

**Making Clackmannanshire Better**



**Clackmannanshire  
Council**

[www.clacksweb.org.uk](http://www.clacksweb.org.uk)

# Financial Statements 2012-2013

**Better Services**

**Better Opportunities**

**Better Communities**

**CLACKMANNANSHIRE COUNCIL**  
**Financial Statements 2012/13**

<u>Contents</u>	<u>Page No</u>
Council Services	2
Explanatory Foreword	4
Statement of Responsibilities	12
Annual Governance Statement	13
Remuneration Report	18
Core Financial Statements:	
Movement in Reserves Statement	30
Comprehensive Income and Expenditure Statement	31
Balance Sheet	32
Cash Flow Statement	33
Notes to the Financial Statements	34
Supplementary Financial Statements:	
Housing Revenue Account	94
Council Tax Income Account	97
Non-Domestic Rates Income Account	99
Common Good	101
Group Financial Statements:	
Group Movement in Reserves Statement	104
Group Comprehensive Income and Expenditure Statement	105
Group Balance Sheet	106
Notes to the Group Financial Statements	107
Independent Auditor's Report	110

# CLACKMANNANSHIRE COUNCIL FINANCIAL STATEMENTS 2012/13 Council Services

## Local Government

Clackmannanshire Council consists of 5 wards, each represented by 3 or 4 elected members. The Council has 18 Councillors whose political make up is 8 SNP, 8 Labour, 1 Independent, 1 Conservative, listed below:

The map shows five wards, each with a numbered circle (1-5) and a box containing the names and contact information of the elected members. The wards and their members are:

- Ward 1 - Clackmannanshire West** (1): George Matchett Q.P.M. **LAB** (gmatchett@clacks.gov.uk), Tina Murphy **SNP** (07980 012 649, tmurphy@clacks.gov.uk, Provost), Les Sharp **SNP** (lsharp@clacks.gov.uk), Jim Stalker **LAB** (jstalker@clacks.gov.uk).
- Ward 2 - Clackmannanshire North** (2): Donald Balsillie **SNP** (dbalsillie@clacks.gov.uk), Archie Drummond **IND** (adrummond@clacks.gov.uk), Walter McAdam MBE **SNP** (wmcadam@clacks.gov.uk), Robert McGill **LAB** (rmcgill@clacks.gov.uk).
- Ward 3 - Clackmannanshire Central** (3): Derek Stewart **LAB** (dstewart@clacks.gov.uk), Graham Watt **LAB** (grahamwatt@clacks.gov.uk), Gary Womersley **SNP** (gwomersley@clacks.gov.uk, Leader of the Council).
- Ward 4 - Clackmannanshire South** (4): Janet Cadenhead **LAB** (jcadenhead@clacks.gov.uk), Ellen Forson **SNP** (eforson@clacks.gov.uk), Kenneth Earle **LAB** (kearle@clacks.gov.uk), Craig Holden **SNP** (cholden@clacks.gov.uk, Depute Leader).
- Ward 5 - Clackmannanshire East** (5): Alastair Campbell **CON** (07791 348 298, acampbell@clacks.gov.uk), Irene Hamilton **SNP** (ihamilton@clacks.gov.uk), Kathleen Martin **LAB** (kmartin@clacks.gov.uk).

The map also labels the following areas: Muckhart, Dollar, Alva, Tillicoultry, Menstrie, Coalsnaughton, Tullibody, Fishcross, Sauchie, Forestmill, and ALLOA.

## Service Areas

Clackmannanshire Council's Chief Executive is Elaine McPherson.

The Chief Executive is the senior manager who leads and takes responsibility for the work of the staff of the Council, who run the local authority on a day to day basis. The Chief Executive provides leadership, vision and strategic direction, and effective management of the Council.

During 2012/13 the Council has had six service groupings each lead by a Head of Service. Corporate and Service Management is provided by the Directors group, comprising the Chief Executive, Director of Services to Communities and Director of Finance and Corporate Services. The Council's Corporate Management team comprises the Directors Group plus Heads of Service.



# CLACKMANNANSHIRE COUNCIL FINANCIAL STATEMENTS 2012/13

## *Explanatory Foreword by the Director of Finance and Corporate Services*

### **Introduction**

I am pleased to present the Financial Statements for Clackmannanshire Council for the year ended 31 March 2013. This foreword provides specific details in relation to the Council's financial position and our plans for the year ahead. It also sets the scene for the statements and notes that follow.

The Council strives for excellence in financial management and stewardship of public funds. We continually review and update our processes and procedures and our financial planning continues to adapt to the changing economic climate through a refreshed Financial Strategy and regular Budget Strategy updates. Funding available to councils from the Scottish Government is provided on a 'flat cash' basis for the next two years of the current finance settlement, which is a real terms reduction in resources. In the longer term we can expect funding to continue to reduce, while at the same time we need to meet increasing demand for services as well as inflationary pressures.

In these circumstances it is vital that we continue to plan ahead and take early action to reduce costs. We have undertaken a further round of our established budget challenge reviews to identify areas for business case development and consultation. The resultant proposals are focused on helping us to deliver services in a way which is financially sustainable in the future. This includes looking at savings and income generation proposals, proposals for different ways of working and delivering services, and ways of better managing the increasing demand which is forecast in some services. To achieve a sustainable cost base the Council has approved a business change programme *Making Clackmannanshire Better* which will better integrate council and other public services to target resources and reduce duplication.

The financial position presented in the financial statements provides us with a platform from which to address the challenging times ahead and support the necessary transition to new, more efficient models of service delivery for the future. Against the background of reducing resources the Council has successfully delivered savings in the year in excess of its budgeted requirement as a result of its ongoing budget realignment, service redesign and proactive financial management activities. As a consequence, this year's statements show a further increase in the Council's reserves and has also delivered a reduction in external borrowing in line with the Council's Finance strategy.

Finance and Corporate Services aim to continue with its objective to provide professional support to every service area of the Council to help them to continue to manage resources efficiently and effectively.

### **Economic Climate and Financial Sustainability**

The UK economy remains in a position of little or no growth and inflation remains higher than anticipated. In both the Chancellor's Autumn Statement, and then his March budget, he again extended the timetable for reducing the annual budget deficit and total outstanding debt due to weak growth depressing tax revenues and increasing benefit payments. The latest economic forecast indicates that economic growth across the period 2012 to 2016 has been reduced by 4.1% since the March 2012 Budget. This suggests that there will be little growth in Scotland this year, and poses the additional risk of the sustainability of flat cash settlements for local government when the next funding settlement takes effect from 2015/16. This position was reinforced by the UK Government Spending Review in June 2013 and is also potentially further impacted by the Referendum in September 2014.

The preparation of medium to long term financial plans are subject to a number of key risks and uncertainties which will have an impact on budget assumptions. With our funding essentially static and equivalent to a 2-3% reduction in real terms, the greatest pressure the Council faces is managing the effects of inflation which is still sitting at levels above the Bank of England target rate, together with the prospect of modest wage inflation in 2013/14 after two years of a pay freeze.

The Council has to manage the financial and service delivery risks associated with the impact of real term reductions in public sector funding, balanced against increasing demands for services as a consequence of demographic and welfare reform pressures. The Council revised its Finance Strategy in June 2012 and has been provided with regular update reports on an ongoing basis to reflect changes in outlooks and assumptions both external and internal. The ongoing strategy needs to continue to focus on the medium to long term if the Council is to operate within a sustainable cost base. With the Council facing a potential funding gap of almost £17m up to March 2016, in the coming year the aim is to embed a consistent year round approach to the identification, development, monitoring and implementation of proposals to reduce the Council's expenditure and/or increase income through the budget challenge process. The Council's change programme *Making Clackmannanshire Better* will take time to deliver potential reductions in cost base over the coming years. Accordingly it has been important to maintain reserves at levels which will protect the Council from unplanned events and provide scope to drive forward change.

### Explanation of Statements

The Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and they present a true and fair view of the financial position of the Council and its income and expenditure for the year ended 31 March 2013. A brief explanation of each statement and its purpose is provided on page 29. The Statements are grouped under Core Financial Statements, Supplementary Financial Statements, and Group Financial Statements.

An Annual Governance Statement is provided at page 13 and a Remuneration Statement is included at page 18.

### Capital and Revenue Expenditure

The Council's expenditure is split between the categories of capital and revenue. In broad terms expenditure for capital purposes relate to costs incurred on the acquisition or creation of tangible assets needed to provide services, such as houses, schools, vehicles etc. This is in contrast with revenue expenditure, which is spent on the day-to-day operation of services such as employee costs and supplies and services.

### General Fund Results for the year

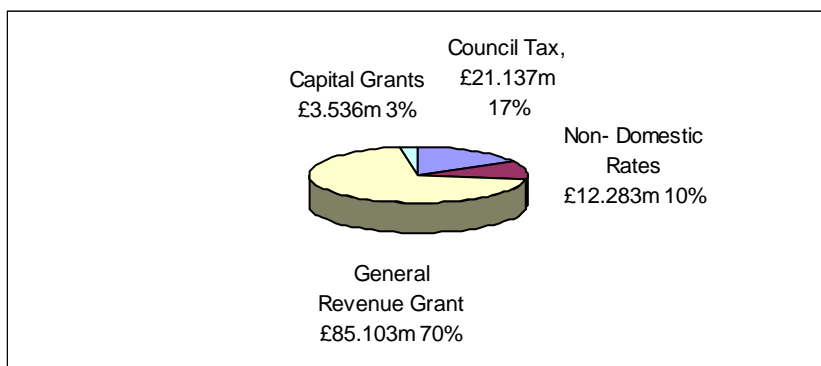
The General Fund covers all the areas of the Council's service provision with the exception of the management of its own housing stock. General Fund services are financed by government grant and local taxation (i.e. Council tax).

The Council's income and expenditure for financial year 2012/13 is detailed in the Comprehensive Income and Expenditure Statement set out on page 31. It should be noted that the classification of services in this statement complies with that prescribed by the Service Reporting Code of Practice (SeRCOP) and differs from the management structure of the Council. A detailed analysis of the Council's finances at its management structure level is disclosed in the Financial Statements Note 11 on page 56.

### Sources of Income to the Council

The largest source of funds was the General Revenue Grant and Non-domestic Rates received from Scottish Government which amounted to £97.386m (2011/12 £95.304m), including £1.250m (2011/12 £Nil) non-domestic rate income retained by the authority under the business rates incentivisation scheme (BRIS). Income from Council Tax in 2012/13 was £21.137m (2011/12 £20.709m). Non-domestic Rates income (NDR) is collected by local authorities, but then all income is remitted to the Scottish Government, where it is pooled nationally, and re-distributed back to councils with the General Revenue Grant. (This is described in more detail in the National Non Domestic Rates Income Account on page 99). In 2012/13 capital grants totalled £3.536m (2011/12 £4.363m). The proportions of income received by the council in each of these categories is shown in the following chart:

**Exhibit 1: Proportion and source of income received in 2012/13**



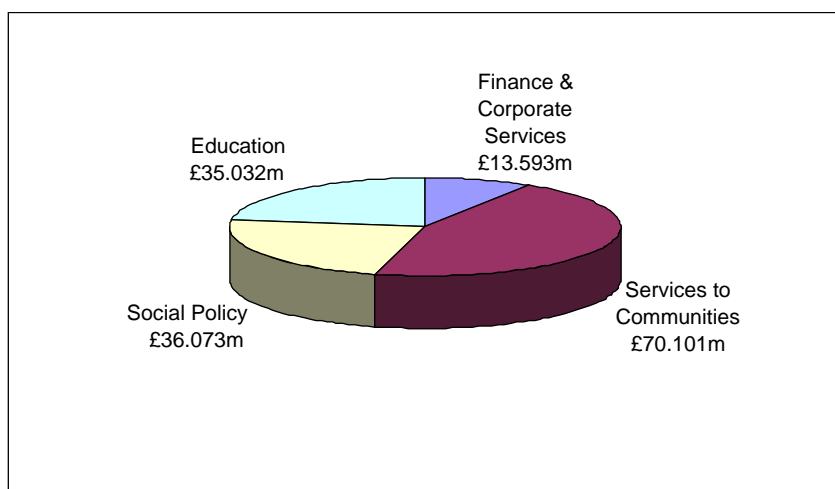
## Council Revenue Expenditure Summary

The Council operates under three Directorates:

- Finance and Corporate Services which provides finance, governance, strategy & customer services and IT support.
- Services to Communities which includes development management (planning), environmental health, building standards, roads, property maintenance, waste management, and housing.
- Shared services with Stirling Council delivering Education and Social Services.

In 2012/13 the total operating expenses of these services was £154.799m (as detailed in Note 11 of the Financial Statements on page 56). This level of expenditure indicates the significant size and complexity of the organisation. Exhibit 2 below shows the expenditure apportioned by service with Services to Communities having the highest level of spend and Finance & Corporate Services the lowest.

### Exhibit 2: Proportion of 2012/13 Revenue Expenditure by service



## Financial Performance

### Council Reserves

The overall position on Council's Usable Reserves is shown in Exhibit 3 with further commentary below the exhibit:

### Exhibit 3: 2012/13 Summary of Council reserves

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Insurance Fund £000	Capital Grants Unapplied £000	Total £000
<b>Opening Balance as at 1 April 2013</b>	13,067	4,180	4,609	794	-	22,650
Enhancements (Utilisation)	757	557	376	-	472	2,162
Transfers	(77)	-	-	77	-	-
Annual Interest	257	147	-	-	-	404
<b>Closing Balance as at 31 March 2013</b>	14,004	4,884	4,985	871	472	25,216

A comprehensive analysis of the Council's reserves is provided in the Movements in Reserves Statement on page 30 and supporting notes. This statement 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 increased from £22.650m at March 2012 to £25.216m at March 2013.

The General Fund has increased from £13.067m at the start of the year to £14.004m at March 2013. The uncommitted element of this balance, which represents the service income and expenditure approved and monitored throughout the year, recorded a surplus of £2.683m which is in line with the figure of £2.417m reported to Resources and Audit Committee in February.

Of the £14.004m balance at 31st March 2013, £6.611m is earmarked for specific purposes, much of which is for use either by individual services or to meet corporate liabilities. The committed balance can be summarised as follows:

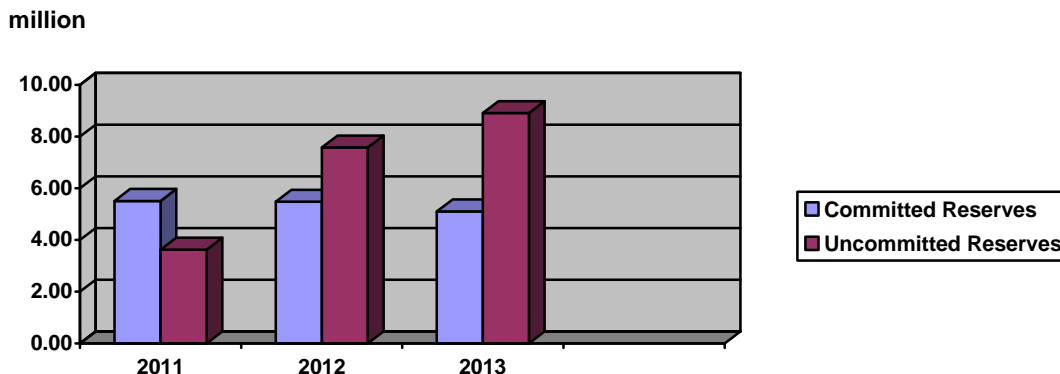
**Exhibit 4: Committed reserves 2012/13**

	<b>Total</b>
	<b>£000</b>
Secondary Schools PPP	59
Service Improvement Contracts	336
Hallpark Development	1,005
Change Funds	386
Clackmannanshire Works	540
Spend to Save Fund	699
Police Reserves due to Scottish Government	138
Business Rates Incentivisation income retained	1,250
Other miscellaneous Service commitments	690
Sum approved in support of 2013/14 Budget	1,508
<b>Net Committed Reserves</b>	<b>6,611</b>

The uncommitted element of General Fund at March 2013 which is generally available to support future expenditure stood at £8.901m or 7.4% of budgeted net expenditure. The Council reviewed its reserves strategy at its meeting in February 2013 when considering its budget for 2013/14. It was agreed that it would retain uncommitted reserves at a minimum level of 3% of net expenditure. The level of uncommitted reserve at March 2013 was significantly in excess of the minimum level. In anticipation of this position the Council agreed to support its 2013/14 budget by utilising £1.508m of the uncommitted reserves. This results in a net uncommitted reserve balance of £7.393m (6.0% of budgeted expenditure) at the start of 2013/14 financial year.

The movement in the Council's reserve position over the last three years (trend) is shown below:

**Exhibit 5: Trend in reserves position 2010/11-2012/13**



**Housing Revenue Account**

The Housing Revenue Account which funds the provision of council housing incurred a surplus on its balance for the year of £4,204m as compared to a budgeted surplus of £2.591m. The positive outcome can be attributed to a reduction in repairs costs, vacancy management, and reduced capital financing costs.

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 2012/13, a revenue contribution to capital of £3.500m 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 increased to £4.884m. This balance will continue to be earmarked to support the delivery of the Housing Business Plan in line with our approved strategy.

## Capital Expenditure

The Prudential Code for Capital Finance in Local Authorities governs the level of capital expenditure taking into account affordability, sustainability, the management of assets and the achievement of strategic objectives. Capital spending in 2012/13 on General Fund Services (including operational Common Good properties) was £6.637m and on Housing was £9.749m. This represents 78% of the planned spending level.

<b>Expenditure</b>	<b>£000</b>	<b>Financed By</b>	<b>£000</b>
Property Asset Management plan	2,712	Government Grants & Contributions	6,173
Roads Asset Management plan	1,758	Capital Receipts	921
Land Asset Management plan	285	Capital Finance from Revenue	3,500
Fleet Asset Management plan	1,216	Borrowing	5,792
IT Asset Management plan	666		
Housing Business plan	9,749		
	<b>16,386</b>		<b>16,386</b>

During 2012/13 the Council invested £16.386m of capital expenditure on its assets. This reflects an underspend of £4.668m on the budgeted programme, but an improvement on the projected underspend of £5.239m reported to Resources and Audit Committee in February 2013. Capital expenditure in the year has been financed by capital receipts (£0.921m), government grants and contributions (£6.173m) and direct revenue funding (£3.5m) leaving a balance of £5.792m required to be financed from borrowing. Comparing this new borrowing requirement with the sum set aside in the year of £6.350m for repayments of debt demonstrates there was no need to actually incur further external borrowing.

The Council established a cross party member and officer Capital Investment Forum (CIF) in 2011 to provide a sustainable approach to capital investment in the future. The work of the CIF to date has concentrated on reviewing and agreeing broad classifications and priorities for the Council in the medium to long term, and continues to bring together the various asset management strands into an overarching Corporate Asset Management Plan. The Council now has a rolling three year capital programme with further indicative plans up to seven years for General fund services and five years for Housing. These plans are aligned to the priorities set out in the current Asset Management Plans and Housing Business Plan and financed in line with the Council's approved Borrowing and Investment Strategy. The CIF has also established a capital projects prioritisation framework which will be utilised in future programme planning.

The underpinning drivers in setting capital budgets are:

- the Council's approved Borrowing and Investment Strategy to ensure that the programme is affordable and complies with the objective of reducing the Council's overall levels of borrowing; and
- implementation of the capital investment priorities set out in asset management strategies.

The following capital investment principles were adopted by the Council in setting its budgets:

<b>Alignment</b>	the phasing of planned activity and expenditure is aligned within the Programme to maximise the use of available capital resources
<b>Maximise Investment potential</b>	by minimising slippage
<b>Flexibility and responsive</b>	flexibility to rephase activity and expenditure between years to maximise the use of available resources
<b>Sustainability</b>	prioritise investment to ensure the sustainability of the environment, local infrastructure and service delivery, also ensure the sustainability of the financing of investments by proactively identifying innovative funding mechanisms and opportunities
<b>Prudence</b>	exercise caution and careful management in considering investment opportunities
<b>Transparency</b>	capital investment prioritisation is open and transparent and is appraised within a consistent council approved framework
<b>Fairness and Equity</b>	access to scarce capital investment resources is underpinned by equality of opportunity for services and communities through the consideration of Equalities Impact Assessment

## Debt

It is the duty of the Council to determine and keep under review the maximum amount that it can afford to allocate to capital expenditure together with the associated revenue implications. The Prudential Code for Capital Finance requires the Council to ensure that any borrowing is prudent, sustainable and affordable. This is demonstrated annually through the approval of a treasury management strategy supported by a range of prudential indicators.

Capital expenditure invested by the Council in 2012/13 is outlined above and further explained in Note 38 at page 79. Capital expenditure is paid for by charging a proportion of the cost (principal) along with interest each year to the revenue account. The current level of expenditure not yet repaid is the Capital Financing Requirement (CFR) of the Council, which at 31 March 2013 was £115.090m. This is in comparison to the net value of assets owned which was £314.842m.

The Council's gross external debt as at March 2013 which supports our investment and development of long-term assets totals £167.202m, consisting of:

External borrowing	£119.726m
PFI and other finance leases	£47.476m

This is a reduction of £5.236m on the previous year external debt position of £172.438m. With no new external debt borrowed 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. External interest paid in the year was £9.163m, a reduction from £9.555m incurred in 2011/12, and relates to the reduction in accumulated borrowing.

Receipts held in the capital receipts reserve total £4.985m. The sum is available either to be applied to reduce future borrowing requirements or to finance loan principal repayments. A further £0.472m is held in the capital grants unapplied account which will be utilised to fund the related capital investment in 2013/14.

## Secondary Schools PFI Scheme

Following the introduction of revised Financial Reporting arrangements introduced in 2009/10 for PFI 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 PFI operator. The outstanding finance liability at March 2013 is £46.931m and this sum is included within the Council's overall borrowing position referred to above.

The unitary charge paid to the operator in 2012/13 was £7.076m 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. The total cost of the contracted project is set out in note 40 on page 82.

During 2011/12 a review of the Council's PFI 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 continues to be based on a straight repayment basis. It is intended that further work will be undertaken during 2013/14 to review the options available for the longer term financing of the Council's PFI project.

## Net Pension Liability

Pension Fund reporting regulations require an annual valuation by fund actuaries. The calculation at March 2013 disclosed a deficit of £78.887m. The calculation is prepared for the purposes of International Accounting Standard 19 (IAS 19) reporting requirements and is not relevant for funding purposes i.e. does not have a direct impact on council tax or housing rent payers. This is simply a snapshot of the position at that time. The latest long-term triennial funding valuation of the Fund for the purpose of setting employers' actual contributions was at 31 March 2012 and contributions to the fund continue in line with current actuarial advice which is consistent with our planned annual stepped increases until March 2014.

The pension deficit records a small deterioration of £2.630m on the position recorded in March 2012 because the financial assumptions are less favourable than last year.

## Significant Trading Operation

The performance of the Council's Property Contracts trading operation is disclosed in Note 32 at page 76. 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, Property Contracts recorded a surplus of £162k during 2012/13. With surpluses being recorded in each of the previous two years the statutory requirement was achieved.

## Provisions

Provisions are made where an event has taken place which creates a legal or constructive obligation that more likely than not requires some form of transfer of economic benefits or service and a reliable estimate can be made about the amount of the obligation. In 2012/13 three provisions are included in the financial statements in respect of equal pay, early retirement and insurance liabilities.

### Equal Pay

The Council had a sum set aside of £422k at the start of the year as a provision to cover its potential exposure to equal pay claims from groups of staff. During the year £634k was required to be expended in settling claims. It has been assessed that the sum required to settle the remaining outstanding liabilities from these first wave of claims is £395k and a provision for this sum has been made.

### Early Retirement

During 2012/13, the Council continued to reduce costs by granting staff early retirement on grounds of efficiency where appropriate. At March 2013 there were 23 early retirements approved, but not yet implemented. The accounts include a provision of £374k for the committed costs associated with these severances.

### Insurance

The former insurer of predecessor Councils, Municipal Mutual Insurance, has been in a solvent run-off for a number of years in anticipation that available assets would cover outstanding liabilities. However, the outcome of recent litigation has triggered a requirement for a levy to be paid by Councils to cover an anticipated shortfall. Based on the outstanding liabilities of Clackmannan District Council and our share of the liabilities of Central Regional Council, a provision of £153k has been established on the assumption that the levy rate may be up to 30%.

## Contingent Liabilities and Assets

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. This arises where the council has a possible obligation but this will only be confirmed or otherwise by uncertain future events not entirely within the control of the council. This can also arise where a provision might otherwise have been made but it is not probable that resources will transfer or if the obligation cannot be measured reliably. In 2012/13, the note (note 45, page 88) discloses three contingent liabilities in respect of equal pay, insurance and a council housing kitchen contract. A contingent asset note (note 46, page 88) has been included in respect of the future benefit anticipated in respect of social services nursing home fees due to the Council.

## Outlook

The March 2013 UK Budget announcement indicated a subtle shift in strategy from the last spending review where capital spend experienced more significant reductions and revenue spend was relatively protected. The latest budget indicates less marked reductions in capital when compared with revenue expenditure.

The further UK reductions in funding announced in the March Budget will need to be absorbed by the public sector too. In Scotland Scottish Government's Resource budget has been reduced by £103.5m over the next two years. At this stage, it appears that there is no intention to revisit the current local government settlement figures for 2013/14, whilst early negotiations between COSLA and the Scottish Government are just commencing for 2014/15.

A UK spending review took place in June 2013, and a further one is due to take place by 2015. The current Scottish spending review reflects many of the UK Government's commitments, including protecting health and social care and school expenditure. On this basis the position through to 2015/16 is unlikely to worsen significantly from previously reported planning assumptions. The outlook post 2015/16 is, however, less certain and will not be known until the next spending review.

The extent to which the Council's planning assumptions are accurate will depend on the extent to which the local government share of the Scottish budget is maintained; the nature of the pay strategy over the period and the demand for services as a consequence of demographic and welfare reform pressures. The latter has the potential to be a significant factor as the reforms are fully implemented and there is greater certainty about the impact.

### **Acknowledgements**

Finally, I wish to express my thanks to the elected members of the Council and colleagues in every Service, all of whose efforts in managing the resources available have contributed to the favourable financial position disclosed by the 2012/13 financial statements. I particularly want to thank those staff in the Accountancy Service whose efforts have contributed to the completion of these accounts, and members of the Governance panel who have provided the support for the preparation of the Annual Governance Statement.

**Nikki Bridle**  
**Director of Finance and Corporate Services**  
**26 September 2013**

# **CLACKMANNANSHIRE COUNCIL**

## **FINANCIAL STATEMENTS 2012/13**

### **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 Financial Statements.

#### **The Director of Finance and Corporate Services' responsibilities**

The Director of Finance and Corporate Services is responsible for the preparation of the Council's Financial Statements 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 these Financial Statements, 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 Financial Statements present 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 2013.

# **CLACKMANNANSHIRE COUNCIL**

## **FINANCIAL STATEMENTS 2012/13**

### **Annual Governance Statement**

#### **Introduction**

Good governance is critical to the success of Clackmannanshire Council in achieving its strategic aims and objectives and being recognised as a Council which is growing in excellence. As a public body, it is important that we can demonstrate to the people of Clackmannanshire that as a Council we are:

- listening to them as regards their needs and aspirations.
- providing cost effective, quality services to meet those needs.
- achieving value for money.
- upholding high standards of conduct and behaviour in the way that we do business.
- working as effectively and as cost efficiently as we can against a backdrop of reducing budgets.
- seeking to continuously improve, and
- have effective and robust systems and processes in place to demonstrate this.

The purpose of this Governance Statement is to give assurance to the people of Clackmannanshire, our Elected Members, staff, partner agencies and other stakeholders that we have robust governance arrangements in place to ensure that as a Council we are doing the right things for the right people at the right time in an open, honest and accountable way.

#### **Scope of responsibility**

As a local authority, the Council is required to carry out its business in accordance with the law and proper standards, and ensure that public money is used economically, efficiently, and effectively with due regard to the achievement of sustainability. The Local Government in Scotland Act 2003 places a specific duty on the Council to make arrangements to secure best value and ensure continuous improvement in terms of the services which it delivers to the people of Clackmannanshire.

A comprehensive and robust governance framework is integral to the Council's ability to discharge these responsibilities. The arrangements which Clackmannanshire Council has in place to ensure a sound system of internal control, effective stakeholder engagement and robust scrutiny of performance and quality in terms of service delivery are consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) Framework Delivering Good Governance in Local Government. These arrangements are defined within the Council's Governance Strategy and Local Code of Governance.

This Statement explains how Clackmannanshire Council has complied with its Local Code and meets the requirements of Section 3.7 of the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

## The purpose of the governance framework

Clackmannanshire Council's governance framework encompasses the systems, processes, rules, resources, culture and values by which it is directed and controlled and through which it engages with the community, its partners, and other stakeholders. The governance framework enables the Council to monitor and evaluate the achievement of its strategic aims and objectives and to determine whether these have delivered appropriate, efficient and cost effective services to the community.

Effective risk management is a key element of good governance and as such is a significant part of the Council's governance framework. Risk can never be eliminated completely and therefore the framework can only provide for reasonable assurance in terms of the effectiveness of our risk management approach. The Council manages risk through its system of internal control which is based on a continuing process of the identification, prioritisation, evaluation and mitigation of the risks to the Council in terms of its ability to achieve its strategic aims and objectives. Risks are identified and evaluated in terms of their likelihood of arising and the impact should they occur. Impact is assessed not only in financial terms but also in terms of non financial risks such as reputational, social and political impact. The Council has to mitigate and manage these risks proportionately and effectively.

## The governance framework within the Council

In March 2012 Clackmannanshire Council approved its Governance Strategy together with its Local Code of Governance. The Governance Strategy provides the overarching blueprint to further develop and enhance the Council's governance framework and provide better assurance to its stakeholders that the Council is achieving its strategic objectives and delivering high quality cost effective and efficient services which best meet the needs of the people of Clackmannanshire.

The Governance Strategy identified the following as key elements of good and effective governance:-

- strong leadership, values and a culture committed to good public sector governance;
- positive and constructive relationships with internal and external stakeholders;
- effective risk management;
- sound business planning and performance management;
- effective and robust internal and external compliance and accountability;
- information management and informed decision making; and
- regular monitoring, evaluation and review of governance arrangements.

Clackmannanshire Council's Local Code of Governance articulates the vision, aims, objectives, actions, principles and values which the Council will adhere to in order to ensure that effective governance is embedded across the organization at every level. The terms of the Code reflect the key elements of the Governance Strategy together with the core and supporting principles of good governance as recommended in the CIPFA/SOLACE framework. When reviewing effectiveness of our governance arrangements therefore we also need to consider how effective we are in respect of the following:

- communicating the Council's vision in terms of purpose, direction and outcomes for service users and the wider community;
- engaging effectively with our community, partners and other stakeholders;
- the partnership working between Elected Members and Officers to ensure the delivery of high quality cost effective and appropriately targeted services;
- developing and maintaining a culture that is committed to good governance and ensuring that we uphold the appropriate standards of behavior rightly demanded of public servants;
- having the right systems, processes and tools in place to make decisions achieve our objectives;
- ensuring that our Elected Members and staff have the skills, knowledge, experience and resources to perform well in their roles;
- making sure that our Elected Members and staff are properly accountable;
- ensuring compliance with relevant laws, regulations, internal policies and procedures;
- how we manage business change and transformation; and
- sound financial stewardship.

## Assurance Process

The assurance process requires Service Managers, Heads of Service and Directors to provide assurance as to the effectiveness of the governance arrangements within the organisation to enable the Leader of the Council and Chief Executive to provide a Governance Statement to Council.

The Governance Panel plays a key role in terms of providing professional and technical support and guidance to Senior Managers and a quality assurance role in respect of the evidence provided by Heads of Service and Service Management Teams. The Panel is chaired by the Governance Manager and comprises senior and suitably qualified officers to provide advice and scrutiny in the following areas:

- law & compliance;
- financial management;
- procurement;
- human resource management;
- community engagement;
- performance management;
- business planning; and
- internal audit.

Each challenge panel also included an element of peer review from a service and financial management perspective.

As part of the assurance process, each Service Management Team had to complete a comprehensive questionnaire and provide evidence to support their responses. Within the challenge sessions, Service Management Teams were required to demonstrate not only that systems and processes were in place but that they were also effective in terms of achieving service and strategic outcomes. Where areas of weakness have been identified these have been evaluated in terms of risk and the appropriate actions to address these areas will be incorporated into either their service specific Governance Improvement Plan or the Corporate Governance Improvement Plan which supports the preparation of this Governance Statement.

### Review of effectiveness

The Council's Single Outcome Agreement (SOA) has been revised and refreshed and sets out the vision and key priorities for the Council and its community partners with a focus on better integration of public service delivery. The SOA has two overarching priorities which reflect the partnership structure under the Clackmannanshire Alliance - *Economy, Skills & Growth* and *Well-being & Early Intervention*. *Taking Clackmannanshire forward* sets out the Council's vision and corporate priorities for the next five years. The principles underpinning the Corporate Priorities are in alignment with the key elements of the Governance Strategy:-

- Engagement, Consultation & Partnership;
- Excellent Financial Stewardship;
- Good Governance; and
- Positive Organisational Culture.

We are continuing to develop and improve our business planning and performance management framework to ensure that we are doing the right things at the right time. Performance is being measured at Corporate, Service and Team level. The most recent staff survey results indicate an increase in Performance Review & Development meetings (PRDs) for staff. The learning and development budget has been centralised to ensure that individual learning and development objectives are aligned to the corporate objectives of the organisation. The Covalent System continues to support performance monitoring and risk management. It is the intention to develop a model within Covalent which will allow monitoring of governance improvement actions and risks both at service and corporate level. This will facilitate clear and transparent reporting to Service Committees.

Significant aspects of our governance framework are defined within the following key documents :-

- Scheme of Delegation;
- Standing Orders;
- Contract Standing Orders; and
- Financial Regulations.

During the period 2012-13 Contract Standing Orders have been reviewed and substantially revised to ensure that they reflect the current business needs of the organisation. A whole-scale review of our Financial Regulations is underway and our Standing Orders and Scheme of Delegation are kept under regular review to ensure that they are fit for purpose.



The Council has the following key strategies in place to support the delivery of our corporate priorities and strategic objectives :-

- Governance Strategy;
- People Strategy ;
- Financial Strategy;
- Customer Service Strategy;
- Information Strategy;
- ICT Strategy ;
- Risk Management Strategy; and
- Procurement Strategy & Procurement Journey.

In the period 2012 -13 the Council approved an Information Strategy which was developed to begin to address an area of weakness at an organisational level that was identified in last year's Annual Governance Statement (AGS) and is aligned to the key elements of the overarching Governance Strategy. An ICT Strategy has been developed and approved to complement the Information Strategy. Our People Strategy has been reviewed and revised in alignment with the Governance Strategy and a Communications Strategy is being developed. The new People Strategy and the Communications Strategy are designed to better support "Making Clackmannanshire Better" the transformational business change programme and help the Council meet its corporate priorities.

To further improve our risk management, the Council agreed a new corporate approach which both acknowledges and mitigates against risk. The Risk Management Strategy can now be reviewed and revised to reflect this more mature approach to the management and mitigation of risk across all levels of the organisation. The assurance process demonstrated that Risk Registers are in place at service level. Key business risks are reflected in the Council's Corporate Risk Register however, the identification and evaluation of risk needs to be further embedded as an integral part of the business planning process.

The Procurement Journey is now in place to support more effective procurement practice and ensure compliance with procurement legislation. The assurance process highlighted that whilst Services are working to improve procurement practice the key elements of the Procurement Strategy are not yet fully embedded across the organisation. As this activity remains a risk for the Council, improvement actions in relation to this activity will be incorporated into Service Improvement Plans.

The separate governance arrangements of the Shared Services in relation to Education and Social Services continue to present challenges. A review of the governance arrangements for the Shared Services is being undertaken seeking to clarify arrangements and address some of the practical difficulties which the managers of joint services are experiencing in terms of operating effectively and efficiently within two separate and distinct governance frameworks.

Childcare Services have been the subject of particular scrutiny both internal and external and a number of significant risks were identified in terms of skills, resources, structure and capacity. These risks are being addressed with detailed improvements plans in place and actions are being implemented.

Work is underway to align the Council's corporate framework for improvement and excellence - the Clackmannanshire Improvement Model (CIM) with the assurance framework to create a more holistic and comprehensive approach to ensuring robust and effective governance and continuous improvement.

The Council now has in place a fully resourced Internal Audit Team and they have provided an internal audit report for the period 2012-13. The report provides reasonable assurance as regards the effectiveness of Clackmannanshire Council's framework of governance, risk management and control in the year to 31 March 2013. Internal Audit did identify a number of weaknesses, particularly around "Following the Public Pound", the relationship with ALEOs (Arm's-Length External Organisations) and Data Protection however appropriate action has been identified by management to deal with these issues.

## Statement

The review of the effectiveness of the system of internal control and the overall governance framework is informed by different assurance sources including :

- internal audit ;
- external audit;
- each member of the Corporate Management Team as part of the assurance process;
- Governance Panel; and
- external review agencies and inspectorates.

Internal Audit have provided me with assurance for the period 2012/13 and an Internal Audit plan is in place for 2013/14 that will focus on areas which have been identified as corporate or service specific risks.

Each Head of Service and Director who has responsibility within the Scheme of Delegation for the development and maintenance of the system of internal control has provided me with assurance that the internal controls and governance arrangements within their service are effective and have been reviewed.

I have been advised by the Chief Financial Officer that the financial arrangements in place conform with the relevant CIPFA requirements.

Governance Panel assurance has been obtained as to the appropriateness and robustness of arrangements for monitoring corporate and service improvement plans. Progress is routinely monitored using the Council's Covalent system.

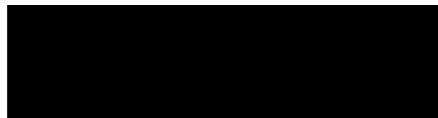
I have been advised of the outcome of the review of the effectiveness of the governance arrangements and am satisfied that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. A Governance Improvement Plan is in place to address identified weaknesses at both Service and Corporate level which will ensure that adequate and appropriate systems and processes are in place to improve the effectiveness of our governance arrangements.

The key areas for improvement identified during the annual review include;

- workforce planning and development to ensure that our human resources are aligned to the current business needs of the organisation;
- business transformation;
- procurement capability assessment scoring and the further embedding of a corporate approach to procurement;
- the development of appropriate protocols to provide clarity as to the particular roles, remits, responsibilities and accountabilities of Elected Member and Officers;
- embedding of a more consistent, mature approach to the management and control of risk across all levels of the organisation;
- shared service governance arrangements; and
- information management and data protection.



**Elaine McPherson**  
Chief Executive  
26 September 2013



**Councillor Gary Womersley**  
Leader Of the Council  
26 September 2013

# CLACKMANNANSHIRE COUNCIL FINANCIAL STATEMENTS 2012/13 Remuneration Report

## General

All information disclosed in the tables in this Remuneration Report are audited by Deloitte LLP. The other sections of the Remuneration Report will be reviewed by Deloitte LLP. The results presented in the eight tables comprising the Clackmannanshire Council's remuneration report for 2012/13 reflect the following contextual factors:

- The administration of the Council changed during 2012/13 following the local government election held on 3rd May 2012. This is reflected in Table 1 and the remuneration for the current and former Leader of the Council, Civic Head, and Senior Councillors represents a part year/pro rata salary payment. For the period from 4th May 2012 until appointments to these positions were made, all Councillors were paid at the basic Councillor remuneration rate.
- The new Administration reviewed the Council's decision-making framework and following approval at the Council meeting on 1st June 2012 three new committees were established. Committee remits were also revised and Committee Convenors replaced Portfolio Holders as set out in Table 1.
- On 1st June 2012 the Council appointed its member representatives to the Fire, Police and Valuation joint boards. These appointments were subsequently amended and alternative elected members appointed on 28th June 2012.
- A revised senior management structure was approved at the Council meeting on 1st June 2012 with the establishment of an additional Head of Service post. No appointment to this post was made during 2012/13. There were no other senior management structure changes during 2012/13.

## Remuneration Arrangements

### Councillors

The remuneration of Councillors is regulated by the Local Government (Scotland) Act 2004 (Remuneration) and 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 2012/13 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 2012/13 amounts to £20,294. These remunerations were less in 2012/13 due to the appointment of The Leader and Civic Head on 17th May following the election on 3rd May.

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. Following the election on 3rd May 2012 the new administration revised the 8 Senior Councillors positions from Depute Leader, 5 Portfolio Holders and the Convenors of Scrutiny and Regulatory committees to Depute Leader, Depute Provost, 5 Committee Convenors and Chair of the Licensing Board.

The new administration appointed 4 Senior Councillors to the positions of Depute Leader, Depute Provost and 2 committee Convenors on 17th May 2012. On 1st June 2012 the 3 new committee Convenors appointments were made and on the 14th June 2012 the Chair of the Licensing Board was appointed. The remuneration paid to the Senior Councillors 2012/13 covering the period 1st April 2012 to 3rd May 2012 and thereafter pro rata on date of appointment to senior positions totalled £141,809. This includes £92 paid to Councillor Carrick then £908 paid to Councillor Sharp for serving on the Association for Public Service Excellence (APSE) and £921 paid to Councillor Matchett, Convenor Joint Police Board. These amounts are recoverable from the respective Boards. The net cost to Clackmannanshire Council in relation to Senior Councillors is £139,888. 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 [www.clacksweb.org.uk](http://www.clacksweb.org.uk) under 'Elected Members' Remuneration'.

### **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 Convenor or a Vice-Convenor of a Joint Board such as a Police Joint Board. The Regulations require the remuneration to be paid by the Council of which the Convenor or Vice-Convenor (as the case may be) is a member. The Council is also required to pay any pension contributions arising from the Convenor or Vice-Convenor being a member of the Local Government Pension Service. Clackmannanshire Council made such payments in 2012/13 and these are reflected in tables 1 and 6 and supporting notes as required.

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

Following the establishment on 1st April 2013 of the new Scottish Police and Scottish Fire and Rescue Services the Joint Police and Fire Boards ceased to exist after 31st March 2013.

### **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.

Senior employees do not receive any other benefits.

## 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	Post Holder	Taxable Expenses £	Benefit other than in cash £	Total Remuneration 2012-13 £	Total Remuneration 2011-12 £
Leader of the Council (until 5 January 2012)	Sam Ovens	0	0	0	20,757
Leader of the Council (from 6 January 2012)	Gary Wormersley	0	0	26,093	6,301
<b>Leader of the Council</b>		<b>0</b>	<b>0</b>	<b>26,093</b>	<b>27,058</b>
Provost (until 5 January 2012)	Derek Stewart	0	0	0	15,568
Provost (from 6 January 2012)	Tina Murphy	0	0	19,571	4,726
<b>Provost</b>		<b>0</b>	<b>0</b>	<b>19,571</b>	<b>20,294</b>
Portfolio Holder - Regeneration (until 5 January 2012)	Janet Cadenhead	0	0	0	13,948
Portfolio Holder - Regeneration (from 6 January 2012) then Vice Convenor Enterprise & Environment (from 1 June 2012) & Vice Convenor Joint Fire Board (from 14 September 2012). Depute Provost 1 (from 17 May 2012)	Irene Hamilton	0	0	17,614	4,345
Portfolio Holder - Scrutiny & Convenor of Scrutiny then Convenor Enterprise & Environment (from 1 June 2012). Depute Provost 2 (from 17 May 2012)	Donald Balsillie	0	0	16,863	18,264
Convenor of Regulatory Committee then Convenor of Planning & Local Review Body (from 17 May 2012)	Alastair Campbell	0	0	17,614	18,264
Convenor of Regulatory Committee (from 17 May 2012) and Chair of Licensing Board (from 14 June 2012)	Walter McAdam	0	0	16,212	18,264
Portfolio Holder - Sustainability (until 3 May 2012)	Eddie Carrick	0	0	1,743	19,264
Portfolio Holder - Partnership (until 5 January 2012)	Kenneth Earle	0	0	0	13,948
Portfolio Holder - Partnership (from 6 January 2012) then Convenor Workforce (from 17 May 2012) & Vice Convenor Valuation Joint Board (from 7 September 2012). Depute Leader (from 17 May 2012)	Craig Holden	0	0	17,614	4,345
Depute Leader (until 5 January 2012)	Robert McGill	0	0	0	13,948

Position	Post Holder	Taxable Expenses £	Benefit other than in cash £	Total Remuneration 2012-13 £	Total Remuneration 2011-12 £
Depute Provost (from 6 January 2012 until 3 May 2012)	Janis Paterson	0	0	1,651	3,189
Portfolio Holder - Inclusion (until 5 January 2012). Joint Police Board - Convenor (until 3 May 2012) then Vice-Convenor (from 1 June until 28 June 2012)	George Matchett	0	0	3,553	19,178
Depute Leader, Portfolio Holder Inclusion (from 6 January 2012 until 3 May 2012)	Mark English	0	0	1,651	4,345
Convenor Resources and Audit (from 17 May 2012)	Archibald Drummond	0	0	15,962	0
Convenor Housing, Health and Care (from 1 June 2012) & Vice Convenor Joint Police Board (from 30 August 2012)	Leslie Sharp	0	0	16,120	0
Convenor Education, Sport and Leisure (from 1 June 2012)	Ellen Forson	0	0	15,212	0
<b>Senior Councillors</b>		0	0	<b>141,809</b>	<b>151,302</b>
Valuation Joint Board - Vice Convenor (until 3 May 2012)	Henry McLaren	0	0	1,743	19,279
Valuation Joint Board - Vice Convenor (from 1 June until 28 June 2012)	Kathleen Martin	0	0	1,426	0
Joint Fire Board - Vice Convenor (from 1 June until 28 June 2012)	Derek Stewart	0	0	1,351	0
<b>Joint Board Vice Convenors</b>		0	0	<b>4,520</b>	<b>19,279</b>

**Notes:**

1. The Council underwent a change of administration following the Local Government election held on 3rd May 2012. The disclosure reflects new Councillor appointments to Civic/Senior Councillor positions during the financial year.
2. For a period of 13 days from 4th to the 16th May all senior Councillors were paid at basic Councillor rate and thereafter until the date of their appointment as senior councillors.
3. Payments to Senior Councillors are inclusive of additional payments made by the Council in respect of Members serving on Joint Boards. For 2012/13 all Board members were employed as Senior Councillors and therefore did not attract any additional payments for their positions as Vice Convenors (2011/12 additional payments £6,167). The amount recharged to the Joint Boards for additional payments made to Non-Senior Councillors in 2012/13 was £1,542 (2011/12 £2,887).
4. Councillor Gary Womersley received remuneration from NHS Forth Valley totalling £6,006 for serving on the regional Health Board (2011/12 Cllrs Cadenhead and McAdam totalling £7,074). As this is paid directly, not through the Council, the sums are not included above but are disclosed in the published 2012/13 Elected Members' Remuneration, Allowances and Expenses document. This can be viewed on the Council web-site at <http://www.clacksweb.org.uk/document/3676.pdf>.

## Remuneration paid to Councillors

Clackmannanshire Council currently have 18 Councillors in total who serve under the following structure:

Leader of Council	1
Provost/Civic Head	1
Senior Councillors	8
Councillors	8

Councillors are no longer paid allowances; where a Councillor is entitled to a special responsibility payment e.g. for serving as a committee convenor, this is reflected in the salary band applied. The Council paid the following salaries and expenses to Councillors during the year.

**Table 2**

Type of Remuneration	2012/13 £	2011/12 £
Salaries	324,848	334,023
Employer's NIC and Pension	71,040	70,056
Expenses	9,559	11,421
<b>Total</b>	<b>405,447</b>	<b>415,500</b>

### Notes:

1. Total salaries remuneration is for all Councillors including Senior Councillors detailed in table 1.

The annual return of Councillors' salaries and expenses for 2012/13 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 [www.clacksweb.org.uk](http://www.clacksweb.org.uk) under 'Remuneration to Elected members'.

The salaries figure above excludes £6,006 paid directly to Councillor Womersley in respect of serving on NHS Forth Valley Health Board (2011/12 £7,074 Councillors Cadenhead and McAdam).

## Remuneration of Senior Employees of the Council

**Table 3**

Name and Post Title	Salary, fees and allowances	Bonus	Taxable Expenses	Compensation for loss of Employment	Benefits other than in cash	Total Remuneration 2012-13	Total Remuneration 2011-12
	£	£	£	£	£	£	£
Angela Leitch, Chief Executive (until 13 September 2011)	0	0	0	0	0	0	43,799
Angela Leitch, Returning Officer (until 13 September 2011)	0	0	0	0	0	0	5,000
Elaine McPherson, Chief Executive (from 26 September 2011)	97,095	0	0	0	0	97,095	49,877
Elaine McPherson, Returning Officer, Local Gov Election (3 May 2012)	408	0	0	0	0	408	0
Elaine McPherson, Depute Returning Officer (from 26 September 2011)	0	0	0	0	0	0	500
Nikki Bridle, Director of Finance and Corporate Services	84,045	0	0	0	0	84,045	84,045
Nikki Bridle, Depute Returning Officer, Local Gov Election (3 May 2012)	306	0	0	0	0	306	0
Garry Dallas, Director of Services to Communities	84,045	0	0	0	0	84,045	84,045
Stuart Crickmar, Head of Strategy & Customer Services (from 1 January 2012)	68,583	0	0	0	0	68,583	17,146
Elaine McPherson, Head of Strategy & Customer Services (until 25 September 2011)	0	0	0	0	0	0	36,796
Deirdre Cilliers, Joint Head of Social Services, Clackmannanshire and Stirling Councils	78,900	0	0	0	0	78,900	78,522
Val De Souza, Acting Head of Social Services, Clackmannanshire and Stirling Councils (from 28 September 2012)	39,990	0	0	0	0	39,990	0
Stephen Crawford, Head of Facilities Management	68,583	0	0	0	0	68,583	68,583
John Gillespie, Head of Community & Regulatory Services	68,583	0	0	0	0	68,583	68,583
Belinda Greer - Joint Head of Education, Clackmannanshire and Stirling Councils	87,477	0	0	0	0	87,477	87,231
<b>Total</b>	<b>678,015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>678,015</b>	<b>624,127</b>



**Note:**

1. 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.

2. In line with a national agreement between Scottish Joint Negotiating Committee (SJNC) and Association of Local Authority Chief Executives (ALACE), both Chief Executives agreed to forego their annual increases and continue to be remunerated at below National Scale. The salary remains at £97,095 compared with the National Scale rate applicable for the Council of £99,522.

3. With effect from 1st April 2011, Clackmannanshire and Stirling Councils agreed to the joint delivery of Social Services and Education. Clackmannanshire Council became the lead authority for Social Services with Deirdre Cilliers (former Head of Social Policy, Clackmannanshire Council) taking up a joint management role across both Councils. Stirling Council became the lead authority for Education with Belinda Greer (former Head of Education, Stirling Council) also taking up a joint management role across both Councils.

4. The total remuneration figures for 2012/13 for Deirdre Cilliers and Belinda Greer represents the position prior to making joint management arrangement allocations between Stirling and Clackmannanshire Councils. Clackmannanshire Council's share of the total remuneration figures for Deirdre Cilliers and Belinda Greer arising from their joint management responsibilities is £39,450 and £45,456 and respectively.

5. With effect from 28th September 2012 due to the long term absence of the Head of Social Services for Clackmannanshire and Stirling Councils, Val De Souza was appointed as an additional acting Head of Social Services for Clackmannanshire and Stirling Councils.

## General Disclosure by Pay Band

A number of employees left the Council prior to 31 March 2012 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. No employees in this category received early retirement/voluntary severance payments during 2012/13.

**Table 4**

Remuneration band	Number of Employees			
	2012/13		2011/12	
£50,000 - £54,999	23	23	19	19
£55,000 - £59,999	9	9	10	9
£60,000 - £64,999	2	2	2	1
£65,000 - £69,999	3	3	2	2
£70,000 - £74,999	2	2	2	2
£75,000 - £79,999	2	2	2	2
£80,000 - £84,999	2	2	2	2
£85,000 - £89,999	0	0	1	1
£90,000 - £94,999	0	0	0	0
£95,000 - £99,999	1	1	0	0
<b>Total</b>	<b>44</b>	<b>44</b>	<b>40</b>	<b>38</b>

**Note:**

1. For 2011/12 Chief Executive post was part year falling into band £85,000 - £89,999. Full year Chief Executive remuneration falls into band £95,000 - £99,999 for 2012/13.

## 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.

Although the contribution rates for 2012/13 are unchanged, from 2011/12 the earnings bandings to which each rate applies have changed as outlined below.

**Table 5**

<b>Whole time pay 2012/13 (2011/12)</b>	<b>Contribution rate 2012/13*</b>	<b>Contribution rate 2011/12</b>
On earnings up to and including £18,000 (£18,500)	5.5%	5.5%
On earning above £18,000 and up to £22,000 (£18,500/£22,600)	7.25%	7.25%
On earning above £22,000 and up to £30,000 (£22,600/£30,900)	8.5%	8.5%
On earning above £30,000 and up to £40,000 (£30,900/£41,200)	9.5%	9.5%
On earning above £40,000 (£41,200)	12%	12%

\* Source: Scottish Public Pensions Agency

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 6**

The pension entitlements for Senior Councillors who have elected to join the pension scheme for the year to 31 March 2013 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 Held at 31 March 2013 (or last position prior to this date)	For year to 31 March 2013	For year to 31 March 2012	As at 31 March 2013	Difference from 31 March 2012
	£	£	£000	£000
Gary Womersley Leader of the Council	5,210	3,554	Pension 2 Lump Sum 1	1 0
Tina Murphy Provost	3,935	3,248	Pension 2 Lump Sum 1	1 0
Donald Balsillie Convenor Enterprise & Environment . Depute Provost 2.	3,537	3,442	Pension 2 Lump Sum 1	1 0
Alastair Campbell Convenor of Planning & Local Review Body	3,553	3,442	Pension 2 Lump Sum 1	1 0
Eddie Carrick Portfolio Holder - Sustainability (until 3 May 2012)	326	3,442	Pension 2 Lump Sum 1	0 0
Janet Cadenhead Portfolio Holder - Regeneration (until 5 January 2012)	0	3,355	Pension 2 Lump Sum 2	0 0
Kenneth Earle Portfolio Holder - Partnership (until 5 January 2012)	0	3,355	Pension1	0
George Matchett Joint Police Joint Board - Convenor (until 3 May 2012) then Vice Convenor (Until 28 June 2012)	0	4,589	Pension 2 Lump Sum 2	0 0
Robert McGill Depute Leader of the Council (until 5 January 2012)	0	3,355	Pension 2 Lump Sum 4	0 0
Mark English Depute Leader of the Council, Portfolio Holder - Inclusion (until 3 May 2012)	326	3,156	Pension 1 Lump Sum 1	0 0
Irene Hamilton Depute Provost 1, Vice Convenor Enterprise & Environment, Vice Convenor Joint Fire Board	3,553	3,156	Pension 2 Lump Sum 1	1 0
Janis Paterson Depute Provost (Until 3 May 2012)	323	3,151	Pension 1 Lump Sum 1	0 0
Leslie Sharp Convenor Housing, Health and Care & Vice Convenor Joint Police Board	3,211	0	Pension 0 Lump Sum 0	0 0
Ellen Forson Convenor Education, Sport and Leisure	3,211	0	Pension 0 Lump Sum 0	0 0
<b>Total</b>	<b>27,185</b>	<b>41,245</b>	<b>37</b>	<b>5</b>

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 2013 are shown in the table below, together with the contribution made by the Council to each Senior Employees' pension during the year.

**Table 7**

Name and Post Title	In-Year pension Contributions		Accrued pension benefits	
	For Year to 31 March 2013	For year to 31 March 2012	As at 31 March 2013	Difference from 31 March 2012
	£	£	£000	£000
Angela Leitch, Chief Executive (to 13 September 2011)	0	9,116	Pension 4 Lump Sum 1	0 0
Angela Leitch, Returning Officer (to 13 September 2011)	0	950	0	0
Elaine McPherson, Chief Executive (from 26 September 2011) Head of Strategy & Customer Services (to 25 September 2011)	18,933	16,365	Pension 33 Lump Sum 79	5 9
Nikki Bridle, Director of Finance & Corporate Services	16,389	15,837	Pension 23 Lump Sum 52	2 1
Garry Dallas, Director of Services to Communities	16,389	15,837	Pension 32 Lump Sum 80	1 1
Stuart Crickmar, Head of Strategy & Customer Services (from 1 January 2012)	13,374	9,882	Pension 19 Lump Sum 43	6 10
Deirdre Cilliers, Joint Head of Social Services, Clackmannanshire and Stirling Councils.	15,386	14,919	Pension 22 Lump Sum 49	2 0
Stephen Crawford, Head of Facilities Management	13,374	12,924	Pension 14 Lump Sum 27	2 0
John Gillespie, Head of Community & Regulatory Services	13,374	12,924	Pension 27 Lump Sum 67	1 1
Belinda Greer - Joint Head of Education, Clackmannanshire and Stirling Councils.	17,657	15,624	Pension 43	5
Val De Souza, Acting Head of Social Services, Clackmannanshire and Stirling Councils (from 28 September 2012)	14,266	0	Pension 16 Lump Sum 34	16 34
<b>Total</b>	<b>139,142</b>	<b>124,378</b>	<b>665</b>	<b>96</b>

**Note:**

- 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.
- Where staff are not in employment with Clackmannanshire Council at 31 March 2013 or are no longer a relevant senior employee at this date, there is no increase in accrued pension benefit attributable.
- The in-year pension contributions and accrued pension benefits for 2012/13 for both Deirdre Cilliers and Belinda Greer and represents the position prior to making joint management arrangement allocations between Clackmannanshire and Stirling Councils. Stirling Council's share of in-year pension contributions made on behalf of Deirdre Cilliers and Belinda Greer during 2012/13 arising from their joint management responsibilities is £7,693 and £8,828 respectively. Stirling Council's share of pension benefits accrued by Deirdre Cilliers and Belinda Greer during 2012/13 arising from their joint management responsibilities is £1,000 and £2,500 respectively.

## 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. These payments are charged to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

In implementing a planned rationalisation of the Council's services, the Council agreed the voluntary termination of the contracts of a number of employees in 2012/13 and summary information regarding the number and costs of exit packages is shown below.

Disclosed costs include where applicable payments in lieu of notice, redundancy and pension costs in relation to lump sum, strain payments and capitalised added years. Any early terminations which might arise on the grounds of health or dismissal fall outside the regulatory disclosure requirement and would not be disclosed.

**Table 8**

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) [(b)+(c)] Total number of exit packages by cost band		(e) Total cost of exit packages in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
							£	£
£0 - £20,000	0	0	53	20	53	20	399,267	161,915
£20,001 - £40,000	0	0	16	10	16	10	442,822	295,612
£40,001 - £60,000	0	0	4	2	4	2	208,743	97,949
£60,001 - £80,000	0	0	6	1	6	1	429,960	77,384
£80,001 - £100,000	0	0	3	1	3	1	279,046	90,942
£100,001 - £150,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>82</b>	<b>34</b>	<b>82</b>	<b>34</b>	<b>1,759,838</b>	<b>723,802</b>

# CLACKMANNANSHIRE COUNCIL FINANCIAL STATEMENTS 2012/13

## The Financial Statements

The accounting statements that follow and their purpose consist of:

### 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.

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 (HRA)** 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 band.

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 Financial Statements

The **Group Financial 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.

**CLACKMANNANSHIRE COUNCIL**  
**FINANCIAL STATEMENTS 2012/13**  
**Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is 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	Capital Grants Unapplied Account	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2011</b>	<b>9,129</b>	<b>3,575</b>	-	<b>791</b>	-	<b>13,495</b>	<b>83,445</b>	<b>96,940</b>
<b>Movement in Reserves during 2011/12</b>								
Surplus or (deficit) on provision of Services	3,282	(1,273)	-	-	-	2,009	-	<b>2,009</b>
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(13,295)	<b>(13,295)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>3,282</b>	<b>(1,273)</b>	-	-	-	<b>2,009</b>	<b>(13,295)</b>	<b>(11,286)</b>
Adjustments between accounting basis & funding basis under regulations ( <b>Note 6</b> )	659	1,878	4,609	-	-	7,146	(7,146)	-
<b>Net Increase or (Decrease) before Transfers to Earmarked Reserves</b>	<b>3,941</b>	<b>605</b>	<b>4,609</b>	-	-	<b>9,155</b>	<b>(20,441)</b>	<b>(11,286)</b>
Transfers to/from Earmarked Reserves ( <b>Note 7</b> )	(3)	-	-	3	-	-	-	-
<b>Increase or (decrease) in 2011/12</b>	<b>3,938</b>	<b>605</b>	<b>4,609</b>	<b>3</b>	-	<b>9,155</b>	<b>(20,441)</b>	<b>(11,286)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>13,067</b>	<b>4,180</b>	<b>4,609</b>	<b>794</b>	-	<b>22,650</b>	<b>63,004</b>	<b>85,654</b>
<b>Movement in Reserves during 2012/13</b>								
Surplus or (deficit) on provision of Services	1,698	2,822	-	-	-	4,520	-	<b>4,520</b>
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	617	<b>617</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>1,698</b>	<b>2,822</b>	-	-	-	<b>4,520</b>	<b>617</b>	<b>5,137</b>
Adjustments between accounting basis & funding basis under regulations ( <b>Note 6</b> )	(684)	(2,118)	376	-	472	(1,954)	1,954	-
<b>Net Increase or (Decrease) before Transfers to Earmarked Reserves</b>	<b>1,014</b>	<b>704</b>	<b>376</b>	-	<b>472</b>	<b>2,566</b>	<b>2,571</b>	<b>5,137</b>
Transfers to/from Earmarked Reserves ( <b>Note 7</b> )	(77)	-	-	77	-	-	-	-
<b>Increase or (decrease) in 2012/13</b>	<b>937</b>	<b>704</b>	<b>376</b>	<b>77</b>	<b>472</b>	<b>2,566</b>	<b>2,571</b>	<b>5,137</b>
<b>Balance at 31 March 2013 carried forward</b>	<b>14,004</b>	<b>4,884</b>	<b>4,985</b>	<b>871</b>	<b>472</b>	<b>25,216</b>	<b>65,575</b>	<b>90,791</b>

**CLACKMANNANSHIRE COUNCIL**  
**FINANCIAL STATEMENTS 2012/13**  
**Comprehensive Income and Expenditure Statement**  
**for the year ended 31 March 2013**

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. Councils 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 in Reserves Statement.

2011/2012			2012/2013			
Gross Expend £000	Gross Income £000	Net Expend £000		Gross Expend £000	Gross Income £000	Net Expend £000
1,839	(604)	1,235	Central Services to the Public	3,215	(1,364)	1,851
8,038	(1,652)	6,386	Cultural and Related Services	9,066	(1,352)	7,714
49,543	(1,568)	47,975	Education Services	51,919	(2,990)	48,929
3,596	(102)	3,494	Roads and Transport Services	5,596	(959)	4,637
39,279	(36,446)	2,833	Housing Services	41,488	(41,949)	(461)
3,047	(838)	2,209	Planning and Development Services	2,711	(968)	1,743
35,923	(9,545)	26,378	Social Work	38,447	(10,130)	28,317
6,745	(993)	5,752	Environmental Services	7,296	(1,619)	5,677
4,149	(128)	4,021	Police Services	3,883	(196)	3,687
2,658	-	2,658	Fire Services	2,486	(177)	2,309
2,105	-	2,105	Corporate and Democratic Core	2,239	-	2,239
837	-	837	Non distributed costs	139	-	139
<b>157,759</b>	<b>(51,876)</b>	<b>105,883</b>	<b>Cost of Services</b>	<b>168,485</b>	<b>(61,704)</b>	<b>106,781</b>
2,798	(372)	2,426	Other Operating Expenditure <b>(Note 8)</b>	532	(128)	404
10,993	(935)	10,058	Financing and Investment Income and Expenditure <b>(Note 9)</b>	11,864	(1,510)	10,354
-	(120,376)	<u>(120,376)</u>	Taxation and Non-Specific grant Income <b>(Note 10)</b>	-	(122,059)	<u>(122,059)</u>
		<b>(2,009)</b>	<b>Surplus on Provision of Services (Note 11)</b>			<b>(4,520)</b>
		(213)	Surplus on revaluation of non-current assets <b>(Note 28)</b>			(1,559)
		80	Impairment losses on non-current assets charged to the revaluation reserve <b>(Note 28)</b>			136
		<u>13,428</u>	Actuarial losses on pension assets/liabilities <b>(Note 28)</b>			<u>806</u>
		<b>13,295</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(617)</b>
		<b><u>11,286</u></b>	<b>Total Comprehensive Income and Expenditure</b>			<b><u>(5,137)</u></b>



**CLACKMANNANSHIRE COUNCIL**  
**FINANCIAL STATEMENTS 2012/13**  
**Balance Sheet as at 31 March 2013**

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 Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on 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 use 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'.

<b>31 March 2012</b>		<b>31 March 2013</b>
<b>£000</b>		<b>£000</b>
301,908	Property, Plant & Equipment	12 308,769
833	Heritage Assets	13 890
5,383	Investment Properties	14 5,689
404	Intangible Assets	15 634
6,190	Long-term Investments	16 6,206
4	Long-term Debtors	17 2
<b>314,722</b>	<b>Long-term Assets</b>	<b>322,190</b>
4,639	Assets Held for Sale	18 286
524	Inventories	19 460
9,836	Short-term Debtors	20 11,010
10,000	Short Term Investments	21 10,000
20,868	Cash and Cash Equivalents	21 20,481
<b>45,867</b>	<b>Current Assets</b>	<b>42,237</b>
(8,273)	Short Term Borrowing	24 (7,178)
(22,035)	Short Term Creditors	22 (24,040)
(72)	Provisions	23 (374)
<b>(30,380)</b>	<b>Current Liabilities</b>	<b>(31,592)</b>
(422)	Provisions	23 (548)
(119,732)	Long-term Borrowing	24 (115,726)
(124,401)	Other Long-term Liabilities	25 (125,770)
<b>(244,555)</b>	<b>Long-term Liabilities</b>	<b>(242,044)</b>
<b>85,654</b>	<b>Net Assets</b>	<b>90,791</b>
22,650	Usable Reserves	27 25,216
63,004	Unusable Reserves	28 65,575
<b>85,654</b>	<b>Total Reserves</b>	<b>90,791</b>

The unaudited accounts were issued on 27th June 2013 and the audited accounts were authorised for issue on 26 September 2013.

**Nikki Bridle**  
**Director of Finance and Corporate Services**  
**26 September 2013**

**CLACKMANNANSHIRE COUNCIL**  
**FINANCIAL STATEMENTS 2012/13**  
**Cash Flow Statement**  
**for the year ended 31 March 2013**

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.

<b>2011/12</b>		<b>2012/13</b>
<b>£000</b>		<b>£000</b>
2,009	Net surplus on the provision of services	4,520
24,647	Adjustments to net surplus on the provision of services for non-cash movements	17,236
(10,587)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	(7,942)
<b>16,069</b>	<b>Net cash flows from Operating Activities (Note 29)</b>	<b>13,813</b>
(12,088)	Investing activities (Note 30)	(8,170)
(573)	Financing Activities (Note 31)	(6,030)
<b>3,408</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(387)</b>
17,460	Cash and Cash equivalents at the beginning of the reporting year (Note 21)	20,868
<b>20,868</b>	<b>Cash and cash equivalents at the end of the reporting year (Note 21)</b>	<b>20,481</b>

**CLACKMANNANSHIRE COUNCIL**  
**FINANCIAL STATEMENTS 2012/13**  
**Notes to the Financial Statements**

The Notes present information about the basis of preparation of the Financial Statements and the specific accounting policies used, along with the disclosure of information required by the code that is not presented elsewhere in the Financial Statements.

<b>Index of Notes</b>	<b>Page</b>
Note 1 Accounting Policies	36
Note 2 Accounting Standards	49
Note 3 Critical Judgements in Applying Accounting Policies	49
Note 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	49
Note 5 Events After the Reporting Period	50
Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations	51
Note 7 Transfers to/from Earmarked Reserves	54
Note 8 Other Operating Expenditure	54
Note 9 Financing and Investment Income and Expenditure	55
Note 10 Taxation and Non Specific Grant Income	55
Note 11 Amounts Reported for Resource Allocation Decisions	56
Note 12 Property, Plant and Equipment	57
Note 13 Heritage Assets	60
Note 14 Investment Properties	61
Note 15 Intangible Assets	62
Note 16 Long-term Investments	63
Note 17 Long-term Debtors	63
Note 18 Assets Held for Sale	64
Note 19 Inventories	64
Note 20 Short Term Debtors	65
Note 21 Short Term Investments and Cash and Cash Equivalents	65
Note 22 Short Term Creditors	65
Note 23 Provisions	66
Note 24 Borrowings	66
Note 25 Other Long-term Liabilities	67

Note 26	Financial Instruments	68
Note 27	Usable Reserves	70
Note 28	Unusable Reserves	70
Note 29	Cash Flow Statement – Operating Activities	74
Note 30	Cash Flow Statement – Investing Activities	75
Note 31	Cash Flow Statement – Financing Activities	75
Note 32	Trading Operations	76
Note 33	Agency Income and Expenditure	76
Note 34	Pooled Budgets	77
Note 35	External Audit Costs	77
Note 36	Grant Income	78
Note 37	Related Parties	78
Note 38	Capital Expenditure and Capital Financing	79
Note 39	Leases	80
Note 40	Private Finance Initiatives and Similar Contracts	82
Note 41	Impairment Losses	83
Note 42	Termination Benefits	83
Note 43	Pensions Schemes Accounted for as Defined Contribution Schemes	83
Note 44	Defined Benefit Pension Schemes	83
Note 45	Contingent Liabilities	88
Note 46	Contingent Assets	88
Note 47	Nature and Extent of Risks Arising From Financial Instruments	88
Note 48	Heritage Assets: Five-Year Summary of Transactions	91
Note 49	Heritage Assets: Further information on the Portfolio of Assets	91
Note 50	Trust Funds	93

## Note 1 - Accounting Policies

### a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985, which Section 12 of the Local Government in Scotland Act 2003 require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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) 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 employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### c) 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 highly liquid 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.

### d) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or 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.

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

**e) Charges to Revenue for Non-Current Assets**

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

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off ; and
- 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 amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to loans fund principal charges. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by loans fund principal charges 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.

**f) Employee Benefits**

**Benefits Payable During Employment**

Short-term employee benefits such as salaries, wages, overtime and paid annual leave for current employees recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements or any form of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year.

**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 appropriate service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of 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 pensions enhancement termination 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.

**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; and
- 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 ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payments of benefits is recognised in the Balance Sheet. 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 utilised by the actuaries to place a value on the liability.
- The assets of the Falkirk pension fund attributable to the Council are included in the Balance Sheet at their fair value at current bid prices for securities, estimated fair value for unquoted securities and market price for property.
- 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 or 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 or 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 or credited to the Surplus or 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; and
  - 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, Scottish Government Regulations 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.

### **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.

## g) Events After the Reporting Period

Events after the Balance Sheet date 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; and
- 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.

## h) Financial Instruments

### 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 are initially measured at fair value. They are subsequently 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, Scottish Government regulations permit the costs of restructuring to be released to revenue over the period of the replacement loan. 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.

### 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; and
- 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 subsequently 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 derecognition of an asset are credited or 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; and
- 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 or Deficit on Revaluation of Available-for-Sale Financial Assets. 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 or loss for the asset accumulated in the Available-for-Sale 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 or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or 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).

#### **i) 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 attached 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 in the form of 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 and 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 reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

**Business Improvement Districts**

Two Business Improvement District (BID) schemes apply in Alloa Town Centre and Business Parks respectively within the Council. The schemes are funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred.

**j) Heritage Assets**

Heritage Assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are maintained principally for their contribution to knowledge and culture.

Wherever possible heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. In most cases, insurance values have been used or internal valuations have been provided by suitably qualified officers of the Council. However the unique nature of many heritage assets makes valuation complex and difficult to obtain in a cost effect manner. In circumstances where values cannot be obtained, either due to the nature of the assets or the prohibitive cost of obtaining a valuation, the regulations under which these accounts are prepared permit the Council not to recognise the assets on the face of the Balance Sheet. The Council is required however to disclose full details of any assets treated in this manner in a note to the accounts.

The Council's collections of heritage assets are accounted for as follows.

**Recognised in Balance Sheet at Valuation**

- Art Collection
- Public Art (statues, glassworks & mosaics)
- Civic Regalia
- Museum collections (industrial equipment & ephemera)

**Not recognised in Balance Sheet**

- War Memorials
- Listed Buildings

An impairment review of heritage assets is carried out whenever there is evidence of physical deterioration with the carrying value of the asset and any associated reserve being adjusted as necessary.

Heritage assets are not subject to depreciation.

**k) 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 cannot be 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. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. 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 any sale proceeds posted to the Capital Receipts Reserve.

**l) 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 impairment.

**m) Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

**n) 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 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 with any sale proceeds posted to the Capital Receipts Reserve.

**o) 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 (where ownership of the asset does not transfer to the Council at the end of the lease period).

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 substituted by a revenue contribution 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 (long-term debtor) 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. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, 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 received, the element for the capital receipts for the disposal of the asset is used to write down the lease debtor.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore 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.

### **p) 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 *Service Reporting Code of Practice 2012/13* (SeRCOP). 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 (other than an allocation to the Housing Revenue Account to reflect the proportion attributable to public sector housing).
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on Assets Held for Sale.

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

### **q) 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 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 does not lead to a variation in 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 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); and
- 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 (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Non-HRA assets included in the Balance Sheet at fair value are reviewed annually to ensure that their carrying amount is not materially different from their fair value at the year-end. HRA assets are reviewed at least every five years, the last major review being at 1st April 2009. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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); and
- 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); and
- 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.

### ***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 assets that are not yet available for use (i.e. assets under construction).

Depreciation 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. (Up to 40 years)
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer. (Up to 15 years)
- infrastructure – straight-line allocation over 60 years.
- there is no depreciation charged in year of purchase but a full year charge made in year of sale.

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.

### ***Componentisation***

Components of Property, Plant & Equipment (PPE) assets do not always have the same useful lives and may depreciate or wear out at different rates throughout their life. It is therefore appropriate to depreciate each significant component separately over its useful life, in order that the Comprehensive Income and Expenditure Statement is fairly charged with the consumption of economic benefits of those assets.

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 its 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.

### ***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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to long-term assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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 are categorised as capital receipts and required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or 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.

#### r) **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); and
- **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.

#### s) **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 where it is probable that settlement by a transfer of economic benefits or service potential will be required, 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.

#### **t) 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 or 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, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant notes below.

#### **u) 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.

#### **v) 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.

## Note 2 - Accounting Standards

The Council must disclose information relating to the impact of an accounting change that will be required by a new Accounting Standard that has been issued but not yet adopted.

For 2012/13, the only accounting policy change that required to be reported relates to the June 2011 amendments to the accounting standard *IAS19 Employee Benefits*. The change of accounting policy is effective from 1 April 2013 and there is no impact of this change on the accounts covering the 2012-2013 financial year.

The key change relates to the expected return on scheme assets. The expected return on assets is currently credited to the Surplus of Deficit on the Provision of Services; however from 2013 this is effectively replaced with an equivalent figure using the discount rate.

While the overall impact is expected to be cost neutral, there will be a redistribution of costs within the Comprehensive Income and Expenditure Statement. By way of illustrating the impact of the accounting change upon the current year, there would be an increase in pension interest costs and expected return on assets of £1.512 million (as assessed by the actuaries of Falkirk Pension Fund) chargeable to the *Surplus or Deficit on the Provision of Services*, with a compensating reduction of £1.512m in actuarial (gains) or losses on pension assets and liabilities chargeable to *Other Comprehensive Income and Expenditure*.

## Note 3 - 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. 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.
- The Council is deemed to control the services provided under the PFI agreement for the provision of Secondary School establishments. The accounting policies for PFI schemes have been applied and the assets under the PFI contract are included within Property, Plant and Equipment on the Council's Balance Sheet.

## Note 4 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Financial Statements 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 2013 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.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings and council houses would increase by £168k and £265k respectively for every year that</p>

useful lives had to be reduced.

Provisions	The Council has made a provision of £0.221m for the settlement of claims for back pay arising from the Equal Pay initiative. This is based on settling the number of existing claims outstanding at their calculated values, and 2nd and 3rd wave claims which have been lodged at estimated average settlement values.	If the impact of new claims exceed the earmarked reserve allocation, then further funding may be required which cannot be quantified at this time.
Arrears - Council Tax	At 31 March 2013, the Council had Council Tax debt outstanding of £9.388m. A review of outstanding balances suggested that an allowance for doubtful debts of £6.312m was appropriate resulting in a coverage of 67% for doubtful debts. However, in the current economic climate such an allowance might not be sufficient.	If collection rates were to deteriorate and the provision had to be increase for instance by 5%, then a further contribution to the provision of £469k would be required.
Arrears - Sundry Debtors	At 31 March 2013, the Council had a balance of sundry debtors of £1.919m. A review of outstanding balances suggested that an allowance for doubtful debts of £417k was appropriate to cover those debts over one year old. However, in the current economic climate such an allowance might not be sufficient.	If collection rates were to deteriorate and remaining debts over one year old become more doubtful this would require an additional £95k to be set aside as an allowance.
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 real discount rate assumption would result in an increase in the pension liability of 9% equating to £25.165m.

## Note 5 - Events After the Reporting Period

The Unaudited Statement of Accounts was authorised for issue by the Director of Finance and Corporate Services on 27 June 2013. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Events taking place after this date are not reflected in the financial statements or Notes.

## **Note 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.

The following sets out a description of the reserves that the adjustments are made against.

### **General Fund Balance**

The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. The balance is not available to be applied to funding HRA services.

### **Housing Revenue Account Balance**

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision. It contains the balance of income and expenditure that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

### **Capital Grants Unapplied**

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

### **Insurance Fund**

The purpose of the Insurance Fund is to provide an element of self-insurance and protect the Council against future claims. Council services contribute to the fund, which meets the cost of fire damage; public liability; employee liability; vehicle fleet and various other claims. The Council holds insurance cover to meet any large claims, the premium for which is charged to the fund.

2012/13	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Insurance Fund £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>						
Charges for depreciation and impairment of non-current assets	(6,712)	(5,503)	-	-	-	12,215
Movements in the fair value of investment assets	(143)	-	-	-	-	143
Amortisation of intangible assets	(156)	-	-	-	-	156
Capital grants and contributions applied	4,055	2,118	-	-	-	(6,173)
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	(1,204)	(625)	-	-	-	1,829
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>						
Statutory provision for the financing of capital investment	6,188	1,393	-	-	-	(7,581)
Capital expenditure charged against the General Fund and HRA balances	-	3,500	-	-	-	(3,500)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	472	-	(472)	-	-
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	376	922	(1,298)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	922	-	-	(922)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
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	286	-	-	-	-	(286)
<b>Adjustments involving the Pensions Reserve:</b>						
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 44)	(8,885)	(44)	-	-	-	8,929
Employer's pensions contributions and direct payments to pensioners payable in the year	7,208	(103)	-	-	-	(7,105)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</b>						
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	(329)	(12)	-	-	-	341
<b>Total Adjustments</b>	<b>684</b>	<b>2,117</b>	<b>(376)</b>	<b>(472)</b>	<b>-</b>	<b>(1,954)</b>

2011/12 comparative figures	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Insurance Fund £000	Movement in Unusable Reserves £000
<b>Adjustments involving the Capital Adjustment Account:</b>					
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>					
Charges for depreciation and impairment of non current assets	(10,322)	(5,312)	-	-	15,634
Amortisation of intangible assets	(168)	-	-	-	168
Capital grants and contributions that have been applied to capital financing	5,231	-	-	-	(5,231)
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	(7,570)	(585)	-	-	8,155
Sale proceeds of non-current assets	4,609	747	(5,356)	-	-
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>					
Statutory provision for the financing of capital investment	6,105	1,443	-	-	(7,548)
Capital expenditure charged against the General Fund and HRA balances	318	1,884	-	-	(2,202)
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	747	-	(747)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
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	307	-	-	-	(307)
<b>Adjustments involving the Pensions Reserve:</b>					
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 44)	(8,344)	(299)	-	-	8,643
Employer's pensions contributions and direct payments to pensioners payable in the year	7,198	232	-	-	(7,430)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</b>					
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	1,977	12	-	-	( 1,989)
<b>Total Adjustments</b>	<b>(659)</b>	<b>(1,878)</b>	<b>(4,609)</b>	<b>-</b>	<b>7,146</b>

## Note 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 2012/13.

2012/13	Balance at 1 April 2012 £000	Transfers Out 2012/2013 £000	Transfers In 2012/2013 £000	Balance at 31 March 2013 £000	Purpose of the Earmarked Reserve
<b>General Fund:</b>					
Insurance Fund	794	(1,056)	1,133	871	Resources to provide an element of self-insurance.

2011/12 comparative figures	Balance at 1 April 2011 £000	Transfers Out 2011/2012 £000	Transfers In 2011/2012 £000	Balance at 31 March 2012 £000
<b>General Fund:</b>				
Insurance Fund	791	-	3	794

## Note 8 - Other Operating Expenditure

This note provides detail regarding the Other Operating Expenditure line within the Comprehensive Income and Expenditure Account on page 31.

	2011/12 £000	2012/13 £000
(Gains)/Losses on trading operations (Note 32)	(372)	(96)
(Gains)/Losses on the disposal of non-current assets	2,798	532
Final Dividend Bank of Credit and Commerce International (BCCI)	-	(32)
<b>Total</b>	<b>2,426</b>	<b>404</b>

## Note 9 - Financing and Investment Income and Expenditure

This note provides detail regarding the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Account on page 31.

	<b>2011/12</b> <b>£000</b>	<b>2012/13</b> <b>£000</b>
Interest payable and similar charges	9,775	9,723
Pensions interest cost and expected return on pensions assets	1,213	2,141
Interest receivable and similar income	(714)	(1,295)
Changes in the carrying value of LOBO (Lender Options Borrower Options) loans	5	(5)
Rental Income from investments	(221)	(210)
<b>Total</b>	<b>10,058</b>	<b>10,354</b>

## Note 10 - Taxation and Non Specific Grant Income

This note provides detail regarding the Taxation and Non Specific Grant Income line within the Comprehensive Income and Expenditure Account on page 31.

	<b>2011/12</b> <b>£000</b>	<b>2012/13</b> <b>£000</b>
Council tax income	(20,709)	(21,137)
Non domestic rates Income distributed by pool	(12,284)	(11,033)
Non- Domestic Rate Income Retained by Authority (BRIS)	-	(1,250)
Non-ring fenced government grants	(83,020)	(85,103)
Capital grants and contributions	(4,363)	(3,536)
<b>Total</b>	<b>(120,376)</b>	<b>(122,059)</b>

The Business Rates Incentivisation Scheme (BRIS) was introduced in 2012/13 whereby Councils which increase non-domestic rates income beyond an agreed target level retain 50% of the additional income. The sum in the table above is the current estimated sum due to the Council



## Note 11 - 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 *Service Reporting 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, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- 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; and
- 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 2012/13

	Support Services £000	Strategy & Customer Services £000	Facilities Management £000	Social Policy £000	Education £000	Community & Regulatory £000	Housing Revenue Account £000	Total £000
Fees, Charges & Other Service Income	(1,359)	(934)	(4,520)	(8,465)	(1,381)	(6,692)	(16,129)	(39,480)
Government Grants	(488)	(17)	(12)	(1,868)	(352)	(19,757)	0	(22,494)
<b>Total Income</b>	<b>(1,847)</b>	<b>(951)</b>	<b>(4,532)</b>	<b>(10,333)</b>	<b>(1,733)</b>	<b>(26,449)</b>	<b>(16,129)</b>	<b>(61,974)</b>
Employee Expenses	5,163	5,553	7,927	11,571	31,123	5,725	1,410	68,472
Other Operating Expenses	1,560	1,317	19,580	24,502	3,909	29,151	6,308	86,327
<b>Total Operating Expenses</b>	<b>6,723</b>	<b>6,870</b>	<b>27,507</b>	<b>36,073</b>	<b>35,032</b>	<b>34,876</b>	<b>7,718</b>	<b>154,799</b>
<b>Net Cost of Services</b>	<b>4,876</b>	<b>5,919</b>	<b>22,975</b>	<b>25,740</b>	<b>33,299</b>	<b>8,427</b>	<b>(8,411)</b>	<b>92,825</b>

### Portfolio Income and Expenditure 2011/12

	Support Services £000	Strategy & Customer Services £000	Facilities Management £000	Social Policy £000	Education £000	Community & Regulatory £000	Housing Revenue Account £000	Total £000
Fees, Charges & Other Service Income	(462)	(399)	(4,153)	(8,049)	(1,280)	(7,611)	(14,733)	(36,687)
Government Grants	(518)	(12)	(11)	(1,782)	(341)	(18,234)	0	(20,898)
<b>Total Income</b>	<b>(980)</b>	<b>(411)</b>	<b>(4,164)</b>	<b>(9,831)</b>	<b>(1,621)</b>	<b>(25,845)</b>	<b>(14,733)</b>	<b>(57,585)</b>
Employee Expenses	4,926	4,992	7,565	10,834	31,681	5,843	1,822	67,663
Other Operating Expenses	1,272	1,378	18,282	23,178	3,529	27,638	5,633	80,910
<b>Total Operating Expenses</b>	<b>6,198</b>	<b>6,370</b>	<b>25,847</b>	<b>34,012</b>	<b>35,210</b>	<b>33,481</b>	<b>7,455</b>	<b>148,573</b>
<b>Net Cost of Services</b>	<b>5,218</b>	<b>5,960</b>	<b>21,683</b>	<b>24,181</b>	<b>33,589</b>	<b>7,636</b>	<b>(7,278)</b>	<b>90,988</b>

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

	2011/12 £000	2012/13 £000
Cost of Services in Service Analysis	90,988	92,825
Add amounts not reported in service management accounts (1)	14,674	13,956
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>105,662</b>	<b>106,781</b>

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

## Reconciliation to Subjective Analysis 2012/13

	Service Analysis	Not Reported in Service Management A/cs	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	(39,480)	(19,856)	(59,336)	(210)	(59,546)
Interest and Investment income	-	210	210	(1,300)	(1,090)
Income from Council Tax	-	-	-	(21,137)	(21,137)
Government grants and contributions	(22,494)	(3,109)	(25,603)	(100,922)	(126,525)
<b>Total Income</b>	<b>(61,974)</b>	<b>(22,755)</b>	<b>(84,729)</b>	<b>(123,569)</b>	<b>(208,298)</b>
Employee expenses	68,472	5,650	74,122	-	74,122
Other Service expenses	86,327	11,850	98,177	(128)	98,049
Joint Board Requisitions	-	6,763	6,763	-	6,763
Depreciation, amortisation and impairment	-	12,439	12,439	-	12,439
Interest payments	-	9	9	11,864	11,873
Gain or loss on disposal of Fixed Assets	-	-	-	532	532
<b>Total Operating expenses</b>	<b>154,799</b>	<b>36,711</b>	<b>191,510</b>	<b>12,268</b>	<b>203,778</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>92,825</b>	<b>13,956</b>	<b>106,781</b>	<b>(111,301)</b>	<b>(4,520)</b>

## Reconciliation to Subjective Analysis 2011/12

	Service Analysis	Not Reported in Service Management A/cs	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	(36,687)	(6,565)	(43,252)	(372)	(43,624)
Interest and Investment income	-	-	-	(197)	(197)
Income from Council Tax & NDR	-	-	-	(32,993)	(32,993)
Government grants and contributions	(20,898)	(5,157)	(26,055)	(87,383)	(113,438)
<b>Total Income</b>	<b>(57,585)</b>	<b>(11,722)</b>	<b>(69,307)</b>	<b>(120,945)</b>	<b>(190,252)</b>
Employee expenses	67,663	1,249	68,912	-	68,912
Other Service expenses	80,910	9,344	90,254	-	90,291
Depreciation, amortisation and impairment	-	15,803	15,803	-	15,803
Interest payments	-	-	-	10,476	10,476
Gain or loss on disposal of Fixed Assets	-	-	-	2,798	2,761
<b>Total Operating expenses</b>	<b>148,573</b>	<b>26,396</b>	<b>174,969</b>	<b>13,274</b>	<b>188,243</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>90,988</b>	<b>14,674</b>	<b>105,662</b>	<b>(107,671)</b>	<b>(2,009)</b>

## Note 12 - Property, Plant and Equipment

### 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 continues to review the fair value of Assets Held for Sale to ensure they reflect current market values.

## Movements on Balances

### Movements in 2012/13

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equip	Infrastructure Assets	Assets under Construction	Surplus Assets	Total Property, Plant & Equip	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1 April 2012	138,709	149,919	15,775	36,695	184	-	341,282	61,325
Valuation adjustment OLB 1 April 2012	1,492	10	-	-	-	-	1,502	-
Assets reclassified OLB 1 April 2012	-	(89)	-	-	-	-	(89)	-
Additions	9,749	1,611	1,578	1,840	857	-	15,635	-
Derecognition - Disposals	(4,212)	(750)	(381)	-	-	-	(5,343)	-
Impairment (Note 41)	-	(81)	-	-	-	(724)	(805)	-
Assets reclassified (to)/from OLB additions	-	(483)	-	-	483	-	-	-
Assets reclassified (to)/from Investment Assets (Note 14)	-	(105)	-	-	-	50	(55)	-
Assets reclassified (to)/from Surplus Assets	-	(974)	-	-	-	974	-	-
Assets reclassified (to)/from Held for sale (Note 18)	-	30	-	-	-	3,157	3,187	-
<b>At 31 March 2013</b>	<b>145,738</b>	<b>149,088</b>	<b>16,972</b>	<b>38,535</b>	<b>1,524</b>	<b>3,457</b>	<b>355,314</b>	<b>61,325</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2012	13,175	11,496	10,570	4,133	-	-	39,374	3,057
Depreciation charge	5,356	3,968	1,762	646	-	-	11,732	1,148
Derecognition – Disposals	(3,637)	(173)	(369)	-	-	-	(4,179)	-
Depreciation eliminated on reclassification	-	(382)	-	-	-	-	(382)	-
<b>At 31 March 2013</b>	<b>14,894</b>	<b>14,909</b>	<b>11,963</b>	<b>4,779</b>	<b>-</b>	<b>-</b>	<b>46,545</b>	<b>4,205</b>
<b>Net Book Value</b>								
<b>At 31 March 2013</b>	<b>130,844</b>	<b>134,179</b>	<b>5,009</b>	<b>33,756</b>	<b>1,524</b>	<b>3,457</b>	<b>308,769</b>	<b>57,120</b>
<b>At 31 March 2012</b>	<b>125,534</b>	<b>138,423</b>	<b>5,205</b>	<b>32,562</b>	<b>184</b>	<b>-</b>	<b>301,908</b>	<b>58,268</b>

## Comparative Movements in 2011/12

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equip	Infrastructure Assets	Assets under Construction	Total Property, Plant & Equip PFI Assets Included in Property, Plant & Equipment	
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
<b>At 1 April 2011</b>	<b>137,080</b>	<b>148,324</b>	<b>15,019</b>	<b>34,526</b>	<b>15</b>	<b>334,964</b>	<b>61,325</b>
Valuation adjustment OLB 1 April 2011	-	172	-	-	(80)	92	-
Additions	2,851	2,050	826	2,195	60	7,982	-
Derecognition – Disposals	(1,222)	(268)	(70)	-	-	(1,560)	-
Impairment	-	(45)	-	-	-	(45)	-
Assets reclassified (to)/from OLB additions	-	11	-	-	(11)	-	-
Assets reclassified (to)/from Heritage Assets	-	-	-	(26)	-	(26)	-
Assets reclassified (to)/from Investment Assets	-	(325)	-	-	200	(125)	-
<b>At 31 March 2012</b>	<b>138,709</b>	<b>149,919</b>	<b>15,775</b>	<b>36,695</b>	<b>184</b>	<b>341,282</b>	<b>61,325</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2011</b>	<b>8,636</b>	<b>7,640</b>	<b>8,849</b>	<b>3,521</b>	<b>-</b>	<b>28,646</b>	<b>1,909</b>
Depreciation charge	5,175	3,910	1,791	612	-	11,488	1,148
Derecognition – Disposals	(636)	(28)	(70)	-	-	(734)	-
Eliminated on reclassification to Assets Held for Sale	-	(26)	-	-	-	(26)	-
<b>At 31 March 2012</b>	<b>13,175</b>	<b>11,496</b>	<b>10,570</b>	<b>4,133</b>	<b>-</b>	<b>39,374</b>	<b>3,057</b>
<b>Net Book Value</b>							
<b>At 31 March 2012</b>	<b>125,534</b>	<b>138,423</b>	<b>5,205</b>	<b>32,562</b>	<b>184</b>	<b>301,908</b>	<b>58,268</b>
<b>At 31 March 2011</b>	<b>128,444</b>	<b>140,684</b>	<b>6,170</b>	<b>31,005</b>	<b>15</b>	<b>306,318</b>	<b>59,416</b>

## Capital Commitments

At 31 March 2013 the Council has entered into a number of contracts for the construction or enhancement of Property Plant and Equipment in 2013/14 and future years budgeted to cost £13.1m. Similar commitments at 31 March 2012 were £1.3m. The major commitments are as follows:

Redwell Primary School	£3.50m
Redevelopment of the Speirs Centre	£2.55m
HRA Council Housing Kitchens & Bathrooms	£2.76m
HRA Council Housing Central Heating & Rewiring	£1.18m

## Note 13 - Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Art Collection	Public Art - Statues, Glass & Mosaics	Civic Regalia	Industrial Equipment & other items	Total Assets
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
1 April 2011	102	534	2	129	767
Revaluations	-	40	-	-	40
Transfers (note 12)	-	26	-	-	26
<b>31 March 2012</b>	<b>102</b>	<b>600</b>	<b>2</b>	<b>129</b>	<b>833</b>
<b>Cost or Valuation</b>					
1st April 2012	102	600	2	129	833
Revaluation	6	50	-	1	57
<b>31 March 2013</b>	<b>108</b>	<b>650</b>	<b>2</b>	<b>130</b>	<b>890</b>

### Art Collection

The Council has obtained valuations for the collection of paintings by means of their insurance valuations. These insurance valuations are based on a current estimation of market value and are reviewed annually to ensure the adequacy of insurance provision and current valuation. The collection of paintings is reported in the Balance Sheet at Insured value.

The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the Museum & Heritage Officer.

### Public Art - Statues

The Council owns several statues most of which were commissioned as part of 'Imagine Alloa', a programme targeting the regeneration of town and village centres across the county. Collectively these statues constitute the 'Public Art Trail'. The Council has obtained valuations for the collection of statues by means of their insurance valuations. These insurance valuations are reviewed annually to ensure adequacy of insurance provision. The collection of statues is reported in the Balance Sheet at Insured value.

### Public Art - Glassworks and Mosaics

The Council commissioned several glass and mosaic pieces for installation at several key buildings in the county and has obtained valuations for these by means of their insurance valuations. These insurance valuations are reviewed annually to ensure adequacy of insurance provision. The commissions of glassworks/mosaics are reported in the Balance Sheet at Insured value.

### Civic Regalia

The collection of regalia includes two Provost's chains and regalia from former district burghs. The Council has obtained valuations for the collection of regalia by means of their insurance valuations. These insurance valuations are based on a current estimation of market value and are reviewed annually to ensure the adequacy of insurance provision and current valuation. The collection of civic regalia is reported in the Balance Sheet at Insured value.

### Industrial equipment and ephemera

The council owns several collections of artefacts relating to the mining, brewing, distilling, pottery, glassmaking and textile industries, all of which have been historically significant within the County. The larger pieces, for which the council has obtained an insurance valuation are reported on the Balance Sheet at valuation.

Items/collections within this category for which a valuation has been obtained are:

Harviestoun Silver Soup Tureen  
Robert Millar Long Case Clock  
Paton & Baldwins Model  
Alloa Pottery Collection  
Arnsbrae Candelabra  
Steinway Grand Piano  
Furnace, Kilns and associated equipment

### Additions and Disposals of Heritage Assets

There has been no significant additions or disposals of heritage assets during the period covered by these financial statements.

## Note 14 - 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	<b>31 March</b>	<b>31 March</b>
	<b>2012</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Rental Income from investment	221	210
Direct operating expenses arising from investment property	<u>n/a</u>	<u>n/a</u>
<b>Net gain</b>	<b><u>221</u></b>	<b><u>210</u></b>

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.

These properties in the main relate to units in industrial estates in Alloa and shops in Sauchie and Tillicoultry.

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

	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>
<b>Balance at 1 April</b>	5,759	5,383
Disposals	(465)	(4)
Net gains/losses from fair value adjustments	(36)	(250)
Transfers:		
- (to)/ from Property, Plant and Equipment (Note 12)	325	105
- (to)/ from Assets Held for Sale (Note 18)	-	505
- (to)/ from Surplus Assets (Note 12)	-	(50)
- (to)/ from Assets Under Construction (Note 12)	(200)	-
<b>Balance at 31 March</b>	<b>5,383</b>	<b>5,689</b>

## Note 15 - 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 amortisation of £169k charged to revenue in 2012/13 was 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:

	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>
<b>Balance at start of year:</b>		
• Gross carrying amounts	1,322	1,440
• Accumulated amortisation	(867)	(1,036)
<b>Net carrying amount at start of year</b>	<b>455</b>	<b>404</b>
• Additions	118	386
Amortisation for the period	(169)	(156)
<b>Net carrying amount at end of year</b>	<b>404</b>	<b>634</b>
<b>Comprising:</b>		
• Gross carrying amounts	1,440	1,826
• Accumulated amortisation	(1,036)	(1,192)
	<b>404</b>	<b>634</b>

## Note 16 - Long-term Investments

The Council has a fund invested in the undernoted companies which are summarised as follows:

	<b>31 March 2012</b>	<b>31 March 2013</b>
	<b>£000</b>	<b>£000</b>
CSBP Clackmannanshire Developments Ltd (at cost)	1,458	1,491
Less Impairment in Value	<u>(174)</u>	<u>(191)</u>
CSBP Clackmannanshire Developments Ltd (carrying value)	1,284	1,300
Clackmannanshire Regeneration LLP	<u>4,906</u>	<u>4,906</u>
	<b><u>6,190</u></b>	<b><u>6,206</u></b>

The sum invested in CSBP Clackmannanshire Developments Ltd represents a shareholder loan in this joint venture company. Interest accrued is added to the loan annually. The impairment in value included in 2012/13 represents the Council's 50% share of the company's net liabilities.

In December 2011 the Council agreed to lend £4.906m to Clackmannanshire Regeneration LLP, a company established to develop the new council offices at Kilncraigs under the Business Premises Renovation Allowance (BPRA) scheme. This sum will remain invested in the company for eight years in accordance with the development agreement and earns interest at the prevailing Public Works Loan Board rate.

## Note 17 - Long-term Debtors

Business Development Loans relate to companies, many of which are in liquidation, and there is now no expectation that these loans will be repaid and will be recommended for write-off during 2013/14. Loans to employees are currently being recovered through payroll deductions.

	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>
Loans to Employees	4	2
Business Development Loans	53	53
	<hr/> 57	<hr/> 55
Less Provision for bad debts (Business Development)	(53)	(53)
	<hr/> <b>4</b>	<hr/> <b>2</b>



## Note 18 - Assets Held for Sale

This note provides detail of the Assets Held for Sale on the Balance Sheet on page 32. An asset is required to fulfil certain criteria in order to be classified in this category. These criteria are detailed in the Accounting Policies (see page 46).

	31 March 2012 £000	31 March 2013 £000
<b>Balance outstanding at start of year</b>	<b>15,514</b>	<b>4,639</b>
Impairment losses	(4,091)	-
Assets declassified as held for sale:		
• Other Land & Buildings (Note 12)	-	(30)
• Surplus Assets (Note 12)	-	(3,157)
• Investment Properties (Note 12)	-	(505)
Assets sold	(6,864)	(661)
Expenditure Incurred	80	-
<b>Balance outstanding at year-end</b>	<b>4,639</b>	<b>286</b>

## Note 19 - Inventories

This note provides detail of the major inventories that are held by the Council Departments in order for them to carry out their responsibilities.

	Building Works		Catering		Vehicle Maintenance		Other		Total	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
<b>Balance outstanding at start of year</b>	215	170	52	51	62	78	142	225	471	524
Purchases	507	673	693	724	594	545	576	554	2,370	2,496
Recognised as an expense in the year	(552)	(670)	(694)	(735)	(578)	(566)	(493)	(589)	(2,317)	(2,560)
<b>Balance outstanding at year-end</b>	<b>170</b>	<b>173</b>	<b>51</b>	<b>40</b>	<b>78</b>	<b>57</b>	<b>225</b>	<b>190</b>	<b>524</b>	<b>460</b>

## Note 20 - Short-term Debtors

This Note provides detail of the Short Term Debtors line in the Balance Sheet on page 32. A Short Term Debtor represents money that is owed to the Council and which is expected to be received in less than a year.

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

	31 March 2012	31 March 2013
	£000	£000
Central government bodies	2,968	2,090
Other local authorities	188	757
NHS bodies	373	530
Public corporations and trading funds	68	82
Other entities and individuals	6,239	7,552
<b>Total</b>	<b>9,836</b>	<b>11,010</b>

## Note 21 - Short Term Investments and Cash and Cash Equivalents

This Note provides detail of the Short Term Investments and Cash and Cash Equivalents lines in the Balance Sheet on page 32.

The Short Term Investments is made up of:

	31 March 2012	31 March 2013
	£000	£000
<b>Fixed term cash deposits with banks under 1 year</b>	<b>10,000</b>	<b>10,000</b>

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

	31 March 2012	31 March 2013
	£000	£000
Cash held by the Council	29	29
Bank current accounts	20,839	20,452
<b>Total cash and cash equivalents</b>	<b>20,868</b>	<b>20,481</b>

## Note 22 - Short Term Creditors

This Note provides detail of the Short Term Creditors line in the Balance Sheet on page 32. A Short Term Creditor represents money that is owed by the Council and which is expected to be paid in less than a year.

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

	31 March 2012	31 March 2013
	£000	£000
Central government bodies	4,481	5,516
Other local authorities	500	846
NHS bodies	362	555
Public corporations and trading funds	408	321
Other entities and individuals	16,284	16,803
<b>Total</b>	<b>22,035</b>	<b>24,041</b>

## Note 23 - Provisions

### Early Retirement

In accordance with IAS37 where individual posts have been identified and agreed for voluntary redundancy, but not actually paid before 31 March, a provision is made. The provision for 2012/13 is £374k.

### Municipal Mutual Insurance

Prior to local government reorganisation in 1996, Central Regional Council and Clackmannan District Council, entered into a solvent run-off arrangement with their insurer, MMI, with the aim of having sufficient assets to meet outstanding insurance claims. The outcome of recent litigation has triggered the Scheme of Arrangement and created a financial liability for Clackmannanshire Council as successor Council. The Council has made a provision to cover a levy of up to 30% amounting to £153k.

### Equal Pay

The Council has settled a number of equal pay claims during the year totalling £634k. It is anticipated that the remaining provision of £395k is required to complete the settlement of the remaining existing claims.

	Long Term Provision			
	Current Provision	Municipal Mutual	Long Term Provision	Total
	Early Retirement	Insurance	Equal Pay	
	£000	£000	£000	£000
<b>Balance at 1 April 2012</b>	<b>72</b>	<b>0</b>	<b>422</b>	<b>494</b>
Additional provisions made in 2012/13	374	153	607	1,134
Reduction in provision made in 2012/13	0	0	0	0
Amounts used in 2012/13	(72)	0	(634)	(706)
<b>Balance at 31 March 2013</b>	<b>374</b>	<b>153</b>	<b>395</b>	<b>922</b>

## Note 24 - Borrowings

This note provides details of the short and long term borrowings undertaken by the Council and shown on the Balance Sheet on page 32. These values are reflected at amortised cost.

Source of Loan	Total Outstanding at	
	31 March 2012 £000	31 March 2013 £000
<b>Repayable within 12 months</b>		
Public Works Loan Board	4,000	4,000
Revenue Advances:-		
- Common Good & Trust Funds	696	472
- Central Scotland Valuation Joint Board	573	679
- Forth Valley Criminal Justice Authority	1,194	549
Accrued Interest on Borrowing	1,810	1,478
	<b>8,273</b>	<b>7,178</b>
<b>Repayable after 12 months</b>		
Public Works Loan Board	95,703	91,702
Market Loans	24,029	24,024
	<b>119,732</b>	<b>115,726</b>
<b>Analysis of Long-term Loans by Maturity</b>		
Between 1-2 year	4,000	10,000
Between 2-5 years	22,200	12,200
Between 5-10 years	5,412	5,412
More than 10 years	88,120	88,114
	<b>119,732</b>	<b>115,726</b>

## Note 25 - Other Long-term Liabilities

	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>
PFI & Finance Liabilities (see note (a) below)	47,475	46,248
Pension Liabilities (See note 44)	76,257	78,887
Other Long-term Liabilities (see note (b) below)	669	635
	<b>124,401</b>	<b>125,770</b>

### (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. Note 40, page 81 in the Accounts provides more detail in respect of the future payments that are due under the terms of the contract. The movements in the balance sheet values are detailed below:

	<b>PFI Scheme 2011/12 £000</b>	<b>Street Lighting 2011/12 £000</b>	<b>Total 2011/12 £000</b>	<b>PFI 2012/13 £000</b>	<b>Street Lighting 2012/13 £000</b>	<b>Total 2012/13 £000</b>
<b>Balance at 1 April</b>	49,276	639	49,915	48,112	594	48,706
Finance Lease creditor repayment in 1 year	(1,164)	(45)	(1,209)	(1,181)	(49)	(1,230)
	<b>48,112</b>	<b>594</b>	<b>48,706</b>	<b>46,931</b>	<b>545</b>	<b>47,476</b>
<b>Ageing:</b>						
Liabilities due over more than one year	46,930	545	47,475	45,755	493	46,248
Liabilities due within one year	1,182	49	1,231	1,176	52	1,228

### (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

	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>
Developer Contributions	612	635
European Investment Bank	57	-
	<b>669</b>	<b>635</b>

## Note 26 - 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 instruments are carried in the Balance Sheet:

**Table 1: Financial Instrument Balances**

	Long-term		Current	
	31 March 2012 Revised £000	31 March 2013 £000	31 March 2012 Revised £000	31 March 2013 £000
<b>Financial Liabilities</b>				
Financial liabilities at amortised cost*	119,732	115,726	8,273	7,178
PFI & Finance leases liabilities	47,476	46,248	1,230	1,228
Creditors (not included in Note 26 in 2011/12)	-	-	20,805	22,813
<b>Total Financial Liabilities</b>	<b>167,208</b>	<b>161,974</b>	<b>30,308</b>	<b>31,219</b>
<b>Financial Assets</b>				
Loans & Receivables**	6,190	6,206	30,868	30,481
Debtors (omitted in Note 26 in 2011/12)	4	2	9,836	11,011
<b>Total Financial Assets</b>	<b>6,194</b>	<b>6,208</b>	<b>40,704</b>	<b>41,492</b>

\* LOBOs (Lender Option Borrower Option loans) of £18.5m (£18.5m March 2012) have been included in Long Term Borrowing. The lender has the option to change interest rates in the next 12 months and the borrower would then have the option to accept the change or repay the loan.

\*\*Clackmannanshire Regeneration LLP and CSBP Clackmannanshire Developments Ltd. In 2011/12 accounts, CSBP was included in short-term investments but is now included correctly in long-term investments.

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

	2011/12			2012/13		
	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	(6,170)	-	(6,170)	(6,137)	-	(6,137)
Interest on PFI and finance lease liabilities	(3,605)	-	(3,605)	(3,581)	-	(3,581)
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(9,775)</b>	<b>-</b>	<b>(9,775)</b>	<b>(9,718)</b>	<b>-</b>	<b>(9,718)</b>
Interest Income	-	517	517	-	891	891
Impaired financial assets	-	(174)	(174)	-	(17)	(17)
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>343</b>	<b>343</b>	<b>-</b>	<b>874</b>	<b>874</b>
<b>Net gain/(loss) for the year</b>	<b>(9,775)</b>	<b>343</b>	<b>(9,432)</b>	<b>(9,718)</b>	<b>874</b>	<b>(8,844)</b>

### 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 124/13.
- 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 2012		31 March 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB - Maturity	101,153	121,878	95,662	123,234
PWLB - Annuity	40	64	39	65
LOBOs	23,835	24,689	23,500	25,078
Other loans	57	61	-	-
<b>Financial Liabilities</b>	<b>125,085</b>	<b>146,692</b>	<b>119,201</b>	<b>148,377</b>

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 2012		31 March 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Cash	29	29	29	29
Long Term Investments	4,906	5,307	6,206	6,678
Deposit with banks and Building Societies	30,839	30,839	30,624	30,861
<b>Financial Assets</b>	<b>35,774</b>	<b>36,175</b>	<b>36,859</b>	<b>37,568</b>

## Note 27 - Usable Reserves

Movements in the Council's Usable Reserves are detailed in the Movement in Reserves Statement (page 30) and Notes 6 and 7 (pages 51 and 54).

	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>
General Fund	13,067	14,004
Housing Revenue Account	4,180	4,884
Capital Receipts Reserve	4,609	4,985
Insurance Fund	794	871
Capital Grants Unapplied Account	-	472
<b>Total Usable Reserves</b>	<b>22,650</b>	<b>25,216</b>

## Note 28 - Unusable Reserves

	<b>Original 31 March 2012 £000</b>	<b>Restated 31 March 2012 £000</b>	<b>31 March 2013 £000</b>
Revaluation Reserve	27,585	51,868	52,373
Capital Adjustment Account	117,280	92,997	97,748
Financial Instruments Adjustment Account	(3,872)	(3,872)	(3,586)
Pensions Reserve	(76,257)	(76,257)	(78,887)
Accumulating Compensated Absences Adjustment Account	(1,732)	(1,732)	(2,073)
<b>Total Unusable Reserves</b>	<b>63,004</b>	<b>63,004</b>	<b>65,575</b>

A restatement has been made to the 2012 figures in respect of depreciation in 2011/12 and previous years that should have been transferred from the revaluation reserve to the capital adjustment account.

## Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment or Heritage Assets. 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.

	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>
<b>Balance at 1 April</b>	<b>27,462</b>	<b>51,868</b>
Upward revaluation of non current assets	213	1,559
Downward revaluation of non current assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(80)	(136)
Difference between fair value depreciation and historical cost depreciation	-	(914)
Accumulated gains/(losses) on assets sold or scrapped written off to the Capital Adjustment Account	(10)	(4)
Prior Year Restatement	24,283	-
<b>Balance at 31 March</b>	<b>51,868</b>	<b>52,373</b>

## 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.

	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>	<b>31 March 2013 £000</b>
<b>Balance at 1 April</b>	<b>125,500</b>		<b>92,997</b>
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>			
• Charges for depreciation and impairment of non current assets	(15,635)	(12,358)	
• Amortisation of intangible assets	(168)	(156)	
• 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	(8,155)	(1,828)	
	(23,958)		(14,342)
<u>Adjusting amounts written out of the Revaluation Reserve</u>	10		918
<u>Capital financing applied in the year:</u>			
• Use of the Capital Receipts Reserve to finance new capital expenditure	747	921	
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	5,231	6,173	
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	7,548	7,581	
• Capital expenditure charged against the General Fund and HRA balances	2,202	3,500	
	15,728		18,175
Prior Year restatement	(24,283)		-
<b>Balance at 31 March</b>	<b>92,997</b>		<b>97,748</b>

### 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 2013 will be charged to the General Fund over the next 41 years.

	31 March 2012 £000	31 March 2013 £000
<b>Balance at 1 April</b>	<b>(4,179)</b>	<b>(3,872)</b>
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	312	281
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	(5)	5
<b>Balance at 31 March</b>	<b>(3,872)</b>	<b>(3,586)</b>

### 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.

	31 March 2012 £000	31 March 2013 £000
<b>Balance at 1 April</b>	<b>(61,617)</b>	<b>(76,257)</b>
Actuarial gains or losses on pensions assets and liabilities	(13,428)	(806)
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	(8,643)	(8,929)
Employer's pensions contributions and direct payments to pensioners payable in the year	7,431	7,105
<b>Balance at 31 March</b>	<b>(76,257)</b>	<b>(78,887)</b>

### 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.

	31 March 2012 £000	31 March 2013 £000	31 March 2013 £000
<b>Balance at 1 April</b>	<b>(3,721)</b>		<b>(1,732)</b>
Settlement or cancellation of accrual made at the end of the preceding year	3,721	1,732	
Amounts accrued at the end of the current year	(1,732)	(2,073)	
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	1,989		(341)
<b>Balance at 31 March</b>	<b>(1,732)</b>		<b>(2,073)</b>

## Note 29 - Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>
Interest received	197	1,295
Interest paid	(10,464)	(11,526)
Net Surplus or (Deficit) on the Provision of Services	2,009	4,520

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>
Depreciation	15,977	12,514
Adjustment for internal interest charged	-	5
Increase in Interest Creditors	12	332
Increase in Creditors	2,087	1,301
(Increase)/Decrease in Debtors	366	(1,062)
(Increase)/Decrease in Inventories	(53)	65
Pension Liability	1,213	1,824
Contributions to/(from) Provisions	(3,110)	428
Carrying amount of non-current assets sold	8,155	1,828
	<b>24,647</b>	<b>17,236</b>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>
Capital grants credited to surplus or deficit on the provision of services	(5,231)	(6,645)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(5,356)	(1,297)
	<b>(10,587)</b>	<b>(7,942)</b>

### Note 30 - Cash Flow Statement – Investing Activities

	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>
Purchase of property, plant and equipment, investment property and intangible assets	(8,180)	(16,020)
Other Capital Payments	-	20
Purchase of short and long term investments	(14,938)	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,356	1,297
Other receipts from investing activities	5,674	6,533
<b>Net cash flows from investing activities</b>	<b>(12,088)</b>	<b>(8,170)</b>

### Note 31 - Cash Flow Statement – Financing Activities

	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>
Cash receipts / (payments) of short- and long-term borrowing	4,705	(763)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1,236)	(1,227)
Repayments of short- and long-term borrowing	(4,042)	(4,040)
<b>Net cash flows from financing activities</b>	<b>(573)</b>	<b>(6,030)</b>

## Note 32 - Trading Operations

The Council now has only one trading operation which operates in a commercial environment, Property Contracts, balancing its budget by generating income from other parts of the council or other organisations. As from 2012/13, Environmental and Engineering contracts now only recharge on a cost basis and is no longer deemed to be operating in a commercial environment as a trading operation.

		2010/11		2011/12		2012/13	
		£000	£000	£000	£000	£000	£000
The Council runs a property contract service which carries out work primarily for housing services. The work ranges from day to day repairs to council houses to major capital schemes such as kitchen and bathroom replacements. The trading objective is to achieve an annual budgeted surplus. Cumulative surplus over last three financial years: £1,299K.	Turnover	5,702		6,565		6,996	
	Expenditure	(5,248)		(5,882)		(6,834)	
	Surplus		454		683		162
The Council runs a roads contract service which carries out work on existing roads infrastructure together with construction of new projects. In 2012/13 it was deemed to no longer be operating in a commercial environment due to recharging on a cost only basis and is therefore now no longer a trading operation.	Turnover	2,491		2,737		0	
	Expenditure	(2,313)		(2,553)		0	
	Surplus		178		184		0
<b>Net Surplus on Trading Operations</b>			<b>632</b>		<b>867</b>		<b>162</b>

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The expenditure of these operations is recharged to headings in the cost of service. Only a residual amount of the net surplus on trading operations is charged as other operating expenditure (Note 8)

	2011/12	2012/13
	£000	£000
Net Surplus on trading operations	867	162
Recharge to Cost of Services	(495)	(66)
Net Surplus credited to Other Operating Expenditure	<b>372</b>	<b>96</b>

## Note 33 - 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 £0.150m (2011/12 - £0.146m). This income is included in the Comprehensive Income and Expenditure Statement.

## Note 34 - 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. The parties agreed contribution for 2012/13 is Clackmannanshire Council 44% (2011/12 47%), NHS Forth Valley 56% (2011/12 53%). The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

The pooled budget is hosted by Clackmannanshire Council on behalf of the two partners to the agreement.

	<b>2011/12</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Funding provided to the pooled budget:		
Clackmannanshire Council	502	438
NHS Forth Valley	<u>562</u>	<u>562</u>
	1,064	1,000
Expenditure met from the pooled budget:		
Clackmannanshire Council	536	424
NHS Forth Valley	<u>601</u>	<u>558</u>
	<u>1,137</u>	<u>982</u>
Net surplus (deficit) arising on the pooled budget during the year	<b>(73)</b>	<b>18</b>
Clackmannanshire Council share of 44% (2011/12 47%) of the net surplus (deficit) arising on the pooled budget	<b>(34)</b>	<b>8</b>

## Note 35 - External Audit Costs

	<b>2011/12</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	218	<u>202</u>

## Note 36 - Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2012/13:

	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>		
Council Tax/Community Charge	21,523	21,137
General Government Grant	83,020	85,103
Non-Domestic Rate Redistribution	12,284	11,033
Non-Domestic Rate Income retained by Authority (BRIS)	0	1,250
Capital Grants & Contributions	4,290	3,536
<b>Total</b>	<b>121,117</b>	<b>122,059</b>
<b>Credited to Services</b>		
DSS grant for Benefits	17,831	18,485
Criminal Justice	1,746	1,731
Other grants( including EMA's and Home Insulation Scheme)	1,855	3,441
Other Capital Grants and Contributions	941	2,637
<b>Total</b>	<b>22,373</b>	<b>26,294</b>

## Note 37 - 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; and
- Elected Members and Chief Officers.

**The following related party transactions in 2012/13 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 36 (Grant Income)
- b) Payments to the Falkirk Council Superannuation Fund and Scottish Government (Teachers' Pensions) are shown in Notes 43 and 44 (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 Financial Statements are:**

- a) **The South East of Scotland Regional Transport Partnership (SESTRAN)**  
The Council's contribution to this partnership was £6,668 (2011/12 £7,554).

**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 2012/13 was £ 179,808 (2011/12 £183,365). In addition there were payments made of £9,810 (2011/12 - £139,512) for services purchased and £nil (2011/12 £59,709) received for sums due to the Council.

**c) SEEMIS Limited Liability Partnership**

The Council's contribution to this partnership was £41,544 (2011/12 £42,539). The Council is one of 28 Council's across Scotland with membership. The Council's contribution is 1.18%.

**d) Scotland Excel**

The Council's contribution to this partnership was £44,346 (2011/12 £45,113). The Council is one of 32 Council's across Scotland with membership. The Council's contribution is 1.37%.

## Note 38 - 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.

	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>
<b>Opening Capital Financing Requirement</b>	<b>124,792</b>	<b>117,244</b>
<b>Capital investment</b>		
Property Plant & Equipment	7,982	15,635
Intangible Assets	118	386
Assets Held for Sale	80	-
<b>Sources of finance</b>		
Capital receipts	(747)	(921)
Government grants and other contributions	(5,231)	(6,173)
Sums set aside from revenue:		
• Loans Fund Principal Direct revenue contributions	(2,202)	(3,500)
• Repayment of Finance Lease Capital Debt	(1,209)	(1,231)
• Loans Fund Principal	(6,339)	(6,350)
<b>Closing Capital Financing Requirement</b>	<b>117,244</b>	<b>115,090</b>
<b>Explanation of movements in year</b>		
Decrease in underlying need to borrowing	(7,548)	(2,154)



## Note 39 - Leases

### Council as Lessee

#### Finance Leases

The Council has acquired some of its street lighting Infrastructure under finance leases.

These assets are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>
Infrastructure Assets	<b>510</b>	<b>459</b>

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:

	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>
Finance lease liabilities (net present value of minimum lease payments):		
• current	49	52
• non-current	545	493
Finance costs payable in future years	244	200
Minimum lease payments	<b>838</b>	<b>745</b>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>
Not later than one year	44	41	49	52
Later than one year not later than five years	139	122	233	251
Later than five years	61	37	312	242
	<b>244</b>	<b>200</b>	<b>594</b>	<b>545</b>

## Operating Leases

The Council has entered into a sub-lease with Clackmannanshire Regeneration LLP under the terms of the Business Premises Renovation Allowance (BPRA) scheme for the development of its new Council Offices. The lease is in place throughout the construction phase and a further period of 7 years. The lease ends when the refurbished building is handed back to the Council from the LLP under the landlord tenant relationship.

The future minimum lease payments due are:

	31 March 2012 £000	31 March 2013 £000
Not later than one year	184	184
Later than one year and not later than five years	735	735
Later than five years	644	460
	<b>1,563</b>	<b>1,379</b>

The expenditure charged to the Non-distributed costs line in the Comprehensive Income and Expenditure Statement during the year was:

	2011/12 £000	2012/13 £000
Minimum lease payments	33	182

## Council as Lessor

### Operating Leases

The development of the Council's new offices using the Business Premises Renovation Scheme (BPRA) required the establishment of a Limited Liability Partnership (Clackmannanshire Regeneration LLP). The LLP is a tax transparent entity consisting of the Council and Investors which allows the Council to benefit from tax allowances. To allow the LLP to undertake the construction and reclaim tax allowances, the Council has leased the premises to Clackmannanshire Regeneration LLP for the duration of the construction period plus a further 7 years. As noted above, the Council has then sub-leased the offices back from the LLP for the same period, after which the refurbished building reverts to the Council.

The lease reflects a rent of £1 per annum.

## Note 40 - Private Finance Initiatives and Similar Contracts

### Secondary Schools PFI Scheme

2012/13 was the fifth 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 assets used to provide services at 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 12.

### Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be 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 2013, based on assumed inflation but excluding any estimate of availability/performance deductions are as follows:-

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable within 1 year	2,618	1,176	3,510	7,304
Payable within 2 to 5 years	12,211	4,655	13,685	30,551
Payable within 6 to 10 years	19,506	5,665	16,286	41,457
Payable within 11 to 15 years	22,415	7,844	15,273	45,532
Payable within 16 to 20 years	25,877	10,383	13,882	50,142
Payable within 21 to 25 years	30,195	14,526	10,637	55,358
Payable within 26 to 30 years	7,062	2,682	1,075	10,819
<b>Total</b>	<b>119,884</b>	<b>46,931</b>	<b>74,348</b>	<b>241,163</b>

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

	2011/12	2012/13
	£000	£000
Balance outstanding at start of year	49,277	48,112
Payments during the year	(1,165)	(1,181)
Balance outstanding at year-end	<b>48,112</b>	<b>46,931</b>

## Note 41 - Impairment Losses

The Council carried out an assessment of its assets for indications of any impairments during 2012/13. 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. This has resulted in impairments of £250,000 on Investment Property (note 14), £724,000 on Surplus Assets (note 12) and £81,000 on Other Land and Buildings (note 12). Total impairment £1,055,000 (2011/12 £4,091,000 on Assets Held for Sale and £45,000 on Other Land and Buildings. Total impairment £4,136,000).

## Note 42 - Termination Benefits

The Council terminated the contracts of 34 employees (2011/12 - 82) through voluntary severance during 2012/13, incurring liabilities of £0.724m. (£1.76m 2011/12). This includes provision in the accounts of costs relating to 23 employees whose voluntary severance was approved during the 2012/13 financial year but who are not due to leave until the 2013/14 financial year. The Remuneration Report at page 28 provides details of the number of exit packages and total cost per band.

## Note 43 - 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.

In 2012/13 the Council paid £2.677m to Teachers' Pensions in respect of teachers retirement benefits, representing 14.9% of pensionable pay. The figures for 2011/12 were £2.743m and 14.9%. There were no contributions remaining payable at year-end.

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 44.

## Note 44 - 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:

	<b>Local Government Pension Scheme £000</b>	
	<b>2011/12</b>	<b>2012/13</b>
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
• current service cost	(5,866)	(6,582)
• past service costs	(1,257)	(206)
<i>Financing and Investment Income and Expenditure</i>		
• interest cost	(11,945)	(11,720)
• expected return on scheme assets	10,732	9,579
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	(8,336)	(8,929)
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
• actuarial gains and losses	(307)	-
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	(8,643)	(8,929)
<b>Movement in Reserves Statement</b>		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	8,643	8,929
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
• employers' contributions payable to scheme	(7,430)	(7,105)

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2013 a loss of £49.220m and at 31 March 2012 was a loss of £48.484m.

### Assets and Liabilities in Relation to Post-employment Benefits

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

	Local Government Pension Scheme & Discretionary Benefits	
	2011/12	2012/13
	£000	£000
Opening balance at 1 April	217,107	244,307
Current service cost	5,866	6,582
Interest cost	11,945	11,720
Contributions by scheme participants	1,846	1,938
Settlements and curtailments	307	-
Actuarial (gains) and losses	15,119	18,611
Benefits paid	(9,140)	(9,013)
Past service costs	1,257	206
<b>Closing balance at 31 March</b>	<b>244,307</b>	<b>274,351</b>

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

	Local Government Pension Scheme	
	2011/12	2012/13
	£000	£000
Opening Balance at 1 April	155,490	168,050
Expected Rate of Return	10,732	9,579
Actuarial (gains) and losses	1,690	17,805
Employer contributions	7,430	7,105
Contributions by scheme participants	1,848	1,938
Benefits paid	(9,140)	(9,013)
<b>Closing Balance at 31 March</b>	<b>168,050</b>	<b>195,464</b>

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 £27.418m (2011/12 £6.194m).

## Scheme History

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(138,199)	(229,772)	(202,626)	(226,398)	(256,128)
Discretionary Benefits	(12,330)	(16,817)	(14,481)	(17,909)	(18,223)
<b>Total Funded Liabilities</b>	<b>(150,529)</b>	<b>(246,589)</b>	<b>(217,107)</b>	<b>(244,307)</b>	<b>(274,351)</b>
<b>Fair value of assets in the Local Government Pension Scheme</b>	104,249	141,553	155,490	168,050	195,464
<b>Deficit in the Scheme</b>	<b>(46,280)</b>	<b>(105,036)</b>	<b>(61,617)</b>	<b>(76,257)</b>	<b>(78,887)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total movement of £2.63m has an impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a balance of £78.887m. 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; and
- 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 2014 is £6.506m (2012-13 £5.919m).

### 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 2013.

The principal assumptions used by the actuary have been:

**Local Government Pension Scheme**

	<b>2011/12</b>	<b>2012/13</b>
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	6.2%	4.5%
Bonds	3.7%	4.5%
Cash	3.5%	4.5%
Property	4.4%	4.5%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
Men	23.0 years	23.0 years
Women	25.8 years	25.8 years
Longevity at 65 for future pensioners:		
Men	24.9 years	24.9 years
Women	27.7 years	27.7 years
<b>Rate of inflation</b>	2.5%	2.8%
<b>Rate of increase in salaries</b>	4.8%	5.1%
<b>Rate of increase in pensions</b>	5.7%	4.5%
<b>Rate for discounting scheme liabilities</b>	4.8%	4.5%
<b>Take-up of option to convert annual pension into retirement lump sum</b>	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:

	<b>31 March 2012 %</b>	<b>31 March 2013 %</b>
Equity investments	79	72
Bonds	7	18
Property	8	7
Cash	6	3
	<b>100</b>	<b>100</b>



## History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Differences between the expected and actual return on assets	(36.22)	20.72	1.35	(2.70)	9.13
Experience gains and losses on liabilities	2.6	(0.27)	0.72	(3.58)	(0.04)

## Note 45 - 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 more recently, supervisory assistants and classroom assistants. Note 23 includes details of the provision in respect of those groups of employees identified so far which remain to be settled. It remains a possibility that the Council may become liable to third wave and detriment claims, but at this time there is uncertainty both surrounding the likely timescale involved and the potential level of settlement.

### Kitchen Contract

Claims were made against the Council in relation to the award of a contract to install kitchens in Council Properties. This matter is at arbitration, our external Quantity Surveyor has reviewed the claim and is of the view that £38,711 should be payable under the contract. Phase II of the claim has been appealed, however the Council remains confident that the appeal will not be successful.

### Municipal Mutual Insurance (MMI)

Prior to local government reorganisation in 1996, Central Regional Council and Clackmannan District Council, entered into a solvent run-off arrangement with their insurer, MMI, with the aim of having sufficient assets to meet outstanding insurance claims. The outcome of recent litigation has triggered the Scheme of Arrangement and created a financial liability for Clackmannanshire Council as successor Council. Whilst the Council has made a provision, detailed in Note 23, to cover a levy of up to 30%, there remains a potential for this to increase.

## Note 46 - Contingent Assets

### Care Costs

The Council has outstanding fees of £0.025m in respect of the cost of care provided by Social Services. In these instances the Council has a legal charge on properties to recover the debt, but at this time there is uncertainty surrounding the likely timescale involved.

## Note 47 - 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 policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

## 1. Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria. Details of the Investment Strategy can be found on the Council's website. The full Investment Strategy for 2012/13 was approved by Full Council on 28th June 2012 and is available on the Council's website.

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

The Authority's maximum exposure to credit risk, in relation to its investments in banks and building societies of £30.624m, cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

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.

## Debtors

The Council allows credit of 30 days for customers, such that £1.923m of the £2.030m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	<b>31 March 2012 £000</b>	<b>31 March 2013 £000</b>
Less than three months	128	1,124
Three to six months	60	94
Six months to one year	141	188
More than one year	582	517
<b>Total</b>	<b>911</b>	<b>1,923</b>

During the year a sum of £5k was charged to the Comprehensive Income and Expenditure Account, increasing the provision against current debts to £417k.

## 2. Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

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 meet 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 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):

<b>Loans outstanding</b>	<b>31 March 2012</b> <b>£000s</b>	<b>31 March 2013</b> <b>£000s</b>
Public Works Loans Board	99,703	95,702
Market debt	24,029	24,024
Other Borrowing	57	-
Local bonds	-	-
Deferred purchase	-	-
<b>Total</b>	<b>123,789</b>	<b>119,726</b>
Less than 1 year	4,057	4,000
Between 1 and 2 years	4,000	10,000
Between 2 and 5 years	22,200	12,200
Between 5 and 10 years	5,412	5,412
More than 10 years	88,120	88,114
<b>Total</b>	<b>123,789</b>	<b>119,726</b>

In the more than 10 years category there are £18.5m of LOBOs (Lender Option Borrower Option loans). The lender has the option to change interest rates in the next 12 months and the borrower would then have the option to accept the change or repay the loan.

### 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 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 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£000</b>
Increase in interest payable on variable rate borrowings	(235)
Increase in interest receivable on variable rate investments	<u>15</u>
<b>Impact on Comprehensive Income and Expenditure Account</b>	<b><u>(220)</u></b>
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)	<u>18,119</u>

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.

### Note 48 - Heritage Assets: Five-Year Summary of Transactions

It is not practical to disclose transactions relating to Heritage Assets for the past five years as retrospective values are not available for all assets.

### Note 49 - Heritage Assets: Further information on the Portfolio of Assets

Clackmannanshire's Heritage Assets consist of items that not only record and reflect the history and legacy of the 'Wee County', but also many which celebrate its future vision. From Neolithic artefacts to 21st century designs, the council is steward to a portfolio which tells the ongoing story of the county and its residents.

Clackmannanshire Council's Public Arts Strategy seeks to bring art into the community through the incorporation of works of art in new development. This public art takes many forms, including sculpture, glasswork, murals or decorative paving.

Many of the modern pieces described below were commissioned as part of 'Imagine Alloa', an award-winning programme that saw £2m invested in the regeneration of the county's principal town centre. As a result of the programme, Alloa Makers' Village, situated in Ludgate, came into being. This is a new collection of artists' and makers' workshops, which is becoming a centre for artistic creativity not only in Clackmannanshire, but also across the Forth Valley.

#### Art Collection

The Council owns a varied collection of paintings which have connections to the county's history, several of which are on display within various municipal buildings.

Notable items within the collection include: "Portrait of Two Boys", a three-quarter length oil on canvas portrait attributed to David Allan who was born in Alloa in 1744, "View of Alloa", painted circa 1840 shows Alloa from the north-west, with the River Forth in the background, and is a significant visual record of the industrial history of the town,

#### Public Art - Statues

Six large contemporary sculptures were commissioned from internationally renowned figurative sculptor, Andy Scott. Each piece and its location was specifically chosen to reflect or tell a local story, unique to the location. The sculptures, constructed mainly of steel using the latest fabrication techniques, have already become well-known landmarks and together form the 'Public Art Trail', providing locals and visitors an opportunity to see view the country from a different perspective. Each statue has a dedicated page on the council's website [www.clacksweb.org.uk/culture/](http://www.clacksweb.org.uk/culture/)

Within Alloa town centre itself, High Street is home to the Sentinels by Rob Mulholland. Made from marine grade polished stainless steel with a highly mirrored surface, each figure stands at over 2.7 meters and is nearly a ton in weight. They are constantly changing in their appearance due to their mirrored finish, as changes in light and weather create different visual effects throughout the day and night.

The Dumyat South roundabout on the outskirts of Tullibody features a work Michael Visocchi, which was installed in May 2007. The shapes of the sculpture refer to glass blowing and the manufacture of bottles for brewing and distilling. The work is called 'Pontils' after the iron rods on which molten glass is handled when being shaped and worked.

### **Public Art - Glassworks and Mosaics**

International Glass Artist Keiko Mukaide designed bespoke shop numbers which can be found in Primrose Street. An extension of this design has been used throughout the rest of Alloa, with each street having its own colour coded glass number disc, created by a local glass firm with assistance from Lornhill Academy.

Ceramic artists Bill Brown, Sandor Dobany have created ceramic works which can be found in Primrose Street, King Street, The Grange Alloa and further afield. These include a ceramic map of the county, roundels, wall tiling, and a wall mosaic in collaboration with the Glasgow School of Art at the entrance to Dollarbeg.

### **Civic Regalia**

The collection of regalia includes two Provost's chains and regalia from former district burghs.

### **Memorials**

The Council owns and maintains 12 War Memorials throughout the county. Eleven memorials mark those who died in the First and Second World Wars and the remaining memorial is dedicated to those who fell during the Boer War in South Africa.

Each memorial has its own dedicated page on the council's web site detailing the architecture and historical context of each, together with a photograph. These may be found at : <http://www.clacksweb.org.uk/community/warmemorials/>.

### **Listed Buildings/Archaeological Items**

The council owns two listed buildings which are classed as heritage assets. The Commemoration Room within the residential development at Menstrie Castle and Tolbooth in Clackmannan.

The commemoration room in Menstrie Castle records the links between the county and the Baronets of Nova Scotia. The room is adorned with displays on the history of Nova Scotia, as well as painted armorials depicting the 109 Nova Scotia baronetcies created as a result. There are also portraits of James VI, Charles I and Sir William Alexander.

The Tolbooth in Clackmannan was built in the late 16th century primarily due to the wishes of William Menteith, the local sheriff, who was no longer inclined to hold prisoners in his own dwelling house. All that remains now is the belfry tower.

Adjacent to the Tolbooth is the ancient standing stone of Mannan, associated with two stories - one of the Sea God Mannau, the other concerning Robert the Bruce's lost glove (or mannan). It is thought that this originally stood on an island in the River Forth.

Nearby is the Mercat Cross, a solitary pillar bearing the arms of the Bruce family.

### **Industrial equipment and ephemera**

In the last three centuries the county has seen the rise and decline of many industries, including:

- coal and silver mining,
- ship building and the use of Alloa as a port,
- brewing,
- distilling,
- pottery, brick and tile-making,
- and especially the textile industry with its many wool-spinning and weaving mills in Alloa, Clackmannan and the Hillfoots villages.

The council owns several collections of artefacts relating to these, notably a collection from Paton's & Baldwin's Kilncraigs Mill, founded in 1814, which with its accompanying documentary archive, probably forms the most complete group of historical material from a wool-spinning mill to have been preserved in Britain.

## Note 50 - Trust Funds

The Council acts as sole Trustee for 8 Charitable Trusts and Endowments. The total value of these Trusts are as follows:

	<b>2011/12</b> <b>£000</b>	<b>2012/13</b> <b>£000</b>
Clackmannan District Charitable Trust	27	17
Alloa Day Home Trust	173	176
Clackmannanshire Educational Trust	31	31
William M Duncanson Legacy	9	10
J Thomas Paton's Endowment Fund	12	12
Robert Jeffrey's Legacy	2	3
Mrs Elizabeth McNair's Legacy	2	2
War Memorial Trust Fund	<u>13</u>	<u>13</u>
	<b><u>269</u></b>	<b><u>264</u></b>

The Council also acts as joint Trustee for 53 Charitable Trusts and Endowments

	<b>2011/12</b> <b>£000</b>	<b>2012/13</b> <b>£000</b>
Total value of Joint Trusts and Endowments	156	142
Total value of all Trusts and Endowments	<b><u>425</u></b>	<b><u>406</u></b>

**CLACKMANNANSHIRE COUNCIL**  
**FINANCIAL STATEMENTS 2012/13**  
**Housing Revenue Account (HRA) Income and Expenditure Statement**  
**for the year ended 31 March 2013**

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. Councils 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*.

2011/12 £000		2012/13 £000	2012/13 £000
	<b>Expenditure</b>		
4,698	Repairs and maintenance	4,755	
3,310	Supervision and management	3,047	
5,312	Depreciation and impairment of non-current assets	5,502	
678	Impairment of debtors	310	
321	Other Expenditure	465	
<b>14,319</b>	<b>Total Expenditure</b>		14,080
	<b>Income</b>		
(14,675)	Dwelling rents	(15,630)	
(67)	Non-dwelling rents	(68)	
<b>(14,742)</b>	<b>Total Income</b>		(15,698)
(423)	<b>Net Income of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		(1,618)
364	HRA Services share of Corporate and Democratic Core		323
<b>(59)</b>	<b>Net income of HRA Services</b>		(1,295)
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
(162)	(Gain) on sale of HRA non-current assets	(296)	
1,473	Interest payable and similar charges	1,403	
(30)	Interest and investment income	(147)	
51	Pensions interest cost and expected return on pension assets	103	
-	Capital grants and contributions receivable	(2,590)	
			(1,527)
<b>1,273</b>	<b>Deficit / (Surplus) for the year on HRA Services</b>		<b>(2,822)</b>

**CLACKMANNANSHIRE COUNCIL**  
**FINANCIAL STATEMENTS 2012/13**  
*Movements on the Housing Revenue Account*

2011/12 £000		2012/13 £000	2012/13 £000
(3,575)	Balance on the HRA at the end of the previous year		(4,180)
1,273	Deficit / (Surplus) for the year on the HRA Income and Expenditure Statement	(2,822)	
(1,878)	Adjustments between accounting basis and funding basis under statute (Note HRA 1)	2,118	
(605)	(Increase)/Decrease in year on the HRA		(704)
<b>(4,180)</b>	<b>Balance on the HRA at the end of the current year</b>		<b>(4,884)</b>

***Notes to the Housing Revenue Account***

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

2011/12 £'000		2012/13 £'000
162	Gain on sale of HRA non-current assets	296
1,884	Capital expenditure funded by the HRA	3,500
0	Capital Grants contributions that have been applied to capital financing	2,590
	Transfer to/from the Capital Adjustment Account:	
(5,312)	Depreciation and Impairment	(5,502)
1,443	Repayment of Debt	1,393
(67)	HRA share of contributions to or from the Pensions Reserve	(147)
12	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.	(12)
<b>(1,878)</b>	<b>Total</b>	<b>2,118</b>



## HRA 2.Housing Stock

The Council's housing stock at 31 March 2013 was 4,969 (4,957 at 31 March 2012) in the following categories:

<b>2011/12</b>		<b>2012/13</b>
<b>Number</b>		<b>Number</b>
40	One apartment	24
1,297	Two apartment	1,323
2,240	Three apartment	2,229
1,239	Four apartment	1,254
139	Five apartment	138
<u>2</u>	Six apartment	<u>1</u>
<b><u>4,957</u></b>	<b>Total</b>	<b><u>4,969</u></b>

## HRA 3.Rent Arrears

Rent Arrears increased during the year by £70,203 to a total of £836,209 (2011/12 - £766,005). As a percentage of gross rental income, the arrears represent 5.4% (2011/12 4.9%) which is equivalent to £168 (2011/12 - £145) per house.

## HRA 4. Impairment of Debtors

In 2012/13 an impairment of £622,024 (2011/12m - £547,050) has been provided in the Balance Sheet for irrecoverable rents, an increase of £74,974 on the provision in 2011/12.

**CLACKMANNANSHIRE COUNCIL**  
**FINANCIAL STATEMENTS 2012/13**  
***Council Tax Income Account for the year ended 31 March 2013***

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.

<b>2011/12</b>		<b>2012/13</b>
<b>£000</b>		<b>£000</b>
<b>(25,128)</b>	<b>Gross Council Tax levied and contributions in lieu</b>	<b>(25,086)</b>
	<b>Deduct:-</b>	
(43)	Council Tax benefits (net of Government Grant)	(35)
3,162	Other discounts and reductions	3,187
1,222	Allowance for impairment of debts	752
78	Adjustments to previous years Council Tax	45
<b>(20,709)</b>	<b>Net Council Tax Income transferred to General Fund</b>	<b>(21,137)</b>

***Notes to the Council Tax Income Account***

**CTI 1. Council Tax Properties and Council Tax Charges**

Occupiers of domestic properties are liable to pay Council Tax. This is a tax levied by local authorities on domestic properties within their area.

Dwellings fall within a valuation band which is determined by the Assessor employed by the Central Scotland Valuation Board. In setting its budget the Council determines the Council Tax level each year. Charges for other bands are proportionate to the Band 'D' figure, which for 2012/13 was £1,148. Council Tax Charges have been frozen at these levels since 2008/09 by the Scottish Government.

<b>Valuation Band</b>	<b>Total Council Tax Charge</b>
	<b>£</b>
A (disabled relief)	637.78
A	765.33
B	892.89
C	1,020.44
D	1,148.00
E	1,403.11
F	1,658.22
G	1,913.33
H	2,296.00

## CTI 2. Calculation of the Council Tax Charge Base 2012/13

	A	A	B	C	D	E	F	G	H	Total
	(Disabled Relief)									
Total number of dwellings	0	6,324	7,046	1,981	2,459	3,150	1,801	821	47	23,629
Less exempt dwellings	0	(311)	(248)	(67)	(38)	(44)	(23)	(16)	(5)	(752)
Disabled reduction	22	36	16	19	40	12	9	3	0	157
Less adjustment for single discounts	(5)	(875)	(755)	(200)	(180)	(178)	(68)	(26)	(1)	(2,288)
Less adjustments for double discounts	0	(52)	(53)	(23)	(22)	(19)	(12)	(7)	(1)	(189)
Effective number of dwellings	17	5,122	6,006	1,710	2,259	2,921	1,707	775	40	20,557
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	9	3,415	4,671	1,520	2,259	3,570	2,466	1,291	80	19,281
Less provision for non-collection										482
<b>Council Tax Base 2012/13</b>										<b>18,799</b>

**CLACKMANNANSHIRE COUNCIL  
FINANCIAL STATEMENTS 2012/13**

***Non Domestic Rates Income Account for the year ended 31 March 2013***

The Non-Domestic Rate Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

<b>2011/12</b>		<b>2012/13</b>
<b>£000</b>		<b>£000</b>
<b>(16,737)</b>	<b>Gross rates levied and contributions in lieu</b>	<b>(18,030)</b>
2,930	Reliefs and other deductions	3,348
208	Allowance for impairment of debts and appeals	252
<b>(13,599)</b>	<b>Net non-domestic rates income</b>	<b>(14,430)</b>
198	Adjustment to previous years' national non-domestic rates	338
<b>(13,401)</b>	<b>Net Non-Domestic Rate Income</b>	<b>(14,092)</b>
(28)	Add back :- 25% Discretionary Reliefs not offset for Pool Contribution	(36)
<b>(13,429)</b>	<b>Income for Contribution to Non-Domestic Rate Pool</b>	<b>(14,128)</b>
0	Non Domestic Rates Income Retained by Authority (BRIS)	1,250
13,429	Contribution to National Non-Domestic Rate Pool	12,878
<b>(12,284)</b>	<b>Distribution from National Non-Domestic Rate Pool</b>	<b>(11,033)</b>
1,145	(Gain)/Loss from National Pool	1,845
<b>(12,284)</b>	<b>Net NNDR Income per the Comprehensive Income and Expenditure Account (Note10)</b>	<b>(11,033)</b>

## Notes to the National Non Domestic Rates Income Account

### NDR 1. 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 2. Rate Poundages Levied

	2011/12 p	2012/13 p
National Non-Domestic Rate	42.6	45
Small business relief supplement – properties valued > £35,000	0.7	0.8

### NDR 3. Clackmannanshire Rateable Values

	as at 1 April 2011 £000	as at 1 April 2012 £000
Commercial	14,896	14,187
Industrial	13,969	13,682
Miscellaneous	<u>10,432</u>	<u>10,564</u>
Total	<u>39,297</u>	<u>38,433</u>

### NDR 4. Number of Premises

	as at 1 April 2011	as at 1 April 2012
Commercial	900	918
Industrial	316	340
Miscellaneous	<u>330</u>	<u>331</u>
Total	<u>1,546</u>	<u>1,589</u>

**CLACKMANNANSHIRE COUNCIL  
FINANCIAL STATEMENTS 2012/13  
COMMON GOOD**

**Common Good**

Common Good Funds are the assets and income of the former burghs of Scotland and stand 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  
for the year ended 31 March 2013**

<b>31 March 2012 £000</b>		<b>31 March 2013 £000</b>
	<b>Income</b>	
(179)	Charges for use of premises	(223)
	<b>Expenditure</b>	
25	Property Maintenance	42
56	Utilities	74
43	Rates	43
22	Cleaning, land services and refuse collection	26
33	Insurance	37
0	Computer	1
109	Depreciation	122
<b>288</b>		<b>345</b>
<b>109</b>	<b>Cost of Services</b>	<b>122</b>
<b>(459)</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>(365)</b>
<b>(350)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(243)</b>

**BALANCE SHEET as at 31 March 2013**

<b>2011/12 £000</b>		<b>2012/13 £000</b>
	<b>Long-term Assets</b>	
3,867	Land and buildings	4,110
	<b>Current Assets</b>	
8	Investments	8
<b>3,875</b>	<b>Total Assets</b>	<b>4,118</b>
1,303	Revaluation reserve	1,270
2,564	Capital Adjustment Account	2,840
8	Revenue reserve	8
<b>3,875</b>		<b>4,118</b>

## **COMMON GOOD MOVEMENTS IN RESERVES STATEMENT**

	<b>Usable Reserves £000</b>	<b>Unusable Reserves £000</b>
<b>Balance at 31 March 2012</b>	<b>8</b>	<b>3,867</b>
<b><u>Movement in Reserves during 2012/13</u></b>		
Surplus or (deficit) on provision of Services	243	-
<b>Total Comprehensive Expenditure and Income</b>	<b>243</b>	<b>-</b>
Adjustments between accounting basis & funding basis under regulations	(243)	243
<b>Balance at 31 March 2013 carried forward</b>	<b>8</b>	<b>4,110</b>

## **NOTES TO THE COMMON GOOD ACCOUNT**

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Transfer to/from the Capital Adjustment Account:		
Depreciation and Impairment	(109)	(122)
	<b>(109)</b>	<b>(122)</b>

**CLACKMANNANSHIRE COUNCIL**  
**FINANCIAL STATEMENTS 2012/13**  
**Group Financial Statements**

The Council has interests in joint venture companies, associated companies and joint boards. It participates in these companies by means of Board membership and the provision of funding and management support.

The following entities have a significant impact on the Council's operations and have been consolidated into the Group Financial Statements:

**Joint Ventures :** CSBP Clackmannanshire Investments Limited  
CSBP Clackmannanshire Developments Limited

**Associates:** Forth Valley GIS Limited  
Central Scotland Joint Police Board  
Central Scotland Joint Fire and Rescue Board  
Central Scotland Valuation Joint Board



**CLACKMANNANSHIRE COUNCIL**  
**FINANCIAL STATEMENTS 2012/13**  
**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 & Capital Grants Unapplied	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
<b>Balance at 31 March 2011</b>	<b>9,129</b>	<b>3,575</b>	<b>-</b>	<b>791</b>	<b>13,495</b>	<b>83,446</b>	<b>96,940</b>	<b>(81,939)</b>	<b>15,001</b>	<b>3,705</b>	<b>18,706</b>
<b><u>Movement in reserves during 2011/12</u></b>											
Surplus or (deficit) on provision of services (including associates, joint ventures and tax expenses)	3,282	(1,273)	-	-	2,009	-	2,009	(6,888)	(4,879)	(2)	(4,881)
<b>Other Comprehensive Expenditure and Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,295)</b>	<b>(13,295)</b>	<b>(2,064)</b>	<b>(15,359)</b>	<b>350</b>	<b>(15,009)</b>
Total Comprehensive Expenditure and Income	3,282	(1,273)	-	-	2,009	(13,295)	(11,286)	(8,952)	(20,238)	348	(19,890)
Adjustments between Group Accounts and Authority Accounts											
Net Increase/Decrease before Transfers	3,282	(1,273)	-	-	2,009	(13,295)	(11,286)	(8,952)	(20,238)	348	(19,890)
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>659</b>	<b>1,878</b>	<b>4,609</b>	<b>-</b>	<b>7,146</b>	<b>(7,146)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Increase/Decrease before transfers to/from Earmarked Reserves	3,941	605	4,609	-	9,155	(20,441)	(11,286)	(8,952)	(20,238)	348	(19,890)
<b>Transfers to/from Earmarked Reserves (Insurance Fund)</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Increase/Decrease in Year	3,938	605	4,609	3	9,155	(20,441)	(11,286)	(8,952)	(20,238)	348	(19,890)
<b>Balance at 31st March 2012</b>	<b>13,067</b>	<b>4,180</b>	<b>4,609</b>	<b>794</b>	<b>22,650</b>	<b>63,004</b>	<b>85,654</b>	<b>(90,891)</b>	<b>(5,237)</b>	<b>4,053</b>	<b>(1,184)</b>
Valuation Adjustment										(98)	(98)
<b>Total at 31st March 2012</b>	<b>13,067</b>	<b>4,180</b>	<b>4,609</b>	<b>794</b>	<b>22,650</b>	<b>63,004</b>	<b>85,654</b>	<b>(90,891)</b>	<b>(5,237)</b>	<b>3,955</b>	<b>(1,282)</b>
<b><u>Movement in reserves during 2012/13</u></b>											
Surplus or (deficit) on provision of services (including associates, joint ventures and tax expenses)	1,698	2,822	-	-	4,520	-	4,520	(6,115)	(1,595)	211	(1,384)
<b>Other Comprehensive Expenditure and Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>617</b>	<b>617</b>	<b>(13,054)</b>	<b>(12,437)</b>	<b>-</b>	<b>(12,437)</b>
Total Comprehensive Expenditure and Income	1,698	2,822	-	-	4,520	617	5,137	(19,169)	(14,032)	211	(13,821)
Adjustments between Group Accounts and Authority Accounts											
Net Increase/Decrease before Transfers	1,698	2,822	-	-	4,520	617	5,137	(19,169)	(14,032)	211	(13,821)
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(684)</b>	<b>(2,118)</b>	<b>848</b>	<b>-</b>	<b>(1,954)</b>	<b>1,954</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Increase/Decrease before transfers to/from Earmarked Reserves	1,014	704	848	-	2,566	2,571	5,137	(19,169)	(14,032)	211	(13,821)
<b>Transfers to/from Earmarked Reserves</b>	<b>(77)</b>	<b>-</b>	<b>-</b>	<b>77</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Increase/Decrease in Year	937	704	848	77	2,566	2,571	5,137	(19,169)	(14,032)	211	(13,821)
<b>Balance at 31st March 2013</b>	<b>14,004</b>	<b>4,884</b>	<b>5,457</b>	<b>871</b>	<b>25,216</b>	<b>65,575</b>	<b>90,791</b>	<b>(110,060)</b>	<b>(19,269)</b>	<b>4,166</b>	<b>(15,103)</b>

**CLACKMANNANSHIRE COUNCIL**  
**FINANCIAL STATEMENTS 2012/13**  
**Group Comprehensive Income and Expenditure Statement**  
**for the year ended 31 March 2013**

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. Councils 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 its associates and joint ventures accounted for on an equity basis and any tax expenses associated with them.

Gross Expend £000	2011/2012			Gross Expend £000	2012/2013	
	Gross Income £000	Net Expend £000			Gross Income £000	Net Expend £000
1,839	604	1,235	Central Services to the Public	3,215	1,364	1,851
8,038	1,873	6,165	Cultural and Related Services	9,066	1,352	7,714
49,543	1,568	47,975	Education Services	51,919	2,990	48,929
3,596	102	3,494	Roads and Transport Services	5,596	959	4,637
39,279	36,446	2,833	Housing Services	41,488	41,949	(461)
3,047	838	2,209	Planning and Development Services	2,711	968	1,743
35,923	9,545	26,378	Social Work	38,447	10,130	28,317
6,745	993	5,752	Environmental Services	7,296	1,619	5,677
4,149	128	4,021	Police Services	3,883	196	3,687
2,658	0	2,658	Fire Services	2,486	177	2,309
2,105	0	2,105	Corporate and democratic core	2,239	-	2,239
837	0	837	Non distributed costs	139	-	139
21,468	14,601	6,867	Associates and Joint Ventures	20,577	14,311	6,266
<b>179,227</b>	<b>66,698</b>	<b>112,529</b>	<b>Cost of Services</b>	<b>189,062</b>	<b>76,015</b>	<b>113,047</b>
		2,426	Other Operating Expenditure ( <b>Note 8</b> )			404
		10,279	Financing and Investment Income and Expenditure ( <b>Note 9</b> )			10,354
		(120,376)	Taxation and Non-Specific Grant Income			(122,424)
		3	Tax Expenses			3
		<b>4,861</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>1,384</b>
		(133)	(Surplus) or deficit on revaluation of fixed assets			(1,423)
		13,428	Actuarial gains/losses on pension assets/liabilities ( <b>Note 28</b> )			806
		2,185	Share of Other Comprehensive Income and Expenditure of Associates and Joint Ventures			13,054
		<b>15,480</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>12,437</b>
		<b>20,341</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>13,821</b>

**CLACKMANNANSHIRE COUNCIL**  
**FINANCIAL STATEMENTS 2012/13**  
**Group Balance Sheet as at 31 March 2013**

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 its 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 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.

<b>31 March</b>		<b>31 March</b>
<b>2012</b>		<b>2013</b>
<b>£000</b>		<b>£000</b>
305,775	Property, Plant & Equipment	312,879
833	Heritage Assets	890
5,383	Investment Property	5,689
404	Intangible Assets	634
6,443	Long-term investments and investments in associates and joint ventures	6,444
4	Long-term Debtors	2
<b>318,842</b>	<b>Long-term Assets</b>	<b>326,538</b>
524	Inventories	460
9,836	Short Term Debtors	11,010
4,639	Assets held for sale	286
10,000	Short Term Investments	10,008
20,868	Cash and Cash Equivalents	20,481
<b>45,867</b>	<b>Current Assets</b>	<b>42,245</b>
(6,463)	Short Term Borrowing	(7,178)
(22,035)	Short Term Creditors	(24,040)
(72)	Provisions	(374)
<b>(28,570)</b>	<b>Current Liabilities</b>	<b>(31,592)</b>
( 422)	Provisions	(548)
(121,542)	Long-term Borrowing	(115,726)
(90,958)	Liabilities in associates and joint ventures	(110,250)
(124,401)	Other Long-term Liabilities	(125,770)
<b>(337,323)</b>	<b>Long-term Liabilities</b>	<b>(352,294)</b>
<b>(1,184)</b>	<b>Net Assets (Liabilities)</b>	<b>(15,103)</b>
22,650	Usable reserves	25,216
63,004	Unusable Reserves	65,575
(86,838)	Group Reserves	(105,894)
<b>(1,184)</b>	<b>Total Reserves</b>	<b>(15,103)</b>

**Nikki Bridle**  
**Director of Finance and Corporate Services**  
**26 September 2013**

# **CLACKMANNANSHIRE COUNCIL FINANCIAL STATEMENTS 2012/13**

## **Notes to the Group Financial Statements**

### **GRP 1 Group Accounting Policies**

The group accounting policies are those specified for the Council 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 Financial Statements.

A full set of Group Financial Statements with the exception of a Cash Flow Statement, has been prepared which incorporates material balances from identified associates. A Group Cash Flow is not provided as it is not materially different to the single entity Cash Flow Statement on page 33.

The Financial Statements are prepared in accordance with the Accounting Policies set out on pages 36-48.

### **GRP 3 Financial Impact of Consolidation**

The effect of inclusion of the Associate, Joint Venture and Common Good entities on the Group Balance Sheet is to reduce both the Reserves and Net Assets by £105.894m. 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. For the purpose of consolidation and incorporation within the Group Accounts recognition has been made of the Council's minority interests in the four associate organisations and two joint venture companies.

The Balance Sheet of the Common Good Fund (page 101) has also been consolidated in full.

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 2013.

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.

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 28 Councils in respect of a school pupil information database. The Council's share in this partnership is 1.18% and is based on a share of our actual subscription paid of £30,087. 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 Councils 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 £44,346. 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 IFRS because the Council share of the net liabilities of the Joint Boards exceeds 15%. The aggregate share of these entities are noted below.

	<b>Total 2011/12 £000</b>	<b>Police £000</b>	<b>Fire £000</b>	<b>Valuation £000</b>	<b>FVGIS £000</b>	<b>Total 2012/13 £000</b>
Turnover	14,178	10,405	2,790	390	465	<b>14,050</b>
Fixed Assets	8,740	5,362	3,267	3	34	<b>8,666</b>
Current Assets	1,815	768	584	116	172	<b>1,640</b>
Liabilities due within one Year	(1,030)	(863)	(607)	(23)	(192)	<b>(1,685)</b>
Liabilities due after one year or more	(103,418)	(88,787)	(29,402)	(699)	(208)	<b>(119,096)</b>

#### GRP 7 Joint Ventures

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

##### CSBP Clackmannanshire Investment Company

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Turnover	1	2
Profit/(loss) before tax	(6)	(12)
Taxation	3	3
Current Assets	294	272
Liabilities due within one year	(41)	(34)

##### CSBP Clackmannanshire Development Company

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Turnover	62	36
Profit/(loss) before tax	7	(18)
Current Assets	1,544	1,439
Liabilities due within one year	(1,611)	(1,630)

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

	2011/12	2012/13
	£000	£000
Deficit/(Surplus) on the year on the Council Income & Expenditure Account	11,285	(5,137)
Deficit/(Surplus) on the Group Income & Expenditure Accounts attributable to the Council	11,285	(5,137)
Deficit/(Surplus) for the year attributable to group entails:		
Associates and Common Good	9,054	18,925
Joint Ventures	2	33
<b>Deficit/(Surplus) for the year on the Group Income and Expenditure Account</b>	<b>20,341</b>	<b>13,821</b>

### GRP 8 Pension Assets and Liabilities

The underlying assets and liabilities for retirement benefits as at 31 March 2013 attributable to the Council and its share of associates are as follows

	Clackmannanshire Council	Police Joint Board	Fire Joint Board	Valuation Joint Board	Forth Valley GIS Ltd
	£000s	£000s	£000s	£000s	£000s
Estimated liabilities in Local Government Pension Scheme	(256,128)	(6,631)	(1,875)	(2,611)	(646)
Estimated liabilities in Police Pension Scheme	-	(83,061)	-	-	-
Estimated liabilities in Firefighters Pension Scheme	-	-	(27,982)	-	-
Estimated liabilities arising from unfunded discretionary benefits	(18,223)	(40)	(10)	-	-
Estimated assets in Local Government Pension Scheme	195,464	5,187	1,463	1,912	854
<b>Net asset/(liability)</b>	<b>(78,887)</b>	<b>(84,545)</b>	<b>(28,404)</b>	<b>(699)</b>	<b>208</b>

## **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 31 March 2013 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 authority-only 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 Account, the Business Rate Income Account, the Loans Fund, Trusts and Endowments and Common Good Funds 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 2012/13 (the 2012/13 Code).

This report is made solely to the members of Clackmannanshire Council as a body and the Accounts Commission for Scotland, in accordance with Part VII of the Local Government (Scotland) Act 1973. Our audit work has been undertaken so that we might state to the members of Clackmannanshire Council as a body and the Accounts Commission for Scotland those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of Clackmannanshire Council as a body and the Accounts Commission for Scotland, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Responsible Financial Officer and auditor**

As explained more fully in the Statement of Responsibilities, 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 statement of accounts 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 2012/13 Code of the state of the affairs of the group and of the body as at 31 March 2013 and of the income and expenditure of the group and the 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 2012/13 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 Annual Governance Statement does not comply with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Deloitte LLP  
Appointed Auditor  
Edinburgh, UK  
26 September 2013