



Inverclyde Council  
**Unaudited Annual Accounts**  
2021 - 2022

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## 1. Introduction

This Management Commentary outlines the objectives and strategy of the Council and its financial performance for the year 2021-2022 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.

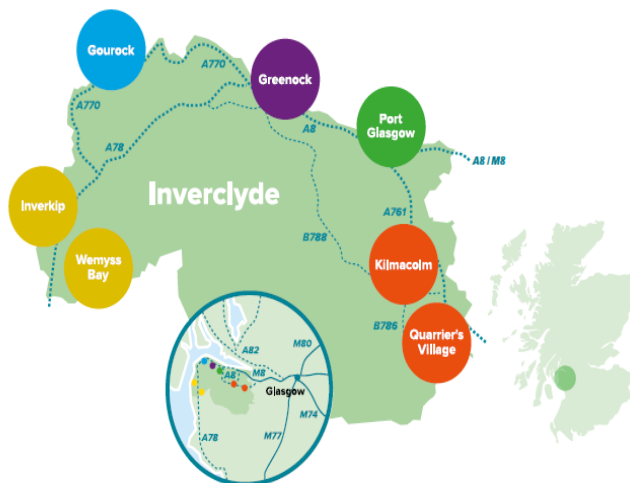
### Principal Activities

#### 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

4,458 employees  
Permanent Staff: 3,285  
Temporary Staff: 1,173  
Modern Apprentices: 32



#### ECONOMY

75.1% of adults in employment (2022)  
23.8% of children living in poverty after housing costs

#### INFRASTRUCTURE

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

#### AREA

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

#### POPULATION

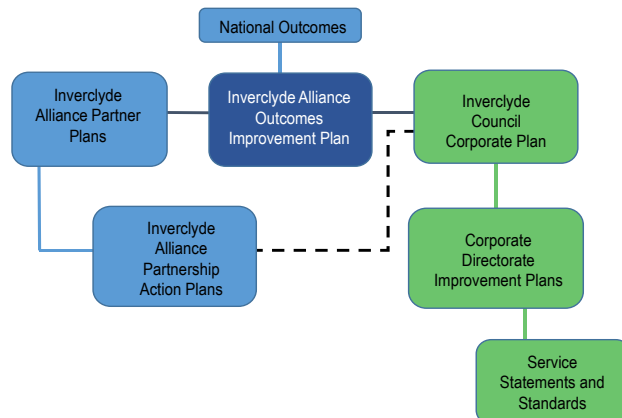
- 77,060** (1.4% of total Scottish population)
- 16.1% aged under 16
  - 15.6% aged 16 to 29 years (**Scotland = 17.3%**)
  - 39.5% aged 30 to 59 year
  - 28.8% aged 60 and over (**Scotland = 25.8%**)

## 2. Objectives and Strategy of the Council

### Delivering the Strategy

The overall strategic framework within which the Council operates is outlined in the Strategic Planning and Performance Management Framework. 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 2021-2022

### Positives

The percentage of young people participating in education, training or employment in Inverclyde rose by 0.4% in 2021 to 93.3%. This is 1.1% higher than the Scottish average and places Inverclyde in the second top performing quartile of all Scottish Councils, with a ranking of 12 out of 32 Councils.

£4million investment was made to boost recovery across Inverclyde. This funding was in addition to the Inverclyde Works £6m jobs and employability programme and provided extra support for business and town centres, increased place marketing for Inverclyde, boosting access to sports & fitness and earlier implementation of universal school meals.

With partners, the Council delivered the 'Summer of Fun '21', a co-ordinated programme of free activities provided by partner organisations across Inverclyde for children and young people over a 7 week school holiday period. Low income families were a priority group as were families that were shielding during the pandemic.

Inverclyde is one of 8 Councils committed to the delivery of a new Economic Strategy for the Glasgow City Region which sets the approach for how the Region will weather current and future key challenges. The approach is a first in that it has been developed and endorsed by the Region's Councils and also by government and wider public agencies, all of which will be instrumental in its delivery.

### 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. Research shows that there has been an unequal impact on the labour market, this and the current economic climate will add to the challenges that lie ahead.

Inverclyde's population decline in recent years has been the result of negative natural change due to deaths outnumbering births and this is forecast to continue. As an area already suffering from poor health outcomes, it is likely that Covid-19 will bring additional new challenges in this area.

Financial pressures – whilst the UK & Scottish Governments have allocated tens of £millions within Inverclyde to limit the economic and social impacts of Covid the underlying financial pressures remain with an estimated funding gap of £15.2 million by 2023/25 reported in the Financial Strategy.

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

## COVID – 19 - Recovery

The Council continued to play a major role in the response to Covid-19 within Inverclyde throughout 2021/22 with the focus being on developing and commencing delivery of Recovery Plans at both an Organisational and Partnership level. The plans were approved by the Policy & Resources Committee and Inverclyde Alliance respectfully with regular updates throughout the year.

The Partnership Recovery Plan had 3 areas of focus:

- Education, Culture and Sport
- Health & Well Being
- The Economy

Governance was delivered via the Recovery Working Group with minuted meetings and a Members Recovery Sounding Board. These arrangements were in place until April, 2022 when it was agreed to suspend meetings but with the scope to recommence meeting if the need arose.

Organisational Recovery had 5 areas of focus:

- Workforce
- Property
- Technology
- Corporate Governance
- Business Continuity

An officer group chaired by the Interim Director, Finance & Corporate Governance oversaw delivery of the approved Action Plan with updates to the Policy & Resources Committee.

The Council allocated £4.5million via a Covid Recovery Reserve to support both Plans with unspent/unallocated sums carried forward into 2022/23 .

## Covid – 19 - Community Supports

Whilst there was focus on moving towards Recovery and delivering approved Action Plans, Council services continued to provide practical support to the local community to help offset the impacts of the pandemic. These included continued targeted support to businesses, financial support to families and individuals plus to those who required to self-isolate through Covid.

The helpline set up during 2020/21 continued to operate throughout 2021/22 providing humanitarian support and signposting to those in need. The helpline closed in mid-May 2022 with calls now routed via existing services.

In preparation for the anticipated reduction/ending of many of the time limited supports funded by the Scottish Government and the Council, the CMT carried out a review examining how the impact of stopping the time-limited support and identifying areas where some form of continuing support was needed. The review also looked at the operational changes implemented during the pandemic and identified changes in the way the Council conducted its business which should be maintained. In particular changes regarding hybrid working and hybrid meetings are now accepted as being here to stay.

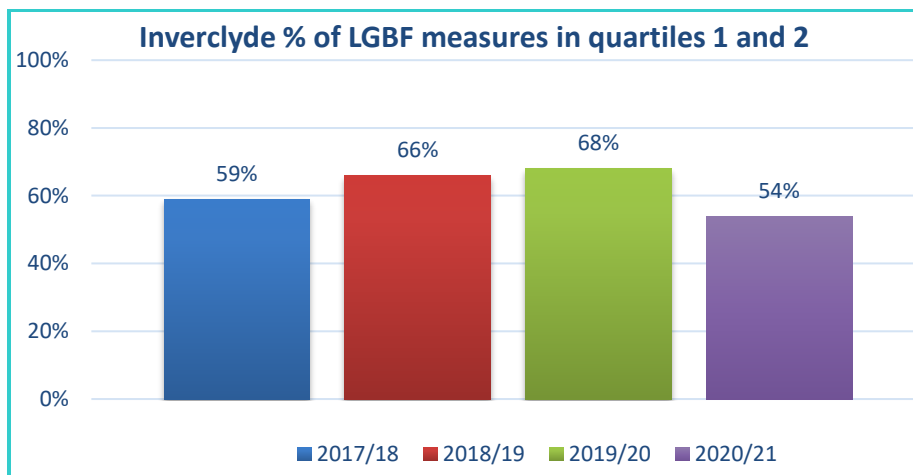
## Public Performance Reporting

The Council reports on its performance in the delivery of its Corporate Plan organisational priorities in its Annual Performance Report. In addition, each directorate periodically reports on performance in the delivery of their CDIP to their relevant committee.

You can view the wide range of performance data published by the Council, including the latest Annual performance Report 2020/21 on the Council's performance webpage which can be viewed here: <http://www.inverclyde.gov.uk/council-and-government/performance>

The Local Government Benchmarking Framework (LGBF) brings together a wide range of information about how all Scottish councils perform in delivering services to local communities. The LGBF assists Councils in benchmarking their performance in key areas and creates opportunities to identify and share good practice. In 2020/21 the Council ranked in the top two quartiles for 54% of indicators, 29% were in the third quartile and just under a fifth, 17% 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 four years. The decrease in the number of indicators in the top 2 quartiles is partly attributable to the non-availability of data for the satisfaction measures (Scottish Household Survey), which is an area where Inverclyde has historically performed strongly. Care should also be taken when comparing performance with earlier reporting years, and in particular 2019/20, due to the inclusion of new indicators in 2020/21, as well as the publication of data in 2020/21 that was not published in 2019/20 (e.g. attainment in literacy and numeracy and school attendance).



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:



# Management Commentary

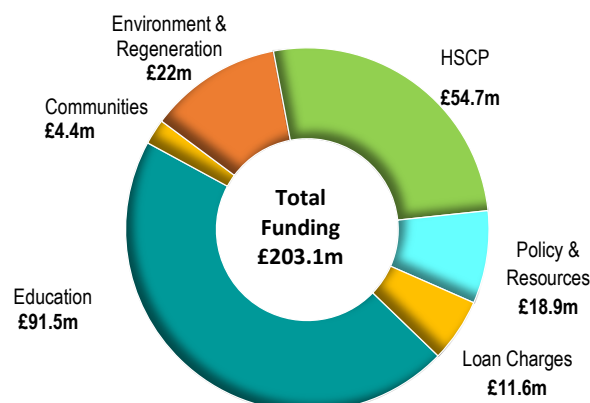
|   | 2020-2021  | 2021-2022 | % Change |
|---|------------|-----------|----------|
| <b>Children's services</b>  |            |           |          |
| Cost per Secondary school pupil   | £7,801     | £7,089    | -9.13%   |
| Cost per Primary school pupil   | £5,791     | £5,473    | -5.49%   |
| Cost per Pre-school pupil   | £8,204     | £11,147   | 35.9%    |
| <b>Corporate Services</b>   |            |           |          |
| Cost per dwelling of Council Tax collection   | £10.76     | £9.19     | -14.66%  |
| Teacher sickness absence (working days)   | 4.95 days  | 3.45 days | -30.2%   |
| Employee (non-teacher) sickness absence (working days)  | 10.48 days | 7.96 days | -24%     |
| % invoices paid within 30 days  | 96.13%     | 95.46%    | -0.67%   |
| <b>Social Work</b>  |            |           |          |
| Costs of providing care to support older people living at home                                  | £25.07     | £34.29    | 36.67%   |
| % of people aged 65 or over with long term care needs receiving personal care at home           | 66.12%     | 66.07%    | -0.06%   |
| Residential costs per week per resident for people aged 65 or over                              | £414       | £450      | 8.7%     |
| <b>Culture &amp; Leisure</b>  |            |           |          |
| Costs per attendance at sport facilities  | £1.19      | £9.73     | 718%     |
| Costs of parks & open spaces per 1,000 population   | £27,833    | £24,280   | -13%     |
| <b>Environmental</b>  |            |           |          |
| Net cost of waste collection per premise  | £43.71     | £49.20    | 12.5%    |
| Net cost of waste disposal per premise  | £98.33     | £104.26   | 6%       |
| Cost of trading standards and environmental health per 1,000 population                         | £25,008    | £24,124   | -3.5%    |
| % of total household waste arising that is recycled   | 53.95%     | 37.1%     | -16.8%   |
| <b>Economic Development</b>   |            |           |          |
| % of unemployed people assisted into work from council operated/funded employability programmes | 25.94%     | 2.94%     | -22.9%   |
| Cost of Planning & Building Standards per planning application                                  | £7,388     | £6,926    | -6.25%   |
| % of procurement spend spent on local enterprises   | 27.49%     | 25.04%    | -2.45%   |
| Proportion of people earning less than the living wage.   | 30.9%      | 23.8%     | -7.1%    |

## The Annual Budget and Setting Council Tax

The Council's approach to the 2021/22 budget was agreed by the Council and included a public consultation as to how the Council could save money. The cross party Members Budget Working Group (MBWG) once again pivotal in arriving at a consensus on the use of surplus reserves and consideration of the savings identified by the public consultation. During the budget setting process, the Council agreed to savings totalling £1.088 million in 2021/22 with these savings increasing to £1.417 million by 2022/23. As at 31 March 2022 all the 2021/22 savings have been implemented.

The Council formally approved the 2021-2022 budget on 18 March 2021. The budget was based on the Council Tax for band D remaining at the same level as 2020-2021.

Spend of £203.1 million was planned in 2021-2022 after taking account of Government Grants, inflation, borrowing costs and approved savings. The Council also approved a £60.8 million three-year capital investment programme covering 2021-2024 of which £40.1 million would be funded by the Council with the balance met from government grants. The major areas of planned investment were the ongoing programme of construction and refurbishment of schools, key improvements to the roads and lighting infrastructure, construction of a new Learning Disability facility plus significant capital work on other Council assets.



### 3. Financial Performance in 2021-2022

#### General Revenue Budget

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement (CIES) on page 33 which shows a surplus on the provision of services of £21.587million. This statement is prepared using International Financial Reporting Standards as interpreted by the Code of Practice on Local Authority Accounting (the Code). However, the CIES does not reflect the true cost of service provision or the amount required to be funded from government grant and taxation. Note 2 gives details of the accounting adjustments required to bring the accounts in line with resources specified by statute. The adjustments remove the effect of non-cash items such as depreciation, revaluation and replace these with the actual cost of debt repayment. Consequently, the general fund balance has decreased by £3.859m, against a planned use of reserves during budget setting of £1.049million for 2021/22. The table 3.1 reflects the final outturn position as reported to Committee compared to the Expenditure & Funding Analysis. Table 3.2 shows a summary of the main changes that contributed to the final position as reported in the Expenditure & Funding Analysis.

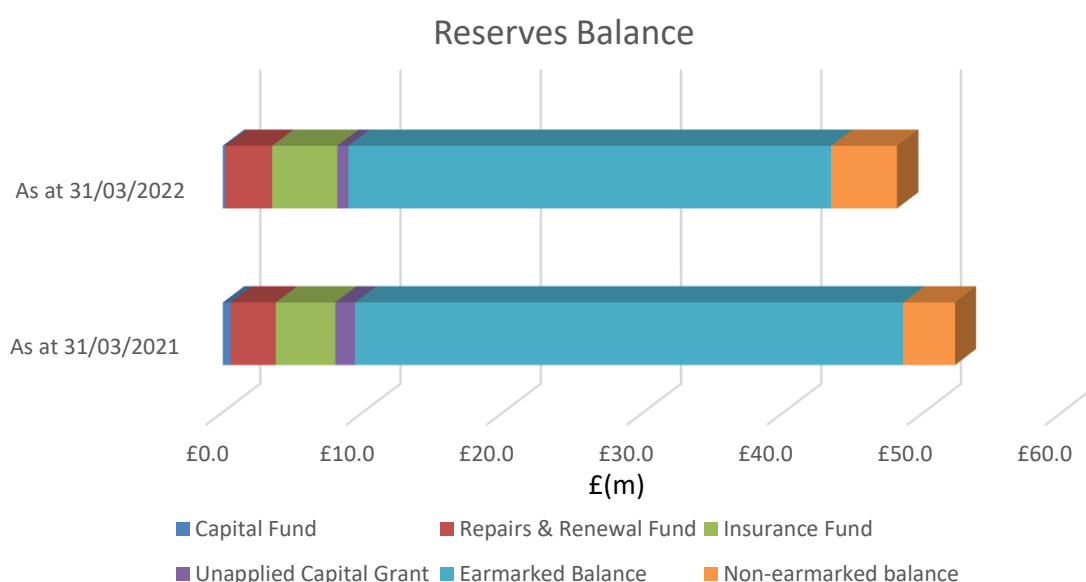
Funding from Scottish Government (Non-Domestic Rates and Government Grants) £169.4m (83.4%) and Council Tax (including Council Tax Reduction costs) £32.6m (16%), Contribution from Reserves £1.049m (0.6%)

| 3.1 Outturn 2021-2022 Per Committee Reporting  | Approved Budget | Revised Budget | Outturn        | Variance       |
|--|-----------------|----------------|----------------|----------------|
|  | 2021-2022       | 2021-2022      | 2021-2022      | 2021-2022      |
|  | £000            | £000           | £000           | £000           |
| Policy & Resources   | 18,902          | 19,578         | 18,852         | (726)          |
| Environment Regeneration and Resources   | 22,020          | 21,849         | 21,972         | 123            |
| Education & Communities  | 95,925          | 91,593         | 91,056         | (537)          |
| Health & Social Care Partnership   | 54,652          | 57,770         | 57,549         | (221)          |
| Loans Charges  | 11,586          | 16,174         | 16,174         | 0              |
| Identified Savings   | 4               | 4              | 0              | (4)            |
| Covid Expenditure  | 0               | 11,811         | 11,811         | 0              |
| Earmarked Reserves   | 0               | 1,149          | 1,149          | 0              |
| <b>Total Service Expenditure</b>   | <b>203,089</b>  | <b>219,928</b> | <b>218,563</b> | <b>(1,365)</b> |
| General Revenue Grant  | (169,418)       | (186,257)      | (186,963)      | (706)          |
| Council Tax Income (Excluding PY Income)   | (32,622)        | (32,622)       | (32,694)       | (72)           |
| Contribution from General Reserves   | (1,049)         | (1,049)        | 0              | 1,049          |
| IJB -Contribution to Reserves  | 0               | 0              | 221            | 221            |
| <b>Revenue Budget Outturn Position</b>   | <b>0</b>        | <b>0</b>       | <b>(873)</b>   | <b>(873)</b>   |
| Adjustments Not included in Revenue Outturn:   |                 |                |                |                |
| Movement in Earmarked Reserves   |                 |                |                | 4,732          |
| <b>(Surplus)/Deficit on the Provision of Services per Expenditure and Funding Analysis</b> |                 |                |                | <b>3,859</b>   |



| 3.2 Movement - Initial Budget to Actual Outturn         | £'000        |
|---|--------------|
| Initial Planned Surplus                                 | 0            |
| Release of one off inflation contingencies not required | (587)        |
| Loss on Income Recovered                                | 424          |
| Additional Turnover Savings Achieved                    | (1,205)      |
| Further minor underspends across Service Directorates   | 238          |
| Use of Earmarked Reserves                               | 4,989        |
| <b>Deficit for the year</b>                             | <b>3,859</b> |

As a result of the overall deficit of £3.859m, the General Fund balance reduced from £42.812 million to £39.109 million. The graph below shows how the usable reserves of the Council are made up, including the £6 million earmarked to support future budget strategy. The Council has a policy of holding a minimum of £4m uncommitted balances (2% of the Council's budgeted net annual running costs). The use of reserves is reviewed as part of the budget setting each year, taking into account risks and challenges for the year ahead.

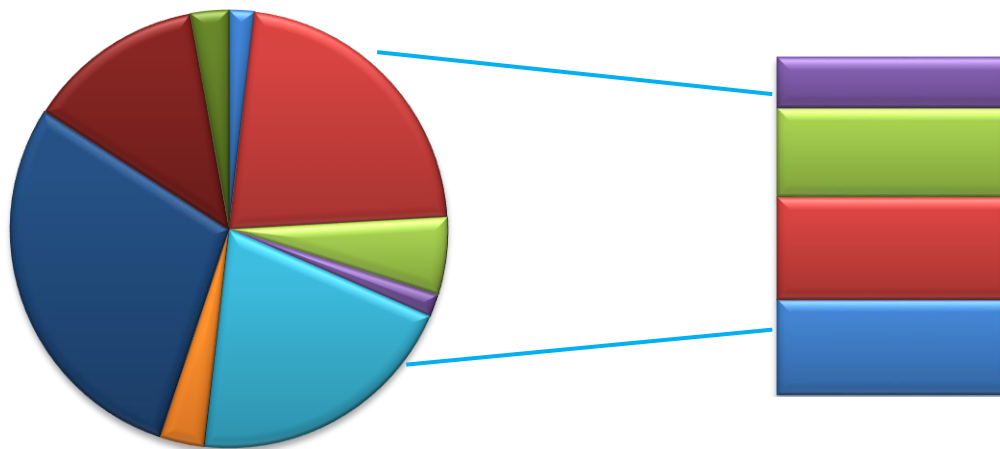


## Capital Budget

The Council continues to make significant capital investment in schools, roads, leisure, community and town centre estates with £20.8 million being spent in 2021-22. The largest element of the capital expenditure for the year was the £6 million spent on building and refurbishing the school estate. Funding of capital expenditure included £0.8 million from capital receipts, £11.4 million of government grants with the balance of £8.6 million being met through internal funding and borrowing. Further information about spend on capital projects is shown in Note 9 on page 46.

## Capital Expenditure (£20.8m)

## Funding



|                                  |                        |  |
|----------------------------------|------------------------|--|
| ■ ICT (£0.4m)                    | ■ Roads (4.6m)         | ■ Borrowing (£3.12m)   |
| ■ Environmental Services (£1.2m) | ■ Regeneration (£0.4m) | ■ CFCR (£5.51m)  |
| ■ Property Assets (£4.2m)        | ■ Communities (£0.7m)  | ■ Other Capital Grants, Receipts and Contributions (£6.344m) |
| ■ School Estate (£6.0m)          | ■ City Deal (£2.7m)    | ■ General Capital Grant from Government (£5.89m)             |
| ■ Health and Social Care (£0.6m) |                        |  |

## Balance Sheet

The Balance Sheet on page 34 summarises the Council's assets and liabilities as at 31 March 2022 and explanatory notes are provided. The net worth of the Council has increased by £82.831m from £213.391m as at 31 March 2021 to £296.222m as at 31 March 2022. 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:

|                              | 31/03/2021<br>£'000 | 31/03/2022<br>£'000 | Movement<br>£'000 | Explanation for Movement   |
|------------------------------|---------------------|---------------------|-------------------|--|
| <b>Non-Current Assets</b>    |                     |                     |                   |  |
| Property, Plant & Equipment  | 541,776             | 547,526             | 5,750             | Council investment in key capital projects and effect of 5 yearly asset revaluation. |
| <b>Current Assets</b>        |                     |                     |                   |  |
| Short-term Investments       | 24,556              | 14,600              | (9,956)           | } Funding requirements for 2021-2022.  |
| Cash and Cash Equivalents    | 14,515              | 18,192              | 3,677             |  |
| Long & Short-term Debtors    | 18,871              | 28,612              | 9,741             | Increase in short-term debtors at the end of the year.                               |
| <b>Current Liabilities</b>   |                     |                     |                   |  |
| Short-term Creditors         | (41,542)            | (52,774)            | (11,232)          | Increase in Short-term creditors at the end of the year.                             |
| <b>Long-term Liabilities</b> |                     |                     |                   |  |
| Short & Long term borrowing  | (201,550)           | (191,422)           | 10,128            |  |
| Finance leases               | (57,375)            | (55,910)            | 1,465             |  |
| Pension Liability            | (98,972)            | (25,428)            | 73,544            |  |

# Management Commentary

## Key Financial Ratios

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

| Financial Indicator   | Commentary  | 2021-2022      | 2020-2021      |
|---|---|----------------|----------------|
| <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.  | 2.33%          | 2.46%          |
| Movement in the Uncommitted General Fund Balance                                    | Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.   | £1.0m increase | £0.4m decrease |
| Financial Indicator   | Commentary  | 2021-2022      | 2020-2021      |
| <b>Council Tax</b>  |   |                |                |
| In-year collection rate   | Reflects the Council's effectiveness in collecting Council Tax debt and financial management. The Council continues to achieve high collection Levels despite the current economic challenges. The 2021/22 Scottish in-year collection rate was 95.7%   | 95.5%          | 94.4%          |
| <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.   | 99%            | 97.7%          |
| <b>Debt/Long-term Borrowing</b>   |   |                |                |
| Ratio of financing costs to net revenue stream                                      | Provides assurances of borrowing only being for capital purposes with an indication of the Council's ability to service the borrowing costs. The Council's Loans Fund interest rate remains consistently below the Scottish average; is affordable; and fits with the Council's medium to long-term finance strategy. The significant reduction in the ratio is due to the debt from the Strathclyde Region dropping out in March 2021. | 10.16%         | 12.35%         |

# Management Commentary

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

### Financial Outlook

The Council's Financial Strategy for June 2022 highlights that the pressure on public finances is scheduled to continue for the foreseeable future. The recently Issued Scottish Government Resource Spending Review confirms that core Local Government funding over 2022/26 will be flat cash and it is estimated that this will mean real terms cuts in funding of over 7%. For Inverclyde with its on-going depopulation the funding cut will be even greater. This allied to the significant levels of inflation and the cost pressures arising from the aftermath of the Covid-19 pandemic, the need for investment in existing assets plus policy areas such as net zero means the Council faces very difficult financial decisions in the short/medium term.

For the next three years budget (2023-2026) the estimated mid-range funding gap is £19.2 million with optimistic and pessimistic scenarios of £9.3 million and £26.9 million respectively. The Council continues to operate a cross party Members Budget Working Group and this Group plus the Trade Unions/Corporate Management team meeting via the Joint Budget Group will be pivotal as the Council faces unprecedented financial pressures.

In February, 2022 the Council agreed its 2022/23 budget. Savings of £1.56m were approved during the budget process with a further £4.0m approved Use of Reserves to balance the 2022/23 Revenue Budget. It is planned to eliminate the use of Reserves being used to balance the budget by 2024/25.

### Treasury Management

The Council's 4 year Treasury Management Strategy and Investment Strategy covering the period 2021-22 to 2024-25 was approved along with the Capital Strategy at the meeting of Inverclyde Council in April 2021. The Strategy identified the need to borrow £45 million over the period to replace existing loans due to be repaid and to fund the planned Capital Programme.

The borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. The Council's borrowing comes from market loans and from borrowing from the Public Works Loan Board. Further details are provided at Note 20. The Council regulates its capital spending limits within a prudential framework recommended by CIPFA and endorsed by the Scottish Government. Each year, the Council calculates its capital financing requirement (CFR) for the forthcoming year. The CFR is a prudent assessment of the external borrowings for capital investment purposes that are affordable and sustainable over the longer-term. The Council's external borrowings have only been for capital investment purposes. The Council's gross external debt was £246.2 million at 31 March 2022 compared to the CFR limit of £285.2 million. The Council's average loans rate was 3.43% for 2021-22, an increase of 0.01% from 2020-21. The Council repaid £10 million of maturing debt during the year and undertook no borrowing.

### Management of Risk

| Risk   | Mitigating Actions   |
|--|--|
| <b>Sustainability of current funding levels:</b><br>The recent Resource Spending Review by the Scottish Government reports flat cash settlements for Local Government in the period 2022/26. Given current pressures and inflation levels this will require forward planning and clear decision making by the Council. | The Finance Strategy (2022-32) provides the range of scenarios for the delivery of Council services in the medium to longer term. The strategy estimates the 2022/32 funding gap prior to considering further savings/adjustments. The Finance Strategy provides clear direction, supported by a practical framework and explicitly defined parameters, on how the Council will structure and manage financial resources in the medium to long term to ensure they are deployed effectively to achieve corporate objectives. |
| <b>Increasing demand on Services and the Council's Finances.</b>   | The "Delivering Differently" program is in place to identify potential change in service delivery to deliver savings and/or reduce cost pressures. This is reviewed by the Corporate Management Team during the year and by the Policy & Resources Committee annually  |
| <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 15-21, details the arrangements the Council has put in place for the proper governance of the Council's affairs and for the management of risk. This Statement explains the system of internal control in place and sets out improvement actions to the governance framework, identified from the Council's ongoing review of these arrangements.

## Plans for the Future

The Inverclyde Alliance 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 and is funding major infrastructure projects and greatly add to the value of the wider local economy over the next 20 years. The headline projects within the Inverclyde area are the developments to the Greenock Ocean Terminal and Cruise Ship Berth, the Greenock Inchgreen dockland and the Inverkip transport interchange. The Council has now entered into a Joint Venture for the Greenock Inchgreen Dockland. Work across all three projects were subject to unavoidable delay due to Covid-19, however, Greenock Ocean Terminal is now on site and progressing well with completion expected later in 2022/23.



*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>.

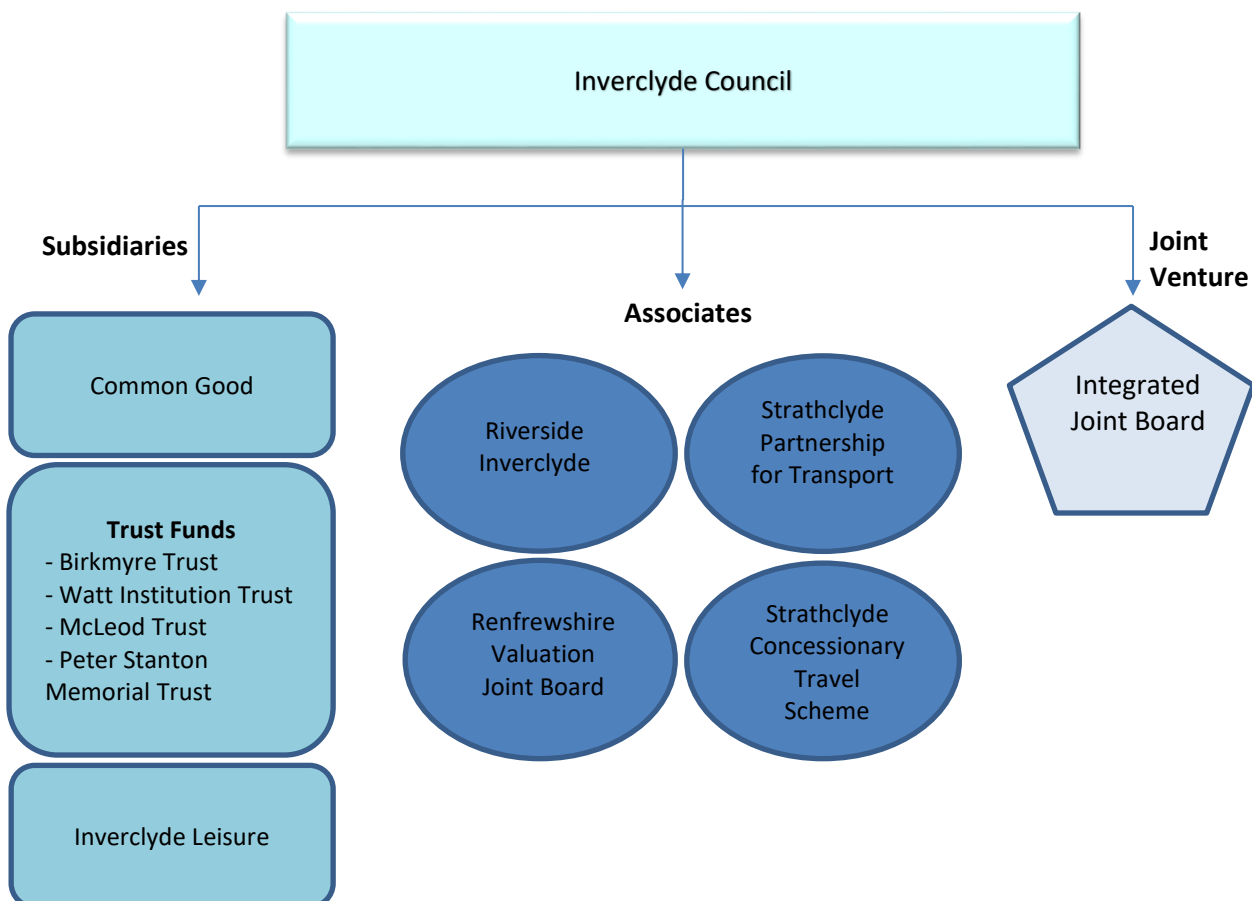
## Consultation and Communication with Workforce

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 has been 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 £37.923 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 85.



In addition the Council has recently entered into a Joint Venture with regards to the Inchgreen development and this will form part of the Group Accounts from 2022/23 onwards.

## 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 approach to financial management.

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



**Cllr Stephen McCabe**  
Leader of the Council



**Louise Long**  
Chief Executive



**Alan Puckrin C.P.F.A**  
Interim Director, Finance  
and Corporate Governance

# 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 Interim Director, Finance and Corporate Governance.
- (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 the Audit Committee at its meeting on 28 June 2022.

Signed on behalf of Inverclyde Council

**Cllr Stephen McCabe**

Leader of the Council

**Date:** 28 June 2022

## 2. The Interim Director, Finance and Corporate Governance's Responsibilities

The Interim Director, Finance and Corporate Governance 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 Interim Director, Finance and Corporate Governance 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 Interim Director, Finance and Corporate Governance 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 2022.

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

Interim Director, Finance and  
Corporate Governance

**Date:** 28 June 2022

## 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 2022 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 2021/2022. 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 Interim Director Finance & Corporate Governance as Section 95 Officer. The system of internal financial control is based on a framework of regular management information, Financial Regulations, administrative procedures (including segregation of duties), management and supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council.
- The Council continues to recognise the need to exercise strong financial management arrangements to manage the financial pressures common to all local authorities and has robust financial control and financial planning processes in place. A self-assessment exercise has been undertaken by officers to assess the level of ongoing compliance with the CIPFA Financial Management Code and plans to formally adopt the CIPFA Financial Management Code along with recommended actions to enhance financial management arrangements will be reported to Audit Committee and Policy and Resources Committee during 2022/23.
- 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 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.
- The Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

#### 4. Review of Effectiveness

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

The review of the Council's governance framework is supported by a process of self-assessment and assurance certification by Heads of Service. Heads of Service were provided with a "Self-assessment Checklist" to complete and return as evidence of review of seven key areas of the Council's governance framework. As part of this process, Heads of Service were asked to identify their progress on implementing improvement actions identified as part of their 2021-2022 assessments and to identify actions they proposed to take during 2022-2023 to address service governance arrangements. The Corporate and Interim Directors then considered the completed evaluations and provided a Certificate of Assurance for their Directorate. In addition, the review of the effectiveness of governance arrangements and the systems of internal control within the group entities places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control.

#### Significant Events

The significant incident in late March 2020 and the Council's management as a Category 1 responder during the COVID-19 pandemic continued to test how well the risk management, governance and internal controls framework operated which continued into 2021-22 using amended governance arrangements, new ways of decision-making, leadership and implementation including virtual meetings and secure remote access to systems to allow homeworking for a significant number of employees within the Directorates.

Regular COVID-19 updates continued to be provided to the Policy & Resources Committee throughout 2021/22. The Council has also developed Organisational and Partnership Recovery Plans and has progressed a number of governance actions set out in the Organisational Recovery Plan including:

- Revised key governance documents in light of new ways of working were approved.
- Proposals for the longer term format of committees were developed.
- A pilot hybrid working scheme is underway across the Council to embed new ways of working.
- A review has commenced of the Office AMP, depots and other Council property to identify modifications required based on new ways of working.

The Inverclyde IJB was established by parliamentary order on 27 June 2015 following approval of the Inverclyde Integration Scheme by the Scottish Ministers. The Integration Scheme was reviewed during 2019-20 and an updated version of the Scheme was prepared but the Covid-19 pandemic led to this being delayed and the existing scheme rolled on into 2020-21 and continued into 2021-22. The Scottish Government have confirmed that IJBs will be required to review their current integration schemes rather than complete a new scheme. The 6 Health and Social Care Partnerships across Greater Glasgow and Clyde are contributing to a short life working group to review collectively ensuring cross-cutting issues are identified. The reviewed scheme will be in place by 31 July 2022.

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 2020-2021. 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 2021-2022 and the Certificates of Assurance from Corporate and Interim Directors. In conclusion, although no systems of internal control can provide absolute assurance, nor can Internal Audit give that assurance, on the basis of the audit work undertaken during the 2021-2022 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 Interim Director Finance & Corporate Governance (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 seven 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 2022-2023.

|   | Where are we now?  | Where do we want to be?  | How will we know we are getting there?   | Who is responsible?  |
|---|--|--|--|--|
| 1 | Workforce planning arrangements require to be refreshed in a number of services in order to develop proposals which address wider issues relating to succession planning due to an ageing profile of some staff groups, staff retention challenges and single person dependencies. | Workforce plans are in place which determine future workforce needs and implement solutions to ensure that organisational needs are aligned with the Council's people strategy.                          | Workforce plans will be reviewed during 2022-2023 to identify any gaps between current and future needs, identifying solutions to ensure the right resources are in place at the right time to deliver the Council's short and longer term objectives. | Corporate Management Team<br>(Supported by Head of OD, Corporate Policy and Communications)<br>31 March 2023 |
| 2 | Discussions are ongoing with key suppliers in some services to determine business continuity arrangements for cyber security risks.  | Business continuity arrangements with key suppliers fully consider cyber security risks.   | Business continuity plans and service impact analysis documents will be updated during 2022-2023 to reflect cyber security risk mitigations with key suppliers.  | Directors<br>(Supported by CRMT/CCS)<br>30 September 2022  |
| 3 | Current service review guidance documentation is being reviewed to ensure this remains fit for purpose in order to improve the Council's efficiency and effectiveness and assist in addressing financial sustainability.   | Service review documentation is in place which assists services to improve the efficiency and effectiveness of service quality and processes which continues to ensure ongoing financial sustainability. | Service review guidance documentation will be reviewed and updated during 2022-2023 to reflect best practice guidance for services undertaking service reviews.  | Head of OD, Corporate Policy and Communications<br><br>31 October 2022                                       |
| 4 | Processes for document retention and disposal of records are currently being reviewed by the Council's Information Governance Steering Group to ensure the use of EDRMS is maximised within Services.  | The use of EDRMS is maximised as far as possible to reduce the reliance on hard copy records and automate retention policy requirements.   | The document retention and disposal process will be reviewed by the Information Governance Steering Group. This exercise will incorporate the corporate expansion of the use of EDRMS. A business case for this is being prepared by end October 2022. | Information Governance Group<br>31 March 2023  |



|   | Where are we now?  | Where do we want to be?  | How will we know we are getting there?  | Who is responsible?   |
|---|--|--|---|---|
| 5 | Some service risk registers were not reviewed on a regular basis during 2021-22 due to other work priorities as a result of Covid.   | Service risk registers are reviewed on a regular basis to ensure risk assessments are maintained up to date which will allow directorate and corporate management teams to monitor and report on relevant key risks. | A new process is being developed to incorporate service risk registers within the Pentana system. This will include an automated reminder for risk owners to carry out a review of service risk registers to ensure risk assessments are maintained up to date and there is regular reporting to directorate and corporate management teams on the status of key risks. | Directors<br>(Supported by Chief Internal Auditor)<br>31 October 2022                     |
| 6 | Business Classification Scheme 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 was discussed with ICT. An update was provided to the June 2022 meeting of the Audit Committee as this is an outstanding audit action. A solution using the M365 platform has been identified which will be in place by August 2022. Deployment of the platform will then start with an anticipated completion date of June 2023.                    | Corporate Director, Education, Communities and Organisational Development<br>30 June 2023 |
| 7 | An assessment has been undertaken by officers of compliance with the CIPFA Financial Management Code which confirms that the Council is compliant with the main aspects of the Code. This needs to be formally adopted by the Council.   | The Council has formally adopted the CIPFA Financial Management Code.  | A report will be presented to Audit Committee then to Policy and Resources Committee highlighting the CIPFA Financial Management Code and the formal adoption of the Code by the Council.   | Interim Director, Finance and Governance<br>30 November 2022                              |

# Annual Governance Statement

In addition, the status of action plans from 2020-2021 Annual Governance Statement (AGS) is set out in the undernoted table:

|   | Agreed Action   | Status at 31/3/22   | Further Action   | 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. | Regular reporting was undertaken during 2021/22 to Policy and Resources Committee on governance actions identified through the Organisational Recovery Plan.<br><br>Complete  | N/A  | N/A   |
| 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.  | The revised performance appraisal process includes the requirement for discussions around mandatory training. This is ongoing within some services.   | No further action proposed. Ongoing process embedded into performance appraisal process. | 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. The pilot exercise was undertaken however the rollout to remaining schools was halted as a result of responding to COVID-19.   | A revised schedule was discussed with ICT. An update was provided to the June 2022 meeting of the Audit Committee as this is an outstanding audit action.<br><br>A solution using the M365 platform has been identified which will be in place by August 2022. Deployment of the platform will then start with an anticipated completion date of June 2023. |  | Corporate Director, Education, Communities and Organisational Development<br><br>June 2023<br><br>(see action point 6 on 2021-2022) |

## 8. Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2021-2022 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

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

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

The annual salary of the Leader of the Council and the upper limit for the annual salary of the Provost are set out by the Scottish Government in terms of the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007, as amended by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2017. In 2021-2022 Councillors received a 4.28% pay increase. The salary for the Leader of the Council is £31,035 per annum (2020-2021 £29,760) and for the Provost is £23,284 per annum (2020-2021 £22,320).

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 £180,026 per annum (2020-2021 £172,638) and whose salaries individually must be on a specified scale, currently £18,618 to £23,275 (2020-2021 £17,854 to £22,320). 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 largest non-administration group); each paid a salary of £20,955 per annum (2020-2021 £20,087).

## 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 an £800 award in 2021-22.

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, Interim Directors 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 2022. The table below contains remuneration details for those persons who were Senior Officers in 2021-2022.

# Remuneration Report

| Senior Officers   | Year ended 31 March 2022 |                           |                  |                    | 2020-2021          |
|---|--------------------------|---------------------------|------------------|--------------------|--------------------|
|   | Gross Salary             | Other Fees and Allowances | Taxable Expenses | Total Remuneration | Total Remuneration |
|   | £                        | £                         | £                | £                  | £                  |
| <b>Fawcett A:</b> Chief Executive (Retired 19/09/21)  | 59,446                   | 0                         | 0                | 59,446             | 127,044            |
| <b>Allan, R S:</b> Corporate Director Environment, Regeneration & Resources (Retired 28/02/2021)  | 0                        | 0                         | 0                | 0                  | 105,495            |
| <b>Binks R:</b> Corporate Director Education, Communities & Organisational Development  | 116,712                  | 0                         | 0                | 116,712            | 116,043            |
| <b>Long, L:</b> Corporate Director, Health and Social Care Partnership (was Director until appointed to Chief Executive on 19/09/21) <b>(1)</b> | 123,849                  | 0                         | 0                | 123,849            | 117,779            |
| <b>Malone, G:</b> Head of Legal & Property Services (Retired 28/02/2021)  | 0                        | 0                         | 0                | 0                  | 91,680             |
| <b>Puckrin, A:</b> Interim Director Finance & Corporate Governance  | 106,165                  | 0                         | 0                | 106,165            | 95,525             |
| <b>Jamieson, S:</b> Interim Director Environment & Economic Recovery  | 103,520                  | 0                         | 0                | 103,520            | 86,874             |
| <b>Sinclair, A:</b> Interim Head of Legal Services (until 02/02/22) <b>(2)</b>  | 90,206                   | 0                         | 0                | 90,206             | 60,833             |
| <b>Strachan, I:</b> Head of Legal Services (Appointed 27/01/22) <b>(3)</b>  | 15,681                   |                           |                  | 15,681             | 0                  |
| <b>Stevenson, A:</b> Corporate Director, Health & Social Care Partnership (Appointed 30/8/21) <b>(4)</b>  | 104,788                  | 0                         | 0                | 104,788            | 84,254             |
| <b>Totals</b>   | <b>720,367</b>           | <b>0</b>                  | <b>0</b>         | <b>720,367</b>     | <b>885,527</b>     |

**(1)** L Long was the Chief Officer of Inverclyde HSCP, but became the Chief Executive on 19/09/2021.

**(2)** A Sinclair's interim post ended on 27/01/2022.

**(3)** I Strachan was appointed Head of Legal and Democratic Services on 27/01/2022.

**(4)** A Stevenson was appointed Interim Chief Officer of Inverclyde HSCP on 30/08/2021.

#### 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 2022.

# Remuneration Report

| Leader of the Council, Provost and Senior Councillors                                      | Year ended 31 March 2022 |                  |                    | 2020-2021          |
|--|--------------------------|------------------|--------------------|--------------------|
|  | Gross Salary             | Taxable Expenses | Total Remuneration | Total Remuneration |
|  | £                        | £                | £                  | £                  |
| <b>Ahlfeld, R:</b> Chair, Licensing Board  | 20,955                   | 0                | 20,955             | 20,087             |
| <b>Brennan, M:</b> Provost   | 23,284                   | 0                | 23,284             | 22,320             |
| <b>Clocherty, J:</b> Depute Leader of the Council and Convener,<br>Education & Communities | 20,955                   | 0                | 20,955             | 20,087             |
| <b>Dorrian, G:</b> Chair, General Purposes   | 20,955                   | 225              | 21,180             | 20,651             |
| <b>McCabe, S:</b> Leader of the Council  | 31,035                   | 232              | 31,267             | 30,191             |
| <b>McCormick, M:</b> Convener, Environment & Regeneration                                  | 20,955                   | 0                | 20,955             | 20,087             |
| <b>McEleny, C:</b> Leader of the largest non-administration group (1)                      | 0                        | 0                | 0                  | 18,608             |
| <b>Moran, R:</b> Convener, Health & Social Care  | 20,955                   | 0                | 20,955             | 20,141             |
| <b>Rebecchi, L:</b> Convener, Audit  | 20,955                   | 0                | 20,955             | 20,087             |
| <b>Robertson, E:</b> Leader of the largest non-administration group (2)                    | 20,955                   | 0                | 20,955             | 19,290             |
| <b>Wilson, D:</b> Chair, Planning  | 20,955                   | 281              | 21,236             | 20,268             |
| <b>Totals</b>  | <b>221,959</b>           | <b>738</b>       | <b>222,697</b>     | <b>231,817</b>     |

- Councillor Chris McEleny received Leader of the Largest Non-Administration Group allowance between 1 April and 19 August 2020.
- Councillor Elizabeth Robertson became the Leader of Largest Non-Administration Group from the 20 August 2020.
- 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 2021-2022 and 2020-2021 are shown below.

### Tiered Contribution Pay Rates

| Full Time Equivalent (FTE) Pensionable Pay (2021-2022) | Rate (%) |
|--|----------|
| On earnings up to and including £22,200                | 5.50%    |
| On earnings above £22,200 and up to £27,100            | 7.25%    |
| On earnings above £27,101 and up to £37,200            | 8.50%    |
| On earnings above £37,201 and up to £49,600            | 9.50%    |
| On earnings above £49,601                              | 12.00%   |



# Remuneration Report

| 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%   |

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 2022 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 2021-2022.

| Senior Officers  | Accrued Pension Benefits |                | Change in Accrued Benefits |                  | Pension Contributions made by Inverclyde Council |                | Length of Service at 31 March 2022 (years / days) |
|--|--------------------------|----------------|----------------------------|------------------|--|----------------|---|
|  | as at 31 March 2022      |                | since 31 March 2021        |                  | 2021-2022  | 2020-2021      |   |
|  | Pension £                | Lump Sum £     | Pension £                  | Lump Sum £       | £  | £              |   |
| <b>Fawcett A:</b> Chief Executive (Retired 19/09/21)   | 62,962                   | 36,696         | 499                        | (66,851)         | 11,473   | 24,454         | 34/77   |
| <b>Allan, R S:</b> Corporate Director Environment, Regeneration & Resources (Retired 28/02/2021) (1)                                     | 0                        | 0              | (63,448)                   | (115,931)        | 0  | 20,360         | 38/204  |
| <b>Binks R:</b> Corporate Director Education, Communities & Organisational Development   | 13,845                   | 0              | 2,393                      | 0                | 22,525   | 22,336         | 6/247   |
| <b>Long, L:</b> Corporate Director, Health and Social Care Partnership (was Director until appointed to Chief Executive on 19/09/21) (2) | 21,766                   | 0              | 3,080                      | 0                | 23,806   | 22,671         | 17/48   |
| <b>Malone, G:</b> Head of Legal & Property Services (Retired 28/02/2021) (3)   | 0                        | 0              | (51,316)                   | (91,217)         | 0  | 16,641         | 37/231  |
| <b>Puckrin, A:</b> Interim Director Finance & Corporate Governance (4)   | 57,841                   | 94,589         | 9,329                      | 11,825           | 20,490   | 18,436         | 36/268  |
| <b>Jamieson, S:</b> Interim Director Environment & Economic Recovery (5)   | 21,751                   | 0              | (4,204)                    | (20,341)         | 19,979   | 16,767         | 21/139  |
| <b>Sinclair, A:</b> Interim Head of Legal Services (until 02/02/22) (6)  | 5,573                    | 0              | 1,898                      | 0                | 17,410   | 11,784         | 4/300   |
| <b>Strachan, I:</b> Head of Legal Services (Appointed 27/01/22)  | 178                      | 0              | 0                          | 0                | 3,026  | 0              | 0/63  |
| <b>Stevenson, A:</b> Corporate Director, Health & Social Care Partnership (Appointed 30/8/21)  | 41,079                   | 51,493         | 0                          | 0                | 20,127   | 16,771         | 24/304  |
| <b>Totals</b>  | <b>224,995</b>           | <b>182,778</b> | <b>(101,769)</b>           | <b>(282,515)</b> | <b>138,836</b>                                   | <b>170,220</b> |   |

# Remuneration Report

| Leader of the Council, Provost and Senior Councillors                                      | Accrued Pension Benefits<br>as at 31 March 2022 |              | Change in Accrued Benefits<br>since 31 March 2021 |            | Pension Contributions<br>made by Inverclyde<br>Council |               |
|--|---|--------------|---|------------|--|---------------|
|  | Pension   | Lump Sum     | Pension   | Lump Sum   | 2021-2022  | 2020-2021     |
|  | £   | £            | £   | £          | £  | £             |
| <b>Ahlfeld, R:</b> Chair, Licensing Board  | 5,212   | 0            | 730   | 0          | 4,029  | 3,858         |
| <b>Brennan, M:</b> Provost   | 6,049   | 0            | 2,618   | 0          | 3,444  | 4,278         |
| <b>Clocherty, J:</b> Depute Leader of the Council and Convener,<br>Education & Communities | 5,865   | 1,712        | 652   | 143        | 4,029  | 3,858         |
| <b>Dorrian, G:</b> Chair, General Purposes   | 5,746   | 1,643        | 649   | 141        | 4,029  | 3,858         |
| <b>McCabe, S:</b> Leader of the Council  | 5,000   | 0            | (1,324)   | 0          | 5,969  | 5,679         |
| <b>McCormick, M:</b> Convener, Environment & Regeneration                                  | 5,747   | 1,026        | 648   | 78         | 4,029  | 3,858         |
| <b>McEleny, C:</b> Leader of the largest non-administration group                          | 0   | 0            | (1,381)   | 0          | 0  | 3,581         |
| <b>Moran, R:</b> Provost, Convener, Health & Social Care                                   | 6,086   | 1,764        | 668   | 135        | 4,029  | 3,858         |
| <b>Wilson, D:</b> Chair, Planning  | 7,860   | 1,591        | 0   | 0          | 0  | 3,294         |
| <b>Robertson, E:</b> Leader of the largest non-administration group                        | 1,854   | 0            | 398   | 0          | 4,002  | 3,714         |
| <b>Totals</b>  | <b>49,419</b>                                   | <b>7,736</b> | <b>3,658</b>                                      | <b>497</b> | <b>33,560</b>  | <b>39,836</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 2021-2022. The annual return of Councillors' salaries and expenses is available for any member of the public to view at all Council libraries and public offices during normal working hours and is also available on the Council's website at <http://www.inverclyde.gov.uk/council-and-government/councillors/elected-members-expenses/>

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

| <u>All Councillors (Information from public record)</u>   | 2021-2022      | 2020-2021      |
|---|----------------|----------------|
|   | £              | £              |
| Salaries  | 445,474        | 426,791        |
| Travel costs - reimbursed                                 | 809            | 680            |
| Travel costs - paid directly by the Council               | 195            | 18             |
| Subsistence expenses - accommodation                      | 87             | 0              |
| Subsistence expenses - meals                              | 0              | 0              |
| Training and conferences - paid directly by the Council   | 225            | 3,087          |
| Telephone and ICT expenses - reimbursed                   | 1,359          | 1,030          |
| Telephone and ICT expenses - paid directly by the Council | 2,314          | 2,920          |
| Other allowances and expenses                             | 1,621          | 60             |
| <b>Totals</b>   | <b>452,084</b> | <b>434,586</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 2021-2022 in bands of £5,000; the details of the number of those employees who left the employment of the Council during 2021-2022; and the details of the number of those employees who were part or fully funded by other bodies.

# Remuneration Report

| Officers over £50,000<br>Remuneration Bands | Number of Employees |            | Left during<br>2021-2022 | Part funded or fully funded by<br>other organisations |
|---|---------------------|------------|--------------------------|---|
|   | 2020-2021           | 2021-2022  |                          |   |
| £50,000 - £54,999                           | 98                  | 99         | 2                        | 7   |
| £55,000 - £59,999                           | 42                  | 38         | 1                        | 4   |
| £60,000 - £64,999                           | 30                  | 35         | 0                        | 3   |
| £65,000 - £69,999                           | 14                  | 12         | 0                        | 0   |
| £70,000 - £74,999                           | 0                   | 2          | 0                        | 1   |
| £75,000 - £79,999                           | 2                   | 3          | 0                        | 0   |
| £80,000 - £84,999                           | 10                  | 1          | 0                        | 0   |
| £85,000 - £89,999                           | 6                   | 7          | 0                        | 0   |
| £90,000 - £94,999                           | 2                   | 1          | 0                        | 0   |
| £95,000 - £99,999                           | 2                   | 1          | 0                        | 1   |
| £100,000 - £104,999                         | 0                   | 2          | 0                        | 1   |
| £105,000 - £109,999                         | 1                   | 1          | 0                        | 0   |
| £110,000 - £114,999                         | 0                   | 0          | 0                        | 0   |
| £115,000 - £119,999                         | 2                   | 1          | 0                        | 0   |
| £120,000 - £124,999                         | 0                   | 1          | 0                        | 0   |
| £125,000 - £129,999                         | 1                   | 0          | 0                        | 0   |
| £130,000 - £134,999                         | 0                   | 0          | 0                        | 0   |
| <b>Totals</b>                               | <b>210</b>          | <b>204</b> | <b>3</b>                 | <b>17</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<br>(including special payments) | (a)                                  |           | (b)                                  |           | (c)   |           | (d)   |                | (e) |
|--|--------------------------------------|-----------|--------------------------------------|-----------|---|-----------|---|----------------|-----|
|  | Number of compulsory<br>redundancies |           | Number of other<br>departures agreed |           | Total number of exit<br>packages by cost band |           | Total cost of exit packages<br>in each band |                |     |
|  | 2021-2022                            | 2020-2021 | 2021-2022                            | 2020-2021 | 2021-2022                                     | 2020-2021 | £'s   | £'s            |     |
| £0 - £20,000   | 0                                    | 0         | 32                                   | 5         | 32  | 5         | 248,599                                     | 44,156         |     |
| £20,001 - £40,000                                      | 0                                    | 0         | 22                                   | 0         | 22  | 0         | 573,369                                     | 0              |     |
| £40,001 - £60,000                                      | 0                                    | 0         | 1                                    | 1         | 1   | 1         | 48,713                                      | 56,862         |     |
| £60,001 - £80,000                                      | 0                                    | 0         | 0                                    | 0         | 0   | 0         | 0   | 0              |     |
| £80,001 - £100,000                                     | 0                                    | 0         | 0                                    | 1         | 0   | 1         | 0   | 93,958         |     |
| £100,001 - £150,000                                    | 0                                    | 0         | 0                                    | 1         | 0   | 1         | 0   | 113,472        |     |
| £150,001 - £200,000                                    | 0                                    | 0         | 0                                    | 0         | 0   | 0         | 0   | 0              |     |
| <b>Total</b>   | <b>0</b>                             | <b>0</b>  | <b>55</b>                            | <b>8</b>  | <b>55</b>                                     | <b>8</b>  | <b>870,681</b>                              | <b>308,448</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 2021-2022. The above table includes £0.055 million liabilities relating to these releases (2020-2021 £0.171 million).

## Cllr Stephen McCabe

Leader of the Council

## Louise Long

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 8 (7.90FTE) staff members who were trade union officials during 2021-2022 (2020-2021: 6 staff).

## Percentage of time spent on facility time

| Percentage of time | Number of Employees<br>2021-2022 | Number of Employees<br>2020-2021 |
|--------------------|----------------------------------|----------------------------------|
| 0%                 | 0                                | 0                                |
| 1% - 50%           | 5                                | 4                                |
| 51% - 99%          | 1                                | 1                                |
| 100%               | 2                                | 1                                |

The total cost of facility time amounted to 0.07% (2020-2021: 0.06%) of the total pay bill, including gross amounts spent on wages, pension contributions and national insurance contributions. 1.52% of the total paid facility time hours was spent on trade union activities (2020-2021: 1.09%).

# 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 2021-2022

|  | 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  | 93,513                                     | 14,167   | (156)                        | 107,524   |
| Communities  | 5,509                                      | 3,862  | (17)                         | 9,354   |
| Environment & Regeneration                                 | 31,079                                     | 4,102  | (117)                        | 35,064  |
| Health & Social Care                                       | 59,631                                     | 7,584  | (74)                         | 67,141  |
| Policy & Resources   | 16,428                                     | 1,676  | (2)                          | 18,102  |
| <b>Net Cost of Services</b>                                | <b>206,160</b>                             | <b>31,391</b>  | <b>(366)</b>                 | <b>237,185</b>  |
| (Gain)/Loss on disposal of non-current assets              | 0  | (67)   | 0                            | (67)  |
| Financing and Investment (Income) and Expenditure (Note 4) | 15,884                                     | (1,622)  | 366                          | 14,628  |
| Taxation and Non-specific Grant Income (Note 5)            | (218,185)                                  | (11,974)   | 0                            | (230,159)   |
| <b>(Surplus) or Deficit on the Provision of Services</b>   | <b>3,859</b>                               | <b>17,728</b>  | <b>0</b>                     | <b>21,587</b>   |
| <b>Opening General Fund balance at 1 April 2021</b>        | <b>42,812</b>                              |  |                              |   |
| Transfer (to)/from Other Statutory Reserves                | 156  |  |                              |   |
| Surplus/(Deficit) on General Fund in the year              | (3,859)                                    |  |                              |   |
| <b>Closing General Fund balance at 31 March 2022</b>       | <b>39,109</b>                              |  |                              |   |

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

| 2021-2022   | Adjustments for Capital purposes | Net change to Pension adjustments | Other differences | Total adjustments |
|---|----------------------------------|-----------------------------------|-------------------|-------------------|
|   | £000                             | £000                              | £000              | £000              |
| Education   | 13,032                           | 6,721                             | (5,588)           | 14,165            |
| Communities   | 3,396                            | 355                               | 111               | 3,862             |
| Environment & Regeneration  | 1,767                            | 3,233                             | (897)             | 4,103             |
| Health & Social Care  | 392                              | 7,054                             | 138               | 7,584             |
| Policy & Resources  | 805                              | 790                               | 82                | 1,677             |
| <b>Net Cost of Services</b>   | <b>19,392</b>                    | <b>18,153</b>                     | <b>(6,154)</b>    | <b>31,391</b>     |
| Other operating expenditure   | (67)                             | 0                                 | 0                 | (67)              |
| Financing and Investment (Income) and Expenditure   | (3,683)                          | 2,160                             | (99)              | (1,622)           |
| Taxation and Non-specific Grant Income  | (11,974)                         | 0                                 | 0                 | (11,974)          |
| <b>Difference between General Fund (Surplus)/Deficit and Comprehensive Income &amp; Expenditure Statement (Surplus)/Deficit on the Provision of Service</b> | <b>3,668</b>                     | <b>20,313</b>                     | <b>(6,253)</b>    | <b>17,728</b>     |

# Expenditure and Funding Analysis

## Comparative Figures for 2020-2021 Restated

|  | 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  | 88,080                                     | 6,571   | (113)                         | 94,538   |
| Communities  | 6,171                                      | 2,495   | (13)                          | 8,654  |
| Environment & Regeneration                                 | 27,042                                     | 4,735   | (98)                          | 31,679   |
| Health & Social Care                                       | 53,128                                     | 4,348   | (54)                          | 57,422   |
| Policy & Resources   | 16,267                                     | (552)   | (2)                           | 15,713   |
| <b>Net Cost of Services</b>                                | <b>190,688</b>                             | <b>17,597</b>   | <b>(279)</b>                  | <b>208,006</b>   |
| (Gain)/Loss on disposal of non-current assets              | 0  | 11,726  | 0                             | 11,726   |
| Financing and Investment (Income) and Expenditure (Note 4) | 20,220                                     | (5,439)   | 279                           | 15,060   |
| Taxation and Non-specific Grant Income (Note 5)            | (215,942)                                  | (9,812)   | 0                             | (225,754)  |
| <b>(Surplus) or Deficit on the Provision of Services</b>   | <b>(5,034)</b>                             | <b>14,072</b>   | <b>(0)</b>                    | <b>9,038</b>   |
| <b>Opening General Fund balance at 1 April 2020</b>        | <b>37,983</b>                              |   |                               |  |
| Transfer (to)/from other statutory reserves                | (205)                                      |   |                               |  |
| Surplus/(Deficit) on General Fund in the year              | 5,034                                      |   |                               |  |
| <b>Closing General Fund balance at 31 March 2021</b>       | <b>42,812</b>                              |   |                               |  |

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

| 2020-2021 Restated  | Adjustments for Capital purposes | Net change to Pension adjustments | Other differences | Total adjustments |
|---|----------------------------------|-----------------------------------|-------------------|-------------------|
|   | £000                             | £000                              | £000              | £000              |
| Education   | 8,802                            | 3,394                             | (5,625)           | 6,571             |
| Communities   | 2,211                            | 189                               | 95                | 2,495             |
| Environment & Regeneration  | 3,695                            | 1,759                             | (719)             | 4,735             |
| Health & Social Care  | 388                              | 3,788                             | 172               | 4,348             |
| Policy & Resources  | 626                              | (1,225)                           | 47                | (552)             |
| <b>Net Cost of Services</b>   | <b>15,722</b>                    | <b>7,905</b>                      | <b>(6,030)</b>    | <b>17,597</b>     |
| Other operating expenditure   | 11,726                           | 0                                 | 0                 | 11,726            |
| Financing and Investment (Income) and Expenditure   | (7,580)                          | 2,239                             | (98)              | (5,439)           |
| Taxation and Non-specific Grant Income  | (9,812)                          | 0                                 | 0                 | (9,812)           |
| <b>Difference between General Fund (Surplus)/Deficit and Comprehensive Income &amp; Expenditure Statement (Surplus)/Deficit on the Provision of Service</b> | <b>10,056</b>                    | <b>10,144</b>                     | <b>(6,128)</b>    | <b>14,072</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:

|  | 2021-2022        | 2020-2021        |
|--|------------------|------------------|
| <b>Expenditure</b>                                   | <b>£000</b>      | <b>£000</b>      |
| Employee Benefits Expenses                           | 160,532          | 140,956          |
| Depreciation, Amortisation, Impairment               | 24,900           | 19,255           |
| Payment to IJB                                       | 59,629           | 52,973           |
| Other Service Expenses                               | 132,510          | 130,161          |
| Interest Payments                                    | 14,628           | 15,060           |
| (Gain) or Loss on the Disposal of Assets             | (67)             | 11,726           |
| <b>Total Expenditure</b>                             | <b>392,132</b>   | <b>370,131</b>   |
| <b>Income</b>  |                  |                  |
| Fees, Charges and Other Service Income               | (21,038)         | (24,833)         |
| Payment from IJB                                     | (59,629)         | (52,973)         |
| Income from Council Tax                              | (33,050)         | (32,238)         |
| Government Grants and Contributions                  | (256,828)        | (251,049)        |
| <b>Total Income</b>                                  | <b>(370,545)</b> | <b>(361,093)</b> |
| <b>(Surplus)/Deficit on the Provision of Service</b> | <b>21,587</b>    | <b>9,038</b>     |

## Segmental Income

Income received on a segmental basis is analysed below:

|   | 2021-2022          | 2020-2021          |
|---|--------------------|--------------------|
|   | <b>Income from</b> | <b>Income from</b> |
|   | <b>Services</b>    | <b>Services</b>    |
| <b>Services</b>                                   | <b>£000</b>        | <b>£000</b>        |
| Education   | (25,359)           | (23,293)           |
| Communities                                       | (1,269)            | (478)              |
| Environment & Regeneration                        | (19,066)           | (16,220)           |
| Health & Social Care                              | (85,191)           | (84,187)           |
| Policy & Resources                                | (26,846)           | (26,725)           |
| <b>Total Income Analysed on a Segmental Basis</b> | <b>(157,731)</b>   | <b>(150,903)</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*.

| 2020-2021         |                  |                 |  | 2021-2022         |                  |                  |
|-------------------|------------------|-----------------|--|-------------------|------------------|------------------|
| Gross Expenditure | Gross Income     | Net Expenditure |  | Gross Expenditure | Gross Income     | Net Expenditure  |
| £000              | £000             | £000            |  | £000              | £000             | £000             |
| 111,995           | (17,457)         | 94,538          | Education  | 125,770           | (18,246)         | 107,524          |
| 9,128             | (474)            | 8,654           | Communities  | 10,623            | (1,269)          | 9,354            |
| 42,572            | (10,893)         | 31,679          | Environment & Regeneration   | 48,642            | (13,578)         | 35,064           |
| 141,609           | (84,187)         | 57,422          | Health & Social Care   | 152,332           | (85,191)         | 67,141           |
| 41,656            | (25,943)         | 15,713          | Policy & Resources   | 44,324            | (26,222)         | 18,102           |
| <b>346,960</b>    | <b>(138,954)</b> | <b>208,006</b>  | <b>Cost of Services</b>  | <b>381,691</b>    | <b>(144,506)</b> | <b>237,185</b>   |
|                   |                  | 11,726          | Other Operating Expenditure and (Income) - (Gain)/Loss on disposal of non-current assets |                   |                  | (67)             |
|                   |                  | 15,060          | Financing and Investment (Income) and Expenditure (Note 4)                               |                   |                  | 14,628           |
|                   |                  | (225,754)       | Taxation and Non-specific Grant Income (Note 5)  |                   |                  | (230,159)        |
|                   |                  | <b>9,038</b>    | <b>(Surplus) or Deficit on the Provision of Services</b>                                 |                   |                  | <b>21,587</b>    |
|                   |                  | (65,911)        | (Surplus) or deficit on the revaluation of non current assets                            |                   |                  | (9,217)          |
|                   |                  | 5,896           | Impairment losses on non-current assets charged to the Revaluation Reserve               |                   |                  | 0                |
|                   |                  | 753             | Remeasurement of the net defined benefit pensions liability (Note 16)                    |                   |                  | (93,855)         |
|                   |                  | <b>(59,262)</b> | <b>Other Comprehensive (Income) and Expenditure</b>                                      |                   |                  | <b>(103,072)</b> |
|                   |                  | <b>(50,224)</b> | <b>Total Comprehensive (Income) and Expenditure</b>                                      |                   |                  | <b>(81,485)</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 2021    |                              |      | 31 March 2022    |
|------------------|------------------------------|------|------------------|
| Restated         |                              | Note | £000             |
| £000             |                              |      | £000             |
| 541,776          | Property, Plant & Equipment  | 7    | 547,526          |
| 18,060           | Heritage Assets              | 10   | 18,060           |
| 66               | Intangible Assets            |      | 33               |
| 377              | Long-term Debtors            | 11   | 311              |
| <b>560,279</b>   | <b>Non-current Assets</b>    |      | <b>565,930</b>   |
| 24,556           | Short-term Investments       | 20   | 14,600           |
| 375              | Assets Held for Sale         | 8    | 0                |
| 371              | Inventories                  |      | 394              |
| 18,494           | Short-term Debtors           | 11   | 28,301           |
| 14,515           | Cash and Cash Equivalents    | 12   | 18,192           |
| <b>58,311</b>    | <b>Current Assets</b>        |      | <b>61,487</b>    |
| (12,093)         | Short-term Borrowing         | 20   | (9,590)          |
| (41,542)         | Short-term Creditors         | 13   | (52,774)         |
| (969)            | Short-term Provisions        | 14   | (271)            |
| (1,621)          | Short-term Finance Leases    | 15   | (1,505)          |
| <b>(56,225)</b>  | <b>Current Liabilities</b>   |      | <b>(64,140)</b>  |
| (189,457)        | Long-term Borrowing          | 20   | (181,832)        |
| (3,170)          | Government Grants Deferred   |      | (5,231)          |
|                  | Other Long-term Liabilities: |      |                  |
| (57,375)         | Finance Leases               | 15   | (55,910)         |
| (98,972)         | Pensions                     | 16   | (25,428)         |
| <b>(348,974)</b> | <b>Long-term Liabilities</b> |      | <b>(268,401)</b> |
| <b>213,391</b>   | <b>Net Assets</b>            |      | <b>294,876</b>   |
| 52,197           | Usable Reserves              | 3    | 48,067           |
| 161,194          | Unusable Reserves            | 18   | 246,809          |
| <b>213,391</b>   | <b>Total Reserves</b>        |      | <b>294,876</b>   |

**Alan Puckrin C.P.F.A**  
Interim Director, Finance and Corporate Governance

Issued on: 28 June 2022

# 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 2022

|   | Usable Reserves      |   |              |                        |                |                       | Unusable Reserves | Total Reserves of the Council |
|---|----------------------|---|--------------|------------------------|----------------|-----------------------|-------------------|-------------------------------|
|   | General Fund Balance | Capital Grants and Receipts Unapplied Account | Capital Fund | Repairs & Renewal Fund | Insurance Fund | Total Usable Reserves |                   |                               |
|   | £000                 | £000  | £000         | £000                   | £000           | £000                  | £000              | £000                          |
| <b>Balance at 31 March 2021 Carried Forward</b>                                   | <b>42,812</b>        | <b>1,409</b>                                  | <b>546</b>   | <b>3,227</b>           | <b>4,203</b>   | <b>52,197</b>         | <b>161,194</b>    | <b>213,391</b>                |
| <b>Movement in Reserves during 2021-2022</b>                                      |                      |   |              |                        |                |                       |                   |                               |
| Total Comprehensive Income & Expenditure  | (21,587)             | 0   | 0            | 0                      | 0              | (21,587)              | 103,072           | 81,485                        |
| Adjustments between Accounting Basis and Funding Basis under Regulations (Note 2) | 17,728               | (609)   | 0            | 0                      | 0              | 17,119                | (17,119)          | 0                             |
| <b>Net Increase or (Decrease) before Transfers to Other Statutory Reserves</b>    | <b>(3,859)</b>       | <b>(609)</b>                                  | <b>0</b>     | <b>0</b>               | <b>0</b>       | <b>(4,468)</b>        | <b>85,953</b>     | <b>81,485</b>                 |
| Transfers (to) and from Other Statutory Reserves                                  | 156                  | 0   | (390)        | 142                    | 430            | 338                   | (338)             | 0                             |
| <b>Increase or (Decrease) in the Year</b>   | <b>(3,703)</b>       | <b>(609)</b>                                  | <b>(390)</b> | <b>142</b>             | <b>430</b>     | <b>(4,130)</b>        | <b>85,615</b>     | <b>81,485</b>                 |
| <b>Balance at 31 March 2022 Carried Forward</b>                                   | <b>39,109</b>        | <b>800</b>                                    | <b>156</b>   | <b>3,369</b>           | <b>4,633</b>   | <b>48,067</b>         | <b>246,809</b>    | <b>294,876</b>                |

## Comparative Figures for Year ended 31 March 2021 Restated

|   | 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  | (9,038)              | 0   | 0            | 0                      | 0              | (9,038)               | 59,262            | 50,224                        |
| Adjustments between Accounting Basis and Funding Basis under Regulations (Note 2) | 14,072               | 291   | 0            | 0                      | 0              | 14,363                | (14,363)          | 0                             |
| <b>Net Increase or (Decrease) before Transfers to Other Statutory Reserves</b>    | <b>5,034</b>         | <b>291</b>                                    | <b>0</b>     | <b>0</b>               | <b>0</b>       | <b>5,325</b>          | <b>44,899</b>     | <b>50,224</b>                 |
| Transfers (to) and from Other Statutory Reserves                                  | (205)                | 0   | 201          | (111)                  | 316            | 201                   | (201)             | 0                             |
| <b>Increase or (Decrease) in the Year</b>   | <b>4,829</b>         | <b>291</b>                                    | <b>201</b>   | <b>(111)</b>           | <b>316</b>     | <b>5,526</b>          | <b>44,698</b>     | <b>50,224</b>                 |
| <b>Balance at 31 March 2021 Carried Forward</b>                                   | <b>42,812</b>        | <b>1,409</b>                                  | <b>546</b>   | <b>3,227</b>           | <b>4,203</b>   | <b>52,197</b>         | <b>161,194</b>    | <b>213,391</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.

| 2020-2021<br>£000 |  | 2021-2022<br>£000 |
|-------------------|--|-------------------|
| (9,038)           | Net surplus or (deficit) on the provision of services  | (21,587)          |
| 51,973            | Adjustments to net surplus or (deficit) on the provision of services for non-cash movements (Note 26)              | 47,975            |
|                   | Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and |                   |
| (9,625)           | financing activities (Note 26)   | (159)             |
| <b>33,310</b>     | <b>Net cash inflow from Operating Activities (Note 26)</b>   | <b>26,229</b>     |
| (31,429)          | Investing Activities (Note 27)   | (10,958)          |
| (16,634)          | Financing Activities (Note 28)   | (11,594)          |
| <b>(14,753)</b>   | <b>Net increase or (decrease) in cash and cash equivalents</b>   | <b>3,677</b>      |
| 29,268            | Cash and cash equivalents at the beginning of the reporting period   | 14,515            |
| <b>14,515</b>     | <b>Cash and cash equivalents at the end of the reporting period (Note 12)</b>                                      | <b>18,192</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 2020-2021 are provided in an additional table for the purposes of comparison.

| 2021-2022   | Usable Reserves   |  | Corresponding Adjustments to Unusable Reserves |                          |                                    |  |   |   |
|---|---|--|--|--------------------------|------------------------------------|--|---|---|
|   | Adjustments to Comprehensive Income & Expenditure<br>£000 | Adjustment to Capital Grants and Receipts Unapplied Account (Usable Reserve)<br>£000 | Revaluation Reserve<br>£000                    | Pensions Reserve<br>£000 | Capital Adjustment Account<br>£000 | Financial Instruments Adjustment Account<br>£000 | Employee Statutory Adjustment Account<br>£000 | Net Movement in Unusable Reserves<br>£000 |
| Charges for depreciation and impairment of non-current assets   | 24,867  |  |  |                          | (24,867)                           |  |   | (24,867)                                  |
| Amortisation of intangible assets   | 33  |  |  |                          | (33)                               |  |   | (33)                                      |
| Capital grants and contributions applied  | (11,974)  | (609)  |  |                          | 12,583                             |  |   | 12,583                                    |
| Capital expenditure charged in-year to the General Fund balance.  | (5,508)   |  |  |                          | 5,508                              |  |   | 5,508                                     |
| Net gain or (loss) on non-current asset disposals   | (67)  |  |  |                          | 67                                 |  |   | 67  |
| Statutory provision for the principal repayment of loan charges   | (9,856)   |  |  |                          | 9,856                              |  |   | 9,856                                     |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements                             | (99)  |  |  |                          |                                    | 99   |   | 99  |
| Reversal of items relating to retirement benefits debited or credited to the CIES (see note 16)   | 35,406  |  |  | (35,406)                 |                                    |  |   | (35,406)                                  |
| Employers' pension contributions payable in the year  | (15,094)  |  |  | 15,094                   |                                    |  |   | 15,094                                    |
| Amount by which employees' remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements | 20  |  |  |                          |                                    |  | (20)  | (20)                                      |
| <b>Total Adjustments</b>  | <b>17,728</b>   | <b>(609)</b>   | <b>0</b>                                       | <b>(20,312)</b>          | <b>3,114</b>                       | <b>99</b>  | <b>(20)</b>                                   | <b>(17,119)</b>                           |

# Notes to the Principal Financial Statements

## Comparative Information 2020-2021 Restated

| 2020-2021   | Usable Reserves   |  | Corresponding Adjustments to Unusable Reserves |                          |                                    |  |   |   |
|---|---|--|--|--------------------------|------------------------------------|--|---|---|
|   | Adjustments to Comprehensive Income & Expenditure<br>£000 | Adjustment to Capital Grants and Receipts Unapplied Account (Usable Reserve)<br>£000 | Revaluation Reserve<br>£000                    | Pensions Reserve<br>£000 | Capital Adjustment Account<br>£000 | Financial Instruments Adjustment Account<br>£000 | Employee Statutory Adjustment Account<br>£000 | Net Movement in Unusable Reserves<br>£000 |
| Charges for depreciation and impairment of non-current assets   | 19,206  |  |  |                          | (19,206)                           |  |   | (19,206)                                  |
| Amortisation of intangible assets   | 49  |  |  |                          | (49)                               |  |   | (49)                                      |
| Capital grants and contributions applied  | (9,812)   | 291  |  |                          | 9,521                              |  |   | 9,521                                     |
| 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   | 11,726  |  |  |                          | (11,726)                           |  |   | (11,726)                                  |
| 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>14,072</b>   | <b>291</b>   | <b>0</b>                                       | <b>(10,144)</b>          | <b>(3,950)</b>                     | <b>98</b>  | <b>(367)</b>                                  | <b>(14,363)</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<br>1 April<br>2020 | Transfers<br>Out<br>2020-2021 | Transfers<br>In<br>2020-2021 | Balance at<br>31 March<br>2021 | Transfers<br>Out<br>2021-2022 | Transfers<br>In<br>2021-2022 | Balance at<br>31 March<br>2022 |
|---|-------------------------------|-------------------------------|------------------------------|--------------------------------|-------------------------------|------------------------------|--------------------------------|
|   | £000                          | £000                          | £000                         | £000                           | £000                          | £000                         | £000                           |
| <b>Earmarked Reserves:</b>                                  |                               |                               |                              |                                |                               |                              |                                |
| Digital Strategy  | 338                           | (144)                         | 0                            | 194                            | (34)                          | 0                            | 160                            |
| School Estate Management Plan                               | 668                           | (15,179)                      | 14,728                       | 217                            | (15,174)                      | 15,223                       | 266                            |
| Contribution to Riverside Inverclyde                        | 126                           | (57)                          | 0                            | 69                             | (69)                          | 0                            | 0                              |
| Miscellaneous Policy & Resources Committee Reserves         | 1,399                         | (1,530)                       | 1,118                        | 987                            | (140)                         | 700                          | 1,547                          |
| Miscellaneous Environment & Regeneration Committee Reserves | 1,396                         | (1,145)                       | 649                          | 900                            | (269)                         | 0                            | 631                            |
| City Deal   | 1,026                         | (500)                         | 345                          | 871                            | 0                             | 345                          | 1,216                          |
| Renewal of Clune Park Area                                  | 2,294                         | (40)                          | 90                           | 2,344                          | (107)                         | 90                           | 2,327                          |
| Asset Management Plan                                       | 168                           | (786)                         | 760                          | 142                            | (142)                         | 0                            | 0                              |
| Spend to Save   | 477                           | (477)                         | 0                            | 0                              | 0                             | 0                            | 0                              |
| Major Events 2019-2021                                      | 140                           | (140)                         | 0                            | 0                              | 0                             | 0                            | 0                              |
| Community Fund  | 159                           | (67)                          | 0                            | 92                             | (52)                          | 0                            | 40                             |
| Early Retiral/Voluntary Severance Reserve                   | 3,113                         | (1,621)                       | 0                            | 1,492                          | (49)                          | 30                           | 1,473                          |
| Job Recovery Plan   | 0                             | 0                             | 3,210                        | 3,210                          | (133)                         | 0                            | 3,077                          |
| Jobs Refresh  | 0                             | 0                             | 2,201                        | 2,201                          | (2,161)                       | 0                            | 40                             |
| ECOD - COVID Reserves                                       | 0                             | 0                             | 5,257                        | 5,257                          | (5,099)                       | 2,465                        | 2,623                          |
| ERR - COVID Reserves  | 0                             | 0                             | 1,078                        | 1,078                          | (697)                         | 975                          | 1,356                          |
| P&R - COVID Reserves  | 0                             | 0                             | 480                          | 480                            | (322)                         | 2,180                        | 2,338                          |
| Covid Contingency   | 0                             | 0                             | 1,409                        | 1,409                          | (1,409)                       | 0                            | 0                              |
| Revenue Contribution to Capital Programme                   | 6,058                         | (719)                         | 0                            | 5,339                          | (5,339)                       | 2,776                        | 2,776                          |
| Miscellaneous Education & Communities Reserves              | 1,058                         | (745)                         | 1,045                        | 1,358                          | (598)                         | 120                          | 880                            |
| Vehicle Replacement Programme                               | 178                           | (1,081)                       | 1,162                        | 259                            | (1,274)                       | 1,015                        | 0                              |
| Equal Pay   | 821                           | (621)                         | 0                            | 200                            | 0                             | 0                            | 200                            |
| Youth Employment  | 455                           | (102)                         | 0                            | 353                            | (173)                         | 0                            | 180                            |
| Repopulating/Promoting Inverclyde                           | 530                           | (265)                         | 0                            | 265                            | (8)                           | 0                            | 257                            |
| Beacon Arts Centre  | 87                            | 0                             | 0                            | 87                             | 0                             | 0                            | 87                             |
| Temporary Use of Reserves - Revenue Budget                  | 3,000                         | (3,000)                       | 0                            | 0                              | 0                             | 0                            | 0                              |
| Anti Poverty Fund   | 1,144                         | (274)                         | 126                          | 996                            | (571)                         | 763                          | 1,188                          |
| Loans Charges Reserve                                       | 4,150                         | (3,384)                       | 0                            | 766                            | (1,500)                       | 1,071                        | 337                            |
| Support with Energy Bill Costs                              | 0                             | 0                             | 0                            | 0                              | 0                             | 3,000                        | 3,000                          |
| Budget Funding Reserves                                     | 0                             | 0                             | 5,050                        | 5,050                          | (1,050)                       | 2,000                        | 6,000                          |
| Climate Change  | 500                           | (200)                         | 0                            | 300                            | (69)                          | 0                            | 231                            |
| Early Years Funding   | 2,043                         | (1,302)                       | 1,781                        | 2,522                          | (2,235)                       | 1,705                        | 1,992                          |
| Employability/Business Support                              | 600                           | (105)                         | 154                          | 649                            | (516)                         | 0                            | 133                            |
| Resilience/Insurance Claims                                 | 750                           | (750)                         | 0                            | 0                              | 0                             | 0                            | 0                              |
| <b>Total Earmarked Reserves</b>                             | <b>32,678</b>                 | <b>(34,234)</b>               | <b>40,643</b>                | <b>39,087</b>                  | <b>(39,190)</b>               | <b>34,458</b>                | <b>34,355</b>                  |

# Notes to the Principal Financial Statements

|                                    | Balance at<br>1 April<br>2020<br>£000 | Transfers<br>Out<br>2020-2021<br>£000 | Transfers<br>In<br>2020-2021<br>£000 | Balance at<br>31 March<br>2021<br>£000 | Transfers<br>Out<br>2021-2022<br>£000 | Transfers<br>In<br>2021-2022<br>£000 | Balance at<br>31 March<br>2022<br>£000 |
|------------------------------------|---------------------------------------|---------------------------------------|--------------------------------------|--|---------------------------------------|--------------------------------------|--|
| <b>Total Earmarked Reserves</b>    | <b>32,678</b>                         | <b>(34,234)</b>                       | <b>40,643</b>                        | <b>39,087</b>                          | <b>(39,190)</b>                       | <b>34,458</b>                        | <b>34,355</b>                          |
| Non-earmarked balance              | 5,305                                 | (1,580)                               | 0                                    | 3,725                                  | 0                                     | 1,029                                | 4,754                                  |
| <b>Total General Fund Balance</b>  | <b>37,983</b>                         | <b>(35,814)</b>                       | <b>40,643</b>                        | <b>42,812</b>                          | <b>(39,190)</b>                       | <b>35,487</b>                        | <b>39,109</b>                          |
| Capital Fund                       | 345                                   | 0                                     | 201                                  | 546                                    | (390)                                 | 0                                    | 156                                    |
| Repairs & Renewal Fund             | 3,338                                 | (111)                                 | 0                                    | 3,227                                  | 0                                     | 142                                  | 3,369                                  |
| Insurance Fund                     | 3,887                                 | 0                                     | 316                                  | 4,203                                  | 0                                     | 430                                  | 4,633                                  |
| Capital Receipts Unapplied Account | 1,118                                 | 0                                     | 291                                  | 1,409                                  | (609)                                 | 0                                    | 800                                    |
| <b>Total Usable Reserves</b>       | <b>46,671</b>                         | <b>(35,925)</b>                       | <b>41,451</b>                        | <b>52,197</b>                          | <b>(40,189)</b>                       | <b>36,059</b>                        | <b>48,067</b>                          |

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

|   | 2021-2022<br>£000 | 2020-2021<br>£000 |
|---|-------------------|-------------------|
| Interest payable and similar charges:                 |                   |                   |
| - Schools' Public Private Partnership finance lease   | 4,696             | 4,739             |
| - Other interest payments and similar charges         | 7,976             | 8,226             |
| Net interest on the defined benefit pension liability | 2,160             | 2,239             |
| Interest receivable and similar income                | (204)             | (144)             |
| <b>Total</b>  | <b>14,628</b>     | <b>15,060</b>     |

## Note 5 Taxation and Non-specific Grant Income

|   | 2021-2022<br>£000 | 2020-2021<br>£000 |
|---|-------------------|-------------------|
| Income from Council Tax                     | (33,050)          | (32,238)          |
| Distribution from Non-Domestic Rates pool   | (12,019)          | (13,118)          |
| General Revenue Grant                       | (173,116)         | (170,586)         |
| Recognised Capital Grants and contributions | (11,974)          | (9,812)           |
| <b>Total</b>                                | <b>(230,159)</b>  | <b>(225,754)</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 2021-2022:

|  | 2021-2022        | 2020-2021        |
|--|------------------|------------------|
|  | £000             | £000             |
| <b>Credited to Taxation and Non-specific Grant Income</b>              |                  |                  |
| General Revenue Grant  | (167,618)        | (171,485)        |
| Distribution from Non-Domestic Rates pool                              | (17,516)         | (13,118)         |
| General Capital Grant (excludes amounts directly credited to Services) | (6,818)          | (6,290)          |
| Capital Grants   | (5,015)          | (2,999)          |
| <b>Credited to Services</b>  |                  |                  |
| Housing Benefit  | (23,111)         | (23,964)         |
| Housing Benefit Administration   | (360)            | (374)            |
| Other Housing  | (928)            | (1,987)          |
| Community Service Grant  | (1,139)          | (294)            |
| Social Work  | (3,546)          | (3,695)          |
| Regeneration   | (505)            | 0                |
| Resource Transfer  | (11,999)         | (11,999)         |
| Roads  | (85)             | 0                |
| Education  | (16,158)         | (13,911)         |
| Employability  | 18               | (84)             |
| Covid  | (808)            | (1,151)          |
| Other  | (1,241)          | (208)            |
| <b>Total</b>   | <b>(256,829)</b> | <b>(251,559)</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.

|  | 2021-2022  | 2020-2021  |
|--|------------|------------|
|  | £000       | £000       |
| Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year. | 265        | 260        |
|  | <b>265</b> | <b>260</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.

# Notes to the Principal Financial Statements

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

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

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end. The Council 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.



# Notes to the Principal Financial Statements

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

## Movement on Balances

The movements on balances for Property, Plant & Equipment (PPE) are shown in the following table. Figures for 2020-2021 are provided in an additional table below for the purposes of comparison.

## Movements in 2021-2022

|  | Other Land & Buildings<br>£000 | Vehicles, Plant & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Surplus Assets not for Sale<br>£000 | Assets Under Construction<br>£000 | Schools PPP Assets<br>£000 | Total PPE<br>£000 |
|--|--------------------------------|-------------------------------------|-------------------------------|--------------------------|-------------------------------------|-----------------------------------|----------------------------|-------------------|
| <b>Cost or Valuation</b>                       |                                |                                     |                               |                          |                                     |                                   |                            |                   |
| At 1 April 2021                                | 373,184                        | 26,643                              | 99,904                        | 699                      | 4,060                               | 10,620                            | 96,340                     | <b>611,450</b>    |
| Additions in year                              | 8,626                          | 1,509                               | 4,786                         | 106                      | 286                                 | 6,267                             | 21                         | <b>21,601</b>     |
| Disposals in year*                             | 0                              | (1,327)                             | (20)                          | 0                        | (202)                               |                                   | 0                          | <b>(1,549)</b>    |
| Revaluation adjustments to Revaluation Reserve | 4,404                          |                                     | 412                           |                          | 0                                   | 2,068                             | 214                        | <b>7,098</b>      |
| Revaluation adjustments to CIES                |                                |                                     |                               |                          |                                     |                                   |                            | <b>0</b>          |
| Reclassifications to/from Held for Sale        |                                |                                     |                               |                          |                                     |                                   |                            | <b>0</b>          |
| Other reclassifications                        | 7,413                          |                                     | 117                           |                          |                                     | (7,530)                           |                            | <b>0</b>          |
| <b>At 31 March 2022</b>                        | <b>393,627</b>                 | <b>26,825</b>                       | <b>105,199</b>                | <b>805</b>               | <b>4,144</b>                        | <b>11,425</b>                     | <b>96,575</b>              | <b>638,600</b>    |
| <b>Depreciation and Impairment</b>             |                                |                                     |                               |                          |                                     |                                   |                            |                   |
| At 1 April 2021                                | 23,016                         | 17,156                              | 28,314                        | 507                      | 681                                 | 0                                 | 0                          | <b>69,674</b>     |
| Depreciation charge for the year               | 16,512                         | 2,288                               | 3,110                         | 0                        | 6                                   | 1                                 | 2,949                      | <b>24,866</b>     |
| Impairment losses to Revaluation Reserve       | 0                              | 0                                   |                               | 0                        | 0                                   |                                   |                            | <b>0</b>          |
| Impairment losses to CIES                      | 0                              |                                     | 0                             | 0                        |                                     |                                   |                            | <b>0</b>          |
| Depreciation on disposals                      | 0                              | (1,327)                             | (20)                          | 0                        | 0                                   |                                   | 0                          | <b>(1,347)</b>    |
| On Revaluations to Revaluation Reserve         | (2,119)                        | 0                                   |                               | 0                        | 0                                   |                                   | 0                          | <b>(2,119)</b>    |
| On Revaluations to CIES                        |                                |                                     |                               |                          |                                     |                                   |                            | <b>0</b>          |
| Reclassifications to/from Held for Sale        |                                |                                     |                               |                          |                                     |                                   |                            | <b>0</b>          |
| Other reclassifications                        |                                |                                     |                               |                          |                                     | 0                                 |                            | <b>0</b>          |
| <b>At 31 March 2022</b>                        | <b>37,409</b>                  | <b>18,117</b>                       | <b>31,404</b>                 | <b>507</b>               | <b>687</b>                          | <b>1</b>                          | <b>2,949</b>               | <b>91,074</b>     |
| <b>Balance Sheet amount at 31 March 2022</b>   | <b>356,218</b>                 | <b>8,708</b>                        | <b>73,795</b>                 | <b>298</b>               | <b>3,457</b>                        | <b>11,424</b>                     | <b>93,626</b>              | <b>547,526</b>    |
| <b>Balance Sheet amount at 31 March 2021</b>   | <b>350,168</b>                 | <b>9,487</b>                        | <b>71,590</b>                 | <b>192</b>               | <b>3,379</b>                        | <b>10,620</b>                     | <b>96,340</b>              | <b>541,776</b>    |
| <b>Nature of asset holding</b>                 |                                |                                     |                               |                          |                                     |                                   |                            |                   |
| Owned  | 338,648                        | 8,708                               | 73,779                        | 295                      | 3,325                               | 11,424                            | 0                          | <b>436,179</b>    |
| Managed properties                             | 17,570                         | 0                                   | 16                            | 3                        | 130                                 | 0                                 | 0                          | <b>17,719</b>     |
| PPP  | 0                              | 0                                   | 0                             | 0                        | 0                                   | 0                                 | 93,626                     | <b>93,626</b>     |

\* The Fixed Asset Register was reviewed as part of the 5 yearly revaluation process in 2020-2021, and a number of historic assets and components were identified. This resulted in disposals of £10.9m in 2020/21 to remove these from the balance sheet. A prior year adjustment has not been made due to the inability to identify specific dates for these historic assets.

# Notes to the Principal Financial Statements

## Comparative Movements in 2020-2021

|  | Other Land & Buildings<br>£000 | Vehicles, Plant & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Surplus Assets not for Sale<br>£000 | Assets Under Construction<br>£000 | Schools PPP Assets<br>£000 | Total PPE<br>£000 |
|--|--------------------------------|-------------------------------------|-------------------------------|--------------------------|-------------------------------------|-----------------------------------|----------------------------|-------------------|
| <b>Cost or Valuation</b>                       |                                |                                     |                               |                          |                                     |                                   |                            |                   |
| At 1 April 2020                                | 386,263                        | 23,103                              | 91,308                        | 542                      | 3,482                               | 6,446                             | 90,673                     | 601,817           |
| Additions in year                              | 6,286                          | 4,154                               | 2,990                         | 69                       | 300                                 | 2,938                             | 4                          | 16,741            |
| Disposals in year                              | (14,125)                       | (614)                               | (84)                          | (110)                    | (1,009)                             |                                   | (165)                      | (16,107)          |
| Revaluation adjustments to Revaluation Reserve | 256                            |                                     | 2,684                         |                          | 231                                 |                                   | 5,828                      | 8,999             |
| Revaluation adjustments to CIES                |                                |                                     |                               |                          |                                     |                                   |                            | 0                 |
| Reclassifications to/from Held for Sale        |                                |                                     |                               |                          |                                     |                                   |                            | 0                 |
| Other reclassifications*                       | (5,496)                        |                                     | 3,006                         | 198                      | 1,056                               | 1,236                             |                            | 0                 |
| <b>At 31 March 2021</b>                        | <b>373,184</b>                 | <b>26,643</b>                       | <b>99,904</b>                 | <b>699</b>               | <b>4,060</b>                        | <b>10,620</b>                     | <b>96,340</b>              | <b>611,450</b>    |
| <b>Depreciation and Impairment</b>             |                                |                                     |                               |                          |                                     |                                   |                            |                   |
| At 1 April 2020                                | 55,342                         | 15,921                              | 25,333                        | 280                      | 0                                   | 0                                 | 8,622                      | 105,498           |
| Depreciation charge for the year               | 11,260                         | 1,661                               | 2,980                         | 23                       | 2                                   |                                   | 2,148                      | 18,074            |
| Impairment losses to Revaluation Reserve       | 4,647                          | 185                                 |                               | 220                      | 844                                 |                                   |                            | 5,896             |
| Impairment losses to CIES                      | 1,111                          |                                     | 1                             | 19                       |                                     |                                   |                            | 1,131             |
| Depreciation on disposals                      | (3,327)                        | (569)                               |                               | (1)                      | (11)                                |                                   | (106)                      | (4,014)           |
| On Revaluations to Revaluation Reserve         | (46,017)                       | (42)                                |                               | (34)                     | (154)                               |                                   | (10,664)                   | (56,911)          |
| On Revaluations to CIES                        |                                |                                     |                               |                          |                                     |                                   |                            | 0                 |
| Reclassifications to/from Held for Sale        |                                |                                     |                               |                          |                                     |                                   |                            | 0                 |
| Other reclassifications*                       |                                |                                     |                               |                          |                                     | 0                                 |                            | 0                 |
| <b>At 31 March 2021</b>                        | <b>23,016</b>                  | <b>17,156</b>                       | <b>28,314</b>                 | <b>507</b>               | <b>681</b>                          | <b>0</b>                          | <b>0</b>                   | <b>69,674</b>     |
| <b>Balance Sheet amount at 31 March 2021</b>   | <b>350,168</b>                 | <b>9,487</b>                        | <b>71,590</b>                 | <b>192</b>               | <b>3,379</b>                        | <b>10,620</b>                     | <b>96,340</b>              | <b>541,776</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  | 333,039                        | 9,487                               | 71,573                        | 192                      | 3,249                               | 10,620                            |                            | 428,160           |
| Managed Properties                             | 17,129                         |                                     | 17                            |                          | 130                                 |                                   |                            | 17,276            |
| PPP  |                                |                                     |                               |                          |                                     |                                   | 96,340                     | 96,340            |

# Notes to the Principal Financial Statements

## Commitments under Capital Contracts

At 31 March 2022, 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 £4.859 million. Similar contracts at 31 March 2021 were £6.302 million. The major capital commitments include:

|                                  | £000 |
|----------------------------------|------|
| Cemetery Redevelopment           | 798  |
| Cremator Replacement             | 755  |
| Gourock Primary School Extension | 773  |

## 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 2022, the Council had no assets held for sale (31 March 2021 £0.375 million).

|   | 31 March 2022 | 31 March 2021 |
|---|---------------|---------------|
|   | £000          | £000          |
| <b>Opening Balance at 1 April</b>                                       | 375           | 375           |
| Disposals   | (375)         | 0             |
| Assets newly classified as "held for sale": Property, Plant & Equipment | 0             | 0             |
| Revaluation adjustments to Revaluation Reserve                          | 0             | 0             |
| <b>Closing Balance at 31 March</b>                                      | <b>0</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.

|   | 2021-2022       | 2020-2021       |
|---|-----------------|-----------------|
|   | £000            | £000            |
| <b>Opening Capital Financing Requirement</b>                      | 291,832         | 302,232         |
| Capital Investment:   |                 |                 |
| ~ Capital Expenditure   | 21,602          | 16,797          |
| ~ Leased equipment and Schools PPP assets                         | 0               | 0               |
| <b>Total Capital Investment for the year</b>                      | <b>21,602</b>   | <b>16,797</b>   |
| Sources of Finance:   |                 |                 |
| ~ Capital receipts from the sale of assets                        | (307)           | (166)           |
| ~ Government grants and other contributions                       | (12,583)        | (9,521)         |
| ~ Capital from current revenue                                    | (5,508)         | (3,533)         |
| ~ Loans Fund principal repayment (including finance leases & PPP) | (9,856)         | (13,977)        |
| <b>Total Capital Financing for the year</b>                       | <b>(28,254)</b> | <b>(27,197)</b> |
| <b>Closing Capital Financing Requirement</b>                      | <b>285,180</b>  | <b>291,832</b>  |

|  | 2021-2022      | 2020-2021       |
|--|----------------|-----------------|
|  | £000           | £000            |
| <b>Explanation of movements in the year:</b>                 |                |                 |
| ~ Increase/(Reduction) in underlying need to borrow          | (5,071)        | (8,703)         |
| ~ Increase/(Reduction) in finance leases obligations         | 0              | 0               |
| ~ Increase/(Reduction) in PPP finance lease creditor         | (1,581)        | (1,697)         |
| <b>Increase/(Reduction) in Capital Financing Requirement</b> | <b>(6,652)</b> | <b>(10,400)</b> |

# Notes to the Principal Financial Statements

## 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. It is intended to progress a valuation in 2022/23. 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

|                   | 2021-2022     | 2020-2021     |
|-------------------|---------------|---------------|
|                   | Total Assets  | Total Assets  |
|                   | £000          | £000          |
| Valuation or Cost |               |               |
| 1 April           | 18,060        | 18,059        |
| Revaluations      | 0             | 0             |
| Additions         | 0             | 1             |
| <b>31 March</b>   | <b>18,060</b> | <b>18,060</b> |

# Notes to the Principal Financial Statements

## Note 11 Debtors

|   | 31 March 2022 |               |           |            | 31 March 2021 |               |           |            |
|---|---------------|---------------|-----------|------------|---------------|---------------|-----------|------------|
|   | Short-term    |               | Long-term |            | Short-term    |               | Long-term |            |
|   | £000          | £000          | £000      | £000       | £000          | £000          | £000      | £000       |
| <b>Scottish Government (including NHS bodies)</b>         |               | <b>20,724</b> |           | <b>0</b>   |               | <b>11,396</b> |           | <b>0</b>   |
| <b>Central Government bodies</b>                          |               | <b>1,830</b>  |           | <b>0</b>   |               | <b>1,631</b>  |           | <b>0</b>   |
| <b>Other Local Authorities</b>                            |               | <b>2,721</b>  |           | <b>0</b>   |               | <b>1,377</b>  |           | <b>0</b>   |
| Council Tax receivable from taxpayers                     | 17,855        |               | 0         |            | 17,676        |               | 0         |            |
| Impairment allowance for doubtful debts                   | (16,509)      |               | 0         |            | (16,002)      |               | 0         |            |
| <b>Council Tax (net of impairment)</b>                    |               | <b>1,346</b>  |           | <b>0</b>   |               | <b>1,674</b>  |           | <b>0</b>   |
| Trade debtors   | 7,342         |               | 0         |            | 5,905         |               | 0         |            |
| Impairment allowance for doubtful debts                   | (5,715)       |               | 0         |            | (5,511)       |               | 0         |            |
| <b>Trade Debtors (net of impairment)</b>                  |               | <b>1,627</b>  |           | <b>0</b>   |               | <b>394</b>    |           | <b>0</b>   |
| Other entities and individuals                            | 53            |               | 311       |            | 2,022         |               | 377       |            |
| Impairment allowance for doubtful debts                   | 0             |               | 0         |            | 0             |               | 0         |            |
| <b>Other entities and individuals (net of impairment)</b> |               | <b>53</b>     |           | <b>311</b> |               | <b>2,022</b>  |           | <b>377</b> |
| <b>Totals for Short-term and Long-term Debtors</b>        |               | <b>28,301</b> |           | <b>311</b> |               | <b>18,494</b> |           | <b>377</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 loan has been written off in 2021/22. In March 2016, the Council made a £0.6 million loan to Inverclyde Leisure. This is shown within 'other entities and individuals (net of impairment)'.

## Note 12 Cash and Cash Equivalents

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

|   | 31 March 2022 | 31 March 2021 |
|---|---------------|---------------|
|   | £000          | £000          |
| Cash held by the Council  | 5             | 5             |
| Bank current accounts   | 18,187        | 14,510        |
| Deposits up to three months with UK Banks, Building Societies and Local Authorities | 0             | 0             |
| <b>Total Cash and Cash Equivalents</b>  | <b>18,192</b> | <b>14,515</b> |



# Notes to the Principal Financial Statements

## Note 13 Creditors

### Short Term Creditors

|  | 31 March<br>2022<br>£000 | 31 March<br>2021<br>£000 |
|--|--------------------------|--------------------------|
| Scottish Government (including NHS bodies) | (27,765)                 | (17,451)                 |
| Central Government bodies                  | (3,901)                  | (3,652)                  |
| Other Local Authorities                    | (420)                    | (221)                    |
| Trade Creditors                            | (19,662)                 | (19,085)                 |
| Public Corporations                        | (499)                    | (606)                    |
| Other Entities & Individuals               | (527)                    | (527)                    |
| <b>Total Short-term Creditors</b>          | <b>(52,774)</b>          | <b>(41,542)</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 2021-2022

|  | Balance at<br>1 April 2021<br>£000 | Additional<br>Provisions<br>made in 2021-<br>2022<br>£000 | Amounts<br>used in<br>2021-2022<br>£000 | Unused<br>amounts<br>written back<br>in 2021-2022<br>£000 | Balance at<br>31 March<br>2022<br>£000 |
|--|------------------------------------|---|---|---|--|
| Compensation Payments (note 1)             | (28)                               |   | 28                                      |   | 0                                      |
| Municipal Mutual Insurance Claims (note 2) | (335)                              |   | 64                                      |   | (271)                                  |
| Council Tax Provision - LTE (note 3)       | (606)                              |   | 606                                     |   | 0                                      |
| <b>Total Short-term Provisions</b>         | <b>(969)</b>                       | <b>0</b>  | <b>698</b>                              | <b>0</b>  | <b>(271)</b>                           |

### Notes

1. For the 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. This is now included within Creditors figures in note 13.

## 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 2022 (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          |
|---|--|------------------------|------------------|---------------|----------------|
|   | Estimated Inflation  | Contingent Rentals     |                  |               |                |
|   | £000   | £000                   | £000             | £000          | £000           |
| Not later than 1 year                           | 3,801  | 2,003                  | 3,424            | 1,346         | 10,574         |
| Later than 1 year and not later than 5 years    | 15,290   | 9,878                  | 12,342           | 6,688         | 44,198         |
| Later than 5 years and not later than 10 years  | 23,257   | 14,166                 | 11,835           | 10,429        | 59,687         |
| Later than 10 years and not later than 15 years | 27,232   | 17,809                 | 7,109            | 13,008        | 65,158         |
| Later than 15 years and not later than 20 years | 16,671   | 13,559                 | 1,321            | 8,810         | 40,361         |
| Payable within 21 to 25 years                   | 0  | 0                      | 0                | 0             | 0              |
| <b>Total</b>                                    | <b>86,251</b>  | <b>57,415</b>          | <b>36,031</b>    | <b>40,281</b> | <b>219,978</b> |

### Fair Value of Liability

The treasury advisor to Inverclyde Council has assessed the fair value of the lease liability as £77.1 million. The impact of a 1% increase in the discount factor is assessed at £6.2 million and would reduce the fair value to £70.9 million. More information on the assessment of fair values is available in Note 20 Financial Instruments.

### Liabilities from PPP Arrangements

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

|   | 2021-2022     | 2020-2021     |
|---|---------------|---------------|
|   | £000          | £000          |
| <b>Balance outstanding at the start of the year</b> | 58,996        | 60,693        |
| Payments during the year                            | (1,581)       | (1,697)       |
| Capital expenditure incurred in the year            | 0             | 0             |
| <b>Balance outstanding at year-end</b>              | <b>57,415</b> | <b>58,996</b> |
| Included in Balance Sheet                           |               |               |
| ~ Current   | 1,505         | 1,621         |
| ~ Non-current                                       | 55,910        | 57,375        |
|   | <b>57,415</b> | <b>58,996</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.

# Notes to the Principal Financial Statements

- 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 2021-2022 and the prior year 2020-2021.

# Notes to the Principal Financial Statements

|  | 31 March<br>2022 | 31 March<br>2021 |
|--|------------------|------------------|
|  | £000             | £000             |
| <b>Comprehensive Income &amp; Expenditure Statement (CIES)</b>   |                  |                  |
| <i>Cost of Services:</i>   |                  |                  |
| <i>Service Cost comprising:</i>  |                  |                  |
| ~ Current service cost   | 32,727           | 22,239           |
| ~ Past service costs (including curtailments)  | 519              | 3                |
| ~ Unfunded benefits  | 0                | 0                |
| <i>Financing and Investment Income and Expenditure:</i>  |                  |                  |
| ~ Net interest expense   | 2,160            | 2,239            |
| <b>Total Post-employment Benefit charged to (Surplus) or Deficit on the Provision of Services</b>  | <b>35,406</b>    | <b>24,481</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   | (38,991)         | (129,079)        |
| ~ Actuarial (gains) or losses arising on changes in demographic assumptions  | (4,767)          | (16,560)         |
| ~ Actuarial (gains) or losses arising on changes in financial assumptions  | (51,293)         | 153,512          |
| ~ Actuarial (gains) or losses arising on changes in experience assumptions   | 1,196            | (7,120)          |
| <b>Total Post-employment Benefit Charged to the CIES</b>   | <b>(93,855)</b>  | <b>753</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 | 108,949          | 13,584           |
| <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>15,094</b>    | <b>14,337</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<br>2022 | 31 March<br>2021 |
|--|------------------|------------------|
|  | £000             | £000             |
| Present value of the defined benefit obligation*                                     | (763,271)        | (785,114)        |
| Fair value of pension fund assets  | 737,842          | 686,142          |
| <b>Net Liability arising from Defined Benefit Obligation</b>                         | <b>(25,429)</b>  | <b>(98,972)</b>  |
| <i>*Unfunded liabilities included in the figure for present value of liabilities</i> |                  |                  |
| ~ unfunded liabilities for Pension Fund  | (22,353)         | (23,670)         |
| ~ teachers' unfunded pensions  | (13,272)         | (14,762)         |
| ~ unfunded liabilities prior to 1996 local government reorganisation                 | (4,421)          | (5,180)          |

# 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:

|  | 2021-2022        | 2020-2021        |
|--|------------------|------------------|
|  | £000             | £000             |
| <b>Opening balance at 1 April</b>                                  | (785,114)        | (655,856)        |
| Current service cost   | (32,727)         | (22,239)         |
| Interest cost  | (15,873)         | (15,273)         |
| Contributions by Pension Fund participants                         | (3,896)          | (3,760)          |
| Re-measurement gains and (losses)                                  |                  |                  |
| ~ Actuarial gains/(losses) from changes in demographic assumptions | 4,767            | 16,560           |
| ~ Actuarial gains/(losses) from changes in financial assumptions   | 51,293           | (153,512)        |
| ~ Actuarial gains/(losses) from changes in experience assumptions  | (1,196)          | 28,685           |
| Past service costs (including curtailments)                        | (519)            | (3)              |
| Settlements  | 0                | 0                |
| Benefits paid  | 19,994           | 20,284           |
| <b>Closing balance at 31 March</b>                                 | <b>(763,271)</b> | <b>(785,114)</b> |

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

|  | 2021-2022      | 2020-2021      |
|--|----------------|----------------|
|  | £000           | £000           |
| <b>Opening fair value of pension fund assets</b> | 686,142        | 567,781        |
| Interest income                                  | 13,713         | 13,034         |
| Re-measurement gains and (losses):               |                |                |
| ~ other experience                               | 0              | (21,565)       |
| ~ expected rate of return on pension fund assets | 38,991         | 129,079        |
| The effect of changes in foreign exchange rates  | 0              | 0              |
| Contributions from employers                     | 15,094         | 14,337         |
| Contributions from employees into the scheme     | 3,896          | 3,760          |
| Benefits paid                                    | (19,994)       | (20,284)       |
| <b>Closing fair value of pension fund assets</b> | <b>737,842</b> | <b>686,142</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 2022 comprised:

|                          | 31 March 2022                         |   |                | 31 March 2021                         |  |                |
|--------------------------|---------------------------------------|---|----------------|---------------------------------------|--|----------------|
|                          | Quoted Prices<br>in Active<br>Markets | Prices not<br>Quoted in Active<br>Markets | Totals         | Quoted Prices<br>in Active<br>Markets | Prices not Quoted<br>in Active Markets | Totals         |
|                          | £000                                  | £000                                      | £000           | £000                                  | £000                                   | £000           |
|                          |                                       |   |                |                                       |  |                |
| Cash and cash equivalent | 18,526                                | 249                                       | 18,775         | 11,054                                | 465                                    | 11,519         |
| Equity instruments       | 162,227                               | 351                                       | 162,578        | 160,255                               | 737                                    | 160,992        |
| Debt instruments         | 0                                     | 0   | 0              | 0                                     | 0                                      | 0              |
| Real Estate              | 0                                     | 62,225                                    | 62,225         | 0                                     | 55,592                                 | 55,592         |
| Derivatives              | 0                                     | 0   | 0              | 124                                   | 0                                      | 124            |
| Private Equity           | 0                                     | 144,443                                   | 144,443        | 0                                     | 122,724                                | 122,724        |
| Investment Funds         | 4,093                                 | 345,728                                   | 349,821        | 6,457                                 | 328,734                                | 335,191        |
| Asset-backed Securities  | 0                                     | 0   | 0              | 0                                     | 0                                      | 0              |
| Structured Debt          | 0                                     | 0   | 0              | 0                                     | 0                                      | 0              |
| <b>Total assets</b>      | <b>184,846</b>                        | <b>552,996</b>                            | <b>737,842</b> | <b>177,890</b>                        | <b>508,252</b>                         | <b>686,142</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 2.7%) 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 2022. 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.

|   | 2021-2022 | 2020-2021 |
|---|-----------|-----------|
| Rate of increase in salaries                                      | 3.90%     | 3.55%     |
| Rate of increase in pensions                                      | 3.20%     | 2.85%     |
| Rate for discounting Fund liabilities                             | 2.7%      | 2.0%      |
| 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   | 19.6      | 19.8      |
| ~ Women   | 22.4      | 22.6      |
| Longevity at 65 for future pensioners (years):                    |           |           |
| ~ Men   | 21.0      | 21.2      |
| ~ Women   | 24.5      | 24.7      |



## **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 2023 is £12.507 million.

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

# Notes to the Principal Financial Statements

## Note 17 Post-employment Benefits: Teachers

The Scottish Teachers' Pension Scheme is administered directly by the Scottish Government and is technically a "defined benefit scheme. However the scheme is unfunded and the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. In this Statement of Accounts, it is therefore accounted for on the same basis as a "defined contribution" scheme. As a proportion of the total contributions into the teachers' pension scheme, the Council's own contributions equated to approximately 0.87% during the year ended 31 March 2021. The actual contributions for the year ended 31 March 2022 will not be published until October 2022, however the Council assumes that the percentage contribution will be similar to 31 March 2021.

In 2021-2022, Inverclyde Council paid £8.544 million in respect of teachers' retirement benefits, representing 23.0% of pensionable pay. The figures for 2020-2021 were £8.080 million and 22.7%.

## 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<br>2022 | 31 March<br>2021<br>Restated |
|--|------------------|------------------------------|
|  | £000             | £000                         |
| Revaluation Reserve                      | 201,557          | 192,509                      |
| Capital Adjustment Account               | 78,881           | 75,936                       |
| Financial Instruments Adjustment Account | (3,936)          | (4,035)                      |
| Pensions Reserve                         | (25,428)         | (98,971)                     |
| Employee Statutory Adjustment Account    | (4,265)          | (4,245)                      |
| <b>Balance at 31 March</b>               | <b>246,809</b>   | <b>161,194</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.

|   | 2021-2022      | 2020-2021      |
|---|----------------|----------------|
|   | £000           | £000           |
| <b>Balance at 1 April</b>   | 192,509        | 147,276        |
| Revaluation of non-current assets not posted to the Surplus or (Deficit) on the Provision of Services                 | 7,097          | 9,000          |
| Difference between fair value depreciation and historical cost depreciation written off to Capital Adjustment Account | (169)          | (14,782)       |
| Impairments Charged to Revaluation Reserve Account  | 0              | (5,896)        |
| Depreciation on revaluations to Revaluation Reserve   | 2,120          | 56,911         |
| Write back Depreciation on Disposal   | 0              | 0              |
| <b>Balance at 31 March</b>  | <b>201,557</b> | <b>192,509</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.

|   | 2021-2022     | 2020-2021        |
|---|---------------|------------------|
|   | £000          | Restated<br>£000 |
| <b>Balance at 1 April</b>   | 75,936        | 65,305           |
| Items relating to capital expenditure charged to CIES:  |               |                  |
| ~ Charges for depreciation and impairment of non-current assets                                     | (24,900)      | (19,255)         |
| ~ Disposals of non-current assets   | (578)         | (12,093)         |
| Transfers from Revaluation Reserve  | 169           | 14,782           |
| Capital financing applied in the year:  |               |                  |
| ~ Use of the Capital Receipts Reserve to finance new capital expenditure                            | 307           | 166              |
| ~ Capital grants and contributions credited to the CIES that have been applied to capital financing | 12,583        | 9,521            |
| ~ Loans Fund principal repayments   | 9,856         | 13,977           |
| ~ Capital financed from current revenue   | 5,508         | 3,533            |
| <b>Balance at 31 March</b>  | <b>78,881</b> | <b>75,936</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.

# Notes to the Principal Financial Statements

|   | 2021-2022      | 2020-2021      |
|---|----------------|----------------|
|   | £000           | £000           |
| <b>Balance at 1 April</b>   | (4,035)        | (4,133)        |
| 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>(3,936)</b> | <b>(4,035)</b> |

## Movement on Balances – Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Pensions Reserve shows a significant shortfall in the benefits earned by past and current employees and the Council's share of Strathclyde Pension Fund resources available to meet them. The triennial review by the Pension Fund in 2020 set employer's contribution rates for Inverclyde Council at 19.3% for the period 1 April 2021 to 31 March 2024.

|  | 2021-2022       | 2020-2021       |
|--|-----------------|-----------------|
|  | £000            | £000            |
| <b>Balance at 1 April</b>  | (98,971)        | (88,074)        |
| Actuarial gains or (losses) on pension assets and liabilities  | 93,855          | (753)           |
| Reversal of items relating to net charges for retirement benefits charged to Surplus or (Deficit) on the Provision of Services in the CIES | (35,406)        | (24,481)        |
| Employers' pension contributions paid to Strathclyde Pension Fund  | 15,094          | 14,337          |
| <b>Balance at 31 March</b>   | <b>(25,428)</b> | <b>(98,971)</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.

|   | 2021-2022      | 2020-2021      |
|---|----------------|----------------|
|   | £000           | £000           |
| <b>Balance at 1 April</b>   | (4,245)        | (3,878)        |
| Settlement or cancellation of accrual made at the end of the preceding year | 4,245          | 3,878          |
| Amounts accrued at the end of the current year                              | (4,265)        | (4,245)        |
| <b>Balance at 31 March</b>  | <b>(4,265)</b> | <b>(4,245)</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.

# Notes to the Principal Financial Statements

## Operating Leases

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

## The Council as Lessor

### Operating Leases

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

## Operating Leases, Inverclyde Council as Lessee

The Council leases various properties as tenant on a variety of lease terms that are accounted for as operating leases. The rentals in 2021-2022 were £0.043 million (2020-2021: £0.171 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 2022         | 31 March 2021 |
|   | £000                  | £000          |
| Not later than one year                           | 40                    | 118           |
| Later than one year and not later than five years | 148                   | 122           |
| Later than five years                             | 336                   | 327           |
|   | <u>524</u>            | <u>567</u>    |

## Operating Leases, Inverclyde Council as Lessor

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

The rental income receivable in 2021-2022 was £0.790 million (2020-2021 £0.798 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 2022            | 31 March 2021 |
|   | £000                     | £000          |
| Not later than one year                           | 745                      | 785           |
| Later than one year and not later than five years | 1,203                    | 1,087         |
| Later than five years                             | 1,659                    | 1,119         |
|   | <u>3,607</u>             | <u>2,991</u>  |

## Note 20 Financial Instruments

### Fair Value Measurement

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

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

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

## Financial Assets

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

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

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

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

## Expected Credit Loss Model

The authority recognises expected credit losses on all its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors), lease receivables and contract assets held by the authority. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment (Income) and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

## Financial Liabilities

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

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

# Notes to the Principal Financial Statements

## Categories of Financial Instruments

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

| Financial Assets                                 | Non-Current   |               | Current       |               |
|--|---------------|---------------|---------------|---------------|
|  | 31 March 2022 | 31 March 2021 | 31 March 2022 | 31 March 2021 |
|  | £000          | £000          | £000          | £000          |
| <b>Investments</b>                               |               |               |               |               |
| Loans and receivables                            | 0             | 0             | 14,600        | 24,556        |
| <b>Cash and Cash Equivalents</b>                 |               |               |               |               |
| Cash and Cash Equivalents                        | 0             | 0             | 18,192        | 14,515        |
| <b>Debtors</b>                                   |               |               |               |               |
| Loans and receivables (note 1)                   | 311           | 377           | 23,767        | 14,292        |
| <b>Borrowings</b>                                |               |               |               |               |
| Financial Liabilities at amortised cost          | (181,832)     | (189,457)     | (9,590)       | (12,093)      |
| <b>Other Long Term Liabilities</b>               |               |               |               |               |
| PPP and finance lease liabilities                | (55,910)      | (57,375)      | (1,505)       | (1,621)       |
| <b>Creditors</b>                                 |               |               |               |               |
| Financial Liabilities at amortised cost (note 2) | 0             | 0             | (19,610)      | (22,031)      |

## Notes

1. Of the items on the Balance Sheet, Short-term Loans and Receivables net of £4.534 million (2020-2021 £4.202m) are not regarded as Financial Instruments.
2. Of the items on the Balance Sheet, Short-term Financial Liabilities net of £33.164 million (2020-2021 £19.511m) are not regarded as Financial Instruments.

## Reclassifications

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

## Collateral

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

## Income, Expense, Gains and Losses

There was interest expenditure of £7.729 million (2020-2021 £8.059 million) and interest income of £0.100 million (2020-2021 £0.105 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 2022   |               | 31 March 2021   |               |
|---|-----------------|---------------|-----------------|---------------|
|   | Carrying Amount | Fair Value    | Carrying Amount | Fair Value    |
|   | £000            | £000          | £000            | £000          |
| Loans and receivables - deposits with banks       | 14,600          | 14,600        | 24,556          | 24,563        |
| Loans and receivables - cash and cash equivalents | 18,192          | 18,192        | 14,515          | 14,515        |
| Long-term debtors                                 | 311             | 311           | 377             | 377           |
| Short-term debtors (at cost)                      | 23,767          | 23,767        | 14,292          | 14,292        |
| <b>TOTAL</b>                                      | <b>56,870</b>   | <b>56,870</b> | <b>53,740</b>   | <b>53,747</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 2022   |                | 31 March 2021   |                |
|----------------------------------|-----------------|----------------|-----------------|----------------|
|                                  | Carrying Amount | Fair Value     | Carrying Amount | Fair Value     |
|                                  | £000            | £000           | £000            | £000           |
| Borrowing - PWLB & Non-PWLB Debt | 191,422         | 273,726        | 201,550         | 310,343        |
| School PPP Lease                 | 57,415          | 77,054         | 58,996          | 85,573         |
| Short-term creditors (at cost)   | 19,610          | 19,610         | 22,031          | 22,031         |
| <b>TOTAL</b>                     | <b>268,447</b>  | <b>370,390</b> | <b>282,577</b>  | <b>417,947</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.

# Notes to the Principal Financial Statements

|   | 31 March 2022                            | 31 March 2021                            |
|---|--|--|
|   | Level 2                                  | Level 2                                  |
|   | (Other Significant Observable<br>Inputs) | (Other Significant Observable<br>Inputs) |
|   | £000                                     | £000                                     |
| <i>Recurring fair value measurements using:</i> |  |  |
| <b>Financial Assets</b>                         |  |  |
| Loans & receivables                             | 14,600                                   | 24,563                                   |
| <b>Total</b>                                    | <b>14,600</b>                            | <b>24,563</b>                            |
| <b>Financial Liabilities</b>                    |  |  |
| Financial Liabilities held at amortised cost    |  |  |
| - PWLB & Non-PWLB Borrowings                    | 273,726                                  | 310,343                                  |
| - PPP Finance Lease Liabilities                 | 77,054                                   | 85,573                                   |
| <b>TOTAL</b>                                    | <b>350,780</b>                           | <b>395,916</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 2022
- 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 2022 and applying an annuity repayment profile using the PWLB new borrowing rate for a comparable period (18 years) at 31 March 2022.

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 £273.726 million to £337.395 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 £34.994 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 2022 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 £5.715 million (2020-2021 £5.511 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 £29.482 million of the £29.792 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<br>2022<br>£000 | 31 March<br>2021<br>£000 |
|------------------------|--------------------------|--------------------------|
| Less than three months | 28,170                   | 18,658                   |
| Three to six months    | 141                      | 182                      |
| Six months to one year | 322                      | 123                      |
| More than one year     | 849                      | 840                      |
|                        | <b>29,482</b>            | <b>19,803</b>            |

## Management of Liquidity Risk

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

# Notes to the Principal Financial Statements

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<br>2022<br>£000 | 31 March<br>2021<br>£000 |
|---|--------------------------|--------------------------|
| Less than one year                              | 31,213                   | 35,754                   |
| Later than 1 year and not later than 2 years    | 9,754                    | 9,628                    |
| Later than 2 years and not later than 5 years   | 7,704                    | 14,847                   |
| Later than 5 years and not later than 10 years  | 25,511                   | 24,995                   |
| Later than 10 years and not later than 30 years | 49,467                   | 52,517                   |
| Later than 30 years and not later than 50 years | 68,798                   | 69,176                   |
| Over fifty years                                | 76,000                   | 75,660                   |
|   | <b>268,447</b>           | <b>282,577</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 2022, with all other variables held constant.

|   | 31 March<br>2022<br>£000 | 31 March<br>2021<br>£000 |
|---|--------------------------|--------------------------|
| <b>Impact on taxpayer</b>   |                          |                          |
| Increase on interest payable on variable rate borrowings  | 594                      | 594                      |
| Increase in interest receivable on variable rate lending  | (350)                    | (406)                    |
| <b>Net effect on Comprehensive Income &amp; Expenditure Statement</b>                                     | <b>244</b>               | <b>188</b>               |
| <b>Other presentational changes</b>   |                          |                          |
| A decrease in the "fair value" of fixed rate borrowing (disclosure confined to the Notes to the Accounts) | (29,162)                 | (24,818)                 |
|   | <b>(29,162)</b>          | <b>(24,818)</b>          |

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

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

# Notes to the Principal Financial Statements

## Note 22 Related Parties

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

### The Scottish Government

The Scottish Government has significant influence over the general operations of the Council, being responsible for providing the statutory framework within which the Council operates. The Scottish Government also provides the majority of the Council's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (such as Council Tax bills and Housing Benefits). Grants received from the Scottish Government are disclosed in Note 5 Taxation and Non-specific Grant Income on pages 40-41.

### Elected Members

Elected Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021-2022 is shown on page 26 within the Remuneration Report. There are no other significant related party transactions with members of the Council. Elected Members are required to declare an interest if he or she believes that there may be a perception that their decision making may be influenced in any way by a personal interest. Should this arise, the relevant Member does not take part in any discussion or decision relating to that interest. The Register of Interests of each Member is available on the Councils' website <http://www.inverclyde.gov.uk/council-and-government/councillors/>.

### Senior Officers

Senior Officers, as listed within the Remuneration Report on page 23, are required to declare an interest if he or she believes that there may be a perception that their decision making may be influenced in any way by a personal interest. 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 subsidiaries, associates and other trading arrangements deemed to be a related party mainly through the Council's ability to exert influence over the entity through its representation on the respective Boards. The relevant transactions with the bodies are detailed below.

|  | 2021-2022                   |                                |                                |                                 | 2020-2021                   |                                |                                |                                 |
|--|-----------------------------|--------------------------------|--------------------------------|---------------------------------|-----------------------------|--------------------------------|--------------------------------|---------------------------------|
|  | 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)                        | 2,176                          | (179)                          | 1,047                           | (11)                        | 2,722                          | (22)                           | 1,349                           |
| Riverside Inverclyde Limited*1                   | (49)                        | 0                              | (1)                            | 55                              | (33)                        | 48                             | (49)                           | 5                               |
| Greenock Arts Guild Ltd (the Beacon Arts Centre) | 0                           | 185                            | 0                              | 2                               | 0                           | 215                            | (15)                           | 0                               |
| Inverclyde Community Development Trust           | 0                           | 347                            | (265)                          | 0                               | 0                           | 1,910                          | (272)                          | 0                               |
| River Clyde Homes                                | (26)                        | 632                            | (74)                           | 1                               | (40)                        | 636                            | (24)                           | 16                              |

### Notes:

\*1 Further details of these entities are disclosed in the Group Accounts Note 30 Combining Entities.  
Grants from government are disclosed in Note 5 Taxation and Non-specific Grant Income.

## **Inverclyde Integration Joint Board**

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

## **Strathclyde Pension Fund**

The Council is an admitted body to the local government pension scheme and has made payments as shown in Note 16 Defined Benefit Pension Schemes on pages 51-56.

## **Joint Boards**

The Council is a member of the Joint Boards for Valuation, Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme. The Council's contributions are disclosed in the Group Accounts Note 30 Combining Entities on pages 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 2021-2022 the Council collected £15.1 million and received £0.6 million to the Non-Domestic Rates pool (2020-2021 £11.1 million and £0.2 million). The Council also bills and collects domestic water and sewerage charges on behalf of Scottish Water with the Council Tax. During 2021-2022 the Council collected and paid over £12.669 million (2020-2021 £12.230 million) and received £0.282 million (2020-2021 £0.294 million) for providing this service.

The Council also acted as agent for a number of Covid related grants on behalf of the Scottish Government, £10.402m of such grants were paid out during 2021-22 with a further £0.414m received from the Scottish Government which has not been distributed as at 31<sup>st</sup> March 2022 and is carried as a Creditor at that date.

## **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.

# Notes to the Principal Financial Statements

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

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

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

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

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

The Council is unaware of any other material contingent asset or liability at 31 March 2022.

## 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 Interim Director, Finance and Corporate Governance issued the unaudited Statement of Accounts on 28 June 2022. There have been no material events after the balance sheet date which necessitate revision of figures in the financial statements or notes thereto including contingent assets or liabilities.



# Notes to the Principal Financial Statements

## Note 26 Cash Flow Statement – Operating Activities

|   | 2021-2022       | 2020-2021      |
|---|-----------------|----------------|
|   | £000            | £000           |
| <b>Net surplus or (deficit) on the Provision of Services</b>  | <b>(21,587)</b> | <b>(9,038)</b> |
| <b>Adjustments to net surplus or (deficit) on the provision of services for non-cash movements</b>  |                 |                |
| Depreciation, amortisation & impairment   | 24,900          | 19,255         |
| Net (gain) or loss on non-current assets  | (67)            | 11,726         |
| Movement in pension liability   | 20,312          | 10,144         |
| (Increase) or decrease in inventories   | (23)            | (28)           |
| (Increase) or decrease in debtors   | (9,741)         | (465)          |
| Increase or (decrease) in creditors and provisions  | 12,594          | 11,341         |
|   | <b>47,975</b>   | <b>51,973</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  | (115)           | (69)           |
| Non-cash investing movements  | (44)            | (9,556)        |
|   | <b>(159)</b>    | <b>(9,625)</b> |
| <b>Net cash flow from Operating Activities</b>  | <b>26,229</b>   | <b>33,310</b>  |

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

|  | 2021-2022       | 2020-2021       |
|--|-----------------|-----------------|
|  | £000            | £000            |
| Interest received                                  | 111             | 91              |
| Interest paid                                      | (8,358)         | (8,119)         |
| Interest element of finance lease and PPP payments | (4,696)         | (4,739)         |
| <b>Net cash flow from Servicing of Finance</b>     | <b>(12,943)</b> | <b>(12,767)</b> |

## Note 27 Cash Flow Statement – Investing Activities

|   | 2021-2022       | 2020-2021       |
|---|-----------------|-----------------|
|   | £000            | £000            |
| Purchase of property, plant and equipment and intangible assets           | (21,602)        | (16,797)        |
| Purchase of short-term and long-term investments                          | (15,000)        | (30,000)        |
| Other payments for investing activities                                   | 0               | 0               |
| Proceeds from sale of property, plant and equipment and intangible assets | 644             | 368             |
| Proceeds from short-term and long-term investments                        | 25,000          | 15,000          |
| Other receipts from investing activities                                  | 0               | 0               |
| <b>Net cash flows from investing activities</b>                           | <b>(10,958)</b> | <b>(31,429)</b> |

# Notes to the Principal Financial Statements

## Note 28 Cash Flow Statement – Financing Activities

|   | 2021-2022       | 2020-2021       |
|---|-----------------|-----------------|
|   | £000            | £000            |
| Cash receipts of short-term and long-term borrowing   | 23              | 115             |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases for schools PPP contracts | (1,581)         | (1,697)         |
| Repayment of short-term and long-term borrowing   | (10,036)        | (15,052)        |
| <b>Net cash flows from financing activities</b>   | <b>(11,594)</b> | <b>(16,634)</b> |

## Note 29 Reconciliation of Liabilities arising from Financing Activities

|  | 2020-2021      | Financing       | Non-cash changes |                        | 2021-2022      |
|--|----------------|-----------------|------------------|------------------------|----------------|
|  | 31 March       | cash flows      | Acquisition      | Other non-cash changes | 31 March       |
|  | £000           | £000            | £000             | £000                   | £000           |
| Long-term borrowings                               | 189,457        | (7,616)         | 0                | (9)                    | 181,832        |
| Short-term borrowings                              | 12,093         | (2,397)         | (23)             | (83)                   | 9,590          |
| PPP liability                                      | 58,996         | (1,581)         | 0                | 0                      | 57,415         |
| <b>Total liabilities from financing activities</b> | <b>260,546</b> | <b>(11,594)</b> | <b>(23)</b>      | <b>(92)</b>            | <b>248,837</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.

|   | 2021-2022     | 2020-2021     |
|---|---------------|---------------|
|   | £000          | £000          |
| Gross Council Tax levied and contributions in lieu        | 47,192        | 46,807        |
| Adjustment: Council Tax Reduction Scheme                  | (6,661)       | (6,899)       |
| Less:   |               |               |
| Other discounts and reductions                            | (6,455)       | (6,235)       |
| Write offs  | (6)           | (118)         |
| Impairment Allowance for doubtful debts                   | (1,027)       | (1,009)       |
| <b>Net Council Tax income</b>                             | <b>33,043</b> | <b>32,546</b> |
| Add/(Less) Prior years' Council Tax adjustments           | 7             | (308)         |
| <b>Net Council Tax income transferred to General Fund</b> | <b>33,050</b> | <b>32,238</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> |                  |                   |                                  | 31                                  | 10            | 0                 | 29                               | 8                            | 200/360              | 12                 |
| <b>Band A</b>  | 18,889           | 1,422             | 31                               | 24                                  | 8,909         | 461               | 15,011                           | 4,681                        | 240/360              | 6,887              |
| <b>Band B</b>  | 6,185            | 286               | 24                               | 11                                  | 2,912         | 80                | 5,123                            | 1,307                        | 280/360              | 2,968              |
| <b>Band C</b>  | 3,672            | 101               | 11                               | 14                                  | 1,400         | 35                | 3,210                            | 568                          | 320/360              | 2,348              |
| <b>Band D</b>  | 3,440            | 97                | 14                               | 27                                  | 1,184         | 40                | 3,038                            | 212                          | 360/360              | 2,826              |
| <b>Band E</b>  | 3,680            | 68                | 27                               | 13                                  | 943           | 43                | 3,342                            | 100                          | 473/360              | 4,260              |
| <b>Band F</b>  | 1,924            | 21                | 13                               | 6                                   | 368           | 13                | 1,799                            | 37                           | 585/360              | 2,863              |
| <b>Band G</b>  | 1,438            | 15                | 6                                | 0                                   | 227           | 13                | 1,353                            | 11                           | 705/360              | 2,628              |
| <b>Band H</b>  | 217              | 4                 | 0                                | 0                                   | 22            | 3                 | 206                              | 1                            | 882/360              | 502                |

\* 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             |
| <b>Total</b>                                 | <b>25,296</b> |
| Impairment Allowance for doubtful debt at 3% | (759)         |
| <b>Council Tax Base</b>                      | <b>24,537</b> |

# 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 2021-2022 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, whilst an increased charge of 100% was imposed on long term empty properties. Total exemptions are available if all the occupants are students, all occupants are under 18 years of age or if all of the occupants are severely mentally impaired.

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

## Non-Domestic Rates Income Account

The Non-Domestic Rates Income Account is an agent's statement that reflects the statutory obligation for billing Authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net Non-Domestic Rate income plus the contribution to the Council from the national Non-Domestic Rate pool is transferred to the Comprehensive Income & Expenditure Statement of the Council. The Business Rates Incentivisation Scheme (BRIS) was introduced from April 2012 and allows Councils that exceed their annual business rates target to retain 50% of any additional income. In accordance with guidance, the table below discloses this element of the Non-Domestic Rate income as "income retained by the Council". The local target set for 2021-2022 were temporarily suspended, the Council is not due any additional income for the year.

The amount deemed to be collected locally was £12.019m (£13.118m 2020-2021). The sum actually collected locally and contributed to the pool was £15.767m (£10.994m 2020-2021).

|  | 2021-2022     | 2020-2021     |
|--|---------------|---------------|
|  | £000          | £000          |
| Gross rates levied   | 27,603        | 27,716        |
| Relief and other remissions  | (11,180)      | (15,717)      |
| Payment of interest  | 0             | 0             |
| Provision for bad and doubtful debts   | (1,264)       | (846)         |
| <b>Net non-domestic rate income</b>  | <b>15,159</b> | <b>11,153</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                         | 608           | (159)         |
| <b>Net non-domestic rate income transferred to General Fund</b>                | <b>15,767</b> | <b>10,994</b> |

|                                   | 2021          | 2020          |
|-----------------------------------|---------------|---------------|
|                                   | £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 2021-2022 the charge was 49p in the £ for properties with a rateable value under £51,000. An intermediate rate of 50.3p 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 £.

# 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 2022. 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 2022

| 2020-2021<br>£000 |  | Usable Reserves:<br>Revenue<br>£000 | Unusable Reserves:<br>Revaluation Reserve<br>£000 | 2021-2022<br>Total<br>£000 |
|-------------------|--|-------------------------------------|---|----------------------------|
| 100               | Gross Expenditure                                      | 144                                 | 0   | 144                        |
| (47)              | Gross Income   | (118)                               | 0   | (118)                      |
| <b>53</b>         | <b>Cost of Service</b>                                 | <b>26</b>                           | <b>0</b>  | <b>26</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>53</b>         | <b>(Surplus) or Deficit on Provision of Services</b>   | <b>26</b>                           | <b>0</b>  | <b>26</b>                  |
|                   | <b>Other Income and Expenditure</b>                    |                                     |   |                            |
| (205)             | Unrealised gains on revaluation of land and buildings  | 0                                   | 0   | 0                          |
| <b>(152)</b>      |  | <b>26</b>                           | <b>0</b>  | <b>26</b>                  |
|                   | <b>Transfers between Reserves</b>                      |                                     |   |                            |
| 0                 | Transfer from Revaluation Reserve                      | (31)                                | 31  | 0                          |
| <b>(152)</b>      | <b>(Increase) or Decrease in the Year</b>              | <b>(5)</b>                          | <b>31</b>   | <b>26</b>                  |
| (1,304)           | Balance on Reserves brought forward                    | (101)                               | (1,355)   | (1,456)                    |
| <b>(1,456)</b>    | <b>Balance on Reserves carried forward</b>             | <b>(106)</b>                        | <b>(1,324)</b>                                    | <b>(1,430)</b>             |

## Balance Sheet at 31 March 2022

| 31 March 2021<br>£000 |  | Notes | 31 March 2022<br>£000 |
|-----------------------|--|-------|-----------------------|
|                       | <b>Non-current Assets</b>                        |       |                       |
| 1,355                 | Property, Plant & Equipment                      | 1     | 1,324                 |
|                       | <b>Current Assets</b>                            |       |                       |
| 2                     | Short-term investments                           |       | 2                     |
| 17                    | Short-term debtors                               |       | 3                     |
| 82                    | Deposits up to 3 months with Inverclyde Council  |       | 101                   |
|                       | <b>Current Liabilities</b>                       |       |                       |
| 0                     | Overdraft up to 3 months with Inverclyde Council |       | 0                     |
| <b>1,456</b>          | <b>Net Assets</b>                                |       | <b>1,430</b>          |
| 101                   | Usable Reserves: Revenue Reserve                 |       | 106                   |
| 1,355                 | Unusable Reserves: Revaluation Reserve           |       | 1,324                 |
| <b>1,456</b>          | <b>Total Reserves</b>                            |       | <b>1,430</b>          |

## Notes to the Common Good

### 1. Property, Plant & Equipment

|  | 2021-2022<br>Other Land<br>& Buildings<br>£000 | 2020-2021<br>Other Land<br>& Buildings<br>£000 |
|--|--|--|
| <b>Cost or Valuation</b>                               |  |  |
| At 1 April   | 1,702  | 1,589  |
| Disposals in year                                      | 0  | (102)  |
| Revaluation Adjustments to Revaluation Reserve         | 46   | 215  |
| Other reclassifications*                               | 0  | 0  |
| <b>At 31 March</b>                                     | <b>1,748</b>                                   | <b>1,702</b>                                   |
| <b>Depreciation and Impairment</b>                     |  |  |
| At 1 April   | 347  | 288  |
| Depreciation charge for the year                       | 77   | 59   |
| Depreciation on revaluation to the revaluation reserve | 0  | 0  |
| Other reclassifications*                               | 0  | 0  |
| <b>At 31 March</b>                                     | <b>424</b>                                     | <b>347</b>                                     |
| <b>Balance Sheet amount at 31 March</b>                | <b>1,324</b>                                   | <b>1,355</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 2021-2022 was £0.111 million (2020-2021 £0.111 million) and is included in the Summary Income & Expenditure Account. The rents receivable under non-cancellable leases in future years are shown in the table below. (These figures do not include rents that are contingent upon events taking place after the lease was entered into, such as adjustments following rent reviews).

|   | Future Rental Income Receivable |               |
|---|---------------------------------|---------------|
|   | 31 March 2022                   | 31 March 2021 |
|   | £000                            | £000          |
| Not later than one year                           | 117                             | 115           |
| Later than one year and not later than five years | 238                             | 276           |
| Later than five years                             | 312                             | 320           |
|   | <b>667</b>                      | <b>711</b>    |



# Trust Funds

The Council administers 4 trust funds, 1 of which is a registered Scottish charity. The funds do not represent assets of the Council and as such have not been included in the Council's Balance Sheet but are consolidated as part of the Group Accounts on Pages 78-85. The reserves of the trusts for 2021-2022 are as follows:

|  | 2021 - 2022    |                     |                      |                  | 2020-2021        |
|--|----------------|---------------------|----------------------|------------------|------------------|
|  | Income<br>£000 | Expenditure<br>£000 | Revaluations<br>£000 | Reserves<br>£000 | Reserves<br>£000 |
| <b>1. The Birkmyre Trust</b>   | 25             | 52                  | 220                  | 1,349            | 1,156            |
| 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>  | 2              | 4                   | 0                    | 57               | 59               |
| 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>  | 0              | 0                   | 0                    | 28               | 28               |
| For the promotion of recreational or other leisure activities for disabled persons in Inverclyde.                                      |                |                     |                      |                  |                  |
| <b>Total Trust Funds</b>   | <b>27</b>      | <b>56</b>           | <b>220</b>           | <b>1,491</b>     | <b>1,300</b>     |

# Group Comprehensive Income & Expenditure Statement

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

| 2020-2021         |                  |                 | 2021-2022  |                  |                  |
|-------------------|------------------|-----------------|--|------------------|------------------|
| Gross Expenditure | Gross Income     | Net Expenditure | Gross Expenditure  | Gross Income     | Net Expenditure  |
| £000              | £000             | £000            | £000   | £000             | £000             |
| 111,995           | (17,457)         | 94,538          | 125,770  | (18,246)         | 107,524          |
| 6,385             | 886              | 7,271           | 8,268  | (211)            | 8,057            |
| 42,572            | (10,893)         | 31,679          | 48,642   | (13,578)         | 35,064           |
| 141,609           | (84,187)         | 57,422          | 152,332  | (85,191)         | 67,141           |
| 41,656            | (25,943)         | 15,713          | 44,324   | (26,222)         | 18,102           |
| 5,117             | (2,678)          | 2,439           | 6,944  | (4,720)          | 2,224            |
| <b>349,334</b>    | <b>(140,272)</b> | <b>209,062</b>  | <b>386,280</b>   | <b>(148,168)</b> | <b>238,112</b>   |
|                   |                  |                 | <b>Cost of Services</b>  |                  |                  |
|                   |                  |                 | Other Operating Expenditure and (Income) -                                   |                  |                  |
|                   |                  | 11,726          | (Gain)/Loss on disposal of non-current assets                                |                  | (67)             |
|                   |                  | 15,060          | Financing and Investment (Income) and  |                  |                  |
|                   |                  |                 | Expenditure (Note 4)   |                  | 14,628           |
|                   |                  | (225,754)       | Taxation and Non-specific Grant  |                  |                  |
|                   |                  |                 | Income (Note 5)  |                  | (230,159)        |
|                   |                  | <b>10,094</b>   | <b>(Surplus) or Deficit on the Provision of Services</b>                     |                  | <b>22,514</b>    |
|                   |                  | (4,192)         | Share of the (surplus) or deficit on the provision of services by associates |                  |                  |
|                   |                  |                 | and joint ventures (Note 31)   |                  | (8,162)          |
|                   |                  | <b>5,902</b>    | <b>Group (Surplus) or Deficit</b>  |                  | <b>14,352</b>    |
|                   |                  | (65,911)        | (Surplus) or deficit on the revaluation of non current                       |                  |                  |
|                   |                  |                 | assets   |                  | (9,217)          |
|                   |                  | 5,896           | Impairment losses on non-current assets charged to the                       |                  |                  |
|                   |                  |                 | Revaluation Reserve  |                  | 0                |
|                   |                  | 753             | Remeasurement of the net defined benefit pensions                            |                  |                  |
|                   |                  |                 | liability (Note 16)  |                  | (93,855)         |
|                   |                  | (4)             | Share of other Comprehensive (Income) and Expenditure of associates          |                  |                  |
|                   |                  |                 | and joint ventures (Note 31)   |                  | (700)            |
|                   |                  | <b>(59,266)</b> | <b>Other Comprehensive (Income) &amp; Expenditure</b>                        |                  | <b>(103,772)</b> |
|                   |                  | <b>(53,364)</b> | <b>Total Comprehensive (Income) &amp; Expenditure</b>                        |                  | <b>(89,420)</b>  |

# Group Balance Sheet

The Balance Sheet is a snapshot of the value at the 31 March 2022 of the assets and liabilities recognised by the Council and of its share of the net assets or liabilities of its associates and joint ventures. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The net investment or liability in its associates and joint ventures is matched by its share of the reserves of the subsidiaries, associates and joint ventures (i.e. its group reserves).

31 March 2021

31 March 2022

| £000             |  | Note | £000             |
|------------------|--|------|------------------|
| 545,369          | Property, Plant & Equipment  |      | 550,973          |
| 18,060           | Heritage Assets  |      | 18,060           |
| 66               | Intangible Assets  |      | 33               |
| 27,233           | Investments in Associates  | 32   | 35,563           |
| 23               | Long-term Debtors  |      | 3                |
| <b>590,751</b>   | <b>Non-current Assets</b>  |      | <b>604,632</b>   |
| 24,617           | Short-term Investments   |      | 14,660           |
| 375              | Assets Held for Sale   |      | 0                |
| 379              | Inventories  |      | 407              |
| 17,967           | Short-term Debtors   |      | 28,427           |
| 15,025           | Cash and Cash Equivalents  |      | 19,180           |
| <b>58,363</b>    | <b>Current Assets</b>  |      | <b>62,674</b>    |
| (11,885)         | Short-term Borrowing   |      | (9,347)          |
| (41,721)         | Short-term Creditors   |      | (53,855)         |
| (969)            | Short-term Provisions  |      | (271)            |
| (1,621)          | Short-term Finance Leases  |      | (1,505)          |
| <b>(56,196)</b>  | <b>Current Liabilities</b>   |      | <b>(64,978)</b>  |
| 0                | Long-term Provisions   |      | 0                |
| (189,457)        | Long-term Borrowing  |      | (181,832)        |
| (376)            | Liabilities in Associates  | 32   | 0                |
| (3,170)          | Government Grants Deferred   |      | (5,231)          |
|                  | Other Long-term Liabilities:   |      |                  |
| (57,375)         | Finance Leases   |      | (55,910)         |
| (102,481)        | Pensions   |      | (26,556)         |
| <b>(352,859)</b> | <b>Long-term Liabilities</b>   |      | <b>(269,529)</b> |
| <b>240,059</b>   | <b>Net Assets/(Liabilities)</b>                                      |      | <b>332,799</b>   |
| 52,197           | Usable Reserves of the Council                                       |      | 48,067           |
| 161,194          | Unusable Reserves of the Council                                     |      | 246,809          |
|                  | Usable Reserves, Share of Reserves of Subsidiaries, Associates and   |      |                  |
| 15,511           | Joint Ventures   |      | 22,427           |
|                  | Unusable Reserves, Share of Reserves of Subsidiaries, Associates and |      |                  |
| 11,157           | Joint Ventures   |      | 15,496           |
| <b>240,059</b>   | <b>Total Reserves</b>  |      | <b>332,799</b>   |

Alan Puckrin C.P.F.A  
Interim Director, Finance and Corporate Governance

Issued on: 28 June 2022

# Group Movement in Reserves Statement

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

## Year Ended 31 March 2022

|   | Council Usable Reserves      |                                |                          |                               | Council Unusable Reserves<br>£000 | Share of Subsidiaries, Associates & Joint Ventures Usable Reserves<br>£000 | Share of Subsidiaries, Associates & Joint Ventures Unusable Reserves<br>£000 | Total Group Reserves<br>£000 |
|---|------------------------------|--------------------------------|--------------------------|-------------------------------|-----------------------------------|--|--|------------------------------|
|   | General Fund Balance<br>£000 | Other Revenue Reserves<br>£000 | Capital Reserves<br>£000 | Total Usable Reserves<br>£000 |                                   |  |  |                              |
| Balance at 31 March 2021  | 43,977                       | 7,430                          | 1,955                    | 53,362                        | 160,029                           | 15,511   | 11,157   | 240,059                      |
| Restatement due to change in % share in 2021-2022                                   | 42,812                       | 7,430                          | 1,955                    | 52,197                        | 161,194                           | 15,456   | 11,058   | 239,905                      |
| <b>Movement in Reserves during 2021-2022</b>  |                              |                                |                          |                               |                                   |  |  |                              |
| Surplus or (Deficit) on Provision of Services                                       | (21,587)                     |                                |                          | (21,587)                      | 103,072                           | 6,934  | 1,203  | 89,622                       |
| Other Comprehensive (Expenditure) and Income  |                              |                                |                          |                               | 0                                 | 73   | 3,199  | 3,272                        |
| <b>Total Comprehensive (Expenditure) and Income</b>                                 | <b>(21,587)</b>              | <b>0</b>                       | <b>0</b>                 | <b>(21,587)</b>               | <b>103,072</b>                    | <b>7,007</b>   | <b>4,402</b>   | <b>92,894</b>                |
| Adjustments between Accounting Basis and Funding Basis under Regulations (Note 2)   | 17,728                       |                                | (609)                    | 17,119                        | (17,119)                          | 138  | (138)  | 0                            |
| <b>Net Increase or (Decrease) before Transfers to/from Other Statutory Reserves</b> | <b>(3,859)</b>               | <b>0</b>                       | <b>(609)</b>             | <b>(4,468)</b>                | <b>85,953</b>                     | <b>7,145</b>   | <b>4,264</b>   | <b>92,894</b>                |
| Transfers (to) and from Other Statutory Reserves                                    | 156                          | 572                            | (390)                    | 338                           | (338)                             | (174)  | 174  | 0                            |
| <b>Increase or (Decrease) in the Year</b>   | <b>(3,703)</b>               | <b>572</b>                     | <b>(999)</b>             | <b>(4,130)</b>                | <b>85,615</b>                     | <b>6,971</b>   | <b>4,438</b>   | <b>92,894</b>                |
| Balance at 31 March 2022 Carried Forward  | 39,109                       | 8,002                          | 956                      | 48,067                        | 246,809                           | 22,427   | 15,496   | 332,799                      |

## Comparative Figures for Year ended 31 March 2021 Restated

|   | Council Usable Reserves      |                                |                          |                               | Council Unusable Reserves<br>£000 | Share of Subsidiaries, Associates & Joint Ventures Usable Reserves<br>£000 | Share of Subsidiaries, Associates & Joint Ventures Unusable Reserves<br>£000 | Total Group Reserves<br>£000 |
|---|------------------------------|--------------------------------|--------------------------|-------------------------------|-----------------------------------|--|--|------------------------------|
|   | General Fund Balance<br>£000 | Other Revenue Reserves<br>£000 | Capital Reserves<br>£000 | Total Usable Reserves<br>£000 |                                   |  |  |                              |
| Balance at 31 March 2020  | 37,983                       | 7,225                          | 1,463                    | 46,671                        | 116,496                           | 11,374   | 14,003   | 188,544                      |
| Restatement due to change in % share in 2020-2021                                   | 37,983                       | 7,225                          | 1,463                    | 46,671                        | 116,496                           | 11,792   | 12,989   | 187,948                      |
| <b>Movement in Reserves during 2020-2021</b>  |                              |                                |                          |                               |                                   |  |  |                              |
| Surplus or (Deficit) on Provision of Services                                       | (9,038)                      |                                |                          | (9,038)                       |                                   | 3,323  | 225  | (5,490)                      |
| Other Comprehensive (Expenditure) and Income  |                              |                                |                          |                               | 59,262                            | 482  | (2,146)  | 57,598                       |
| <b>Total Comprehensive (Expenditure) and Income</b>                                 | <b>(9,038)</b>               | <b>0</b>                       | <b>0</b>                 | <b>(9,038)</b>                | <b>59,262</b>                     | <b>3,805</b>   | <b>(1,921)</b>   | <b>52,108</b>                |
| Adjustments between Accounting Basis and Funding Basis under Regulations (Note 2)   | 14,072                       |                                | 291                      | 14,363                        | (14,363)                          | (86)   | 89   | 3                            |
| <b>Net Increase or (Decrease) before Transfers to/from Other Statutory Reserves</b> | <b>5,034</b>                 | <b>0</b>                       | <b>291</b>               | <b>5,325</b>                  | <b>44,899</b>                     | <b>3,719</b>   | <b>(1,832)</b>   | <b>52,111</b>                |
| Transfers (to) and from Other Statutory Reserves                                    | (205)                        | 205                            | 201                      | 201                           | (201)                             | 0  |  | 0                            |
| <b>Increase or (Decrease) in the Year</b>   | <b>4,829</b>                 | <b>205</b>                     | <b>492</b>               | <b>5,526</b>                  | <b>44,698</b>                     | <b>3,719</b>   | <b>(1,832)</b>   | <b>52,111</b>                |
| Balance at 31 March 2021 Carried Forward  | 42,812                       | 7,430                          | 1,955                    | 52,197                        | 161,194                           | 15,511   | 11,157   | 240,059                      |

## Note 30 Combining Entities

Inverclyde Council is represented on the Board of a number of organisations. The extent of the Council's controlling interest has been reviewed in determining those entities that should be consolidated and incorporated within the Group Accounts. Those organisations which have a significant impact on the Council's operations are listed below. The accounting period for all of these bodies is the year to 31 March 2022. In addition to the information included in the Group Accounts on the preceding pages, the accounting regulations require specific disclosures about the combining entities and the nature of their business. The Group Accounts on pages 78 to 85 combine the results of the Council with its share of its associates.

### Associates

#### Strathclyde Partnership for Transport

This is the statutory body responsible for formulating the public transport policy for the 12 local authorities in the former Strathclyde Region area. In 2021-2022, Inverclyde Council contributed £1.243 million or 3.47% (2020-2021 £1.243 million) of the Partnership's estimated running costs and its share of the year-end net asset of £16.786 million (2020-2021 £15.497 million) is included in the Group Balance Sheet. The audited accounts of the Board can be obtained from the Treasurer to Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow G2 5JF.

#### Strathclyde Concessionary Travel Scheme Joint Board

This Travel Scheme comprises the 12 Councils within the former Strathclyde Region area and oversees the operation of the concessionary fares scheme for public transport within the area. The costs of the Scheme are met by a combination of funding from the 12 Councils and direct grant funding from the Scottish Government. Strathclyde Partnership for Transport administers the Scheme on behalf of the Board. In 2021-2022, Inverclyde Council contributed £0.158 million or 3.87% (2020-2021 £0.156 million) of the Board's estimated running costs and its share of the year-end net asset of £0.178 million (2020-2021 £0.134 million) is included in the Group Balance Sheet. The audited accounts of the Board can be obtained from the Treasurer to Strathclyde Concessionary Travel Scheme, Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow G2 5JF.

#### Renfrewshire Valuation Joint Board

This Board was formed in 1996 at local government re-organisation by an Act of Parliament and is responsible for the maintenance of the electoral, Council Tax and Non-Domestic Rates registers for the three Councils of East Renfrewshire, Renfrewshire and Inverclyde. Its principal place of business is The Robertson Centre, 16 Glasgow Road, Paisley PA1 3QF. The Board's running costs are met by the three member Councils. Surpluses or deficits on the Board's operations are shared between the Councils. In 2021-2022, Inverclyde Council contributed £0.639 million or 23.04% (2020-2021 £0.631 million) of the Board's estimated running costs and its share of the year-end net asset of £0.123 million (2020-2021 £0.376 million net liability) is included in the Group Balance Sheet. The audited accounts of the Board can be obtained from the Treasurer to the Renfrewshire Valuation Joint Board, Renfrewshire House, Paisley PA1 1JB.

#### Riverside Inverclyde

This is an Urban Regeneration Company limited by guarantee with charitable status and two member organisations, Inverclyde Council and Scottish Enterprise. The charitable company has been established to improve and regenerate the Inverclyde area. The company's operations are funded by grants from the Scottish Government, Inverclyde Council and Scottish Enterprise. The Charity's net assets at 31 March 2022 were £12.940 million (2020-2021 £12.407 million) and its net gain for the year was £0.533 million (2020-2021 £1.202 million net gain). The Council has no commitment to meet any losses of the company. The audited accounts of the company are published separately and may be obtained from the Chief Executive, Suite G1, Clydeview, 22 Pottery Street, Greenock, PA15 2UZ which is also the company's principal place of business.

The company does not have shareholders and any surpluses are made available for reinvestment in other projects within the area. The company is entirely independent of the Council under law and for taxation. The Council has the right to appoint three of the nine representatives on the company's board, and for the purposes of accounting this equates to an interest of 33.33%. Under accounting standards the Council is required to include the results of Riverside Inverclyde as an associate because it has a 'significant influence' over the financial and operating policies of the charity. In 2021-2022, Inverclyde Council contributed £0.000 million (2020-2021 £0.048 million) or 0.00% of the charity's turnover, and its share of the year-end asset of £4.313 million (2020-2021 £4.136 million) is included in the Group Balance Sheet.

## Joint Ventures

### Inverclyde Integrated Joint Board (IJB)

This is a statutory body established to integrate health and social care services between Inverclyde Council and NHS Greater Glasgow and Clyde. The IJB comprises eight voting members with four (50%) made up of Inverclyde Council Elected Members. The contribution provided by Inverclyde Council to the IJB in 2021-2022 was £52.629m (2020-2021: £52.973 million), and its share of the year-end asset of £14.163 million (2020-2021: £7.466 million) is included in the Group Balance Sheet.

### Inchgreen Marine Park Ltd

The Council has recently entered into a Joint Venture Clydeport Operations with regards to the development of the Inchgreen site, this Joint Venture will form part of the Group Accounts from 2022/23 onwards.

## Subsidiaries

### Inverclyde Leisure

This is a charitable company registered in Scotland that provides leisure facilities within Inverclyde Council's area to the general public and operates sports & leisure centres, community centres, swimming pools, parks and pitches owned by the Council. Inverclyde Leisure is paid a management fee by the Council for the provision of these services. The charity's net liability at 31 March 2022 was £0.561 million (2020-2021 £2.944 million net liability) and its net deficit for the year was £0.866 million (2020-2021 £0.708 million).

The Council has no commitment to meet any losses of the company, and has no shares in or ownership of this company which is entirely independent of the Council under law and for taxation. In financial year 2021-2022 the Council had the right to appoint four of the nine representatives on the company's board, and for the purposes of accounting this equated to an interest of 44.44%. However, a review of the relationship between the council and the Trust in 2020-2021, identified that the Trust met the definition of a structured entity. This describes an entity that has been designed so that the relevant activities are directed by means of contractual arrangements. In recognition of this, Inverclyde Leisure was included in the 2020-2021 Group Financial Statements as a 100% subsidiary.

The accounts of the company are published separately and can be obtained from the Chief Executive, Waterfront Leisure Complex, Customhouse Way, Greenock, PA15 1EW which is also the company's principal place of business.

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

### Common Good and Trust Funds

The Council is the sole trustee of the Common Good and Charitable Trust Funds and summary financial results for these organisations appear on pages 75 to 77.

### Non-Material Interest in Other Entities

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

- Scotland Excel is a joint committee established through Section 57 of the Local Government (Scotland) Act 1973. The main purpose of the committee is co-ordination of collaborative buying initiatives, representation of interests in public sector contracts, and the development and operation of a centre of procurement expertise for Local Government in Scotland.
- Greenock Arts Guild Ltd runs the main arts venue for the Inverclyde area, the Beacon Arts Centre in Greenock. During 2021-2022 the Council provided revenue and capital grants to the Beacon Arts Centre totalling £0.185 million (£0.215 million in 2020-2021).

## Note 31 Material Items of Group Income and Expenditure

In order to provide the reader with a better understanding of the impact of the inclusion of the results of associates and joint ventures, the following tables provide an analysis of the Council's share of the material amounts of income and expenditure disclosed on the face of the CIES. This note should be read in conjunction with the disclosures for the Council in Note 1 *Expenditure and Funding Analysis*.

|  | 2021-2022      | 2020-2021      |
|--|----------------|----------------|
|  | £000           | £000           |
| <b>Share of the (surplus) or deficit on the provision of services by Associates and Joint Ventures</b> |                |                |
| Strathclyde Partnership for Transport  | (1,431)        | (528)          |
| Strathclyde Concessionary Travel Scheme Joint Board  | (44)           | (106)          |
| Renfrewshire Valuation Joint Board   | 95             | (5)            |
| Inverclyde Leisure   | 0              | 0              |
| Riverside Inverclyde   | (85)           | (312)          |
| Inverclyde Integrated Joint Board  | (6,697)        | (3,241)        |
|  | <u>(8,162)</u> | <u>(4,192)</u> |
| <b>Share of Other Comprehensive (Income) and Expenditure of Associates and Joint Ventures</b>          |                |                |
| Strathclyde Partnership for Transport  | (34)           | (2)            |
| Strathclyde Concessionary Travel Scheme Joint Board  | 0              | 0              |
| Renfrewshire Valuation Joint Board   | (573)          | 87             |
| Inverclyde Leisure   | 0              | 0              |
| Riverside Inverclyde   | (93)           | (89)           |
| Inverclyde Integrated Joint Board  | 0              | 0              |
|  | <u>(700)</u>   | <u>(4)</u>     |

## Note 32 Group Assets and Liabilities of Associates and Joint Ventures

|   | 2021-2022     | 2020-2021     |
|---|---------------|---------------|
|   | £000          | £000          |
| <b>Net Assets of Associates and Joint Ventures</b>      |               |               |
| Strathclyde Partnership for Transport                   | 16,786        | 15,497        |
| Strathclyde Concessionary Travel Scheme Joint Board     | 178           | 134           |
| Riverside Inverclyde                                    | 4,313         | 4,136         |
| Renfrewshire Valuation Joint Board                      | 123           | 0             |
| Inverclyde Integrated Joint Board                       | 14,163        | 7,466         |
|   | <u>35,563</u> | <u>27,233</u> |
| <b>Net Liabilities of Associates and Joint Ventures</b> |               |               |
| Renfrewshire Valuation Joint Board                      | 0             | (376)         |
|   | <u>0</u>      | <u>(376)</u>  |



## Note 33 General Accounting Policies

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

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021-2022 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 2021-2022 (The Code) requires Local Authorities to consider their interests in all types of entity. This includes other Local Authorities or similar bodies defined in Section 106 of the Local Government (Scotland) Act 1973. Authorities are required to prepare a full set of group accounts in addition to their own Council's accounts where they have a material interest in such entities. The Accounting Policies in the preceding sections of this note apply to the Council and its Group members; where Group Accounting Policies differ these are highlighted below.

## A Combining Entities and Group Boundary

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

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

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

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

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

# 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 36.

## D Employee Benefits: Post-employment Benefits

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

## E Property, Plant & Equipment Measurement

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

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

## F Restrictions on Transfer of Funds

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

## Note 35 Accounting Standards Issued not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2021-2022 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 2022 and there is therefore no impact on the 2021-2022 financial statements.

## Note 36 Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- The Council has entered into commercial lease agreements both as landlord and tenant for land and buildings on a variety of lease terms. These arrangements are accounted for as operating leases. The Council has considered the tests under IAS17 and concluded that there is no transfer of the risks and rewards of ownership.
- The Council has entered into a Public Private Partnership (PPP) for the provision of educational buildings, their maintenance and related facilities. The Council has considered the tests under IFRIC12 and concluded this is a service concession.
- Two Joint Boards (SPT and Concessionary Travel) are included within the Group Accounts under the wider definition of an “associate” although the Council holds less than 20% of voting rights that is normally presumed to confer significant influence. This is in view of the funding arrangements between the constituent local authorities and the Joint Boards.
- The accounts have been prepared on a going concern basis as it is expected that future local government finance settlements, aligned with the Council’s robust budget process, which drives through efficiency savings, will provide sufficient resources to finance future liabilities.

# Accounting Policies, Judgements and Assumptions

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

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

The items in the Council's Balance Sheet at 31 March 2022 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 0.1% decrease in the real discount rate would result in a 2% increase (£13.803 million) in the employer's obligation.</li> <li>• A one year increase in member life expectancy would result in a 4% increase in the employer's obligation.</li> <li>• A 0.1% increase in the salary increase rate would result in a 0% increase (£1.679 million) in the employer's obligation.</li> <li>• A 0.1% increase in the pension increase rate would result in a 2% increase (£12.009 million) in the employer's obligation.</li> </ul> |
| 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.   |

## Note 38 Error on accounting for Unapplied Capital Grants – Restatement of 2020-2021

The Council identified that the Unapplied Capital Grants carried forward at 1 April 2020 had been incorrectly accounted for in 2020-2021. The error meant that the grants were correctly recognised in the comprehensive Income and Expenditure Statement however were not transferred from the General Fund to the Capital Adjustment Account in the Movement in Reserves Statement resulting in an overstatement of the General Fund Balance by £1.165 million and an understatement of the Capital Adjustment Account balance by £1.165 million. The Council has since reviewed its Capital Accounting procedures and has made appropriate changes and introduced additional internal controls to ensure such events are unlikely to recur.

In order to correct this error, the Council has restated the prior year information for 2020-2021 for the £1.165 million through the usable and unusable reserves line in the balance sheet. The following are the relevant extracted lines from the Balance Sheet and Movement in Reserves Statement.

## Accounting Policies, Judgements and Assumptions

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom requires that an authority present a balance sheet at the beginning of the preceding period when an authority makes a retrospective restatement. The restatement has no impact on the Opening Balance position in the 2021-2022 Accounts. The following table demonstrates the effect on the line items in the Balance sheet for the financial year 2020-2021. The restated prior period Balance sheet is provided with the current year information on page 34 of the financial statements.

|                       | Originally Stated<br>2020-2021<br>£000 | Restated<br>2020-2021<br>£000 | Amount of<br>Restatement<br>£000 |
|-----------------------|--|-------------------------------|----------------------------------|
| Usable Reserves       | 53,362                                 | 52,197                        | (1,165)                          |
| Unusable Reserves     | 160,029                                | 161,194                       | 1,165                            |
| <b>Total Reserves</b> | <b>213,391</b>                         | <b>213,391</b>                | <b>0</b>                         |

The following Restatement was also required for the Movement in Reserves Statement. The restated prior period Movement in Reserves Statement is provided with the current year information on page 35 of the financial statements.

### Movement in Reserves Statement – General Fund and Unusable Reserves

|  | General Fund<br>Originally<br>Stated<br>£000 | General Fund<br>Restated<br>£000 | Amount of<br>Restatement<br>£000 | Unusable<br>Reserves<br>Originally<br>Stated<br>£000 | Unusable<br>Reserves<br>Restated<br>£000 | Amount of<br>Restatement<br>£000 |
|--|--|----------------------------------|----------------------------------|--|--|----------------------------------|
| Balance at 31 March 2020                         | 37,983                                       | 37,983                           | 0                                | 116,496  | 116,496                                  | 0                                |
| Transfers (to) and from Other Statutory Reserves | (205)  | (205)                            | 0                                | (201)  | (201)                                    | 0                                |
| <b>Increase or (Decrease) in the Year</b>        | <b>5,994</b>                                 | <b>4,829</b>                     | <b>(1,165)</b>                   | <b>43,533</b>  | <b>44,698</b>                            | <b>1,165</b>                     |
| <b>Balance at 31 March 2021 Carried Forward</b>  | <b>43,977</b>                                | <b>42,812</b>                    | <b>(1,165)</b>                   | <b>160,029</b>                                       | <b>161,194</b>                           | <b>1,165</b>                     |

## 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 2022 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 2021-2022 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.

## 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

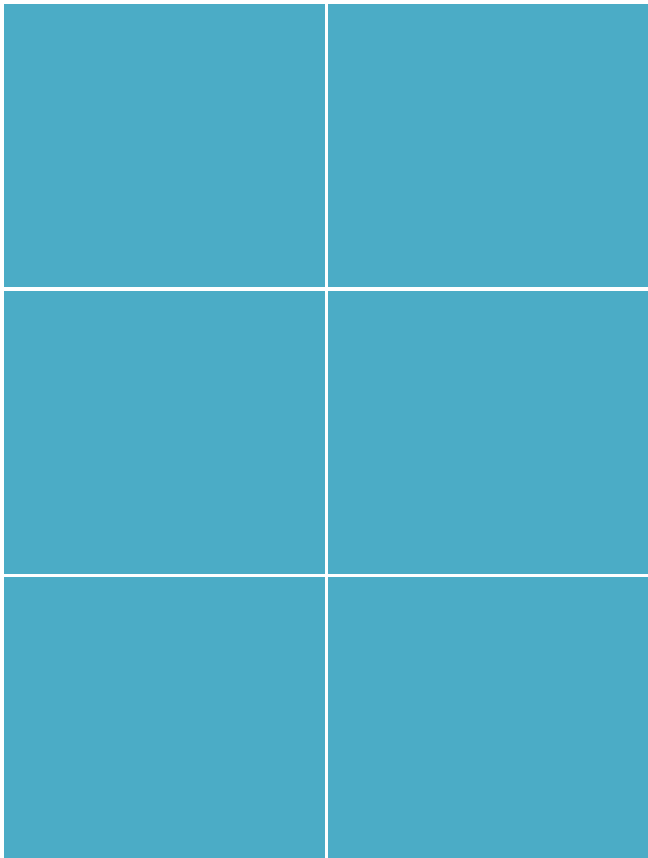
Loans made at significantly below market rates are deemed "soft loans" because there may be some element of subsidy between what the loan would have cost at market rates and the amount of interest actually charged. Examples include small start-up loans to small businesses.

## 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.



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