Clackmannanshire Council

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STATEMENT OF ACCOUNTS

2010/11

CLACKMANNANSHIRE COUNCIL
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CLACKMANNANSHIRE COUNCIL
EXPLANATORY FOREWORD 2010/11
BY THE DIRECTOR OF FINANCE AND CORPORATE SERVICES

Introduction
I am pleased to present the Council's Statement of Accounts for the year ended 31 March 2011. This foreword gives an overview of the Council's financial position and detailed analysis in the pages that follow.

The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, based on International Financial Reporting Standards. The purpose of the Statement of Accounts is to demonstrate the Council's stewardship of the public funds with which it is entrusted.

The Financial Statements
For the first time, the financial statements are prepared on the basis of International Financial Reporting Standards (IFRS). The move to an IFRS-based code results in a number of significant changes in accounting policies and material changes to all the Statements. The key accounting changes include:

Grants and contributions for capital purposes are now recognised as income immediately rather than being deferred and released to revenue to match depreciation. In 2010/11 a sum of £2.959m has now been accounted for in this way as a credit within the Comprehensive Income and Expenditure Account as grant income, and then transferred to Unusable Reserves within the Movement in Reserves Statement.

All employee benefits are accounted for as they are earned by employees and this requires accruals for items such as holiday entitlements untaken at the end of the financial year. At March 2011 a sum of £3.721m has been accrued for employee benefits. If the Scottish Government had not introduced statutory mitigation through regulation to allow such accruals to be reversed to an unusable reserve, then this amount would have been a charge to usable reserves.

Property leases are classified and accounted for as separate leases of land and buildings with a need to assess whether other arrangements contain the substance of a lease.

Former operating leases of vehicles and equipment are now reclassified as finance leases and incorporated within the Council's long-term assets

The Code introduces a new classification of non-current assets held for sale and specific criteria apply to this classification.

There is now an emphasis on component accounting and on derecognising parts of an asset that are replaced, such as bathrooms and kitchens.

Additional requirements regarding segmental reporting are introduced. The Comprehensive Income and Expenditure Statement is categorised under the best value accounting code service headings but a segmental note to the accounts shows the income and expenditure based on the operational service structure within the Council.

The accounting statements that follow and their purpose consist of:

Remuneration Report
The *Remuneration Report* provides details of the remuneration of the Council's senior employees and senior councillors.

Core Financial Statements
The *Movement in Reserves 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 used to fund expenditure or reduce taxation) and unusable reserves.

The *Comprehensive Income and Expenditure Statement* shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The statement therefore includes items such as depreciation and pension adjustments which are financed from unusable reserves.

The *Balance Sheet* is a consolidation of the Council's financial position. It shows the balances and reserves available, long-term indebtedness and the long-term and current assets and liabilities of the Council. Transitional arrangements for the first time adoption of IFRS requires the restatement of balances and transactions back to April 2009. Note 2 to the Core Financial Statements provides further explanation of these changes.

The *Cash Flow Statement* shows the inflows and outflows of cash as a result of all the Council's transactions, both capital and revenue, in all its funds.

Supplementary Financial Statements

The *Housing Revenue Account* shows in more detail the income and expenditure of the HRA services included within the core Comprehensive Income and Expenditure Statement.

The *Council Tax Income Account* shows the gross and net income from council tax, together with details of the number of properties on which council tax is levied, and the charge per property.

The *Non-Domestic Rate Income Account* shows the gross and net income from non-domestic rates and details the amount payable to the national non-domestic pool and the resulting net income for the financial year to the Council that is shown in the Comprehensive Income and Expenditure Statement.

The *Common Good Statement* records the financial position in respect of the funds administered by the Council in relation to assets held on the common good account of former burghs within Clackmannanshire.

Group Accounts

The *Group Accounts Statements* combine the income and expenditure and balance sheet figures for the Council as a whole with those of separate companies and bodies in which the Council has a significant influence.

Financial Performance

The *Movement in Reserves Statement* on page 19 demonstrates the increase or decrease in fund balances as a result of the activities of the Council during the financial year. It will be noted that total usable reserves have decreased from £13.673m to £13.495m during the year. The sums at the end of the year consist of:

General Fund Balance	£9.129m
Housing Revenue Account	£3.575m
Insurance Fund	£0.791m
	£13.495m

General Fund

The General Fund has increased from £7.966m at the start of the year to £9.129m at March 2011. This movement includes a sum of £1.470m transferred from the capital receipts reserve into the General Fund to support future additional running costs of the schools, which is in line with our funding strategy for the Secondary Schools project. The uncommitted element which represents the service income and expenditure approved and monitored throughout the year recorded a surplus of £0.650m compared to an approved balanced budget for the year. This sum is slightly less than the last forecast for the year of an £0.800m surplus.

The committed element of reserves of £5.505m is earmarked for use either by individual services such as Education or Housing, or to meet corporate liabilities such as Single Status. A breakdown of the committed element of reserves is as follows :

	Total
	£000
Secondary Schools PPP	2,613
Service Improvement Contracts	1,005
Implementation of Single Status	943
Modernising Government	164
Zero Waste Fund	134
Adult Care carry forward scheme	370
Public Sector Housing/Homeless	50
Homeless Assessment Centre	120
Pre Fives	106
	5,505

This uncommitted element of General Reserve which is generally available to support future expenditure stands at £3.624m or 2.9% of budgeted net expenditure. This level of uncommitted reserve is in line with the Council's Finance Strategy policy of seeking to retain uncommitted non-HRA revenue reserves in the range of 2% and 4% of budgeted net expenditure (i.e. between £2.450m and £4.900m).

Housing Revenue Account

The Housing Revenue Account which funds the provision of council housing incurred a surplus on its balance for the year of £1.685m as compared to a budgeted surplus of £0.743m, and the last outturn forecast for the year of £1.018m. A saving on employees costs of £505k was achieved through vacancy management and restructuring. The contribution towards bad debts was £209k less than estimated and a saving on capital financing costs of £175k was achieved in the year.

In accordance with the Housing Business plan to achieve the Scottish Housing Quality Standard and enhanced Clackmannanshire Standard, sums are required to be contributed from reserves to support the required capital investment programme. In 2010/11, a revenue contribution to capital of £2.373m has been made.

As a result of the surplus achieved in the year together with the contribution to capital investment, working balances available to the Housing Revenue Account have decreased to £3.575m. This balance will continue to be earmarked to support the delivery of the Housing Business Plan in line with our approved strategy.

Insurance Fund

The Insurance Fund provides an element of self-insurance and protects the Council against unforeseen losses. A net surplus was generated by the Fund during the year of £81k, bringing the Fund balance to £791k at March 2011.

Capital Expenditure

The Council is able to regulate its own capital spending limits within a prudential framework recommended by the Chartered Institute of Public Finance and Accountancy and endorsed by the Scottish Government. Our performance confirms our overall capital spending of £8.486m was managed within the 'Prudential Framework' limits approved by Council.

The capital investment in 2010/11 consisted of £3.469m spent on council dwellings together with £1.657m on other land and buildings, £1.954m on infrastructure and £0.822m on vehicles. In addition, £0.466m was spent on Investment properties and £0.118m on Intangible assets (eg computer software).

Funding of capital expenditure incurred in the year included £1.096m from the sale of assets, £2.960m from government grants and £2.373m from revenue budgets. The remaining balance of £2.057m is funded from borrowing.

The capital expenditure incurred during the year was £2.424m less than anticipated due to slippage and re-prioritisations in a number of the major projects. The Council intends to review and re-appraise the capital programme to re-align future capital investment in accordance with its key corporate priorities set out within the approved asset management strategies.

Borrowing

The Council's external debt as at March 2011 which supports our investment and development of long-term assets totals £177.197m, consisting of:

Short Term borrowing (repayable within 12 months)	£1.758m
PFI and other finance leases (repayable within 12 months)	£1.204m
Long-term borrowing (repayable after 12 months)	£125.524m
PFI and other finance leases (repayable after 12 months)	£48.711m

This is a reduction of £1.982m on the previous year external debt position of £179.179m. With no new external debt incurred during the year, the reduction in debt is due to repayments made. This position is consistent with the Council's Borrowing and Investment strategy of minimising new borrowing and reducing overall levels of debt over the medium term.

Net Pension Liability

The Balance Sheet records a Pensions deficit of £61.617m which has been recorded specifically for the purpose of meeting IAS 19 accounting requirements. The cost of providing pensions for employees is still funded in accordance with relevant statutory requirements and the actuarial valuations every three years will continue to set appropriate employers contribution rates which, together with revenues generated from investments will be used to meet pension commitments.

The pension deficit is an improvement of £43.419m on the position recorded in March 2010 and the reasons for this improvement are twofold:

- the deficit has reduced due to positive asset returns and falling long-term inflation expectations;
- the deficit has fallen further due to the pension increase change from Retail Price Index (RPI) to Consumer Price Index(CPI) as a result of the UK Government Emergency Budget announcement in June 2010.

Significant Trading Operations

The performance of the Council's two trading operations are disclosed in Note 19 to the Core Financial Statements. The statutory financial requirement for significant trading operations is to at least break even over a rolling three year period. As reflected in the note, both Property Contracts and Environmental and Engineering recorded surpluses of £454k and £178k respectively during 2010/11. With both operations also recording surpluses in each of the previous two years the statutory requirement was achieved.

Secondary Schools PPP

Following the introduction of revised Financial Reporting arrangements introduced in 2009/10 for PPP projects, the Council's three new secondary schools are recorded within the long-term assets of the Council, along with a liability for the financing provided by the PPP operator. The outstanding finance liability at March 2011 is £49.276m and this sum is included within the Council's overall borrowing position referred to above.

The unitary charge paid to the operator in 2010/11 was £6.801m and will increase annually by inflation over the 30 year term of the contract. The Scottish Government provides additional funding towards the project of £3.430m per annum.

During 2010/11 a review of the Council's PPP funding model was undertaken on the basis that in view of the current operating environment and in particular UK wide economic and financial pressures, some of the original assumptions contained within the financing model were out of date. In particular, the relationship between planned council tax increases and the financing model was no longer relevant with the ongoing commitment to freeze council tax and changes in the level of RPI are in excess of those envisaged at the inception of the model. The revised model is now based on a straight repayment basis, supported by capital receipts set aside. In 2010/11 the Movements in Reserves Statement records a transfer of £1.470m from the capital receipts reserve to the General Fund for this purpose, thus increasing the earmarked element of reserve for PPP to £2.613m. This ensures that the PPP costs are fully covered for the next two years without any additional budgetary increase required.

Provisions

Equal Pay

The Council has set aside a sum of £2.778m as a provision to cover its potential exposure to equal pay claims from groups of staff. This is an increase from the level of £2.528m provided at March 2010. During 2010/11 a number of existing claims were settled amounting to £0.856m. The increase in the provision was made following a review of potential new claims and taking account of additional HMRC liabilities.

Voluntary Redundancy

During 2010/11 and in line with the approved budget strategy the Council has sought to reduce spending in advance of the new financial year. This has included an opportunity for staff to apply for voluntary redundancy on grounds of efficiency where appropriate. At March 2011 there were a number of voluntary redundancy approved but not yet implemented. The accounts include a provision of £0.826m for the committed costs associated with these severances.

Economic Climate

The current recession is having a significant impact on the UK economy with the UK experiencing deterioration in public sector finances worse than the majority of other countries. Public sector borrowing has increased dramatically from £36billion in 2007/08 to £175billion in 2010/11. Over the short, medium and long-term, the UK Government plans to significantly reduce public spending and increase taxes as measures to reduce the national debt.

The Scottish public sector is therefore facing the biggest squeeze on budgets since devolution. For 2011/12 the Scottish Government only announced a one year settlement, reducing Local Authority funding by 2.6% in cash terms. This makes longer term financial planning challenging, and increases the uncertainty for the Council on future levels of Government funding and ability to sustain current levels of service provision and quality.

The Council has over the course of 2010/11 managed effectively the financial risks associated with the immediate impact of the reduction in public sector funding. Action has been taken to:

reduce spending in advance of the new financial year which has contributed to the majority of departments spending less than budgeted as a consequence of proactive vacancy management, slippage against planned commitments and generating income in excess of targeted levels

reduce its base budget for 2011/12 by £2.334m to reflect the recurrent savings identified through a budget challenge process

recognise that the current economic climate is not the optimum time to realise significant sales from surplus assets and replace reliance on future capital receipts to support investment with alternative funding mechanisms

Acknowledgements

I would like to thank elected members and colleagues for their assistance and support throughout the year in maintaining a sound financial management framework. I would also like to thank those staff whose efforts have contributed to the completion of these accounts.

Nikki Bridle
Director of Finance and Corporate Services
29 September 2011

CLACKMANNANSHIRE COUNCIL
STATEMENT OF RESPONSIBILITIES

The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance and Corporate Services.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts

The Director of Finance and Corporate Services' responsibilities

The Director of Finance and Corporate Services is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ('the Code').

In preparing this Statement of Accounts, the Director of Finance and Corporate Services has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The Director of Finance and Corporate Services has also:

- kept proper accounting records which are up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2011.

CLACKMANNANSHIRE COUNCIL
STATEMENT OF INTERNAL CONTROL

Scope of Responsibility

Clackmannanshire Council ensures that its business is conducted in accordance with the law and proper standards so that public money is safe guarded, properly accounted for and used effectively.

This is evidenced by a sound system of internal control, including arrangements for the management of risk, which is reviewed annually in accordance with the CIPFA Code of Practice for Local Authority Accounting.

The Purpose of the System of Internal Control

The Council's system of internal control is founded on processes designed to identify and prioritise the risks which may impact on the organisation's capacity to achieve its aims and objectives. While risk cannot be completely eliminated, the system of internal control enables the Council to manage the risks facing it effectively by evaluating the likelihood of those risks being realised and their potential impact. The system of internal control has been in place at Clackmannanshire Council for the year ended 31 March 2011 and up to the date of approval of the annual Statement of Accounts.

Internal Control Environment

The key elements of the Council's internal control environment include the following:-

1) the Clackmannanshire Single Outcome Agreement (SOA) provides the strategic framework for the Council's (and its partners') activities. The Council's Corporate Plan (to end 2011) then sets out how the Council contributes to the achievement of these shared outcomes; this approach is cascaded down through service Business Plans and operational Team Plans. These key documents are supported by core business strategies including Finance Strategy, People Strategy, Customer Service Strategy and Information and Communication Technologies Strategy. In 2010-11 work has been ongoing to review and refresh these strategies so they remain relevant and up to date.

2) the Council has a performance management and monitoring framework which provides ongoing scrutiny of progress in achieving its priorities and outcomes. Performance measures are incorporated at both strategic and operational levels and monitored at a range of levels, including team, service, corporate management, Scrutiny Committee and full Council. The ongoing rollout of the Covalent system will further refine the performance framework arrangements. Additional performance indicators relating to customer and staff were introduced during the year, giving a greater coverage of performance against the key Customer Service and People strategies.

3) The Council's governance framework is defined within the key governance documents including Standing Orders, Financial Regulations, Scheme of Delegation and Contract Standing Orders. In addition, the Council's approach to developing its corporate Governance Framework has been reported to Scrutiny Committee and the framework will be presented to the Council for approval in the 2011/12 financial year. In 2010-11, in recognition of the importance of corporate governance, the Council introduced the new management position of Governance Manager, the role of which is to direct the organisation's approach to governance and to manage those services which play an important role in corporate governance. More generally, the Council has put in place from 1 April 2010 a new senior management structure which has enhanced corporate working and scrutiny. Also in 2010-11, the Council reviewed the role and remit of its Scrutiny Committee and will consider proposed improvements to the Committee's operation in the first quarter of 2011-12.

4) the Council defined its Risk Management Strategy in 2009 and continues to work to embed risk management arrangements across the Council. This is a key action within the Governance Improvement Plan. Key business risks are reflected in the Corporate Risk Register and risk identification and evaluation is an integral part of the annual business planning process. The Corporate Risk register is reported six monthly to Scrutiny Committee and will form a key plank of scrutiny policy in 2011-12 and future years.

5) in 2010-11 the Council continued to embed corporately the Clackmannanshire Improvement Model as a framework for organisational excellence. In this approach services self-assess a number of elements, including leadership, staff management and resource management. These self-assessments have lead to focused improvement plans which have enabled services to ensure achievement of Best Value and embed a culture of innovation and continuous

improvement. All services completed a self-assessment in the 18 months to April 2010. Resultant action plans have generally focused on four main organisational development priority themes: Business Planning, People Management, Customer Service, and Performance Management.

Review of Effectiveness

As Chief Executive, I have responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by different assurance sources including :

each member of the Corporate Management Team
internal audit
external review agencies and inspectorates
external audit.

Work completed during the year by internal audit has helped form the basis of this statement. This work has included a comprehensive self-assessment against CIPFA's Six Principles in Delivering Good Governance in Local Government and a review of the effectiveness of the Council's internal control environment.

Each Head of Service who has responsibility within the Scheme of Delegation for the development and maintenance of the system of internal control has provided assurance that the internal controls within their service are effective and have been reviewed. These chief officers also report on a monthly basis to the corporate management team on progress within their services; these reports include, as appropriate, reference to risks, performance and governance issues.

I have been advised on the implications of the result of the review of the effectiveness of the internal controls undertaken on my behalf for the Director of Finance and a Governance Improvement plan is in place to address weaknesses and ensure improvement of the systems are in place. The key areas for improvement identified during the annual review include the consistent embedding of risk management arrangements within all services, including review of partnership risk, review of Anti-Fraud, Anti-Corruption and Whistle Blowing policies and introduction of Member/Officer protocols.

Elaine McPherson	**Councillor Ovens**
Chief Executive	**Leader of the Council**
29 September 2011	**29 September 2011**

CLACKMANNANSHIRE COUNCIL
Remuneration Report

General

All Information disclosed in the tables in this Remuneration Report will be audited by Grant Thornton UK LLP. The other sections of the Remuneration Report will be reviewed by Grant Thornton UK LLP. The results presented in the six tables comprising the Clackmannanshire Council's remuneration report for 2010/11 reflect the following contextual factors:

- The leader of the Council changed during 2010/11. From 27 September 2010 until the present time Sam Ovens has undertaken this role. This is reflected in Table 1 and the remuneration for the current and former leader represents a part year/pro rata salary payment.
- During 2010/11, the Council's management restructuring and corporate service redesign process has continued and this is reflected in Table 3. This Table shows two new Chief Officer appointments to a streamlined service management structure and as a consequence remuneration for the year is pro rata.
- Table 3 also shows the departure of five former Chief Officers. Some of these departed prior to 2010/11 and some during the year. The report reflects the pro rata salary and severance payments as appropriate.
- With the transition to the new management structure, not all senior officers had elected to transfer their accrued pension benefits during 2010/11. This position is reflected in Table 6.

Remuneration Arrangements

Councillors

The remuneration of councillors is regulated by the Local Government (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Provost, Senior Councillors or Councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors.

The salary that is paid to the Leader of the Council is set out in the Regulations. For 2010/11 the salary of the Leader of Clackmannanshire Council is £27,058. The regulations permit the council to remunerate one Civic Head. The regulations set out the maximum salary that may be paid to that Civic Head. Council policy is that the maximum remuneration is 75% of the sum payable to the Leader which for 2010/11 amounts to £20,294.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all its Senior Councillors shall not exceed £146,112. The Council is able to exercise flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The Council policy is to recognise 8 senior councillors with positions of significant responsibility. These are the Depute Leader, 5 Portfolio Holders, and the Conveners of Scrutiny and Regulatory Committees

In 2010/11 Clackmannanshire Council had 8 Senior Councillors and the remuneration paid to these councillors totalled £153,201. This includes £6,089 paid to G Matchett, Convener of Police Board and £1,000 to E. Carrick for APSE. This amount is recoverable from the Board, the net cost to Clackmannanshire Council in relation to Senior Councillors is £146,112 this complies with current regulations. 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 Scheme which encompasses the salaries of all elected members including the Leader, Provost and Senior Councillors was agreed at a meeting of the full Council on 21st June 2007, and details are available on the Council's web site 'clacks web' under 'Remuneration to Elected members' .

Joint Boards

In addition to the Senior Councillors of the Council the Regulations also set out the remuneration payable to councillors with the responsibility of a Convener or a Vice-Convener of a Joint Board such as a Police Joint Board. The Regulations require the remuneration to be paid by the Council of which the convener or vice-convener (as the case may be) is a member. The Council is also required to pay any pension contributions arising from the convener or vice-convener being a member of the Local Government Pension Service.

The Council is reimbursed by the Joint Board for any additional remuneration paid to the member from being a Convener or Vice-Convener of a Joint Board.

Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/144 sets the amount of salary for the Chief Executive of Clackmannanshire Council for the period 2008 to 2011. An appointment Committee was set up to appoint Directors and Heads of Service under restructure, the Committee was formed by Councillors from all parties. Under the Scheme of Delegation the Chief Executive set the salary for Directors and Heads of Service from the National Scales in agreement with the appointments Committee. In reaching its decisions, the Council has regard to the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities.

Other benefits are not applicable to any senior employees.

Disclosure of Remuneration for Relevant Persons

The following tables provide details of the remuneration paid to the Council's Senior Councillors and Senior Employees. Regulations require disclosure of remuneration paid to relevant persons of the Council's subsidiary bodies. There are no subsidiary bodies controlled by the Council.

Remuneration of Senior Councillors and Convenors and Vice-Convenors of Joint Boards
Table 1

Position	Current Post Holder £	Taxable Expenses £	Benefit other than in cash £	Total Remuneration 2010-11 £	Total Remuneration 2009-10 £
Leader of the Council (1 April to 26 September 2010)	Janet Cadenhead	0	No	12,973	27,058
Leader of the Council (from 27 September 2010)	Sam Ovens	0	No	14,085	0
Leader of the Council		0		**27,058**	**27,058**
Civic Head	Derek Stewart	0	No	**20,294**	**20,294**
Portfolio Holder - Regeneration (1 April to 26 September 2010)	Sam Ovens	0	No	8,757	18,264
Portfolio Holder - Regeneration (from 27 September 2010)	Janet Cadenhead	0	No	9,507	
Portfolio Holder - Scrutiny & Convener of Scrutiny	Donald Balsillie	0	No	18,264	18,264
Convener of Regulatory Committee	Alastair Campbell	0	No	18,264	18,264
Convener of Licensing Board	Walter McAdam	0	No	18,264	18,264
Portfolio Holder - Sustainability	Eddie Carrick	0	No	19,264	18,264
Portfolio Holder - Partnership	Kenneth Earle	0	No	18,264	18,264
Depute Leader	Robert McGill	0	No	18,264	18,264
Portfolio Holder - Inclusion & Convener of Joint Police Board	George Matchett	0	No	24,353	24,353
Senior Councillors		0		**153,201**	**152,201**
Valuation Board - Vice Convener	Henry McLaren	0	No	19,279	19,279
		0		**219,832**	**218,832**

Note:

1. Payments to senior councillors include additional payments for board payments of £7,089.

Remuneration paid to Councillors

The Council paid the following salaries, allowances and expenses to all councillors during the year. Clackmannanshire Council have 18 councillors in total. This is formed by:
1 Leader of Council, 1 Civic Head, 8 Senior Councillors (1 of whom has Joint Board responsibility as Convener of Police Board), 7 councillors and 1 joint board Vice Convener

Table 2

Type of Remuneration	2010/11 £	2009-2010 £
Salaries	362,591	351,000
Allowances	50,028	48,000
Expenses	11,836	9,000
Total	**424,455**	**408,000**

The figures include Employers Superannuation and National Insurance Contributions and cover an accounting period of 375 days.

The annual return of Councillors' salaries and expenses for 2010/11 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 web site 'clacks web' under 'Remuneration to Elected members' .

Remuneration of Senior Employees of the Council

Table 3

Name and Post Title	Salary, fees and allowances	Bonuses	Taxable Expenses	Compensation for loss of Employment	Benefits other than in cash	Total Remuneration 2010-11	Total Remuneration 2009-10
	£	£	£	£	£	£	£
Angela Leitch, Chief Executive	97,095	0	0	0	0	97,095	97,095
Angela Leitch, Returning Officer	3,350	0	0	0	0	3,350	2,850
Nikki Bridle, Director of Finance and Corporate Services (from 1 July 2010)	63,091	0	0	0	0	63,091	0
Gary Dallas, Director of Services to Communities	84,045	0	0	0	0	84,045	81,996
Elaine McPherson, Head of Strategy & Customer Services	68,583	0	0	0	0	68,583	63,555
Deirdre Cilliers, Head of Social Policy	68,583	0	0	0	0	68,583	66,909
Stephen Crawford, Head of Facilities Management (from 9 August 2010)	44,156	0	0	0	0	44,156	0
John Gillespie, Head of Community & Regulatory Services	68,583	0	0	0	0	68,583	66,909
Lesley Robertson, Acting Head of Education (from 17 May 2010)	59,940	0	0	0	0	59,940	0
Stephen Bell, Head of Development Services (until 28 March 2010)	0	0	0	0	0	0	104,648
John Stewart, Head of Property Services (until 30 June 2010)	16,242	0	0	41,854	0	58,095	63,555
Brian Hutchison, Head of HR (until 31 March 2010)	0	0	0	49,403	0	49,403	66,909
Peter Broadfoot, Head of Legal (until 6 April 2010)	1,043	0	0	91,264	0	92,307	61,902
Barry DIckson, Head of Business Improvement and Technology (until 31 March 2010)	0	0	0	0	0	0	63,555
James Goodall, Head of Education	8,080	0	0	0	0	8,080	66,909
Total	**582,791**	**0**	**0**	**182,521**	**0**	**765,312**	**806,792**

Note:

1. Director of Finance & Corporate Services was in post from 1/7/10 and the FTE of the post was £84,045.

2. Lesley Robertson replaced James Goodall as Head of Education on a temporary basis the FTE of the post was £68,583.

3. Head of Facilities Management was in post from 9/8/10 and the FTE of the post was £68,583.

4. S Bell Head of Development Services salary 2009/10 was £63,006 and compensation of £41,615.

5. B Dickson Head of IT post deleted 31/3/10 under management restructure.

6.The senior employees included in the table include all those employees who have responsibility for management of the Council to the extent that the person has power to direct or control the major activities of the Council (including activities involving the expenditure of money) during the year to which the Report relates whether solely or collectively with other persons; or who hold a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989

7.The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 make provision for authorities to make discretionary payments to local government employees to pay compensation for premature retirement. This was applied to S. Bell, J. Stewart, B. Hutchison and P. Broadfoot.

8.The Chief Executive received additional payments as the Returning Officer for the General Election in 2010/11 and European Election in 2009/10

9.Remuneration details of 2 former employees have not been disclosed in terms of The Local Authority Accounts (Scotland) Regulations 1985.

10.The Chief Executive's salary for 2010/11 from the National Scales should have been £99,522 but she declined the increase for 2010/11 and remained at £97,005.

General Disclosure by Pay Band

A number of employees left the Council prior to 31 March 2011 under the early retirement/voluntary severance scheme. Some of these employees were entitled to lump sums and redundancy payments which have been included in the calculation for the pay banding. The figures in the shaded column show the comparative figures if the additional payments were excluded.

Table 4

	Number of Employees		
Remuneration band	**2010/11**		**2009/10**
£50,000 - £54,999	17	16	17
£55,000 - £59,999	11	10	4
£60,000 - £64,999	4	3	9
£65,000 - £69,999	7	6	4
£70,000 - £74,999	0	0	3
£75,000 - £79,999	2	1	0
£80,000 - £84,999	0	0	1
£85,000 - £89,999	1	1	1
£90,000 - £94,999	1	0	0
£95,000 - £99,999	0	0	1
£100,000 - £104,999	1	1	0
Total	44	38	40

Pension Benefits

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS)

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees this is a final salary scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

The scheme's normal retirement age for both councillors and employees is 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non manual employees.
The tiers and members contribution rates for 2010/11 remain at the 2009/10 rates, (due to negative increases in the cost of living index for 2010/11) and are set as follows:

Whole time pay	Contribution rate 2010/11	Contribution rate 2009/10
On earnings up to and including £18,000	5.5%	5.5%
On earning above £18,000 and up to £22,000	7.25%	7.25%
On earning above £22,000 and up to £30,000	8.5%	8.5%
On earning above £30,000 and up to £40,000	9.5%	9.5%
On earning above £40,000	12%	12%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to a limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service)

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

In those cases where members have transferred pension entitlements from previous employments, 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.

Senior Councillors

Table 5

The pension entitlements for Senior Councillors who have elected to join the pension scheme for the year to 31 March 2011 are shown in the table below, together with the contribution made by the Council to each Senior Councillors' pension during the year.

	In-Year pension Contributions			Accrued pension Benefits	
Name and Post Title	**For year to 31 March 2011**	**For year to 31 March 2010**		**As at 31 March 2011**	**Difference from 31 March 2010**
	£	**£**		**£000**	**£000**
Donald Balsillie, Convener of Scrutiny Committee	**3,240**	**3,283**		Pension 1 Lump Sum 1	0 0
Alastair Campbell, Convener of Planning Committee	**3,240**	**3,283**		Pension 2 Lump Sum 2	1 0
Janet Cadenhead, Senior Councillor, Portfolio Holder - Regeneration (from 23 September 2010) (Leader of the Council 1 April to 22 September 2010)	**3,958**	**4,863**		Pension 2 Lump Sum 2	0 0
Eddie Carrick, Portfolio Holder - Sustainability	**3,251**	**3,283**		Pension 1 Lump Sum 1	0 0
Kenneth Earle, Portfolio Holder - Partnership	**3,240**	**2,270**		Pension 1	1
Robert McGill, Depute Leader of the Council	**3,240**	**3,283**		Pension 2 Lump Sum 3	1 0
George Matchett - Portfolio Holder - Inclusion Police Joint Board	**4,320**	**4,377**		Pension 1 Lump Sum 2	0 0
Total	**24,489**	**24,642**		**21**	**3**

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service, and not just their current appointment.

Senior Employees

The pension entitlements of Senior Employees for the year to 31 March 2011 are shown in the table below, together with the contribution made by the Council to each Senior Employees' pension during the year.

Table 6

	In-year pension Contributions			Accrued pension benefits		
Name and Post Title	**For year to 31 March 2011**	**For year to 31 March 2010**		**As at 31 March 2011**		**Difference from 31 March 2010**
	£	**£**			**£000**	**£000**
Angela Leitch, Chief Executive	17,224	17,451		Pension	3	1
				Lump Sum	1	1
Angela Leitch, Returning Officer	620	513				
Nikki Bridle, Director of Finance & Corporate Services (from 1 July 10)	11,800	0		Pension	1	1
Gary Dallas, Director of Services to Communities	14,943	14,738		Pension	29	2
				Lump Sum	80	2
Elaine McPherson, Head of Strategy & Customer Services	11,582	11,423		Pension	20	2
				Lump Sum	53	1
Deirdre Cilliers, Head of Social Policy	12,194	12,040		Pension	16	1
				Lump Sum	43	1
Stephen Crawford, Head of Facilities Management (from 9 August 10)	8,273	0		Pension	11	11
				Lump Sum	27	27
John Gillespie, Head of Community & Regulatory Services	12,194	12,011		Pension	25	2
				Lump Sum	67	2
Lesley Robertson, Acting Head of Education (from 17 May 2010)	8,875	0				
Stephen Bell, Head of Development Services (left 28.3.10) (362 days)	0	10,859				
John Stewart, Head of Property Services (left 30.6.11) (91 days)	2,421	11,423				
Brian Hutchison, Head of HR (left 31.3.10)	0	12,026				
Peter Broadfoot, Head of Legal & Admin (left 6.4.10) (6 days)	439	11,126				
Barry Dickson, Head of IT (left 31.3.10)	0	11,423				
Jim Goodall, Head of Education (left 13.5.10) (43 days)	896	12,040				
Total	**101,461**	137,073			**376**	**54**

Note:

1. All Senior Employees shown in the tables above are with the exception of Lesley Robertson are members of the Local Government Pension Scheme (LGPS). Lesley Robertson is a member of the Scottish Teachers Superannuation Scheme (STSS) The 2010/11 figures for the Scottish Teachers Superannuation scheme are not currently available and therefore cannot be disclosed.

2. Where employees have joined the Council and transferred previous employment pension benefits into the Falkirk Pension Fund, the pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service and not just their current appointment.

3. Where staff are not in employment with Clackmannanshire Council at 31 March 2011 or are no longer a relevant senior employee at this date, there is no increase in accrued pension benefit attributable.

CLACKMANNANSHIRE COUNCIL
MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Insurance Fund £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 31 March 2009	**5,531**	**6,052**	**3,215**	**744**	**15,542**	**96,956**	**112,498**
	=====	=====	=====	===	======	======	=======
Movement in reserves during 2009/10							
Surplus or (deficit) on provision of Services	(21,616)	(13,161)	-	-	**(34,777)**	-	**(34,777)**
Other Comprehensive Expenditure and Income	-	-	-	--	-	(27,485)	**(27,485)**
Total Comprehensive Expenditure and Income	**(21,616)**	**(13,161)**	**-**	**-**	**(34,777)**	**(27,485)**	**(62,262)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	20,953	11,371	584	-	32,908	(32,908)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(663)**	**(1,790)**	**584**	**-**	**(1,869)**	**(60,393)**	**(62,262)**
Transfers to/from Earmarked Reserves (Note 7)	3,098	-	(3,064)	(34)	0	-	0
Increase/Decrease in 2009/10	**2,435**	**(1,790)**	**(2,480)**	**(34)**	**(1,869)**	**(60,393)**	**(62,262)**
Balance at 31 March 2010 carried forward	**7,966**	**4,262**	**735**	**710**	**13,673**	**36,563**	**50,236**
Movement in Reserves during 2010/11							
Surplus or (deficit) on provision of Services	23,100	(1,560)	-	-	21,540	-	21,540
Other Comprehensive Expenditure and Income	-	-	-	-	-	24,552	24,552
Total Comprehensive Expenditure and Income	**23,100**	**(1,560)**	**0**	**-**	**21,540**	**24,552**	**46,092**
Adjustments between accounting basis & funding basis under regulations (Note 6)	(23,326)	873	735	-	(21,718)	21,718	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**(226)**	**(687)**	**735**	**-**	**(178)**	**46,270**	**46,092**
Transfers to/from Earmarked Reserves (Note 7)	1,389	-	(1,470)	81	-	-	-
Increase/Decrease in Year	**1,163**	**(687)**	**(735)**	**81**	**(178)**	**46,270**	**46,092**
Balance at 31 March 2011 carried forward	**9,129**	**3,575**	**0**	**791**	**13,495**	**82,833**	**96,328**

CLACKMANNANSHIRE COUNCIL
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This 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. Council's raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement of Reserves Statement.

2009/2010 Gross Expend £000	2009/2010 Gross Income £000	2009/2010 Net Expend £000		2010/2011 Gross Expend £000	2010/2011 Gross Income £000	2010/2011 Net Expend £000
2,118	106	2,012	Central Services to the Public	1,508	95	1,413
14,917	2,072	12,845	Cultural and Related Services	8,070	1,426	6,644
59,802	2,350	57,452	Education Services	53,165	2,044	51,121
6,380	1,649	4,731	Roads and Transport Services	3,887	227	3,660
46,666	33,151	13,515	Housing Services	37,162	34,304	2,858
3,807	567	3,240	Planning and Development Services	4,720	2,169	2,551
37,177	8,994	28,183	Social Work	36,495	9,361	27,134
8,074	77	7,997	Environmental Services	6,703	1,348	5,355
4,380	0	4,380	Police Services	4,132	196	3,936
3,204	0	3,204	Fire Services	2,741	0	2,741
2,520	0	2,520	Corporate and Democratic Core	3,101	798	2,303
3,181	0	3,181	Non distributed costs	(20,583)	0	(20,583)
192,226	**48,966**	**143,260**	**Cost of Services**	**141,101**	**51,968**	**89,133**
		(360)	Other Operating Expenditure (Note 8)			(812)
		13,101	Financing and Investment Income and Expenditure (Note 9)			11,813
		(121,224)	Taxation and Non-Specific grant Income (Note 10)			(121,674)
		34,777	**(Surplus) or Deficit on Provision of Services (Note 18)**			**(21,540)**
		(27,413)	Surplus or deficit on revaluation of fixed assets			0
		54,898	Actuarial gains/losses on pension assets/liabilities (Note 13)			(24,552)
		27,485	**Other Comprehensive Income and Expenditure**			**(24,552)**
		62,262	**Total Comprehensive Income and Expenditure**			**(46,092)**

CLACKMANNANSHIRE COUNCIL
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 are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on the their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1 April 2009	31 March 2010			31 March 2011
£000	£000		Note	£000
292,187	317,247	Property, Plant & Equipment	34	306,473
7,602	6,239	Investment Property	29	5,759
568	524	Intangible Assets	30	455
968	968	Long-term Investments	32	1,426
12	13	Long-term Debtors	39	12
301,337	**324,991**	**Long-term Assets**		**314,125**
9,221	8,916	Assets Held for Sale	37	15,514
479	440	Inventories	38	471
12,985	12,022	Short Term Debtors	40	10,637
17,752	0	Short Term Investments		0
32,953	9,291	Cash and Cash Equivalents	17	17,460
73,390	**30,669**	**Current Assets**		**44,082**
(40,012)	(2,607)	Short Term Borrowing	44	(1,758)
(19,219)	(18,513)	Short Term Creditors	41	(19,948)
(26)	(570)	Provisions	42	(826)
(59,257)	**(21,690)**	**Current Liabilities**		**(22,532)**
(1,238)	(2,528)	Provisions	42	(2,778)
(115,324)	(125,513)	Long-term Borrowing	44	(125,524)
(86,410)	(155,693)	Other Long-term Liabilities	46	(111,045)
(202,972)	**(283,734)**	**Long-term Liabilities**		**(239,347)**
112,498	**50,236**	**Net Assets**		**96,328**
15,542	13,673	Usable reserves	12	13,495
96,956	36,563	Unusable Reserves	13	82,833
112,498	**50,236**	**Total Reserves**		**96,328**

Nikki Bridle
Director of Finance and Corporate Services
29th September 2011

CLACKMANNANSHIRE COUNCIL
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 the 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.

2009/10 £000		2010/11 £000
(34,777)	Net (surplus) or deficit on the provision of services	21,540
65,738	Adjust net surplus or deficit on the provision of services for non cash movements	(1,343)
(23,810)	Adjust for items in the net surplus or deficit on the provision of services that are investing and financing activities	(5,886)
7,151	**Net cash flows from Operating Activities**	**14,311**
3,326	Investing activities (Note 15)	(4,074)
(27,487)	Financing Activities (Note 16)	(2,068)
(23,662)	**Net increase or decrease in cash and cash equivalents**	**8,169**
32,953	Cash and Cash equivalents at the beginning of the reporting period	9,291
9,291	**Cash and cash equivalents at the end of the reporting period (Note 17)**	**17,460**

1. Accounting Policies

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985. Section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

b) Changes in Accounting Policy

These Statement of Accounts are the first to be prepared by the Council on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some of the figures presented in the Statement of Accounts are different to the comparative figures in the Audited Statement of Accounts for 2009/10. An explanation of the material differences between the two figures is provided in Note 2. Relevant figures for the 2009/10 financial year and for the Balance sheet at 1 April 2009 are disclosed as appropriate for the purpose of comparison.

c) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's officers) 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.
- 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 there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where the Council is acting as an agent for another party (eg, in the collection of NNDR), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

d) 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 date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

e) Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or when the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

f) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed 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 fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by loans fund principal repayments in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

g) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees, are recognised as an expense in the year in which employees render service to the Council . An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Account when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme administered by the Scottish Public Pension Agency
- The Local Government Pensions Scheme administered by Falkirk Council

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Education Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Falkirk pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected 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, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the gross redemption yield on the iboxx Sterling Corporate Index, AA over 15 years.
- The assets of the Falkirk pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited/credited to the Pensions Reserve
  - contributions paid to the Falkirk pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits
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 Local Government Pension Scheme.

h) Events After the Reporting Period

Events after the reporting period are those 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. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

i) Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

j) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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 Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

k) Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. 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.
Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available-for–Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

l) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, 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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.
Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

m) 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 (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase. Research expenditure is not capitalised.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

n) Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

o) Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the lower of cost and net realisable values.

p) Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

q) Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Council accounts for its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

r) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment 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.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:
a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)
Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases
Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:
- a charge for the acquisition of the interest in the property – applied to write down the lease liability (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases
Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

s) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation. (However, an allocation of Democratic Costs is made to the Housing Revenue Account to reflect the proportion attributable to Council housing issues)

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

t) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or 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 and Equipment.

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Measurement
Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined by the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation or impairment loss previously charged to a service.

Where decreases in value are identified, the revaluation loss is accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

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 posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- infrastructure – straight-line allocation over 60 years.

Where a material item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, and where these components have different useful lives to the main asset, the components are depreciated separately. Significant components are deemed to be those whose cost is 25% or more of the total cost of the individual asset. In accordance with the Council approved policy, an individual asset is considered to be material if it's carrying value is 5% or more of the cumulative carrying value (net book value) of the non-land element of PPE and Investment Properties. Any individual asset below this de-minimis will be disregarded for component accounting on the basis that any adjustment to depreciation charges would not be material.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

u) Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Secondary Schools scheme the liability was written down by an initial capital contribution of £16.35m.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge of 4.36% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

v) Provisions, Contingent Liabilities and Contingent Assets

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. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation 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 also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

w) Reserves

Reserves are created by appropriating amounts out of 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 in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. 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 processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Council – these reserves are explained in the relevant notes below.

Insurance Fund

The Insurance fund covers the main classes of insurance: property, public liability, employers liability and motor. Funds are earmarked for insurance purposes and are not available for general Council use. The purpose of the Insurance Fund is to provide an element of self-insurance and protect the Council against unforeseen losses. The total cost of insurance i.e. premium plus excess, is charged to the Fund and offset by contributions from services which are reflected in Comprehensive Income and Expenditure Statement.

x) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

y) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Transitional Arrangements for First Time Adoption of International Financial Reporting Standards

The Annual accounts for 2010/11 are the first to be prepared on an IFRS basis. Adoption of the IFRS Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented are different from the equivalent figures presented in the Audited Annual Accounts for 2009/10. An explanation of the differences between the amounts presented in the Annual Accounts for 2009/10 and the equivalent amounts presented in the 2010/11 Annual Accounts is provided in the following table and notes.

Reconciliation of net worth reported under previous UK GAAP to net worth under IFRS(1 April 2009) and the end of the latest period presented in the most recent financial statements under UK GAAP (31 March 2010)	**Note**	**1 April 2009** **£'000**	**31 March 2010** **£'000**
Net assets/ (liabilities) under UK GAAP		**105,765**	**38,916**
Adjustments made :			
IAS 20 - Accounting for Government Grants	a	10,345	15,635
IAS 17 - Leases	b	60	13
IAS 19 - Employee Benefits	c	(3,672)	(4,328)
Net assets/ (liabilities) under IFRS		**112,498**	**50,236**

This table provides a reconciliation between the gains and losses shown in the 2009/10 Annual Accounts on a UK GAAP basis and the revised 2009/10 income and expenditure shown on an IFRS basis.

	2009/10 **£'000**
Total recognised (gains)/ losses for 2009/10 based on UK GAAP	**66,849**
IAS 20 - Accounting for Government Grants	(5,290)
IAS 17 - Leases	47
IAS 19 - Employee Benefits	656
Total Comprehensive Income & Expenditure for 2009/10 based on IFRS	**62,262**

Notes:

a. Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet. This has resulted in the balance shown on the Capital Adjustment Account in the IFRS accounts being £10.345m and £15.635m higher than shown under the 1st April 2009 and 31 March 2010 previous GAAP based accounts respectively.

Amortisations of government grants deferred were previously recognised as income in 2009/10 (£0.768m). These have been removed from the Comprehensive Income & Expenditure Statement (on a service by service basis) in the comparative figures.

b. Leases

The council has classified a number of leases as operating leases under UK GAAP. These have been subsequently re-categorised as finance leases under the IFRS standard. This required the Council to recognise the asset on the balance sheet and subsequent finance lease creditor at the inception of the leases, and determine the value of the asset and liability at 31 March 2009. During 2009/10 the short term creditor was paid, and a transfer was made from long-term creditors to short term creditors to reflect the principal element payable in 2010/11. The cost to the Comprehensive Income and Expenditure Account reflects the finance lease charges being higher than those recognised under the operating lease.

c. Employee Benefits

This refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay. Employees build up entitlement to paid holidays as they work. Under the Code the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements no such accrual was required.

Accruing for employee benefits has resulted in decreases of net assets in the Balance Sheet as at 1 April 2009 and as at 31 March 2010 of £3.672m and £4.328m respectively. The impact on the Comprehensive Income and Expenditure Statement is an increase of expenditure of £656k in 2009/10, reflecting the movement in the accrual.

The government has issued regulations that mean that local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when the employees earn the benefits. Amounts are transferred to the Employee Statutory Mitigation Account - Employee Benefits until the benefits are used.

3. Accounting Standards

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change of accounting policy in relation to the treatment of heritage assets held by the Council, which will have to be fully adopted by the Council in the 2011/12 Statement of Accounts.

The Council is required by the 2010/11 Code to disclose information relating to the impact on the financial statements as a result of new standards which have been issued but not yet adopted by the Council, in this case heritage assets. Full adoption is required in the 2011/12 Accounts, however the Council is required to provide an estimated impact on the financial statements of the new standard in the 2010/11 Accounts. The new standard will require that heritage assets are disclosed as a new class of assets on the face of the Council's 2011/12 Balance Sheet.

Heritage assets are those that are held by the Council principally for their contribution to knowledge or culture. Assets which are used for heritage purposes, such as museums, are recognised as operational rather than heritage assets in the Balance Sheet. The Council is currently unable to determine what the impact of this change will be on its 2011/12 Balance Sheet until further work is carried out during 2011/12 on this issue. However, initial indications are that this will not have a material impact on the Council's Balance Sheet.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, 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:

- There is a high degree of uncertainty about future levels of funding for local government with the current spending review only covering one year, 2011/12. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision, beyond what has been provided in the 2011/12 budget.
- A claim has been made against the Council in relation to the award of a procurement contract. With the support of the Council's legal advisors, it has been assessed that the Council has a strong legal argument to defend the claim, and therefore no provision for possible damages has been made.

5. 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 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 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings and council houses would increase by £268k and £246k respectively for every year that useful lives had to be reduced.
Provisions	The Council has made a provision of £2,778m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £278k to the provision needed.
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 salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of 10% equating to £21.629m. However, the assumptions interact in complex ways. During 2010/11, the Council's actuaries advised that the net pensions liability had decreased by £21.741m due to the pension increase change from RPI to CPI introduced in the June 2010 Emergency Budget..
Arrears	At 31 March 2011, the Council had a balance of sundry debtors for £2.256m. A review of outstanding balances suggested that an allowance for doubtful debts of £626k (debts over 3 years old for non-housing services and over one year for housing repairs) was appropriate. However, in the current economic climate such an allowance might not be sufficient.	If collection rates were to deteriorate and debts over one year old in respect of non-housing services become more doubtful this would require an additional £178k to be set aside as an allowance.

6. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010/11	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Insurance Fund £000	Movement in Unusable Reserves £000
	Usable Reserves				
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non current assets	(6,617)	(5,109)			11,726
Amortisation of intangible assets	(187)				187
Capital grants and contributions that have been applied to capital financing	2,959				(2,959)
Revenue expenditure funded from capital under statute	1,245				(1,245)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(567)	(730)			1,297
Sale Proceeds of non-current assets	735	1,096	(1,831)		0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	5,917	1,562			(7,479)
Capital expenditure charged against the General Fund and HRA balances		2,373			(2,373)
Adjustments involving the Capital Receipts Reserve:					
Use of the Capital Receipts Reserve to finance capital expenditure			1,096		(1,096)
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	302				(302)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see Note 25)	12,538	(443)			(12,095)
Employer's pensions contributions and direct payments to pensioners payable in the year	6,511	261			(6,772)
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	490	117			(607)
Total Adjustments	**23,326**	**(873)**	**(735)**		**(21,718)**

2009/10 comparative figures	Usable Reserves General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Insurance Fund £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non current assets	(26,103)	(15,076)			41,179
Amortisation of intangible assets	(192)				192
Capital grants and contributions that have been applied to capital financing	6,058				(6,058)
Revenue expenditure funded from capital under statute	(1,245)				1,245
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1	(152)			151
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	4,548	1,510			(6,058)
Capital expenditure charged against the General Fund and HRA balances		2,561			(2,561)
Adjustments involving the Capital Receipts Reserve:					
Use of the Capital Receipts Reserve to finance new capital expenditure			(584)		584
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	280				(280)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see Note 25)	(9,794)	(418)			10,212
Employer's pensions contributions and direct payments to pensioners payable in the year	6,013	341			(6,354)
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(519)	(137)			656
Total Adjustments	**(20,953)**	**(11,371)**	**(584)**		**(32,908)**

7. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA expenditure in 2010/11.

2010/11	Balance at 1 April 2010 £000	Transfers Out 2010/2011 £000	Transfers In 2010/2011 £000	Balance at 31 March 2011 £000	Purpose of the Earmarked Reserve
General Fund:					
Capital Receipts Reserve	735	(1,470)	735	0	Proceed of assets sales available to meet future capital investment or repayment of debt
Insurance Fund	710	0	81	791	Resources to provide an element of self-insurance
Total	**1,445**	**(1,470)**	**816**	**791**	

2009/10 comparative figures	Balance at 1 April 2010 £000	Transfers Out 2010/2011 £000	Transfers In 2010/2011 £000	Balance at 31 March 2011 £000
General Fund:				
Capital Receipts Reserve	3,215	(3,064)	584	735
Insurance Fund	744	(34)	0	710
Total	**3,959**	**(3,098)**	**584**	**1,445**

8. Other Operating Expenditure

2009/10 £000		2010/11 £000
(511)	Gains/losses on trading operations (Note 19)	(278)
151	Gains/losses on the disposal of non current assets	(534)
(360)	**Total**	**(812)**

9. Financing and Investment Income and Expenditure

2009/10 £000		2010/11 £000
9,452	Interest payable and similar charges	9,500
3,825	Pensions interest cost and expected return on pensions assets	2,490
(176)	Interest receivable and similar income	(188)
0	Changes in the carrying value of LOBO * loans	11
13,101	**Total**	**11,813**

* Lender Options Borrower Options

10. Taxation and Non Specific Grant Incomes

2009/10 £000		2010/11 £000
(21,391)	Council tax income	(21,518)
(21,165)	Non domestic rates	(20,228)
(72,610)	Non-ring fenced government grants	(77,580)
(6,058)	Capital grants and contributions	(2,348)
(121,224)	**Total**	**(121,674)**

11. Material Items of Income and Expense

Provisions

In 2009/10 the provision for equal pay liabilities was increased by £1.245m to cover potential exposure in respect of a new wave of claims. The Scottish Government granted the Council a consent to borrow this sum in either 2009/10 or 2010/11 and this consent was recognised by an adjusting transaction between the Movement in Reserves Statement and the Capital Adjustment Account, thereby neutralising the effect of the increase in the provision on the general fund balance in 2009/10.

As at the end of March 2011 settlement of these claims had still not progressed. An application to the Scottish Government to carry forward the consent to borrow into 2011/12 was declined. Accordingly the above previous year adjusting transaction has been reversed, resulting in an additional cost of £1.245m in the Comprehensive Income and Expenditure Statement in 2010/11.

12. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 6 and 7.

31 March 2010 £000		31 March 2011 £000
7,966	General Fund	9,129
4,262	Housing Revenue Account	3,575
735	Capital Receipts Reserve	0
710	Insurance Fund	791
13,673	**Total Usable Reserves**	**13,495**

13. Unusable Reserves

31 March 2010 £000		31 March 2011 £000
27,413	Revaluation Reserve	26,850
122,995	Capital Adjustment Account	125,500
(4,481)	Financial Instruments Adjustment Account	(4,179)
(105,036)	Pensions Reserve	(61,617)
(4,328)	Accumulating Compensated Absences Adjustment Account	(3,721)
36,563	**Total Unusable Reserves**	**82,833**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 £000		2010/11 £000
0	**Balance at 1 April**	**27,413**
27,413	Upward revaluation of assets	0
0	Accumulated gains on assets sold or scrapped written off to the Capital Adjustment Account	(563)
27,413	**Balance at 31 March**	**26,850**

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. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £000		2010/11 £000	2010/11 £000
151,669	**Balance at 1 April**		**122,995**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(41,179)	• Charges for depreciation and impairment of non current assets	(11,726)	
(192)	• Amortisation of intangible assets	(187)	
(1,245)	• Revenue expenditure funded from capital under statute	1,245	
(151)	• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,297)	
0	• Amounts written out of the Revaluation Reserve on assets sold or scrapped	563	
(42,767)			(11,402)
	Capital financing applied in the year:		
(584)	• Use of the Capital Receipts Reserve to finance new capital expenditure	1,096	
6,058	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,959	
6,058	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	7,479	
2,561	• Capital expenditure charged against the General Fund and HRA balances	2,373	
14,093			13,907
122,995	**Balance at 31 March**		**125,500**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 43 years.

2009/10 £000		2010/11 £000
(4,761)	**Balance at 1 April**	**(4,481)**
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	
313	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	313
(33)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(11)
(4,481)	**Balance at 31 March**	**(4,179)**

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 Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pensions funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £000		2010/11 £000
(46,280)	**Balance at 1 April**	**(105,036)**
(54,898)	Actuarial gains or losses on pensions assets and liabilities	24,552
(10,212)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	12,095
6,354	Employer's pensions contributions and direct payments to pensioners payable in the year	6,772
(105,036)	**Balance at 31 March**	**(61,617)**

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences 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. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/10 £000		2010/11 £000	2010/11 £000
3,762	**Balance at 1 April**		**4,328**
(3,762)	Settlement or cancellation of accrual made at the end of the preceding year	(4,328)	
4,328	Amounts accrued at the end of the current year	3,721	
	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(607)
4,328	**Balance at 31 March**		**3,721**

14. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10 £000		2010/11 £000
176	Interest received	188
(13,277)	Interest paid	(11,463)

15. Cash Flow Statement – Investing Activities

2009/10 £000		2010/11 £000
(12,221)	Purchase of property, plant and equipment, investment property and intangible assets	(8,583)
262	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,831
17,752	Proceeds from shot-term and long-term investments	0
6,058	Other receipts from investing activities	2,678
11,851	**Net cash flows from investing activities**	**(4,074)**

16. Cash Flow Statement – Financing Activities

2009/10 £000		2010/11 £000
11,581	Cash receipts of short- and long-term borrowing	0
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(565)
(39,068)	Repayments of short- and long-term borrowing	(1,503)
0	Other payments for financing activities	0
(27,487)	**Net cash flows from financing activities**	**(2,068)**

17. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2010 £000		31 March 2011 £000
7	Cash held by the Council	7
9,220	Bank current accounts	17,406
64	Short-term deposits with building societies	47
9,291	**Total cash and cash equivalents**	**17,460**

A Group Cash flow Statement reflects the cash flow movement of the Council and subsidiaries - cash balances.

At the Balance Sheet date Clackmannanshire Council no longer has a subsidiary. Therefore it is not considered necessary to complete a Group Cash flow Statement to provide a fair presentation of the Council's financial position.

18. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across service portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Account)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to services

The income and expenditure of the Council's principal services recorded in the budget reports for the year is as follows:

Portfolio Income and Expenditure

	Support Services £000's	Strategy & Customer Services £000's	Facilities Management £000's	Social Policy £000's	Education £000's	Community & Regulatory £000's	Housing Revenue Account £000's	Total £000's
Fees, Charges & Other Service Income	(578)	(1,058)	(4,384)	(7,984)	(1,660)	(3,811)	(14,148)	**(33,623)**
Government Grants	**(392)**	**0**	**0**	**(1,502)**	**(524)**	**(18,296)**	**0**	**(20,714)**
Total Income	(970)	(1,058)	(4,384)	(9,486)	(2,184)	(22,107)	(14,148)	(54,337)
Employee Expenses	5,236	6,380	7,707	10,190	33,546	4,793	2,206	70,058
Other Operating Expenses	1,317	2,958	17,709	23,387	3,962	25,247	5,646	**80,226**
Total Operating Expenses	**6,553**	**9,338**	**25,416**	**33,577**	**37,508**	**30,040**	**7,852**	**150,284**
Net Cost of Services	**5,583**	**8,280**	**21,032**	**24,091**	**35,324**	**7,933**	**(6,296)**	**95,947**

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

Cost of Services in Service Analysis	95,947
(1) Add amounts not reported in service management accounts	(6,814)
Net Cost of Services in Comprehensive Income and Expenditure Statement	**89,133**

Reconciliation to Subjective Analysis

	Service Analysis £000s	Not Reported in Service Management A/cs £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(33,623)	(8,004)	(41,627)	(812)	(42,439)
Interest and Investment income	0	0	0	(188)	(188)
Income from Council Tax & NDR	0	0	0	(41,746)	(41,746)
Government grants and contributions	(20,714)	0	(20,714)	(79,928)	(100,642)
Total Income	**(54,337)**	**(8,004)**	**(62,341)**	**(122,674)**	**(185,015)**
Employee expenses	70,058	(18,121)	51,937	0	51,937
Other Service expenses	80,226	8,650	88,876	0	88,876
Depreciation, amortisation and impairment	0	11,195	11,195	0	11,195
Interest payments	0	0	0	12,001	12,001
Gain or loss on disposal of Fixed Assets	0	(534)	(534)	0	(534)
Total Operating expenses	**150,284**	**1,190**	**151,474**	**12,001**	**163,475**
Surplus or deficit on the provision of services	**95,947**	**(6,814)**	**89,133**	**(110,673)**	**(21,540)**

(1) Includes depreciation, IAS 19 pension adjustment, equal pay provision, STO's and joint boards

Comparative Amounts Reported for Resource Allocation Decisions 2009/10

The previous year analysis is not directly comparable as it reflects the management structure in place at that time prior to the implementation of service and management reconfiguration introduced by the Council in January 2010.

Portfolio Income and Expenditure

	Chief Executive Services £000	Corporate & Dev Services £000	Services to People £000	Social Services £000	Education & Comm Services £000	General Fund Housing £000	Development & Environ Services £000	Housing Revenue Account £000	Total £000
Fees, charges & other service income	(568)	(698)	(10)	(11,776)	(3,024)	(2,509)	(11,245)	(13,378)	(43,208)
Government Grant	(17)	(649)	0	(1,290)	(1,028)	(17,104)	(81)	0	(20,169)
Total Income	(585)	(1,347)	(10)	(13,066)	(4,052)	(19,613)	(11,326)	(13,378)	(63,377)
Employee expenses	2,487	5,540	244	9,526	37,702	1,530	10,266	2,325	69,620
Other Operating expenses	915	2,006	3,701	24,808	14,531	21,018	12,825	9,057	88,861
Support Service recharges	0	0	0	0	0	0	0	0	0
Total Operating Expenses	**3,402**	**7,546**	**3,945**	**34,334**	**52,233**	**22,548**	**23,091**	**11,382**	**158,481**
Net Cost of Services	**2,817**	**6,199**	**3,935**	**21,268**	**48,181**	**2,935**	**11,765**	**(1,996)**	**95,104**

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

Cost of Services in Service Analysis	95,104
Add Audit Adjustments	4,744
(1)Add Amounts not reported in service management accounts	42,028
IFRS Restatement	1,384
Net Cost of Services in Comprehensive Income and Expenditure Statement	143,260

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Service Analysis £000	Not Reported in Service Man A/cs £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees Charges & other service income	(43,208)	(8,636)	(51,844)	0	(51,844)
Surplus or deficit on associates and Joint Ventures	0	0	0	(511)	(511)
Interest and Investment Income	0	0	0	(176)	(176)
Income from Council Tax & NDR Rates	0	0	0	(42,556)	(42,556)
Government Grants and Contributions	(20,169)	(202)	(20,371)	(78,668)	(99,039)
Total Income	**(63,377)**	**(8,838)**	**(72,215)**	**(121,911)**	**(194,126)**
Employee expenses	69,620	6,650	76,270	0	76,270
Other Service Expenses	88,861	12,622	101,483	0	101,483
Depreciation, amortisation and impairment	0	40,132	40,132	0	40,132
Interest Payments	0	0	0	13,277	13,277
Payments to Housing Capital Receipts Pool	0	(2,577)	(2,577)	0	(2,577)
Gain or loss on disposal of Fixed Assets	0	167	167	151	318
Total Operating Expenses	**158,481**	**56,994**	**215,475**	**13,428**	**228,903**
Surplus or deficit on the provision of Services	**95,104**	**48,156**	**143,260**	**(108,483)**	**34,777**

(1) Includes depreciation, impairment, FRS 17 pension adjustment, equal pay provision, STO's and joint boards

19. Trading Operations

The Council has identified the following 2 significant trading operations that require to be disclosed in accordance with the Local Government Scotland Act 2003.

		2008/09		2009/10		2010/11	
		£000	**£000**	**£000**	**£000**	**£000**	**£000**
Property contracts carried out work primarily for Housing Services. The work ranges from day to day repairs to Council houses to major capital Schemes such as window replacements - the trading objective is to achieve the budgeted surplus (£278,000)	Turnover	5,674		6,011		5,702	
	Expenditure	(5,111)		(5,361)		(5,248)	
	Surplus		563		650		454
Environmental & Engineering contracts carries out maintenance work on existing roads infrastructure together with construction of new projects including car parks and lighting schemes - the Surplus trading objective is to achieve the budgeted surplus of (£84,000)	Turnover	2,527		2,625		2,491	
	Expenditure	(2,344)		(2,428)		(2,313)	
	Surplus		183		197		178
Total Surplus			**746**		**847**		**632**
Reversal of items debited or credited to the Other Operating expenditure in the Comprehensive Income and Expenditure Statement							
Surplus credited against HRA Balances			(235)		(190)		(153)
Surplus credited against General fund balance - Roads & Transport Serv			(183)		(146)		(201)
Gains/Losses on Trading Operations per Note (8)			**328**		**511**		**278**

It is a requirement of the 2003 Act that significant Trading Operations must break even over a three year rolling basis. This statutory requirement to break even was met by both of the Trading Operations.Trading Operations are incorporated into the Comprehensive Income and Expenditure Statement.

20. Agency Income and Expenditure

The Council has an agency agreement with Scottish Water for the billing and collection of water and sewerage charges on its behalf. The income received from the Water Authority towards the Council's local tax collection costs was £0.138m (2009/10 - £0.139m). This income is included in the Comprehensive Income and Expenditure Statement.

21. Pooled Budgets

A Local Partnership agreement exists between Clackmannanshire Council and NHS Forth Valley (Health Board, Primary Care Trust and Acute Trust) and covers all community care client groups. The shared vision is for better outcomes to be secured for people who require services and their carers and for improved partnership working between our agencies. Budgets from Clackmannanshire Council and NHS Forth Valley have been aligned to support this as follows:

	Budget 2009/10 £000	Budget 2010/11 £000	Expenditure 2009/10 £000	Expenditure 2010/11 £000
Integrated Mental Health Management	174	167	118	129
Skills Training	287	355	311	321
Integrated MH reserves	0	0	29	1
Mental Health Day Unit	525	562	509	580
	986	**1,084**	**967**	**1,031**
Clackmannanshire Council	47%	48%	47%	44%
NHS Forth Valley	53%	52%	53%	56%

22. External Audit Costs

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

	2009/10 £000	2010/11 £000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	227	219

23. Termination Benefits

40 Staff have received lump sum severance or have had access to their pension schemes including strain payments. The total cost of this during 2010/11 financial year is £535k. There is also a provision in the accounts of £826k relating to 48 employees whose voluntary severance was approved during the 2010/11 financial year but are not due to leave until the 2011/12 financial year.

24. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The total contribution made for the year ended 31 March 2011 was £4.050m (2009/10 £4.092m), of which employer's contributions totalled £2.829m (2009/10 £2.858m) and employee's contributions totalled £1.221m (2009/10 £1.234m). The agreed contribution rates for future years are 14.9% from 2011/12 (2010/11: 14.9%) for employers and 6.4% (2010/11: 6.4%) for employees.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 25.

25. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Falkirk Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit final arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge they are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme £000	
	2010/11	**2009/10**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
• current service cost	(6,148)	(3,541)
• past service costs	21,246	(2,678)
Financing and Investment Income and Expenditure		
• interest cost	(12,738)	(10,435)
• expected return on scheme assets	10,248	6,610
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	12,608	(10,044)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
• actuarial gains and losses	(513)	(168)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	12,095	(10,212)
Movement in Reserves Statement		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(12,095)	10,212
Actual amount charged against the General Fund Balance for pensions in the year:		
• employers' contributions payable to scheme	(6,772)	(6,354)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £35,057k.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities: Local Government Pension Scheme £000	
	2010/11	**2009/10**
Opening balance at 1 April	246,589	150,529
Current service cost	6,148	3,541
Interest cost	12,738	10,435
Contributions by scheme participants	1,757	1,825
Settlements and curtailments	513	168
Actuarial gains and losses	(22,468)	84,202
Benefits paid	(6,924)	(6,789)
Past service costs	(21,246)	2,678
Closing balance at 31 March	**217,107**	**246,589**

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme £000	
	2010/11	**2009/10**
Opening Balance at 1 April	141,553	104,249
Expected Rate of Return	10,248	6,610
Actuarial (gains) and losses	2,084	29,304
Employer contributions	6,772	6,354
Contributions by scheme participants	1,757	1,825
Benefits paid	(6,924)	(6,789)
Closing Balance at 31 March	**155,490**	**141,553**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experience in the respective markets.

The actual return on the scheme assets in the year was £12,351k. (2009/10 £35,934k)

Scheme History

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present value of liabilities:					
Local Government Pension Scheme	(165,700)	(146,696)	(138,199)	(229,772)	(202,626)
Discretionary Benefits	(13,731)	(12,245)	(12,330)	(16,817)	(14,481)
Fair value of assets in the Local Government Pension Scheme	137,447	136,280	104,249	141,553	155,490
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(41,984)	(22,631)	(46,280)	(105,036)	(61,617)
Discretionary Benefits	0	0	0	0	
Total	**(41,984)**	**(22,661)**	**(46,280)**	**(105,036)**	**(61,617)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total credit of £43m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a balance of £62m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e., before payments fall due), as assessed by the scheme actuary

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £5.606m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2008.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2010/11	**2009/10**
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.8%
Bonds	4.9%	5.0%
Cash	4.6%	4.8%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.6 years	21.6 years
Women	25.0 years	25.0 years
Longevity at 65 for future pensioners:		
Men	23.1 years	23.1 years
Women	26.6 years	26.6 years
Rate of inflation	2.8%	3.8%
Rate of increase in salaries	5.1%	5.3%
Rate of increase in pensions	3.8%	3.8%
Rate for discounting scheme liabilities	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2011 %	**31 March 2010 %**
Equity investments	76	77
Bonds	13	13
Property	8	7
Cash	3	3
	100	100

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Differences between the expected and actual return on assets	(0.8)	(10.0)	(36.22)	20.72	1.35
Experience gains and losses on liabilities	0.1	0.7	2.6	(0.27)	0.72

26. Events After the Balance Sheet Date

The Unaudited Statement of Accounts was authorised for issue by the Director of Finance and Corporate Services on 30 June 2011. Events taking place after this date are not reflected in the financial statements or Notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

27. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions 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. In this context related parties include: -

- Central Government
- Other Local Authorities and Joint Boards
- Subsidiary and Associated Companies
- Joint Ventures and Joint Venture Partners
- Elected Members and Chief Officers

The following related party transactions in 2010/11 are disclosed elsewhere within the Statement of Accounts: -

a) Receipts from Central Government (Revenue Support Grant, NNDR Contribution from Pool, Government Grants etc) are shown in Note 45 (Grant Income)
b) Payments to the Falkirk Council Superannuation Fund and Scottish Government (Teachers' Pensions) are shown in Notes 24 and 25 (Pension Schemes).
c) Requisitions paid to Joint Boards are shown on the Comprehensive Income and Expenditure Account.
d) Payments to Elected Members and Chief Officers are shown in the Remuneration Report.

Other significant related party transactions not included elsewhere within the Statement of Accounts are: -

a) The South East of Scotland Regional Transport Partnership (SESTRAN)
The Council's contribution to this partnership was £10,135 (2009/10 £40,000).

b) Forth Valley Geographical Information Services (FVGIS)
This is a limited company of which Clackmannanshire Council, Stirling Council and Falkirk Council are equal shareholders. The three funding Council's pay an annualised amount for core GIS services. The contribution paid by the Council in 2010/11 was £162,595 (2009/10 £149,000).

c) SEEMIS Limited Liability Partnership
The Council's contribution to this partnership was £37,324 (2009/10 £36,773). The Council is one of 26 Council's across Scotland with membership. The Council's contribution is 1.29%.

d) Scotland Excel
The Council's contribution to this partnership was £46,317 (2009/10 Nil). The Council is one of 32 Council's across Scotland with membership. The Council's contribution is 1.37%.

28. Leases

The Council has acquired a number of vehicles and some of its street lighting Infrastructure under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	31 March 2011 £000	31 March 2010 £000
Other Land and Buildings	0	82
Vehicles, Plant, Furniture and Equipment	561	612
	561	**694**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2011 £000	31 March 2010 £000
Finance lease liabilities (net present value of minimum lease payments):		
• current	45	42
• non current	594	639
Finance costs payable in future years	292	343
Minimum lease payments	**931**	**1,024**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Not later than one Year	48	51	45	42
Later than one year not later than Five years	155	170	217	202
Later than Five years	89	122	377	437
	292	**343**	**639**	**681**

29. Investment Properties

The following items of income and expense in respect of Investment Property leased out as operating leases, have been accounted for in the Comprehensive Income and Expenditure Statement:

	2009/10 £000	2010/11 £000
Rental Income from investment	240	240
Direct operating expenses arising from investment property	N/A	N/A
Net gain/(loss)	**240**	**240**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2009/10 £000	**2010/11 £000**
Balance at 1 April	19,162	6,239
Additions:		
- Construction	0	1
Disposals	(0)	(270)
Net gains/losses from fair value adjustments	(1,363)	0
Transfers:		
- (to)/ from Property, Plant and Equipment	(11,560)	0
- (to)/ from Assets Held for Sale		(211)
Balance at 31 March	6,239	5,759

30. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are all five years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisations are charged to the IT cost centre and then absorbed as an overhead across all the service headings in the Net Cost of Services within the Comprehensive Income and Expenditure Statement. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2009/10 £000	2010/11 £000
Balance at start of year:		
• Gross carrying amounts	1,056	1,204
• Accumulated amortisation	(488)	(680)
Net carrying amount at start of year	568	524
Additions:		
Purchases	148	118
Amortisation for the period	(192)	(187)
Net carrying amount at end of year	**524**	**455**
Comprising:	1,204	1,322
• Gross carrying amounts	(680)	(867)
• Accumulated amortisation		
	524	**455**

31. Impairment Losses

The Council carried out an assessment of its assets for indications of any impairments during 2010/11. The scope of the assessment was to identify any unexpectedly significant decline in an asset's carrying amount or evidence of obsolescence or physical damage of an asset. The assessment did not identify any indications of material impairments during the year.

32. Long-term Investments

The Council has a range of investments that are fully described below. These are summarised as follows: -

	2009/10 £000	2010/11 £000
CSBP Clackmannanshire Investments Ltd (at cost)	**0**	**0**
CSBP Clackmannanshire Developments Ltd (at cost)	**968**	**1,426**
	968	**1,426**

33. Interests in Companies

The Council holds shares in various trading companies, either as controlling or minority shareholder.

The Council is also represented on the Boards of various companies that are limited by guarantee and have no share capital. It participates in these companies by means of Board membership and the provision of funding and management support.

Joint Ventures:

CSBP Clackmannanshire Investments Limited

This joint venture was formed in November 2003. The principal activity of the company is property development. The Council holds a 50% share in the joint venture company along with SPC Group Limited.

For the year ended 31 March 2011 the company had net profits/(losses) and net assets of £15,000(2009/10(£80,000)) and £524,000 (2009/10 £509,000) respectively. The Council's share of these figures have been incorporated in the Group Accounts.

CSBP Clackmannanshire Developments Limited

This joint venture was formed in November 2003. The principal activity of the company is the development and refurbishment of commercial and industrial property. The Council holds a 50% share in the joint venture company along with Scarborough Development Group.

For the year ended 31 March 2011 the company had net profits/(losses) and net liabilities of £51,000 (2009/10 (£100,000)) and £149,000 (2009/10 £200,000) respectively. The Council's share of these figures have been incorporated in the Group Accounts.

During the year 2010/11 the Company's Bank overdraft facility of £870,000 expired and was not renewed. The two Joint Venture partners each increased their loan capital by £435,000 to replace this facility.

Associated Companies:

Clackmannanshire Heritage Trust

This is a registered company limited by guarantee with charitable status. The purpose of the company is to enhance the historic buildings of Clackmannanshire, improve its landscaping and encourage sustainable use of its environment. The Council has five out of the thirteen trustees represented on its Board but it is not controlled by the Council.

Forth Valley GIS Limited

The principal activity of the company is the provision of corporate Geographical information Services, in particular, to Clackmannanshire, Falkirk and Stirling Council's. At 31 March 2011 the Council held 24 shares of £1 each in the company, representing a 33.3% shareholding. At 31 March 2011 the company had net liabilities of £497,000 (2009/10 net liabilities £750,000). In year ended 31 March 2011 the company achieved an operating loss of £117,000 (2009/10 operating loss £30,000). The Contractor has been retendered with an effective date of 30th June 2011.

Joint Boards:

Central Scotland Joint Police Board

This Board is the statutory corporate body established in 1975 to provide a vast range of policing services on behalf of the three local authorities comprising Falkirk, Stirling and Clackmannanshire Council's.

During 2010/11 the Council contributed £3.936m(2009/10 £4.380m) or 15.8% of the Board's estimated running costs. The Board's net liabilities at 31 March 2011 were £393.792m (2009/10 £457.721m) and the Council's share has been incorporated in the Group Accounts.

Central Scotland Joint Fire and Rescue Board

This Board is the statutory body established in 1975 to provide fire and emergency cover on behalf of the three local authorities comprising Falkirk, Stirling and Clackmannanshire Council's.

During 2010/11 the Council contributed £2.741m(2009/10 £3.204m) or 17.8% of the Board's estimated running costs. The Board's net liabilities at 31 March 2011 were £106.926m(2009/10 £123.190m) and the Council's share has been incorporated in the Group Accounts.

Central Scotland Valuation Joint Board

This Board is an independent body formed in 1996 to compile the Valuation Roll, Valuation List and Electoral Register on behalf of the three local authorities comprising Falkirk, Stirling and Clackmannanshire Council's.

During 2010/11 the Council contributed £428k(2009/10 £418k) or 15.4% of the Boards estimated running costs. The Board's net liabilities at 31 March 2011 were £3.366m(2009/10 £6.143m) and the Council's share has been incorporated in the Group Accounts

Group Accounts

The following entities have a significant impact on the Council’s operations and have been consolidated into the Group Accounts:

CSBP Clackmannanshire Investments Limited
CSBP Clackmannanshire Developments Limited
Forth Valley GIS Limited
Central Scotland Joint Police Board
Central Scotland Joint Fire and Rescue Board
Central Scotland Valuation Joint Board

34. Property, Plant and Equipment

Movements on Balances

Movements in 2010/11

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equip	Infrastructure Assets	Assets under Construction	Total Property, Plant & Equip	PFI Assets Included in Property, Plant & Equip[1]
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation							
At 1 April 2010	**135,461**	**153,802**	**14,416**	**32,727**	**4**	**336,410**	**61,325**
Additions	3,469	1,646	822	1,954	11	**7,902**	0
Derecognition – Disposals	(1,850)	0	(219)	0	0	**(2,069)**	0
Assets reclassified (to)/from Held for Sale	0	(7,124)	0	0	0	**(7,124)**	0
At 31 March 2011	**137,080**	**148,324**	**15,019**	**34,681**	**15**	**335,119**	**61,325**
Accumulated Depreciation and Impairment							
At 1 April 2010	**4,755**	**4,285**	**7,185**	**2,942**	**0**	**19,167**	**761**
Depreciation charge	5,037	4,257	1,853	579	0	**11,726**	1,148
Derecognition – Disposals	(1,156)	0	(189)	0	0	**(1,345)**	0
Eliminated on reclassification to Assets Held for Sale	0	(902)		0	0	**(902)**	0
At 31 March 2011	**8,636**	**7,640**	**8,849**	**3,521**	**0**	**28,646**	**1,909**
Net Book Value							
At 31 March 2011	**128,444**	**140,684**	**6,170**	**31,160**	**15**	**306,473**	**59,416**
At 31 March 2010	**130,706**	**149,521**	**7,231**	**29,785**	**4**	**317,247**	**60,564**

Comparative Movements in 2009/10

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equip	Infrastructure Assets	Assets under Construction	Total Property, Plant & Equip	PFI Assets Included in Property, Plant & Equip[2]
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation							
At 1 April 2009	168,886	156,934	12,229	28,161	24	**366,234**	41,513
Additions	4,657	26,011	2,167	4,551	0	**37,386**	21,705
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(37,096)	(31,753)	0	0	0	**(68,849)**	(1,893)
Derecognition – Disposals	(986)	0	0	0	0	**(986)**	0
Assets reclassified (to)/from Held for Sale	-	2,610	20	15	(20)	**2,625**	0
At 31 March 2010	**135,461**	**153,802**	**14,416**	**32,727**	**4**	**336,414**	**61,325**
Accumulated Depreciation and Impairment							
At 1 April 2009	27,659	41,082	5,491	2,445	0	**76,677**	0
Depreciation charge	4,800	3,780	1,694	497	0	**10,771**	761
Depreciation written out to the Revaluation Reserve	(27,659)	(41,082)	0	0	0	**(68,741)**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	505	0	0	0	**505**	0
Derecognition – Disposals	(45)	0	0	0	0	**(45)**	0
At 31 March 2010	**4,755**	**4,285**	**7,185**	**2,942**	**0**	**19,167**	**761**
Net Book Value							
At 31 March 2010	**130,706**	**149,521**	**7,231**	**29,785**	**4**	**317,247**	**60,564**
At 31 March 2009	**141,227**	**118,466**	**6,739**	**25,731**	**24**	**292,187**	**41,513**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation

Council Dwellings	14-40 years
Other Land and Buildings	14-40 years
Vehicles Plant furniture and Equipment	4 -15 years
Infrastructure Assets	60 years

Capital Commitments

The Council has approved £18.2m in 2011/12 under its capital programme, of which £2m has been contracted.

The contracts are as follows: -

	£000
Council Housing:	
- Kitchens & Bathrooms	51
- Central Heating	848
- Structural Works	173
- Rewire	545
- Other Housing	93
Public Conveniences	140
Primary & Nursery School Developments	150

Valuations

Assets are included in the Balance Sheet at their current asset value as at 1 April 2009 as amended by subsequent additions and disposals. Council Dwellings were valued by the Valuation Office Agency (an executive agency of HM Revenue and Customs) as at 1 April 2009 at £131.790m. Other lands and heritages were also valued by Valuation Office Agency as at 1 April 2009 at £105.440m. The valuations were carried out by P.M. Gay, MRICS, from the District Valuer Service and George Adamson, FRICS, of Clackmannanshire Council. The basis for valuation is set out in the statement of accounting policies.

The Council intends to undertake a review of the fair value of Assets Held for Sale to ensure they continue to reflect current market values.

35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/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 (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2009/10 £000	2010/11 £000
Capital investment		
Property Plant & Equipment	37,386	7,902
Investment Properties	366	466
Intangible Assets	148	118
Revenue Expenditure Funded from Capital under Statute	1,245	0
Sources of finance		
Capital receipts	1,016	1,096
Government grants and other contributions	6,057	2,960
Sums set aside from revenue:		
• Direct revenue contributions	2,561	2,373
Closing Capital Financing Requirement	29,511	2,057
Explanation of movements in year		
Increase in underlying need to borrowing	29,511	2,057
Increase/(decrease) in Capital Financing Requirement	29,511	2,057

36. Private Finance Initiatives and Similar Contracts

Secondary Schools PFI Scheme

2010/11 was the third year of a 30 year PFI contract for the construction, and maintenance of our three secondary schools in Clackmannanshire, namely Alloa, Alva and Lornshill Academies. The contract specifies the number of days and times that the schools are open, this includes an element of leisure provision in the evenings and weekends. The contract specifies minimum standards for the provision of the serviced accommodation to be provided by the contractor, with reductions from the fee payable being made if the schools, or rooms, are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant needed to operate the schools. At the end of the contract the schools will be transferred to the Council for nil consideration.

Property, Plant and Equipment

The schools are recognised on the Council's Balance Sheet, Movements in their value over the year are detailed in the analysis of the movement on the Property Plant and Equipment balance in Note 34.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2011, excluding any estimate of availability/performance deductions are as follows:-

The annual payments payable under the Secondary Schools PPP contract are estimated at £6.957m in 2011/12 and this will increase annually by inflation over the contract period. The Scottish Government provides funding towards the project of £3.4m per annum. The net costs of the Secondary Schools PPP agreement borne by the Comprehensive Income and Expenditure Account in 2010/11 was £6.801m (2009/10 £6.021m). The contract expires in 2039/40.

The future payments to which the Council is committed based on the current funding model are analysed below:

	Repayment of Liability £000	Interest £000	Service Charges £000	Total £000
within one year	1,165	3,557	2,235	**6,957**
within two to five years	4,774	13,986	10,722	**29,482**
within six to ten years	5,492	16,626	17,845	**39,963**
within eleven to fifteen years	7,178	15,937	20,726	**43,841**
within sixteen to twenty years	8,409	13,987	25,833	**48,229**
within twenty-one to twenty-five years	13,864	13,101	26,229	**53,194**
within twenty-six to thirty years	8,394	4,247	20,988	**33,629**

37. Assets Held for Sale

	2009/10 £000	2010/11 £000
Balance at 1 April	**305**	**8,916**
Assets newly classified as held for sale:		
• Property, Plant and Equipment	8,935	6,433
Revaluation gains	120	0
Assets declassified as held for sale:		
• Property, Plant and Equipment	(810)	0
Assets sold	0	(300)
Expenditure Incurred	366	465
Balance at 31 March	**8,916**	**15,514**

38. Inventories

	Building Works	Catering	Vehicle Mtce	Other	Total
	2010/11 £000	2010/11 £000	2010/11 £000	2010/11 £000	2010/11 £000
Balance outstanding at start of year	190	46	40	164	**440**
Purchases	459	732	572	388	**2,151**
Recognised as an expense in the year	(434)	(726)	(550)	(410)	**(2,120)**
Balance outstanding at year-end	**215**	**52**	**62**	**142**	**471**

	2009/10 £000	2009/10 £000	2009/10 £000	2009/10 £000	2009/10 £000
Balance outstanding at start of year	201	35	44	199	**479**
Purchases	466	725	570	465	**2,226**
Recognised as an expense in the year	(477)	(714)	(574)	(500)	**(2,265)**
Balance outstanding at year-end	**190**	**46**	**40**	**164**	**440**

39 Long-term Debtors

	2009/10 £000	2010/11 £000
Loans to Employees	13	12
Business Development Loans	53	53
	66	65
Less Provision for bad debts (Business Development)	(53)	(53)
	13	12

40. Short Term Debtors

The Debtors balance as at the year end is made up as follows:

	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
Central government bodies	4,046	3,517	1,857
Other local authorities	10	5	0
NHS bodies	228	250	353
Public corporations and trading funds	0	0	42
Other entities and individuals	8,703	8,250	8,385
Total	**12,987**	**12,022**	**10,637**

41. Short Term Creditors

The Creditors balance as at the year end is made up as follows:

	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
Central government bodies	(1,711)	2,052	3,395
Other local authorities	(507)	445	718
NHS bodies	(62)	125	191
Other entities and individuals	13,140	15,891	15,644
Total	**15,421**	**18,513**	**19,948**

42. Provisions

	Early Retirement £000	Equal Pay £000	Total £000
Balance at 1 April 2010	**570**	**2,528**	**3,098**
Additional provisions made in 2010/11	826	1,106	1,932
Amounts used in 2010/11	570	856	1,426
Balance at 31 March 2011	**826**	**2,778**	**3,604**

Early Retirement

In accordance with Financial Reporting Standard 12, where individual posts have been identified and agreed for voluntary redundancy, but not actually paid before 31st March, a provision is made. The costs incurred in 2010/11 reflect the implementation of service and management reconfiguration approved by the Council in January 2010.

Equal Pay

The Council has settled a number of equal pay claims during the year totalling £856k. Nevertheless, it is anticipated that the Councils exposure to further claims including HMRC liabilities is £2.778m, and provision has been made in the accounts at this level.

43. Contingent Liabilities

Equal Pay

The Council has received claims of historic pay inequality from specific groups of staff, particularly in catering, cleaning and homecare, and most recently, supervisory assistants and classroom assistants. Note 42 includes details of the provision in respect of those groups of employees identified so far. It remains a possibility that the Council may become liable for further claims in the future, but at this time there is uncertainty both surrounding the likely timescale involved and the potential level of settlement.

Construction Claim

The operator of our new secondary schools, Clackmannanshire Schools Educational Partnership has recently submitted a claim against the Council in respect of the construction contract for these PPP schools. The Council believes this claim is speculative, and are considering a counterclaim on the advice of our legal advisors. As any liability remains uncertain, no provision has been made in the Accounts for this claim.

Kitchen Contract

A claim has been made against the Council in relation to the award of a contract to install kitchens in Council properties. The value of any potential settlement is uncertain, but the Council believes it has a strong legal argument to defend the claim, and so no provision for possible damages has been made in the Accounts

44. Borrowings

	Average Rate payable (%)	Total Outstanding at 31 March 2010 £000	2011 £000
Source of Loan			
Repayable within 12 months			
Public Works Loan Board		1	0
Temporary Loans		0	0
Revenue Advances: -			
- Common Good & Trust Funds		513	516
- Central Scotland Valuation Joint Board		269	330
- Forth Valley Criminal Justice Authority		1,824	912
		2,607	**1,758**
Repayable after 12 months			
Public Works Loan Board	6.18%	99,702	99,702
Market Loans	4.4 %	24,014	24,024
		123,716	123,726
Accrued interest on borrowing		1,797	1,798
		125,513	**125,524**

Analysis of Long-term Loans by Maturity

	2010 £000	2011 £000
Between 1 - 2 year	3	4,000
Between 2 - 5 years	18,002	20,000
Between 5 - 10 years	17,206	11,612
More than 10 years	90,302	89,912
	125,513	**125,524**

45. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2010/11:

	2010/11 £000	2009/10 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax/Community Charge	21,518	21,391
General Government Grant	86,731	72,610
Non-Domestic Rate Redistribution	11,077	21,165
Capital Grants & Contributions	2,349	6,058
Total	**121,675**	**121,224**
Credited to Services		
DSS grant for Benefits	16,887	16,190
Criminal Justice	1,404	1,109
Other grants	2,345	6,625
Total	**20,636**	**23,924**

46. Other Long-term Liabilities

	2009/10 £000	2010/11 £000
PFI & Finance Liabilities (see Note below)	49,875	48,711
Pension Liabilities	105,036	61,617
Other Long-term Liabilities (see note below)	782	717
	155,693	111,045

(a) PFI & Finance Lease

This sum relates to the finance lease creditor associated with the financing of the three new secondary schools under the PFI scheme, and Street Lighting. The movements in the balance sheet values are detailed below:

	PFI Scheme 2009/10 £000	Street Lighting 2009/10 £000	PFI Scheme 2010/11 £000	Street Lighting 2010/11 £000
Balance at 1 April	39,267	764	50,378	681
Addition during year	11,111	0	0	0
Finance Lease creditor repayment in year	0	(83)	(1,102)	(42)
	50,378	**681**	**49,276**	**639**
Liabilities due over more than one year	49,276	599	48,112	599
Liabilities due within one year	1,102	82	1,164	40

(b) Other Long-term Liabilities

These sums relate to contributions received from developers to be utilised at future dates for infrastructure etc within both private housing schemes and town centre redevelopment, together with share of inherited loan from the European Investment Bank

	2009/10 £000	2010/11 £000
Developer Contributions	625	607
European Investment Bank	158	110
	783	**717**

47. Financial Instruments

Financial instruments are defined as any contract that gives rise to a financial asset of one entity and a financial liability of another entity. The term 'financial instrument' covers both financial assets and financial liabilities and includes the most straightforward financial assets and liabilities, such as trade receivables (debtors) and trade payables (creditors), and the most complex ones such as derivatives and embedded derivatives

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Table 1: Financial Instrument Balances

	Long-term		Current	
	31 March 2010 £000	**31 March 2011 £000**	**31 March 2010 £000**	**31 March 2011 £000**
Borrowings				
Financial liabilities at amortised cost	123,312	* 123,259	1,836	1,838
PFI & Finance leases liabilities	49,875	48,711	0	0
Total Financial Liabilities	173,187	171,970	1,836	1,838
Investments				
Loans & receivables	0	0	9,291	17,460
Total Financial Assets	**0**	**0**	**9,291**	**17,460**

* LOBOs of £9.5m have been included in Long Term Borrowing but have a call date in the next 12 months.

Table 2: Income, Expense, Gains and Losses on Financial Instruments

	2009/10			2010/11		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	(6,207)		(6,207)	(6,251)		(6,251)
Total expense in Surplus or Deficit on the Provision of Services	**(6,207)**		**(6,207)**	**(6,251)**		**(6,251)**
Interest Income		491	491		264	264
Gains on derecognition	8		8			
Total Income in Surplus or Deficit on the Provision of Services	**8**	**491**	**499**		**264**	**264**
Net gain/(loss) for the year	**(6,199)**	**491**	**(5,708)**	**(6,251)**	**264**	**(5,987)**

Fair Value of Assets and Liabilities Carried at Amortised Cost

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below.

Methods and Assumptions in valuation technique

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March, using bid prices where applicable.

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing as per rate sheet number 063/10.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- Interpolation techniques have been used between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- Fair values have been calculated for all instruments in the portfolio, but only those which are materially different from the carrying value are disclosed.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Table 3: Fair Values of Assets and Liabilities

The fair values are calculated as follows:-

	31 March 2010		31 March 2011	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB - Maturity	101,140	116,224	101,139	108,787
PWLB - Annuity	42	42	41	58
LOBOs	23,807	23,807	23,807	26,995
Other loans	159	159	110	126
Financial Liabilities	**125,148**	**149,232**	**125,097**	**135,966**

Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate 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 below current market rates reduces the amount that the council would have to pay if the lender requested or agreed to early repayment of the loans.

	31 March 2010		31 March 2011	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Cash	9,227	9,227	17,413	17,413
Deposit with banks and Building Societies	64	64	47	47
Financial Assets	**9,291**	**9,291**	**17,460**	**17,460**

48. Nature and Extent of Risks Arising From Financial Instruments

The Council's management of treasury risks 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 has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written polices and procedures covering specific areas such as credit risk, liquidity risk and market risk.

1. Credit Risk

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

	Amounts at 31 March 2011	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2011	Estimated maximum exposure to default and uncollectability as at 31 March 2011	Estimated maximum exposure to default and uncollectability as at 31 March 2010
	£000	%	%	£000	£000
Deposits with banks and other financial institutions	47	2.58%	2.58%	1	**1**
Customers	2,256	0	0	0	**0**
Total	**2,303**			**1**	**0**

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. Clackmannanshire Council did not have any exposure to these banks, but the Council's maximum exposure to credit risk has been adjusted in light of the authorities who have experienced a bank default with these institutions.

Debtors

The Council allows credit of 30 days for customers, such that £2.1m of the £2.26m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2010	31 March 2011
	£000	£000
Less than three months	751	890
Three to six months	243	120
Six months to one year	201	127
More than one year	922	923
Total	**2,117**	**2,060**

During the year a sum of £58k was charged to the Comprehensive Income and Expenditure Account in respect of an increase in the provision against current debts.

2. Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meets its commitments under financial instruments. The Council has 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's policy is to ensure that not more than 25% of loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity structure of financial liabilities is as follows (at nominal value):

Loans outstanding	On 31 March 2010 £000s	On 31 March 2011 £000s
Public Works Loans Board	101,182	101,180
Market debt	24,331	23,807
Other Borrowing	159	110
Local bonds	0	0
Deferred purchase	0	0
Total	**125,672**	**125,097**
Less than 1 year	1	0
Between 1 and 2 years	161	4,110
Between 2 and 5 years	18,002	20,000
Between 5 and 10 years	17,206	11,612
More than 10 years	90,302	89,375
Total	**125,672**	**125,097**

In the more than 10 years category there are £9.5m of LOBOs which have a call date in the next 12 months***.***

3. Market Risk

Interest rate risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the affect of fluctuations in interest rates on the fair value of an instrument.

- The current interest rate risk for the authority is summarised below:
  Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Account.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the Comprehensive Income and Expenditure Statement.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 25**%** of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs. However this is difficult to quantify as loan charge support is calculated on weighted average interest rates for all local authorities in Scotland.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	95
Increase in interest receivable on variable rate investments	(121)
Impact on Comprehensive Income and Expenditure Account	**(26)**
Decrease in fair value of fixed rate borrowing liabilities (no impact on Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure	(15,784)

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

Price Risk

The Council has no investments held as available for sale and thus has no exposure to loss arising from price movements.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

49. Charitable Trusts

The Council acts as sole Trustee for 8 Charitable Trusts and Endowments

	2010/11 £000	2009/10 £000
Clackmannan District Charitable Trust	29	30
Alloa Day Home Trust	172	171
Clackmannanshire Educational Trust	31	31
William M Duncanson Legacy	9	9
J Thomas Paton's Endowment Fund	12	12
Robert Jeffrey's Legacy	2	2
Mrs Elizabeth McNair's Legacy	2	2
War Memorial Trust Fund	13	13
	270	**270**

CLACKMANNANSHIRE COUNCIL
HRA INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Council's charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised is shown in the *Movement on the HRA statement.*

2009/10 £000		2010/11 £000	2010/11 £000
	Expenditure		
5,050	Repairs and maintenance	4,922	
3,697	Supervision and management	3,509	
14,971	Depreciation and impairment of non current--assets	5,109	
51	Movement in the allowance for bad debts	16	
242	Other expenditure	301	
24,011	**Total Expenditure**		**13,857**
	Income		
(13,292)	Dwelling rents	(13,962)	
(61)	Non-dwelling rents	(64)	
0	Other Income	(0)	
(13,353)	**Total Income**		**(14,026)**
10,658	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(169)**
382	HRA Services' share of Corporate and Democratic Core		359
11,040	**Net Cost of HRA Services**		**190**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
152	(Gain)/loss on sale of HRA fixed assets		(366)
1,786	Interest payable and similar charges		1,631
(34)	Interest and investment income		(23)
217	Pensions interest cost and expected return on pension assets		128
13,161	**Deficit for the year on HRA Services**		**1,560**

CLACKMANNANSHIRE COUNCIL
Movement on the HRA Statement

2009/10 £000		2010/11 £000
(6,052)	Balance on the HRA at the end of the previous year	(4,262)
13,161	Deficit for the year on the HRA Income and Expenditure Statement	1,560
(11,371)	Adjustments between accounting basis and funding basis under statute (Note HRA 1)	(873)
1,790	Decrease in year on the HRA	687
(4,262)	**Balance on the HRA at the end of the current year**	**(3,575)**

Housing Revenue Account Disclosures

HRA 1. Adjustments between Accounting Basis and Funding Basis under Statute

2009/10 £'000		2010/11 £'000
(152)	Gain or loss on sale of HRA non-current assets	366
2,561	Capital expenditure funded by the HRA	2,373
	Transfer to/from the Capital Adjustment Account:	
(15,076)	Depreciation and Impairment	(5,109)
1,510	Repayment of Debt	1,562
(77)	HRA share of contributions to or from the Pensions Reserve	(182)
(137)	Amount by which officer remuneration charged to the HRA Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	117
(11,371)	**Total**	**(873)**

HRA 2.Housing Stock

The Council's housing stock at 31 March 2011 was 4,980, (5006 at 31 March 2010) in the following categories:

2009/10 Number		2010/11 Number
40	One apartment	40
1,303	Two apartment	1,300
2,261	Three apartment	2,249
1,257	Four apartment	1,249
143	Five apartment	140
2	Six apartment	2
5,006	**Total**	**4,980**

HRA 3.Rent Arrears

Rent Arrears increased during the year by £138,437 to a total of £883,892. As a percentage of gross rental income the arrears represent 6.3% (2009/10 5.6%) which is equivalent to £177 (2009/10 - £149) per house.

HRA 4. Impairment of Debtors

In 2010/11 an impairment of £649,353 has been provided in the Balance Sheet for irrecoverable rents, an increase of £89,937 on the provision in 2009/10.

CLACKMANNANSHIRE COUNCIL
Council Tax Income Account

The Council Tax Income Account shows the gross income raised from council taxes levied and deductions made under Statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the Council.

2009/10 £000		2010/11 £000	2010/11 £000
(24,906)	**Total Charges Levied**		**(25,063)**
	Deduct:-		
752	Exemptions		707
2,326	Discounts		2,401
3,551	Council Tax Rebates	3,685	
(3,602)	Less: Government Grant	(3,718)	(33)
29	Relief (Persons with a Disability)		31
460	Provision for bad and doubtful debts		439
(21,390)	**Income from Council Tax**		**(21,518)**
	Add:-		
(1)	Community Charge Arrears Recovered		0
(21,391)	**Net Local Council Tax Income per the Comprehensive Income and Expenditure Account**		**(21,518)**

CLACKMANNANSHIRE COUNCIL
NOTES TO THE COUNCIL TAX INCOME ACCOUNT

CTI 1. Calculation of the Council Tax Charge Base 2010/11

Valuation Band

	A (Disabled relief)	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**Total**
Total number of dwellings	0	6,327	7,237	1,980	2,435	3,150	1,792	810	47	23,778
Less exempt dwellings	0	(220)	(202)	(64)	(35)	(40)	(22)	(11)	(5)	(599)
Disabled reduction	21	16	(15)	6	21	(32)	(8)	(8)	(1)	0
Less adjustment for single discounts	(3)	(900)	(766)	(201)	(178)	(162)	(62)	(27)	(0)	(2,299)
Less adjustment for double discounts	0	(42)	(53)	(20)	(22)	(21)	(16)	(7)	(1)	(182)
Effective number of dwellings	18	5,181	6,201	1,701	2,221	2,895	1,684	757	40	20,698
Band D equivalent factor (ratio)	(5/9)	(6/9)	(7/9)	(8/9)	(9/9)	(11/9)	(13/9)	(15/9)	(18/9)	
Band D equivalent Number of dwellings	10	3,454	4,823	1,512	2,221	3,538	2,432	1,262	80	19,332
Less provision for non-collection 2.5%										483
COUNCIL TAX BASE 2010/11 (equivalent to a Council Tax of £1,148)										**18,849**

The product of the council tax base and the equivalent council tax charge give a budget for current year council tax income of £21.638m.

CTI 2. Council Tax Properties and Council Tax Charges

Valuation Band	**Property Valuation Range**	**Effective Number of Dwellings**	**Total Council Tax Charge**
			£
A (Disabled Relief)		18	637.78
A	£0 - £27,000	5,181	765.33
B	£27,001 - £35,000	6,201	892.89
C	£35,001 - £45,000	1,701	1,020.44
D	£45,001 - £58,000	2,221	1,148.00
E	£58,001 - £80,000	2,895	1,403.11
F	£80,001 - £106,000	1,684	1,658.22
G	£106,001 - £212,000	757	1,913.33
H	Over £212,000	40	2,296.00
		20,698	

CLACKMANNANSHIRE COUNCIL
National Non Domestic Rates Income Account

National Non Domestic Rates (NNDR) income is collected by local authorities, but all income is then remitted to the Scottish Government, where it is pooled nationally, and re-distributed back to local authorities along with the Revenue Support Grant.
The table below details the actual levels of NNDR collected by Clackmannanshire Council, and the overall increase between the rates collected and the amount that the Council is entitled to receive under the National Pooling arrangement.

2009/10 £000		2010/11 £000	2010/11 £000
(15,077)	Gross Rates Levy		(15,442)
(83)	Large property Supplement		(182)
(15,160)	**Rates Levied and Contributions in lieu**		**(15,624)**
	Deduct: Reliefs, Remissions, etc.		
321	Rating (Disabled Persons) Relief		355
	Other Reliefs:-		
880	- Small Business Relief	968	
507	- Mandatory Relief	585	
85	- Discretionary Relief	101	
82	- Sports Club Relief	78	
1	- Rural Relief	0	
0	- Renewable Energy	7	
1,555			1,739
750	Voids and Empty Periods		569
1,504	Provision Against Doubtful Debts and Appeals		189
(11,030)	**Total for current year**		**(12,772)**
57	Previous Years Charge Decrease (Increase)		**234**
110	Adjustments for Reliefs, Remissions etc		**146**
4	Payment of Interest		**0**
171	**Total for previous years**		**377**
(10,859)	**Net Non-Domestic Rate Income**		**(12,395)**
(21)	add back :- 25% Discretionary Reliefs not offset for Pool Contribution		(25)
(10,880)	**Income for Contribution to Non-Domestic Rate Pool**		**(12,420)**
10,880	Contribution to National Non-Domestic Rate Pool	12,420	
(21,165)	Distribution from National Non-Domestic Rate Pool	(20,228)	
(10,285)	Gain from National Pool		(7,808)
(21,165)	**Net NNDR Income per the Comprehensive Income and Expenditure Account**		**(20,228)**

CLACKMANNANSHIRE COUNCIL
Notes to the National Non Domestic Rates Income Account

NDR 1. Prior Period Adjustment

When the final return to Scottish Government was made on the provisional notified amounts due in respect of rates collected during 2009/10, a sum of £1.316m was included on the advice of the local Assessor as a provision against loss of income following appeals against revaluations.

This provision for appeals was omitted from the 2009/10 Statement of Accounts that were issued in September 2010. A prior period adjustment has been made to the Non-Domestic Rates Income Account in 2010/11, with the previous published figure for 2009/10 for provision against doubtful debts and appeals of £0.188m replaced by a figure of £1.504m. This adjustment does not have any impact on the NNDR Income due from the Scottish Government included within the Comprehensive Income and Expenditure Statement. Instead, the reported gain from the National Pool is increased by £1.316m for that year, being shown as £10.285m instead of the previous published figure of £8.969m.

NDR 2. Net Rateable Value Calculation

The amount paid for NNDR is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £ which is determined each year by the Scottish Government.

NDR 3.Rate Poundages Levied

	2009/10 p	2010/11 p
National Non-Domestic Rate	48.1	40.7
small business relief supplement – properties valued > £29,000	0.4	0.7

NDR 4. Clackmannanshire Rateable Values

	as at 1 April 2009 £000	as at 1 April 2010 £000
Commercial	12,075	14,939
Industrial	12,606	13,796
Miscellaneous	6,817	9,308
Total	**31,498**	**38,043**

NDR 5.Number of Premises

	as at 1 April 2009	as at 1 April 2010
Commercial	841	906
Industrial	306	304
Miscellaneous	384	337
Total	1,531	1,547

CLACKMANNANSHIRE COUNCIL

COMMON GOOD

Common Good

Common Good Funds are the assets and income of the former burghs of Scotland and stands separate from other accounts and funds of the Council. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. The assets incorporated within the Common Good Account comprise the Speirs Centre, Alloa Town Hall and West End Park all within the former burgh of Alloa. There are also currently £8k principal funds held within the Common Good Accounts.

INCOME AND EXPENDITURE ACCOUNT

2009/10 £000		2010/11 £000
	Income	
245	Charges for use of premises	239
	Expenditure	
35	Property Maintenance	35
71	Utilities	53
19	Rates	41
12	Cleaning, land services and refuse collection	0
5	Insurance	7
103	Depreciation	103
245		**239**
0	**Surplus/deficit for year**	**0**

BALANCE SHEET

2009/10 £000		2010/11 £000
	Long-term Assets	
3,391	Land and buildings	**3,517**
	Current Assets	
8	Investments	8
3,399	**Total Assets Less Liabilities**	**3,525**
1,205	Revaluation reserve	1,205
2,186	Capital Adjustment Account	2,312
8	Revenue reserve	8
3,399		**3,525**

GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council's Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) unusable reserves and group reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council. The total group reserves indicate the reserves attributable to the group once it's share of it's associates and joint ventures are included.

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Ins Fund	Total Usable Reserves	Unusable Reserves	**Total Council Reserves**	**Council's** share of **associates**	**Total Reserves Attributable** to Council	Joint Ventures Common **Good**	**Total Group Reserves**
	£000	£000	£000	£000	£000	£000	**£000**	£000	**£000**	£000	**£000**
Balance at 31 March 2009	**5,531**	**6,052**	**3,215**	**744**	**15,542**	**96,956**	**112,498**	**(59,551)**	**52,947**	**2,342**	**55,289**
Movement in reserves during 2009/10											
Surplus or (deficit) on provision of services (including associates, joint ventures and tax expenses)	(21,616)	(13,161)			(34,777)	0	**(34,777)**	(4,278)	(39,055)	1,212	**(37,843)**
Other Comprehensive Expenditure and Income	0	0			0	(27,485)	**(27,485)**	(33,480)	(60,965)		**(60,965)**
Total Comprehensive Expenditure and Income	(21,616)	(13,161)			(34,777)	(27,485)	**(62,262)**	(37,758)	(100,020)	1,212	**(98,808)**
Net Increase/Decrease before Transfers	**(21,616)**	**(13,161)**			**(34,777)**	**(27,485)**	**(62,262)**	**(37,758)**	**(100,020)**	**1,212**	**(98,808)**
Adjustments between accounting basis and funding basis under regulations	20,953	11,371	584		32,908	(32,908)					**0**
Net Increase/Decrease before transfers to/from Earmarked Reserves	**(663)**	**(1,790)**	**584**		**(1,869)**	**(60,393)**	**(62,262)**	**(37,758)**	**(100,020)**	**1,212**	**(98,808)**
Transfers to/from Earmarked Reserves	3,098		(3,064)	(34)							0
Increase/Decrease in Year	**2,435**	**(1,790)**	**(2,480)**	**(34)**	**(1,869)**	**(60,393)**	**(62,262)**	**(37,758)**	**(100,020)**	**1,212**	**(98,808)**
Balance at 31st March 2010	**7,966**	**4,262**	**735**	**710**	**13,673**	**36,563**	**50,236**	**(97,309)**	**(47,073)**	**3,554**	**(43,519)**
Movement in reserves during 2010/11											
Surplus or (deficit) on provision of services (including associates, joint ventures and tax expenses)	23,100	(1,560)			21,540	0	21,540	6,220	27,760	151	27,911
Other Comprehensive Expenditure and Income	0	0			0	24,552	24,552	9,150	33,702		33,702
Total Comprehensive Expenditure and Income	**23,100**	**(1,560)**			**21,540**	**24,552**	**46,092**	**15,370**	**61,462**	**151**	**61,613**
Adjustments between Group Accounts and Authority Accounts											
Net Increase/Decrease before Transfers	**23,100**	**(1,560)**			**21,540**	**24,552**	**46,092**	**15,370**	**61,462**	**151**	**61,613**
Adjustments between accounting basis and funding basis under regulations	(23,326)	873	735		(21,718)	21,718					0
Net Increase/Decrease before transfers to/from Earmarked Reserves	**(226)**	**(687)**	**735**		**(178)**	**46,270**	**46,092**	**15,370**	**61,462**	**151**	**61,613**
Transfers to/from Earmarked Reserves	1,389		(1,470)	81	0						0
Increase/Decrease in Year	**1,163**	**(687)**	**(735)**	**81**	**(178)**	**46,270**	**46,092**	**15,370**	**61,462**	**151**	**61,613**
Balance at 31st March 2011	**9,129**	**3,575**	**0**	**791**	**13,495**	**82,833**	**96,328**	**(81,939)**	**14,389**	**3,705**	**18,094**

CLACKMANNANSHIRE COUNCIL

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This 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. Council's raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement of Reserves Statement. The Group statement includes the Council's share of it's associates and joint ventures accounted for on an equity basis and any tax expenses associated with them.

2009/2010				2010/2011		
Gross Expend £000	**Gross Income £000**	**Net Expend £000**		**Gross Expend £000**	**Gross Income £000**	**Net Expend £000**
2,118	106	2,012	Central Services to the Public	1,508	95	1,413
15,716	2,867	12,849	Cultural and Related Services	8,070	1,426	6,644
59,794	2,350	57,444	Education Services	53,165	2,044	51,121
6,380	1,649	4,731	Roads and Transport Services	3,887	227	3,660
46,666	33,151	13,515	Housing Services	37,162	34,304	2,858
3,807	567	3,240	Planning and Development Services	4,720	2,169	2,551
37,176	8,994	28,182	Social Work	36,495	9,361	27,134
8,074	73	8,001	Environmental Services	6,703	1,348	5,355
4,380	0	4,380	Police Services	4,132	196	3,936
3,204	0	3,204	Fire Services	2,741	0	2,741
2,520	0	2,520	Corporate and democratic core	3,101	798	2,303
3,181	0	3,181	Non distributed costs	(20,583)	0	(20,583)
20,097	15,636	4,461	Associates and Joint Ventures	17,791	23,922	(6,131)
213,113	**65,393**	**147,720**	**Cost of Services**	**158,892**	**75,890**	**83,002**
		(360)	Other Operating Expenditure (Note 8)			(812)
		13,102	Financing and Investment Income and Expenditure (Note 9)			11,813
		(121,224)	Taxation and Non-Specific Grant Income (Note 10)			(121,674)
		8	Tax Expenses			3
		39,246	**(Surplus) or Deficit on Provision of Services (Note 18)**			**(27,668)**
		(27,413)	Surplus or deficit on revaluation of fixed assets			0
		54,898	Actuarial gains/losses on pension assets/liabilities (Note 13)			(24,552)
		33,790	Share of Other Comprehensive Income and Expenditure of Associates and Joint Ventures			(9,275)
		61,275	**Other Comprehensive Income and Expenditure**			**(33,827)**
		100,521	**Total Comprehensive Income and Expenditure**			**(61,495)**

CLACKMANNANSHIRE COUNCIL
GROUP BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. It also includes the share of the reserves of it's associates and joint ventures attributable to the Council. These are included as a separate category of reserve. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in three categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on the their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. The third category of reserves is group reserves and this equals the Council's share of assets and liabilities included in the Balance Sheet.

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
294,276	320,647	Property, Plant & Equipment	309,990
7,602	6,239	Investment Property	5,759
568	524	Intangible Assets	455
1,230	1,222	Long-term investments and investments in associates and joint ventures	1,688
12	13	Long-term Debtors	12
303,688	**328,645**	**Long-term Assets**	**317,904**
479	440	Inventories	471
12,985	12,022	Short Term Debtors	10,637
9,221	8,916	Assets held for sale	15,514
17,752	0	Short Term Investments	0
32,953	9,291	Cash and Cash Equivalents	17,460
73,390	**30,669**	**Current Assets**	**44,082**
(40,012)	(2,607)	Short Term Borrowing	(1,758)
(19,219)	(18,513)	Short Term Creditors	(19,948)
(26)	(570)	Provisions	(826)
(59,257)	**(21,690)**	**Current Liabilities**	**(22,532)**
(1,238)	(2,528)	Provisions	(2,778)
(115,324)	(125,513)	Long-term Borrowing	(125,524)
(59,560)	(97,408)	Liabilities in associates and joint ventures	(82,013)
(86,410)	(155,694)	Other Long-term Liabilities	(111,045)
(262,532)	**(381,143)**	**Long-term Liabilities**	**(321,360)**
55,289	**(43,519)**	**Net Assets**	**18,094**
15,542	13,673	Usable reserves	13,495
96,956	36,563	Unusable Reserves	82,833
(57,209)	(93,755)	Group Reserves	(78,234)
55,289	**(43,519)**	**Total Reserves**	**18,094**

Nikki Bridle
Director of Finance and Corporate Services
29 September 2011

GRP 1 Group Accounting Policies

The group accounting policies are those specified for the single entity financial statements. The accounting policies of all group members are materially the same as those of the single entity.

Where group members are not required to prepare their financial statements on an IFRS basis consolidation adjustments, where material, have been made.

GRP 2 Disclosure of Interest in Other Entities

The Council has adopted the recommendations of Chapter 9 of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into Group Accounts.

A full set of group account, in addition to the Council's accounts, has been prepared which incorporates material balances from identified associates.

The Financial Statements in the Group Accounts are prepared in accordance with the Accounting Policies set out on pages 23-35.

GRP 3 Financial Impact of Consolidation

The effect of inclusion of the Associate and Joint Venture entities on the Group Balance Sheet is to reduce both the Reserves and Net Assets by £78.231m. The main reason for this reduction is due to the inclusion of the pension fund deficits attributable to the Police and Firefighters pension schemes.

GRP 4 Group Entities

The Group Accounts consolidate the results of the Council with six other entities. Full details of these interests have already been detailed within Note 33 of the Notes to the Core Financial Statements of the single entity Accounts. For the purpose of consolidation and incorporation within the Group Accounts recognition has been made of the Council's its minority interests in the four associate organisations and two joint venture companies.

The Balance Sheet of the Common Good Fund (page 85) has also been consolidated in full.

The Companies which have been consolidated and percentage of total shareholdings are:
Apex Leisure (Management) Limited – 100%, for part year 2009/10 only.

The Associates which have been incorporated and shares of total requisitions are:
Central Scotland Police Joint Board – 15.8%
Central Scotland Fire and Rescue Joint Board – 17.8%
Central Scotland Valuation Joint Board – 15.4%
Forth Valley GIS Ltd -- 33.3%

The Joint Ventures which have been incorporated and percentage of total shareholdings are:
CSBP Clackmannanshire Investments Limited – 50%
CSBP Clackmannanshire Developments Limited – 50%

The accounting period end for these entities is the 31 March 2011, with the only exception being in respect of Apex Leisure (Management) Limited which reported to 30 September 2009. The company ceased operations as at 30 September 2009, when the management of the Alloa Leisure Bowl was taken over by an independent private company.

The individual accounts relating to these entities are published separately, and are available from the Director of Finance and Corporate Services, Greenfield, Alloa, FK10 2AD.

The Council inherited its interest in Apex Leisure (Management) Limited following the reorganisation of local government in 1996. It is considered that the acquisition was based on the acquisition method. However, as no consideration was given for this interest there is no goodwill involved in this instance.

With regard to the three Joint Boards, the Council's interest reflects the requisition share paid by the Council. As no consideration was paid for such interests, there is no requirement to account for goodwill. With regard to Forth Valley GIS Ltd as no consideration was paid for the interest, there is no requirement to account for goodwill.

The Council holds no shares in the bodies governed by these Boards.

The Joint Boards have a wide range of functions to discharge, and members of each Board are elected councillors and are appointed by the Council in proportions specified in the legislation.

Under accounting standards guidance, the Council can be seen to have significant influence over these statutory bodies, through nominated Council Member involvement in the bodies' governing Boards. The Boards are included within the Group Accounts even when our interest in these bodies is less than the 20% that is normally presumed to represent significant influence.

The Council has accounted for its interest in both Joint Ventures using the gross equity method of accounting. In each instance, the consideration paid by the Council equalled the fair value of assets and liabilities acquired, and therefore no goodwill arose on acquisition.

GRP 5 Non-Material Interest in Other Entities

The Council also has an interest in SEEMIS Limited Liability Partnership. This is a partnership of 26 Council's in respect of a school pupil information database. The Council's share in this partnership is 1.29% and is based on a share of our actual subscription paid of £36,773. The financial results of the organisation have not been consolidated into the Council's Group Accounts as the amounts are not material.

The Council also has an interest in Scotland Excel. This is a partnership of 32 Council's in respect of securing efficiencies in procurement. The Council's share in this partnership is 1.37% and is based on a share of our actual subscription paid of £46,317. The financial results of the organisation have not been consolidated into the Council's Group Accounts as the amounts are not material.

GRP 6 Associates

The following disclosures are required under Financial Reporting Standards because the Council share of the net liabilities of the Joint Boards exceeds 15%. The aggregate share of these entities are noted below.

	Total 2009/10 £000	Police £000	Fire £000	Valuation £000	FVGIS £000	Total 2010/11 £000
Turnover	14,159	11,207	3,371	251	441	15,270
Fixed Assets	9,487	5,535	3,864	4	28	9,431
Current Assets	1,350	663	539	77	130	1,409
Liabilities due within one Year	(981)	(698)	(151)	(36)	(158)	(1,043)
Liabilities due after one year or more	(104,137)	(67,721)	(26,180)	(564)	(166)	(94,631)

GRP 7 Joint Ventures

The following disclosures are required under Financial Reporting Standards because the Council share of the two Joint Venture companies exceeds 25%. The share of each of these entities are noted below.

CSBP Clackmannanshire Investment Company

	2009/10 £000	2010/11 £000
Turnover	230	23
Profit/(loss) before tax	(37)	11
Taxation	(3)	3
Fixed Assets	0	0
Current Assets	332	308
Liabilities due within one year	(77)	(46)
Liabilities due after one year or more	0	0

CSBP Clackmannanshire Development Company

	2009/10 £000	2010/11 £000
Turnover	18	82
Profit/(loss) before tax	(46)	26
Taxation	(4)	0
Fixed Assets	0	0
Current Assets	1,343	1,384
Liabilities due within one year	(1,443)	0
Liabilities due after one year or more	0	0

Reconciliation of the Deficit on the Council's' Single Entity Income and Expenditure Account to the Group Income and Expenditure Deficit.

	2009/10	2010/11
Deficit/(Surplus) on the year on the Council Income & Expenditure Account	62,262	(46,092)
Distributions from subsidiary included in the Council Income & Expenditure Accounts for the year	0	0
Deficit/(Surplus) on the Group Income & Expenditure Accounts attributable to the Council	62,262	(46,092)
Deficit for the year attributable to group entails: Associates Joint Ventures	38,169 90	(15,370) (33)
Deficit for the year on the Group Income and Expenditure Account	**100,521**	**(61,495)**

GRP 8 Pension Assets and Liabilities

The underlying assets and liabilities for retirement benefits as at 31 March 2011 attributable to the Council and its share of associates are as follows

	Clackmannanshire Council £000s	Police Joint Board £000s	Fire Joint Board £000s	Valuati on Joint Board £000s	Forth Valley GIS Ltd £000s
Estimated liabilities in Local Government Pension Scheme	(202,626)	(4,814)	(1,531)	(2,192)	(781)
Estimated liabilities in Police Pension Scheme		(63,184)			
Estimated liabilities in Firefighters Pension Scheme			(21,538)		
Estimated liabilities arising from unfunded discretionary benefits	(14,481)	(33)			
Estimated assets in Local Government Pension Scheme	155,490	3,863	1,184	1,628	459
Net asset/(liability)	**(61,617)**	**(64,168)**	**(21,885)**	**(564)**	**(322)**

Independent auditor's report to the members of Clackmannanshire Council and the Accounts Commission for Scotland

We certify that we have audited the financial statements of Clackmannanshire Council and its group for the year ended 31st March 2011 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the authority-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Accounts, and the Non-domestic Rate Account and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 2010/11 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Responsible Financial Officer and auditor

As explained more fully in the Statement of Responsibilities [set out on page 7] the Responsible Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Responsible Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2010/11 Code of the state of the affairs of the group and of the local government body as at 31st March 2011 and of the income and expenditure of the group and the local government body for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In our opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- We have not received all the information and explanations we require for our audit; or
- the Statement on Internal Control does not comply with the 2010/11 Code; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

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29th September 2011