

Making Clackmannanshire Better



**Clackmannanshire
Council**

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Financial Statements 2013-2014

Better Services

Better Opportunities

Better Communities



CLACKMANNANSHIRE COUNCIL
Financial Statements 2013/14

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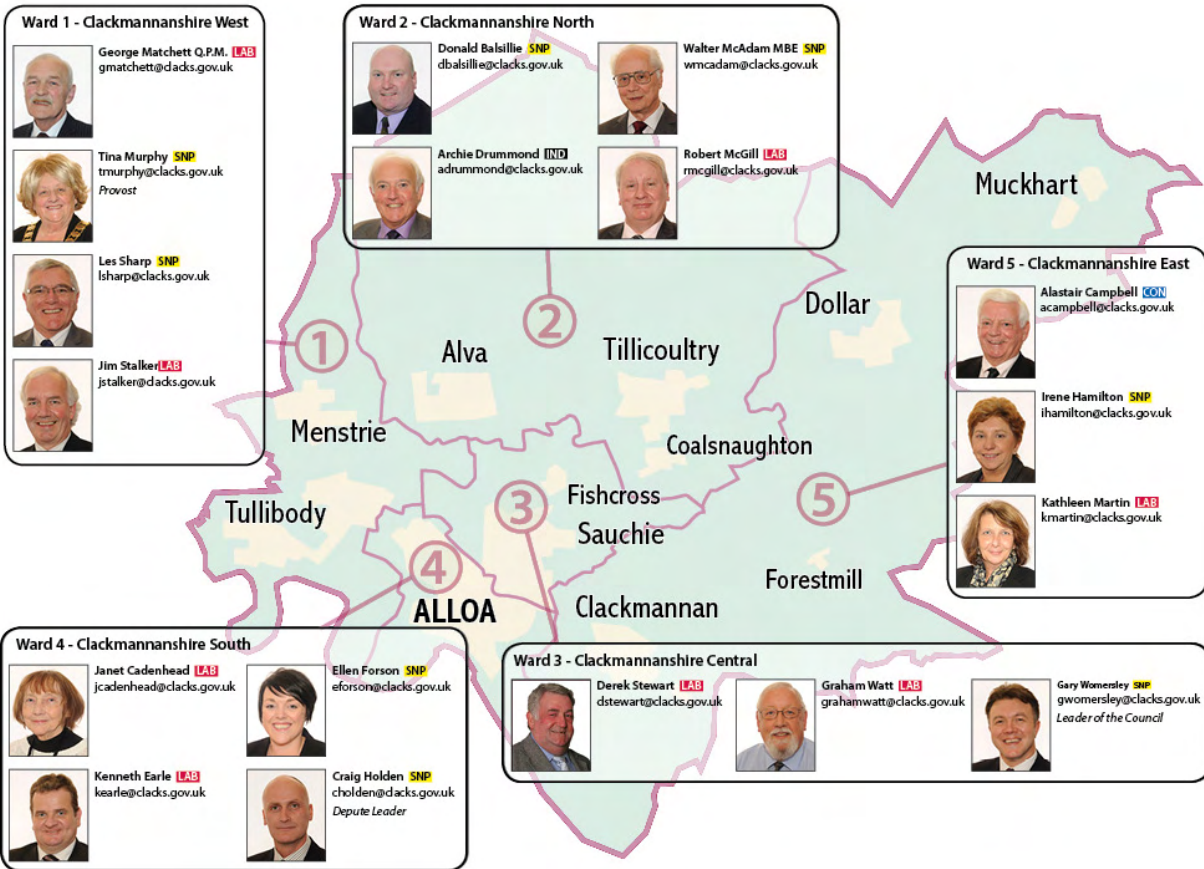
CLACKMANNANSHIRE COUNCIL

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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 and 1 Conservative as listed below:



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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 2013/14 the Council has had seven 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 Finance and Corporate Services and Director of Services to Communities. The Council's Corporate Management team comprises the Directors Group plus Heads of Service.



As part of a planned restructure for 2014/15 the Council has restructured its Senior Management Team reducing the number of Heads of Service from 7 to 6. As at 25 September 2014, 5 out of these 6 posts have been filled with the remaining post in the process of recruitment. In addition, the Director of Finance and Corporate Services was appointed as Depute Chief Executive and the Director of Services to Communities was appointed as Executive Director both at 5 June 2014.

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Explanatory Foreword by the Depute Chief Executive

Introduction

I am pleased to present the Financial Statements of Clackmannanshire Council for the year ended 31 March 2014. 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 financial 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 currently provided on a 'flat cash' basis, which represents a real terms reduction in resources. In the medium term we expect funding to reduce in cash terms which, if it comes to fruition, will be extremely challenging against the backdrop of meeting increasing demand for services, new statutory duties and managing inflationary pressures.

In these circumstances it is vital that we continue to plan ahead and take early action to reduce costs. This year a significant review of our established budget challenge process has been undertaken. The new approach provides for more collaborative working across services and corporate discussion with the aim of identifying areas for both service and corporate business case development and consultation. Wherever possible, the process seeks to promote the identification of more integrated and streamlined service delivery proposals which allow us to meet the needs of our customers and service users, as well as to reduce our cost base to a sustainable level for the future.

The new Budget Challenge approach is also closely aligned with the Council's business change programme, *Making Clackmannanshire Better*. The process considers both the capital and revenue implications of proposals for financial planning purposes to ensure that a full picture of the profile of investment and savings can be established. 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. Current work is focussed on developing the six Target Operating Models (TOM) designed as part of recent *Making Clackmannanshire Better* investment.

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 consequence, this year's financial statements show a further contribution to the Council's reserves alongside a reduction in external borrowing in line with the Council's Finance and Treasury Management Strategies.

During 2014/15, work will also be taken forward to deliver the corporate senior management restructuring approved as part of the 2014/15 budget process.

Economic Climate and Financial Sustainability

The UK economy has now started to show signs of growth, and inflation has fallen from 2.9% in June 2013 to 1.8% by April 2014. Irrespective of these signs of recovery, the Organisation for Economic Co-operation and Development (OECD) recently published research which suggests that excluding Japan, the UK has the furthest to go to reduce government debt to 60% of GDP by 2030. Overall the OECD's analysis suggests that it will be some time yet before the impact on public services stabilises. This conclusion is in line with the UK Government's stated plans to continue with 'austerity measures' until at least 2018/19. Key factors likely to affect the economic recovery are the Referendum in Scotland in September 2014 and the UK General Election in May 2015.

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 the prospect of cash reductions in the next few years, managing the effects of inflation, particularly RPI if the current CPI level is able to be sustained, will be a challenge for the public sector. RPI inflation levels are one of the main factors which impacts many public sector contracts for the delivery of goods and services. This must be considered alongside the prospect of raised expectations in respect of continuing wage inflation in 2014/15 and beyond, following pay restraint in recent years.

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The Council has to manage the financial and service delivery risks associated with the impact of real and potential cash 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 continues to focus on the medium to long term to sustain the Council's focus on delivering services within a sustainable cost base.

With the Council facing a potential cumulative funding gap of over £19m up to March 2018, in the coming year the aim is to embed the new corporate Budget Challenge approach consistently and year round to identify, develop, monitor and implement proposals to reduce the Council's expenditure and/or increase income. 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 2014. A brief explanation of each statement and its purpose is provided on page 31. The Statements are grouped under Core Financial Statements and Supplementary Financial Statements.

An Annual Governance Statement is provided on page 14 and a Remuneration Report is included on page 19.

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 2013/14 is detailed in the Comprehensive Income and Expenditure Statement set out on page 33. 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 59.

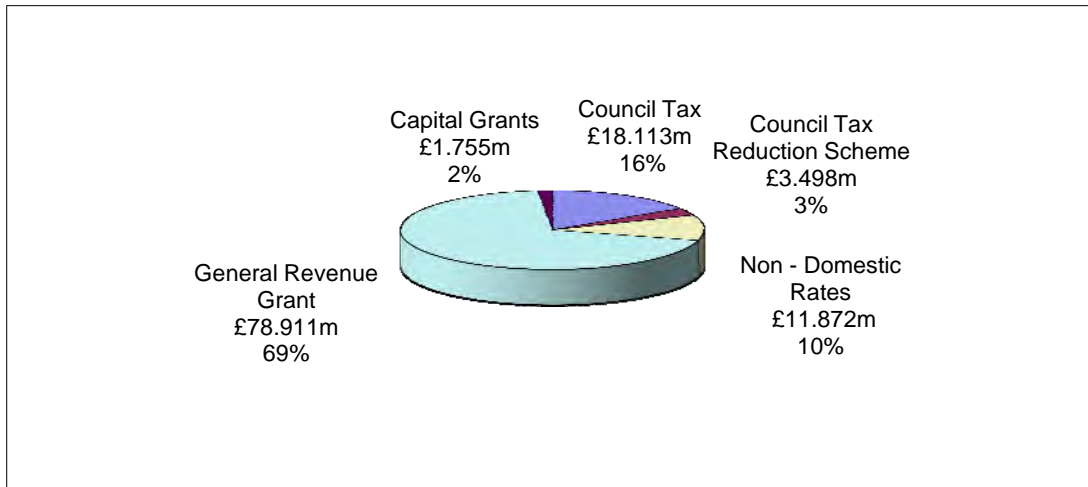
Sources of Income to the Council

The largest source of funds was the General Revenue Grant and Non-Domestic Rates received from Scottish Government which amounted to £90.783m (2012/13: £97.386m). 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 105). Income from Council Tax in 2013/14 was £18.113m (2012/13: £21.137m). The reduction in Council Tax was due to the replacement of Housing Benefit with the Council Tax Reduction Scheme for which the Council received income of £3.498m (2012/13: £Nil) from the Scottish Government. In 2013/14 capital grants totalled £1.755m (2012/13: £3.536m). The proportions of income received by the Council in each of these categories are shown in the following chart:

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Exhibit 1: Proportion and source of income received in 2013/14



Council Revenue Expenditure Summary

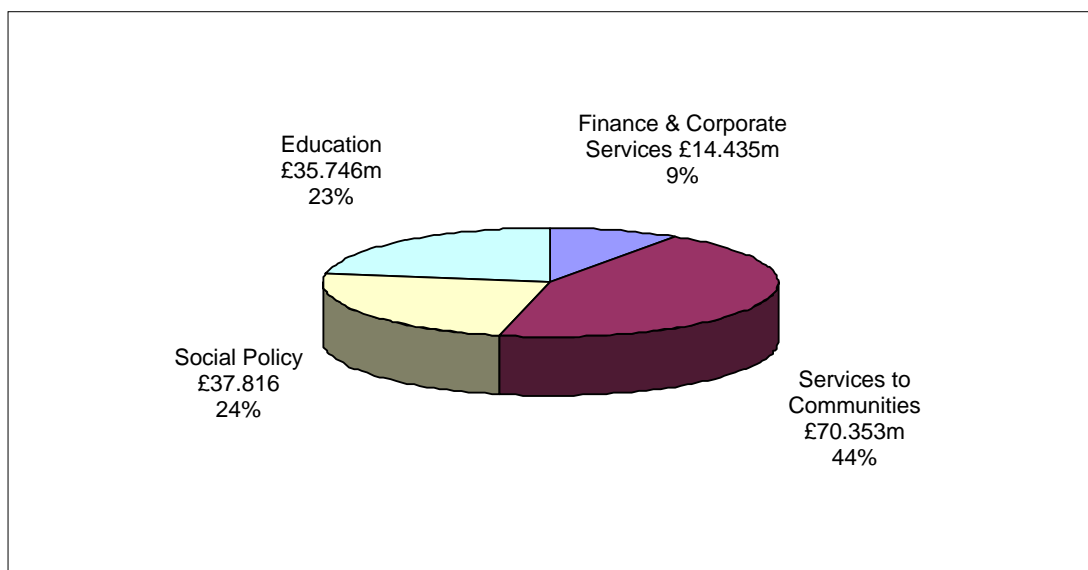
The Council operates under three Directorates:

- 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; and
- Shared services with Stirling Council delivering Education and Social Services.

In 2013/14 the total operating expenses of these services was £158.350m (as detailed in Note 11 of the Financial Statements on page 59). 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 2013/14 Revenue Expenditure by service



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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: 2013/14 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 |
|--|------------------------------------|---------------------------------------|--|---------------------------|--|----------------|
| Opening Balance as at 1 April 2013 | 14,004 | 4,884 | 4,985 | 871 | 472 | 25,216 |
| Enhancements (Utilisation) | (2,505) | (1,865) | 283 | - | (472) | (4,559) |
| Transfers | 409 | - | (1,562) | 363 | - | (790) |
| Annual Interest | 109 | 74 | - | - | - | 183 |
| Closing Balance as at 31 March 2014 | 12,017 | 3,093 | 3,706 | 1,234 | - | 20,050 |

A comprehensive analysis of the Council's reserves is provided in the Movements in Reserves Statement on page 32 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 decreased from £25.216m at March 2013 to £20.050m at March 2014 as part of a planned use of reserves.

The General Fund has decreased from £14.004m at the start of the year to £12.017m at 31 March 2014. The uncommitted element of this balance, which represents the service income and expenditure approved and monitored throughout the year, recorded a surplus of £0.254m which is a reduction on the figure of £0.904m at February reported to Resources and Audit Committee in May. The main reason for this is the reduction in the value of our investment in CSBP Clackmannanshire Developments Ltd.

Of the £12.017m balance at 31st March 2014, £5.843m 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 2013/14

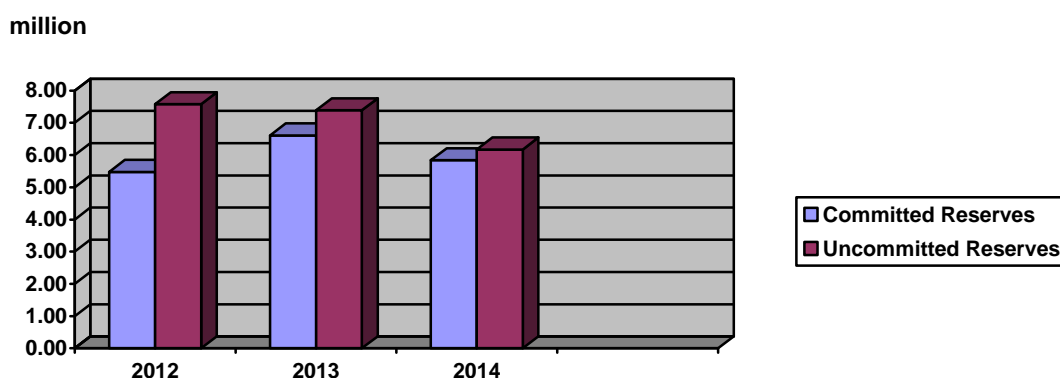
| | Total £000 |
|--|-----------------------|
| Service Improvement Contracts | 253 |
| Hallpark Development | 215 |
| Spend to Save Fund | 700 |
| Change Funds | 640 |
| Business Rates Incentivisation Income retained | 1,232 |
| Other Miscellaneous Service commitments | 828 |
| Welfare Reform | 366 |
| Employment Fund approved in 2014/15 Budget | 200 |
| Sum approved in support of 2014/15 Budget | 1,409 |
| Total Committed Reserves | 5,843 |

The uncommitted element of the General Fund at March 2014 which is generally available to support future expenditure stood at £6.174m. The Council's Reserves Strategy stipulates that it should retain uncommitted reserves at a minimum level of 3% of budgeted net expenditure. The current reserves represent a level of 5.3%.

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

Exhibit 5: Trend in reserves position 2011/12-2013/14



Housing Revenue Account

The Housing Revenue Account which funds the provision of council housing incurred a surplus on its balance for the year of £3.961m as compared to a budgeted surplus of £4.207m. The movement can be attributed to an increase in repairs costs and tenancy overheads.

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 2013/14, a revenue contribution to capital of £5.752m has been made.

As a result of the surplus achieved in the year together with the contribution to capital investment, working balances available to the Housing Revenue Account have decreased to £3.093m. 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 2013/14 on General Fund Services (including operational Common Good properties) was £16.954m and on Housing was £8.749m. This represents 88% of the planned spending level.

| Expenditure | £000 | Financed By | £000 |
|--------------------------------|---------------|-----------------------------------|---------------|
| Property Asset Management plan | 12,726 | Government Grants & Contributions | 10,430 |
| Roads Asset Management plan | 2,736 | Capital Receipts | 781 |
| Land Asset Management plan | 482 | Capital Finance from Revenue | 6,623 |
| Fleet Asset Management plan | 610 | Borrowing | 7,869 |
| IT Asset Management plan | 400 | | |
| Housing Business plan | 8,749 | | |
| Total | 25,703 | | 25,703 |

During 2013/14 the Council invested £25.703m of capital expenditure on its assets. This reflects an underspend of £9.527m on the budgeted programme, and an increase on the underspend of £9.216m projected in February 2014 and reported to Resources and Audit Committee in May 2014. Capital expenditure in the year has been financed by capital receipts (£0.781m), government grants and contributions (£10.430m) and direct revenue funding (£6.623m) leaving a balance of (£7.869m) required to be financed from borrowing. The difference between this new borrowing requirement compared with the sum set aside in the year of £6.374m for repayments of debt was funded through Cash Reserves therefore no further external borrowing was required.

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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. This work is now supported by the Capital Investment Group (CIG) a partner to the Capital Investment Forum. This group was established during this financial year and its remit is to improve the strategic relevance, nature and quality of capital bids, improve the co-ordination of investments thus ensuring robust governance around investments. 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 is utilised in 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:

| Principle | Reason |
|--------------------------------------|---|
| Alignment | the phasing of planned activity and expenditure is aligned within the Programme to maximise the use of available capital resources |
| Maximise Investment potential | by minimising slippage |
| Flexibility and responsive | flexibility to rephase activity and expenditure between years to maximise the use of available resources |
| Sustainability | 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 |
| Prudence | exercise caution and careful management in considering investment opportunities |
| Transparency | capital investment prioritisation is open and transparent and is appraised within a consistent Council approved framework |
| Fairness and Equity | 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 2013/14 is outlined above and further explained in Note 38 on page 83. 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 2014 was £115.357m. This is in comparison to the net value of assets owned which was £320.546m.

The Council's gross external debt as at March 2014 which supports our investment and development of long-term assets totals £161.969m, consisting of:

| | |
|------------------------------|-----------|
| External borrowing | £115.721m |
| PFI and other finance leases | £46.248m |

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This is a reduction of £5.233m on the previous year external debt position of £167.202m. 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 £9.320m.

Receipts held in the capital receipts reserve total £3.706m with £1.714m being utilised in 2014/15. The balance is available either to be applied to reduce future borrowing requirements or to finance loan principal repayments. There were no amounts held in the capital grants unapplied account at the year end as all grants had been utilised within the year.

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 2014 is £45.755m and this sum is included within the Council's overall borrowing position referred to above.

The unitary charge paid to the operator in 2013/14 was £7.387m 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 86.

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 2014/15 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 2014 disclosed a deficit of £89.839m. 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 2013 and contributions to the fund continue in line with current actuarial advice which is consistent with our planned annual stepped increases until March 2015.

The pension deficit records a deterioration of £10.952m on the position recorded in March 2013 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 on page 80. 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 deficit of £66k during 2013/14. With surpluses being recorded in each of the previous two years, the statutory requirement to break even over a three year rolling period 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 2013/14 four provisions are included in the financial statements in respect of equal pay, early retirement, contractual damages claim and insurance liabilities.

Equal Pay

The Council had a sum set aside of £395k 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 £41k was required to be expended in settling claims. It has been assessed that the sum required to settle the remaining outstanding liabilities from claims is £301k and a provision for this sum has been carried forward.

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Early Retirement

During 2013/14, the Council continued to reduce costs by granting staff early retirement on grounds of efficiency where appropriate. At March 2014 there were 2 early retirements approved, but not yet implemented. The accounts include a provision of £60k for the committed costs associated with these severances.

Damages claim

A provision of £178k has been included in this year's accounts to meet the Council's potential liability in respect of an ongoing action relating to an earlier contract awarded for replacement of kitchens and bathrooms.

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 had been established on the assumption that the levy rate may be up to 30%. Claims amounting to £79k have been paid in 2013/14 and the balance of the provision (£74k) carried forward to meet future claims.

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 2013/14, the note (note 45, page 93) discloses five contingent liabilities in respect of equal pay, insurance, kitchen contract, holiday pay and the ongoing provision of ThinkWhere. The Council has no contingent assets as at the Balance Sheet date.

Outlook

The last 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. However, in the most recent funding allocations, Councils have received details of only one year's settlement. At the same time the Scottish Government has been working with councils to agree the basis on which future distribution will/ will not be updated.

Given the Referendum in Scotland in September 2014, followed closely by the May 2015 UK General Election, there is the possibility of, as yet unknown financial planning considerations and/or impacts. Prevailing conditions, however, appear to suggest that councils should anticipate cash reductions in the funding they receive in the next few years. This position is reflected into Clackmannanshire Council's current financial planning assumptions based on the most recent information received from the Centre for Public Policy in the Regions (CPPR).

At this time the forecast of the Council's financial outlook suggests an indicative funding gap of £19.3million up to March 2018 and £6.9million in 2015/16.

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.

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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 2013/14 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
Depute Chief Executive
25 September 2014

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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 Depute Chief Executive;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Financial Statements.

The Depute Chief Executive's Responsibilities

The Depute Chief Executive 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 Depute Chief Executive has:

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

The Depute Chief Executive has also:

- kept proper accounting records which are up to date; and
- 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 31 March 2014.

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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 2013/14.

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.

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The Governance Framework within the Council

In March 2013 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.

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As part of the assurance process, each Service Management Team completes a comprehensive questionnaire and provides evidence to support their responses. Within the challenge sessions, Service Management Teams are required to demonstrate not only that systems and processes are in place but that they are 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. All of these actions are now also embedded in the regular performance information reported to Service Committees.

This year a further element was introduced as part of the assurance process which provided services an opportunity to appraise the performance of the organisation as a whole in terms of strengths, weaknesses, risks and achievements.

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.

Our business planning and performance management frameworks are integral to the delivery of our strategic and operational objectives. The organisation has the framework in place to measure performance at Corporate, Service, Team and Individual levels.

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

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

During the year 2013/14 Standing Orders and Contract Standing Orders have been reviewed and revised to ensure that they reflect the current business needs of the organisation. The Scheme of Delegation will also be revised in light of senior management restructure in 2014/15.

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;
- Budget Strategy;
- Customer Service Strategy;
- Information Strategy;
- ICT Strategy;
- Risk Management Strategy; and
- Procurement Strategy & Procurement Journey.

The Financial Strategy has been reviewed and revised to better support the Council's transformational change agenda *Making Clackmannanshire Better* and the Governance Strategy itself will be reviewed in 2014/15 to ensure that it remains fit for purpose and provides adequate and effective controls and assurance.

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A key MCB workstream is focused on 'Developing our People' to ensure that our staff are appropriately skilled and supported to deliver services for the future. Significant investment has been made this year in supporting the 'Learning and Development' of our Service Managers and Team Leaders so they are better equipped to be engaged and involved in the redesign and delivery of services which meet customer needs in the most integrated and cost effective manner. Learning and development resources are now centralised corporately to ensure alignment with the Council's strategic aims and priorities. However, workforce planning and development remains an improvement priority.

The assurance process demonstrated that risk registers are largely in place within services whilst risk management in relation to major corporate projects or multi agency projects needs to be further refined and embedded. These arrangements will be refined during 2014/15.

The Procurement Journey is now being embedded. The establishment of the Procurement Matters Group comprising officers across all services is demonstrating an increased awareness and more effective management of procurement risk as demonstrated by the increase in the Council's Procurement Capability Score for the year 2013/14 (rising from 31% to 37%). Procurement activity, however, remains a risk in certain parts of the organisation. Procurement improvements will be incorporated into the respective business plans of each service to ensure that progress continues in this area.

Financial resilience remains the key risk for the organisation and the Council's transformational change programme is integral to the sustainability of the organisation going forward. A clear understanding and consistent deployment of MCB across all services is essential and the assurance process has identified that consistent clear communication and greater engagement and involvement of managers should remain areas for improvement across all services.

The separate governance arrangements, processes and policies applied to Education and Social Services in respect of Shared Services continue to present challenges. Stirling and Clackmannanshire Councils are currently considering how arrangements will be further developed and embedded for the future. It is intended that any further developments should clarify governance arrangements and minimise wherever possible any unnecessary duplication or overlap in each council's respective processes and policies. Appropriate resourcing will need to be agreed to facilitate any changes agreed.

The integration of Health and Adult Social Care Services is required to be implemented by April 2015. A significant amount of preparatory work has been carried out but a degree of risk lies in terms of resourcing the professional and technical support to facilitate the formal arrangements for integration. There has also been a significant level of activity and improvement in the Child Care Service over the last year, which has been regularly reported to the Housing and Social Care Committee.

Partnership working, focused on the delivery of more integrated service delivery, is a significant priority. To facilitate this and in support of the work with Clackmannanshire Alliance, there has been a strengthening of the scrutiny arrangements the Council has in place in respect of our partnership and joint working through the establishment of the Resources and Audit Sub committee which engages with Police Scotland, Scottish Fire and Rescue Services and NHS Forth Valley.

Effective internal partnership working is also a priority and work continues to ensure improved corporate working and consistency between Officers and Elected Members. For instance the Budget Challenge process has been redesigned and now incorporates cross cutting and corporate themed Round Table discussions. The importance of clear and effective partnership working between Officers, and between Elected Members and Officers, remains an improvement priority and this has been underlined through the recent review at Council of Accounts Commission's An Overview of Local Government in Scotland 2014, which underlines the importance of ensuring the effectiveness of such arrangements.

The Internal Audit Annual 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 2014.

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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 year 2013/14 and an Internal Audit plan is in place for 2014/15 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 strategic objectives of the organisation;
- clarity and consistency in the corporate deployment of, and engagement with, the Council's transformation agenda (MCB);
- embedding of a corporate approach to procurement to further improve procurement capability score;
- embedding a more consistent, mature approach to the management and control of risk across all levels of the organisation;
- further development of Shared Service arrangements, particularly in respect of streamlined/more integrated policies, processes and governance arrangements;
- information & records management; and
- sustaining the focus on effective partnership working including ensuring that Officers and Elected Members remain clear about their roles, remits, responsibilities and accountabilities.

Elaine McPherson
Chief Executive
25 September 2014

Councillor Gary Womersley
Leader Of the Council
25 September 2014

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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 have been reviewed by Deloitte LLP. The results presented in the eight tables comprising the Clackmannanshire Council's Remuneration Report for 2013/14 reflect the following contextual factors:

- There was no change to administration of the Council during 2013/14 or senior positions held as set out in Table 1;
- The committee structure remained unchanged during 2013/14;
- The Central Valuation Joint Board is the only Joint Board remaining following the establishment of Police Scotland and the Scottish Fire & Rescue Service on 1 April 2013; and
- Pay increase of 1% effective from 1 April 2013 was awarded to Councillors and senior employees.

Remuneration Arrangements

Councillors

The remuneration of Councillors is regulated by the Local Government (Scotland) Act 2004 (Remuneration) and Regulations 2007 (SSI No. 2007/183), amended by SSI 2008/415, SSI 2011/264 and SSI 2013/119). 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 annual salary that can be paid to the Leader of the Council is set out in the Regulations which for 2013/14 was £27,329 (2012/13: £27,057) The actual salary paid to the leader of Clackmannanshire Council for 2013/14 was £27,329 (2012/13: £26,093 part year). The regulations also 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 2013/14 amounts to £20,497 (2012/13: £20,293). These remunerations were more than in 2012/13 due to the appointment of The Leader and Civic Head on 17th May 2012 following the election on 3rd May 2012 and 1% pay award effective 1st April 2013.

The Regulations also set out that Clackmannanshire Council (Band A) is eligible to appoint a maximum of 8 Senior Councillors. Total remuneration available for Senior Councillors is based on a calculation detailed in Councillors' Remuneration Guidance and equates to £147,576 for 2013/14 (2012/13: £146,112). The total annual amount payable by the Council for remuneration to all its Senior Councillors shall not exceed £147,576.

The remuneration paid to Senior Councillors 2013/14 covering the year 1st April 2013 to 31st March 2014 totalled £149,601. This includes £1,000 (2012/13: £908) paid to Councillor Sharp for serving on the Association for Public Service Excellence (APSE) and £1,025 paid to Councillor Holden for serving as Vice Convenor on the Valuation Joint Board. This amount is recoverable from both organisations. The net cost to Clackmannanshire Council in relation to Senior Councillors is £147,576. This complies with current regulations.

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

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Senior Councillors positions to Depute Leader, Depute Provost, 5 Committee Convenors and Chair of the Licensing Board. There has been no change to these arrangements during 2013/14.

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 website at: www.clacksweb.org.uk under 'Elected Members' Remuneration'.

Joint Boards

Following the establishment on 1st April 2013 of Police Scotland and the Scottish Fire and Rescue Service the Joint Police and Fire Boards ceased to exist after 31st March 2013. The only joint board existing during 2013/14 is the Valuation Joint Board.

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 Valuation 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 payments of £1,025 in 2013/14 (2012/13 £5,093).

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.

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/146 sets the amount of salary for the Chief Executive of Clackmannanshire Council for the period 2013 to 2015. An appointment Committee was set up to appoint Directors and Heads of Service under restructure, the Committee consisted of 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.

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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 | Total Remuneration 2013/14 £ | Total Remuneration 2012/13 Restated £ |
|---|--------------------|---------------------------------|--|
| Leader of the Council | Gary Womersley | 27,329 | 26,093 |
| Provost | Tina Murphy | 20,497 | 19,571 |
| Portfolio Holder - Regeneration (until 3 May 2012) then Vice Convener Enterprise & Environment (from 1 June 2012) Depute Provost 1 (from 17 May 2012) Vice Convener Joint Fire Board (from 14 September 2012 until 31 March 2013) | Irene Hamilton | 18,447 | 17,614 |
| Portfolio Holder - Scrutiny & Convener of Scrutiny (until 3 May 2012) then Convener Enterprise & Environment (from 1 June 2012) Depute Provost 2 (from 17 May 2012) | Donald Balsillie | 18,447 | 16,863 |
| Convener of Regulatory Committee then Convener of Planning & Local Review Body (from 17 May 2012) | Alastair Campbell | 18,447 | 17,614 |
| Convener of Regulatory Committee (from 17 May 2012) Convener of Licensing Board (from 14 June 2012) Vice Convener WorkForce (from 7 May 2012) Vice Convener Education, Sports and Leisure (from 1 June 2012) | Walter McAdam | 18,447 | 16,212 |
| Portfolio Holder - Sustainability (until 3 May 2012) Vice Convener Joint Fire Board (until 3 May 2012) | Eddie Carrick | - | 1,743 |
| Portfolio Holder - Partnership (from 17 May 2012) Depute Leader (from 17 May 2012) | Craig Holden | 18,447 | 17,614 |
| Depute Provost (until 3 May 2012) | Janis Paterson | - | 1,651 |
| Portfolio Holder (until 3 May 2012) Convener Joint Police Board (until 3 May 2012) Vice Convener Joint Police Board (1-27 June 2012) | George Matchett | - | 3,553 |
| Depute Leader, Portfolio Holder Inclusion (until 3 May 2012) | Mark English | - | 1,651 |
| Convener Resources and Audit (from 17 May 2012) | Archibald Drummond | 18,447 | 15,962 |
| Convener Housing, Health and Care (from 1 June 2012) & Vice Convener Joint Police Board (from 30 August 2012 until 31 March 2013) | Leslie Sharp | 19,447 | 16,120 |
| Convener Education, Sport and Leisure (from 1 June 2012) | Ellen Forson | 18,447 | 15,212 |
| Senior Councillors | | 145,576 | 141,809 |
| Valuation Joint Board - Vice Convener (until 3 May 2012) | Henry McLaren | - | 1,743 |
| Valuation Joint Board - Vice Convener (from 1 June until 28 June 2012) | Kathleen Martin | - | 1,426 |
| Valuation Joint Board - Vice Convener (from 7 September 2012) (1) | Craig Holden | 1,025 | 573 |
| Joint Fire Board - Vice Convener (from 1 June until 28 June 2012) | Derek Stewart | - | 1,351 |
| Joint Board Vice Convenors | | 1,025 | 5,093 |

(1) In June 2014 it was identified that Councillor Holden was entitled to an additional payment in relation to his role as Vice Convener of the Valuation Joint Board. The Total Remuneration for 2012/13 has been restated to reflect this.

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Notes:

1. There were no Taxable Expenses or Benefits other than in Cash paid to any of the above Senior Councillors in 2013/14 or 2012/13.
2. During 2013/14 there was no change to the administration of the Council or senior positions occupied following appointments made after the Local Government election held on the 3rd May 2012.
3. During prior year 2012/13 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 prior year.
4. During prior year for a period of 13 days from 4th to the 16th May 2012 all Senior Councillors were paid at basic Councillor rate and thereafter until the date of their appointment as Senior Councillors.
5. Valuation Joint Board is the only Joint Board remaining following the establishment of Police Scotland and the Fire & Rescue Service on 1st April 2013.
6. Payments to Senior Councillors are inclusive of additional payments made by the Council in respect of Members serving on Joint Boards. For 2013/14 the amount recharged to the Joint Boards for additional payments made to Councillors was £1,025 (2012/13: £2,115). This amount is recovered from the Joint Board.
7. Councillor Leslie Sharp's remuneration includes £1,000 (2012/13: £908) for serving on the Association of Public Service Excellence (APSE). This amount is recovered from the organisation.
8. Councillor Gary Womersley received remuneration from NHS Forth Valley totalling £8,008 for serving on the regional Health Board (2012/13: Cllr Womersley £6,006). As this is paid directly by the NHS, the sums are not included above but are disclosed in the published 2013/14 Elected Members' Remuneration, Allowances and Expenses document. This can be viewed on the Council website under 'Remuneration to Elected Members'.

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 | <u>8</u> |
| Total Councillors | 18 |

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 | 2013/14 £ | 2012/13 £ |
|----------------------------|----------------|----------------|
| Salaries | 328,595 | 325,421 |
| Employer's NIC and Pension | 73,099 | 71,040 |
| Expenses | 9,078 | 9,559 |
| Total | 410,772 | 406,020 |

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Notes:

1. Total salaries remuneration shown in the above table is for all Councillors including Senior Councillors as detailed in table 1.
2. The salaries figure above excludes £8,008 paid directly to Councillor Womersley in respect of serving on NHS Forth Valley Health Board (2012/13 £6,006 to Councillor Womersley).

The annual return of Councillors' salaries and expenses for 2013/14 is available for any member of the public to view at all Council libraries and public offices during normal working hours and is also available on the Council's website www.clacksweb.org.uk under 'Remuneration to Elected members'.

Remuneration of Senior Employees of the Council

Table 3

| Name and Post Title | Salary, fees and allowances | Death in Service | Total Remuneration 2013/14 | Total Remuneration 2012/13 |
|--|-----------------------------|------------------|----------------------------|----------------------------|
| | £ | £ | £ | £ |
| Elaine McPherson, Chief Executive | 98,067 | - | 98,067 | 97,095 |
| Elaine McPherson, Returning Officer, Local Gov Election (3 May 2012) | - | - | - | 408 |
| Nikki Bridle, Depute Chief Executive | 84,885 | - | 84,885 | 84,045 |
| Nikki Bridle, Depute Returning Officer, Local Gov Election (3 May 2012) | - | - | - | 306 |
| Garry Dallas, Director of Services to Communities | 84,885 | - | 84,885 | 84,045 |
| Stuart Crickmar, Head of Strategy & Customer Services | 69,270 | - | 69,270 | 68,583 |
| Deirdre Cilliers, Head of Social Services, Clackmannanshire and Stirling Councils (until 30 June 2013) | 20,472 | - | 20,472 | 78,900 |
| Val De Souza, Acting Head of Social Services, Clackmannanshire and Stirling Councils (from 28 September 2012 to 3 November 2013) then appointed Head of Social Services, Clackmannanshire and Stirling Councils (from 4 November 2013) | 79,689 | - | 79,689 | 39,990 |
| Stephen Crawford, Head of Facilities Management (until 31 January 2014) | 57,725 | - | 57,725 | 68,583 |
| John Gillespie, Head of Community & Regulatory Services (until 3 October 2013) | 39,020 | 13,985 | 53,005 | 68,583 |
| Belinda Greer - Head of Education, Clackmannanshire and Stirling Councils (until 2 September 2013) | 43,002 | - | 43,002 | 87,477 |
| David Leng - Head of Education, Clackmannanshire and Stirling Councils (from 30 September 2013) | 41,983 | - | 41,983 | - |
| Ahsan Khan - Head of Housing and Community Safety (from 8 July 2013) | 50,649 | - | 50,649 | - |
| Total | 669,647 | 13,985 | 683,632 | 678,015 |

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Notes:

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. Pay Award of 1% from 1st April 2013 is included in the 2013/14 figures.
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 and Stirling Council became the lead authority for Education. This was still the arrangement during 2013/14.
4. Deirdre Cilliers Head of Social Services for Clackmannanshire and Stirling Councils retired on 30th June 2013. During 2013/14 Val De Souza was Acting Head of Social Services until 4th of November when she was appointed as Head of Social Services for Clackmannanshire and Stirling Councils. For 2012/13 she was Acting Head of Service for both councils from 28th September 2012. Clackmannanshire Council's share of the total remuneration figures in 2013/14 for Deirdre Cilliers and Val De Souza arising from their joint management responsibilities is £10,236 (2012/13: £39,450) and £38,344 (2012/13: £Nil) respectively.
5. The total remuneration 2013/14 for the joint management of Education Service was £84,985 (2012/13: £87,477). This was less than 2012/13 as the Head of Service post was vacant for a four week period during September 2013. The Head of Service post attracts a total annual remuneration £90,450 for 2013/14. Clackmannanshire Council's share of the total remuneration figures in 2013/14 for Belinda Greer and David Leng arising from their joint management responsibilities is £19,377 (2012/13: £40,456) and £18,140 (2012/13: £Nil) respectively.
6. Due to new appointments and leavers part year remunerations 2013/14 are detailed for Stephen Crawford, John Gillespie and Ahsan Khan. Full time equivalent in 2013/14 for all three positions is £68,270 (2012/13: £68,583).
7. As at 31 March 2014 there are three vacancies at Head of Service level (Community & Regulatory, Facilities Management and Support Services).
8. A report titled "Review & Configuration of Chief Officer Structure" was considered at a Special Council Meeting on 21 February 2014. Reduction of one Head of Service post was approved for 2014/15.
9. There were no Bonuses, Taxable Expenses, Compensation Payments for Loss of Employment or Benefits other than in Cash paid to any of the above Senior Employees in 2013/14 or 2012/13.

General Disclosure by Pay Band

Table 4

| Remuneration | 2013/14 | 2012/13 |
|-------------------|------------------|------------------|
| £50,000 - £54,999 | 26 | 23 |
| £55,000 - £59,999 | 15 | 9 |
| £60,000 - £64,999 | 0 | 2 |
| £65,000 - £69,999 | 2 | 3 |
| £70,000 - £74,999 | 2 | 2 |
| £75,000 - £79,999 | 1 | 2 |
| £80,000 - £84,999 | 2 | 2 |
| £85,000 - £89,999 | 0 | 0 |
| £90,000 - £94,999 | 0 | 0 |
| £95,000 - £99,999 | <u>1</u> | <u>1</u> |
| Total | <u>49</u> | <u>44</u> |

Note:

1. Annual increments and the 1% pay award has increased the number of employees falling into bands £50,000-£54,999 and £55,000-£59,999

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Pension Benefits

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

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

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

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

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non manual employees. The contribution rates and earning bandings for 2013/14 remain unchanged from those in 2012/13.

Table 5

| Whole time pay 2013/14 (2012/13) | Contribution rate 2013/14* | Contribution rate 2012/13 |
|--|----------------------------|---------------------------|
| On earnings up to and including £18,000 (£18,000) | 5.5% | 5.5% |
| On earning above £18,000 and up to £22,000 (£18,000/£22,000) | 7.25% | 7.25% |
| On earning above £22,000 and up to £30,000 (£22,600/£30,000) | 8.5% | 8.5% |
| On earning above £30,000 and up to £40,000 (£30,000/£40,000) | 9.5% | 9.5% |
| On earning above £40,000 (£40,000) | 12% | 12% |

* Source: Scottish Public Pensions Agency, Guidance Note Version 5 (Annex C)

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.

CLACKMANNANSHIRE COUNCIL

Financial Statements 2013/14

Senior Councillors

The pension entitlements for Senior Councillors who have elected to join the pension scheme for the year to 31 March 2014 are shown in the table below, together with the contribution made by the Council to each Senior Councillors' pension during the year.

Table 6

| Name and Post Held at 31 March 2014 (or last position prior to this date) | In-Year Pension Contributions | | Accrued Pension Benefits | | |
|---|-------------------------------|---------------------------|--------------------------|-----------|-------------------------------|
| | For year to 31 March 2014 | For year to 31 March 2013 | As at 31 March 2014 | | Difference from 31 March 2013 |
| | £ | £ | | £000 | £000 |
| Gary Womersley Leader of the Council | 5,466 | 5,210 | Pension Lump Sum | 2 2 | - 1 |
| Tina Murphy Provost | 4,099 | 3,935 | Pension Lump Sum | 2 1 | - - |
| Donald Balsillie Convenor Enterprise & Environment (from 1 June 2012) Depute Provost 2 (from 17 May 2012) | 3,689 | 3,537 | Pension Lump Sum | 2 1 | - - |
| Alastair Campbell Convenor of Planning & Local Review Body (from 17 May 2012) | 3,689 | 3,553 | Pension Lump Sum | 2 1 | - - |
| Eddie Carrick Portfolio Holder - Sustainability (until 3 May 2012) | - | 326 | Pension Lump Sum | 2 1 | - - |
| Mark English Depute Leader of the Council/ Portfolio Holder - Inclusion (until 3 May 2012) | - | 326 | Pension Lump Sum | 1 1 | - - |
| Irene Hamilton Vice Convenor Enterprise & Environment (from 1 June 2012) and Depute Provost (until 3 May 2012) | 3,689 | 3,553 | Pension Lump Sum | 2 1 | - - |
| Janis Paterson Depute Provost (until 3 May 2012) | - | 323 | Pension Lump Sum | 1 1 | - - |
| Leslie Sharp Convenor Housing, Health and Care (from 1 June 2012) & Vice Convenor Joint Police Board (from 30 August 2012 until 31 March 2013) | 3,689 | 3,211 | Pension | 1 | 1 |
| Ellen Forson Convenor Education, Sport and Leisure (from 1 June 2012) | 3,689 | 3,211 | Pension | 1 | 1 |
| Total | 28,010 | 27,185 | | 25 | 3 |

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

CLACKMANNANSHIRE COUNCIL

Financial Statements 2013/14

Senior Employees

The pension entitlements of Senior Employees for the year to 31 March 2014 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 2014 | For year to 31 March 2013 | As at 31 March 2014 | | Difference from 31 March 2013 |
| | £ | £ | | £000 | £000 |
| Elaine McPherson, Chief Executive | 19,613 | 18,933 | Pension Lump Sum | 35 80 | 2 1 |
| Nikki Bridle, Director of Finance & Corporate Services | 16,977 | 16,389 | Pension Lump Sum | 24 52 | 1 - |
| Garry Dallas, Director of Services to Communities | 16,977 | 16,389 | Pension Lump Sum | 34 81 | 2 1 |
| Stuart Crickmar, Head of Strategy & Customer Services | 13,854 | 13,374 | Pension Lump Sum | 20 43 | 1 - |
| Deirdre Cilliers, Joint Head of Social Services, Clackmannanshire and Stirling Councils (retired 30 June 2013) | 3,984 | 15,386 | Pension Lump Sum | 22 49 | - - |
| Stephen Crawford, Head of Facilities Management (until 31 January 2014) | 11,545 | 13,374 | Pension Lump Sum | 15 27 | 1 - |
| John Gillespie, Head of Community & Regulatory Services (until 30 September 2013) | 7,039 | 13,374 | Pension Lump Sum | 27 67 | - - |
| Belinda Greer, Joint Head of Education, Clackmannanshire and Stirling Councils (until 2 September 2013) | 8,600 | 17,657 | Pension | 44 | 1 |
| David Leng, Joint Head of Education, Clackmannanshire and Stirling Councils (from 30 September 2013) | 8,377 | - | Pension | 1 | 1 |
| Val De Souza, Acting Head of Social Services, Clackmannanshire and Stirling Councils (from 28 September 2012) Appointed to Head of Service 4 November 2013 | 14,656 | 14,266 | Pension Lump Sum | 19 38 | 3 4 |
| Ahsan Khan - Head of Housing and Community Safety (from 8 July 2013) | 10,130 | - | Pension | 1 | 1 |
| Total | 131,752 | 139,142 | | 679 | 19 |

Notes:

- Senior Employees shown in the tables above are members of the Local Government Pension Scheme (LGPS).
- Where employees have joined the Council and transferred previous employment 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 2014 or are no longer a relevant senior employee at this date, there is no increase in accrued pension benefit attributable.

CLACKMANNANSHIRE COUNCIL
Financial Statements 2013/14

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. This initiative has continued in 2013/14, albeit to a lesser extent. 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 | |
|--|--|----------|---|-----------|---|-----------|---|----------------|
| | 2012/13 | 2013/14 | 2012/13 | 2013/14 | 2012/13 | 2013/14 | 2012/13 | 2013/14 |
| | | | | | | | £ | £ |
| £0 - £20,000 | 0 | 0 | 20 | 22 | 20 | 22 | 161,915 | 93,802 |
| £20,001 - £40,000 | 0 | 0 | 10 | 0 | 10 | 0 | 295,612 | 0 |
| £40,001 - £60,000 | 0 | 0 | 2 | 4 | 2 | 4 | 97,949 | 195,111 |
| £60,001 - £80,000 | 0 | 0 | 1 | 1 | 1 | 1 | 77,384 | 61,921 |
| £80,001 - £100,000 | 0 | 0 | 1 | 0 | 1 | 0 | 90,942 | 0 |
| £100,001 - £150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 34 | 27 | 34 | 27 | 723,802 | 350,834 |

CLACKMANNANSHIRE COUNCIL

Financial Statements 2013/14

Independent Auditor's Report

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 for the year ended 31 March 2014 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash-Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, the Non-Domestic Rates Income Account and Common Good Funds and the related notes 1 to 50. 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 2013/14 (the 2013/14 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Responsible Financial Officer and auditor

As explained more fully in the Statement of Responsibilities, 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 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 annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially correct based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

CLACKMANNANSHIRE COUNCIL

Financial Statements 2013/14

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2013/14 Code of the state of the affairs of the body as at 31 March 2014 and of the income and expenditure of 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 2013/14 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.

James Boyle, CA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Edinburgh, UK

25 September 2014

CLACKMANNANSHIRE COUNCIL

Financial Statements 2013/14

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 accounts previously consolidated the results of the council with six other entities.

This comprised :-

- Central Scotland Police Joint Board
- Central Scotland Fire and Rescue Joint Board
- Central Scotland Valuation Joint Board
- ThinkWhere Ltd (formerly Forth Valley GIS Ltd)
- CSBP Clackmannanshire Investments Ltd
- CSBP Clackmannanshire Developments Ltd

The Police and Fire Joint Boards ceased to exist on 31 March 2013. The other entities are not considered material and as a result Group accounts have not been prepared.

CLACKMANNANSHIRE COUNCIL

Financial Statements 2013/14

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 £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Reserves £000 |
|---|------------------------------------|---------------------------------------|--|---------------------------|---|-------------------------------------|------------------------------|---------------------------|
| Balance at 31 March 2012 restated | 13,067 | 4,180 | 4,609 | 794 | - | 22,650 | 63,004 | 85,654 |
| Movement in Reserves during 2012/13 | | | | | | | | |
| Surplus or (deficit) on provision of Services | 259 | 2,749 | - | - | - | 3,008 | - | 3,008 |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | 2,129 | 2,129 |
| Total Comprehensive Income and Expenditure | 259 | 2,749 | - | - | - | 3,008 | 2,129 | 5,137 |
| Adjustments between accounting basis & funding basis under regulations (Note 6) | 755 | (2,045) | 376 | - | 472 | (442) | 442 | - |
| Net Increase or (Decrease) before Transfers to Earmarked Reserves | 1,014 | 704 | 376 | - | 472 | 2,566 | 2,571 | 5,137 |
| Transfers to/from Earmarked Reserves (Note 7) | (77) | - | - | 77 | - | - | - | - |
| Increase or (decrease) in 2012/13 | 937 | 704 | 376 | 77 | 472 | 2,566 | 2,571 | 5,137 |
| Balance at 31 March 2013 carried forward | 14,004 | 4,884 | 4,985 | 871 | 472 | 25,216 | 65,575 | 90,791 |
| Movement in Reserves during 2013/14 | | | | | | | | |
| Surplus or (deficit) on provision of Services | (1,971) | (1,444) | - | - | - | (3,415) | - | (3,415) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | (8,507) | (8,507) |
| Total Comprehensive Income and Expenditure | (1,971) | (1,444) | - | - | - | (3,415) | (8,507) | (11,922) |
| Adjustments between accounting basis & funding basis under regulations (Note 6) | (425) | (347) | 283 | - | (472) | (961) | 961 | - |
| Net Increase or (Decrease) before Transfers to Earmarked Reserves | (2,396) | (1,791) | 283 | - | (472) | (4,376) | (7,546) | (11,922) |
| Transfers to/from Earmarked Reserves (Note 7) | 409 | - | (1,562) | 363 | - | (790) | 790 | - |
| Increase or (decrease) in 2013/14 | (1,987) | (1,791) | (1,279) | 363 | (472) | (5,166) | (6,756) | (11,922) |
| Balance at 31 March 2014 carried forward | 12,017 | 3,093 | 3,706 | 1,234 | - | 20,050 | 58,819 | 78,869 |

2012/13 Restatement

The comparative figures for 2012/13 have been restated to reflect the change to Accounting Standard IAS19 Employee Benefits. Further details are shown in Note 44, pages 92-93.

CLACKMANNANSHIRE COUNCIL
Financial Statements 2013/14

Comprehensive Income and Expenditure Statement
for the year ended 31 March 2014

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.

| Restated Gross Expendit | 2012/2013 | | Restated Net Expend/ (Income) | | 2013/2014 | | Net Expend/ (Income) |
|-------------------------------|-----------------------------|--|--|--|-----------------|-----------------|----------------------------|
| | Restated Gross Income | Restated Net Expend/ (Income) | | | Gross Expend | Gross Income | |
| £000 | £000 | £000 | | | £000 | £000 | £000 |
| 3,215 | (1,364) | 1,851 | Central Services to the Public | | 3,247 | (1,196) | 2,051 |
| 9,066 | (1,352) | 7,714 | Cultural and Related Services | | 8,158 | (1,861) | 6,297 |
| 51,919 | (2,990) | 48,929 | Education Services | | 49,146 | (3,586) | 45,560 |
| 5,596 | (959) | 4,637 | Roads and Transport Services | | 5,316 | (1,168) | 4,148 |
| 41,488 | (41,949) | (461) | Housing Services | | 41,582 | (39,792) | 1,790 |
| 2,711 | (968) | 1,743 | Planning and Development Services | | 4,583 | (582) | 4,001 |
| 38,447 | (10,130) | 28,317 | Social Work | | 41,344 | (10,785) | 30,559 |
| 7,296 | (1,619) | 5,677 | Environmental Services | | 7,311 | (1,135) | 6,176 |
| 3,883 | (196) | 3,687 | Police Services* | | - | - | - |
| 2,486 | (177) | 2,309 | Fire Services* | | - | (14) | (14) |
| 2,239 | - | 2,239 | Corporate and Democratic Core | | 2,523 | - | 2,523 |
| 139 | - | 139 | Non distributed costs | | 664 | - | 664 |
| 168,485 | (61,704) | 106,781 | Cost of Services | | 163,874 | (60,119) | 103,755 |
| 532 | (128) | 404 | Other Operating Expenditure (Note 8) | | 8,715 | (7,289) | 1,426 |
| 13,376 | (1,510) | 11,866 | Financing and Investment Income and Expenditure (Note 9) | | 13,256 | (873) | 12,383 |
| - | (122,059) | (122,059) | Taxation and Non-Specific grant Income (Note 10) | | - | (114,149) | (114,149) |
| | | (3,008) | (Surplus)/Deficit on Provision of Services (Note 11) | | | | 3,415 |
| | | (1,559) | Surplus on revaluation of non-current assets (Note 28) | | | | (784) |
| | | 136 | Impairment losses on non-current assets charged to the revaluation reserve (Note 28) | | | | 2,931 |
| | | (706) | Actuarial (gains)/ losses on pension assets/liabilities (Note 28) | | | | 6,360 |
| | | (2,129) | Other Comprehensive Income and Expenditure | | | | 8,507 |
| | | (5,137) | Total Comprehensive Income and Expenditure | | | | 11,922 |

*** Police and Fire**

Police and Fire & Rescue Services transferred to the Scottish Government as at 1 April 2013. The 2013/14 figures shown reflect the movement in the year between the adjusted opening balance sheet at 1 April 2013 and the closing balance.

2012/13 Restatement

The comparative figures for 2012/13 have been restated to reflect the change to Accounting Standard IAS19 Employee Benefits. Further details are shown in Note 44, pages 92-93.

CLACKMANNANSHIRE COUNCIL
Financial Statements 2013/14

Balance Sheet as at 31 March 2014

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'.

| 31 March 2013 | | Note | 31 March 2014 |
|----------------------|------------------------------|-------------|----------------------|
| £000 | | | £000 |
| 308,769 | Property, Plant & Equipment | 12 | 313,636 |
| 890 | Heritage Assets | 13 | 974 |
| 5,689 | Investment Properties | 14 | 5,237 |
| 634 | Intangible Assets | 15 | 634 |
| 6,206 | Long-Term Investments | 16 | 5,471 |
| <u>2</u> | Long-Term Debtors | 17 | <u>2</u> |
| 322,190 | Non-Current Assets | | 325,954 |
| 286 | Assets Held for Sale | 18 | 65 |
| 460 | Inventories | 19 | 520 |
| 11,010 | Short-Term Debtors | 20 | 15,357 |
| 10,000 | Short-Term Investments | 21 | 10,000 |
| <u>20,481</u> | Cash and Cash Equivalents | 21 | <u>8,362</u> |
| 42,237 | Current Assets | | 34,304 |
| (7,178) | Short-Term Borrowing | 24 | (15,052) |
| (24,040) | Short-Term Creditors | 22 | (24,529) |
| <u>(374)</u> | Provisions | 23 | <u>(238)</u> |
| (31,592) | Current Liabilities | | (39,819) |
| (548) | Provisions | 23 | (375) |
| (115,726) | Long-Term Borrowing | 24 | (105,721) |
| <u>(125,770)</u> | Other Long-Term Liabilities | 25 | <u>(135,474)</u> |
| (242,044) | Long-Term Liabilities | | (241,570) |
| 90,791 | Net Assets | | 78,869 |
| 25,216 | Usable Reserves | 27 | 20,050 |
| <u>65,575</u> | Unusable Reserves | 28 | <u>58,819</u> |
| 90,791 | Total Reserves | | 78,869 |

The unaudited financial statements were issued on 26 June 2014 and the audited financial statements were authorised for issue on 25 September 2014.

Nikki Bridle
Depute Chief Executive
25 September 2014

CLACKMANNANSHIRE COUNCIL
Financial Statements 2013/14

Cash Flow Statement
for the year ended 31 March 2014

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.

| 2012/13 | | 2013/14 |
|-----------------|--|-----------------|
| Restated | | |
| £000 | | £000 |
| 3,008 | Net surplus/ (deficit) on the provision of services | (3,415) |
| 18,747 | Adjustments to net surplus on the provision of services for non-cash movements | 18,771 |
| (7,942) | Adjustments for items included in the net surplus of the provision of services that are investing and financing activities | (9,185) |
| 13,813 | Net cash flows from Operating Activities (Note 29) | 6,171 |
| (8,170) | Investing Activities (Note 30) | (14,974) |
| (6,030) | Financing Activities (Note 31) | (3,316) |
| (387) | Net decrease in cash and cash equivalents | (12,119) |
| 20,868 | Cash and Cash equivalents at the beginning of the reporting year (Note 21) | 20,481 |
| 20,481 | Cash and Cash equivalents at the end of the reporting year (Note 21) | 8,362 |

2012/13 Restatement

The comparative figures for 2012/13 have been restated to reflect the change to Accounting Standard IAS19 Employee Benefits. Further details are shown in Note 44, pages 92-93.

CLACKMANNANSHIRE COUNCIL
Financial Statements 2013/14

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.

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Note 1 - Accounting Policies

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. 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 2013/14 and the Service Reporting Code of Practice 2013/14, 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; and
- 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.

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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.

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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 Other Comprehensive Income and Expenditure; 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

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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.

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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.

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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 financial statements.

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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 (e.g. 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. 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.

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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

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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 (e.g. 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.

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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 2013/14' (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; and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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.

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 (EUVS-H); 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.

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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, (i.e. up to 15 years);
- infrastructure – straight-line allocation over 60 years; and
- 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.

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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

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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 7.59% 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 (e.g. 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.

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

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 - Changes to Accounting Standards

Accounting Standards Adopted in the Year

For 2013/14 the only accounting policy change that has impacted on the financial statements relates to the June 2011 amendments to the accounting standard IAS19 Employee Benefits. The change of accounting policy is effective from 1 April 2013 but also requires the restatement of the 2012/13 comparative figures.

The change relates to the expected return on scheme assets which has been replaced with a discount rate. The overall effect does not impact on the Balance Sheet but results in a redistribution of costs within the Comprehensive Income and Expenditure Statement which has been restated along with the Movement in Reserves and Cash Flow Statements. Where this has had an impact on notes within the financial statements these have also been restated. Further detail is given in note 44 on pages 92-93.

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Accounting Standards Issued not yet Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new or amended standard that has been issued but not yet adopted. The key standards that are new or amended within the 2014/15 Code to which this applies are listed below:

- IFRS 10 Consolidated Financial Statements (May 2011).
- IFRS 11 Joint Arrangements (May 2011).
- IFRS 12 Disclosure of Interests in Other Entities (May 2011).
- IAS 27 Separate Financial Statements (as amended in May 2011).
- IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011).
- IAS 32 Financial Instruments: Presentation (as amended in December 2011).
- Annual Improvements to IFRS 2009-2011 Cycle.

The Code requires implementation from 1 April 2014 and there is therefore no impact on the 2013/14 financial statements.

IFRS10, IFRS 11, IFRS 12, IAS 27 AND IAS 28 relate specifically to the group accounts. These new or amended standards include a change to the definition of control and will require consideration of joint arrangements, a reassessment of the group boundary and potentially further disclosure. IAS 32 outlines disclosure requirements in respect of offsetting financial assets and liabilities. IFRS improvements are generally minor, principally providing clarification. Overall these new or amended standards listed above and other new or amended standards issued but not yet adopted are not expected to have any impact on the financial statements.

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 Financial Statements 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 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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| 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 £195k and £357k respectively for every year that useful lives had to be reduced.</p> |
| Provisions | The Council has made a provision of £0.301m 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 2014, the Council had Council Tax debt outstanding of £9.576m. A review of outstanding balances suggested that an allowance for doubtful debts of £6.477m was appropriate resulting in a coverage of 68% 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 £479k would be required. |
| Arrears - Sundry Debtors | At 31 March 2014, the Council had a balance of sundry debtors of £2.423m. A review of outstanding balances suggested that an allowance for doubtful debts of £468k 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 by 5% this would require an additional £121k 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 10% equating to £28.719m. |
| Housing Rent Arrears | At 31 March 2014, the Council had Housing Rent Arrears of £1.031m. A review of outstanding balances suggested that an impairment for irrecoverable rents of £0.777m was appropriate resulting in a coverage of 75% for doubtful debts. | The expected collection rate for current tenants is higher than those for former tenants therefore this would be an area of uncertainty. On this basis, if collection rates for former tenants were to move by 5% this would increase the impairment by £50k to £0.827m, increasing the % coverage for doubtful debts to 80%. |

Note 5 - Events After the Reporting Period

The Audited Financial Statements were authorised for issue by the Depute Chief Executive on 25 September 2014. Where events taking place before this date provided information about conditions existing at 31 March 2014, 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.

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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.

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| 2013/14 | Usable Reserves | | | | |
|---|------------------------------|---------------------------------|----------------------------------|----------------------------------|---------------------------------------|
| | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | | | | |
| Charges for depreciation and impairment of non-current assets | (7,976) | (6,277) | - | - | 14,253 |
| Movements in the fair value of investment assets | (120) | - | - | - | 120 |
| Amortisation of intangible assets | (178) | - | - | - | 178 |
| Capital grants and contributions applied | 6,688 | 961 | - | - | (7,649) |
| 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 | (472) | (1,952) | - | - | 2,424 |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | | | | |
| Statutory provision for the financing of capital investment | 6,237 | 1,365 | - | - | (7,602) |
| Capital expenditure charged against the General Fund and HRA balances | 81 | 5,752 | - | - | (5,833) |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | |
| Application of Grants to Capital Financing | - | - | - | 472 | (472) |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement | 283 | 781 | (1,064) | - | - |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | 781 | - | (781) |
| Adjustments primarily involving the Financial Instruments Adjustment Account: | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 210 | - | - | - | (210) |
| Adjustments involving the Pensions Reserve: | | | | | |
| Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see Note 44) | (12,787) | (87) | - | - | 12,874 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 8,488 | (206) | - | - | (8,282) |
| Adjustment involving the Accumulating Compensated Absences Adjustment Account: | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (29) | 10 | - | - | 19 |
| Total Adjustments | 425 | 347 | (283) | 472 | (961) |

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| 2012/13 Comparative Figures Restated | Usable Reserves | | | | |
|---|------------------------------------|---------------------------------------|--|--|---|
| | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | | | | |
| 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) | (624) | - | - | 1,828 |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | | | | |
| 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) |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | - | 472 | - | (472) | - |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement | 376 | 921 | (1,297) | - | - |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | 921 | - | (921) |
| Adjustments primarily involving the Financial Instruments Adjustment Account: | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 286 | - | - | - | (286) |
| Adjustments involving the Pensions Reserve: | | | | | |
| Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see Note 44) | (10,324) | (117) | - | - | 10,441 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 7,208 | (103) | - | - | (7,105) |
| Adjustment involving the Accumulating Compensated Absences Adjustment Account: | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (329) | (12) | - | - | 341 |
| Total Adjustments | (755) | 2,045 | (376) | (472) | (442) |

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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 2013/14.

| 2013/14 | Balance at 1 April 2013 £000 | Transfers Out 2013/2014 £000 | Transfers In 2013/2014 £000 | Balance at 31 March 2014 £000 | Purpose of the Earmarked Reserve |
|-----------------------------------|------------------------------------|------------------------------------|-----------------------------------|-------------------------------------|--|
| General Fund: | | | | | |
| Transfer to HRA | 14,004 | (790) | - | 13,214 | Transfer of funding to HRA |
| Insurance Fund | 871 | (789) | 1,152 | 1,234 | Resources to provide an element of self-insurance. |
| HRA: | | | | | |
| Transfer from GF for Hallpark (1) | - | (790) | 790 | - | |

Note:

(1) The Council transferred £790k from General Fund Earmarked reserves to HRA for the funding of the Hallpark Capital project.

| 2012/13 comparative figures | Balance at 1 April 2012 £000 | Transfers Out 2012/2013 £000 | Transfers In 2012/2013 £000 | Balance at 31 March 2013 £000 |
|-----------------------------|------------------------------------|------------------------------------|-----------------------------------|-------------------------------------|
| General Fund: | | | | |
| Insurance Fund | 794 | (1,056) | 1,133 | 871 |

Note 8 - Other Operating Expenditure

This note provides detail regarding the Other Operating Expenditure line within the Comprehensive Income and Expenditure Statement on page 33.

| | 2012/13 £000 | 2013/14 £000 |
|---|-----------------|-----------------|
| (Gains)/losses on trading operations (Note 32) | (96) | 66 |
| (Gains)/losses on the disposal of non-current assets | 532 | 1,360 |
| Final Dividend Bank of Credit and Commerce International (BCCI) | (32) | - |
| Total | 404 | 1,426 |

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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 Statement on page 33.

| | 2012/13 Restated £000 | 2013/14 £000 |
|---|--------------------------------------|-------------------------|
| Interest payable and similar charges | 9,723 | 9,564 |
| Net Interest on the Net Defined Benefit Liability | 3,653 | 3,572 |
| Interest receivable and similar income | (1,295) | (639) |
| Changes in the carrying value of LOBO (Lender Options Borrower Options) loans | (5) | (6) |
| Revaluation of Investment Property | - | 120 |
| Rental Income from Investments | (210) | (228) |
| Total | 11,866 | 12,383 |

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 Statement on page 33.

| | 2012/13 £000 | 2013/14 £000 |
|---|-------------------------|-------------------------|
| Council Tax income | (21,137) | (18,113) |
| Grant allocation for Council Tax Reduction Scheme | - | (3,498) |
| Non-Domestic Rate Income distributed by pool | (11,033) | (11,872) |
| Non-Domestic Rate Income Retained by Authority (BRIS) | (1,250) | - |
| Non-ring fenced government grants | (85,103) | (78,911) |
| Capital grants and contributions | (3,536) | (1,755) |
| Total | (122,059) | (114,149) |

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 for 2012/13 in the table above is the current estimated sum due to the Council. No targets had been set for 2013/14.

In 2013/14 Council Tax benefit was replaced by the Council Tax Reduction Scheme.

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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 Statement 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 2013/14

| | Support Services £000 | Strategy & Customer Services £000 | Facilities Management £000 | Social Policy £000 | Education £000 | Community & Regulatory £000 | General Fund Housing £000 | Housing Revenue Account £000 | Total £000 |
|--------------------------------------|--------------------------|--------------------------------------|-------------------------------|-----------------------|-------------------|--------------------------------|------------------------------|---------------------------------|-----------------|
| Fees, Charges & Other Service Income | (1,650) | (843) | (4,274) | (8,724) | (1,569) | (3,535) | (3,064) | (16,576) | (40,235) |
| Government Grants | (452) | (7) | (16) | (2,065) | (285) | 45 | (19,149) | 0 | (21,929) |
| Total Income | (2,102) | (850) | (4,290) | (10,789) | (1,854) | (3,490) | (22,213) | (16,576) | (62,164) |
| Employee Expenses | 5,569 | 6,014 | 8,463 | 12,878 | 31,714 | 4,398 | 1,354 | 1,526 | 71,916 |
| Other Operating Expenses | 2,003 | 849 | 19,611 | 24,938 | 4,032 | 4,671 | 23,439 | 6,891 | 86,434 |
| Total Operating Expenses | 7,572 | 6,863 | 28,074 | 37,816 | 35,746 | 9,069 | 24,793 | 8,417 | 158,350 |
| Net Cost of Services | 5,470 | 6,013 | 23,784 | 27,027 | 33,892 | 5,579 | 2,580 | (8,159) | 96,186 |

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) | - | (22,494) |
| Total Income | (1,847) | (951) | (4,532) | (10,333) | (1,733) | (26,449) | (16,129) | (61,974) |
| 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 |
| Total Operating Expenses | 6,723 | 6,870 | 27,507 | 36,073 | 35,032 | 34,876 | 7,718 | 154,799 |
| Net Cost of Services | 4,876 | 5,919 | 22,975 | 25,740 | 33,299 | 8,427 | (8,411) | 92,825 |

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

| | 2012/13 £000 | 2013/14 £000 |
|---|-----------------|-----------------|
| Cost of Services in Service Analysis | 92,825 | 96,186 |
| Add amounts not reported in service management accounts (1) | 13,956 | 7,569 |
| Net Cost of Services in Comprehensive Income and Expenditure Statement | 106,781 | 103,755 |

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

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Reconciliation to Subjective Analysis 2013/14

| | 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 | (40,235) | (11,975) | (52,210) | - | (52,210) |
| Interest and Investment income | - | 162 | 162 | (873) | (711) |
| Income from Council Tax | - | - | - | (21,611) | (21,611) |
| Government grants and contributions | (21,929) | (5,894) | (27,823) | (92,538) | (120,361) |
| Total Income | (62,164) | (17,707) | (79,871) | (115,022) | (194,893) |
| Employee expenses | 71,916 | 6,414 | 78,330 | - | 78,330 |
| Other Service expenses | 86,434 | 4,182 | 90,616 | 66 | 90,682 |
| Joint Board Requisitions | - | 394 | 394 | - | 394 |
| Depreciation, amortisation and impairment | - | 14,286 | 14,286 | 120 | 14,406 |
| Interest payments | - | - | - | 13,136 | 13,136 |
| Gain or loss on disposal of Fixed Assets | - | - | - | 1,360 | 1,360 |
| Total Operating expenses | 158,350 | 25,276 | 183,626 | 14,682 | 198,308 |
| (Surplus) or deficit on the provision of services | 96,186 | 7,569 | 103,755 | (100,340) | 3,415 |

Reconciliation to Subjective Analysis 2012/13 - restated

| | 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 & NDR | - | - | - | (21,137) | (21,137) |
| Government grants and contributions | (22,494) | (3,109) | (25,603) | (100,922) | (126,525) |
| Total Income | (61,974) | (22,755) | (84,729) | (123,569) | (208,298) |
| Employee expenses | 68,472 | 5,650 | 74,122 | - | 74,122 |
| Other Service expenses | 86,327 | 11,850 | 98,177 | 1,384 | 99,561 |
| 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 |
| Total Operating expenses | 154,799 | 36,711 | 191,510 | 13,780 | 205,290 |
| (Surplus) or deficit on the provision of services | 92,825 | 13,956 | 106,781 | (109,789) | (3,008) |

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 G. Adamson, FRICS, of Clackmannanshire Council. The basis for valuation is set out in the statement of accounting policies.

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Movements on Balances

Movements in 2013/14

| | Council Dwellings | Other Land and Buildings | Vehicles, Plant & Equip | Infrastructure Assets | Assets under Construction | Surplus Assets | Total Property, Plant & Equip Service | Concession Assets included in Property, Plant & Equipment |
|--|-------------------|--------------------------|-------------------------|-----------------------|---------------------------|----------------|---------------------------------------|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | | | | |
| At 1 April 2013 | 145,738 | 149,152 | 16,972 | 38,535 | 1,524 | 4,169 | 356,090 | 61,325 |
| Additions | 7,214 | 3,178 | 1,372 | 3,183 | 8,119 | 101 | 23,167 | - |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 33 | (1,785) | - | - | - | (1,467) | (3,219) | - |
| Derecognition - Disposals | (2,223) | (187) | (1,531) | - | (2) | (135) | (4,078) | - |
| Assets reclassified (to)/from held for Sale | - | (65) | - | - | 206 | - | 141 | - |
| Other Movements in Cost or Valuation (1) | (257) | 871 | - | - | (499) | 172 | 287 | - |
| At 31 March 2014 | 150,505 | 151,164 | 16,813 | 41,718 | 9,348 | 2,840 | 372,388 | 61,325 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| At 1 April 2013 | 14,894 | 14,973 | 11,963 | 4,779 | - | 712 | 47,321 | 4,205 |
| Depreciation charge | 6,065 | 4,025 | 1,704 | 720 | - | - | 12,514 | 1,242 |
| Depreciation written out to the Revaluation Reserve | - | (947) | - | - | - | - | (947) | - |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | (5) | - | - | - | - | - | (5) | - |
| Impairment losses recognised in the Surplus/Deficit on the Provision of Services | 25 | 1,521 | - | - | - | 199 | 1,745 | - |
| Derecognition – Disposals | (321) | (28) | (1,527) | - | - | - | (1,876) | - |
| At 31 March 2014 | 20,658 | 19,544 | 12,140 | 5,499 | - | 911 | 58,752 | 5,447 |
| Net Book Value | | | | | | | | |
| At 31 March 2014 | 129,847 | 131,620 | 4,673 | 36,219 | 9,348 | 1,929 | 313,636 | 55,878 |
| At 31 March 2013 | 130,844 | 134,179 | 5,009 | 33,756 | 1,524 | 3,457 | 308,769 | 57,120 |

(1) Other movements in Cost or Valuation relate to transfers between Property, Plant and Equipment and Investment Properties.

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Comparative 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 |
| Cost or Valuation | | | | | | | | |
| 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 | - |
| Revaluation (decreases) recognised in the Revaluation Reserve | - | (17) | - | - | - | (12) | (29) | - |
| Derecognition - Disposals | (4,212) | (750) | (381) | - | - | - | (5,343) | - |
| Assets Reclassified from Held for Sale (Note 18) | - | 30 | - | - | - | 3,157 | 3,187 | - |
| Other Movements in Cost or Valuation (1) | - | (1,562) | - | - | 483 | 1,024 | (55) | - |
| At 31 March 2013 | 145,738 | 149,152 | 16,972 | 38,535 | 1,524 | 4,169 | 356,090 | 61,325 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| 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 |
| Impairment losses recognised in the Surplus/Deficit on the Provision of Services | - | 64 | - | - | - | 712 | 776 | - |
| Derecognition – Disposals | (3,637) | (173) | (369) | - | - | - | (4,179) | - |
| Depreciation eliminated on reclassification | - | (382) | - | - | - | - | (382) | - |
| At 31 March 2013 | 14,894 | 14,973 | 11,963 | 4,779 | - | 712 | 47,321 | 4,205 |
| Net Book Value | | | | | | | | |
| At 31 March 2013 | 130,844 | 134,179 | 5,009 | 33,756 | 1,524 | 3,457 | 308,769 | 57,120 |
| At 31 March 2012 | 125,534 | 138,423 | 5,205 | 32,562 | 184 | - | 301,908 | 58,268 |

(1) Other movements in Cost or Valuation relate to transfers between Property, Plant and Equipment and Investment Properties.

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Capital Commitments

At 31 March 2014 the Council has entered into a number of contracts for the construction or enhancement of Property Plant and Equipment in 2014/15 and future years budgeted to cost £11.5m. Similar commitments at 31 March 2013 were £13.1m. The major commitments are as follows:

| | |
|--|--------|
| Redwell Primary School | £1.78m |
| Redevelopment of the Speirs Centre | £0.87m |
| HRA Council Housing Kitchens & Bathrooms | £2.61m |
| HRA Council Housing Central Heating & Rewiring | £1.71m |

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 |
| Cost or Valuation | | | | | |
| 1 April 2012 | 102 | 600 | 2 | 129 | 833 |
| Revaluations | 6 | 50 | - | 1 | 57 |
| 31 March 2013 | 108 | 650 | 2 | 130 | 890 |
| Cost or Valuation | | | | | |
| 1st April 2013 | 108 | 650 | 2 | 130 | 890 |
| Disposals | - | - | - | (66) | (66) |
| Revaluation | - | - | - | 150 | 150 |
| 31 March 2014 | 108 | 650 | 2 | 214 | 974 |

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.

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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

Additions and Disposals of Heritage Assets

There have been no significant additions of heritage assets during the year, but some Industrial Equipment has been sold.

Note 14 - Investment Properties

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

| | 31 March 2013 | 31 March 2014 |
|--|---------------|---------------|
| | £000 | £000 |
| Rental Income from Investment | 210 | 230 |
| Direct operating expenses arising from investment property | - | (2) |
| Net Gain | 210 | 228 |

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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 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:

| | 31 March 2013 £000 | 31 March 2014 £000 |
|---|-----------------------|-----------------------|
| Balance at 1 April | 5,383 | 5,689 |
| Additions | - | 49 |
| Disposals | (4) | (155) |
| Net (losses) from fair value adjustments | (250) | (145) |
| Transfers: | | |
| - (to)/ from Other Land and Buildings (Note 12) | 105 | (339) |
| - (to)/ from Assets Held for Sale (Note 18) | 505 | 86 |
| - (to)/ from Surplus Assets (Note 12) | (50) | 52 |
| Balance at 31 March | 5,689 | 5,237 |

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 £178k charged to revenue in 2013/14 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 practical 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:

| | 31 March 2013 £000 | 31 March 2014 £000 |
|---|-----------------------|-----------------------|
| Balance at start of year: | | |
| • Gross carrying amounts | 1,440 | 1,826 |
| • Accumulated amortisation | (1,036) | (1,192) |
| Net carrying amount at start of year | 404 | 634 |
| Additions | 386 | 178 |
| • Disposals Gross Costs | - | (96) |
| • Disposals accumulated amortisation | - | 96 |
| • Amortisation for the period | (156) | (178) |
| Net carrying amount at end of year | 634 | 634 |
| Comprising: | | |
| • Gross carrying amounts | 1,826 | 1,908 |
| • Accumulated amortisation | (1,192) | (1,274) |
| | 634 | 634 |

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Note 16 - Long-Term Investments

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

| | 31 March 2013 | 31 March 2014 |
|---|----------------------|----------------------|
| | £000 | £000 |
| CSBP Clackmannanshire Developments Ltd (at cost) | 1,491 | 1,525 |
| Less Impairment in Value | (191) | (960) |
| CSBP Clackmannanshire Developments Ltd (carrying value) | 1,300 | 565 |
| Clackmannanshire Regeneration LLP | 4,906 | 4,906 |
| | 6,206 | 5,471 |

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 2013/14 represents the Council's 50% share of the anticipated shortfall in funds within the company based on estimated sale of remaining properties at current values. Within this impairment is included additional impairment that was recognised in the financial statements of CSBP in 2012/13 which were finalised after the Council's accounts had been audited. This impairment was as a result of a revaluation in the Joint Venture's Assets to reflect current market values.

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. They have been written-off during 2013/14 against a full provision in prior year's accounts. Remaining loans to employees are recoverable on cessation of employment.

| | 31 March 2013 | 31 March 2014 |
|---|----------------------|----------------------|
| | £000 | £000 |
| Loans to Employees | 2 | 2 |
| Business Development Loans | 53 | - |
| | 55 | 2 |
| Less Provision for bad debts (Business Development Loans) | (53) | - |
| | 2 | 2 |

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Note 18 - Assets Held for Sale

This note provides detail of the Assets Held for Sale on the Balance Sheet. An asset is required to fulfil certain criteria in order to be classified in this category and these criteria are detailed in the Accounting Policies. The Council continues to review the fair value of Assets Held for Sale to ensure they reflect current market values.

| | 31 March 2013 £000 | 31 March 2014 £000 |
|---|-----------------------|-----------------------|
| Balance outstanding at start of year | 4,639 | 286 |
| Assets reclassified (to)/from Other Land & Buildings (Note 12) | (30) | 65 |
| Assets reclassified (to)/from Surplus Assets (Note 12) | (3,157) | - |
| Assets reclassified (to)/from Investments Properties (Note 14) | (505) | (86) |
| Assets reclassified (to)/from Assets under Construction (Note 12) | - | (206) |
| Assets sold | (661) | - |
| Expenditure Incurred | - | 6 |
| Balance outstanding at year-end | 286 | 65 |

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 | |
|---|-----------------|-----------------|-----------------|-----------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2012/13 £000 | 2013/14 £000 | 2012/13 £000 | 2013/14 £000 | 2012/13 £000 | 2013/14 £000 | 2012/13 £000 | 2013/14 £000 | 2012/13 £000 | 2013/14 £000 |
| Balance outstanding at start of year | 170 | 173 | 51 | 40 | 78 | 57 | 225 | 190 | 524 | 460 |
| Purchases | 673 | 971 | 724 | 720 | 545 | 608 | 554 | 519 | 2,496 | 2,818 |
| Recognised as an expense in the year | (670) | (910) | (735) | (711) | (566) | (614) | (589) | (523) | (2,560) | (2,758) |
| Balance outstanding at year-end | 173 | 234 | 40 | 49 | 57 | 51 | 190 | 186 | 460 | 520 |

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Note 20 - Short-Term Debtors

This Note provides detail of the Short-Term Debtors line in the Balance Sheet on page 34. 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 2013 | 31 March 2014 |
|---------------------------------------|---------------|---------------|
| | £000 | £000 |
| Central government bodies | 2,090 | 3,514 |
| Other local authorities | 757 | 1,191 |
| NHS bodies | 530 | 333 |
| Public corporations and trading funds | 82 | 282 |
| Other entities and individuals | 7,551 | 10,037 |
| Total | 11,010 | 15,357 |

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 34.

| | 31 March 2013 | 31 March 2014 |
|---|---------------|---------------|
| | £000 | £000 |
| Fixed term cash deposits with banks under 1 year | 10,000 | 10,000 |
| Cash held by the Council | 29 | 29 |
| Bank current accounts | 20,452 | 8,333 |
| Total cash and cash equivalents (1) | 20,481 | 8,362 |
| TOTAL | 30,481 | 18,362 |

(1) The net cash position has reduced significantly from 2013/14 in line with Council Policy to reduce cash balances.

Note 22 - Short-Term Creditors

This Note provides detail of the Short-Term Creditors line in the Balance Sheet on page 34. 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 2013 | 31 March 2014 |
|---------------------------------------|---------------|---------------|
| | £000 | £000 |
| Central government bodies | 5,516 | 5,277 |
| Other local authorities | 846 | 1,173 |
| NHS bodies | 555 | 450 |
| Public corporations and trading funds | 321 | 371 |
| Other entities and individuals | 16,802 | 17,258 |
| Total | 24,040 | 24,529 |

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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 additional provision required for 2013/14 is £3k.

Kitchen Contract

Claims were made against the Council by the Contractor in relation to the award of a contract to install kitchens in Council Properties. A provision of £178k has been made in 2013/14.

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 had previously made a provision to cover a levy of up to 30% amounting to £153k. In 2013/14, claims amounting to £79k have been received and paid through the existing provision. The remaining provision of £74k will be carried forward to meet further claims.

Equal Pay

The Council has settled a number of equal pay claims during the year totalling £41k. It is anticipated that a provision £301k will be sufficient to complete the settlement of the remaining claims and statutory on-costs and accordingly £53k of the provision has been written-back.

| | Current Provision Early Retirement £000 | Current Provision Kitchen Contract £000 | Long Term Provision Equal Pay £000 | Long Term Provision Municipal Mutual Insurance £000 | Total £000 |
|--|---|---|---|--|---------------|
| Balance at 1 April 2013 | 374 | - | 395 | 153 | 922 |
| Additional provisions made in 2013/14 | 3 | 178 | - | - | 181 |
| Reduction in provision made in 2013/14 | - | - | (53) | - | (53) |
| Amounts used in 2013/14 | (317) | - | (41) | (79) | (437) |
| Balance at 31 March 2014 | 60 | 178 | 301 | 74 | 613 |

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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 34. These values are reflected at amortised cost.

| | Total Outstanding at: | |
|--|------------------------------|----------------------|
| | 31 March 2013 | 31 March 2014 |
| | £000 | £000 |
| Source of Loan | | |
| Repayable within 12 months | | |
| Public Works Loan Board | 4,000 | 10,000 |
| Revenue Advances:- | | |
| - Common Good & Trust Funds | 472 | 390 |
| - Central Scotland Valuation Joint Board | 679 | 859 |
| - Forth Valley Criminal Justice Authority | 549 | 2,368 |
| Accrued Interest on Borrowing | 1,478 | 1,435 |
| | 7,178 | 15,052 |
| Repayable after 12 months | | |
| Public Works Loan Board | 91,702 | 81,702 |
| Market Loans | 24,024 | 24,019 |
| | 115,726 | 105,721 |
| Analysis of Long-term Loans by Maturity | | |
| Between 1-2 year | 10,000 | 6,000 |
| Between 2-5 years | 12,200 | 11,200 |
| Between 5-10 years | 5,412 | 824 |
| More than 10 years | 88,114 | 87,697 |
| | 115,726 | 105,721 |

Note 25 - Other Long-Term Liabilities

| | 31 March 2013 | 31 March 2014 |
|--|----------------------|----------------------|
| | £000 | £000 |
| PFI & Finance Liabilities (see note (a) below) | 46,248 | 45,005 |
| Pension Liabilities (see note 44) | 78,887 | 89,839 |
| Other Long-Term Liabilities (see note (b) below) | 635 | 630 |
| | 125,770 | 135,474 |

(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 86 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:

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| | Street | | | Street | | |
|--|---------------|------------|---------------|---------------|------------|---------------|
| | PFI | Lighting | Total | PFI | Lighting | Total |
| | 2012/13 | 2012/13 | 2012/13 | 2013/14 | 2013/14 | 2013/14 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April | 48,112 | 594 | 48,706 | 46,931 | 545 | 47,476 |
| Finance Lease creditor repayment in 1 year | (1,181) | (49) | (1,230) | (1,176) | (52) | (1,228) |
| | 46,931 | 545 | 47,476 | 45,755 | 493 | 46,248 |
| Ageing: | | | | | | |
| Liabilities due over more than one year | 45,755 | 493 | 46,248 | 44,568 | 437 | 45,005 |
| Liabilities due within one year | 1,176 | 52 | 1,228 | 1,187 | 56 | 1,243 |

(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.

| | 31 March 2013 £000 | 31 March 2014 £000 |
|-------------------------|-----------------------|-----------------------|
| Developer Contributions | 635 | 630 |
| | 635 | 630 |

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 2013 £000 | 31 March 2014 £000 | 31 March 2013 £000 | 31 March 2014 £000 |
| Financial Liabilities | | | | |
| Financial liabilities at amortised cost* | (115,726) | (105,721) | (7,178) | (15,052) |
| PFI & Finance leases liabilities | (46,248) | (45,005) | (1,228) | (1,243) |
| Creditors | - | - | (22,812) | (23,286) |
| Total Financial Liabilities | (161,974) | (150,726) | (31,218) | (39,581) |
| Financial Assets | | | | |
| Loans & Receivables | 6,206 | 5,471 | 30,481 | 18,362 |
| Debtors | 2 | 2 | 11,010 | 15,357 |
| Total Financial Assets | 6,208 | 5,473 | 41,491 | 33,719 |

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* £23.5m of the Council's loans are held in the form of LOBO (Lender Option Borrower Option) loans from the money markets, with maturity dates ranging between 2042 and 2078. These loans are subject to periodic "calls" from the lender, depending upon the terms of the loan. Where the lender decides to "call" a loan, they can increase the interest rate of the loan and the Council then has the opportunity to accept the increased rate or to repay the loan.

As part of the analysis of the maturity structure, the Council and its advisers take into account the likelihood of these loans being called, in determining where they sit in the maturity structure above. A maturity structure showing all loans as being called would represent a substantial refinancing risk. However, lenders have not exercised this option to date and the likelihood of these loans being called is currently assessed as very low. This is due to the difference between rates of interest that these loans run at currently, compared to the market rates available.

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

| | 2012/13 | | | 2013/14 | | |
|---|--|--|----------------|--|--|----------------|
| | 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 | (6,137) | - | (6,137) | (6,009) | - | (6,009) |
| Interest on PFI and finance lease liabilities | (3,581) | - | (3,581) | (3,550) | - | (3,550) |
| Total expense in Surplus or Deficit on the Provision of Services | (9,718) | - | (9,718) | (9,559) | - | (9,559) |
| Interest income | - | 891 | 891 | - | 456 | 456 |
| Impaired financial assets | - | (17) | (17) | - | (769) | (769) |
| Total Income in Surplus or Deficit on the Provision of Services | - | 874 | 874 | - | (313) | (313) |
| Net gain/(loss) for the year | (9,718) | 874 | (8,844) | (9,559) | (313) | (9,872) |

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 used in this valuation were obtained by our treasury management consultants from the market on 31 March 2014, using bid prices where applicable.

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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 126/14;
- 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 Creditors and trade and other receivables is taken to be the invoiced or billed amount; and
- The fair value PFI and Finance Lease Liabilities are calculated based on the interest rates applicable to the contracts.

Table 3: Fair Values of Assets and Liabilities

The fair values are calculated as follows:-

| | 31 March 2013 | | 31 March 2014 | |
|------------------------------|-------------------------|--------------------|-------------------------|--------------------|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| PWLB - Maturity | 95,663 | 123,234 | 91,664 | 113,627 |
| PWLB - Annuity | 39 | 65 | 38 | 58 |
| LOBOs | 24,024 | 25,602 | 24,019 | 24,285 |
| Financial Liabilities | 119,726 | 148,901 | 115,721 | 137,970 |

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 2013 | | 31 March 2014 | |
|---|-------------------------|--------------------|-------------------------|--------------------|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| Cash | 29 | 29 | 29 | 29 |
| Long Term Investments | 6,206 | 6,678 | 5,471 | 5,927 |
| Deposit with banks and Building Societies | 30,452 | 30,689 | 18,333 | 18,333 |
| Financial Assets | 36,687 | 37,396 | 23,833 | 24,289 |

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Note 27 - Usable Reserves

Movements in the Council's Usable Reserves are detailed in the Movement in Reserves Statement (page 32) and Notes 6 and 7 (pages 54 and 57).

| | 31 March 2013 £000 | 31 March 2014 £000 |
|----------------------------------|-------------------------------------|-------------------------------------|
| General Fund | 14,004 | 12,017 |
| Housing Revenue Account | 4,884 | 3,093 |
| Capital Receipts Reserve | 4,985 | 3,706 |
| Insurance Fund | 871 | 1,234 |
| Capital Grants Unapplied Account | 472 | - |
| Total Usable Reserves | 25,216 | 20,050 |

Note 28 - Unusable Reserves

| | Original 31 March 2013 £000 | Restated 31 March 2013 £000 | 31 March 2014 £000 |
|--|--|--|-------------------------------------|
| Revaluation Reserve | 52,373 | 48,500 | 45,057 |
| Capital Adjustment Account | 97,748 | 101,621 | 109,069 |
| Financial Instruments Adjustment Account | (3,586) | (3,586) | (3,376) |
| Pensions Reserve | (78,887) | (78,887) | (89,839) |
| Accumulating Compensated Absences Adjustment Account | (2,073) | (2,073) | (2,092) |
| Total Unusable Reserves | 65,575 | 65,575 | 58,819 |

A restatement of £3.873m has been made to the Revaluation Reserve and the Capital Adjustment Account figures as at 31 March 2013. This is in respect of depreciation in 2012/13 and previous years that should have been transferred from the revaluation reserve to the capital adjustment account. There has been no change to any other figures and no opening Balance Sheet presented.

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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.

| | 31 March 2013 £000 Restated | 31 March 2014 £000 |
|--|-----------------------------------|-----------------------|
| Balance at 1 April | 51,868 | 48,500 |
| Upward revaluation of non current assets | 1,559 | 784 |
| Downward revaluation of non current assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (136) | (2,931) |
| Difference between fair value depreciation and historical cost depreciation | (914) | (924) |
| Accumulated (losses) on assets sold or scrapped written off to the Capital Adjustment Account | (4) | (372) |
| Prior Year Restatement | (3,873) | - |
| Balance at 31 March | 48,500 | 45,057 |

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

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

| | 31 March 2013 | 31 March 2014 |
|--|----------------------|----------------------|
| | £000 | £000 |
| | Restated | |
| Balance at 1 April | 92,997 | 101,621 |
| <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 | (12,358) | (14,373) |
| • Amortisation of intangible assets | (156) | (178) |
| • 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 | (1,828) | (2,424) |
| • Amounts written out of the Revaluation Reserve on assets sold or scrapped | 4 | 372 |
| | (14,338) | (16,603) |
| <u>Capital financing applied in the year:</u> | | |
| • Use of the Capital Receipts Reserve to finance new capital expenditure | 921 | 781 |
| • Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 6,173 | 7,649 |
| • Application of grants to capital financing from the Capital Grants Unapplied Account | - | 472 |
| • Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | 7,581 | 7,602 |
| • Capital expenditure charged against the General Fund and HRA balances | 3,500 | 6,623 |
| • Depreciation on Revaluation Reserve | 914 | 924 |
| | 19,089 | 24,051 |
| Prior Year restatement | 3,873 | - |
| Balance at 31 March | 101,621 | 109,069 |

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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 2014 will be charged to the General Fund over the next 40 years.

| | 31 March 2013 | 31 March 2014 |
|---|----------------------|----------------------|
| | £000 | £000 |
| Balance at 1 April | (3,872) | (3,586) |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | 281 | 204 |
| 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 | 6 |
| Balance at 31 March | (3,586) | (3,376) |

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 2013 | 31 March 2013 | 31 March 2014 |
|---|----------------------|----------------------|----------------------|
| | £000 | £000 | £000 |
| | | Restated | |
| Balance at 1 April | (76,257) | (76,257) | (78,887) |
| Return on Pension Assets | - | 19,317 | 4,602 |
| Actuarial Gains or Losses on Pension Assets and Liabilities | (806) | (18,611) | (10,962) |
| Reversal of items Dr or Cr to CIES | (8,929) | (10,441) | (12,874) |
| Employers Pensions contribution and direct payments to pensioners in the year | 7,105 | 7,105 | 8,282 |
| Balance at 31 March | (78,887) | (78,887) | (89,839) |

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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 2013 £000 | 31 March 2014 £000 | 31 March 2014 £000 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| Balance at 1 April | (1,732) | | (2,073) |
| Settlement or cancellation of accrual made at the end of the preceding year | 1,732 | 2,073 | |
| Amounts accrued at the end of the current year | (2,073) | (2,092) | |
| 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 | (341) | | (19) |
| Balance at 31 March | (2,073) | | (2,092) |

Note 29 - Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

| | 31 March 2013 Restated £000 | 31 March 2014 £000 |
|---|--|-------------------------------|
| Interest Received | 1,295 | 639 |
| Interest Paid | (11,526) | (12,968) |
| Net Surplus or (Deficit) on the Provision of Services | 3,008 | (3,415) |

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

| | 31 March 2013 Restated £000 | 31 March 2014 £000 |
|--|--|-------------------------------|
| Depreciation | 11,439 | 12,393 |
| Impairment and Downward Valuations | 919 | 1,740 |
| Amortisation | 156 | 178 |
| Impairment Losses on Investments | - | 769 |
| Adjustment for internal interest charged | 5 | 5 |
| Decrease in Provision for Doubtful Debts: Loans & Advances | - | 53 |
| Increase in Interest Creditors | 332 | 43 |
| Increase in Creditors | 1,301 | 979 |
| (Increase) in Debtors | (1,062) | (4,036) |
| (Increase)/Decrease in Inventories | 65 | (60) |
| Pension Liability | 3,336 | 4,592 |
| Contributions to/(from) Provisions | 428 | (309) |
| Carrying amount of non-current assets sold | 1,828 | 2,424 |
| | 18,747 | 18,771 |

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

| | 31 March 2013 £000 | 31 March 2014 £000 |
|---|-----------------------|-----------------------|
| Capital grants credited to surplus or deficit on the provision of services | (6,645) | (8,121) |
| Proceeds from the sale of property plant and equipment, investment property and intangible assets | (1,297) | (1,064) |
| | (7,942) | (9,185) |

Note 30 - Cash Flow Statement – Investing Activities

| | 31 March 2013 £000 | 31 March 2014 £000 |
|--|-----------------------|-----------------------|
| Purchase of property, plant and equipment, investment property and intangible assets | (16,020) | (23,394) |
| Other Capital Payments | 20 | 18 |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 1,297 | 1,064 |
| Other receipts from investing activities | 6,533 | 7,338 |
| Net cash flows from investing activities | (8,170) | (14,974) |

Note 31 - Cash Flow Statement – Financing Activities

| | 31 March 2013 £000 | 31 March 2014 £000 |
|--|-----------------------|-----------------------|
| Cash receipts / (payments) of short and long-term borrowing | (763) | 1,917 |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | (1,227) | (1,228) |
| Repayments of short and long-term borrowing | (4,040) | (4,005) |
| Net cash flows from financing activities | (6,030) | (3,316) |

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Note 32 - Trading Operations

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

| | 2011/12 | 2012/13 | 2013/14 | |
|--|----------------|------------|------------|--------------|
| | £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: £734k. | Turnover | 6,565 | 6,996 | 7,289 |
| | Expenditure | (5,882) | (6,834) | (7,400) |
| | Surplus | 683 | 162 | (111) |
| The Council ran 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 | 2,737 | - | - |
| | Expenditure | (2,553) | - | - |
| | Surplus | 184 | - | - |
| Net Surplus (deficit) on Trading Operations | | 867 | 162 | (111) |

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).

| | 2012/13 | 2013/14 |
|---|-----------|-------------|
| | £000 | £000 |
| Net Surplus/ (Deficit) on trading operations | 162 | (111) |
| (Recharge)/ Income to Cost of Services | (66) | 45 |
| Net Surplus/ (Deficit) credited/ (debited) to Other Operating Expenditure | 96 | (66) |

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 £0.134m (2012/13: £0.150m). This income is included in the Comprehensive Income and Expenditure Statement.

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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 2013/14 is Clackmannanshire Council 50% (2012/13: 44%), NHS Forth Valley 50% (2012/13: 56%). 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.

| | 2012/13 | 2012/13 | 2013/14 | 2013/14 |
|---|------------|------------|------------|--------------|
| | £000 | £000 | £000 | £000 |
| Funding provided to the pooled budget | | | | |
| Clackmannanshire Council | 438 | | 594 | |
| NHS Forth Valley | <u>562</u> | | <u>586</u> | |
| | | 1,000 | | 1,180 |
| Expenditure met from the pooled budget | | | | |
| Clackmannanshire Council | 424 | | 552 | |
| NHS Forth Valley | <u>558</u> | | <u>459</u> | |
| | | <u>982</u> | | <u>1,011</u> |
| Net Surplus arising on the pooled budget during the year | | <u>18</u> | | <u>169</u> |
| Clackmannanshire Council share of 50% (2012/13: 44%) of the net Surplus/ (Deficit) arising on the pooled budget | | <u>8</u> | | <u>85</u> |

Note 35 - External Audit Costs

| | 2012/13 | 2013/14 |
|---|---------|------------|
| | £000 | £000 |
| Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year | 202 | <u>200</u> |

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Note 36 - Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure statement in 2013/14:

| | 31 March 2013 £000 | 31 March 2014 £000 |
|--|-----------------------|-----------------------|
| Credited to Taxation and Non Specific Grant Income | | |
| Council Tax/Community Charge | 21,137 | 18,113 |
| Grant Allocation for Council Tax Reduction Scheme | - | 3,498 |
| General Government Grant | 85,103 | 78,911 |
| Non-Domestic Rate Redistribution | 11,033 | 11,872 |
| Non-Domestic Rate Income retained by Authority (BRIS) | 1,250 | - |
| Capital Grants & Contributions | 3,536 | 1,755 |
| Total | 122,059 | 114,149 |
| Credited to Services | | |
| DWP grant for Benefits | 18,485 | 18,523 |
| Criminal Justice | 1,731 | 1,447 |
| Other revenue grants (including EMAs and Home Insulation Scheme) | 3,441 | 2,509 |
| Other Capital Grants and Contributions | 2,637 | 6,366 |
| Total | 26,294 | 28,845 |

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 2013/14 are disclosed elsewhere within the Financial Statements:

- 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 Statement; and
- d) Payments to Elected Members and Chief Officers are shown in the Remuneration Report.

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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 £6,717 (2012/13: £6,668).
- b) ThinkWhere Ltd**
This is a limited company of which Clackmannanshire Council, Stirling Council and Falkirk Council are equal shareholders. The three funding Councils pay an annualised amount for core geographical information services to ThinkWhere Ltd (formerly Forth Valley GIS Ltd). The contribution paid by the Council in 2013/14 was £114,148 (2012/13: £179,808).
- c) SEEMIS Limited Liability Partnership**
The Council's contribution to this partnership was £41,544 (2012/13: £41,544). The Council is one of 28 Councils across Scotland with membership. The Council's contribution is 1.18%.
- d) Scotland Excel**
The Council's contribution to this partnership was £43,592 (2012/13: £44,346). The Council is one of 32 Councils 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.

| | 31 March 2013 | 31 March 2014 |
|---|----------------------|----------------------|
| | £000 | £000 |
| Opening Capital Financing Requirement | 117,244 | 115,090 |
| Capital investment | | |
| Property Plant & Equipment | 15,635 | 23,167 |
| Intangible Assets | 386 | 178 |
| Investment Properties | - | 49 |
| Sources of finance | | |
| Capital receipts | (921) | (781) |
| Government grants and other contributions | (6,173) | (8,121) |
| Sums set aside from revenue: | | |
| • Loans Fund Principal Direct revenue contributions | (3,500) | (6,623) |
| • Repayment of Finance Lease Capital Debt | (1,231) | (1,228) |
| • Loans Fund Principal | (6,350) | (6,374) |
| Closing Capital Financing Requirement | 115,090 | 115,357 |
| Explanation of movements in year | | |
| Increase / (Decrease) in underlying need to borrowing | (2,154) | 267 |

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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.

| | 31 March 2013 | 31 March 2014 |
|-----------------------|----------------------|----------------------|
| | £000 | £000 |
| Infrastructure Assets | 459 | 434 |

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

| | 31 March 2013 | 31 March 2014 |
|--|----------------------|----------------------|
| | £000 | £000 |
| Finance lease liabilities (net present value of minimum lease payments): | | |
| • current | 52 | 56 |
| • non-current | 493 | 437 |
| Finance costs payable in future years | 200 | 159 |
| Minimum lease payments | 745 | 652 |

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

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 31 March 2013 £000 | 31 March 2014 £000 | 31 March 2013 £000 | 31 March 2014 £000 |
| Not later than one year | 41 | 37 | 52 | 56 |
| Later than one year not later than five years | 122 | 103 | 251 | 270 |
| Later than five years | 37 | 19 | 242 | 167 |
| | 200 | 159 | 545 | 493 |

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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 2013 | 31 March 2014 |
|---|----------------------|----------------------|
| | £000 | £000 |
| Not later than one year | 184 | 184 |
| Later than one year and not later than five years | 735 | 735 |
| Later than five years | 460 | 276 |
| | 1,379 | 1,195 |

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

| | 2012/13 | 2013/14 |
|------------------------|----------------|----------------|
| | £000 | £000 |
| Minimum lease payments | 182 | 184 |

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.

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Note 40 - Private Finance Initiatives and Similar Contracts

Secondary Schools PFI Scheme

2013/14 was the sixth 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 2014, 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 | 2,764 | 1,187 | 3,483 | 7,434 |
| Payable within 2 to 5 years | 13,265 | 4,360 | 13,482 | 31,107 |
| Payable within 6 to 10 years | 19,810 | 6,212 | 16,211 | 42,233 |
| Payable within 11 to 15 years | 23,886 | 7,811 | 14,712 | 46,409 |
| Payable within 16 to 20 years | 25,418 | 11,797 | 13,919 | 51,134 |
| Payable within 21 to 25 years | 32,123 | 14,388 | 9,031 | 55,542 |
| Total | 117,266 | 45,755 | 70,838 | 233,859 |

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 the contractor for capital expenditure incurred is as follows:

| | 2012/13 £000 | 2013/14 £000 |
|--------------------------------------|-----------------|-----------------|
| Balance outstanding at start of year | 48,112 | 46,931 |
| Payments during the year | (1,181) | (1,176) |
| Balance outstanding at year-end | 46,931 | 45,755 |

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Note 41 - Impairment Losses

The Council carried out an assessment of its assets for indications of any impairments during 2013/14. 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 £26,044 on Council Dwellings, £1,665,986 on Surplus Assets, £145,000 on Investment Property and £2,509,258 on Other Land and Buildings. Total impairment £4,346,288 (2012/13: £724,000 on Surplus Assets, £250,000 on Investment Property and £81,000 on Other Land and Buildings. Total Impairment £1,055,000). All of these impairments are reflected in the relevant revaluation lines, for both Cost and Accumulated Depreciation, in Notes 12 and 14.

Note 42 - Termination Benefits

The Council terminated the contracts of 27 employees (2012/13: 34) through voluntary severance/redundancy and early retirement during 2013/14, incurring liabilities of £0.351m (2012/13: £0.724m). This includes provision in the accounts of costs relating to employees whose voluntary severance was approved during the 2013/14 financial year but who are not due to leave until the 2014/15 financial year. The Remuneration Report on page 19 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 these Financial Statements, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2013/14 the Council paid £2.754m to Teachers' Pensions in respect of teachers retirement benefits, representing 14.9% of pensionable pay. The figures for 2012/13 were £2.677m and 14.9%.

As a proportion of the total contributions into the Teachers' Pension Scheme during the year ended 31st March 2014, the Council's own contribution equate to approximately 0.8%.

Note 44 - Defined Benefit Pension Schemes

Pension Costs

The Council participates in two formal pension schemes: the Local Government Pension Scheme (LGPS) administered by Falkirk Council and the Teachers' Scheme as explained in Note 43 above. Both schemes provide defined benefits to members.

Local Government Pension Scheme (LGPS)

In accordance with International Accounting Standard 19 (IAS19) the Council is required to account for retirement benefits when it is committed to giving them, even if the giving will be many years into the future. This involves the recognition in the Balance Sheet of Clackmannanshire Council's share of the net pension asset or liability in the LGPS together with a pension reserve. The CIES also recognises changes during the year in the pension asset or liability. Service expenditure includes pension costs based on employers' pension contributions payable to the LGPS and payments to pensioners in the year.

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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 applied to the LGPS.

The following elements of pension costs are charged to the CIES:

- Current Service Cost - the increase in the present value of liabilities expected to arise from employee service in the current period;
- Past Service Costs - the increase in liabilities arising from decisions to improve retirement benefits in the current period but which are related to employee service in prior periods;
- Settlements - events that change the pension liabilities but are not covered by the actuarial assumptions;
- Interest Expense - the expected increase during the year in the present value of liabilities because the benefits are one year closer to settlement; and
- Expected Return on Assets (including interest income) - a measure of the expected average rate of return on the investment assets held by the scheme in the year.

The following transactions have been made in the financial statements in accordance with IAS19:

| | Restated 2012/13 £000 | 2013/14 £000 |
|---|--------------------------------------|-------------------------|
| Local Government Pension Scheme | | |
| Comprehensive Income and Expenditure Statement (CIES) | | |
| <i>Cost of Services:</i> | | |
| • current service cost | 6,582 | 8,505 |
| • past service costs | 206 | 797 |
| <i>Financing and Investment Income and Expenditure</i> | | |
| • interest expense - defined benefit obligation | 11,720 | 12,397 |
| • interest income on scheme assets | (8,067) | (8,825) |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 10,441 | 12,874 |
| <i>Other Post Employment Benefit Charged to the CIES.</i> | | |
| <i>Re-measurement of the net defined benefit liability comprising:</i> | | |
| • Return on pension fund assets (excluding interest income above) | (19,317) | (4,602) |
| • actuarial losses arising on changes in financial assumptions | 18,499 | 10,757 |
| • Other experience losses | 112 | 205 |
| Total Post Employment Benefit Charged to the CIES | 9,735 | 19,234 |
| Actuarial (gains) or losses on pension fund assets and liabilities | (706) | 6,360 |

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Local Government Pension Scheme

| | Restated 2012/13 £000 | 2013/14 £000 |
|---|--------------------------------------|-------------------------|
| Movement in Reserves Statement (MiRS) | | |
| <ul style="list-style-type: none"> • reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code 129 | (10,441) | (12,874) |
| <hr/> | | |
| Actual amount charged against the General Fund Balance for pensions in the year: | | |
| <ul style="list-style-type: none"> • employers' contributions payable to the Pension Fund | 7,105 | 8,282 |
| <hr/> | | |

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

| | 31 March 2013 £000 | 31 March 2014 £000 |
|--|-------------------------------|-------------------------------|
| Movement in Reserves Statement (MiRS) | | |
| Present value of the defined benefit obligation ⁽¹⁾ | (274,351) | (300,028) |
| Fair value of pension fund assets | 195,464 | 210,189 |
| Net Liability arising from Defined Benefit Obligation | (78,887) | (89,839) |
| | | |
| ⁽¹⁾ Pension Fund Unfunded liabilities included in the figure for present value of liabilities | 18,223 | 18,781 |

A reconciliation of Clackmannanshire Council's share of the present value of Falkirk Pension Fund's defined benefit obligation (liabilities) is as follows:

| | 2012/13 £000 | 2013/14 £000 |
|---|-------------------------|-------------------------|
| Local Government Pension Scheme & Discretionary Benefits | | |
| Opening balance at 1 April | (244,307) | (274,351) |
| Current service cost | (6,582) | (8,505) |
| Interest cost | (11,720) | (12,397) |
| Contributions by Pension Fund participants | (1,938) | (2,125) |
| Re-measurement (losses): | | |
| - Actuarial (losses) from change in financial assumptions | (18,499) | (10,757) |
| - Actuarial (losses) from other experiences | (112) | (205) |
| Past service costs | (206) | (797) |
| Benefits paid | 9,013 | 9,109 |
| Closing value at 31 March | (274,351) | (300,028) |

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

Local Government Pension Scheme

| | Restated 2012/13 £000 | 2013/14 £000 |
|---|--------------------------------------|-------------------------|
| Opening fair value of pension fund assets | 168,050 | 195,464 |
| Interest income | 8,067 | 8,825 |
| Return on pension assets (excluding amounts included in net interest) | 19,317 | 4,602 |
| Contributions from employers | 7,105 | 8,282 |
| Contributions by employees in the scheme | 1,938 | 2,125 |
| Benefits paid | (9,013) | (9,109) |
| Closing fair value of pension fund assets | 195,464 | 210,189 |

Analysis of Pension Fund's Assets

Clackmannanshire Council's share of the Pension Fund's assets at 31 March 2014 comprised:

| | 31 March 2013 £000 | 31 March 2014 £000 |
|---------------------------------------|-------------------------------|-------------------------------|
| Equity instruments (by industry type) | | |
| - Consumer | 20,231 | 21,103 |
| - Manufacturing | 11,306 | 12,436 |
| - Energy & Utilities | 10,097 | 10,911 |
| - Financial institutions | 16,096 | 17,550 |
| - Health & Care | 12,842 | 13,750 |
| - Information Technology | 6,138 | 6,318 |
| - Other | 4,300 | 5,388 |
| Sub Total Equity | 81,010 | 87,456 |
| Property (by type) | | |
| - UK | 11,825 | 13,955 |
| - Overseas | 1,203 | 1,087 |
| Sub Total Property | 13,028 | 15,042 |
| Private Equity | | |
| - UK | 11,535 | 11,173 |
| Sub Total Private Equity | 11,535 | 11,173 |
| Other Investment funds | | |
| - Equities | 42,616 | 46,637 |
| - Bonds | 18,376 | 17,843 |
| - Infrastructure | 3,826 | 4,262 |
| - Other | 17,218 | 21,518 |
| Sub Total Other Investment Funds | 82,036 | 90,260 |
| Cash and cash equivalents | 7,855 | 6,258 |
| Total Assets | 195,464 | 210,189 |

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Basis for Estimating Assets and Liabilities

The Council's share of the net obligations of the Falkirk Pension Fund is an estimated figure based on actuarial assumptions about the future and is a snapshot at the end of the financial year. The net obligation has been assessed using the "projected unit method", that estimates that the pensions will be payable in future years dependant upon assumptions about mortality rates, salary levels and employee turnover rates.

The fund's obligation has been assessed by Hymans Robertson, an independent firm of actuaries, and the estimates are based on the latest full valuation of the fund at 31 March 2011. This valuation is rolled forward to 31 March 2014 updated annually for significant assumptions. A full valuation is carried out every five years with the next one due to be completed during 2014/15. The significant assumptions used by the actuary are shown in the table below. The note includes a sensitivity analysis for the pension obligation based on reasonably possible changes in these assumptions occurring at the reporting date.

Local Government Pension Scheme

| | 2012/13 | 2013/14 |
|---|------------|------------|
| Long-term expected rate of return on assets in the fund: | | |
| Equity investments | 4.5% | 4.3% |
| Bonds | 4.5% | 4.3% |
| Property | 4.5% | 4.3% |
| Cash | 4.5% | 4.3% |
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners (years): | | |
| Men | 23.0 years | 23.0 years |
| Women | 25.8 years | 25.8 years |
| Longevity at 65 for future pensioners (years):: | | |
| Men | 24.9 years | 24.9 years |
| Women | 27.7 years | 27.7 years |
| Rate of inflation | 2.8% | 2.8% |
| Rate of increase in salaries | 5.1% | 5.1% |
| Rate of increase in pensions | 2.8% | 2.8% |
| Rate for discounting Fund liabilities | 4.5% | 4.3% |

LGPS liabilities are sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The method and types of assumption used in preparing the sensitivity analysis below did not change from this used in the previous period.

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Change in Assumptions at 31 March 2014

| | Approx % Increase to Employer | Approx Monetary Amount (£000) |
|--|-------------------------------------|-------------------------------------|
| 0.5% Decrease in Real Discount Rate | 10 | 28,719 |
| 1 year increase in Member Life Expectancy | 3 | 9,001 |
| 0.5% increase in the Salary Increase Rate | 3 | 8,108 |
| 0.5% increase in the Pension Increase Rate | 7 | 20,152 |

Impact on the Authority's Cash Flow

The objectives of the LGPS are to keep employers' contributions at as constant a rate as possible. Employers' contributions have been provisionally set at the following proportion of employees' rates for the next three years: 2014/15 (20.5%) 2015-16 (21%) and 2016-17 (21.5%). The next triennial valuation is due to be completed on 31 March 2014 where these rates may be required to be updated. The fund will need to take account of impending national changes to the LGPS such as the move to a new career average revalued earnings (CARE) scheme. The total contributions expected to be made by Clackmannanshire Council to Falkirk Pension Fund in the year to 31 March 2015 is £7.570m.

Change in Accounting Policy IAS19R

On 1 April 2013, the Council implemented a change of accounting policy relating to the June 2011 amendments to the accounting standard IAS19 Employee Benefits. The key change relates to the expected return on schemes assets. The revised standard requires a restatement of figures reported in the previous year's audited financial statements which provides a meaningful comparison between financial years.

The main change has resulted in a redistribution of costs within the CIES. The pension interest cost within the Surplus or Deficit on the Provision of Services has increased with a corresponding reduction in actuarial (gains) or losses on pension assets and liabilities in Other Comprehensive Income and Expenditure. Essentially the expected return on scheme assets that was credited to the Surplus or Deficit on the Provision of Services has been effectively replaced with an equivalent figure using the discount rate. There has been no change to the Balance Sheet position therefore no opening Balance Sheet has been presented.

The effects of the restatement on the financial statements are as follows (only those lines that have changed are shown):

Effect on Comprehensive Income and Expenditure Statement

| CIES | As Previously Stated 2012/13 £000 | As Restated 2012/13 £000 | Amendment £000 |
|--|---|--------------------------------|-------------------|
| Financing and Investment Income and Expenditure | 10,354 | 11,866 | 1,512 |
| (Surplus) or Deficit on the Provision of Services | (4,520) | (3,008) | 1,512 |
| Actuarial (gains) or losses on pension fund assets and liabilities | 806 | (706) | (1,512) |

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| | | | |
|--|-------|---------|---------|
| Other Comprehensive Income and Expenditure | (617) | (2,129) | (1,512) |
|--|-------|---------|---------|

Movement in Reserves Statement - Usable Reserves 2012/13

| General Fund Balance | As Previously Stated 2012/13 £000 | As Restated 2012/13 £000 | Amendment £000 |
|--|---|--------------------------------|-------------------|
| (Surplus) or Deficit on the Provision of Services | (7,279) | (8,791) | (1,512) |
| Total Comprehensive Income and Expenditure | (6,221) | (7,733) | (1,512) |
| Adjustments between Accounting basis and Funding basis under regulations | 3,166 | 4,678 | 1,512 |

Movement in Reserves Statement - Unusable Reserves 2012/13

| Unusable Reserves | As Previously Stated 2012/13 £000 | As Restated 2012/13 £000 | Amendment £000 |
|--|---|--------------------------------|-------------------|
| Other Comprehensive Income and Expenditure | 1,058 | 2,570 | 1,512 |
| Total Comprehensive Income and Expenditure | 1,058 | 2,570 | 1,512 |
| Adjustments between Accounting basis and Funding basis under regulations | (3,166) | (4,678) | (1,512) |

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, supervisory assistants and classroom assistants. Note 23 includes details of the provision in respect of those groups of employees identified so far for which settlement claims may be submitted. There remains a potential for new claims which is presented by this contingent liability.

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. The Council has made a provision, as detailed in Note 23, to cover a levy of up to 30% and this has been adequate to cover all claims to date. However should additional claims arise over and above the remaining provision, there remains potential for an increase in provision.

ThinkWhere Ltd

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The Council is aware that discussions are ongoing regarding the future operational requirements of the principal provider of its geographical information services - ThinkWhere Ltd (formerly Forth Valley GIS Ltd). As a shareholder the outcome may place a contingent liability upon the Council.

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 presently at arbitration and the Council has made a provision, (disclosed in Note 23), based on the latest advice received. However until the matter is resolved the Council considers it prudent to recognise the ongoing action as a contingent liability.

Holiday Pay

Due to a recent ruling, the Council may have to include within employees holiday pay an additional amount attributable to their regular overtime payments. The amount of this is as yet unknown.

Note 46 - Contingent Assets

There are no material Contingent Assets.

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 & Poor 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 2013/14 was approved by Full Council on 14th March 2013 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 £18.333m, 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 31 March 2014 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.

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Debtors

The Council generally allows credit of 14 days for customers, such that £2.423m is past its due date for payment. The past due amount can be analysed by age as follows:

| | 31 March 2013 | 31 March 2014 |
|------------------------|---------------|---------------|
| | £000 | £000 |
| Less than three months | 1,124 | 1,531 |
| Three to six months | 94 | 137 |
| Six months to one year | 188 | 186 |
| More than one year | 517 | 569 |
| Total | 1,923 | 2,423 |

During the year a sum of £125k was charged to the Comprehensive Income and Expenditure statement, increasing the provision against current debts to £468k.

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):

| Loans outstanding | 31 March 2013 | 31 March 2014 |
|--------------------------|----------------------|----------------------|
| | £000 | £000 |
| Public Works Loans Board | 95,702 | 91,702 |
| Market debt | 24,024 | 24,019 |
| Total | 119,726 | 115,721 |
| Less than 1 year | 4,000 | 10,000 |
| Between 1 and 2 years | 10,000 | 6,000 |
| Between 2 and 5 years | 12,200 | 11,200 |
| Between 5 and 10 years | 5,412 | 824 |
| More than 10 years | 88,114 | 87,697 |
| Total | 119,726 | 115,721 |

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.

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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 statement;
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive Income and Expenditure statement;
- 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; and
- 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 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| | |
|--|-------------|
| | £000 |
| Increase in interest payable on variable rate borrowings | 235 |
| Increase in interest receivable on variable rate investments | (15) |
| Impact on Comprehensive Income and Expenditure statement | 220 |
| <hr/> | |
| Decrease in fair value of fixed rate borrowing liabilities (no impact on Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure | 16,412 |

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.

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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 collection of artists' and makers' workshops, which has become 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/.

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 Lornshill Academy.

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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 website 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 the 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
- 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.

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Note 50 - Trust Funds

The Council acts as sole trustee for the Sundry Trust Funds listed below which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). The Sundry Trusts and Funds are accounted for separately from the Council's funds and are reported in a separate set of accounts, a copy of which can be obtained on request from Clackmannanshire Council.

The Council administers and holds cash on behalf of the following Sundry Trust Funds:

| | 2012/13 | 2013/14 |
|---|-----------------|----------------|
| | Restated | |
| | £000 | £000 |
| Clackmannan District Council Charitable Trust | 17 | 11 |
| Alloa Day Home Trust | 176 | 174 |
| Clackmannanshire Educational Trust | 31 | 30 |
| Tillicoultry Old Age Pensioners Outing Fund | 4 | 3 |
| Old Folks Welfare Fund | 8 | 8 |
| | 236 | 226 |

The Council also administers the funds for 59 other Charitable Trusts and Endowments:

| | 2012/13 | 2013/14 |
|---|-----------------|----------------|
| | Restated | |
| | £000 | £000 |
| Total Value of Trusts and Endowments | 170 | 163 |
| Total Value of all Trusts and Endowments | 406 | 389 |

2012/13 Restatement

The Sundry Trust Funds listed above have been restated from 2012/13 to show separately: Sundry Trusts Funds where the Council operates as sole Trustee; and Other Trusts and Endowments. This resulted in two trusts being redesignated as Sundry Trust Funds and five trusts and endowments shown within other Charitable Trusts and Endowments.

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Housing Revenue Account (HRA) Income and Expenditure Statement
for the year ended 31 March 2014

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*.

| 2012/13 Restated £000 | | 2013/14 £000 | 2013/14 £000 |
|--------------------------------------|---|-------------------------|-------------------------|
| | Expenditure | | |
| 4,755 | Repairs and maintenance | 5,459 | |
| 3,047 | Supervision and management | 3,362 | |
| 5,502 | Depreciation and impairment of non-current assets | 6,277 | |
| 310 | Impairment of debtors | 308 | |
| 466 | Other Expenditure | 536 | |
| 14,080 | Total Expenditure | | 15,942 |
| | Income | | |
| (15,630) | Dwelling rents | (16,467) | |
| (68) | Non-dwelling rents | (56) | |
| (15,698) | Total Income | | (16,523) |
| (1,618) | Net Income of HRA Services as included in the Comprehensive Income and Expenditure Statement | | (581) |
| | 323 HRA Services share of Corporate and Democratic Core | | 109 |
| (1,295) | Net income of HRA Services | | (472) |
| | HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement | | |
| (296) | (Gain)/Loss on sale of HRA non-current assets | 1,171 | |
| 1,403 | Interest payable and similar charges | 1,574 | |
| (147) | Interest and investment income | (74) | |
| 175 | Pensions interest cost and expected return on pension assets | 206 | |
| (2,590) | Capital grants and contributions receivable | (961) | |
| (1,455) | | | 1,916 |
| (2,750) | Deficit / (Surplus) for the year on HRA Services | | 1,444 |

2012/13 Restatement

The comparative figures for 2012/13 have been restated to reflect the change to Accounting Standard IAS19 Employee Benefits. Further details are shown in note 44 of the main Council Statements pages 92-93 and the notes to the Housing Revenue Account - HRA 6 on page 102.

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Movements on the Housing Revenue Account

| 2012/13 Restated £000 | | 2013/14 £000 | 2013/14 £000 |
|--------------------------------------|---|-------------------------|-------------------------|
| (4,180) | Balance on the HRA at the end of the previous year | | (4,884) |
| (2,750) | (Surplus) / Deficit for the year on the HRA Income and Expenditure Statement | 1,444 | |
| - | Transfer from the General Fund Reserve | (790) | |
| - | Transfer to the Capital Adjustment Account | 790 | |
| | Adjustments between accounting basis and funding basis under statute (Note 1) | 347 | |
| 2,046 | | | |
| (704) | (Increase)/Decrease in year on the HRA | | 1,791 |
| (4,884) | Balance on the HRA at the end of the current year | | (3,093) |

Notes to the Housing Revenue Account

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

| 2012/13 Restated £000 | | 2013/14 £000 |
|--------------------------------------|--|-------------------------|
| 296 | Gain (Loss) on sale and disposal of HRA non-current assets | (1,171) |
| 3,500 | Capital expenditure funded by the HRA | 5,752 |
| 2,590 | Capital Grants contributions that have been applied to capital financing | 961 |
| | Transfer to/from the Capital Adjustment Account: | |
| (5,502) | - Depreciation and Impairment | (6,277) |
| 1,393 | - Repayment of Debt | 1,365 |
| (219) | HRA share of contributions to or from the Pensions Reserve | (293) |
| (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. | 10 |
| 2,046 | Total | 347 |

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HRA 2. Housing Stock

The Council's housing stock at 31 March 2014 was 4,993 (4,969 at 31 March 2013) in the following categories:

| 2012/13 | | 2013/14 |
|----------------|-----------------|----------------|
| Number | | Number |
| 24 | One apartment | 24 |
| 1,323 | Two apartment | 1,333 |
| 2,229 | Three apartment | 2,245 |
| 1,254 | Four apartment | 1,252 |
| 138 | Five apartment | 138 |
| 1 | Six apartment | 1 |
| 4,969 | Total | 4,993 |

HRA 3. Rent Arrears

Rent Arrears increased during the year by £194,882 to a total of £1,031,091 (2012/13: £836,209). As a percentage of gross rental income, the arrears represent 6.3% (2012/13: 5.4%) which is equivalent to £207 (2012/13: £168) per house.

HRA 4. Impairment of Debtors

In 2013/14 an impairment of £776,722 (2012/13: £622,024) has been provided in the Balance Sheet for irrecoverable rents, an increase of £154,698 on the provision in 2012/13.

HRA 5. Transfer from General Fund

In 2012/13 it was agreed that £1,005,000 would be used to fund the Hallpark project from Earmarked Reserves. This financial year has necessitated the transfer of £790,150 from the total to fund the expenditure.

HRA 6. 2012/13 Restatement for IAS19 Employee Benefits

As detailed in note 44 on pages 92-93 of the main statements, on 1 April 2013 the Council implemented a change of accounting policy relating to the June 2011 amendments to the accounting standard IAS19 Employee Benefits. This change required restatement of the previous year's audited figures. The effects of the restatement on the HRA Income and Expenditure Statement are detailed below (only those lines that have changed are shown).

| | As Previously Stated | As Restated | Amendment |
|--|-----------------------------|--------------------|------------------|
| | 2012/13 | 2012/13 | |
| | £000 | £000 | £000 |
| Pensions interest cost and expected return on pension assets | 103 | 175 | 72 |
| (Surplus) for the year on HRA Services | (2,822) | (2,750) | 72 |

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Council Tax Income Account for the year ended 31 March 2014

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.

| 2012/13 | | 2013/14 |
|-----------------|---|-----------------|
| £000 | | £000 |
| (25,086) | Gross Council Tax levied and contributions in lieu | (25,352) |
| | Deduct: | |
| (35) | Council Tax Benefits (net of Government Grant) | - |
| 3,187 | Other discounts and reductions | 3,068 |
| 752 | Allowance for impairment of debts | 459 |
| 45 | Adjustments to previous years Council Tax | 25 |
| - | Council Tax Reduction Scheme | 3,687 |
| (21,137) | Net Council Tax Income transferred to General Fund | (18,113) |

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 2013/14 was £1,148. Council Tax Charges have been frozen at these levels since 2008/09 by the Scottish Government.

| Valuation Band | Total Council Tax Charge |
|-----------------------|---------------------------------|
| | £ |
| 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 |

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CTI 2. Calculation of the Council Tax Charge Base 2013/14

| | A | A | B | C | D | E | F | G | H | Total |
|--|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------|----------------|
| | (Disabled Relief) | | | | | | | | | |
| Total number of dwellings | - | 6,325 | 7,273 | 1,987 | 2,467 | 3,154 | 1,814 | 826 | 48 | 23,894 |
| Less exempt dwellings | - | (295) | (267) | (58) | (51) | (47) | (23) | (15) | (5) | (761) |
| Dwellings subject to disabled reduction | - | (24) | (36) | (17) | (22) | (43) | (13) | (9) | (3) | (167) |
| Dwellings subject to tax at this band due to disabled relief | 24 | 36 | 17 | 22 | 43 | 13 | 9 | 3 | - | 167 |
| Less adjustment for single discounts | (2) | (841) | (729) | (196) | (175) | (173) | (67) | (25) | - | (2,208) |
| Less adjustments for double discounts | - | (47) | (51) | (20) | (17) | (15) | (11) | (6) | - | (167) |
| Less adjustments for disregarded adults | - | (3) | (1) | (3) | (2) | (2) | (1) | (1) | (1) | (14) |
| Effective number of dwellings | 22 | 5,151 | 6,206 | 1,715 | 2,243 | 2,887 | 1,708 | 773 | 39 | 20,744 |
| 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 | 12 | 3,434 | 4,827 | 1,525 | 2,243 | 3,529 | 2,467 | 1,288 | 78 | 19,403 |

Less provision for non-collection @ 2.1%

407 properties

Council Tax Base 2013/14

18,996 properties

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**Non Domestic Rates Income Account for the year ended 31 March
2014**

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.

| 2012/13 £000 | | 2013/14 £000 |
|-----------------|---|-----------------|
| (18,030) | Gross rates levied and contributions in lieu | (17,993) |
| 3,348 | Reliefs and other deductions | 3,223 |
| 252 | Allowance for impairment of debts and appeals | 266 |
| <u>(14,430)</u> | Net non-domestic rates income | <u>(14,504)</u> |
| 338 | Adjustment to previous years' national non-domestic rates | 1,843 |
| <u>(14,092)</u> | Net Non-Domestic Rate Income | <u>(12,661)</u> |
| (36) | Add back: 25% Discretionary Reliefs not offset for Pool Contribution | (24) |
| <u>(14,128)</u> | Income for Contribution to Non-Domestic Rate Pool | <u>(12,685)</u> |
| 1,250 | Non Domestic Rates Income Retained by Authority (BRIS) | - |
| 12,878 | Contribution to National Non-Domestic Rate Pool | 12,685 |
| <u>(11,033)</u> | Distribution from National Non-Domestic Rate Pool | <u>(11,872)</u> |
| 1,845 | Loss from National Pool | 813 |
| <u>(11,033)</u> | Net NNDR Income per the Comprehensive Income and Expenditure statement (Note 10) | <u>(11,872)</u> |

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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

| | 2012/13 | 2013/14 |
|---|----------------|----------------|
| National Non-Domestic Rate | 45p | 46.2p |
| Large Property Supplement – properties valued > £35,000 | 0.8p | 0.9p |

NDR 3. Analysis of Rateable Values as at 1 April 2013

| Type of Subject | Number of Premises | Rateable Value £000 |
|------------------------|-------------------------------|------------------------------------|
| Commercial | 918 | 14,187 |
| Industrial | 340 | 13,682 |
| Miscellaneous | 331 | 10,564 |
| Total | 1,589 | 38,433 |

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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.

**COMPREHENSIVE
INCOME AND EXPENDITURE STATEMENT
for the year ended 31 March 2014**

| 31 March 2013 £000 | | 31 March 2014 £000 | |
|-----------------------------------|--|-----------------------------------|----------------|
| | Income | | |
| (223) | Charges for use of premises | (208) | |
| - | Specific Grant | (290) | (498) |
| (223) | | | |
| | Expenditure | | |
| 42 | Property Maintenance | 35 | |
| 74 | Utilities | 41 | |
| 43 | Rates | 52 | |
| 26 | Cleaning, land services and refuse collection | 40 | |
| 37 | Insurance | 40 | |
| 1 | Computer | - | |
| 122 | Depreciation | 124 | |
| 345 | | | 332 |
| 122 | Cost of Services | | (166) |
| (365) | Taxation and Non-Specific Grant Income | | (2,310) |
| (243) | (Surplus) on Provision of Services | | (2,476) |
| - | (Surplus) on revaluation of non-current assets charged to the Revaluation Reserve | | (4) |
| (243) | Total Comprehensive (Income) | | (2,480) |

The increase in Total Comprehensive Income for 2013/14 is due to grant income of £2.310m in the year to fund the refurbishment of a building into a Cultural Centre and One-Stop-Shop for the Community.

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COMMON GOOD BALANCE SHEET
as at 31 March 2014

| 2012/13 | | 2013/14 |
|----------------|-------------------------------|----------------|
| £000 | | £000 |
| | Non-Current Assets | |
| 4,110 | Property, Plant and Equipment | 6,300 |
| | Current Assets | |
| 8 | Short-Term Investments | 8 |
| - | Short-Term Debtors | 290 |
| 4,118 | Net Assets | 6,598 |
| | Usable Reserves | |
| 8 | Revenue Reserve | 8 |
| - | Capital Grants Unapplied | 290 |
| | Unusable Reserves | |
| 1,270 | Revaluation Reserve | 1,177 |
| 2,840 | Capital Adjustment Account | 5,123 |
| 4,118 | | 6,598 |

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Financial Statements 2013/14

COMMON GOOD MOVEMENTS IN RESERVES STATEMENT

| | Common Good Balance £000 | Capital Grants Unapplied Account £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Reserves £000 |
|---|-----------------------------------|--|-------------------------------------|------------------------------|---------------------------|
| Balance at 31 March 2012 | 8 | - | 8 | 3,867 | 3,875 |
| Movement in Reserves during 2012/13 | | | | | |
| Surplus on provision of Services | 243 | - | 243 | - | 243 |
| Other Comprehensive Income and Expenditure | - | - | - | - | - |
| Total Comprehensive Income and Expenditure | 243 | - | 243 | - | 243 |
| Adjustments between accounting basis & funding basis under regulations (Note 1) | (243) | - | (243) | 243 | - |
| Increase in 2012/13 | - | - | - | 243 | 243 |
| Balance at 31 March 2013 carried forward | 8 | - | 8 | 4,110 | 4,118 |
| Movement in Reserves during 2013/14 | | | | | |
| Surplus on provision of Services | 2,476 | - | 2,476 | - | 2,476 |
| Other Comprehensive Income and Expenditure | - | - | - | 4 | 4 |
| Total Comprehensive Income and Expenditure | 2,476 | - | 2,476 | 4 | 2,480 |
| Adjustments between accounting basis & funding basis under regulations (Note 1) | (2,476) | 290 | (2,186) | 2,186 | - |
| Increase in 2013/14 | - | 290 | 290 | 2,190 | 2,480 |
| Balance at 31 March 2014 carried forward | 8 | 290 | 298 | 6,300 | 6,598 |

NOTES TO THE COMMON GOOD ACCOUNT

Note 1. Adjustments between Accounting Basis and Funding Basis

| | Common Good Balance £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
|---|-----------------------------------|--|---|
| Charges for Depreciation and Impairment of Non-current assets | (124) | - | (124) |
| Capital Grants and Contributions Applied | 2,310 | - | 2,310 |
| Capital Grants and Contributions Unapplied Credited to the Comprehensive Income and Expenditure statement | 290 | (290) | - |
| | 2,476 | (290) | (2,186) |