b>	<b>496,319</b>
<b>Balance Sheet amount at 31 March 2019</b>	<b>331,923</b>	<b>6,469</b>	<b>63,590</b>	<b>193</b>	<b>3,379</b>	<b>1,790</b>	<b>84,157</b>	<b>491,501</b>
<b>Nature of asset holding</b>								
Owned	310,677	7,182	65,975	262	3,482	6,446		394,024
Managed Properties	20,244							20,244
PPP							82,051	82,051

# Notes to the Principal Financial Statements

## Commitments under Capital Contracts

At 31 March 2021, 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 £6.302 million. Similar contracts at 31 March 2020 were £8.596 million. The major capital commitments include:

	£000
Larkfield Children's Centre - New Build	1,491
Rainbow Family Centre - Extension	811
Greenock Municipal Buildings - Clyde Square Re-roofing	947

## 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 2021, the Council had one asset held for sale valued at £0.375 million (31 March 2020 £0.375 million).

	31 March 2021	31 March 2020
	£000	£000
<b>Opening Balance at 1 April</b>	375	250
Disposals	0	(250)
Assets newly classified as "held for sale": Property, Plant & Equipment	0	375
Revaluation adjustments to Revaluation Reserve	0	0
<b>Closing Balance at 31 March</b>	<b>375</b>	<b>375</b>

# 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.

	2020-2021	2019-2020
	£000	£000
<b>Opening Capital Financing Requirement</b>	302,232	307,442
Capital Investment:		
~ Capital Expenditure	16,797	25,805
~ Leased equipment and Schools PPP assets	0	0
<b>Total Capital Investment for the year</b>	<b>16,797</b>	<b>25,805</b>
Sources of Finance:		
~ Capital receipts from the sale of assets	(166)	(273)
~ Government grants and other contributions	(8,356)	(16,249)
~ Capital from current revenue	(3,533)	(2,327)
~ Loans Fund principal repayment (including finance leases & PPP)	(13,977)	(12,166)
<b>Total Capital Financing for the year</b>	<b>(26,032)</b>	<b>(31,015)</b>
<b>Closing Capital Financing Requirement</b>	<b>292,997</b>	<b>302,232</b>

	2020-2021	2019-2020
	£000	£000
<b>Explanation of movements in the year:</b>		
~ Increase/(Reduction) in underlying need to borrow	(7,538)	(3,420)
~ Increase/(Reduction) in finance leases obligations	0	0
~ Increase/(Reduction) in PPP finance lease creditor	(1,697)	(1,790)
<b>Increase/(Reduction) in Capital Financing Requirement</b>	<b>(9,235)</b>	<b>(5,210)</b>

## Note 10 Heritage Assets

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

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

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

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

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

	2020-2021	2019-2020
	Total Assets	Total Assets
	£000	£000
Valuation or Cost		
1 April	18,060	18,059
Revaluations	0	0
<b>31 March</b>	<b>18,060</b>	<b>18,059</b>

# Notes to the Principal Financial Statements

## Note 11 Debtors

	31 March 2021				31 March 2020			
	Short-term		Long-term		Short-term		Long-term	
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Scottish Government (including NHS bodies)</b>		<b>12,227</b>		<b>0</b>		<b>9,661</b>		<b>0</b>
<b>Central Government bodies</b>		<b>1,631</b>		<b>0</b>		<b>1,433</b>		<b>0</b>
<b>Other Local Authorities</b>		<b>1,363</b>		<b>0</b>		<b>1,622</b>		<b>0</b>
Council Tax receivable from tax payers	17,676		0		16,658		0	
Impairment allowance for doubtful debts	(16,002)		0		(15,443)		0	
<b>Council Tax (net of impairment)</b>		<b>1,674</b>		<b>0</b>		<b>1,215</b>		<b>0</b>
Trade debtors	6,604		0		7,918		0	
Impairment allowance for doubtful debts	(5,511)		0		(5,213)		0	
<b>Trade Debtors (net of impairment)</b>		<b>1,093</b>		<b>0</b>		<b>2,705</b>		<b>0</b>
Other entities and individuals	1,323		377		53		1,717	
Impairment allowance for doubtful debts	0		0		0		0	
<b>Other entities and individuals (net of impairment)</b>		<b>1,323</b>		<b>377</b>		<b>53</b>		<b>1,717</b>
<b>Totals for Short-term and Long-term Debtors</b>		<b>19,311</b>		<b>377</b>		<b>16,689</b>		<b>1,717</b>

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 is due for repayment 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 2021	31 March 2020
	£000	£000
Cash held by the Council	5	7
Bank current accounts	14,233	29,261
Deposits up to three months with UK Banks, Buildings Societies and Local Authorities	0	0
<b>Total Cash and Cash Equivalents</b>	<b>14,238</b>	<b>29,268</b>

# Notes to the Principal Financial Statements

## Note 13 Creditors

### Short Term Creditors

	31 March 2021 £000	31 March 2020 £000
Scottish Government (including NHS bodies)	(17,460)	(8,732)
Central Government bodies	(3,652)	(3,436)
Other Local Authorities	(221)	(318)
Trade Creditors	(19,217)	(20,422)
Public Corporations	(668)	(504)
Other Entities & Individuals	(528)	(527)
<b>Total Short-term Creditors</b>	<b>(41,746)</b>	<b>(33,939)</b>

## Note 14 Provisions

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

Provisions are charged as an expense to the appropriate service line in the 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 2020-2021

	Balance at 1 April 2020 £000	Additional Provisions made in 2020-2021 £000	Amounts used in 2020-2021 £000	Unused amounts written back in 2020-2021 £000	Balance at 31 March 2021 £000
Compensation Payments (note 1)	(31)		3		(28)
Municipal Mutual Insurance Claims (note 2)	(371)		36		(335)
Council Tax Provision - LTE (note 3)	0	(290)		0	(290)
<b>Total Short-term Provisions</b>	<b>(402)</b>	<b>(290)</b>	<b>39</b>	<b>0</b>	<b>(653)</b>



# Notes to the Principal Financial Statements

## Notes

1. For the potential outcome of conceded outstanding equal pay claims.
2. For any potential shortfall in the current Scheme of Arrangement to meet any new claims.
3. For the cancellation of the Council Tax Long Term Empty Levy following VAC decision.

### 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 2021 (assuming an adjusted inflation rate of 2.70% and excluding any estimation of availability and performance deductions) are as follows:

	Future Payments for services (including lifecycle maintenance)	Repayment of Liability	Finance Interest		Total
	£000	£000	Estimated Inflation	Contingent Rentals	£000
Not later than 1 year	4,056	1,621	3,531	1,173	10,381
Later than 1 year and not later than 5 years	15,030	9,282	12,912	6,216	43,440
Later than 5 years and not later than 10 years	22,400	13,653	12,665	9,944	58,662
Later than 10 years and not later than 15 years	26,680	16,793	8,136	12,374	63,983
Later than 15 years and not later than 20 years	22,142	17,647	2,319	11,738	53,846
Payable within 21 to 25 years	0	0	0	0	0
<b>Total</b>	<b>90,308</b>	<b>58,996</b>	<b>39,563</b>	<b>41,445</b>	<b>230,312</b>

#### Fair Value of Liability

The treasury advisor to Inverclyde Council has assessed the fair value of the lease liability as £85.6 million. The impact of a 1% increase in the discount factor is assessed at £7.4 million and would reduce the fair value to £78.2 million. More information on the assessment of fair values is available in Note 20 Financial Instruments.

# Notes to the Principal Financial Statements

## Liabilities from PPP Arrangements

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

	2020-2021	2019-2020
	£000	£000
<b>Balance outstanding at the start of the year</b>	60,693	62,483
Payments during the year	(1,697)	(1,790)
Capital expenditure incurred in the year	0	0
<b>Balance outstanding at year-end</b>	<b>58,996</b>	<b>60,693</b>
Included in Balance Sheet		
~ Current	1,621	1,745
~ Non-current	57,375	58,948
	<b>58,996</b>	<b>60,693</b>

## Note 16 Defined Benefit Pension Schemes

### Post-Employment Benefits

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

The 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 1/49<sup>th</sup> of the pensionable pay in the financial year. The amount built up in the year is transferred to the member's Pension Account and at the end of each financial year the total in the member's Pension Account is adjusted in line with the cost of living to ensure it retains its purchasing power.

- For pension contributions from 2009 to 2015, the pension is based on 1/60<sup>th</sup> of final pensionable salary and years of service, and prior to 2009, the accrual rate guarantees a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable pay and years of pensionable service.
- 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 2020-2021 and the prior year 2019-2020.

# Notes to the Principal Financial Statements

	31 March 2021	31 March 2020
	£000	£000
<b>Comprehensive Income &amp; Expenditure Statement (CIES)</b>		
<i>Cost of Services:</i>		
<i>Service Cost comprising:</i>		
~ Current service cost	22,239	26,444
~ Past service costs (including curtailments)	3	(3,471)
~ Unfunded benefits	0	0
<i>Financing and Investment Income and Expenditure:</i>		
~ Net interest expense	2,239	3,387
<b>Total Post-employment Benefit charged to (Surplus) or Deficit on the Provision of Services</b>	<b>24,481</b>	<b>26,360</b>
<i>Other Post-employment Benefits Charged to the CIES:</i>		
<i>Re-measurement of the net defined benefit liability comprising:</i>		
~ Expected return on pension fund assets	(129,079)	39,547
~ Actuarial (gains) or losses arising on changes in demographic assumptions	(16,560)	(23,915)
~ Actuarial (gains) or losses arising on changes in financial assumptions	153,512	(70,921)
~ Actuarial (gains) or losses arising on changes in experience assumptions	(7,120)	(3,797)
<b>Total Post-employment Benefit Charged to the CIES</b>	<b>753</b>	<b>(59,086)</b>
<b>Movement in Reserves Statement (MiRS)</b>		
~ Reversal of net charges made to the (Surplus) or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	13,584	73,098
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>		
<b>Employers' contributions payable to Strathclyde Pension Fund</b>	<b>14,337</b>	<b>14,012</b>

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	31 March 2021	31 March 2020
	£000	£000
Present value of the defined benefit obligation*	(785,114)	(655,856)
Fair value of pension fund assets	686,142	567,781
<b>Net Liability arising from Defined Benefit Obligation</b>	<b>(98,972)</b>	<b>(88,075)</b>
*Unfunded liabilities included in the figure for present value of liabilities		
~ unfunded liabilities for Pension Fund	(23,670)	(21,741)
~ teachers' unfunded pensions	(14,762)	(13,459)
~ unfunded liabilities prior to 1996 local government reorganisation	(5,180)	(5,336)

# 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:

	2020-2021	2019-2020
	£000	£000
<b>Opening balance at 1 April</b>	(655,856)	(728,667)
Current service cost	(22,239)	(26,444)
Interest cost	(15,273)	(17,630)
Contributions by Pension Fund participants	(3,760)	(3,618)
Re-measurement gains and (losses)		
~ Actuarial gains/(losses) from changes in demographic assumptions	16,560	23,915
~ Actuarial gains/(losses) from changes in financial assumptions	(153,512)	70,921
~ Actuarial gains/(losses) from changes in experience assumptions	28,685	3,797
Past service costs (including curtailments)	(3)	3,471
Settlements	0	0
Benefits paid	20,284	18,399
<b>Closing balance at 31 March</b>	<b>(785,114)</b>	<b>(655,856)</b>

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

	2020-2021	2019-2020
	£000	£000
<b>Opening fair value of pension fund assets</b>	567,781	593,854
Interest income	13,034	14,243
Re-measurement gains and (losses):		
~ other experience	(21,565)	0
~ expected rate of return on pension fund assets	129,079	(39,547)
The effect of changes in foreign exchange rates	0	0
Contributions from employers	14,337	14,012
Contributions from employees into the scheme	3,760	3,618
Benefits paid	(20,284)	(18,399)
<b>Closing fair value of pension fund assets</b>	<b>686,142</b>	<b>567,781</b>

# 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 2021 comprised:

	31 March 2021			31 March 2020		
	Quoted Prices	Prices not	Totals	Quoted Prices	Prices not Quoted	Totals
	in Active	Quoted in Active		in Active	in Active Markets	
	Markets	Markets	Markets	Markets		
£000	£000	£000	£000	£000	£000	
Cash and cash equivalent	11,054	465	11,519	29,229	28,169	57,398
Equity instruments	160,255	737	160,992	130,975	343	131,318
Debt instruments	0	0	0	17,815	0	17,815
Real Estate	0	55,592	55,592	0	51,407	51,407
Derivatives	124	0	124	12	0	12
Private Equity	0	122,724	122,724	0	67,847	67,847
Investment Funds	6,457	328,734	335,191	186,372	55,612	241,984
Asset-backed Securities	0	0	0	0	0	0
Structured Debt	0	0	0	0	0	0
<b>Total assets</b>	<b>177,890</b>	<b>508,252</b>	<b>686,142</b>	<b>364,403</b>	<b>203,378</b>	<b>567,781</b>

## Basis for Estimating Assets and Liabilities

The Council's share of the net obligations of the Strathclyde Pension Fund is an estimated figure based on actuarial assumptions. Liabilities are included in the Balance Sheet on an actuarial basis using the "projected credit unit method" i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, salary levels and inflation. Liabilities are discounted to their value at current prices, using a discount rate (currently 2.0%) 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 2021. The significant assumptions used by the actuary are shown in the table below. Note 37 includes a sensitivity analysis for the pension obligation based on possible changes of these assumptions occurring at the reporting date.

	2020-2021	2019-2020
Rate of increase in salaries	3.55%	3.0%
Rate of increase in pensions	2.85%	1.9%
Rate for discounting Fund liabilities	2.0%	2.3%
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	19.8	20.7
~ Women	22.6	22.9
Longevity at 65 for future pensioners (years):		
~ Men	21.2	22.2
~ Women	24.7	24.6

## 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 2022 is £12.023 million.

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

## Note 17 Post-employment Benefits: Teachers

The Scottish Teachers' Pension Scheme is administered directly by the Scottish Government and is technically a "defined benefit scheme. However the scheme is unfunded and the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. In this Statement of Accounts, it is therefore accounted for on the same basis as a "defined contribution" scheme. As a proportion of the total contributions into the teachers' pension scheme, the Council's own contributions equated to approximately 0.84% during the year ended 31 March 2020. The actual contributions for the year ended 31 March 2021 will not be published until October 2021, however the Council assumes that the percentage contribution will be similar to 31 March 2020.

In 2020-2021, Inverclyde Council paid £8.080 million in respect of teachers' retirement benefits, representing 22.7% of pensionable pay. The figures for 2019-2020 were £6.867 million and 20.5%. The Employer Contribution Rate increased from 17.2% to 23.0% from September 2020.

## 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 2021 £000	31 March 2020 £000
Revaluation Reserve	207,874	147,276
Capital Adjustment Account	74,500	65,305
Financial Instruments Adjustment Account	(4,034)	(4,133)
Pensions Reserve	(98,972)	(88,074)
Employee Statutory Adjustment Account	(4,245)	(3,878)
<b>Balance at 31 March</b>	<b>175,123</b>	<b>116,496</b>



# 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.

	2020-2021	2019-2020
	£000	£000
<b>Balance at 1 April</b>	147,276	147,529
Revaluation of non-current assets not posted to the Surplus or (Deficit) on the Provision of Services	9,754	0
Difference between fair value depreciation and historical cost depreciation written off to Capital Adjustment Account	(171)	(192)
Impairments Charged to Revaluation Reserve Account	(5,896)	(44)
Depreciation on revaluations to Revaluation Reserve	56,911	0
Write back Depreciation on Disposal	0	(17)
<b>Balance at 31 March</b>	<b>207,874</b>	<b>147,276</b>

## Movement on Balances – Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. Note 2 provides a summary of transactions posted to the Account during the year, apart from those involving the Revaluation Reserve.

	2020-2021	2019-2020
	£000	£000
<b>Balance at 1 April</b>	65,305	54,954
Items relating to capital expenditure charged to CIES:		
~ Charges for depreciation and impairment of non-current assets	(16,888)	(20,530)
~ Disposals of non-current assets	(120)	(326)
Transfers from Revaluation Reserve	171	192
Capital financing applied in the year:		
~ Use of the Capital Receipts Reserve to finance new capital expenditure	166	273
~ Capital grants and contributions credited to the CIES that have been applied to capital financing	8,356	16,249
~ Loans Fund principal repayments	13,977	12,166
~ Capital financed from current revenue	3,533	2,327
<b>Balance at 31 March</b>	<b>74,500</b>	<b>65,305</b>

## Movement on Balances – Financial Instruments Adjustment Account

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

	2020-2021	2019-2020
	£000	£000
<b>Balance at 1 April</b>	(4,133)	(4,231)
Amount by which finance costs charged to the CIES Statement are different from finance costs chargeable in the year in accordance with statutory requirements	99	98
<b>Balance at 31 March</b>	<b>(4,034)</b>	<b>(4,133)</b>

# Notes to the Principal Financial Statements

## Movement on Balances – Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Pensions Reserve shows a significant shortfall in the benefits earned by past and current employees and the Council's share of Strathclyde Pension Fund resources available to meet them. The triennial review by the Pension Fund in 2017 set employer's contribution rates for Inverclyde Council at 19.3% for the period 1 April 2018 to 31 March 2021.

	2020-2021	2019-2020
	£000	£000
<b>Balance at 1 April</b>	(88,074)	(134,812)
Actuarial gains or (losses) on pension assets and liabilities	(754)	59,086
Reversal of items relating to net charges for retirement benefits charged to Surplus or (Deficit) on the Provision of Services in the CIES	(24,481)	(26,360)
Employers' pension contributions paid to Strathclyde Pension Fund	14,337	14,012
<b>Balance at 31 March</b>	<b>(98,972)</b>	<b>(88,074)</b>

## Movement on Balances – Employee Statutory Adjustment Account

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

	2020-2021	2019-2020
	£000	£000
<b>Balance at 1 April</b>	(3,878)	(3,381)
Settlement or cancellation of accrual made at the end of the preceding year	3,878	3,381
Amounts accrued at the end of the current year	(4,245)	(3,878)
<b>Balance at 31 March</b>	<b>(4,245)</b>	<b>(3,878)</b>

## Note 19 Leases

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

### The Council as Lessee

#### Finance Leases

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

#### Operating Leases

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

### The Council as Lessor

#### Operating Leases

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

# Notes to the Principal Financial Statements

## 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 2020-2021 were £0.171 million (2019-2020: £0.146 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 2021	31 March 2020
	£000	£000
Not later than one year	118	41
Later than one year and not later than five years	122	67
Later than five years	327	294
	<b>567</b>	<b>402</b>

## Operating Leases, Inverclyde Council as Lessor

The Council has granted commercial leases for properties to various tenants on a variety of lease terms. These arrangements are accounted for as operating leases.

The rental income receivable in 2020-2021 was £0.798 million (2019-2020 £0.784 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 2021	31 March 2020
	£000	£000
Not later than one year	785	746
Later than one year and not later than five years	1,087	1,270
Later than five years	1,119	1,207
	<b>2,991</b>	<b>3,223</b>

## Note 20 Financial Instruments

### Fair Value Measurement

The Council measures the carrying value of some of its non-financial assets, mostly surplus assets, at fair value at each reporting date. Fair value is broadly the amount for which an asset could be exchanged or a liability settled. The Council uses valuation techniques that are appropriate to the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

## Financial Assets

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 2021	31 March 2020	31 March 2021	31 March 2020
	£000	£000	£000	£000
<b>Investments</b>				
Loans and receivables	0	0	24,556	0
<b>Cash and Cash Equivalents</b>				
Cash and Cash Equivalents	0	0	14,238	29,268
<b>Debtors</b>				
Loans and receivables (note 1)	377	1,717	15,109	13,552
<b>Borrowings</b>				
Financial Liabilities at amortised cost	(189,457)	(199,501)	(12,093)	(17,055)
<b>Other Long Term Liabilities</b>				
PPP and finance lease liabilities	(57,375)	(58,948)	(1,621)	(1,745)
<b>Creditors</b>				
Financial Liabilities at amortised cost (note 2)	0	0	(22,235)	(21,146)

## Notes

1. Of the items on the Balance Sheet, Short-term Loans and Receivables net of £4.202 million (2019-2020 £3.137m) are not regarded as Financial Instruments.
2. Of the items on the Balance Sheet, Short-term Financial Liabilities net of £19.511 million (2019-2020 £12.793m) are not regarded as Financial Instruments.

## Reclassifications

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

## Collateral

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

## Income, Expense, Gains and Losses

There was interest expenditure of £8.059 million (2019-2020 £8.125 million) and interest income of £0.105 million (2019-2020 £0.191 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 2021		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and receivables - deposits with banks	24,556	24,563	0	0
Loans and receivables - cash and cash equivalents	14,238	14,238	29,268	29,268
Long-term debtors	377	377	1,717	1,717
Short-term debtors (at cost)	15,109	15,109	13,552	13,552
<b>TOTAL</b>	<b>54,280</b>	<b>54,287</b>	<b>44,537</b>	<b>44,537</b>

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 2021		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Borrowing - PWLB & Non-PWLB Debt	201,550	310,343	216,556	306,003
School PPP Lease	58,996	85,573	60,693	85,731
Short-term creditors (at cost)	22,235	22,235	21,146	21,146
<b>TOTAL</b>	<b>282,781</b>	<b>418,151</b>	<b>298,395</b>	<b>412,880</b>

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

## Fair Value Hierarchy for Financial Assets and Financial Liabilities

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

	31 March 2021	31 March 2020
	Level 2	Level 2
	(Other Significant Observable Inputs)	(Other Significant Observable Inputs)
	£000	£000
<i>Recurring fair value measurements using:</i>		
<b>Financial Assets</b>		
Loans & receivables	24,563	0
<b>Total</b>	<b>24,563</b>	<b>0</b>
<b>Financial Liabilities</b>		
Financial Liabilities held at amortised cost		
- PWLB & Non-PWLB Borrowings	310,343	306,003
- PPP Finance Lease Liabilities	85,573	85,731
<b>TOTAL</b>	<b>395,916</b>	<b>391,734</b>

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

- The valuation date is 31 March 2021
- 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 2021 and applying an annuity repayment profile using the PWLB new borrowing rate for a comparable period (19 years) at 31 March 2021.

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 £310.343 million to £386.883 million (including penalty costs). The Council has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

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

### The Management of Treasury Risk by the Council

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

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

# Notes to the Principal Financial Statements

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

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

## Management of Credit Risk

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

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

The Council's maximum exposure to credit risk in relation to its deposits in banks and building societies of £40.557 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 2021 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 £5.511 million (2019-2020 £5.213 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 £20.620 million of the £20.997 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 2021 £000	31 March 2020 £000
Less than three months	19,475	17,866
Three to six months	182	133
Six months to one year	123	167
More than one year	840	599
	<b>20,620</b>	<b>18,765</b>

## Management of Liquidity Risk

The Council has a responsive system of safeguards for the management of cash flow that seeks to ensure that cash is available as needed. The Council has ready access to borrowings from market loans and the UK Treasury's Public Works Loan Board. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial



## Notes to the Principal Financial Statements

instruments. The Council has secure safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The Council's policy is to ensure that no more than 25% of loans are due to mature within any financial year through a combination of prudent planning of new loans and, where it is economic to do so, making early repayments. Any amendments to these policies, whether short-term or long-term, require the prior approval of the Policy & Resources Committee. The maturity analysis of financial liabilities is as follows:

	31 March 2021 £000	31 March 2020 £000
Less than one year	35,958	39,954
Later than 1 year and not later than 2 years	9,628	11,671
Later than 2 years and not later than 5 years	14,847	21,715
Later than 5 years and not later than 10 years	24,995	24,964
Later than 10 years and not later than 30 years	52,517	55,220
Later than 30 years and not later than 50 years	69,176	69,180
Over fifty years	75,660	75,691
	<b>282,781</b>	<b>298,395</b>

### Management of Market Risk

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

- It is the policy of the Council to limit its exposure to variable rate borrowing to a maximum of 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 2021, with all other variables held constant.

	31 March 2021 £000	31 March 2020 £000
<b>Impact on taxpayer</b>		
Increase on interest payable on variable rate borrowings	594	594
Increase in interest receivable on variable rate lending	(406)	(303)
<b>Net effect on Comprehensive Income &amp; Expenditure Statement</b>	<b>188</b>	<b>291</b>
<b>Other presentational changes</b>		
A decrease in the "fair value" of fixed rate borrowing (disclosure confined to the Notes to the Accounts)	(24,818)	(32,336)
	<b>(24,818)</b>	<b>(32,336)</b>

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

# Notes to the Principal Financial Statements

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.

## 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 41-42.

### 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 2020-2021 is shown on page 27 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. Interests identified are disclosed in the table below.

### Entities Controlled or Significantly Influenced by the Council

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

	2020-2021				2019-2020			
	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)	2,722	(22)	1,349	(11)	1,296	(40)	1,441
Riverside Inverclyde Limited*1	0	(48)	(49)	5	8	572	(47)	0
Greenock Arts Guild Ltd (the Beacon Arts Centre)	0	215	(15)	0	0	287	(15)	0
Inverclyde Community Development Trust	0	1,910	(272)	0	(1)	1,884	(222)	15
River Clyde Homes	(40)	636	(24)	16	(242)	899	(29)	8

## 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 52-57.

### 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 81-82.

## 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 2020-2021 the Council collected £11.1 million and received £0.2 million to the Non-Domestic Rates pool (2019-2020 £19.2 million and £0.953 million). The Council also bills and collects domestic water and sewerage charges on behalf of Scottish Water with the Council Tax. During 2020-2021 the Council collected and paid over £12.230 million (2019-2020 £12.281 million) and received £0.294 million (2019-2020 £0.302 million) for providing this service.

The Council also acted as agent for a number of Covid related grants on behalf of the Scottish Government.

## 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.

# Notes to the Principal Financial Statements

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

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.

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

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 2021.

## 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 8 July 2021. There have been no material events after the balance sheet date which necessitate revision of figures in the financial statements or notes thereto including contingent assets or liabilities.

## Note 26 Cash Flow Statement – Operating Activities

	2020-2021	2019-2020
	£000	£000
<b>Net surplus or (deficit) on the Provision of Services</b>	<b>5,954</b>	<b>(767)</b>
<b>Adjustments to net surplus or (deficit) on the provision of services for non-cash movements</b>		
Depreciation, amortisation & impairment	16,888	20,530
Net (gain) or loss on non-current assets	(247)	206
Movement in pension liability	10,144	12,348
(Increase) or decrease in inventories	(28)	(30)
(Increase) or decrease in debtors	(1,282)	(6,342)
Increase or (decrease) in creditors and provisions	11,229	(3,782)
	<b>36,704</b>	<b>22,930</b>
<b>Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities</b>		
Non-cash borrowing movements	(69)	(112)
Non-cash investing movements	(9,556)	5,036
	<b>(9,625)</b>	<b>4,924</b>
<b>Net cash flow from Operating Activities</b>	<b>33,033</b>	<b>27,087</b>

# Notes to the Principal Financial Statements

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

	2020-2021	2019-2020
	£000	£000
Interest received	91	248
Interest paid	(8,119)	(8,258)
Interest element of finance lease and PPP payments	(4,739)	(4,779)
<b>Net cash flow from Servicing of Finance</b>	<b>(12,767)</b>	<b>(12,789)</b>

## Note 27 Cash Flow Statement – Investing Activities

	2020-2021	2019-2020
	£000	£000
Purchase of property, plant and equipment and intangible assets	(16,797)	(25,805)
Purchase of short-term and long-term investments	(30,000)	(15,000)
Other payments for investing activities	0	0
Proceeds from sale of property, plant and equipment and intangible assets	368	137
Proceeds from short-term and long-term investments	15,000	15,000
Other receipts from investing activities	0	0
<b>Net cash flows from investing activities</b>	<b>(31,429)</b>	<b>(25,668)</b>

## Note 28 Cash Flow Statement – Financing Activities

	2020-2021	2019-2020
	£000	£000
Cash receipts of short-term and long-term borrowing	115	35,020
Cash payments for the reduction of the outstanding liabilities relating to finance leases for schools PPP contracts	(1,697)	(1,790)
Repayment of short-term and long-term borrowing	(15,052)	(18,190)
<b>Net cash flows from financing activities</b>	<b>(16,634)</b>	<b>15,040</b>

## Note 29 Reconciliation of Liabilities arising from Financing Activities

	2019-2020 1 April	Financing cash flows	Non-cash changes		2020-2021 31 March
			Acquisition	Other non-cash changes	
	£000	£000	£000	£000	£000
Long-term borrowings	199,501	(10,035)	0	(9)	189,457
Short-term borrowings	17,055	(4,902)	(115)	55	12,093
PPP liability	60,693	(1,697)	0	0	58,996
<b>Total liabilities from financing activities</b>	<b>277,249</b>	<b>(16,634)</b>	<b>(115)</b>	<b>46</b>	<b>260,546</b>

# 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.

	2020-2021	2019-2020
	£000	£000
Gross Council Tax levied and contributions in lieu	46,807	45,251
Adjustment: Council Tax Reduction Scheme	(6,899)	(6,586)
Less:		
Other discounts and reductions	(6,235)	(5,909)
Write offs	(11)	(15)
Impairment Allowance for doubtful debts	(1,299)	(976)
<b>Net Council Tax income</b>	<b>32,363</b>	<b>31,765</b>
Add/(Less) Prior years' Council Tax adjustments	128	483
<b>Net Council Tax income transferred to General Fund</b>	<b>32,491</b>	<b>32,248</b>

## Calculation of the Council Tax Base

	No. Of Dwellings	No. Of Exemptions	*Disabled Transfer to Lower Band	*Disabled Transfer from Higher Band	Discounts 25%	Discounts 10% -50%	Total Effective No. Of Dwellings	Council Tax Reduction Scheme	Proportion of Band D	Band D Equivalents
<b>Band A*</b>				32	9	0	30	9	200/360	12
<b>Band A</b>	18,918	1,355	32	26	8,902	509	15,077	4,902	240/360	6,783
<b>Band B</b>	5,997	228	26	11	2,812	95	5,004	1,289	280/360	2,889
<b>Band C</b>	3,573	107	11	15	1,329	46	3,115	562	320/360	2,269
<b>Band D</b>	3,400	103	15	28	1,145	46	3,001	216	360/360	2,785
<b>Band E</b>	3,637	68	28	13	927	50	3,297	105	473/360	4,194
<b>Band F</b>	1,926	26	13	6	367	30	1,786	43	585/360	2,832
<b>Band G</b>	1,439	19	6	0	232	15	1,349	13	705/360	2,616
<b>Band H</b>	217	4	0	0	22	2	207	0	882/360	507

\* 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**

**24,889**

Impairment Allowance for doubtful debt at 3%

(747)

**Council Tax Base**

**24,142**

# Council Tax Income Account

## Calculation of the Council Tax

Dwellings fall within a valuation band between A to H based on the value as determined by the Assessor. The Council Tax charge is calculated using the Council Tax base i.e. band D equivalents. This amount is then decreased or increased dependent on the band as is illustrated below. The band D charge for 2020-2021 was £1,331.84.

£ Per Year

Band A	887.89
Band B	1,035.88
Band C	1,183.86
Band D	1,331.84
Band E	1,749.89
Band F	2,164.24
Band G	2,608.19
Band H	3,263.01

The Council Tax bill is reduced by 25% where a dwelling has only one occupant, by 100% where the property is empty short term, whilst an increased charge of 100% was imposed on long term empty properties. Total exemptions are available if all the occupants are students, all occupants are under 18 years of age or if all of the occupants are severely mentally impaired.

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

## Non-Domestic Rates Income Account

The Non-Domestic Rates Income Account is an agent's statement that reflects the statutory obligation for billing Authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net Non-Domestic Rate income plus the contribution to the Council from the national Non-Domestic Rate pool is transferred to the Comprehensive Income & Expenditure Statement of the Council.

The amount deemed to be collected locally was £13.118m (£19.834m 2019-2020). The sum actually collected locally and contributed to the pool was £11.341m (£20.159m 2019-2020).

	2020-2021	2019-2020
	£000	£000
Gross rates levied	27,716	28,206
Relief and other remissions	(15,717)	(8,174)
Payment of interest	0	0
Provision for bad and doubtful debts	(846)	(826)
<b>Net non-domestic rate income</b>	<b>11,153</b>	<b>19,206</b>
Adjustments for years prior to introduction of national non-domestic rate pool	0	0
Non-domestic rates income retained by authority	0	0
Contribution from/(to) national non-domestic rate pool	188	953
<b>Net non-domestic rate income transferred to General Fund</b>	<b>11,341</b>	<b>20,159</b>

	2020	2019
	£000	£000
<b>Rateable values at 1 April</b>		
Commercial	29,227	27,978
Industrial / freight transport	6,884	6,819
Others	21,265	20,330
	<b>57,376</b>	<b>55,127</b>

### The nature and amount of each rate fixed

The rates for each subject is determined by the rateable value placed upon it by the Assessor multiplied by the rate per £ announced each year by the Scottish Government. For 2020-2021 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 51.6p in the £. A 1.6% Rates Relief was applied to all properties for 2020/21, effectively reversing the increase in rates poundage from 2019/20.



# 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 2021. 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 2021

2019-2020		Usable Reserves:	Unusable Reserves:	2020-2021
£000		Revenue	Revaluation Reserve	Total
		£000	£000	£000
184	Gross Expenditure	100	0	100
(112)	Gross Income	(148)	0	(148)
<b>72</b>	<b>Cost of Service</b>	<b>(48)</b>	<b>0</b>	<b>(48)</b>
0	Interest Payable and Similar Charges	0	0	0
0	Interest and Investment Income	0	0	0
<b>0</b>	<b>Financing and Investment Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>72</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>(48)</b>	<b>0</b>	<b>(48)</b>
<b>Other Income and Expenditure</b>				
0	Unrealised gains on revaluation of land and buildings	0	0	0
<b>72</b>		<b>(48)</b>	<b>0</b>	<b>(48)</b>
<b>Transfers between Reserves</b>				
0	Transfer from Revaluation Reserve	(50)	50	0
<b>72</b>	<b>(Increase) or Decrease in the Year</b>	<b>(98)</b>	<b>50</b>	<b>(48)</b>
(1,376)	Balance on Reserves brought forward	(3)	(1,301)	(1,304)
<b>(1,304)</b>	<b>Balance on Reserves carried forward</b>	<b>(101)</b>	<b>(1,251)</b>	<b>(1,352)</b>

## Balance Sheet at 31 March 2021

31 March 2020		Notes	31 March 2021
£000			£000
<b>Non-current Assets</b>			
1,301	Property, Plant & Equipment	1	1,251
<b>Current Assets</b>			
2	Short-term investments		2
6	Short-term debtors		17
0	Deposits up to 3 months with Inverclyde Council		82
<b>Current Liabilities</b>			
(5)	Overdraft up to 3 months with Inverclyde Council		0
<b>1,304</b>	<b>Net Assets</b>		<b>1,352</b>
3	Usable Reserves: Revenue Reserve		101
1,301	Unusable Reserves: Revaluation Reserve		1,251
<b>1,304</b>	<b>Total Reserves</b>		<b>1,352</b>

## Notes to the Common Good

### 1. Property, Plant & Equipment

	2020-2021 Other Land & Buildings £000	2019-2020 Other Land & Buildings £000
<b>Cost or Valuation</b>		
At 1 April	1,589	1,575
Revaluation Adjustments to Revaluation Reserve	9	14
Other reclassifications*	0	0
<b>At 31 March</b>	<b>1,598</b>	<b>1,589</b>
<b>Depreciation and Impairment</b>		
At 1 April	288	225
Depreciation charge for the year	59	63
Depreciation on revaluation to the revaluation reserve	0	0
Other reclassifications*	0	0
<b>At 31 March</b>	<b>347</b>	<b>288</b>
<b>Balance Sheet amount at 31 March</b>	<b>1,251</b>	<b>1,301</b>

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

The values above relate to various buildings and land, mostly commercial properties in Port Glasgow. The majority of land and buildings of the Common Good require, under accounting regulations, to be disclosed on the Balance Sheet of the Council and accordingly are not included in the Common Good's Balance Sheet. The Council is the managing agent and is responsible for all costs and any income of these managed assets. A full revaluation of all Common Good land and buildings took place at 31 March 2021.

### 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 2020-2021 was £0.111 million (2019-2020 £0.164 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 2021	31 March 2020
	£000	£000
Not later than one year	115	100
Later than one year and not later than five years	276	257
Later than five years	320	417
	<b>711</b>	<b>774</b>

## Trust Funds

The Council has 4 trust funds, 1 of which is a registered Scottish charity. The funds do not represent assets of the Council and as such have not been included in the Council's Balance Sheet but are consolidated as part of the Group Accounts on Pages 78-83. The reserves of the trusts for 2020-2021 are as follows:

	2020 - 2021				2019-2020
	Income £000	Expenditure £000	Revaluations £000	Reserves £000	Reserves £000
<b>1. The Birkmyre Trust</b>	18	41	0	1,475	1,498
To ensure the availability of recreational facilities within the Birkmyre Park, Kilmacolm.					
<b>2. The Watt Institution Trust</b>	0	0	0	57	57
For the maintenance, preservation, repair, improvement and furnishing of the Watt Library and McLean Museum and Art Gallery.					
<b>3. McLeod Trust Port Glasgow High School</b>	15	6	0	59	50
To provide scholarships for pupils of Port Glasgow High School from disadvantaged backgrounds or with no history of further education.					
<b>4. Peter Stanton Memorial Trust (SC021862)</b>	25	0	0	28	3
For the promotion of recreational or other leisure activities for disabled persons in Inverclyde.					
<b>Total Trust Funds</b>	<b>58</b>	<b>47</b>	<b>0</b>	<b>1,619</b>	<b>1,608</b>

**Group Principal Financial Statements and Notes**

**(Pages 78-83) To Follow**

## 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 2020-2021 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 2020-2021 (The Code) requires Local Authorities to consider their interests in all types of entity. This includes other Local Authorities or similar bodies defined in Section 106 of the Local Government (Scotland) Act 1973. Authorities are required to prepare a full set of group accounts in addition to their own Council's accounts where they have a material interest in such entities. The Accounting Policies in the preceding sections of this note apply to the Council and its Group members; where Group Accounting Policies differ these are highlighted below.

## A Combining Entities and Group Boundary

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

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

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

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

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

# Accounting Policies, Judgements and Assumptions

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

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

All entities have the same reporting date as the Council. Further details for each entity are provided in Note 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 Group Cash Flow Statement

There is no impact of the incorporation of the associates within the group cash flow statement; no cash flow statement is noted within the Group Accounts. The cash flow of the group is equal to the cash flow of the Council, as shown on page 37.

## D Employee Benefits: Post-employment Benefits

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

## E Property, Plant & Equipment

### Measurement

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

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

## F Restrictions on Transfer of Funds

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

## Note 35 Accounting Standards Issued not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2020-2021 Code:

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

The Code requires implementation from 1 April 2021 and there is therefore no impact on the 2020-2021 financial statements.

## Note 36 Critical Judgements in Applying Accounting Policies

In applying the accounting policies the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- The Council has entered into commercial lease agreements both as landlord and tenant for land and buildings on a variety of lease terms. These arrangements are accounted for as operating leases. The Council has considered the tests under IAS17 and concluded that there is no transfer of the risks and rewards of ownership.
- The Council has entered into a Public Private Partnership (PPP) for the provision of educational buildings, their maintenance and related facilities. The Council has considered the tests under IFRIC12 and concluded this is a service concession.
- Two Joint Boards (SPT and Concessionary Travel) are included within the Group Accounts under the wider definition of an “associate” although the Council holds less than 20% of voting rights that is normally presumed to confer significant influence. This is in view of the funding arrangements between the constituent local authorities and the Joint Boards.
- The Council has considered its exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required and the amount of the obligation can be measured reliably. Where it has not been possible to measure the obligation, or it is not probable in the Council’s opinion that a transfer of economic benefits will be required, material contingent liabilities have been disclosed in Note 24. This includes the potential cost of claims by other groups of employees for equal pay compensation and the potential costs of unassessed remedial work on contaminated land.
- In the opinion of the Council Valuer, the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As a result at the valuation date (31 March 2021), the valuers considered that they could attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID-19 means that they were faced with an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the Royal Incorporation of Chartered Surveyors (RICS) Valuation – Global Standards effective from 31 January 2020.
- The accounts have been prepared on a going concern basis as it is expected that future local government finance settlements, aligned with the Council’s robust budget process, which drives through efficiency savings, will provide sufficient resources to finance future liabilities.



# Accounting Policies, Judgements and Assumptions

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

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

The items in the Council's Balance Sheet at 31 March 2021 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Results differ from Assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Strathclyde Pension Fund has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied.	The sensitivities regarding the principal assumptions used by the consulting actuaries to measure the scheme liabilities are set out below: <ul style="list-style-type: none"> <li>• A 0.5% decrease in the real discount rate would result in a 9% increase (£72.619 million) in the employer's obligation.</li> <li>• A one year increase in member life expectancy would result in a 3 to 5% increase in the employer's obligation.</li> <li>• A 0.5% increase in the salary increase rate would result in a 1% increase (£9.141 million) in the employer's obligation.</li> <li>• A 0.5% increase in the pension increase rate would result in a 8% increase (£61.781 million) in the employer's obligation.</li> </ul>
Trade Debtors – Collection levels of arrears	At 31 March 2021, the Council had a trade debtor balance of £6.604 million. A review of significant balances suggested that an allowance for doubtful debts of 83.4% (£5.511 million) was appropriate. However, in the current economic climate it is not certain that such an allowance will be sufficient.	If collection rates were to deteriorate, a 100% provision for doubtful debts would require an additional £1.09 million to be set aside as an allowance.
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain whether the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.823 million for every year that useful lives are reduced.
Property, Plant & Equipment	We utilised the services of Avison Young to provide valuations for PPE required as at 31 March 2021. As a result of Covid-19 and in line with the advice provided by RiCS, the company advised of a material valuation uncertainty in respect of the 2020/21 valuations.	As the majority of the Councils assets are operational and as such held for service potential rather than being held for sale the impact will be less severe. Whilst Avison Young has noted a material valuation uncertainty, they also advised that they have a high degree of confidence with the 2020/21 valuations provided, however less certainty can be attached to the valuation than would otherwise be the case.

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

### Audit Arrangements

Under arrangements by the Accounts Commission for Local Authorities in Scotland, the auditor with responsibility for the audit of the accounts of Inverclyde Council for the year ended 31<sup>st</sup> March 2021 is:

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

### Statement

The audit of the Council's Accounts for 2020-2021 is yet to be undertaken i.e. the figures are "subject to audit". The certified Accounts will be presented to the Council for approval after audit.

# Glossary of Terms

## 1. Accounting Period

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

## 2. Accruals

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

## 3. Actuarial Gains and Losses (Pensions)

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

## 4. Asset

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

## 5. Associates

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

## 6. Audit of Accounts

An independent examination of the Council's financial affairs.

## 7. Balance Sheet

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

## 8. Capital Adjustment Account

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

## 9. Capital Expenditure

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

## 10. Capital Financing

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

## 11. Capital Grants Unapplied Account

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

## 12. Capital Programme

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

## 13. Capital Receipt

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

## 14. CIES

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

## 15. CIPFA

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

## 16. The Code

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

## 17. Community Assets

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

## 18. Consistency

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

## 19. Contingent Liability

A contingent liability is either

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain event, not wholly within the Council's control; or

- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

## 20. Corporate and Democratic Core

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

## 21. Creditor

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

## 22. Current Service Cost (Pensions)

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

## 23. Debtor

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

## 24. Defined Benefit Pension Scheme

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

## 25. Depreciation

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

## 26. Discretionary Benefits (Pensions)

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

## 27. Employee Statutory Adjustment Account

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

## 28. Entity

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

## 29. Equity

The Council's value of total assets less liabilities.

## 30. Events after the Balance Sheet Date

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

## 31. Exceptional Items

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

## 32. Extinguishment

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

## 33. Fair Value

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

## 34. Finance Lease

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

## 35. Financial Instruments Adjustment Account

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

## 36. General Revenue Grant

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

## 37. Going Concern

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

## 38. Government Grants

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

## 39. Gross Expenditure

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

## 40. Gross Income

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

## 41. Heritage Asset

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

## 42. IFRS

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

## 43. Impairment

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

## 44. Infrastructure Assets

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

## 45. Insurance Fund

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

## 46. Intangible Assets

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

## 47. Interest Cost (Pensions)

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

## 48. Inventories

Items the Council has procured and holds in expectation of future use. Examples are consumable stores and raw materials.

## 49. Liability

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

## 50. MiRS

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

## 51. National Non-Domestic Rates Pool

All Non-Domestic Rates collected by local authorities are remitted to the national pool and thereafter distributed to Councils by the Scottish Government.

## 52. Net Carrying Value

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

## 53. Non-current Assets

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

## 54. Non-Distributable Costs

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

## 55. Operating Leases

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

## 56. Past Service Cost (Pensions)

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

## 57. Pension Reserve

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

## 58. Pension Scheme Liabilities

The liabilities of a defined benefit pension scheme for outgoings 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  
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